



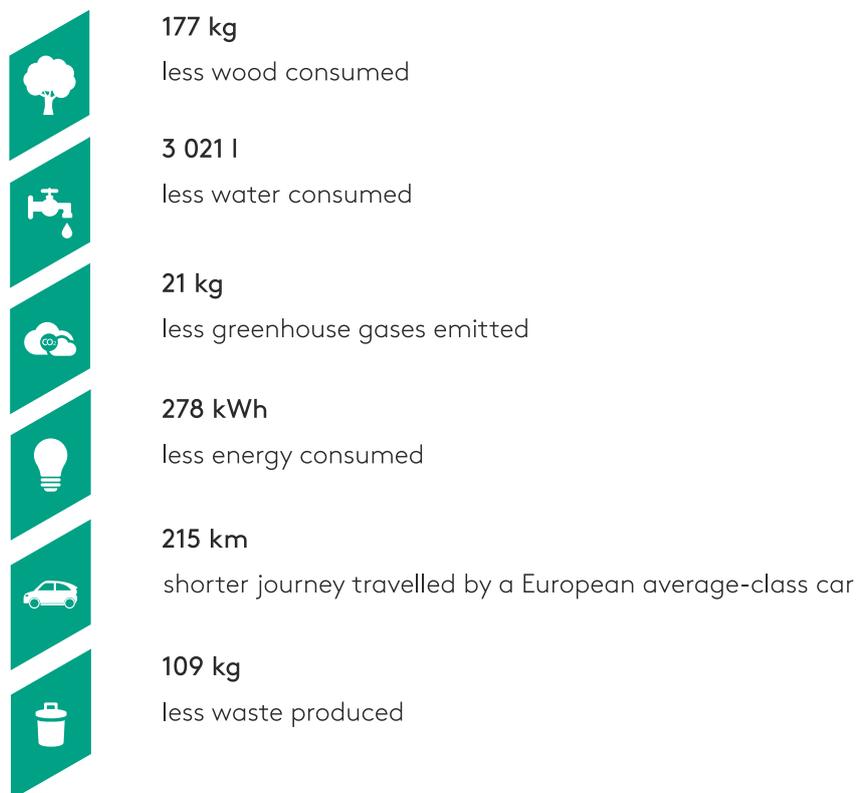
KGHM
POLSKA MIEDŹ S.A.

**Building
a Sustainable
Future**

**Integrated Annual
Report 2013**

KGHM Polska Miedź S.A. promotes and uses raw materials originating from sustainably managed forests. As a socially responsible corporation, we also support all activities promoting commitment to the sustainable use of natural resources.

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KGHM

POLSKA MIEDŹ S.A.

Building a Sustainable Future

**Integrated
Annual Report
2013**

**Economics, Society,
Environment**

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About KGHM Polska Miedź

DISCLAIMER

This annual report has been prepared based on the information available to KGHM Polska Miedź S.A. and its subsidiaries (hereinafter, KGHM, we or the Company) as at the issue date. The Company has made every effort to ensure the accuracy of the information included in this annual report. However, the Company does not guarantee the appropriateness, accuracy or usefulness of this information. The report is strictly of an informational nature and should not be construed as containing investment advice. The users of this report are solely responsible for their own analysis and assessment of the market situation and of the potential future results of KGHM based on the information contained in this report. The report is not, and should not be construed to be, a solicitation to sell, or to submit an offer to purchase or invest in, any of the securities of KGHM. The report is also neither in whole nor in part the basis for concluding any agreement or contract whatsoever or for undertaking any liabilities whatsoever.

This annual report includes certain forward-looking statements with respect to KGHM's operations. Words such as "intends", "strives", "projects", "expects", "estimates", "plans", "considers", "assumes", "may", "should", "will", "continues" and other words with similar meanings usually indicate the forward-looking nature of the statement. These forward-looking statements, due to their specific nature, may be in the form of projections and involve inherent risks and uncertainty, including the risk that the assumptions, expectations, intentions, projections and other forward-looking statements may never come to pass. The actual results, achievements and events which occur in future may significantly differ from the data directly contained or understood to be contained within this report.

KGHM accepts no responsibility for any losses that may be incurred by any individual or legal entity by their reliance on any of the information or forward-looking statements contained in this report. Each particular forward-looking statement represents one of numerous possible scenarios which may or may not come to pass, and should not be treated as the most probable one.

When considering forward-looking statements, the above factors should be carefully considered and taken into account, in particular, the economic, social and legal obligations of KGHM's activities. Except for cases directly provided for by the applicable laws, KGHM does not assume any obligations to publish updates and amendments to the forward-looking statements, based on either new information or subsequent events.



» KGHM is a steadily growing global leader working for our common good and the sustainable management of natural resources.«

Key financial data for 2003-2013

	Unit	2003	2004	2005
Statement of comprehensive income				
Sales	PLN m	4 741	6 158	8 000
Profit on sales	PLN m	431	1 445	2 707
EBITDA*	PLN m	956	1 761	2 937
Profit before income tax	PLN m	569	1 446	2 635
Net profit for the period	PLN m	412	1 397	2 289
Statement of financial position				
	PLN m			
Total assets	PLN m	8 695	8 948	10 977
Non-current assets	PLN m	6 621	6 552	7 079
Current assets	PLN m	2 074	2 397	3 899
Equity	PLN m	4 007	5 337	6 214
Liabilities and provisions	kt	4 689	3 612	4 763
Production results				
	t			
Electrolytic copper production	USD/t	529.6	550.1	560.3
Metallic silver production	USD/troz	1 358	1 344	1 244
Macroeconomic data (average annual)				
	USD/PLN			
Copper prices on the LME		1 780	2 868	3 684
Silver prices per the LBM		4.88	6.66	7.31
Exchange rate		3.89	3.65	3.23
Employment				
Mining		11 431	11 533	11 551
Smelting		4 379	4 037	3 976
Other		2 184	2 197	2 150
Total		17 994	17 767	17 677

Data consistent with the annual statements.

* Operating profit (in the years 2003-2006 operating profit adjusted by interest cost) +depreciation/amortization.

2006	2007	2008	2009	2010	2011	2012	2013	Change 2012 = 100
11 670	12 183	11 303	11 061	15 945	20 097	20 737	18 579	89.6
4 139	4 880	3 392	3 197	6 657	9 364	7 135	4 609	64.6
4 784	5 101	4 078	3 646	6 254	14 360	7 198	4 976	69.1
4 380	4 656	3 554	3 067	5 606	13 654	6 417	4 196	65.4
3 605	3 799	2 920	2 540	4 569	11 335	4 868	3 058	62.8
12 251	12 424	13 901	13 953	19 829	29 253	28 177	29 038	103.1
7 017	7 431	8 704	9 509	12 125	11 697	22 410	23 535	105
5 234	4 992	5 174	4 444	7 704	17 556	5 767	5 503	95.4
8 116	8 966	10 591	10 404	14 456	23 136	21 923	23 298	106.3
4 136	3 458	3 309	3 549	5 373	6 118	6 254	5 740	91.8
556.6	533.0	526.8	502.5	547.1	571.0	565.8	565.2	99.9
1 242	1 215	1 193	1 203	1 161	1 260	1 274	1 161	91.1
6 731	7 126	6 952	5 164	7 539	8 811	7 950	7 322	92.1
11.55	13.38	14.99	14.67	20.19	35.12	31.15	23.79	76.4
3.10	2.77	2.41	3.12	3.02	2.96	3.26	3.17	97.2
11 682	11 998	12 468	12 397	12 645	12 604	12 618	12 636	100.1
4 052	4 044	4 024	3 931	3 869	3 810	3 775	3 663	97.0
2 192	2 217	2 143	2 085	2 125	2 201	2 236	2 271	101.6
17 926	18 259	18 635	18 413	18 639	18 615	18 629	18 570	99.7

Letter of the Chairperson of the Supervisory Board of KGHM Polska Miedź

Dear Shareholders,

2013 was a year of significant challenges for mining companies worldwide. In light of the economic slowdown and anticipated production surplus in the years to come, the copper price fell considerably. A similar decline was observed in the price of silver, of which KGHM is one of the leading producers in the world. Furthermore, due to lower interest rates in Poland and a dynamic increase in US bond yields, some foreign capital fled Poland, weakening the zloty in the first half of 2013.

These developments had a substantial impact on the performance results of KGHM which, like any other global resource player, depends to a large extent on the price for major commodities set by the global markets.

In view of these challenges, in September 2013 the Supervisory Board, acting on a motion by the Management Board President, changed the composition of the Management Board. In the President's opinion, the changes were

necessary to intensify efforts aimed at growing the value of the Company and of the entire KGHM Group.

In 2013, KGHM focused on two main areas. The first one was foreign investments which is a key to the long-term value growth of the Company and the Group. At the end of 2013, progress on completion of the Sierra Gorda mine in Chile was estimated at 86%, which meant that we were right on track with the schedule. After the technical commissioning in mid-2014 and after completion of the ramp-up phase, Sierra Gorda will produce 220 000 tonnes of copper annually. Additionally, the mine will be one of the largest producers of molybdenum in the world, with annual production of around 50 million pounds in the first years of its operation.

With regard to the Victoria project, which is after Sierra Gorda the second most important foreign future growth engine for KGHM, an important agreement was signed in 2013 with



Chairperson
of the Supervisory Board
Aleksandra Magaczewska

Vale, a global leader of the mining industry. Under the agreement, KGHM obtained a building license and the right to manage the project as a sole owner. As a result, the value of the project went up, the risk related to its implementation was effectively mitigated and construction started in 2013.

Work was also continued on the Afton-Ajax project, including exploratory research and detailed geological studies. Wide-scale consultations with local communities were held, leading to adoption of a new plan for the mining plant in 2014.

While risk is an inherent element of all exploration and development investments as the growing capital expenditures demonstrate, according to the Management Board's long-term analyses all of KGHM's projects are expected to be profitable.

The second main area of KGHM's focus in 2013 was cost effectiveness. Thanks to the measures implemented, strict cost discipline was maintained throughout all quarters of 2013. This was particularly important in light of the changes in the Company's cost structure due to the introduction of the new mining tax imposed by the Polish government in the first

quarter of 2013. The initiatives aimed at reducing unit costs were supported by the growth in production volume. Despite the lower quality of the extracted ore due to mining operations carried out in areas of lower mineralization, the total amount of copper in the extracted ore was higher. This was possible due to a 2% increase in mining output. Consequently, the production of copper concentrate went up.

Smelting production remained at a high level, comparable to that of 2012. This was achieved through a higher recovery of copper by our smelters, a favorable percentage of production from own concentrate and despite the maintenance shutdown of the Głogów II smelter. In the opinion of the Supervisory Board, cost-effectiveness initiatives are the best response to the challenges occurring in KGHM's macroeconomic environment.

There are more challenges ahead for KGHM. 2014 will be the year of opening the Sierra Gorda mine and working towards achievement of its full production capacity. As a result, a significant growth in the volume of copper production will be seen in the entire Group.

About KGHM Polska Miedź

Letter of the Chairperson of the Supervisory Board

We will continue to develop the Victoria and Afton-Ajax projects and keep pursuing a long-term cost-effectiveness scheme in the Robinson mine. KGHM is also executing an ambitious investment program, under which more than PLN 4 billion will be spent in 2014.

While working towards the development of our foreign assets and ensuring their profitability, KGHM is not forgetting about its operations in Poland.

In 2014, production operations moved below the 1 200 meter level in KGHM's strategic area of Głogów Głęboki Przemysłowy (Deep Głogów).

We will also undertake a critical task of setting the development directions for the Group in the coming years. This is of particular

importance in the context of the aforementioned volatility of the macroeconomic environment.

On behalf of the Supervisory Board, I would like to thank everybody for their contribution to the achievement of our objectives in the past year. I am positive that in 2014, just like in the previous years, the joint efforts of the Supervisory Board, the Management Board and all employees of KGHM will turn into a success for the KGHM Group and its stakeholders.

Regards,



Aleksandra Magaczewska
Chairperson of the Supervisory Board





The KGHM Group is a co-owner of the world-class Sierra Gorda project in Chile, one of the largest copper and molybdenum deposits worldwide.



Pacific Ocean



Chile
Sierra Gorda

Letter of the President of KGHM Polska Miedź

Dear Shareholders,

GRI 1.1.

It is my great pleasure to present to you the first Integrated Annual Report in the history of KGHM Polska Miedź. We have done our best to describe in it not only the Company's most important activities in 2013, but we have also tried to show their social and environmental dimensions. This new approach to reporting, which is in line with global trends, shows our readiness to respond to changing stakeholder expectations and provides evidence of the Company's responsible attitude towards sustainable development.

In 2013, we were confronted by numerous challenges posed by the unfavorable economic environment. Prices of the base and precious metals mined by the Company went significantly down. The price of copper was 8% lower on average and the price of silver, a major contributor to our sales performance, dropped as much as 24%. Additionally, movements in the USD/PLN exchange rate had an adverse effect on the Company's results.

Despite all this, we managed to generate a net profit of PLN 3 058 m. Delivering results which

do not differ significantly from our guidance in such a dramatically changing environment is, in my opinion, a remarkable success. The satisfaction is even greater knowing that it is thanks to the joint effort of all of the Company's employees who deserve words of gratitude for their wholehearted commitment.

Another source of negative impact on the Company's earnings and cash flows was the minerals extraction tax. Our ability to deliver good results under such strenuous conditions can be attributed to stable production output and the continuation of rigorous cost discipline. All main costs with the exception of purchased copper-bearing materials and the minerals extraction tax remained unchanged throughout the year. We also managed to maintain a high level of ore extraction and grow the sales of copper products.

Thanks to its robust financial position, KGHM Polska Miedź can regularly share its profits with its shareholders. Let me emphasize the fact that the Management Board, paying due



Herbert Wirth
Board President

respect to the rights of shareholders investing in KGHM's shares, maintains its recommendation to allocate one-third of the profit for the period to a dividend.

2013 was also a time of intense efforts to advance the implementation of KGHM's strategy. We are convinced that continuous development based on investments in new technologies and expansion of the resource base is the only way in which we can increase shareholder value.

Capital expenditures on regional projects increased by one-third versus 2012. Nearly two-thirds of these funds were spent on mining activities, including investments of critical importance for the Company, such as the construction of the SW-4 shaft and commencement of construction of the GG-1 shaft under the Deep Głogów project. We have high hopes for changing mining technologies. Initial tests of the mechanical ore mining complex are showing positive results. We are striving to increase the degree of mechanization and automation both in the area of ore extraction and development of drifts in the mines. We are also conducting research on the intelligent mine concept.

After three years of major efforts, the process of renewing concessions for extracting copper ore from the existing deposits was finalized. The concessions received have secured the Company's interests in Poland for the next 50 years. We also received concessions for the exploration and evaluation of the Retków-Ścinawa and Głogów copper ore deposits and we have already commenced geophysical studies in the Gaworzyce-Radwanice area.

In 2013, we invested a considerable amount in our smelting activities. We continued the implementation of the Pyrometallurgy Modernization Program, with a total value of more than PLN 2 billion. One of the accomplishments of the program was the completion of modernization of the Głogów II Smelter. Worth noting is the fact that despite the ongoing maintenance and modernization work, the smelter maintained a high level of production.

A project of major importance for the Group, critical from the point of view of securing business continuity, is the expansion of the Żelazny Most Tailings Facility. At the stage of designing the expansion, we consulted the investment plans with local communities

About KGHM Polska Miedź

Letter of the Chairperson of the Supervisory Board

and authorities. We are fully aware of the fact that KGHM Polska Miedź has to implement its strategy looking not only at the business dimension but also bearing in mind its obligations arising from corporate social responsibility.

The past year strengthened the position of KGHM Polska Miedź as a global company. Today, we operate mines on three different continents. Our major focus in 2013 was the implementation of the Group's flagship project, construction of the Sierra Gorda mine in Chile. We did our utmost to keep the promise and launch the production there in 2014. Sierra Gorda is one of the largest copper mines in the world with very low production costs.

The mine will help to significantly lower unit production costs of the entire Group. The C1 unit cost of copper production in Sierra Gorda during the first five years is estimated at USD 1.13 per pound, while the corresponding cost in the KGHM Group amounted in 2013 to 1.85 USD per pound. We assume that in the first months of 2015, Sierra Gorda will reach the target production capacity for the first stage of the project, i.e. approximately 120 000 tonnes of copper, 50 million pounds of molybdenum and 60 000 ounces of gold a year. Annual average production over more than 20 years of the mine's life after phase two of the project is completed is planned to reach around 220 000 tonnes of copper, 25 million pounds of molybdenum and 64 000 ounces of gold. Additional production potential is related to the processing of oxide ore exposed through leaching. The first copper cathodes have already been manufactured using this technology as part of the ongoing tests.

In 2013 we continued our intensive efforts aimed at implementing the mining projects in Canada. We made great progress in the design work and began construction of the Victoria underground mine on a deposit rich in copper, nickel and precious metals. Further exploratory studies and test drillings were made on the grounds of the future open-pit mine on the Afton-Ajax deposit.

After consultations with the local community, the Company made a number of changes to the project with regard to location of certain elements of the mining infrastructure, in order to optimize investment expenditures and minimize environmental impact.

Our business results are as important to us as is the way in which we achieve them. KGHM Polska Miedź is an organization with over 50 years of experience. The Company would not be among the market leaders today if it did not adhere to its values in daily business and in the relations with its stakeholders.

We assume responsibility for the lives and health of our employees whose safety and personal development are our key priorities. We act responsibly in every field and thanks to our ability to cooperate, our courage and our focus on results, we are able to deliver on our objectives. Our people who share the set of values which are represented by the KGHM brand are the most precious asset of our Company.

We follow the rules of ethical conduct and maintain good relationships with our partners, local communities and shareholders. We are improving the implemented management systems based on the best practices available in the market.

Moreover, business success would not have been possible without following the path of sustainable development and managing the valuable natural resources thinking both about the present and future generations. In accordance with the adopted strategy, we will continue to implement our corporate social responsibility activities in Poland, while gradually extending the good CSR practices to our operations abroad. The idea of sustainable development has been and will be our guiding principle in the activities conducted in the area of Antofagasta in Chile and Sudbury (Ontario) and Kamloops (British Columbia) in Canada.

Our achievements in the field of corporate social responsibility are widely recognized. We have qualified as a member of the prestigious RESPECT index published by the Warsaw Stock Exchange every year since its launch. We want to be perceived as a company which contributes to the wellbeing of our region and country, while taking care of a sustainable future of people and the environment.

I wish to thank our stakeholders for the trust they have placed in us and our employees for their professionalism, responsibility and commitment to the successful development of KGHM.

Best Regards,



Herbert Wirth
President of the Management Board

Scope of business activities

GRI 2.1. This Integrated Annual Report describes the activities of the KGHM
GRI 2.4. Polska Miedź Group and, in particular, of its parent entity KGHM Polska Miedź (hereinafter, KGHM or the Company) with its head office in Lubin.

We are the only Polish producer of copper made of natural raw materials. The copper ore deposits discovered more than 50 years ago in the present Legnica-Głogów Copper Belt are among the most valuable natural resources of our country. The history of KGHM is strictly associated with the history of the copper industry in Poland. Of key significance for the development of this sector was the discovery of massive copper deposits near Lubin and Sieroszowice. The discovery made on 23 March 1957 by a team from the National Institute of Geology led by Dr Jan Wyżykowski was one of the most spectacular developments in Polish geology in the second half of the 20th century, marking the beginning of changes in the nature of the entire region. The presented documentation based on 24 drillings, of which 18 were taken into account for the purpose of determining

the size of the deposit, showed the presence of 1 364 million tonnes of copper ore over an area of 175 km², containing 19 399 000 tonnes of the metal.

In 1959, in order to begin exploration of the new deposit, a state-owned enterprise was established under the name Lubin Mining Plant under construction, transformed in 1961 into the Copper Mining and Metallurgical Enterprise (Kombinat Górniczo-Hutniczy Miedzi, or KGHM). Thirty years later, on 9 September 1991, the enterprise was converted into a 100% State Treasury-owned company called KGHM Polska Miedź.

Today our operations encompass advanced geological, mining and metallurgical activities and our production assets are distributed over three continents. We focus on copper ore

mining and on the production of copper, precious metals and other non-ferrous metals. Our mining operations are carried out by KGHM Polska Miedź (the Parent Entity) and other members of the KGHM Group: KGHM International Ltd., KGHM Ajax Mining Inc. and KGHM Kupfer AG.

The foundation on which our modern organization is built is one of the largest copper ore deposits in the world with an area of 467.7 km² located in south-western Poland. The mining of this deposit and its vast resources guarantees stability and business continuity for the Company over the next 40 years. Copper ore is also of paramount importance for the economy of Poland and the region in which our operations are carried out.

We are the third largest producer of silver and the eight largest producer of copper in the world.* In addition to those two basic materials, we also manufacture gold, molybdenum, nickel, lead and platinum group metals. We are the only manufacturer of rhenium and ammonium perrhenate from our own resources.

The production operations of KGHM in Poland are structured as a fully integrated process in which the product of one stage of the process is a starting material for the next stage. Copper ore is extracted in three underground mines: Lubin, Rudna and Polkowice-Sieroszowice. The extracted ore is transported to the processing plants where the enrichment process takes place. The outcome of this process is concentrate supplied to the metallurgical plants in Głogów and Legnica where it is smelted and subjected to fire refining in order to form anode copper. After the process of electrolytic refining, anode copper is transformed into cathode copper. Cathodes are used to manufacture wire rod and round billets, while the anode slime generated in the process of electrolytic refining of copper is a starting material for the production of silver and gold.

KGHM Metraco is the only European producer of rhenium (ammonium perrhenate) from its own resources and the third largest manufacturer worldwide.

GRI 2.2.

* World Silver Survey 2014; Cooper Survey 2014, Thomson Reuters GFMS.



KGHM – the largest manufacturer of mined copper in Europe



KGHM – a world leader in the production of silver

In North and South America, our Group owns five mines:

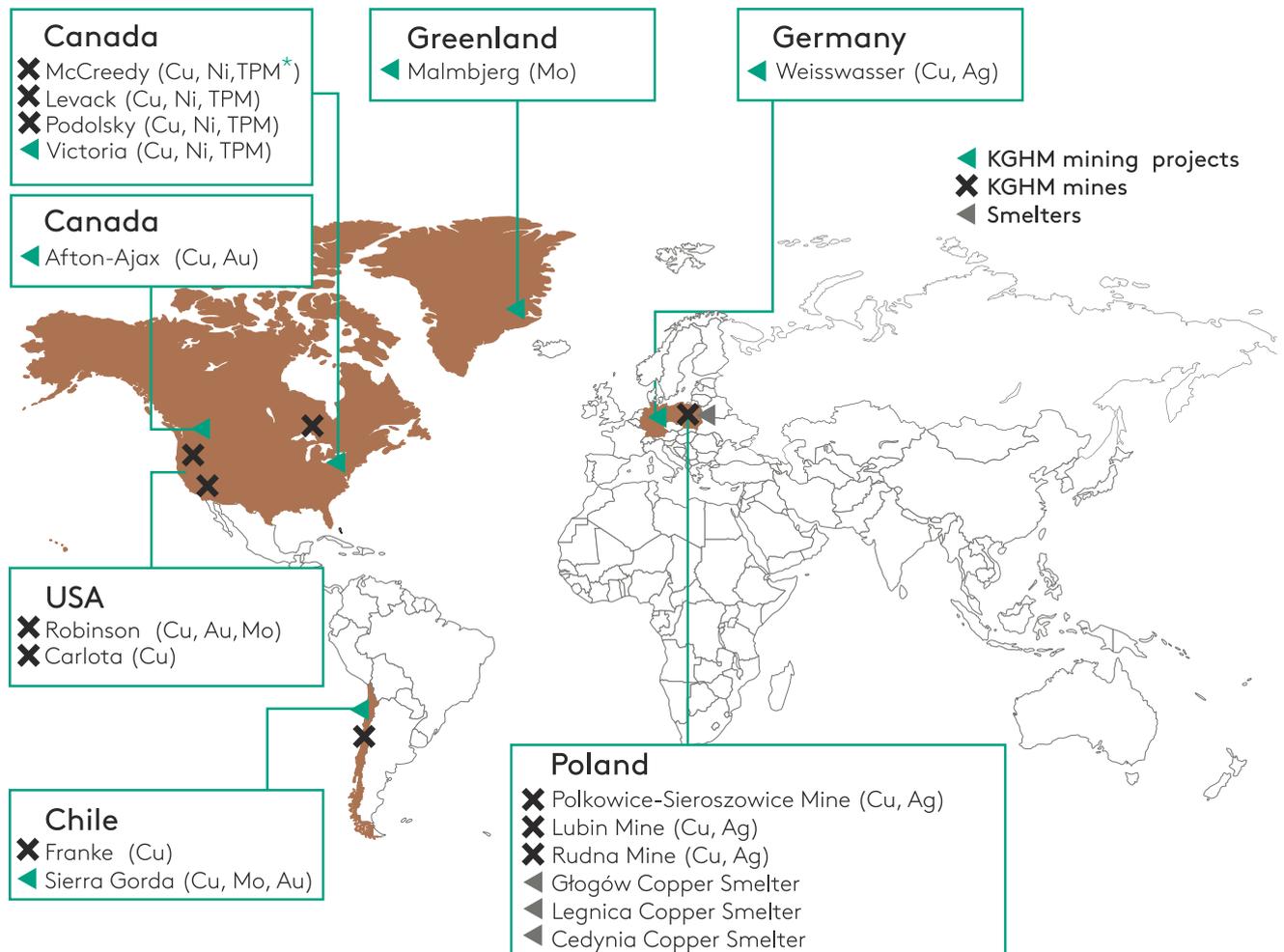
- ▶ three open-pit mines: Robinson (US), Carlota (US) and Franke (Chile), and
- ▶ two underground mines: McCreedy West (Canada) and Levack (Morrison Deposit, Canada).

The mines produce copper, nickel, gold, palladium and platinum in the form of ore and concentrate. Carlota is the only mine where cathode copper is produced in the process of solvent extraction and electrowinning (SX-EW).

The Group is also a co-owner of the world-class Sierra Gorda deposit in Chile. It is a joint project of KGHM International Ltd. (55%) and Sumitomo Group companies (Sumitomo Metal Mining Co. Ltd. 31.5% and Sumitomo Corporation 13.5%). The launch of mining operations in Sierra Gorda is scheduled for the second half of 2014. The open-pit mine will have an area of 6.7 km² and will be almost one kilometer deep. Ultimately, Sierra Gorda will produce 220 000 tonnes of copper, 11 000 tonnes of molybdenum and 2 tonnes of gold.

GRI 2.5. **Geographic footprint of KGHM Group as at 31 December 2013**

*TPM
- precious metals



KGHM Group in 2013

34 452

number of employees worldwide

3 033*

net profit

24 110*

sales revenues

3 386*

capital expenditures

*(in million PLN)

GRI 2.8.

The Sierra Gorda project is one of the largest copper and molybdenum deposits worldwide containing both sulfide copper ore and oxide copper ore situated above. The development of the Sierra Gorda mine will take place in two stages. The first one involves construction of a conventional open-pit mine (with mining operations carried out using explosives and excavators; extracted ore is loaded and transported to the processing facility), the necessary infrastructure (including a tailings pond, a power line and a sea water pipeline) and a processing facility with a molybdenum concentrate segregation line (high-pressure grinders, ball mills and conventional flotation process) with a daily processing capacity of 110 000 tonnes of ore. Oxide ore will be stored separately for potential heap leaching. The project also has exploration potential in the adjacent areas.

Cathode copper, our end product, is listed on the metal exchanges in London Metal and Shanghai, while refined silver holds certificates from the exchanges in London, Dubai and New York.

The shares of KGHM Polska Miedź have been listed since 1997 on the Warsaw Stock Exchange (WSE). Since November 2009 the Company has been a member of the RESPECT Index – an index of socially responsible companies published by the WSE.

Based on sales revenues generated in 2013, we are the sixth out of the 500 largest companies in Poland.* In the ranking of the top 500 companies in Central and Eastern Europe we took twelfth place based on 2012 sales revenue ** i.e. the highest position ever achieved by a mining sector company.

We employ over 18 000 people in Poland and we are a renowned employer and sponsor of culture, science and sport in the region. In 2013, KGHM won the title of the Most Attractive Employer in Poland. We also received the Economic Award of the President of the Republic of Poland for our contribution to the economic development of Poland and for upholding the positive image of the Polish economy.

* Ranking of the largest companies in Poland – Top 500 published by Rzeczpospolita, 2014.

** Ranking of the largest companies in Central and Eastern Europe 2013 – TOP 500, COFACE.

Ranking of the largest companies in Poland – Top 500
 published by *Rzeczpospolita* in 2014

2013	2012	Company name	Sales in thousand PLN	Change in sales [%]
1	1	Polski Koncern Naftowy Orlen S.A. GK, Płock	113 853 000	-5.20
2	4	Jeronimo Martins Polska S.A., Kostrzyn	32 872 434	13.71
3	5	PGNiG S.A. GK, Warszawa	32 120 000	11.80
4	3	Grupa Kapitałowa PGE S.A. GK, Warszawa	30 144 855	-1.10
5	2	Grupa LOTOS S.A. GK, Gdańsk	28 597 342	-13.63
6	6	KGHM Polska Miedź S.A. GK, Lubin	24 110 000	-9.72

Ranking of the largest companies in Central and Eastern Europe 2013,
 CEE Top 500, COFACE

	2012	2011	Country	Company name	Key sector
	—	1	PL	Polski Koncern Naftowy Orlen S.A.*	Oil and gas
	—	2	HU	MOL Magyar Olaj ES GAZIPARI NYRT*	Oil and gas
	↑	3	CZ	SKODA AUTO A.S.	Automotive
* Consolidated	↓	4	UA	NAFTOGAZ OF UKRAINE	Oil and gas
	↑	5	CZ	CEZ, A.S.*	Energy
	—	6	PL	Grupa LOTOS S.A.*	Oil and gas
	↓	7	UA	ENERGORYNOK	Energy
	↓	8	PL	PGE Polska Grupa Energetyczna S.A.*	Energy
	↑	9	PL	Jeronimo Martins Polska S.A.*	Retail
	↑	10	PL	POLSKIE GÓRNICTWO NAFTOWE I GAZOWNICTWO S.A.*	Oil and gas
	↑	11	SK	VOLKSWAGEN SLOVAKIA A.S.	Automotive
	↑	12	PL	KGHM Polska Miedź S.A.*	Mining



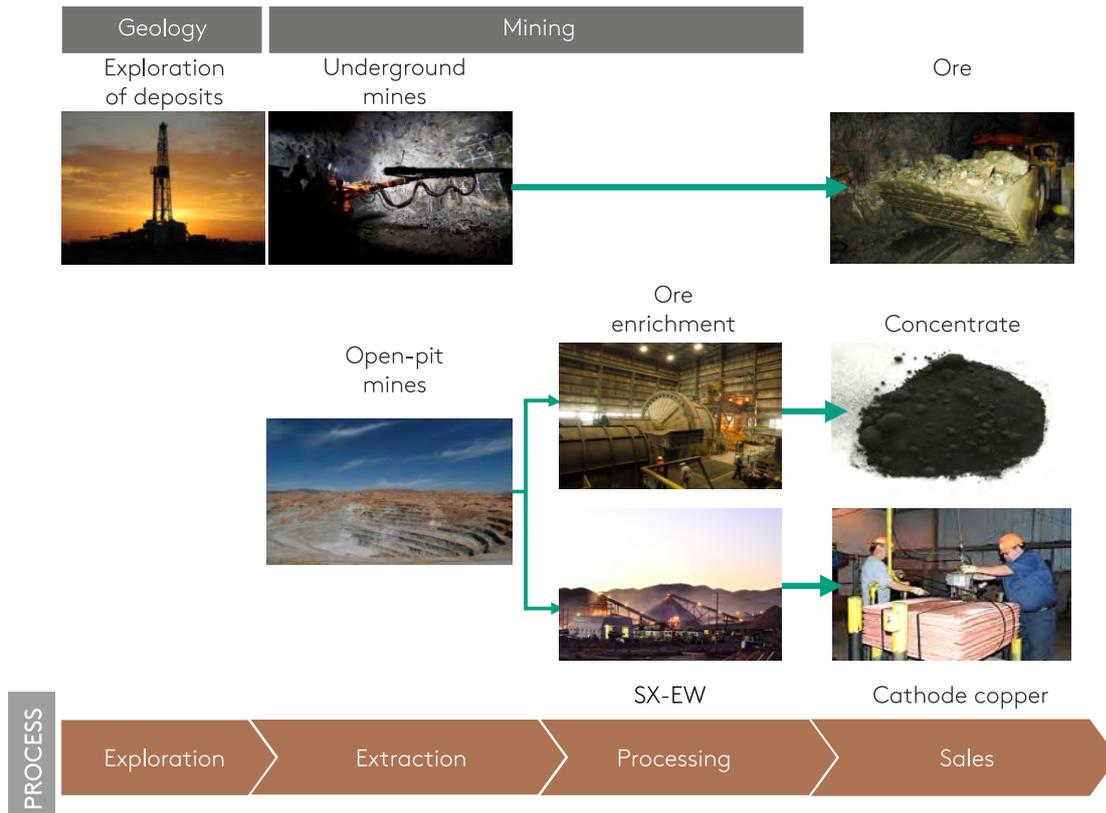
Sales in 2011 [in million EUR]	Sales in 2012 [in million EUR]	Change in sales	Employment in 2012	Change in employment
26 261.89	29 484.93	12.3%	21 956	-2.2%
18 167.00	18 775.87	3.4%	5 424	0.3%
9 214.03	9 506.62	3.2%	26 404	0.5%
10 254.51	9 245.32	-9.8%	691	12.7%
8 340.07	8 552.15	2.5%	5 872	-1.0%
7 183.23	8 128	13.2%	5 015	-3.0%
6 696.65	7 795.56	16.4%	232	NA
6 901.34	7 501.70	8.7%	41 276	-6.9%
6 208.00	7 096.88	14.3%	39 595	32.2%
5 647.37	7 053.22	24.9%	32 326	-2.3%
5 192.34	6 587.44	26.9%	9 400	11.9%
5 427.27	6 556.08	20.8%	34 045	9.2%

The core business of the KGHM Group is currently carried out based on two models:

1. Geological, mining and smelting activities in Poland

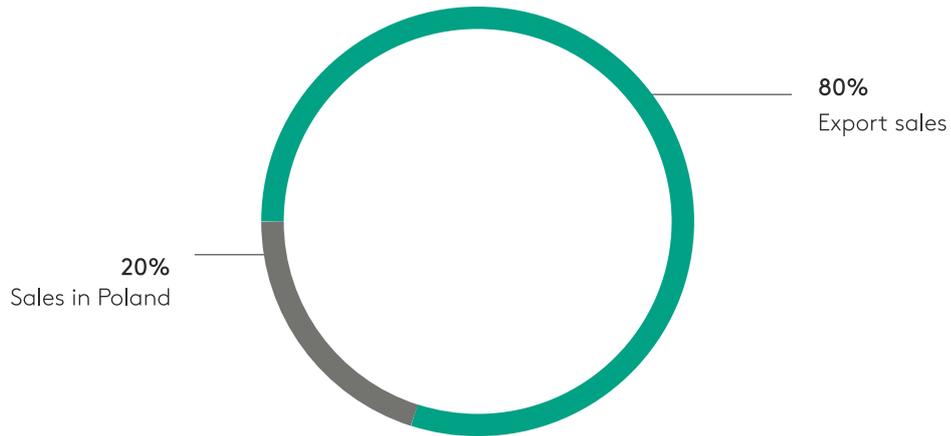


2. Geological and mining activities in Canada, United States and Chile



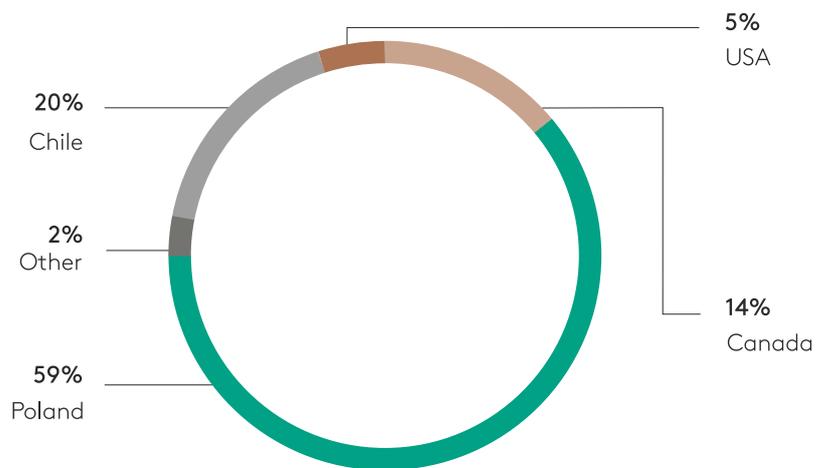
GRI 2.7. In 2013, sales of copper and copper products accounted for 80% of the total volume of export sales by the Company.

Geographic breakdown of KGHM Group's sales in 2013



	Unit	
Sales in Poland	PLN m	4 837
Export sales	PLN m	19 273

Fixed assets of KGHM Group



The strategic goal of the KGHM Polska Miedź S.A. Group is to increase mined copper production to around 700 thousand tonnes annually, while respecting business ethics and corporate social responsibility, in the most environmentally-friendly manner possible.

Our mission and value system

The mission of KGHM assumes an increase in the Company's value through the optimum utilisation of natural resources. Our main focus for the Company's development is on the core business (i.e. the mining and processing of copper ore into electrolytic copper), which is the main source of the Company's revenues.

We have joined the group of global copper producers and we intend to build our future among them. We are growing rapidly thanks to our highly-qualified workforce and the mining projects under development. We operate in regions rich in natural resources with stable political and business environments. We also draw strength from our tradition shaped by the ethos of the mining and metallurgical professions. It is this tradition that makes us all proud of being a part of KGHM, despite living and working on different continents, in different countries and cultures. Bearing in mind KGHM's history and significance for regional development, as well as the consequences of the monocultural nature of the copper industry, we have committed ourselves to achieving our goals while observing the principles of corporate social responsibility.

Corporate social responsibility is an essential element of all our developmental activities which we conduct having in mind the common good and the sustainable management of natural resources. Our approach covers all relevant social, ethical and environmental aspects of the Company's business operations and overall responsibility and transparency in the management of relationships with our stakeholders. Our aim is to achieve an ideal balance between the Company's business effectiveness and performance and the social interest of the communities in which we carry out operations.

GRI 4.8.

Global organizations need a consistent set of operating rules. KGHM's commitment to maintaining the highest business ethics standards in such a diverse environment is of paramount importance. One of the strategic objectives set forth in KGHM's Corporate Social Responsibility Strategy 2009-2018 adopted by the Management Board is to position the Company as a transparent organization managed in accordance with the best corporate governance practices and business ethics standards.

In 2013 we initiated work on the development of KGHM's corporate culture model and

guidelines for a set of values for our organization.

In this process we took into account the most important elements, such as the Company's traditions, vision and future development strategy, as well as on the diversity of our Group companies. As a result of the activities carried out to date, including a wide-ranging series of workshops attended by the management staff and surveys conducted

among all employees, we have defined a set of values for KGHM's and a draft version of the Code of Ethics. These values will form a common roadmap for the entire Group. We will adhere to them in all interactions with our stakeholders. Reinforcement of the values is an ongoing process and task of each of us. Success in this field will only be achieved when we are sure that every KGHM employee respects and lives by our common, corporate values.

Our values

SAFETY

We all share responsibility for our safety.

The lives and health of our employees are the key priorities. We respect the natural environment and the local communities where we operate. We focus on ensuring the continuity and stability of KGHM's business activities.

TEAMWORK

Teamwork is the foundation of our success.

We work together as a team, sharing our knowledge and experience. In discussions, we respect the views of others and we are open to different attitudes. We make use of employees' talents and respect cultural diversity.

FOCUS ON PERFORMANCE

We focus on performance with a view to the long-term success of KGHM.

We set ourselves ambitious goals and keep developing. We take the initiative and make an extra effort for KGHM. We do our work well using the right tools and the best solutions and drawing on our internal know-how.

ACCOUNTABILITY

We are accountable to our stakeholders for all actions.

We give a good example to others acting in a transparent and socially responsible way. We are accountable for our decisions, obligations and for continuous development. We build long-term relationships with our social partners.

COURAGE

We take up new challenges in a thoughtful way.

We are courageous. We face new challenges. We are open and honest in all contacts and we are not afraid to speak our mind. We make decisions and look for new, innovative solutions.

Our system of values is founded on conformance with the law, integrity and upholding KGHM's reputation. We build a work environment based on mutual trust and respect for everyone.

These values are shared by all employees irrespective of their position in the organization or nationality and they set the direction for all our decision and actions.

The values show us how to behave in the workplace and help us make decisions on a daily basis. They make us stronger as a team and build our image as a stable, responsible and socially-engaged company. Acting in accordance with our values, we make a contribution to the long-term success of KGHM.

An open demonstration of our approach has been the decision to join the group of signatories of the Declaration of Polish Businesses for Sustainable Development. This document is an element of a bigger project

implemented under the auspices of the Ministry of Economy and modeled on the World Business Council for Sustainable Development initiative.

In 2012, the key challenges and priority areas were defined in which the business community should take an active role in order to support social and economic transformations consistent with the idea of sustainable development. The Company's representatives took part in formulating the conclusions and principles set forth in the Vision of Sustainable Development of Polish Businesses Until 2050.

We are a signatory of the Declaration of Polish Businesses for Sustainable Development

Aware of the challenges faced by the Polish economy and fully recognizing the need to pursue a path of sustainable development, we, the undersigned, hereby commit:

1. to run our operations based on extensive cooperation, innovative thinking and education of our own employees and society at large;
2. to conduct business based on trust and dialogue;
3. to cooperate with academic institutions and schools on the education of future employees;
4. to create conditions and opportunities for the professional advancement of employees;
5. to promote and support the implementation of new technologies;
6. to build infrastructure and run projects based on dialogue and in line with the principles of sustainable development;
7. to take steps to reduce our adverse impact on the environment;
8. to introduce solutions designed to reduce energy consumption by deploying new technologies, streamlining processes and education;
9. to communicate with the government and share our experience in areas relevant to businesses and the economy;
10. to enhance ethical standards of business conduct, including with respect to relations with all stakeholder groups.

Shareholders

GRI 2.6. As at 31 December 2013, the share capital of the Company amounted to PLN 2 000 million and was divided into 200 000 000 series A shares, fully paid up, with a nominal value of PLN 10 each. All of the shares are bearer shares. The Company has not issued any preference shares. Each share gives the right to one vote at the General Meeting.

In 2013 there were no changes in the registered share capital or in the number of shares. There were also no changes in the ownership of significant blocks of shares of KGHM Polska Miedź. The only Company shareholder in 2013 with a stake granting the right to at least 5% of the share capital and 5% of the total number of votes was the State Treasury.

Shareholding structure of KGHM Polska Miedź (as at 31 December 2013)



Ownership structure (as at 31 December 2013)

*
On the basis of a notification received by the Company on 12 January 2010.

	Number of shares/votes	Total nominal value of shares (PLN)	Percentage held in share capital/total number of votes [%]
State Treasury *	63 589 900	635 899 000	31.79
Other shareholders	136 410 100	1 364 101 000	68.21
Total	200 000 000	2 000 000 000	100.00

Other shareholders, whose total ownership of the share capital and share in the total number of votes amounts to 68.21%, are mainly institutional investors, both domestic and international. KGHM does not hold any of its own shares. In 2013, the Company did not have an employee performance share scheme and is not aware of any arrangements which could result in changes in the current shareholding structure in the near future.

As at 31 December 2013, only

Marcin Chmielewski, Vice President of the Management Board, held 93 shares of the Company with a total nominal value of PLN 930. No member of the Supervisory Board held any shares in the Company as at that date.

At the beginning of April 2014, each of the Management Board members of KGHM Polska Miedź purchased 1 900 shares in the Company, in the course of regular transactions executed during trading sessions at the Warsaw Stock Exchange.

Organizational structure

Organizational structure of KGHM as at 31 December 2013

Lubin Mine	Głogów Copper Smelter	KGHM Polska Miedź CENTRAL OFFICE ^{1/}
Polkowice-Sieroszowice Mine	Legnica Copper Smelter	Mine-Smelter Emergency Rescue Unit
Rudna Mine	Cedynia Copper Smelter	Data Center
Ore Enrichment Plant		
Tailings Plant		

^{1/} On 1 July 2013, the Management Board Head Office of KGHM Polska Miedź changed its name to the Central Office of KGHM Polska Miedź.

As at 31 December 2013, the Group consisted of the Parent Entity, KGHM Polska Miedź, and 81 subsidiaries, including four closed-end, non-public investment funds. Some of the subsidiaries formed their own groups. The biggest of them, both in terms of the number of entities and their equity value, is KGHM International Ltd., with 29 subsidiaries.

As at the end of the reporting period, the KGHM Group had shares in one associated entity and three joint ventures. In 2013, detailed management analysis covered five main segments of the Group's operations. The operating segments are at the same time reporting segments

Operating segments of the KGHM Group

Operating segments	Entities which belong to the segment
KGHM Polska Miedź	KGHM Polska Miedź S.A.
KGHM International Ltd. Group	Companies from the KGHM International Ltd. Group
Sierra Gorda project	A joint venture of Sierra Gorda S.C.M.
Resource base development	Companies engaged in exploration for and evaluation of mineral resources which are ultimately expected to conduct mining operations
Support of major technological processes	Companies directly associated with the core business of the Parent Entity, KGHM Polska Miedź
Other segments	All other Group companies unrelated to the mining industry.

Organizational structure of the KGHM Group as at 31 December 2013

	KGHM Polska Miedź S.A.					
1/ Unconsolidated subsidiary.						
2/ Associate not subject to consolidation.	PeBeKa S.A.	100%	INOVA Spółka z o.o.	100%	KGHM Kupfer AG	100%
3/ Joint venture accounted for using the equity method.	KGHM ZANAM Sp. z o.o. ^{/4}	100%	KGHM CUPRUM sp. z o.o. – CBR	100%	KGHM Kupferhandelsges. m.b.H.i.L.	100%
4/ Change in name from ZANAM-LEGMET Sp. z o.o.	KGHM TFI S.A.	100%	CBJ sp. z o.o.	100%	„MCZ” S.A.	100%
	KGHM IV FIZAN	100%	KGHM Metraco S.A.	100%	Zagłębie Lubin S.A.	100%
	KGHM V FIZAN	100%	KGHM (SHANGHAI) COPPER TRADING CO., LTD.	100%	KGHM LETIA S.A.	89%
	WFP Hefra S.A.	99%	KGHM Ecoren S.A.	100%	TUW-CUPRUM ^{/1}	100%
	KGHM III FIZAN	100%	Ecoren DKE sp. z o.o. in liquidation	100%	PHP „MERCUS” sp. z o.o.	100%
	NANO CARBON Sp. z o.o. ^{/3}	49%	CENTROZŁOM WROCŁAW S.A.	99%	PHU „Lubinpex” Sp. z o.o.	100%
			Non-ferrous Metal Rolling Plant „ŁABĘDY” S.A.	85%	„Mercus Software” sp. z o.o. ^{/1}	100%
					PHU „Mercus Bis” sp. z o.o. ^{/2}	32%



The scope of the Group's operations is very broad, but the core business is represented by the operations of the KGHM Group and KGHM

International Ltd. Group, i.e. the mining of metals, mainly copper, which is the main source of the Group's income.

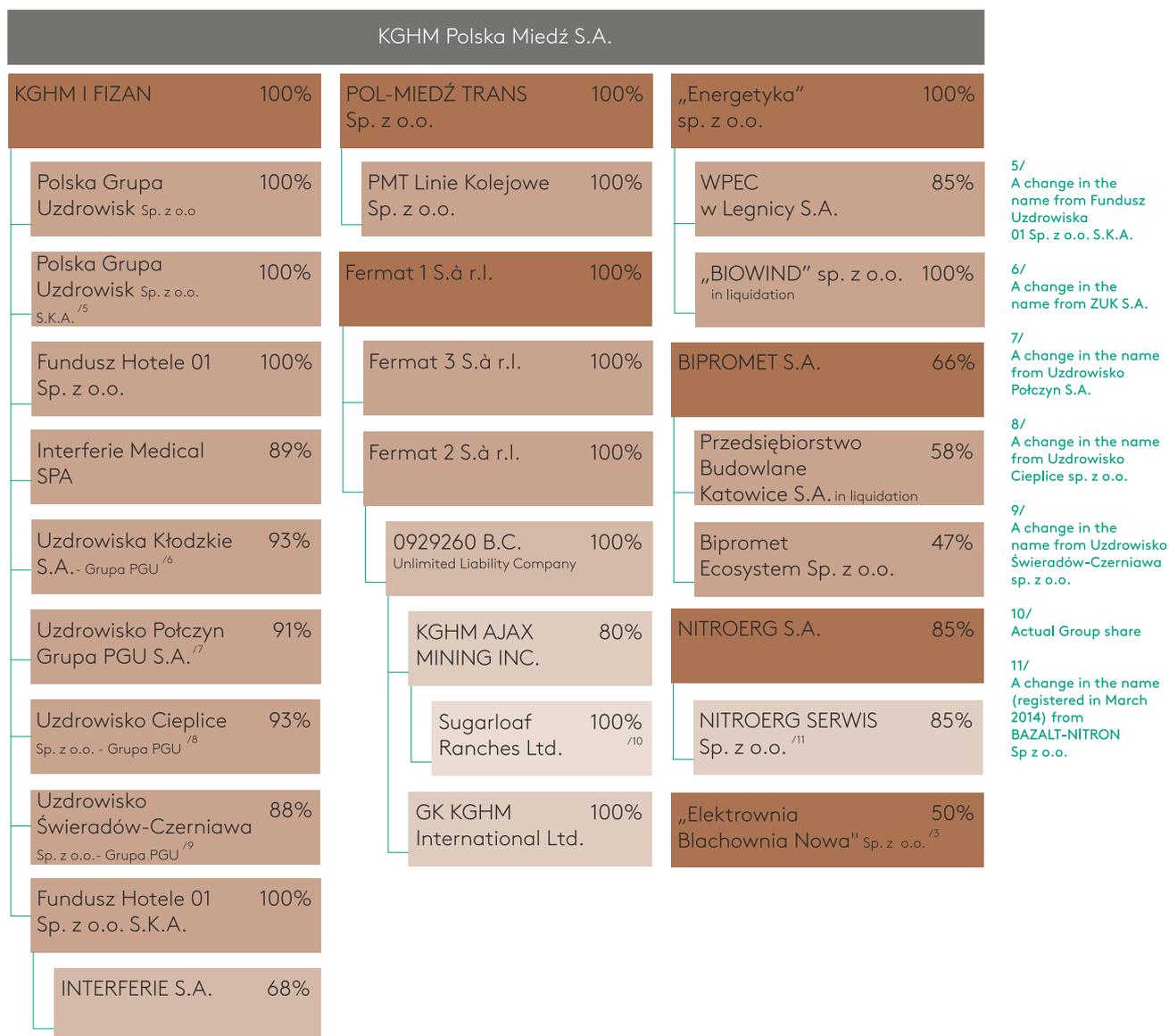


Chart showing the organization of the KGHM International Ltd. Group as at 31 December 2013



Integrated Approach to Reporting

The 2013 Annual Report of KGHM Polska Miedź S.A. is an integrated report covering the activities in the reporting year 2013, corresponding to the calendar year, in line with the adopted annual reporting cycle. This report is the Company's first Integrated Annual Report.

GRI 3.1.
GRI 3.2.
GRI 3.3.
GRI 3.5.
GRI 3.9.
GRI 3.13.

In 2011 and 2012, we published separate reports presenting the financial and non-financial aspects of our operations. The first corporate social responsibility report of KGHM covered the years 2010 and 2011, while the next one showed the results for 2012. The Company's Management Board has decided to integrate the reports presenting KGHM's approach to management and performance results to stakeholders in all key aspects of the Company's operations, i.e. economic, social, environmental, corporate governance and business ethics.

Our intention is to allow our stakeholders to assess, comprehensively and objectively, our overall commitment to sustainable development and building long-term shareholder value.

This decision follows the best communication practices of public companies:

 **in the area of financial reporting**
we have applied the International

Financial Reporting Standards (IFRS) adopted by the European Union, in force as at 31 December 2013;

 **in the area of non-financial reporting**
we have applied the standards of the Global Reporting Initiative Framework (version G3.1) with the Mining and Metals Sector Supplement (MMSS) developed by the Global Reporting Initiative. We have also declared achievement of the A+ level of the three-step system of GRI Application Levels.*

Additionally, following the announcement in December 2013 of the integrated reporting guidelines published by the International Integrated Reporting Council, we have tried to respond to the main assumptions of this relatively new reporting model, both in Poland and around the world.

*GRI Application Levels are marked from C (lowest level) to A. The reporting criteria assigned to each Level check the degree of compliance with the Guidelines and with the GRI Reporting Framework.

About KGHM Polska Miedź Integrated Approach to Reporting

We are thus presenting the business model of KGHM and the organization, together with the characteristics of the sector we operate in, the adopted corporate governance principles, the opportunities and risks related to the Company’s operations and our strategy, including information about the degree of achievement of the set objectives.

The future goals and plans are presented both in respect of the Business Strategy and the Corporate Social Responsibility Strategy until 2018. We are continuously improving our reporting model in order to satisfy

the expectations of our stakeholders in the best possible way.

It is an ongoing process and we are aware of the related challenges for the entire organization. The integrated approach to reporting is a consequence of our vision of doing business, the awareness of the scale and nature of KGHM’s impact on the quality of the natural, social or intellectual capital in its direct environment and a belief that no business can develop responsibly without a strategic approach to sustainable development.

Advantages of implementation of the Corporate Social Responsibility Strategy by KGHM Polska Miedź

STRATEGIC DIRECTION	ADVANTAGES FOR THE ORGANIZATION
I. Environmentally-friendly innovator	Risk management. Higher process effectiveness and lower costs.
II. Good neighbor and a trustworthy investor	License to operate/ social consensus. Partnership with local communities and authorities.
III. Well-managed business partner	Developing the desired market position and brand recognition. Building trust and credibility. Generating shareholder value.
IV. Responsible employer	Loyalty, higher motivation and commitment of employees.

LONG-TERM INCREASE IN KGHM’S OVERALL VALUE

The integrated reporting model should demonstrate to KGHM stakeholders our commitment to building the Company's value by respecting the principles of corporate social responsibility in all actions undertaken to achieve the business objectives.

While working on this Report, we were guided by the principles of integrity, completeness, consistency and comparability. The presented data was verified for conformance with the actual facts at the stage of their collecting. The financial statements of KGHM Polska Miedź S.A. incorporated in the publication were subject to examination by independent registered auditors from PwC.

While the Company's non-financial data has not been reviewed externally this time, all the information has been sourced from the Company's internal systems and periodic reports submitted to the Management Board with information on progress in the achievement of objectives set forth in the Corporate Social Responsibility Strategy. The methods used to calculate the financial data presented in the Report are the same as those applied in the

Financial Statements. We have relied on data calculated on the basis of reports submitted to the central Statistics Office and, in the case of monitoring greenhouse gas emissions, we have applied the unified methodology of KGHM CUPRUM CBR. No significant changes have occurred in this respect since last year. The accounting processes underlying the preparation of this Report have been additionally supported by the management systems implemented in the company.

The present Report is published in a hardcopy form produced with due respect for all environmental standards and in an online version available at the Company's website at: www.raportroczny.kghm.pl.

You will find there a full version of the Company's financial statements with the Opinion of the Independent Registered Auditor and the Statement on the Application of Corporate Governance Principles in 2013.

The Company's earlier reports are also available at our website www.kghm.pl. Contact details can be found in the Useful Information section of this Report.

Scope and Reach

The selection of information presented in this Report was based on the principle of relevance. By relevance, we mean the importance of a given aspect not only for our business but also for the Company's external stakeholders.

In order to define the contents of the Report, we organized a series of workshops attended by the management members who are specialists in the areas of particular significance for the key

aspects of our Business Strategy and Corporate Social Responsibility Strategy. Altogether, twenty-five people were involved in the consultation process.

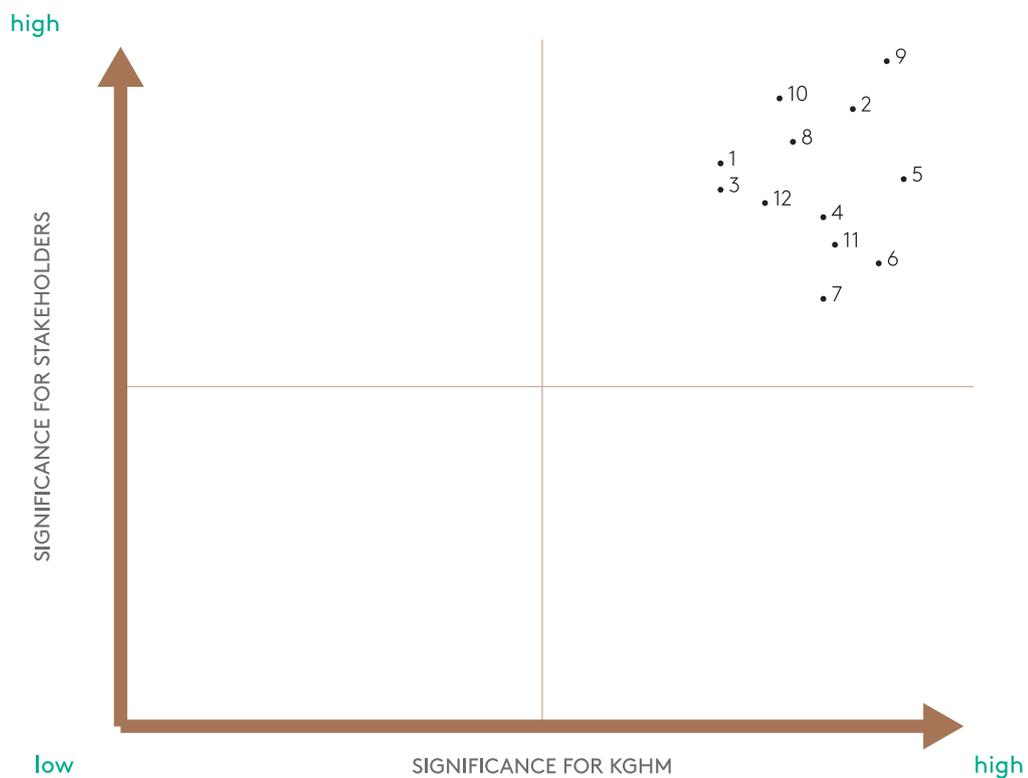
During the workshop sessions, we analyzed the quality of different types of capital used to build the value of KGHM, including human, social, intellectual, relational, production and natural capital.

GRI 3.5.
GRI 3.6.
GRI 3.7.
GRI 3.8.
GRI 3.10.
GRI 3.11.

Participants evaluated the aspects of crucial significance for the Company and its stakeholders and discussed the actions taken by the Company to manage the respective types of capital and to build long-term relationships with various groups

of stakeholders. As in previous years, we used a relevance matrix in our work. This method is helpful in the analysis of aspects critical to KGHM and significant for the Company's social and economic environment.

Relevance matrix and list of issues



1. Product responsibility
2. Minimizing environmental impact
3. Health protection and work safety
4. Waste management
5. Reclamation and maintenance of biodiversity
6. Mine decommissioning or expansion
7. Production effectiveness
8. Strategic development projects in Poland and abroad
9. Risk management
10. Contribution to the economic and business development of the region
11. Public communication and dialogue with the trade unions
12. Development of an organizational culture based on ethical values

This implementation of an integrated model to report our results is not the only difference versus the previous year's report. The scope of information presented has also changed considerably. This time we have used a much broader range of GRI indicators, in accordance with the guidelines for Level A applications. The decision about adopting this level has been a natural consequence of our aspiration to improve the reporting system. The two earlier CSR reports of KGHM also evolved with time. Over a period of three years we have moved from the lowest Application Level C to the top Level A.

As a result, the 2013 Integrated Annual Report offers our stakeholders the opportunity to review the Company's performance results by analyzing all profile indicators which are required by the standard and, additionally, 76 performance indicators, of which nine are taken from the Sector Supplement. We have also applied the majority of basic and additional indicators significant for the description of the Company's operations. For the sake of comparison, please note that the Corporate Social Responsibility Report for 2012 covered only 28 performance indicators. This change reflects our determination to improve the system of non-financial reporting

		Conformance with GRI G3.1.					
		C	C+	B	B+	A	A+
Obligatory	As declared by KGHM					✓	

by ensuring the broadest possible presentation of the scale and nature of the impact of our operations on the key stakeholders and environment.

To a great extent, the thematic areas presented in this Report, the information and data, in particular the non-financial data, refer to the Parent Entity, i.e. KGHM Polska Miedź and its Polish value chain, i.e. the Mining Divisions (Lubin, Polkowice-Sieroszowice and Rudna), the Metallurgical Facilities (Cedynia, Głogów

and Legnica), the Concentrators Division, the Tailings Plant, the Data Center and the Mine-Smelter Emergency Rescue Unit.

Nevertheless, we have done our best to make sure that in the areas of particular importance for the assessment of the overall situation, the results of the KGHM Group both in Poland and abroad are taken into account.

This is particularly evident in the presentation of the KGHM Group's Financial Statements for 2013.

In the non-financial areas, in addition to the results for 2013, we are presenting – whenever possible – the results for a three-year period since 2011.

An index facilitating finding specific non-financial performance indicators can be found in the GRI Content Index in the Useful information section of this Report.

In the prior reporting period, no significant changes occurred in the Company which would affect the overall assessment of the organization.

Our report in the electronic version contains additionally a questionnaire which you can complete to give us directly your feedback on this publication.



Awards and distinctions

The companies which belong to the KGHM Group received in 2013 numerous awards and distinctions in many important and prestigious categories, such as organizational management, corporate social responsibility and quality of products and services.

GRI 2.10.

The fact that our activities are recognized and appreciated by stakeholder groups of major importance for the Company gives us additional motivation to keep developing and improving our

Quality of Management

- 1 Herbert Wirth, President of the Management Board of KGHM Polska Miedź, was awarded the title of the 'Best Manager in Times of Crisis' by the editors of the weekly Wprost for his ability to build a strong position for the Company and for his visionary management style. The TOP 20 List of the Best Managers in Times of Crisis is based on the results of a survey conducted among managers and market analysts from a number of sectors. The leaders recognized are those who can lead their companies in difficult times of economic crisis and market volatility.



- 2 Herbert Wirth, President of the Management Board of KGHM Polska Miedź, received the Vector award from the Polish Employers in recognition of the largest acquisition in the history of Poland, which has turned the Company into a global player, and for integrating academic knowledge with business practice.

Vector honors achievements which are particularly beneficial for the Polish economy and contributions to creating a climate conducive to the development of entrepreneurship. KGHM was recognized for the purchase of a Canadian company owning deposits in Canada, the United States, Chile and Greenland. Vector awards are presented to outstanding business managers, politicians, journalists and institutions who can serve as role models for others.



Foto: Marek Wiśniewski/Puls Biznesu



The AGH University of Science and Technology in Cracow recognized Dr. Herbert Wirth, President of the Management Board of KGHM Polska Miedź, with the most prestigious honorary doctor's degree awarded to persons with outstanding scientific and professional output and exceptional position in the academic community. The title was awarded in recognition of a valuable contribution to the comprehensive evaluation of mineral deposits, the strategic development of the geological and mining industry on a worldwide scale, the transformation of KGHM Polska Miedź into a global player and of multidimensional support for scientific partnerships and promotion of AGH in Poland and abroad.

3

Ceremony presenting the Economic Award of the President of Poland, granted for contribution to Poland's economic development.
On the right: President Bronisław Komorowski



KGHM received the Economic Award of the President of the Republic of Poland for its contribution to the country's economic development and for building a positive image of the Polish economy. It is one of the most prestigious distinctions, often referred to as the 'Polish Economic Nobel Prize'. Twelve companies were nominated for the award in four categories: Innovation, Corporate Governance and Social Responsibility, Green Economy and Presence on the Global Market. KGHM was awarded for its exemplary acquisition of the Canadian company Quadra FNX and for its global market presence. This was the 11th edition of the award for which candidates are recommended by the business community, regional and local authorities, industry and business associations and the media.

4



KGHM retained the Best of the Best 2012 title as a company which three times consecutive ranked first in the Best Annual Report competition organized by the Tax and Accounting Institute. The competition promotes annual reports which the users find most practical and informative and which enhance the safety of the capital market in Poland.

5

6

KGHM again topped the ranking of the 100 largest Corporate Income Tax (CIT) payers in Poland, i.e. as a company with the highest posted value of income tax payable in 2013. The Company paid PLN 1.5 billion (excluding the minerals extraction tax of PLN 1.6 million) to the state budget. The ranking is published by the market daily Puls Biznesu as part of the cycle of events and initiatives devoted to economic patriotism.



Source: Puls Biznesu

7

KGHM Polska Miedz S.A. received the Bulls and Bears statuette in the "Best Investment in a WIG20 Company in 2012" category awarded under the 19th edition of a competition organized by the market daily Parkiet to recognize the best stock exchange companies. KGHM won the statuette for the third time – previously in 2009 and 2010.



8

KGHM received a Green Laurel awarded by the Polish Chamber of Commerce for Eco-Development in recognition of implementation of the process of intensified lead recovery from lead-bearing waste by the Głogów Smelter. Between 2011 and 2012, the lead department was modernized and a fourth Doerschel furnace was added. The total cost of these modernization investments amounted to PLN 40 million. 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 is growing every year by 15 kt. Ultimately, the aboveground lead waste storage facilities will be closed. The competition was held under the auspices of the Deputy Prime Minister and Minister of the Economy, Janusz Piechociński. Eco-Development is a local government organization of individual traders, businesses, social organizations, associations, local government agencies and foundations.





KGHM was awarded for the continuous growth in revenues and development with the Index of Success, a distinction presented by the daily Rzeczpospolita and Deloitte on the occasion of preparing the 7th ranking of the largest enterprises in Central and Eastern Europe. The Europe 500 ranking is prepared on the basis of the value of sales revenues recorded by companies in the year preceding publication of the ranking.

9



KGHM ZANAM and PeBeKa received a title of the Pearl of the Polish Economy 2012 in the Large Pearls category awarded by the daily Polish Market and the Institute of Economics of the Polish Academy of Sciences in recognition of consistent implementation of the Company's policy and strategy and for leadership among the most dynamic and effective enterprises in Poland. The list of winners of this business ranking is prepared on the basis of such criteria as the value of revenues, financial liquidity, effectiveness and the rate of development. Both companies had received the awards earlier

10



WPEC in Legnica once again received the Lower-Silesia Economic Certificate (DCG). Having obtained the certificates in three consecutive editions of the competition, the Company was additionally awarded with the Golden DCG Statuette. DCG is the largest certification program in the region of Lower Silesia addressed to companies which keep enhancing their economic credibility and are the flagships of their region.

11



INOVA received the Business Gazelle Award in the ranking of most dynamically developing small and medium-size companies, in recognition of its results for 2012. The ranking is prepared and published by Coface Poland in partnership with the daily Puls Biznesu.

12

KGHM was number 1 and KGHM Metraco number 4 in the ranking of Lower Silesia Leaders published by the daily Gazeta Finansowa on the basis of sales revenues recorded by companies in 2012. The ranking included 61 companies from various sectors represented in the region.

13



Ceremony awarding an Honorary Doctor's Degree of the AGH University of Science and Technology in Cracow to Dr. Herbert Wirth, Ph.D. Eng.

Corporate Social Responsibility

1

KGHM was listed twice in the RESPECT Index, namely in the 6th and 7th editions of the ranking of most socially responsible companies on the Warsaw Stock Exchange. The Company has been included in the index since its launch in 2009.



2

KGHM won the 3rd edition of the Randstad Award and was awarded the title of most attractive employer in Poland. The main evaluation criteria included job security, financial stability and wages. The Company was also rated high in such areas as workplace friendliness and job attractiveness. The Randstad Award is the largest international research project on employer images carried out by ICMA. The survey covers 18 countries and approximately 160 000 respondents. The best employers in Poland were selected with the votes of 7 000 respondents, potential employees who evaluated the significance of different aspects of employment. One hundred and fifty of the largest companies were analyzed in the course of the project .



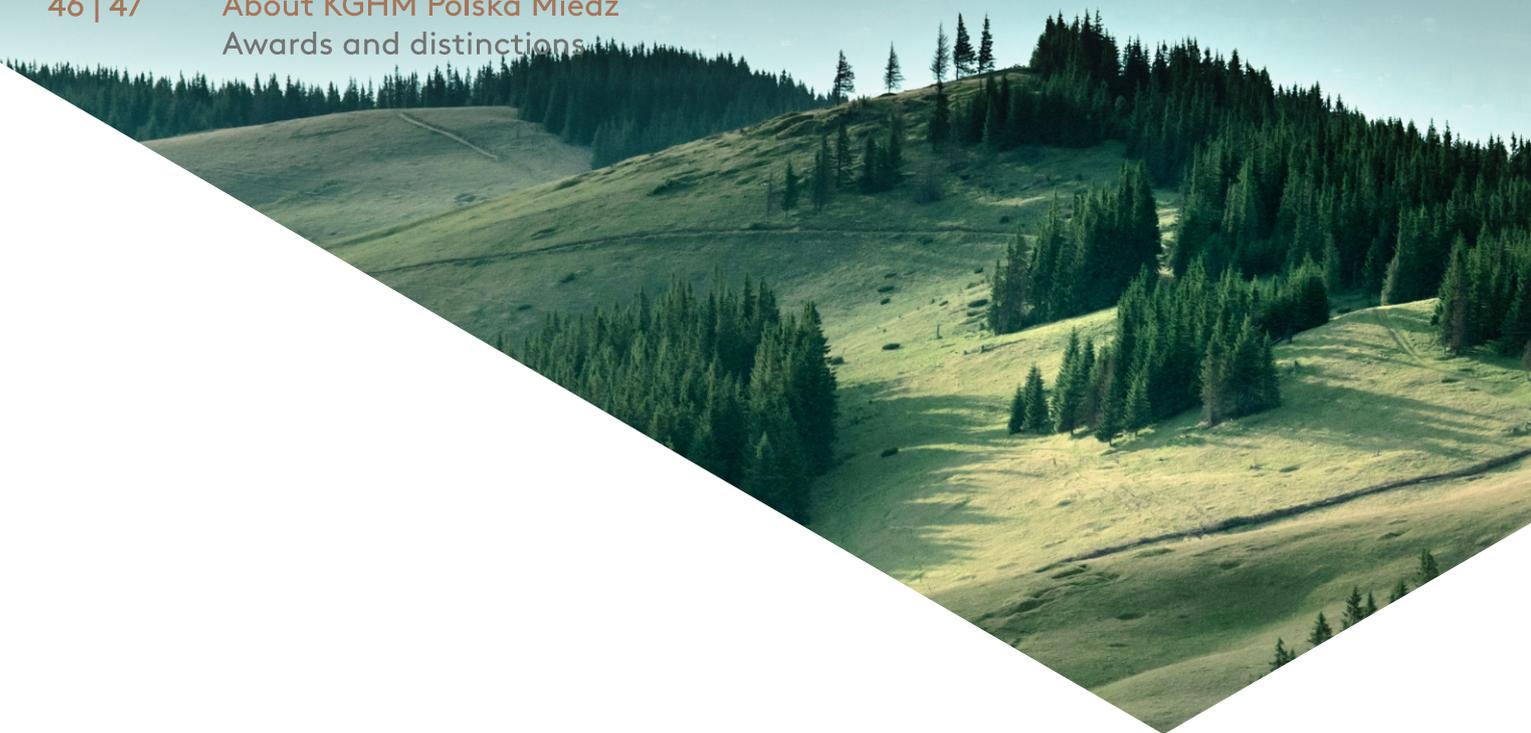
3

KGHM was awarded by the Parliament of Students of the Republic of Poland in the Projuvenes competition 2013 in the Business for Education category for the best partnership with students. The judges appreciated programs offered by the Company which create opportunities for development and gaining experience, such as the Young Talent and the Staff Forge programs, as well as internship in the Company's foreign divisions.



4

KGHM received the Angel Award for its substantial, long-term support to development of the performing arts. The award was presented during the Congress of the International Society for the Performing Arts. The Company's extensive traditions and achievements in the area of Corporate Culture Responsibility were appreciated, in addition to investments in art and culture and a sense of joint responsibility for the cultural heritage.



In the 11th edition of the report 'Responsible Business in Poland. Good Practices' published by the Responsible Business Forum, the practices implemented by KGHM were presented. The authors recognized the Company's employee volunteer program called the "Copper Heart".

5



The company Energetyka received a Reliable Business 2013 certificate awarded under the Economic and Consumer Program organized under the auspices of the European Commission. The purpose of the program is to identify reliable and responsible businesses through evaluation and verification carried out by experts, consumers and business partners. The company was awarded for the second time for timely discharge of obligations, protection of the natural environment and respecting consumer rights. The certificate is proof that Energetyka follows the principles of corporate social responsibility in daily practice.

6



KGHM Metraco received a Fair Play Company 2013 certificate and WPEC in Legnica a Golden Fair Play Company 2013 certificate. The distinctions confirm the reliability of the awarded companies and their commitment to development of proper relationships with the external environment, including counterparties, customers, employees and local communities. It is the oldest Polish certification program for companies in such areas as business ethics and CSR activities. The program is implemented by the Institute for Private Enterprise and Democracy, an affiliate of the Polish Chamber of Commerce.

7

BIAŁA LISTA®



KGHM Metraco received a Bronze Certificate of reliability and credibility awarded by the Wrocław Chamber of Commerce, an organizer of the business support program "White List" aimed at recognizing companies contributing to the dynamic development of entrepreneurship and promoting good business practices.

8

Quality of products and services

- 1 KGHM Towarzystwo Funduszy Inwestycyjnych received a Business Lion 2013 title and statuette in recognition of the top quality offering of spa & health resort products and services addressed to all EU markets. The Business Lion is an award presented by the European Center for Quality and Promotion to companies which aspire to offer products and services of the highest quality and security through ongoing improvement of their standards.
- 2 KGHM ZANAM received the title of Technology Champion 2014 for the innovative project which led to the development of LKP-1601B excavator. The idea behind the competition organized by the Polish Federation of Engineering Associations is to inspire the creativity of individuals and teams and to promote outstanding solutions.
- 3 KGHM CUPRUM Research and Development Center received the INNOVATOR WPROST 2013 award, the winners of which are selected from the list of the Top 500 Most Innovative Companies prepared by the Institute of Economics of the Polish Academy of Sciences. Based on the list, the Business Department of the weekly Wprost selects businesses which are innovation leaders in the most important and promising economic sectors. The company received an award in the category of services for business, in recognition of its above-average market innovativeness.
- 4 INOVA was awarded by the Polish Federation of Engineering Associations in the National Stanisław Staszic Competition for the most innovative products with the Innovation Laurel 2013 for the design of the RATRA emergency rescue communication system.
- 5 The employees of INOVA received the Competence Laurel from the Association of Mining Engineers and Technicians in recognition of their achievements in the effective implementation of innovative radio communication solutions in the mines of KGHM Polska Miedź.
- 6 The Copper Healthcare Center was ranked first in Lower Silesia and eighth in Poland in the tenth edition of the 'Safe Hospital' ranking of specialist and oncological hospitals organized by the daily Rzeczpospolita and the Healthcare Quality Monitoring Center.



LEW BIZNESU



Stakeholders

GRI 4.14.
GRI 4.15.
GRI 4.16.
GRI 4.17.

Good relationships with stakeholders, based on mutual trust, are of key importance for KGHM as an organization which has a major impact on its economic, social and natural environment. Teamwork, which is one of the Company's core values, is a key to our success, both in business and social activities. We take a responsible approach to building lasting relationships with stakeholders because we are aware of their importance to our long-term strategy and sustainable approach to business. The fundamental element of this process

is a dialogue aimed at identifying mutual expectations and possibilities.

In order to ensure the effectiveness of the adopted model of building relationships with the environment, we have defined the key groups of stakeholders. We treat all of them as equally important, although we are aware of our special responsibility towards employees, members of the local communities and representatives of local authorities of the Copper Belt.

Key stakeholder groups of KGHM

Employees (including the trade unions)

Local authorities

Local communities

Regulators (supervision and inspection authorities)

Current and prospective customers and counterparties

Shareholders and the equity investment community

Research and scientific institutions

Media

Suppliers

National government administration

NGOs

European Union institutions

London Stock Exchange

Competitors

Industry and professional organizations (Polish and international)

Stakeholder engagement

In 2013, we continued our efforts to improve the social dialogue system maintained by the Company in both internal and external relations. To this end, we made use of the best practices and standards in the area of stakeholder engagement through dialogue.

We carried out a comprehensive analysis of significant subjects to be addressed in the social dialogue with particular groups of stakeholders. The outcomes of the dialogue sessions which we will continue to hold in 2014 will ultimately contribute to the development of the local activities of KGHM, aimed at building a stable communication and dialogue platform with the external environment as well as development of long-term relationships as part of the second focus of our CSR Strategy 2009-2018 "A Good Neighbor and a Trustworthy Investor".

The social consultations held to date with the members of the local communities in the Legnica-Głogów Copper Belt show that a matter of primary importance is to improve access to infrastructure, such the gas distribution network, road lighting, the sewage

collection system and broadband Internet.

Other needs reported by the local population included an attractive offer of leisure activities for seniors or availability of indoor swimming pools. We respond to many of the reported issues and expectations through partnerships with local authorities and social and infrastructure programs implemented by the Polish Copper Foundation.

Our contribution to the development of the region is huge, not only because we are one of the leading employers in Lower Silesia, but also because of the scale of our indirect impact on the quality of life and local entrepreneurship. Being one of the largest Corporate Income Tax payers in Poland, KGHM brings about positive changes in its environment. An effective model of dialogue with the key stakeholder groups (including employees), the local authorities or the business community is, in our opinion, vital for understanding the expectations and possibilities of all partners contributing to the strong position of the region in Poland and in Europe.

Our mining operations involve transformation of the natural environment and, apart from numerous benefits, also have a negative impact on the environment. The majority of people who live in the vicinity of our operations consider KGHM to be a good neighbor. Some of our activities, however, may cause various types of impact on the local community. In addition to pro-environmental measures and continuous investments in the upgrading of the infrastructure, we try to respond to specific local needs which are voiced during surveys and consultation meetings.

An example of our innovative approach to social dialogue is the process of consultations related to the planned expansion of the Żelazny Most (Iron Bridge) tailings facility. Consultation sessions were held over a period of a few months in the towns and villages which are located next to the investment site (Tarnówek, Żelazny Most, Dąbrowa, Pieszkowice and Komorniki). In accordance with our good neighbor policy, we have assumed from the very beginning that the planned expansion can be executed only in partnership with the local authorities and local

community members.

Such partnership must be based on social dialogue and an honest exchange of information between the key parties to the project. In the autumn of 2013, we initiated discussions about the challenges associated with the expansion of the facility and about the social needs which will become particularly important for the inhabitants within the next several years. Our activities led to execution of an agreement in mid-2014. The terms of the agreement worked out in the course of the consultations will bring tangible improvements to the quality of life of the local people.

KGHM is also a public company and, as such, should offer additional forms of dialogue with the participants of the capital market. Satisfying the information needs of this group of stakeholders is important for the reputation of KGHM as a reliable and well-managed business. In order to build relationships with such a diversified environment, the Company has to use a range of constantly improved communication methods.

Selected groups of stakeholders	Examples of methods used to build relationships, in particular including the activities undertaken in 2013
Employees, including trade unions	<ol style="list-style-type: none"> <li data-bbox="555 1731 1369 1877">1. We regularly organize meetings with representatives of the trade unions to discuss and consult important decisions or developments which may have an impact on the Company's situation. The meetings are also an opportunity to clarify all doubts concerning the subjects brought up at this forum to the representatives of the trade unions. <li data-bbox="555 1906 1378 2022">2. We are improving the channels of communication with the employees. KGHM TV and the Miedziak bi-weekly are the basic sources of information about the Company for more than 90% of our staff, as confirmed by the results of an internal communication survey.

	<p>3. We have encouraged employees to engage in voluntary work as part of our 'Copper Heart' CSR program. The growing number of volunteers in KGHM demonstrates that employees can successfully combine their passions with social work, generating benefits not only to the Company's environment, but also to the Company itself.</p>
Local communities	<p>1. We have initiated a dialogue with selected local communities in accordance with the Accountability Stakeholder Engagement Standard (AA1000SES). This is in line with one of the focuses of our Stakeholder Strategy, "Good Neighbor and Trustworthy Investor". The first recapitulation of the series of dialogue sessions held since last year is scheduled in May 2014.</p> <p>2. We have engaged the inhabitants of the Copper Belt in campaigns associated with promotion of an active lifestyle under our ECO-Health CSR program. Thus far, we have offered Nordic walking classes for seniors, swimming courses for children, specialist medical examinations for all residents and meetings with famous athletes from our region.</p>
Local authorities and regional NGOs	<p>1. We are continuing activities in support of sustainable development of the region, for example by co-organizing the Copper Belt Forum. The aim of the initiative is to make use of synergies between the local communities and KGHM to create a strong and dynamically growing industrial region drawing on copper and other natural resources, as well as the know-how and technologies accumulated in the region.</p> <p>2. We organize information and consultation meetings attended by local government representatives (heads of villages, mayors and governors) from areas where we are planning to start prospecting and evaluation activities. Our good practice is to additionally hold such meetings in the areas where projects are already in progress. In this way, we collect feedback from the public and can implement corrective actions when necessary.</p>
Shareholders and the stock exchange	<p>1. We develop methods of communication using electronic media, such as a responsive Company website, a newsletter, webcasts, teleconferences or a multimedia annual report.</p> <p>2. We regularly meet with analysts and fund managers and conduct the Company's site visits.</p> <p>3. We adapt our actions to the expectations of the market, for example, through publication of periodical reports after the session and organizing results announcement conferences on the following day.</p>
Customers and counterparties	<p>1. We maintain regular contacts with our customers in order to monitor their needs and the degree of their satisfaction with the service we offer them, for instance, through personal one-to-one meetings and invitations to events organized by the Company, for example the Miner's and Metallurgist's Days.</p> <p>2. We actively participate in industry conferences and exhibitions during which we can share experience and build relationships with the Company's existing and prospective counterparties.</p>

Memberships

GRI 4.13.
GRI SO5

We are a member of national and international industrial and professional organizations. Membership in such organizations allows us to take part in the development of the codes and good practices for the mining and metallurgy

(copper and silver) sector. We are also an active participant of associations and organizations promoting the idea of corporate social responsibility and sustainable development.

Mining organizations



International Copper Association, ICA

We have been a member of this association since 2007. The organization promotes development of the copper market given the unique properties and technical parameters of this metal and its crucial significance for the world economy. The organization is present in almost 60 countries around the world as the Copper Alliance. Herbert Wirth, KGHM's President, is a member of the ICA Board of Directors.



European Copper Institute, ECI

We have been involved in the work of the Institute since 2001. The organization represents the mining and metallurgy sector and, inter alia, promotes copper-based technologies and activities aimed at protecting the natural environment and human health. It also works on the development of industry standards both at national and the EU level. Henryk Karaś, European Partnership Advisor to the Management Board of KGHM, is a member of the ECI Board of Directors.



Centra Promocji Miedzi

We are actively engaged in the operations of the Copper Promotion Centers, an international network of 27 offices, members of the Copper Alliance. We are currently working closely with the Polish, Hungarian, German and Chinese centers. Representatives of KGHM are members of the Supervisory Board of the Promotion Centers in those countries



Eurométaux (European Association of Metals)

We have been a member of this organization since 2005. The association represents the European non-ferrous metals industry and its goal is to create a favorable legal environment in the countries of the European Union.



Euromines (European Association of Mining Industries, Metal Ores & Industrial Minerals)

We joined this organization in 2005. Its mission is to promote the metal and mineral mining industry and liaise with the European institutions. The association also maintains relationships with the mining communities worldwide. Henryk Karaś, European Partnership Advisor to the Management Board of KGHM, is a member of the EPI Steering Committee.

International Copper Study Group, ICSG

We have been participating in the work of this organization since 1996. This is an intergovernmental forum, the aim of which is to increase the transparency of the copper market and promote cooperation and dialogue in the sector.



International Wrought Copper Council, IWCC

We joined this organization in 1996. IWCC is an international association of copper processing companies from Europe, Japan, Australia, China, India, Malaysia, South Africa, South Korea, Taiwan, Thailand and the United States.



London Bullion Market Association, LBMA

We have been a member of LBMA since 2000. This international industry association represents the London silver and gold market and deals, among others, with certification of producers of those metals and development of good practices in the industry.



Minor Metals Trade Association, MMTA

We joined this association in 2013. Being the only manufacturer of rhenium in Poland, we support this organization which focuses on the rare metals sector and represents close to 150 companies.



Organizations promoting the idea of corporate social responsibility

Responsible Business Forum, FOB

We have been a Strategic Partner of this organization since 2012. The mission of FOB is to promote the idea of responsible business as a standard in Poland, in order to increase the competitiveness of companies, social satisfaction and improvement of environmental quality.



President-Volunteers Coalition 2011

In 2010 we joined this organization which gathers business leaders who are engaged in social activities. The association is a platform for sharing experience and good practices with respect to voluntary work. Herbert Wirth, KGHM President, is an active member of the Coalition.



Corporate Responsibility Coalition

We became a member of this initiative launched by Polish Employers in 2012. The main idea behind this project, which has attracted the largest companies in Poland, is to facilitate the implementation of corporate social responsibility principles. This goal is achieved through promotion of CR tools and standards, in particular including the provisions of the Responsible Business Code, a collection of principles which responsible businesses should be guided by.



Specialized organizations



European Sulphuric Acid Association, CEFIC-ESA

We joined this organization of stakeholders involved in the production, distribution, processing and transport of sulfuric acid in 2013. Its goal is to protect the interests of this sector and operate a forum facilitate the exchange of technological knowledge.



Central Europe Energy Partners

We have been a member of this international, regional non-profit organization since 2013. The organization represents a broadly understood energy sector from Central Europe (oil, natural gas, coal, electricity, renewable energy sources, nuclear energy and interconnectors). Its statutory objective is to support the integration of the energy sector in Central Europe within the framework of the common energy and energy security policy of the European Union. Currently, CEEP has 22 members from such countries as Poland, Lithuania, Czech Republic, Slovakia, Hungary and Romania.



Accountants Association in Poland

We joined this organization in 1975. Members of the association include representatives of the accounting and finance community. Its mission is to develop the industry standards in Poland.



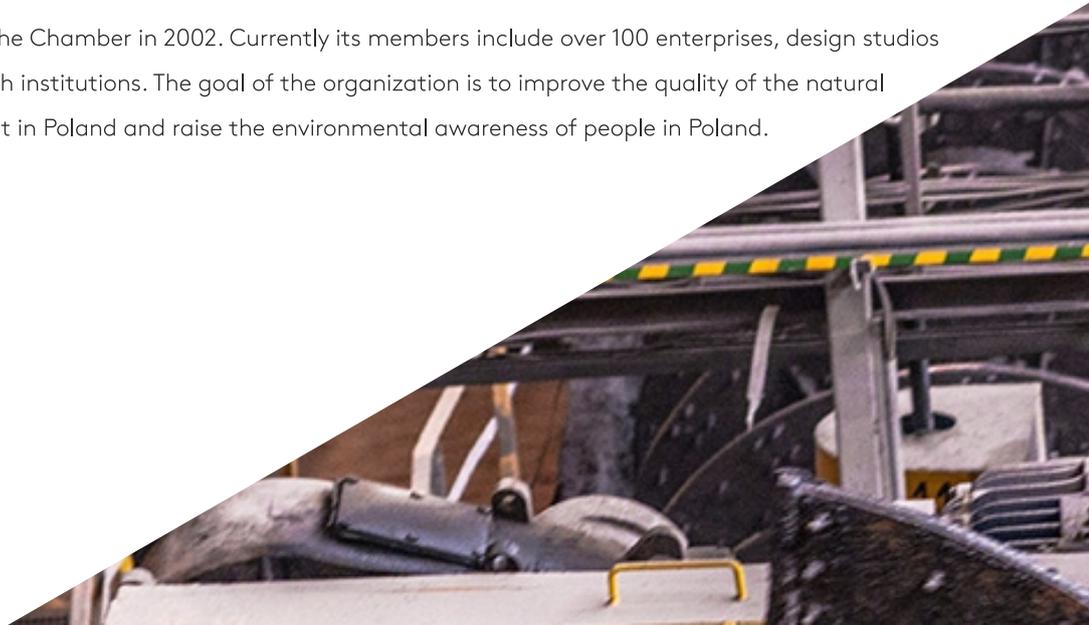
Polish Association of Listed Companies

We have been a member of this association since 1997. Acting as a representative of companies listed on the Warsaw Stock Exchange, the organization offers its members advisory services regarding stock market regulations and the rights and responsibilities of listed companies. It is an expert institution which facilitates the exchange of knowledge in order to support the development of the capital market and a modern free market economy in Poland.



Polish Environmental Chamber

We joined the Chamber in 2002. Currently its members include over 100 enterprises, design studios and research institutions. The goal of the organization is to improve the quality of the natural environment in Poland and raise the environmental awareness of people in Poland.



Business organizations

The Polish Copper Employer's Association

This association, founded by us in 1996, has today over 100 members from the entire region of Lower Silesia. Its goal is to monitor and evaluate drafts of legal regulations, provide training and undertake initiatives aimed at the development of entrepreneurship.



Western Chamber of Commerce

The Chamber, which we joined in 2010, is a private organization, the purpose of which is to support the development of entrepreneurship and promote ethical standards in business activity. It has currently more than 300 members from all over the region.



Economic Chamber of Non-Ferrous Metals and Recycling

The Chamber represents Polish companies from the non-ferrous metals sector in relations with national, international and local government agencies in Poland and with European Union institutions. Its main goal is to promote the idea of recycling.



Corporate Governance



» Best practices, as a collection of corporate governance principles and rules governing the relationships of listed companies with the capital market environment, can be an important instrument of enhancing market competitiveness.«

Approach to Governance

GRI 4.11. Our commitment to the highest standards of integrity and transparency underlies the principles and processes in the area of corporate governance in KGHM. In all our actions, we have been inspired by the corporate governance rules laid down in the “Code of Best Practice of WSE Listed Companies”.

The full version of the Report on the Application of Corporate Governance Principles can be found at www.kghm.pl, under the Investors tab, in the Corporate Governance section. It is an element of the Management Board Report on the Activities of the Company and the Group.

The main components of our corporate governance system comprise:

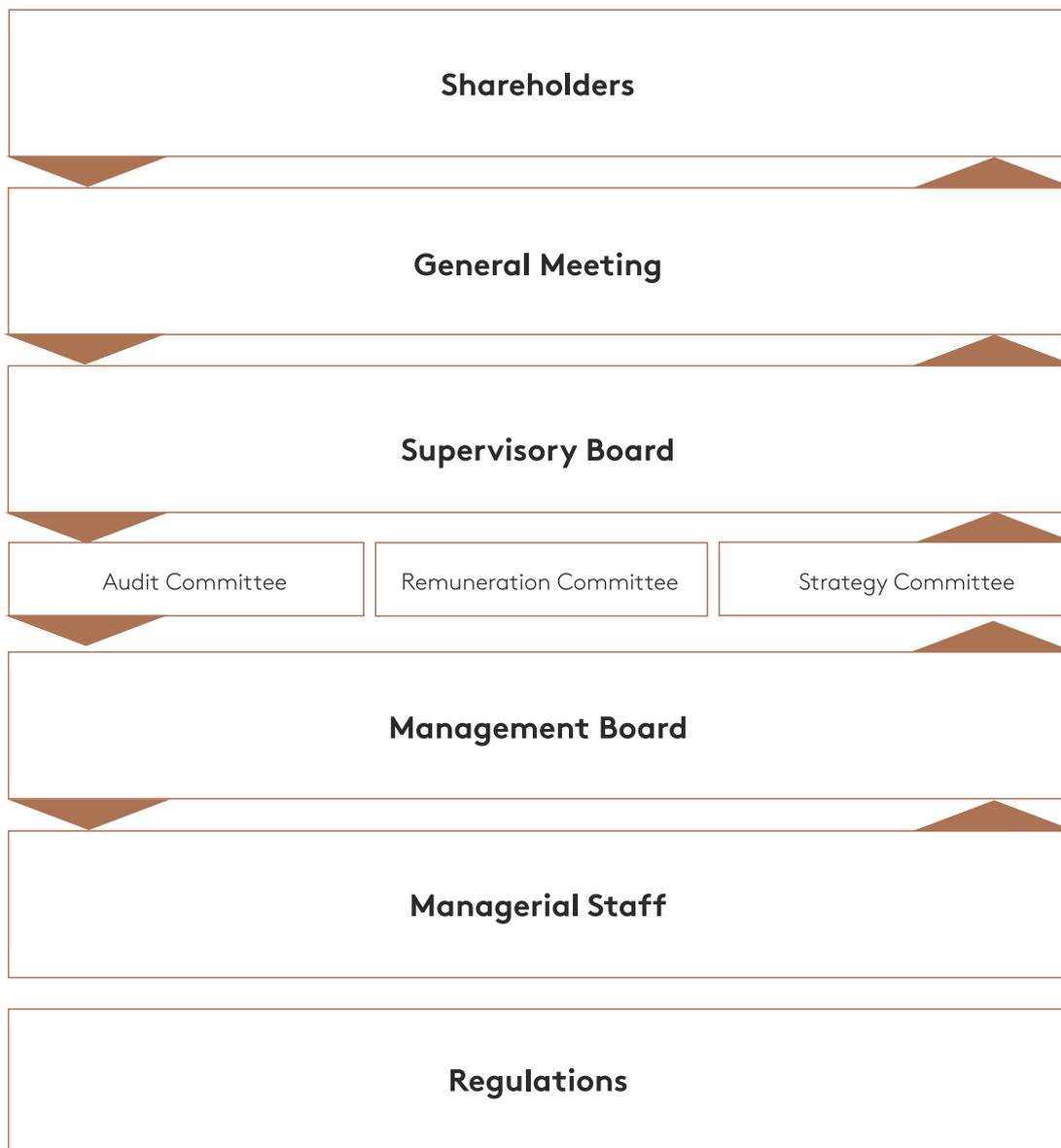
1. The General Shareholders Meeting
2. The Supervisory Board and its supporting committees, and
3. The Management Board.

In our daily practice, we try to apply the highest corporate standards and look out for the interests of all stakeholders. This approach also involves elements of risk management and business ethics.

We try to achieve these objectives by implementing transparent rules of conduct and internal procedures set forth in the following documents:

- ▶ Company Statutes,
- ▶ Bylaws of the General Meeting,
- ▶ Bylaws of the Supervisory Board, including its committees,
- ▶ Bylaws of the Management Board, and
- ▶ other internal regulations.

Corporate Governance structure in KGHM



The highest authority of KGHM is the General Meeting. The operating rules of the General Meeting are set forth in the Commercial Partnerships and Companies Code, the Company Statutes and the Bylaws of the General Meeting of KGHM. The Company Statutes and the Bylaws of the General Meeting of KGHM are available for review at www.kghm.pl.

The powers of the General Shareholders Meeting include, in particular:

- ▶ examination and approval of the report of the Management Board on the Company's activity and the financial statements, including the consolidated financial statements of the KGHM Group, for the prior financial year;
- ▶ adopting resolutions on the distribution of profits or coverage of losses;
- ▶ acknowledgement of the fulfillment of duties by members of the Company's authorities;

- ▶ changes in the subject of the Company's activities;
- ▶ amending the Company Statutes;
- ▶ increasing or decreasing the share capital;
- ▶ the method and terms of redemption of shares;
- ▶ mergers, splits and reorganization of the Company;
- ▶ dissolving and liquidating the Company;
- ▶ issuing convertible bonds or senior bonds;
- ▶ consenting to the disposal and lease of an enterprise or of an organized part thereof, as well as the attachment of limited property rights to same;
- ▶ all decisions relating to claims for redress of damage suffered during the foundation of the Company, or in the course of management or supervision of its activities;
- ▶ purchase of the Company's own shares to be offered to employees or persons who were employed by the Company or by related companies for a period of at least three years;
- ▶ determining the remuneration of members of the Supervisory Board.

Amendments to the Company Statutes require a resolution of the General Meeting and entry in the National Court Register. Amendments to the Company Statutes are made by the General Meeting, in conformance with prevailing laws, in the manner and form prescribed by the Commercial Partnerships and Companies Code, i.e. by a three-fourths majority of votes cast in the presence of persons representing at least 50% of the share capital.

All of the shares are bearer shares. The Company has not issued any preference shares. Each share grants the right to one vote.

GRI 4.4. Mechanisms through which shareholders may exert influence over the Company

Our shareholders are encouraged to make recommendations and express their opinions to the authorities supervising proper management of the Company.

Shareholders may influence the Company's activities by exercising their rights. One of the major rights is the right to attend General Meetings.

Additionally, each shareholder has the following rights:

- ▶ to convene an Extraordinary General Meeting if the said shareholder represents at least half of the share capital or has been duly authorized by a registration court and represents at least one-twentieth of the share capital;
- ▶ to order convening of an Extraordinary General Meeting and to demand entry of specific matters to the General Meeting agenda, if the shareholder (or a group of shareholders) represents at least one-twentieth of the share capital;



- ▶ to order the entry of specific matters to the agenda of the next General Meeting, if the shareholder (or a group of shareholders) represents at least one-twentieth of the share capital;
- ▶ to announce draft resolutions during a General Meeting which concern matters on the meeting agenda;
- ▶ in accordance with the Statutes, the Polish State Treasury as a shareholder may convene the Annual General Meeting if the Management Board does not do so in the statutory timeframe as well as an Extraordinary General Meeting if it considers the convening of such a meeting as warranted;
- ▶ to demand that a particular matter should be included in the agenda, removed from the agenda or not considered by the meeting.

In 2013 an Extraordinary General Meeting was held on 19 June. In accordance with their rights, two shareholders proposed draft resolutions:

- ▶ on the change of the sequence of items on the General Meeting agenda. As a result of voting no resolution was adopted on that matter;
- ▶ a State Treasury representative proposed a draft resolution on the distribution of the Company's profit for financial year 2012.
- ▶ As a result of voting, the General Meeting passed a resolution proposed by the State Treasury, KGHM's majority shareholder.



Management Systems

In 2013, we completed work on the implementation of a complex, integrated risk management system in the KGHM Group. The unit responsible for the coordination and execution of the corporate risk management process and development of the methods and tools used by managers in all Group projects and companies is the Corporate Risk

Management and Compliance Department of KGHM. The responsibilities of the Department also include management of the risks related to the preparation of financial statements of KGHM and consolidated financial statements of the KGHM Group.

Internal audit

The fundamental risk management activities with respect to the performance of the implemented control mechanisms, including identification of risks in the operations of KGHM, are carried out by the Internal Audit and Control Department which also makes an indirect contribution to the process of preparing financial statements. The tasks performed by the Department are based on the "Integrated Audit Plan of KGHM Polska Miedź S.A. 2011-2015" and the Annual Integrated Internal Audit and Control Plan for a particular calendar year, approved by the Management Board of KGHM. These documents have been drafted in accordance with the International Standards for Professional Practice of Internal Audit published by the Institute of Internal Auditors and approved by the Supervisory Board.

The purpose of internal audit is to provide the Company's Management Board and Supervisory Board with independent and objective information about the effectiveness of the risk management activities and internal control systems and analysis of the business processes implemented in KGHM and its subsidiaries.

In addition to the internal audit and institutional control, the Company imposes on all employees the obligation of self-control and maintains a system of functional controls at all levels of management, as part of the coordination and supervision duties of all managers.

External audit

In accordance with the applicable laws, KGHM submits its separate financial statements and consolidated financial statements for review and examination by a certified auditor. The Supervisory Board selects the certified auditor through a tender process, based on the recommendation of the Audit Committee. As part of the audit work performed, the certified auditor performs an independent evaluation of the accounting principles applied by the Company in preparing the financial statements and the accuracy and truthfulness of the separate and consolidated financial statements.

Supervision of the process of financial reporting

Supervision of the process of financial reporting in KGHM and which cooperates with the independent auditor is carried out by the Audit Committee of the Supervisory Board. Monitoring of the process of financial reporting and assessment of the financial statements by the Supervisory Board is the final step of the review and control carried out by an independent body, ensuring the truth and accuracy of the data presented in the separate and consolidated financial statements of KGHM. In order to ensure correct and accurate maintenance of books of accounts and consistent and uniform accounting principles applied during the preparation of the financial statements in Group companies, the Management Board has implemented a Group Accounting Policy to be applied on an ongoing basis, in conformance with the International Financial Reporting Standards approved by the European Union.

The control of the accounting principles used in the process of preparing financial statements in KGHM and in Group companies is based on control mechanisms incorporated in the functionalities of the reporting systems. The companies' accounting information is also subject to verification by the competent units of KGHM and by an independent certified auditor during the review and examination of the KGHM Group's consolidated financial statements.

Financial and accounting systems

KGHM maintains books of accounts in an integrated IT system. The system structure ensures a transparent breakdown of processes and competences, consistency of operational records in the books of accounts and control over the books. In order to secure proper use and protection of the systems, including controlled access to data and IT hardware, appropriate organizational and system solutions have been implemented in KGHM.

Certified management systems

In 2013, we began the implementation of a project aimed at deployment of an Integrated Management System in KGHM, according to the international ISO standards, with respect to:

- ▶ quality management (ISO 9001)
- ▶ environmental management (ISO 14 001)
- ▶ work safety and hygiene management (PN-N 18001/OHSAS)
- ▶ energy management (ISO 50001)
- ▶ IT services management (ISO/IEC 20000-1)
- ▶ information security management (ISO 27001).

In order to increase the transparency of management in the organization, a number of management systems were implemented and certified with the aim of supporting the effective implementation of the business strategy and stable execution of numerous management processes. The systems bring tangible benefits such as:

- ▶ more effective supervision over the costs of processes and activities related to work safety, environmental protection, energy management and information security,
- ▶ reduction of non-conformances with the applicable requirements,
- ▶ better work organization, a clear breakdown of tasks, duties and responsibilities of the employees and their readiness to meet the customers' expectations,
- ▶ review and elimination of duplicated activities in all activity areas of the organization and reducing internal inconsistencies,
- ▶ efficient management of resources,
- ▶ streamlining the applied system solutions,
- ▶ linking, in a transparent and logical way, procedures and processes applicable to different systems,
- ▶ greater flexibility in the implementation of changes,
- ▶ improvement in the management quality, and
- ▶ conformance with legal requirements easier to achieve and quick adaptation of the internal regulations to changes in the external legal framework,

- ▶ strengthening of the organization's position on the global market,
- ▶ positive image of the Company in the eyes of the customers, counterparties, the public and the regulators, and
- ▶ higher prestige and confidence in the quality of management in our divisions.

Management systems in KGHM

Name of the unit	Name of the system
Cedynia Copper Smelter	The smelter has an integrated management system which meets the requirements of the following standards: PN-EN ISO 9001:2009, PN-EN ISO 14001:2005, PN-N-18001:2004.
Legnica Copper Smelter	The smelter has an integrated management system which meets the requirements of the following standards: PN-EN ISO 9001:2009, PN-EN ISO 14001:2005, PN-N-18001:2004, OHSAS 18001:2007.19.273.
Głogów Copper Smelter	The smelter has an integrated management system which meets the requirements of the following standards: PN-EN ISO 9001:2009, PN-EN ISO 14001:2005, PN-N-18001:2004, OHSAS 18001:2007.
Ore Enrichment Plant	The plant has an implemented and certified integrated management system meeting the requirements of the following standards: PN-EN ISO 9001:2009, PN-EN ISO 14001:2005, PN-N-18001:2004.
Tailings Facility	The plant has an implemented and certified integrated management system meeting the requirements of the following standards: PN-EN ISO 14001:2005 and PN-N-18001:2004. The plant also has an integrated and certified system of energy management according to PN-EN ISO 50001.
Rudna Mine	The mine has a certified work safety management system in conformance with the standard PN-N-18001:2004.
Lubin Mine	The mine has a certified work safety management system in conformance with the standard PN-N-18001:2004.
Polkowice-Sieroszowice Mine	The mine has a certified work safety management system in conformance with the standard PN-N-18001:2004.
Data Center	The center has an implemented system of IT services management according to the standard ISO/IEC 20000-1:2011.
Mine-Smelter Emergency Rescue Unit	The unit has a certified work safety management system in conformance with the standard PN-N-18001:2004 in the scope of underwater works carried out in underground mining shafts.

Supervisory Board

Responsibilities

GRI 4.1. The Supervisory Board of KGHM is the permanent body of KGHM supervising all of the Company's areas of operations, appointed by the General Shareholders Meeting. The Supervisory Board exercises its duties at specially convened meetings and by delegating its members to serve on the Supervisory Board Committees. The Supervisory Board should meet at least once every quarter of the year. For resolutions of the Supervisory Board to be valid, all Supervisory Board members must be

invited to attend and resolutions must be adopted by an absolute majority of votes in the presence of at least one-half of the members.

The operating rules and responsibilities of the Supervisory Board are regulated by the respective provisions of the generally applicable laws, the Company Statutes and the Supervisory Board Bylaws. The documents are available to the public at www.kghm.pl.

Composition

GRI 4.3. According to the Statutes, the Supervisory Board is composed of 7 to 10 members, of whom three are elected by the Company's employees. The members of the Supervisory Board are appointed for a joint term of office which lasts three years. The Supervisory Board appoints from among its members

a Chairperson of the Supervisory Board, a Deputy Chairperson and a Secretary. At present i.e. as at the date of this Report, the Supervisory Board of KGHM has nine members, of whom three are representatives of the Company's employees

The composition of the 8th term Supervisory Board, from 1 January to 19 June 2013 was as follows:

Name and surname	Role
Aleksandra Magaczewska	Supervisory Board Chairperson
Krzysztof Kaczmarczyk	Deputy Chairperson
Dariusz Krawczyk	Secretary

The composition of the 8th term Supervisory Board, from 1 January to 19 June 2013 was as follows:

Paweł Białek	Member
Krzysztof Opawski	Member
Ireneusz Piecuch	Member
Jacek Poświata	Members
Bogusław Szarek	Employee-elected Member

On 19 June 2013, Paweł Białek resigned from the function of member of the Supervisory Board. On the same day, the General Meeting resolved to dismiss from the Supervisory Board Dariusz Krawczyk and Ireneusz Piecuch and appoint to the Supervisory Board Andrzej Kidyba, Marek Panfil and Iwona Zatorska-Pańtak.

On 2 September 2013, the Supervisory Board elected Marek Panfil as Secretary of the Supervisory Board.

On 27 November 2013, Krzysztof Opawski's mandate as a Supervisory Board member expired due to his death.

Following the aforementioned changes, the composition of the 8th term Supervisory Board until 31 December 2013 and until the expiry of the Supervisory Board term, i.e. until the date of the Annual General Meeting which approved the financial statements for 2013, was as follows:

Name and surname	Role
Aleksandra Magaczewska	Supervisory Board Chairperson
Krzysztof Kaczmarczyk	Deputy Chairperson
Marek Panfil	Secretary
Andrzej Kidyba	Member
Jacek Poświata	Member
Iwona Zatorska-Pańtak	Member
Bogusław Szarek	Employee-elected Member

The composition of the 9th term Supervisory Board appointed by the Annual General Meeting held on 23 June 2014 was as follows:

Name and surname	Role
Marcin Moryń	Supervisory Board Chairman
Tomasz Cyran	Deputy Chairman
Bogusław Szarek	Secretary and Employee-elected Member
Józef Czyczerski	Employee-elected Member
Bogusław Fiedor	Member
Leszek Hajdacki	Employee-elected Member
Andrzej Kidyba	Member
Jacek Poświęta	Member
Barbara Wertelecka-Kwater	Member

Number of male and female members
of the Supervisory Board of KGHM
between 2011 and 2013 and as at the date of this Report

GRI LA13

Year	Data as at	Number of members	Women	Men
2011	15 Jun.	7	1	6
	20 Oct.	10	1	9
2012	24 Apr.	9	1	8
	25 Apr.	10	1	9
	28 Jun.	7	1	6
2013	19 Jun.	8	2	6
	27 Nov.	7	2	5
2014	23 Jun.	9	1	8



Oddział Huta Miedzi „Głogów”

Professional experience of the Supervisory Board members of the 8th and 9th terms

Aleksandra Magaczewska – Chairperson of the 8th term Supervisory Board

Appointed to the 8th term Supervisory Board by the General Meeting on 19 January 2012.

Between 17 April 2012 and 21 May 2012, acted as the Deputy Chairperson of the Supervisory Board and, subsequently, as the Chairperson of the Supervisory Board and the Chairperson of the Strategy Committee.

A graduate of the Law Department at the University of Silesia

Since February 2000 employed by the Ministry of the Economy, initially as a junior clerk and later on as the Chief Specialist in the Departments of Industry Restructuring and of Supervised and Subordinated Entities.

Between 2006 and 2011, Deputy Director of the Industry Department and, later, a Director of the Mining Department. Since January 2012, Director of the Restructuring Department in the Ministry of the State Treasury.

GRI 4.7.

Member of the Supervisory Board of Nowy Świat S.A. Banking and Financial Center.

Krzysztof Kaczmarczyk – Deputy Chairperson of the 8th term Supervisory Board

Appointed to the 8th term Supervisory Board by the General Meeting on 19 January 2012. From 21 May 2012, acted as the Deputy Chairperson of the Supervisory Board.

Corporate Governance Supervisory Board - Composition

A graduate of the Warsaw School of Economics, Department of International Relations – European Integration.

Since January 2012, Vice-President of the Management Board of Emitel, an operator of a radio and television network. Previously employed by Credit Suisse in Poland, responsible for the media and metals sectors in Central and Eastern Europe. Between 2008 and 2010 worked for TP S.A. as the Strategy and Business Development Director. Earlier, an employee of DB Securities S.A. and Deutsche Morgan Grenfell.

Member of the Supervisory Boards of Polish Energy Partners S.A. and CP Energia.

Marek Panfil – Secretary of the 8th term Supervisory Board

Marek Panfil served on the 6th term Supervisory Board of KGHM from 14 February 2008, following his appointment by the General Meeting, acting as the Supervisory Board Secretary.

Subsequently, on 15 June 2011, he was appointed to the 7th term Supervisory Board of KGHM. During that term he acted as the Supervisory Board Secretary, Chairman of the Audit Committee and, subsequently, Deputy Chairperson of the Supervisory Board. On 17 April 2012 he was dismissed from the position of Supervisory Board Member. Subsequently, by

force of a resolution of the General Meeting, appointed to the 8th term Supervisory Board on 19 June 2013. Since 2 September 2013, he has acted as the Supervisory Board Secretary and the Chairman of the Audit Committee.

A graduate of the Warsaw School of Economics. Holder of a Ph.D. in economics, with a specialization in management.

Completed a post-graduate course in Business Value Management at the Warsaw School of Economics. In 2012, took part in an academic placement program at Stern School of Business, New York University and in 2010 participated in the International Faculty Program in IESE Business School in Barcelona.

Manager of the Value Measurement Department in the Value Management Institute of the Warsaw School of Economics. Director of the Post-Graduate Studies Program at the Warsaw School of Economics 'Methods of Valuation of Capital Companies' (over 450 participants between 2005 and 2014). Coordinator of the Student's Scientific Club 'Company Valuation'. An author and editor of numerous books on the subject of enterprise valuation and private equity. Specialist in capital companies' value management and valuation and fund raising strategies.

A member of the Scientific Committee of the Warsaw Stock Exchange.

Andrzej Kidyba -
Member of the 8th and 9th term
Supervisory Board

Appointed to the 8th term Supervisory Board of KGHM by the General Meeting on 19 June 2013. Reappointed to the Supervisory Board of the 9th term by the Annual General Meeting held on 23 June 2014.

Graduate of Maria Curie-Skłodowska University (UMCS), faculty of Law and Administration. A licensed judge and legal adviser. Completed a post-graduate MBA course. Since 2005 Professor at UMCS.

Head of the Department of Business and Commercial Law of Maria-Curie Skłodowska University. Assistant Professor and Professor of Department of Business and Commercial Law at UMCS. Former member and chairman of the Senate Commission for Economic Cooperation and member of the Senate Commission for Budget and Finance. Lecturer of commercial law, business law, civil law, copyright law, companies law and law on commercial agreements. An author, co-author or editor of more than 250 publications, including 45 books. He also acts as an arbitrator in the Court of Arbitration of the Polish Chamber of Commerce, the Arbitration Court of the Polish Bank Association and many other ad hoc arbitration courts in Poland and abroad.

President of the Lublin Foundation for Development and member of the Supervisory Board of MS TFI S.A. (2012-2013).

Iwona Zatorska-Pańtak -
Member of the 8th term Supervisory
Board

Appointed to the 8th term Supervisory Board of KGHM by the General Meeting on 19 June 2013. Acted as the Chairperson of the Remuneration Committee.

A graduate of Nicolaus Copernicus University in Toruń, Department of Economics and Management. In 2004, completed a post-graduate course in European Studies at Warsaw University. Completed numerous courses in finance, risk management and investment project management.

Employed by the Ministry of the State Treasury, in the Department of Capital Funds, Financial Institutions, Ownership Supervision and Privatization II and Key Companies. Currently, Head of the Key Companies Department. From the beginning of her career, involved in ownership supervision over state-owned companies (NFI Program, financial institutions, mining and seaport industry).

Long-term experience in membership of supervisory boards of state owned companies. Currently Member of the Supervisory Board of ENERGA S.A.

Jacek Poświata -
Member of the 8th and 9th terms of
the Supervisory Board

Appointed to the 8th term Supervisory Board of KGHM by the General Meeting on 19 January 2012. Reappointed to the Supervisory Board of the 9th term by the Annual General Meeting held on 23 June 2014.

A graduate of the MBA program at Columbia University in New York and of the Warsaw School of Economics (SGH). Since 2012, General Manager of Bain & Company for Poland and Central and Eastern Europe providing advisory services to customers from such sectors as private equity, energy, banking, telecommunications and retail. Between 1992 and 2012 associated with McKinsey & Company in Denmark, Canada and Poland. Between 2005 and 2011, General Manager of McKinsey Poland. Until 2012, Leader of the Private Equity and Strategy Division in Eastern Europe. Earlier employed by Chrysler Motors Corporation in Detroit, US. Member of the Polish Business Roundtable.

Bogusław Szarek -
Member of the 8th term Supervisory
Board and Secretary of the 9th term
Supervisory Board

Elected by the Company's employees and appointed by the Extraordinary General Meeting held on 21 November 2012 to the 8th term Supervisory Board of KGHM.

Reappointed to the 9th term Supervisory Board by the Annual General Meeting held on 23 June 2014.

A graduate of the Technical High School of Motor Vehicle Engineering in Głogów, with a specialization in car maintenance.

From the beginning of his professional career associated with KGHM. Initially, employed as a mechanic in the Polkowice-Sieroszowice Mine. At present, Chairman of the Solidarity Trade Union.

Tomasz Cyran -
Deputy Chairman of the 9th term
Supervisory Board

Appointed to the 9th term Supervisory Board by the Annual General Meeting held on 23 June 2014.

A graduate of Maria Skłodowska-Curie University (UMCS), Rzeszów Branch, Faculty of Law (1984-1990), with a Master of Law degree. Legal adviser's internship (1992-1995) and holder of the legal adviser professional certificate. In 1996, completed a training course and passed the exam for members of supervisory boards of state owned companies and in 1997 completed a course in the restructuring of companies in the Center of Business Education and Development.

Since 2000, owner of a law firm in Rzeszów providing legal services to businesses. Between 1994 and 1998 and 1999-2000, Branch Director of AGRO-TECHNIKA S.A. in Rzeszów.

Between 1994 and 1998, Branch Director of RUCH S.A. in Rzeszów (concurrently, Attorney of the Management Board of RUCH S.A. in Lublin.

In the first half of 1994, an inspector of the Supreme Audit Office, Rzeszów Branch.

From 1997, membership of a number of supervisory boards of companies such as Agrogurt S.A., Rafineria Czechowice S.A., Resbud S.A., Polmos Łańcut S.A., Philip Morris S.A., RUCH S.A., and Agencja Rozwoju Przemysłu S.A.

Józef Czyczerski - Member of the 9th term Supervisory Board

Elected by the Company's employees and appointed to the 9th term Supervisory Board by the Annual General Meeting held on 23 June 2014. Member of the Supervisory Board representing employees between 1999 and 2011.

A graduate of a Technical High School, since 1979 employed in KGHM's Rudna Mine as an electromechanical technician for mining machinery and equipment. A member of the Supervisory Board of KGHM elected by employees between 1999-2011. Chairman of the National Section of the Solidarity Copper Ore Mining Trade Union.

Bogusław Fiedor - Member of the 9th term Supervisory Board

Appointed to the 9th term Supervisory Board by the Annual General Meeting held on 23 June 2014.

A graduate of the University of Economics in Wrocław (formerly Academy of Economics). Since 2012, Vice-Rector for International Cooperation. Between 2005 and 2008 and 2008-2012, Rector of the University. Between 1996 and 2005, Head of the Department of Environmental Economics. Since 1991 to date, Director of the Institute of Economics. Since 1996 to date, Member of the Senate and Head of the Senate Foreign Affairs Committee during three terms of office.

A promoter of 14 doctoral theses and 4 habilitations and a reviewer of nearly 50 doctoral dissertations, 85 habilitations and 30 awards of the professor's degree. An author of approximately 400 publications, including 32 book and monographs (as an author or co-author). A manager of around 50 projects and research programs, including 12 international ones. A member of editorial and scientific boards of numerous scientific journals.

Member of the European Association of Environmental and Resource Economists, Polish Branch and its Deputy Chairman between 1994-2002 and 2010-2014. Chairman of the Economic Sciences Committee of the Wrocław Branch of the Polish Academy of Sciences between 1994 and 2002. Since 1994 a Member and Deputy Chairman between 1997 and 2005 of the Social

and Business Strategy Council for the Government of the Republic of Poland. Elected Member of the Economics Committee of the Polish Academy of Sciences since 1997, at present Deputy Chairman of KNE PAN and Chairman of the Scientific Committee. Central Council for Higher Education – elected member between 2000 and 2002. National Environmental Council – member between 2001 and 2006. The Central Committee for Academic Titles and Degrees of the Prime Minister of the Republic of Poland – elected member between 2003 and 2012. Scientific Council of the Institute of Economic Sciences of PAN – Deputy Chairman since 2003. Elected Chairman of the Scientific Council of the Polish Society of Economics (2010-2015); Chairman of the Panel of Rectors of Universities and Colleges in Wrocław, Opole, Częstochowa and Zielona Góra (2011-2012), Deputy Chairman in 2010 and currently Honorary Chairman). Board Member of the Conference of Polish Rectors and Chairman of the Economic Committee of the Conference (2012-2016).

International cooperation with Westfälische Wilhelms-Universität Münster (Germany), University of Richmond (USA), Virginia Polytechnic Institute and State University (USA), Internationales Hochschulinstitut in Zittau (Germany) and European Bank for Reconstruction and Development in London - Member of the Environmental Advisory Council of the Bank's President (1991-1994); cooperation with the World Bank – a long-term consultant and member of the Polish mission of the Bank; Chairman of the Economic Section of the UNESCO-M&B Committee (2000-2006); Poland's representative on the Higher Education and Research Standing Committee,

Council of Europe (1999-2011); a consultant (projects, expert opinions) for numerous international organizations; Member of Supervisory Boards of Bank Cukrownictwa CUKROBANK S.A., Bank Ochrony Środowiska S.A., Wałbrzyska Specjalna Strefa Ekonomiczna INVEST PARK S.A., Dolnośląska Agencja Współpracy Gospodarczej S.A. and Dolnośląski Park Innowacji i Nauki S.A. (since 2011 to date). Additionally, a Founding Member of the Lower Silesia Council for Entrepreneurship and Science of the Lower Silesia Business Centre Club; Member of the Judging Panel of the Lower Silesia Business Certificate; Chairman of the Judging Panel of the Griffon Lower Silesia Business Award; Member of the Judging Panel of the Highly Recognized Company of the Lower Silesia Business Center club; Honorary Member of the Business Centre Club; a co-owner of Eko-Plus consultancy offering business and environmental advisory services (1996-1999).

Leszek Hajdacki - Member of the 9th term Supervisory Board

Elected by the Company's employees and appointed to the 9th term Supervisory Board by the Annual General Meeting held on 23 June 2014. Member of the Supervisory Board representing employees between 2002 and 2011.

A graduate of the University of Zielona Góra, Department of Strategic Management and Finance. A Graduate of the Polish Open University in Warsaw, Department of Business Management. A post-graduate course at the Department of Geo-engineering, Mining and

Geology of the Wrocław University of Technology in the area of Occupational Safety and Hygiene.

A post-graduate course at the Department of Law, Administration and Economics of the Wrocław University with a specialization in business and commercial law.

Passed an exam for members of supervisory boards of state-owned companies. Since 1978 employed in KGHM Polska Miedź, in the Rudna Mine, initially as an electrician and subsequently as an electricity cost settlement specialist and, at present, as the Senior Standardization Inspector and Deputy Chief Engineer.

President of the Polish Copper Foundation between 2004 and 2006. Since 2001, Chairman of the Rudna Trade Union of the Copper Sector Employees.

Marcin Moryń - Chairman of the 9th term Supervisory Board

Appointed to the 9th term Supervisory Board by the Annual General Meeting held on 23 June 2014.

A graduate of the University in Łódź, Department of Law and Economics, Faculty of Law, with a specialization in constitutional law(1990-1995). Internship in the Regional Court in Piotrków Trybunalski (1995-1997), ending in an exam for a judge license. Internship in the District Board of Legal Advisers in Łódź (1998-2001) ending with an exam for a legal adviser license. In 2001, entered in the Register of Legal

kept by the District Board of Legal Advisers in Łódź and, subsequently, in Warsaw.

An employee of the Ministry of the State Treasury. Since 2007 to date, Director of the Legal Department. Between 2006 and 2007, Director of the Department of Monitoring Privatization Commitments and between 2001 and 2006, Head of the Labor Department, Legal Adviser.

Membership of supervisory boards: Polskie Górnictwo Naftowe i Gazownictwo S.A. as a Deputy Chairman (2006-2014); PGE Kopalnia Węgla Brunatnego Bełchatów S.A. (2008-2010); British-American Tobacco Polska S.A. (2005-2008), CHEMIA Polska Sp. z o.o. as a Secretary (2005-2006) and Zakłady Przemysłu Ziemniaczanego „LUBLIN” Sp. z o.o. as a Secretary. Since 2010 to date, Shareholder Proxy in Przedsiębiorstwo Usług Hotelarskich PUH Sp. z o.o. in Łódź.

Barbara Wertelecka-Kwater - Member of the 9th term Supervisory Board

Appointed to the 9th term Supervisory Board by the Annual General Meeting held on 23 June 2014.

A graduate of the University in Wrocław, Department of Philosophy and History, with a Master's degree in pedagogy (1993) and Department of Philosophy and History, Department of Management Psychology (1997).

GRI 4.1. An MBA course delivered by Finance & Leasing Association from the UK and Ernst & Young (2001).

Since 2014, Director of the Ownership Policy Department in the Ministry of the State Treasury. Between 2007 and 2011 self employed, offering advisory services in the area of personal development, HR management, support to strategic HR initiatives in organizations, personnel audits, recruitment, training in communications, negotiation, self-presentation and team leadership.

Between 2005 and 2007, Management Board Proxy and HR Director of Getin Bank S.A. Between 2003-2007, HR Strategy Director for Poland and Eastern Europe of Getin Holding S.A. Between 2001 and 2002, HR Director in Kaczmarek Inkasso and between 1997 and 2001 HR Department Director in Europejski Fundusz Leasingowy S.A.

Permanent Committees of the Supervisory Board

The Supervisory Board operates three committees which assist the Supervisory Board in preparing evaluations and opinions and supporting the decision making processes of the Supervisory Board in other ways.

- ▶ The Audit Committee is responsible for supervision in the areas of financial reporting, the internal control system, risk

management and internal and external audits

- ▶ The Remuneration Committee is responsible for supervising the performance of agreements signed with the Management Board, the remuneration system and benefits paid out in the Company and the Group, training and other benefits provided by the Company, as well as related audits carried out by the Supervisory Board.
- ▶ The Strategy Committee supervises the implementation of the Company strategy and the Company's annual and long-term operating plans, evaluates the coherence of these documents, and provides its opinions to the Supervisory Board on the strategic projects presented by the Management Board of the Company and any changes thereto, as well as on the Company's annual and long-term operating plans.

The detailed rights, scope of activities and manner of work of these Committees are set forth in the respective bylaws approved by the Supervisory Board.

Audit Committee

Name and surname	Role
The composition of the Committee as of 1 January 2013.	
Krzysztof Kaczmarczyk	Committee Chairman
Paweł Białek	Member
Krzysztof Opawski	Member
The composition of the Committee as of 10 July 2013.	
Marek Panfil	Committee Chairman
Krzysztof Kaczmarczyk	Member
Krzysztof Opawski	Member
Iwona Zatorska-Pańtak	Member
The composition of the Committee as of 27 November 2013.	
Marek Panfil	Committee Chairman
Krzysztof Kaczmarczyk	Member
Iwona Zatorska-Pańtak	Member
The composition of the Committee as of 15 July 2014.	
Bogusław Fiedor	Committee Chairman
Bogusław Szarek	Member
Tomasz Cyran	Member

Remuneration Committee

Name and surname	Role
The composition of the Committee as of 1 January 2013.	
Paweł Białek	Committee Chairman
Dariusz Krawczyk	Member
Ireneusz Piecuch	Member

Remuneration Committee

Name and surname	Role
The composition of the Committee as of 10 July 2013.	
Iwona Zatorska-Pańtak	Committee Chairman
Krzysztof Kaczmarczyk	Member
Andrzej Kidyba	Member
Bogusław Szarek	Member
The composition of the Committee as of 15 July 2014.	
Tomasz Cyran	Committee Chairman
Leszek Hajdacki	Deputy Chairman
Józef Czyczerski	Member
Marcin Moryń	Member
Barbara Wertecka-Kwater	Member

Strategy Committee

Name and surname	Role
The composition of the Committee as of 1 January 2013.	
Aleksandra Magaczewska	Committee Chairperson
Krzysztof Kaczmarczyk	Member
Paweł Biątek	Member
Dariusz Krawczyk	Member
Krzysztof Opawski	Member
Ireneusz Piecuch	Member
Jacek Poświata	Member

Strategy Committee

Name and surname	Role
The composition of the Committee as of 1 January 2013.	
Aleksandra Magaczewska	Committee Chairperson
Krzysztof Kaczmarczyk	Deputy Chairperson
Krzysztof Opawski	Member
Marek Panfil	Member
Jacek Poświata	Member
Bogusław Szarek	Member
The composition of the Committee as of 27 November 2013.	
Aleksandra Magaczewska	Committee Chairperson
Krzysztof Kaczmarczyk	Deputy Chairperson
Marek Panfil	Member
Jacek Poświata	Member
Bogusław Szarek	Member
The composition of the Committee as of 15 July 2014.	
Barbara Wertecka-Kwater	Committee Chairperson
Andrzej Kidyba	Deputy Chairperson
Józef Czyczerski	Member
Leszek Hajdacki	Member
Marcin Moryń	Member
Jacek Poświata	Member
Bogusław Szarek	Member

At the end of the year, the Committees submit reports on their activities to the Supervisory Board.

GRI 4.5.

Remuneration of the Supervisory Board

In accordance with the Company Statutes, the remuneration of the Supervisory Board members is determined by the General Meeting. The payment of remuneration is regulated by a resolution of the Annual General Meeting no. 15/2003 of 29 May 2003 on changes in the remuneration of selected Supervisory Board Members, according to which the amount of remuneration depends on the role of each member and is defined as a multiple of the average gross monthly salary in the enterprises sector, excluding distribution of profit for the last month of the previous quarter of the year. The Company also covers or reimburses the costs related to participation in the activities of the Supervisory Board.

Independence

The Company Statutes and the document Best Practice of WSE Listed Companies requires that some of the Supervisory Board members of KGHM have the status of independent members.

At least two Supervisory Board members should be independent members, meeting the following criteria:

1. they are not in an employment relationship or any other legal relationship of a similar nature with the Company, its divisions or any of its affiliated entities,
2. they are not members of supervisory boards or management boards of an entity affiliated with the Company,
3. they are not partners or shareholders holding 5% or more of the votes at the General Meeting of the Company or at the General Meeting of an affiliated entity,
4. they are not members of a supervisory board or management board or employees of an entity holding 5% or more of the votes at the General Meeting of the Company or at the General Meeting of an affiliated entity,
5. they are not an ascendant, descendant, spouse, brother or sister, parent of a spouse or an adopted child of any of the individuals mentioned in points 1-4 above.

An independent member of the Supervisory Board should meet the independence criteria throughout the entire term of his/her mandate. If the Supervisory Board or Management Board of the Company learns that an independent member of the Company's Supervisory Board has ceased to meet the independence criteria during the term of his/her mandate and if, as a result, the Company fails to meet the requirement of having at least two independent members on the Supervisory Board, steps will be taken to encourage the non-conforming member's early resignation.

A candidate for the position of independent member of the Supervisory Board should file a written statement on meeting the independence criteria. A Supervisory Board member should submit to the Management Board information about his/her associations with a shareholder holding shares which account for at least 5% of the votes at the General Meeting, which may be of relevance.

The information should be provided after appointment to the Supervisory Board and also during the term of mandate whenever the circumstances change.

In accordance with the principle set forth in Annex II to the Commission Recommendation on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board, which is also stated as principle no. 6 in Section III of the Best Practice of WSE Listed Companies, at least two supervisory board members should meet the criteria of independence from the Company and its associated entities.

On the basis of the statements filed by the Supervisory Board members upon their appointment it can be concluded that in 2013 and as at the date of this Report, the Company met the criteria of independence of selected Supervisory Board members.

Avoidance of conflicts of interest

Upon their appointment, Supervisory Board members file statements on their activities other than those related with KGHM together with an assessment whether any of them are competitive to the Company's activities and with information whether he/she holds an interest or is a member of authorities of a competitive company or any other competitive entity.

Members of the Supervisory Board are also required to inform the Company on an ongoing basis about their possession of the Company's

shares and transactions executed in respect of them, pursuant to §87 section 7 item 6 of the Regulation of the Minister of Finance of 19 February 2009 on periodical and current information provided by issuers of securities.

Due to KGHM's adoption of the Best Practice of WSE Listed Companies, the provisions of principles 2 and 4 stated in Chapter III oblige the Company's Supervisory Board members to submit to the Management Board information about their connections with shareholders whose stake in the Company accounts for at least 5% of the total number of votes at the General Meeting and about the existence of family, economic or other relations which could potentially influence a position taken on matters resolved by the Supervisory Board (conflict of interest). Each member should inform the Supervisory Board about every instance of a conflict of interest and refrain from commenting and voting on the matter which has given rise to the conflict.

Members of the Supervisory Board of KGHM file statements to fulfill the requirements referred to above upon their appointment. In accordance with the International Financial Reporting Standards, twice a year Supervisory Board members file statements on transactions with connected entities.

GRI 4.2.
GRI 4.6.

On the basis of the statements filed by the Supervisory Board members upon their appointment it can be concluded that in 2013 and as at the date of this Report the Company was not aware of any existing or potential conflicts of interest.

Engagement in the assessment of the Company's performance, opportunities and risks related to sustainable development

GRI 4.9.
GRI 4.10.

In 2013, the Supervisory Board of KGHM held eight recorded meetings and adopted 99 resolutions, of which four were adopted in writing. The Supervisory Board monitored the current performance of the Management Board and of the Company, based on the resolutions of the Management Board and on monthly financial performance reports presented for review at each Supervisory Board meeting.

The Supervisory Board also reviewed periodically the Management Board's reports on:

- ▶ execution of donations, sponsoring and hosting activities as well as marketing and advertising activities in KGHM and in the Group;
- ▶ performance of consultancy, advisory and analytical services provided by third-party contractors to the Company and the Group, and
- ▶ progress in research and development projects.

The major topics discussed by the Supervisory Board in 2013 in respect of the evaluation of the Company's results, opportunities and risks in the area of sustainable development also included:

- ▶ implementation and revision of the Company Strategy,
- ▶ restructuring of the KGHM Group,
- ▶ work safety in the Company's divisions,
- ▶ degree of volatility and security mechanisms related to the prices of copper and foreign currency exchange rates.

The Supervisory Board also received opinions and position statements of trade unions operating in KGHM and reviewed the responses on the matters in questions prepared by the Management Board.

Management Board

Responsibilities

The duties of the Management Board include all matters pertaining to the Company's operations which have not been reserved by the Commercial Partnerships and Companies Code and the Statutes of the Company for the competence of the General Meeting or the Supervisory Board. The Management Board represents the Company externally. The Company's Management Board is obliged to manage the assets and the affairs of the Company with the necessary degree of prudence required in commercial affairs and to obey the law, the Statutes of the Company and the resolutions adopted by the General Meeting and the Supervisory Board within the limits of their responsibilities.

The Management Board operates based on generally applicable laws, the Statutes of the Company and the Regulations of the Management Board of KGHM.

The documents are publically available at www.kghm.pl.

For resolutions of the Management Board to be valid, at least two-thirds of the members of the Management Board must be present.

Resolutions of the Management Board are adopted by a simple majority of votes cast.

GRI 4.1.

In the case of a tie vote, the vote of the President of the Management Board shall be deciding.

The authority of the Management Board to make decisions on the issuance or redemption of shares is limited by the provisions of the Statutes. The shares of the Company may be redeemed with the prior consent of the shareholder through their acquisition by the Company. A resolution of the General Meeting on the redemption of shares may be preceded by an agreement entered into with the shareholder.

An increase in the share capital or issue of shares is possible only with the approval of the General Meeting. The same holds true for the issuance of bonds. The Management Board of the Company does not have the authority to increase the share capital or issue shares of the Company under conditions specified in the Commercial Partnerships and Companies Code.

GRI 4.2.

The Management Board President does not act as a Managing Director.

Composition

The Management Board is composed of 1 to 7 persons appointed for a joint term of office.

The term of office of the Management Board lasts three consecutive years. The number of members of the Management Board is defined by the Supervisory Board, which appoints and dismisses the President of the Management Board, and at his/her request appoints and dismisses the remaining members of the Management Board, including those serving as the First Vice President and as Vice Presidents of the Management Board, subject to the provisions of the Company Statutes, regarding the appointment and dismissal of an

employee-elected Member of the Management Board. Members of the Management Board, including the employee-elected Management Board member, may be dismissed by the Supervisory Board prior to the expiry of their term of office. The result of the election of an employee-elected member of the Management Board or the result of voting on his/her dismissal is binding for the Supervisory Board, if at least 50% of the Company's employees took part in the voting. The election and dismissal of an employee-elected Member of the Management Board requires an absolute majority of the votes cast.

GRI LA13 The composition of the 8th term Management Board and the distribution of duties among the members as at 1 January 2013 was as follows:

Name and surname	Role
Herbert Wirth	President of the Management Board
Włodzimierz Kiciński	First Vice President of the Management Board (Finance)
Wojciech Kędzia	Vice President of the Management Board (Production)
Adam Sawicki	Vice President of the Management Board (Corporate Affairs)
Dorota Włoch	Vice President of the Management Board (Development)

In 2013 the following changes occurred in the composition of the KGHM Management Board:

On 2 September, Dorota Włoch resigned from the position of Vice President of the Management Board (Development).

On the same day, the Supervisory Board resolved to dismiss Włodzimierz Kiciński and Adam Sawicki from the Management Board and to appoint Jarosław Romanowski, Marcin Chmielewski and Jacek Kardela to the Management Board.

Following the aforementioned changes, the composition of the 8th term Management Board as at 31 December 2013 and as at the date of this Report was as follows:

Name and surname	Role
Herbert Wirth	President of the Management Board
Jarosław Romanowski	First Vice President of the Management Board (Finance)
Wojciech Kędzia	Vice President of the Management Board (Production)
Marcin Chmielewski	Vice President of the Management Board (Corporate Affairs)
Jacek Kardela	Vice President of the Management Board (Development)

Herbert Wirth President of the Management Board



A member of the Management Board of KGHM since April 2008 (6th term) and President of the Management Board of Polska Miedź since July 2009. Awarded twice with the title of the Best Manager in Times of Crisis by the editors of the weekly *Wprost*. Herbert Wirth received the highest number of votes for his visionary management style and the ability to build a strong position of the Company. He is also a winner of the Vector 2012 awarded by the Polish Employers for achievements which are particularly beneficial for the Polish economy and for creating a climate conducive to the development of entrepreneurship. The President was granted the award in recognition of the largest acquisition in the history of Poland which has turned the Company into a global player and for integrating academic knowledge with business practice.

A graduate of the Geology and Prospecting Department at the AGH Stanisław Staszic University of Science and Technology in Kraków. In 2012, obtained the title of doctor habilitatus in technological sciences at the Department of Geo-engineering, Mining and Geology of the Wrocław University of Technology. He completed a postgraduate course at the George Washington University School of Business and Public Management, obtaining a Master's Certificate in Project Management.

Since 1998 involved with the KGHM Group. He also served as a Vice-President of KGHM CUPRUM sp. z o.o.



Jarosław Romanowski
Vice President
of the Management Board (Finance)

First Vice-President of the Management Board of KGHM (8th term) since September 2013.

A graduate of the Poznań University of Economics with a specialization in Foreign Trade. He has completed many prestigious courses in the field of international finance, risk management and valuation of companies.

Involved with KGHM since 1996. Participated in a number of strategic projects, including the creation from scratch of the market risk management department, organizing the refinancing of a syndicated loan (PLN 2.3 billion), participating in the development of the Company's commercial policy and leadership of the mergers and acquisitions team responsible for the acquisition of Quadra FX.

He has held a variety of positions, such as Director of Market Strategy from 1998, Executive Director for Finance from 2003, General Director of Trade and Hedging from 2006 and the Vice President of KGHM International Limited (Canada) from 2012. Between 2003 and 2006 he served as Vice President, Chief Financial Officer for Tele-Fonika Kable S.A. He is the Chairman of the Board of Directors of KGHM International Ltd. and the Chairman of the Board of Directors of KGHM Ajax Mining Inc.



Wojciech Kędzia
Vice President
of the Management Board (Production)

Vice-President of the Management Board of KGHM (8th term) since November 2010.

A graduate of the Mining Faculty at the Wrocław University of Technology and a holder of a Ph.D. degree in economics. Completed a post-graduate course in hydrometallurgy at the Chemistry Faculty of the Wrocław University of Technology and a post-graduate management course in the field of business organization and management under free market economics at the Wrocław University of Economics.

Employed by KGHM since 1992, he climbed the entire career ladder, from the position of head miner, through Director of the Production Analyses and Monitoring Department to Vice-President of the Management Board. He is a member of the Board of Directors of KGHM International Ltd.

Marcin Chmielewski
Vice President of the
Management Board (Corporate Affairs)



Vice-President of the Management Board of KGHM (8th term) since September 2013,
A graduate of the Faculty of Civil Engineering at Opole University of Technology. Completed a post-graduate course in Banking and Finance at the Warsaw University and in Managing Company Value at the Warsaw School of Economics.

Between 2011 and 2013, President of the Management Board of KGHM TFI SA. Previously, from 1992 to 2011, an employee of the corporate banking area of a number of banks, such as Bank Pekao SA, Dresdner Bank, DZ Bank, Bank BGŻ SA, starting from the position of customer advisor and ending as the Regional Director. While working as the Managing Director of the Bank KBL Luxembourg, he completed a series of training courses in Luxembourg in the field of management of investment funds' assets. He also took part in a two-month internship in a Branch Office of Pekao Bank in Toronto, Canada and in a seminar on credit risk, DePaul University, Chicago, USA.

Jacek Kardela
Vice President of the Management
Board (Development)



Vice-President of the Management Board of KGHM (8th term) since September 2013,
A graduate of the University of Wrocław, Faculty of Social Sciences and of doctoral studies in the Institute of Economics (PAN) in Warsaw. Completed an MBA course at the Warsaw School of Economics and a post-graduate course in Business Management at the Wrocław University of Economics and in Production Management at the AGH University of Science and Technology.

Associated with the KGHM Group since 1998. Earlier, president of management boards of various companies, including CBJ Sp. z o.o., KGHM ZANAM Sp. z o.o. and Zagłębie Lubin. He also acquired professional experience working in municipal companies.

Remuneration of the Management Board

GRI 4.5. Remuneration of the Management Board Members is defined in the employment contracts which are signed between the Company represented by the Supervisory Board of KGHM and Members of the Management Board.

The amount of the variable salary payable to a Management Board member is determined

within a period of 30 days following the General Meeting at which the financial statements for the Company's accounting year are approved.

The above-mentioned remuneration is sanctioned by the Supervisory Board based on the assessment of the degree of achievement of the bonus targets (KPI) for the respective year.

Avoidance of conflicts of interest

GRI 4.6. In order to avoid conflicts of interest, the Company adheres to the provisions of the Commercial Companies Code, the management Board Bylaws and the Best Practice of WSE Listed Companies.

Members of the KGHM Management Board are obliged to inform the Supervisory Board about each and every conflict of interest arising in relation to the fulfilled role or about a

of its occurrence.

In accordance with KGHM's values, the Company also declares that its employees will not take advantage of their position in the organization to achieve personal benefits and, to this end, attaches great importance to the transparency of its operations and avoidance of conflicts of interest.

Investor Relations

GRI 4.16. The dialogue with stakeholders, among whom shareholders are of particular significance, is for us a key aspect of our Company's operations.

For KGHM, a global company operating on three continents, it is a priority to ensure equal access to information to all members of the

capital markets in Poland and abroad. We do our best to maintain regular communication and a transparent dialogue with current and future investors in order to provide objective information about the Company's current operations and strategic goals.

We follow an active information policy by making use of various communication channels, both traditional and technologically advanced ones. We maintain dialogue with shareholders and market participants by means of current and periodical reports published via the official reporting system (ESPI), our website, one-to-one meetings and participation of our representatives in investor conferences, road shows and meetings with analysts and fund managers.

In 2013, representatives of KGHM participated in 11 investor conferences in Austria, the United States and the UK organized by international investment banks and brokerage firms. The Management Board members and executives of the Company held around 120 one-to-one meetings and 20 group meetings at which they presented our strategy as well as operational and financial results and provided information to nearly 160 institutional investors.

The Investors section on our website (www.kghm.pl) offers access to a wide range of corporate information. This section includes current and periodical reports, information about the shareholding structure, documents related to general meetings and corporate governance as well as presentations and videos for investors.

In 2013, we published 41 current reports and 8 periodical reports (four quarterly reports, two half-year reports and two annual reports). Our website is available in Polish and in English.

We also offer an interactive version of our website. Users of mobile devices can easily have access to stock exchange reports, financial results or press releases.

We are committed to an 'open door' policy and answer investors' queries on an ongoing basis. All parties interested in information about KGHM may also subscribe to our electronic newsletter which in 2013 had 600 external users. Another form of contact with the market is the RSS platform with five thematic channels offering information about the Company's operations, stock exchange performance, the scope and nature of conducted business activities and the product offering against the background of the entire market.

In 2013, we once again provided stakeholders with a multimedia version of our annual report, increasing its transparency and improving access to our published data.

The dialogue we maintain with our investors and the market is a two-way process. We not only provide information to investors but expect their feedback, and this helps us plan our future activities.

In 2013, KGHM carried out a market survey on the effectiveness of communication activities and tools and the expectations of the market. The survey was based on the completion of anonymous questionnaires available in Polish and English, and also on in-depth interviews.

Technical Report



An example of our efforts to exceed the scope of regulatory requirements was the publication in 2013 of a “Technical Report on the Copper-Silver Production Operations of KGHM in the Legnica-Głogów Copper Belt Area of Southwestern Poland”.

In accordance with the standards adopted by global mining companies, we presented comprehensive information on the resources and production operations of KGHM.

The report was prepared by Micon International Ltd., an independent mining sector consultant, and meets the requirements of the NI 43-101 standard which sets forth guidelines for the disclosure of information about mining assets applicable to stock exchange listed companies.

Citizen Shareholding



We attach special importance to relations with individual investors. Therefore, we have become a partner to the nationwide campaign launched by the Polish Ministry of the State Treasury called the “Citizen Shareholding”. In 2013, we took part in the campaign by supporting educational activities and encouraging people to make informed investments in securities. Additionally, we distributed leaflets about the campaign among our employees, posted information about the program on our website and published an article in our “Miedziak” newsletter for employees.

In March 2014, the third round of free workshops for individual investors offered under the Citizen Shareholding program came to an end. The last series of stock exchange meetings initiated in November 2013 attracted 3 000 participants.

Experts from brokerage firms visited altogether 22 Polish cities, where they delivered 25 workshops in the basics of investing on the stock exchange. During this year's edition, three online broadcasts of the workshops were launched and were viewed by nearly 800 people. Additionally, for the first time, dedicated lectures on investing in securities addressed to senior citizens were delivered. Some of them were offered as part of the Third-Age University programs.



The workshop for individual investors organized in Wrocław was attended by more than 200 people



Risk Management

»A strategic approach to risk management guarantees effective identification of market opportunities and threats and a possibility to take proactive measures.«

Approach to management

The KGHM Group defines risk as uncertainty, being an integral part of the activities conducted and having the potential to result in both opportunities and threats to realisation of the business goals. The current, future, actual and potential impact of risk on the achievement of business goals is assessed. Based on this assessment, management practices are reviewed and adjusted in terms of responses to individual risks.

Approach to management

In 2013, we completed conceptual work aimed at implementing a comprehensive integrated risk management system, supporting the KGHM Group management process at the strategic and operational level.

This project was an element of the implementation of our business Strategy and its purpose was to develop skills and organizational efficiency, improve corporate governance and strengthen investor trust in the Company. Successful implementation of the system will strengthen the Company's robustness, predictability and stability and its accountability towards its shareholders, as well as the ability to adapt to the changing conditions of the business environment.

An integral part of the project was a training program for management staff and employees of the KGHM Group in the question of risk management at the basic level, including the applicable principles and the adopted risk management model and, at an advanced level,

held in the form of workshops for selected groups of participants with various roles in the risk management process. The project was completed in November 2013 and the following documents were approved:

**The Corporate Risk Management Policy.**

This document describes the adopted approach, sets basic principles and establishes the process for corporate risk management for the entire Group. This comprehensive approach to risk management is correlated with the growth strategy, with our ongoing efforts aimed at reaching operational excellence and with the principles of sustainable development and corporate social responsibility.

The policy has been designed to support the Company in building a robust corporate structure.

The goals of risk management are as follows:

- ▶ to ensure the creation and protection of shareholder value by establishing a uniform approach to risk identification, assessment and analysis and implementation of key risk responses;
- ▶ to protect the lives and health of our employees, the natural environment and our brand reputation; to support the achievement of business goals through implementation of an early warning system which helps to identify opportunities and threats;
- ▶ to build an organization aware of the risks it takes and determined to continually improve.

▶ **The Risk Management Procedure.**

This document describes the sequence of particular stages, the roles and responsibilities of individual participants and the applicable timeframes for the corporate risk management process in the KGHM Group.

The purpose of the Procedure is to ensure that key risks are identified, assessed and analyzed and that on the basis of such assessment appropriate risk response plans can be prepared and

corrective actions can be implemented to contain threats and to enable us to achieve our business goals and to support the process of identifying opportunities to build a competitive advantage.

The Procedure was developed in accordance with the best practices and was adapted to the specific needs of the KGHM Group. It is inspired by solutions applied in the ISO 31000:2012 standard, which were adapted to the organization and culture of the KGHM Group. Additionally, the Procedure implements selected practices described in other norms and standards such as COSO I and II.

▶ **The Corporate Risk Committee Rules.**

This document setting forth the Committee's operating principles aimed at facilitating the execution of the risk management process in accordance with the provisions of the Policy and the Procedure.

▶ **The Corporate Risk Management Methodology of KGHM**

describing the rules of conduct and the tools supporting the fulfillment of the tasks set forth in the Procedures, including, among others, Risk Models, Risk Assessment Matrices, Risk Registration, Risk Cards, Detailed Risk Cards, Risk Maps etc.

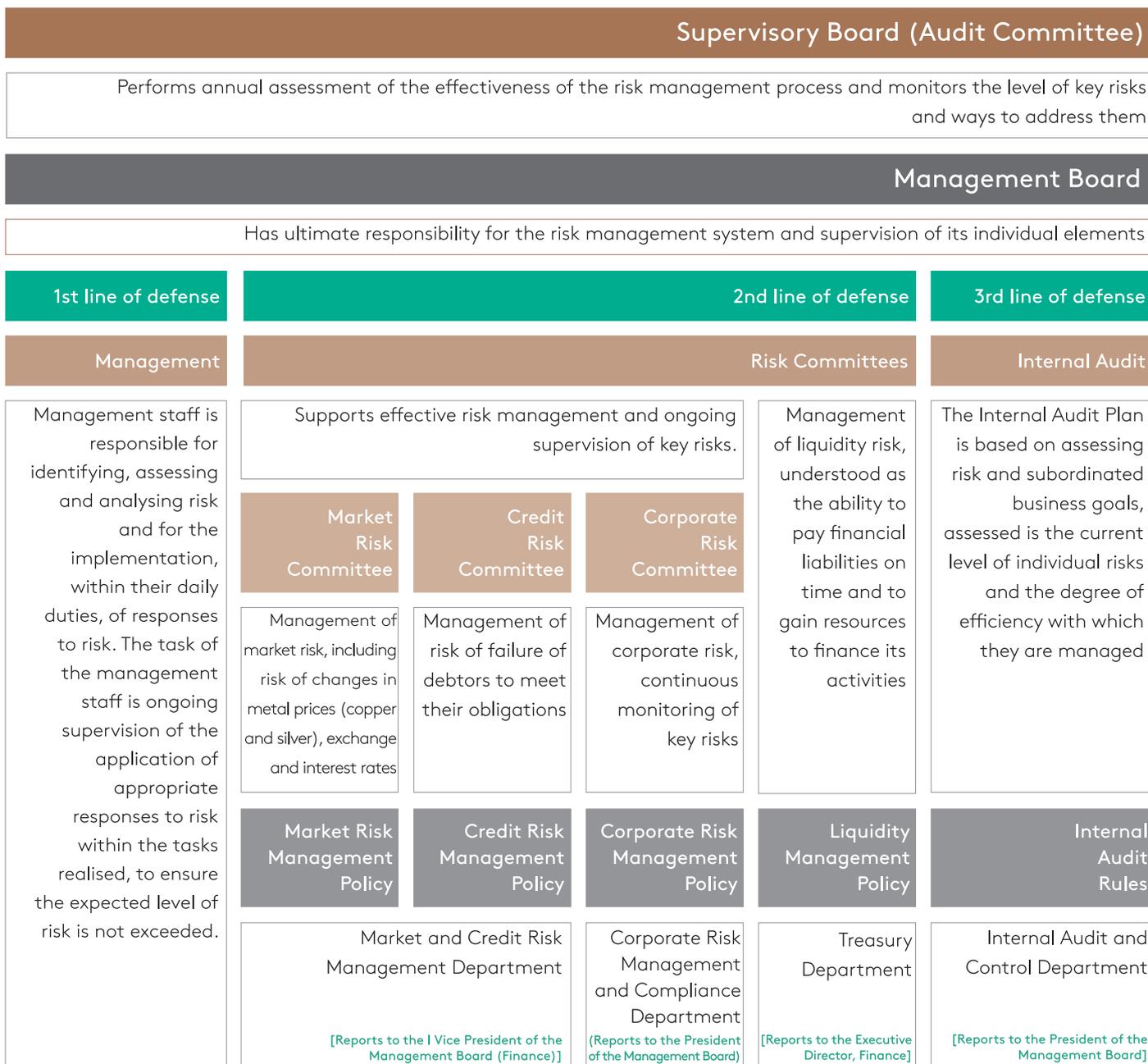
Approach to management

The management of individual risks (including among others market risk) is the subject of separate individual regulations and is described in the following KGHM documents:

- ▶ Market risk management principles, including the Market Risk Management Policy;
- ▶ The rules of the Risk Management Committee.;
- ▶ The Credit Risk Management Policy and the Rules of the Credit Risk Committee; and
- ▶ The Financial Liquidity Management Policy.

The breakdown of rights and responsibilities applies best practice principles for Corporate Governance and the commonly adopted model of three lines of defense.

Organizational structure of risk management in KGHM



Key Risks and Opportunities

In 2013, an identification and assessment of risks in KGHM was carried out. Based on the process of risk identification and assessment, taking into account their position on the Risk Map, the key risks to which KGHM is exposed were selected. These risks will be subject to in-depth analysis in order to develop a risk response plan and corrective actions. Other risks will be monitored on an ongoing basis by the Corporate Risk Management and Compliance Department.

GRI 1.2.

Financial risk

The goal of the financial risk management in KGHM is to mitigate the negative impact of financial factors on the Company's cash flows, short-term and medium-term results and on the building of the Company's long-term value.

The process of financial risk management encompasses risk identification and measurement and the reduction of risk to acceptable levels. The process is supported by an applicable policy, organizational structure and procedures in force in the Company.

In 2013 the Company was exposed to the main types of financial risks, such as market risk, credit risk and liquidity risk.

Market risk management

The market risk which the Company is exposed to is understood as the potential negative impact on the Company's performance, resulting from changes in the market prices of commodities, exchange rates and interest rates, as well as the prices of debt securities, participation units of investment funds and the share prices of listed companies.

The Management Board is responsible for market risk management in the Company and for adherence to the relevant adopted policy. The main unit involved in the management of market risk is the Market Risk Committee which recommends to the Management Board actions in this area. The primary technique for mitigating market risk is hedging and the use of derivative instruments. Additionally, natural hedging is also used.

Key risks and opportunities

Risk of changes of metal prices and FX risk

In 2013, the Company was exposed to the risk of changes in the market prices of metals it produces, i.e. copper and silver. Additionally, of major significance for KGHM was the risk of changes in the currency exchange rates, in particular the USD/PLN rate.

In accordance with the Market Risk Management Policy, in 2013 the Company identified and measured, on an ongoing basis, the market risk related to changes in metal prices and currency exchange rates. The monitoring of the degree of market risk in the Company was based on analyses of the impact of market risks on the Company's operations (profit, balance sheet and cash flow), using, among other things, a market risk measure called Earnings-at-Risk based on the Corporate Metrics methodology. This measure indicates the bottom value of net profit for a predefined net profit (e.g. there is a 95% probability that net profit in a given year will not be lower than...). The EaR methodology allows for the calculation of net profit taking into account the impact of changes in market prices of copper and silver and in exchange rates, in the context of planned budgets.

The Company also analyses on an ongoing basis the situation on the metal and FX markets. Such analyses, along with the assessment of the Company's internal situation, served as the basis for taking decisions on the application of hedging strategies on the metals and currency markets.

In 2013 the Company did not implement any copper and silver price hedging strategies.

In the second quarter of 2013, however, a restructuring of the hedging position on the silver market was carried out by repurchasing a seagull option structure, with the option strike prices of 20-40-65 USD/troz and the total nominal value of 1.8 million troz of silver. The closing of the hedging position on the silver market at the time of high stock prices guaranteed an increase in the Company's sales revenues in the second half of 2013 by PLN 95 million.

With regard to the forward currency market, in 2013 the Company executed transactions hedging its sales revenues for a total notional value of USD 480 million and a time horizon falling in the years 2014-2015. Additionally, in the reporting period, the Company restructured the seagull option strategy for the first half of 2014 with a total notional value of USD 180 million by repurchasing sold put options. Restructuring of positions in derivatives will allow for a full utilization of the put options purchased within those structures in the event of a potential strengthening of the Polish currency in the first half of 2014.

In 2013, the result on derivatives used by the Company amounted to PLN 73 million, of which:

- ▶ PLN 450 million was transferred to revenues from sales,
- ▶ PLN 377 million decreased other operating activities (where the loss on the exercise of derivatives amounted to PLN 185 million, and the loss from the measurement of derivatives amounted to PLN 192 million).

The loss from the measurement of derivatives transactions, recognised in other operating activities results mainly from changes in the time-based value of options which, in accordance with hedge accounting policy, is recognised in profit or loss.

As at 31 December 2013, the fair value of open positions in derivatives (on the copper and currency markets) amounted to PLN 791 million, while PLN 617 million was recognised in the revaluation reserve from the measurement of derivatives.

Interest rate risk

Interest rate risk is the danger of a negative impact of changes in interest rates on the Company's results.

In 2013, the Company was exposed to this risk due to loans granted, investing unallocated cash, taking advantage of zero-balance cash-pool services and using external sources of financing.

As at 31 December 2013, the balances of the aforementioned positions are as follows:

- ▶ loans granted: PLN 257 million,
- ▶ bank deposits: PLN 308 million, including deposits of the Company's Social Fund, the Mine Closure Fund and the Tailings Storage Facility Reclamation Fund,
- ▶ receivables from participation in the cash pool service: PLN 203 million,
- ▶ payables due to participation in the cash pool service: PLN 94 million,
- ▶ debt obligations arising from bank loans: PLN 1 123 million (or USD 373 million).

The impact of changes in interest rates on the Company's results, resulting from the financial receivables due and financial liabilities payable, is estimated as immaterial, due to the scale of the Company's operations.

Price risk related to the purchase of shares of listed companies

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

As at 31 December 2013, the carrying amount of shares of companies listed on the Warsaw Stock Exchange and on the TSX Ventures Exchange in the Company's possession was PLN 799 million.

Credit risk management

Credit risk is defined as the risk that counterparties of the Company will not be able to meet their contractual obligations.

In 2013, KGHM was exposed to this risk, mainly in four areas, related to trade receivables, cash and cash equivalents and bank deposits, loans granted, and transactions in derivatives.

The Management Board is responsible for managing credit risk in the Company and for adhering to policy in this regard. The main body involved in the activities carried out in this respect is the Credit Risk Committee.

Key risks and opportunities

Credit risk related to trade receivables

The Company limits its exposure to credit risk related to trade and other receivables by evaluating and monitoring the financial condition of its counterparties, setting credit limits and using debtor security. A critical element of the credit risk management process implemented in the Company is the on-going monitoring of receivables and the internal reporting system. Buyer's credit is only provided to proven, long-term customers, while sales of products to new customers are mostly based on prepayments. In 2013, the Company secured the majority of its receivables by promissory notes, frozen funds on bank accounts, registered pledges, bank guarantees, corporate guarantees, mortgages and documentary collection. Additionally, the majority of customers who hold buyer's credit on contracts have ownership rights confirmed by a date certain.

To reduce the risk of insolvency of its customers, the Company has entered into a receivables insurance contract which covers receivables from entities with buyer's credit which have not provided strong collateral or which have provided collateral not covering the total amount of the receivables.

Taking into account the collateral held and the credit limits received from the insurance company, as at 31 December 2013 the Company had secured 74% of its trade receivables.

The concentration of credit risk in the Company results from the fact that key accounts are offered extended terms of payment.

Consequently, as at 31 December 2013, the balance of receivables from seven of the Company's largest clients in terms of trade receivables at the end of the reporting period accounted for 64% of the trade receivables balance (versus 66% as at 31 December 2012). Despite the concentration of this type of risk, the Company believes that based on the available historical data, many years of experience of working with its clients and thanks to the hedging used, the level of credit risk is low.

Credit risk related to cash and cash equivalents and bank deposits

The Company temporarily deposits unallocated cash in accordance with the financial liquidity and risk mitigation requirements and in order to protect the capital and maximize interest income. Credit risk related to bank deposits is continuously monitored by way of an ongoing review of the financial standing and by maintaining a low level of concentration in individual financial institutions.

Credit risk related to derivative transactions

All of the entities with which the Company executes derivative transactions operate in the financial sector. These are mainly financial institutions with top and medium ratings. According to fair value at 31 December 2013, the maximum share of a single entity with respect to credit risk arising from open derivative transactions entered into by the Company and from unsettled derivatives amounted to 22%.

Due to diversification of risk in terms of both the nature of individual entities and of their geographic location, as well as taking into consideration the fair value of assets and liabilities arising from derivative transactions, the Company is not materially exposed to credit risk as a result of derivative transactions entered into.

Financial liquidity management

Capital management is aimed at maintaining continuous financial liquidity at all times.

The Company actively manages the liquidity risk to which it is exposed. This risk is understood as any threat to the ability to pay financial liabilities on time and to gain resources to finance its activities.

The Company manages its financial liquidity in accordance with the "Financial Liquidity Management Policy" which describes, in a comprehensive manner, the process of managing financial liquidity in the Company, based on the procedures and instruments consistent with the relevant best practices.

The basic principles set forth in these documents are as follows:

- ▶ investment of financial surpluses in safe financial instruments,
- ▶ limits for individual financial investment categories,
- ▶ concentration limits on monetary resources for financial institutions,
- ▶ securing appropriate sources of financing.

In 2013, the Company used external financing in the form of bank loans, including working capital facilities and overdraft facilities.

As at 31 December 2013, the value of the Company's borrowing amounted to USD 373 million (or PLN 1 123 million). Interest on the loans is based on variable LIBOR plus a margin.

As at 31 December 2013, the Company had access to open credit lines in PLN, USD and EUR. The interest rate is based on variable WIBOR, LIBOR and EURIBOR plus a margin.

In order to maintain financial liquidity and the credit capacity necessary to obtain external financing at an optimum cost, the Company monitors its equity using for this purpose, among others, the Equity Ratio and the Net Debt/EBITDA ratio.

The Company intends to maintain the Equity Ratio at a level not lower than 0.5, and the Net Debt/EBITDA ratio at a level not exceeding 2.0.

The Company continues the process of incorporating more companies into the cash management services of the KGHM Group (zero-balance cash pool). The funds available under this service bear an interest rate based on variable WIBOR. The credit limit available as at 31 December 2013 amounted to PLN 431 million.

This service allows for optimization of the costs and for effective management of current liquidity in the KGHM Group.

Our Strategy



» We need to learn to act faster and more efficiently and make better use of limited resources.«

Business Environment

The copper mining and smelting sector in which KGHM operates is affected by numerous factors and circumstances which impact both the current performance results of the Company and its future prospects as well as the ability to implement development plans. Of key significance are the macroeconomic conditions associated with the changing situation on the global copper and silver markets which determine the volume of consumption, inventories, the execution and commissioning of new mining projects and the resulting volatility of copper and silver prices on the mineral commodity markets. In the case of KGHM, an additional factor is the USD/PLN exchange rate due to the fact that products sales are settled in that currency. Furthermore, the impact of government actions on the operations of mining companies may be seen in the macroeconomic environment, manifested through increases in the exports tax, value added tax, tax on profits or the minerals extraction tax (introduced in Poland in 2012) and through the growing costs of energy and environmental protection which are outside the control

*The fourth quartile of the cumulative cost curve.

of mining companies and present an additional burden on their budgets.

In addition to external economic conditions, the effectiveness of the conducted mining operations depends on the quality of the deposits owned and the related extraction costs. KGHM's mining activities are carried out in one of the deepest copper ore deposits in the world (1 200 m). As a result, the Company's unit production costs are high and place us among the most expensive copper producers worldwide.* Moreover, as continued mining results in the dilution of our resource base, the Company is forced to search for new deposits which would be attractive in terms of ore quality and mining costs in order to maintain its position in the industry, grow production and achieve competitive advantage in respect of costs.

The core business of the Company's industrial operations is the mining of copper ore deposits and the subsequent processing of mined copper ore which gives rise to a significant impact on the natural environment.

Responsibility for the environment imposes on us a requirement to carry out our operations in strict conformance with the changing environmental standards and regulations and to safeguard the Company's image in the eyes of the public by respecting social values, such as the health and safety of the population of the regions where our industrial operations are based.

The key to the implementation of the Company's growth strategy is, first of all, to ensure a stable level of copper production through improvement in the cost-effectiveness of the core business based on the mining and metallurgical assets owned by the Company in Poland. Identification of investment opportunities and obtaining access to new, attractive world-class deposits should create conditions for launching additional, low-cost production by the Company in order to reduce the average unit cost of copper production in the KGHM Group and improve the Company's competitiveness in the mining sector.

Copper market in 2013

The predominant color on the copper market last year was again red. The average annual price of the metal in 2013 amounted to 7 346 USD/tonne, down 8% on 2012.

Although the potential negative scenario for copper prices was not evident at the beginning of the year, sentiment on the commodity markets began to deteriorate right after the end of New Year celebrations in China. Investors were becoming increasingly concerned with the

condition of the global economy and, additionally, there was substantial insecurity regarding the generally expected change in the monetary policy adopted by the US Federal Reserve (Fed). The market also received information from mining companies worldwide predicting a significant growth in mining production in 2013. As a result, over a period of three months the price of copper dropped below 7 000 USD/tonne. During the year there were also many signals indicating a potential slowdown of economic growth in China, which had a negative impact on market sentiment. Some of the copper supplies to China were used as security for financial transactions and, with the falling prices of the metal, investors were afraid that the contracts might be terminated, triggering further corrections on the market.

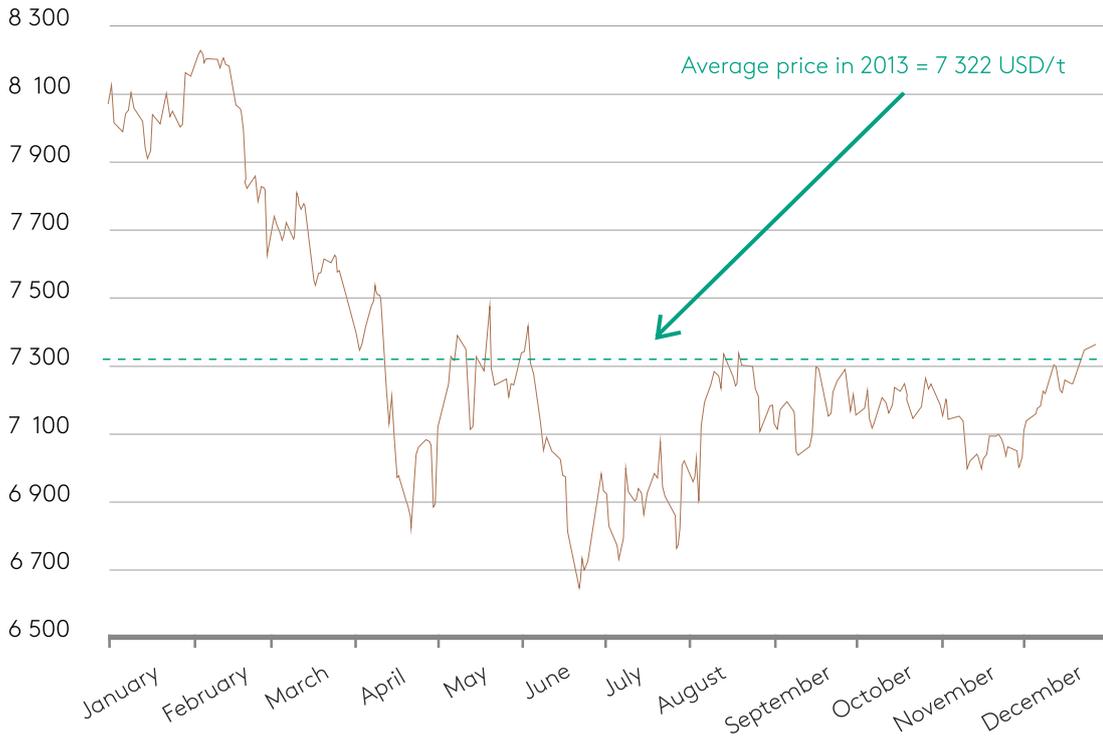
The deterioration witnessed on the copper market found confirmation in the reports of the major copper producers published in the second half of the year. On the one hand, financial performance results were much weaker and, on the other, managers were much more focused on the delivery of planned production from existing mines. Despite a substantial supply of copper concentrate in the second half of the year, the price of the red metal remained quite stable and, by the end of the year, had even recovered to the level of 7 300 USD/tonne. The increase in the price at the end of 2013 resulted from the fact that the processing capacity of smelters was not sufficient to handle the increased amount of concentrate, and lower prices of copper around mid-year caused a significant decline in the availability of scrap in the following months.

Consequently, at the end of the year there was a shortage of cathode copper on the market. Hence, looking at 2013 as a whole,

despite fluctuations between quarters of the year, the copper market was virtually balanced.

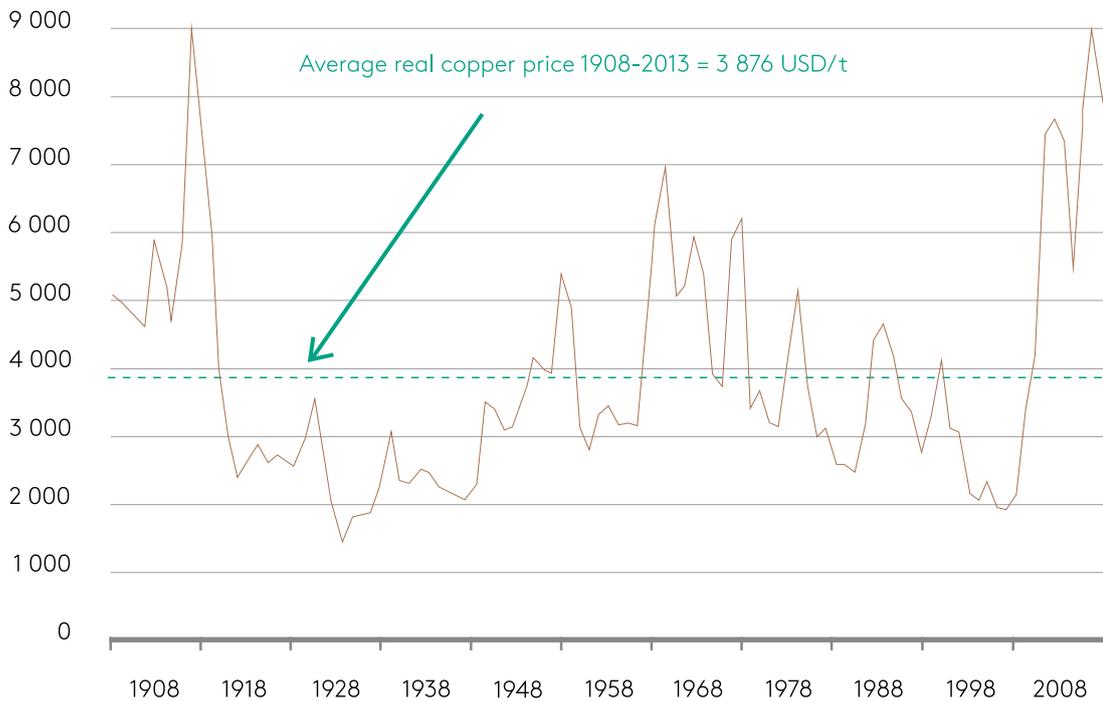
Daily LME copper cash settlement in 2013 (USD/t)

Source: KGHM, London Metal Exchange (LME)



Daily LME copper cash settlement in 2013 (USD/t)

Source: KGHM, CRU





Copper production

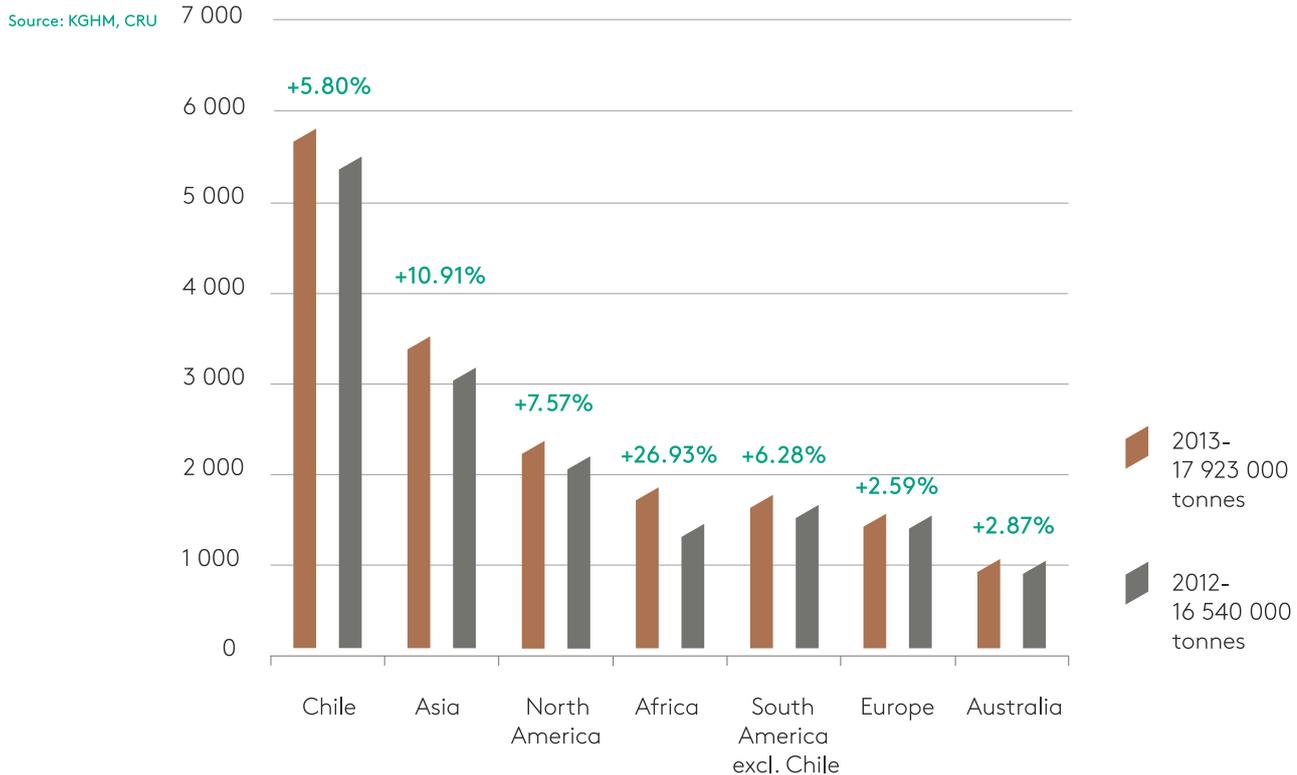
According to the data published by CRU International, mine production worldwide in 2013 totaled 17 923 000 tonnes (up 8.4% on the previous year). This was the highest growth rate recorded since the publication of the first CRU report 14 years ago. The increase in supply was to a large extent caused by the commissioning of production in new mining projects, including the ones in Congo (KOV, Frontier and Mutanda), Indonesia (Freeport), Mongolia (Oyu Tolgoi), Chile (Callahuasi, Escondida) and Peru (Antapaccay). In 2013, unscheduled downtime was very rare and the overall rate of interruption to production has been estimated at only 0.1%. This was due to a significantly lower number of strikes and a more stable copper ore grade compared to previous years. The record low downtime was a result of improvements in the continuity of operations in the Collahuasi, Batu Hiau and Bingham Canyon mines (despite a wall collapse), i.e. in those mines which in 2012 delivered a substantially lower production

output versus forecasts, mainly due to failure to reach consensus on employee contracts.

2013 saw significant production growth in Chile, the Democratic Republic of the Congo, the United States and China. Only a few countries reported lower production versus previous years (Argentina and Iran).

Last year, for the first time in many years, an improvement in the copper ore grade was observed. In the case of concentrate production, the average copper content in the ore was approximately 0.71% (0.96% in 2002), while in the case of SX-EW production the reported value oscillated around the level of 2012, or 0.49% (0.52% in 2002). Better parameters of mined copper ore contributed to an increase in the production volume by close to 100 000 tonnes.

* SX-EW – Solvent Extraction and Electrowinning

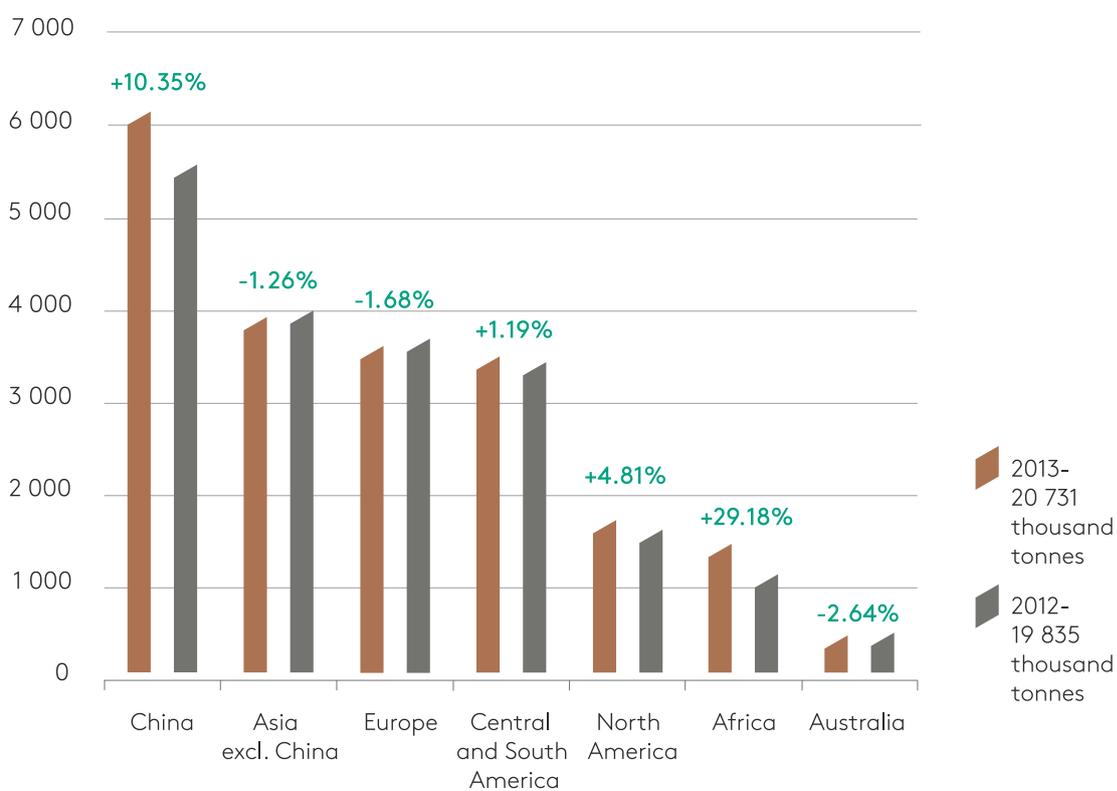
Mined copper production in 2012 and 2013
by region (thousand tonnes)

Refined copper production in 2013 totaled 20 726 thousand tonnes and was 4.5% higher than a year before. China was again the market leader with total production of cathode copper at the level of 6.14 million tonnes (an increase by 576 thousand tonnes). Last year saw a further expansion of Chinese smelter production capacity, however, unlike in 2012, a higher share of concentrate was recorded due to the limited availability of copper scrap as a result of lower prices. A slight decline in the production of refined copper was also reported in Europe where a number of technologically advanced smelters are located, capable of processing

scrap with a very low copper content. Although highly developed European countries, where great emphasis is placed on environmental protection and recycling, supply large volumes of scrap to the market, at a time of lower prices, the availability of scrap was significantly limited. A substantial growth in the production of refined copper was seen in Africa, particularly in the Democratic Republic of the Congo and in Zambia, as well as in Brazil and the Philippines. The highest declines in refined production output were recorded in India (mainly due to downtime at the Sterlite Tuticorin smelter), Spain and Mexico.



Refined copper production in 2012 and 2013 by region (thousand tonnes)

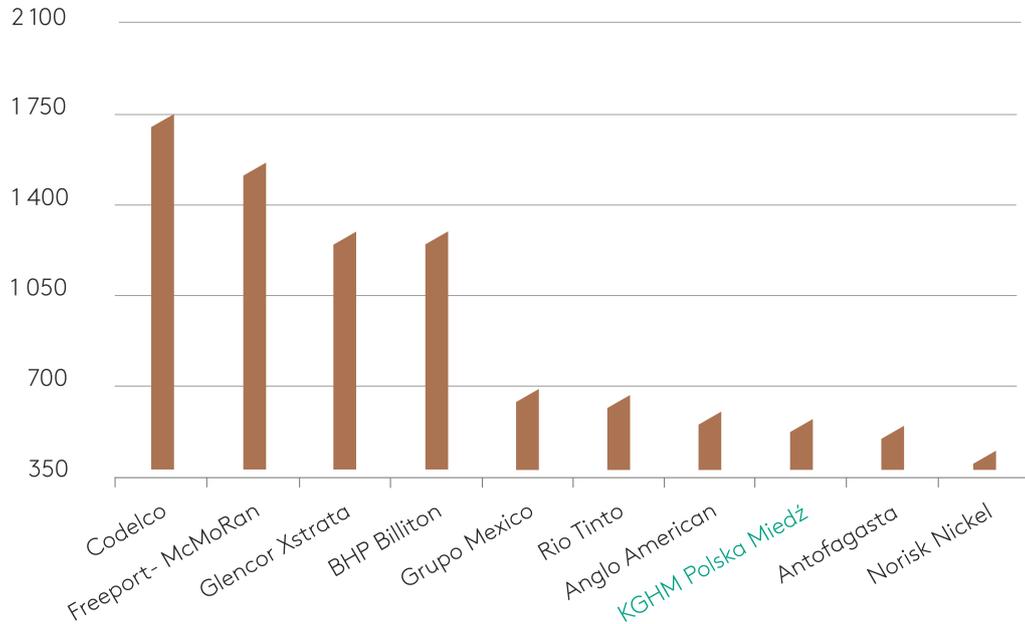


In 2013, KGHM produced 531 thousand tonnes of mined copper and once again ranked eighth among copper producers worldwide. The top position in the ranking was

defended by Codelco with a production output of 1 776 thousand tonnes of copper, followed by Freeport-McMoRan with 1 584 thousand tonnes.

Largest copper producers in 2013 (thousand tonnes)

Source: KGHM, CRU



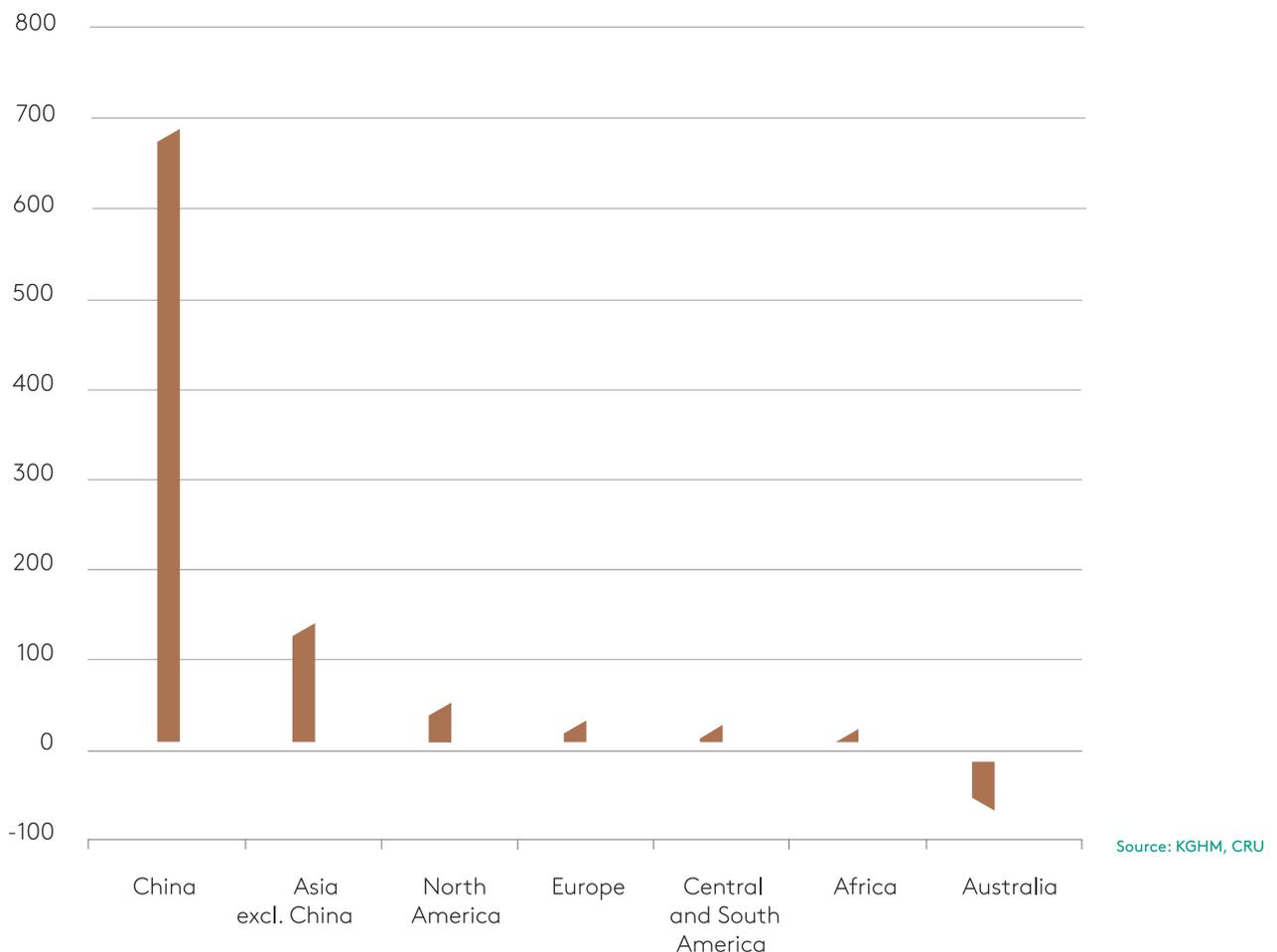
Copper consumption

According to the analyses conducted by CRU International, consumption of refined copper in 2013 increased versus last year by 4.6% (915 thousand tonnes) to 20 612 thousand tonnes. This increase was observed mainly in emerging markets and was led by China, the biggest consumer of copper in the world (8.8 million tonnes in 2013 or 42.7% of global production). In addition to China where demand went up by 710 thousand tonnes, consumption growth was also recorded in Malaysia, Turkey, Brazil and Thailand, where the development of these emerging economies triggered a requirement for the red

metal arising from infrastructural investments, expansion of power distribution grids, higher demand for electronics and growth in the construction sector. An interesting observation was the increasing demand in France and Germany where the respective growth rates were 5.7% and 3.3%. Steady consumption rises were also seen in the United States and Canada (+ 3.0% and +2.6%, respectively).

Simultaneously, a clear drop in copper consumption was reported in Italy, the Netherlands and Sweden.

Growth in demand for copper by regions of the world in 2013.



The high prices of copper versus aluminum (the copper/aluminum price ratio in 2013 occasionally exceeded the value of 4) increased the interest of many consumers in materials which can substitute for copper. As a result, wide-scale research efforts were undertaken to support the use of aluminum in the automobile and energy sectors (mainly with regard to cables). The outcomes of these research activities may have an impact on the volume of future demand, if pricing disparities continue to exist. In the final quarters of the year, some manufacturers made investments in technology which allows for the

production of both copper and aluminum cables.

Over the last several decades the structure of copper consumption has changed substantially. The most important factors resulting in increased copper use include urbanization in emerging countries and growth of investments related to the development of cities, the increasingly common use of renewable energy sources, growing consumption of electricity, globalization leading to increased accessibility of electronic devices and a significant increase in the use of electronic devices in everyday life.

Copper inventories

* The London Metal Exchange.
** Commodity Exchange Inc. (COMEX), a branch of the New York Mercantile Exchange (NYMEX) owned by Chicago Mercantile Exchange (CME Group Inc.), the largest option and futures exchange worldwide.
*** The Shanghai Futures Exchange

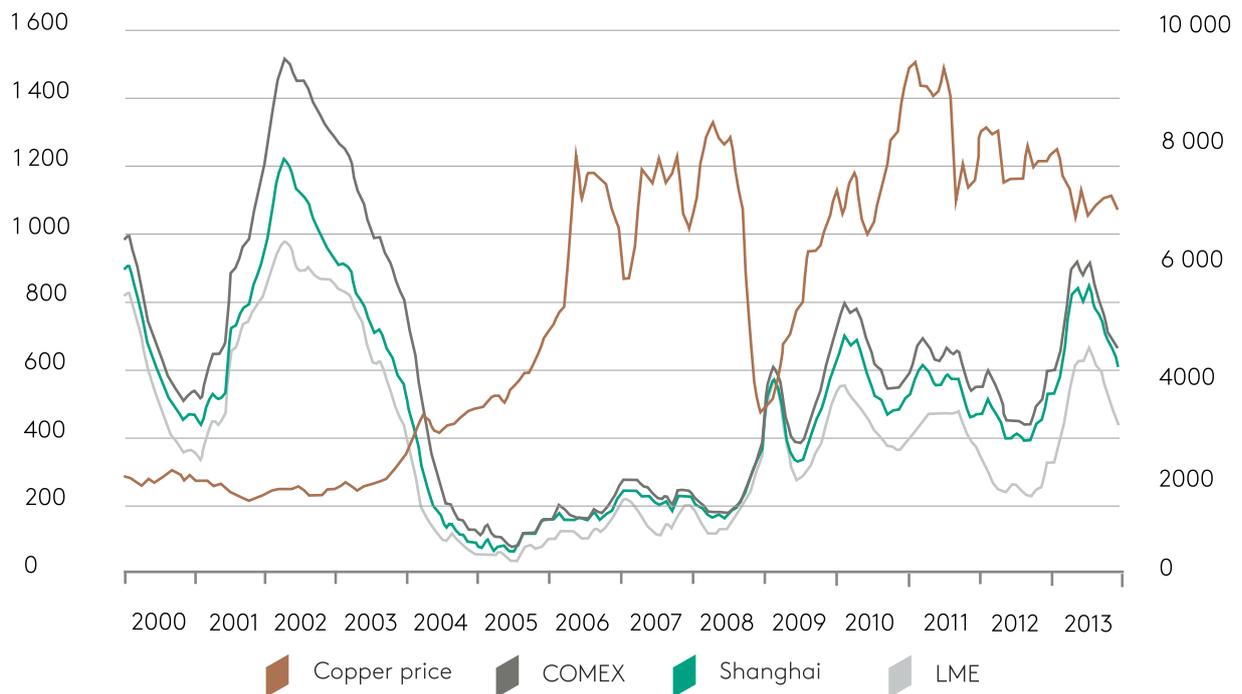
The beginning of 2013 brought a rapid increase in copper inventories on the LME, COMEX and SHFE exchanges. Over the first six months of the year, the total volume of inventories in official exchange warehouses increased by 325 thousand tonnes. Three LME warehouses (in New Orleans, Johor and Antwerp) had the highest amounts of copper on stock, at times accounting for 90% of total exchange inventories. The concentration of the commodity in these locations triggered a rapid increase in the number of exercised warrants, which in June exceeded 370 thousand tonnes. Due to rigorous restrictions on offtake of the metal from warehouses imposed by the LME, a waiting list with a delivery time of several months formed on the market. As a result, the profit of warehouse owners grew considerably. In the second half of the year, the situation changed substantially and the volume of

inventories dropped by 404 thousand tonnes, reaching 0.5 million tonnes at the end of the year. The change was not a result of a significant growth in demand but rather of the fact that copper was transported to duty-free warehouses in China (Shanghai, Ningbo and Dalian) where it was used for financial arbitrage operations between the LME and SHFE and as security for loans. The funds raised in this way were subsequently invested, among others, on the real estate market.

At the end of the year, most official inventories were stored in LME warehouses (72%), followed by the Shanghai exchange (25%) and the American COMEX exchange (3%). The volume of unofficial inventories in Chinese warehouses at the end of 2013 was estimated by CRU International at 500 – 600 thousand tonnes.

Source: KGHM, LME, COMEX, SHFE

Copper warehouse inventories 2000 - 2013





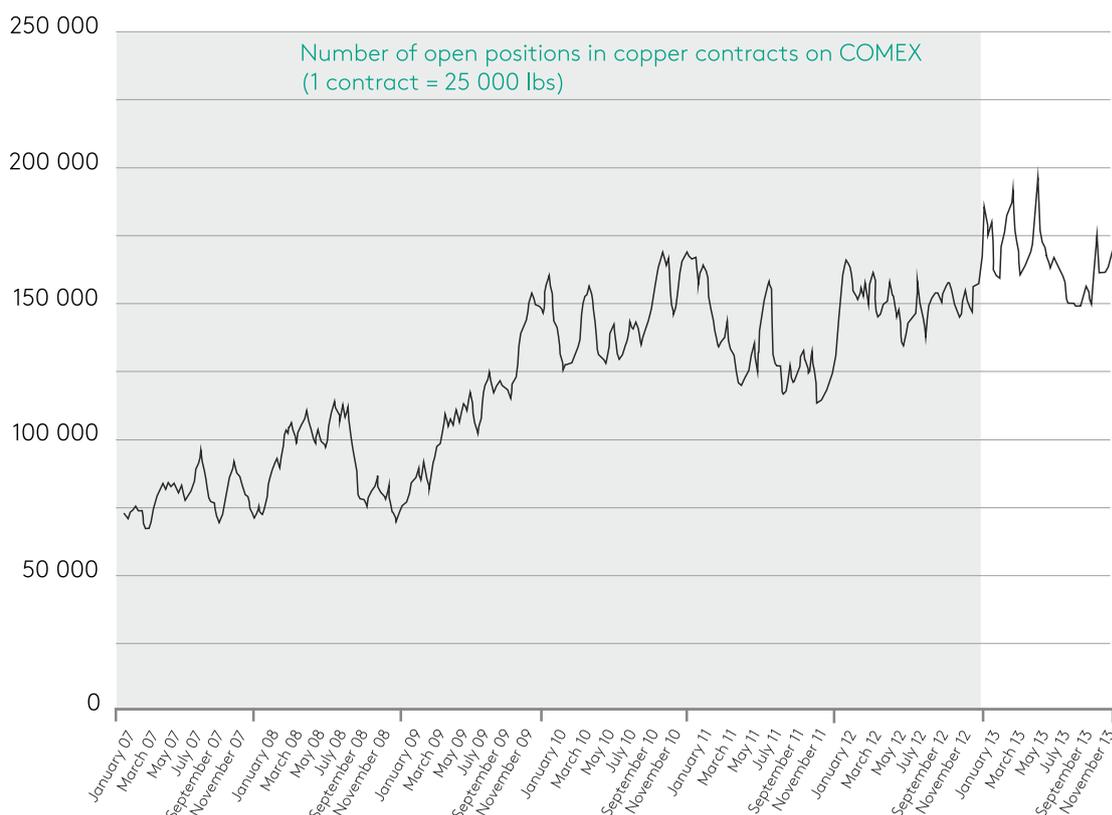
Investment capital and the financial market

The outflow of capital from the commodities market observed in 2012 continued in 2013, although on a smaller scale. The prices of the majority of commodities dropped, but the declines were not strong enough to give many opportunities for taking speculative positions. As a result, it was another year in which numerous hedging funds were closed due to poor financial performance. The total number of non-commercial positions opened on COMEX was

only slightly higher than a year before. Over the major part of the year, particularly between February and May, investors showed a negative sentiment for the price of copper. Consequently, open futures contracts executed with a view to falls in the copper prices predominated on the exchange market.

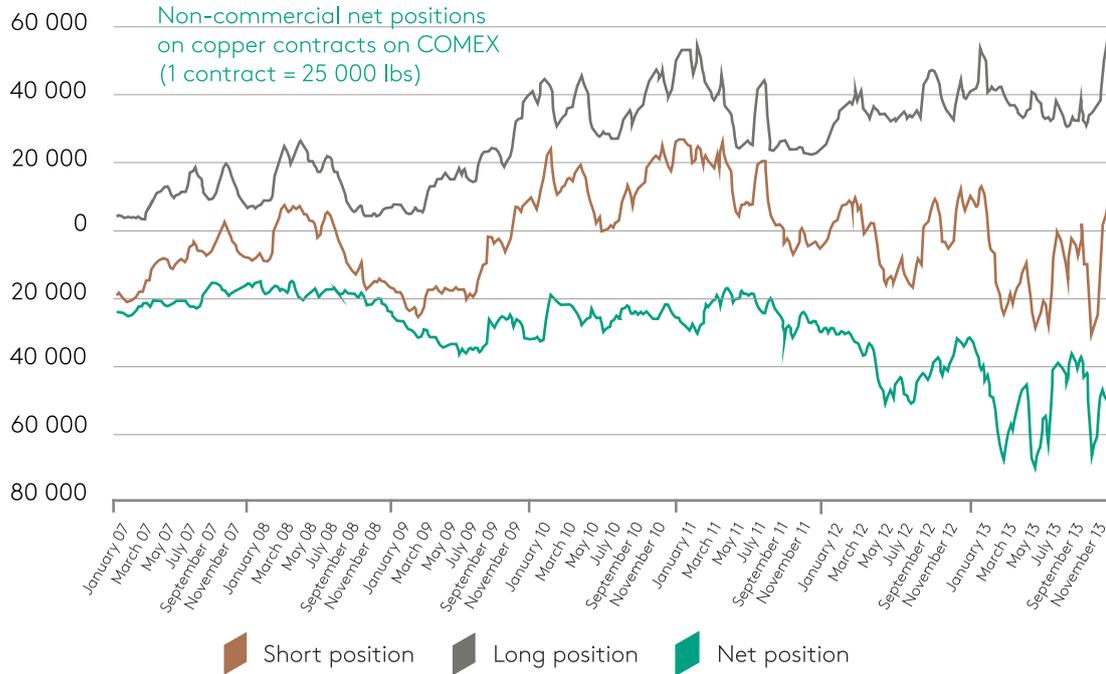
Number of open positions in copper contracts on COMEX

Source: KGHM, LME, COMEX, SHFE



Non-commercial net position in copper contracts on COMEX

Source: KGHM, COMEX.



It is worth noting that last year saw the beginning of significant changes on the commodity market. Due to restrictive regulations implemented in the United States and in Europe and weaker financial results of operations on the commodity market compared to previous years, numerous financial institutions decided to exit the commodity market and were replaced by trading and brokerage firms whose significance

and market shares have been growing steadily. The observed changes signal a return of the commodity market to a situation from a few years ago when companies (other than investment banks) trading in physical goods played a crucial role in coordinating the demand of producers and consumers and offered services involving derivative instruments

Copper market prospects

After many years in which global monetary policy had a critical impact on the prices of commodities, including copper, fundamental factors are again gaining in importance on the copper market. One of the crucial aspects impacting the situation on the copper market is the increased supply of the metal from new investment projects. However, despite the anticipated finalization of a number of mining projects in the next 2-3 years, it is worth noting that producers have put on hold less advanced

investment projects, which may result in shortages of copper in a few years' time. The effect may be even more prominent bearing in mind the gradual deterioration of existing ore deposits and the declining copper ore grade. On the demand side, the long-term prospects of the copper market are favorable. Despite a weaker growth rate, the demand from China is still enormous, and other Asian markets which are dynamically investing in infrastructure also need copper.

After the weak previous year, current economic indicators show an acceleration in the global

economy growth rate, which should boost demand in a short-term perspective.

Silver market in 2013

The average annual silver price according to the London Bullion Market Association (LBMA) in 2013 stood at 23.79 USD/troz and was down 24% versus the previous year (31.15 USD/troz). In January, there was a dynamic increase in the price of silver to 32.23 USD/troz and during the fixing on 23 January 2013, the annual record was set.

The increase in the silver price in the first weeks of the year occurred in a euphoric atmosphere following the signing of a deal which helped to avoid a considerable slowdown as a result of the potential implications of the 'fiscal cliff'. Investors were of the opinion that further growth of the budget deficit as a result of excessive spending would trigger an increase in inflation and, consequently, a rise in the prices of precious metals which are treated as a security against a decline in the value of money. The positive market sentiment, however, did not last long. The price quickly dived below 30 USD/troz following a suggestion by the European Central Bank that Cyprus should try to overcome its difficult fiscal situation by selling its gold reserves. Investors quickly refocused their attention to a number of other heavily indebted countries, and their concerns about a possible additional supply of precious metals to the market were reflected in the declining prices. After a short, two-month period of stabilization on the world markets, steadily rising American

stock indices became the focus of attention. Investors with assets invested in precious metals (mainly gold) for the times of crisis, decided to take advantage of the favorable situation on the equity market and began to restructure their portfolios in the direction of more risky investments. This trend resulted in a rapid revaluation of assets in the entire precious metals segment. Holders of physical investments in silver retained their holdings at a level similar to that at the end of the previous year; however, that was not enough to maintain price stability. The prices of silver, tracking the falling prices of gold and breaking a number of crucial technical thresholds in the second and third quarters of the year, finally stabilized around 21 USD/troz. An important factor effectively preventing the recovery of prices to the level from before the sell-down for the rest of the year was the rumors about the probable reduction of the Quantitative Easing program which stimulated the economy through purchases of bonds, driving down interest rates, weakening the currency and significantly boosting the valuation of commodities, including silver and gold. As a result of information about the planned termination of the program (phasing out in fact only started in November) the market began to discount the strengthening of the currency which triggered an upward trend in stock prices, with a consequent lowering of interest in precious metals.

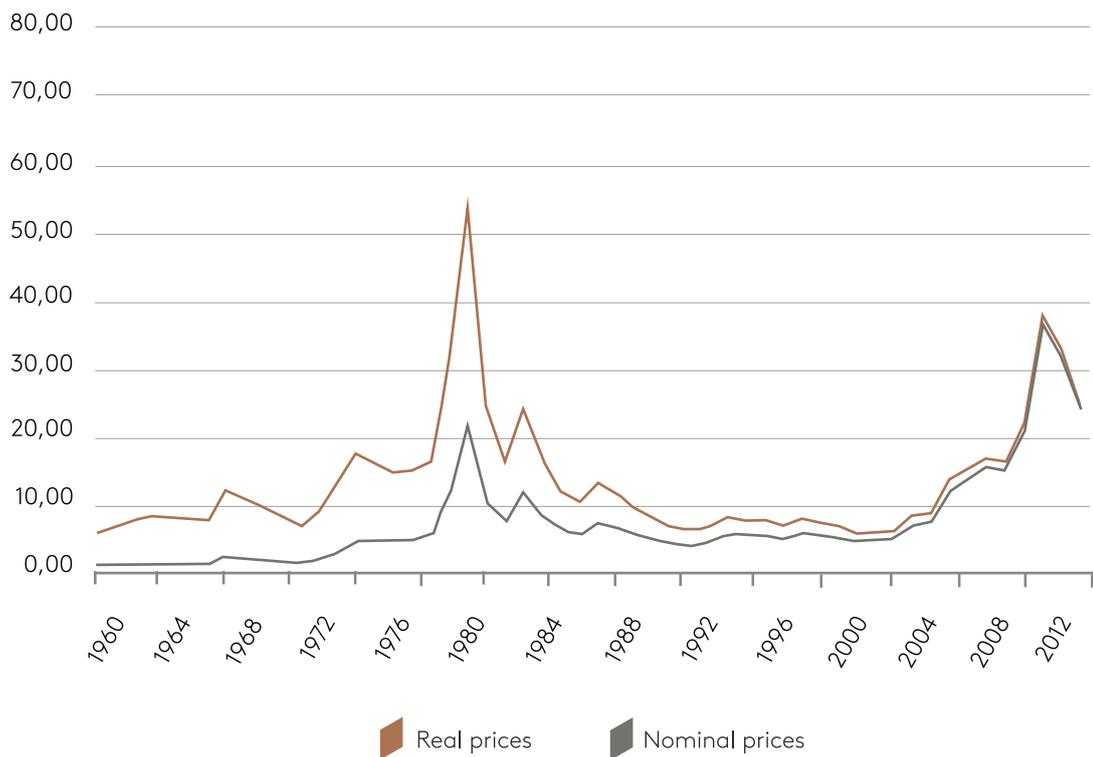
Daily silver prices in 2013 and the average price level in 2013
(23.79 USD/troz) – LBMA fixing

Source: The London Bullion Market Association, KGHM



Historical silver prices – LBMA fixing (USD/troz)

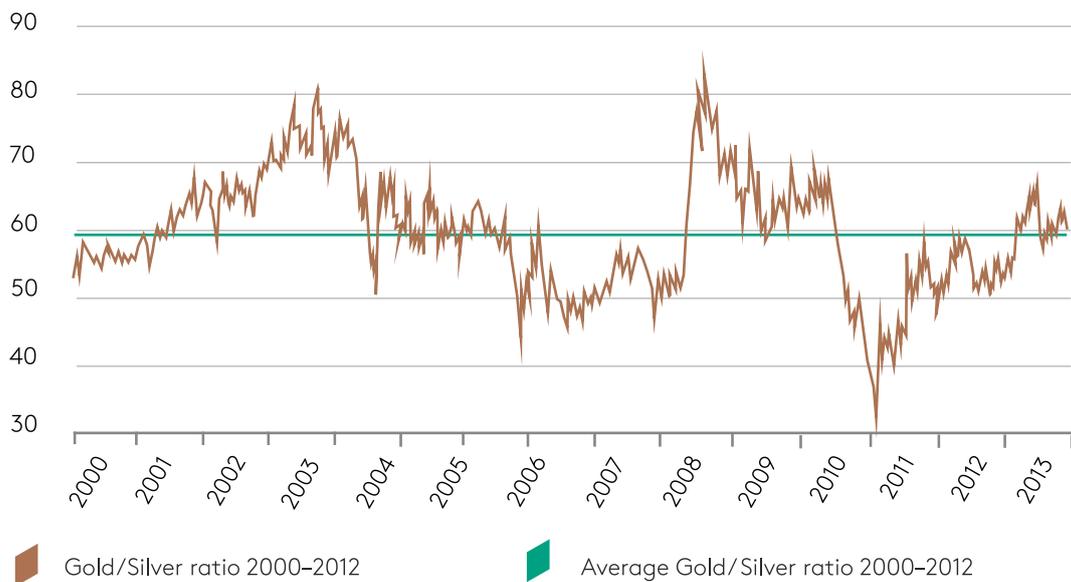
Source: CRU, KGHM



The silver market is markedly smaller than that of gold, and is therefore more susceptible to market volatility. In periods when precious metals are seen as safe havens for protecting capital, silver usually appreciates more rapidly than gold. Likewise, during downturns in the economic sentiment, silver prices are again usually more sensitive than gold. This correlation is well reflected by the Gold/Silver Ratio comparing the prices of gold and silver. Over the last several years, the value of the Gold/ Silver Ratio averaged 60. Since the beginning of August 2010, when it was around 65, in subsequent months the ratio fell to 31.5

– a long-term minimum. In the same period the price of gold increased by nearly 30% while silver rose meanwhile by nearly 170%. Some investors consider substantial variance from the ratio's average value as a signal of an approaching price correction. After a significant correction, in the second half of 2011 silver prices returned to a state of balance. Throughout 2012, the Gold/Silver Ratio ranged between 47.5 and 59 and in 2013 from 52 to 67. At the end of the previous year the value stabilized at the level of approximately 62, slightly above the long-term average value.

Gold/silver ratio 2000–2013



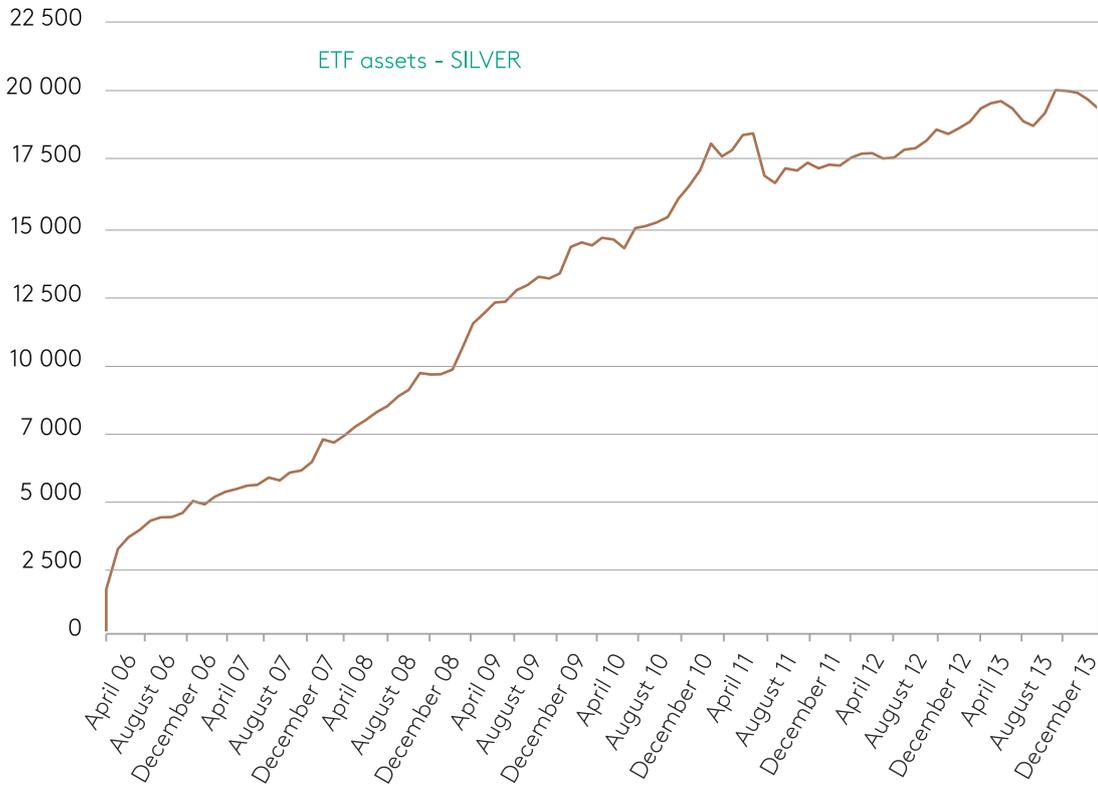
Operations of Exchange Traded Funds

In the eighth year since the inauguration of the first ETFs (Exchange Traded Funds) physically investing in silver, the volume of the metal in their possession went slightly up. At the end of 2013, ETF warehouses held 623 million ounces (17 million ounces more than at the end of 2012). The inventories finally beat the record of 610 million ounces reported on 25 April 2011.

The highest increase in assets was noted in the summer months and was brought about by the growing prices of metals triggered by the concerns surrounding the budget conflict in the United States. Close to the end of the year, although poor prospects of the segment resulted in a slight reduction of ETF inventories, the year finally ended up 2% on the previous period.

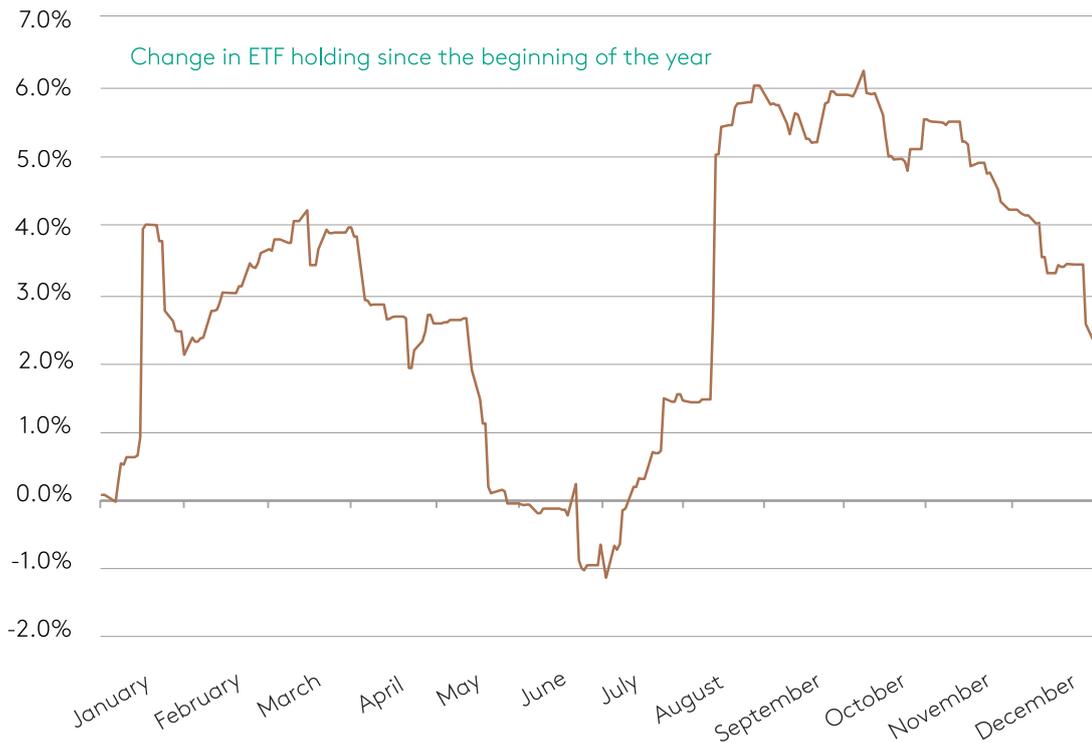
Total assets of the biggest ETFs on the silver market (tonnes)

Source: Bloomberg, KGHM



Percentage increase in ETF assets versus the beginning of 2013

Source: Bloomberg, KGHM



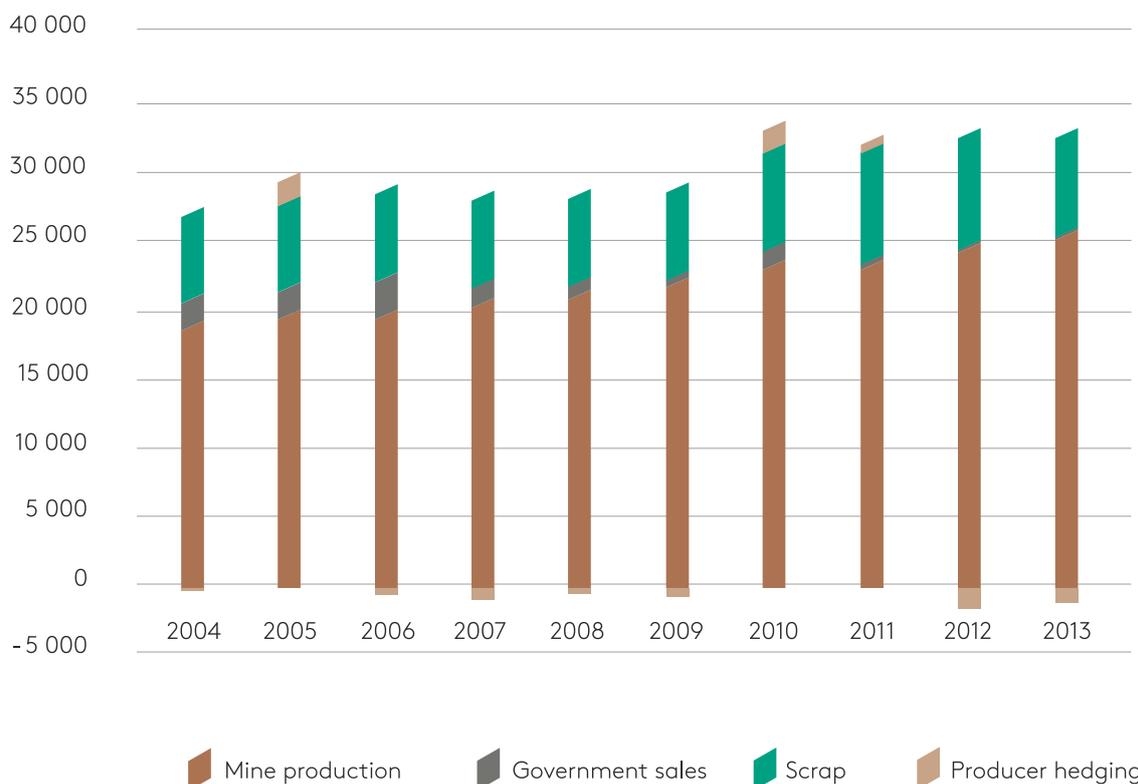
Silver supply

Last year saw another world record of mine production of silver. Compared to 2012, the volume of extracted metal increased by 3.4% and reached the level of 25 494 tonnes.

A major share of that increase can be attributed to the sector of companies for which silver is the core product. The main reason for the increase was the start of production in new projects commenced in previous years. The sector of mines for which silver is a byproduct also increased extraction of the metal, although to a slightly lesser extent. The supply of silver scrap in 2013 went down by as much as 24% on the previous year and totaled 5 966 tonnes.

This situation was dictated mainly by a sharp drop in prices. Additional barriers for the silver scrap sector included new regulations and a decline in the recovery of silver from old coinage, tableware and jewelry. The supply of silver-bearing waste from the photographic industry continued to decline due to a systematic takeover of the market by the digital sector. Net government sales of silver went slightly up from 7.4 to 7.9 million ounces. The total supply of silver, however, decreased by 2% to 30 640 tonnes, mainly due to a limited supply of scrap silver and the closing of hedging transactions by producers.

Silver supply 2004–2013 [tonnes]



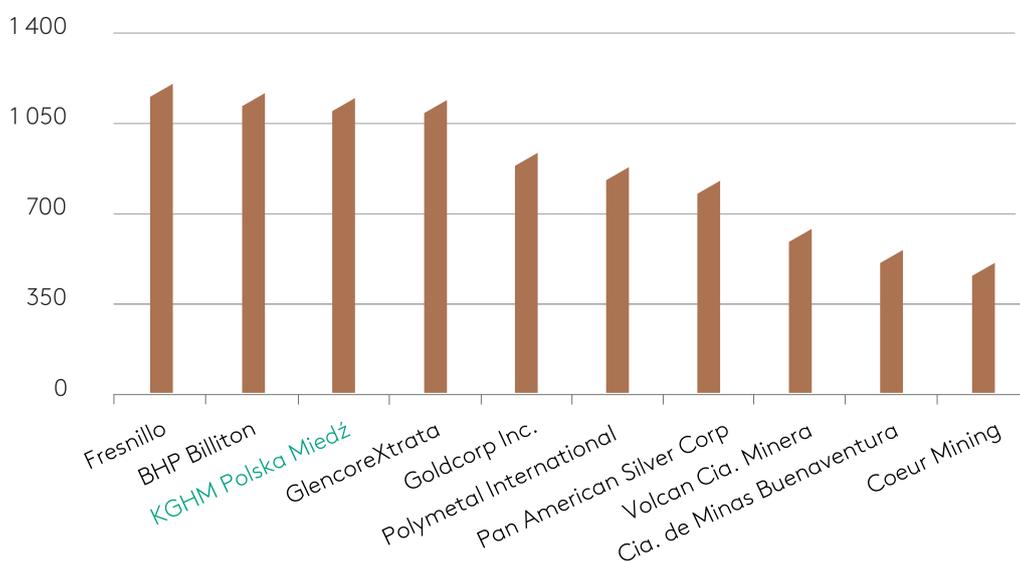
Source: World Silver Survey 2014, Thomson Reuters GFMS for The Silver Institute.

In 2013, KGHM produced 1 161 tonnes of silver (113 tonnes less than a year before), ranking as number three among the largest producers of silver in the world.

The new leader of the ranking was Fresnillo plc. with a production output of 1 207 tonnes, followed by BHP Billiton plc. (1 169 tonnes).

Biggest silver producers in 2013 (tonnes)

Source: World Silver Survey 2014, Thomson Reuters GFMS for The Silver Institute



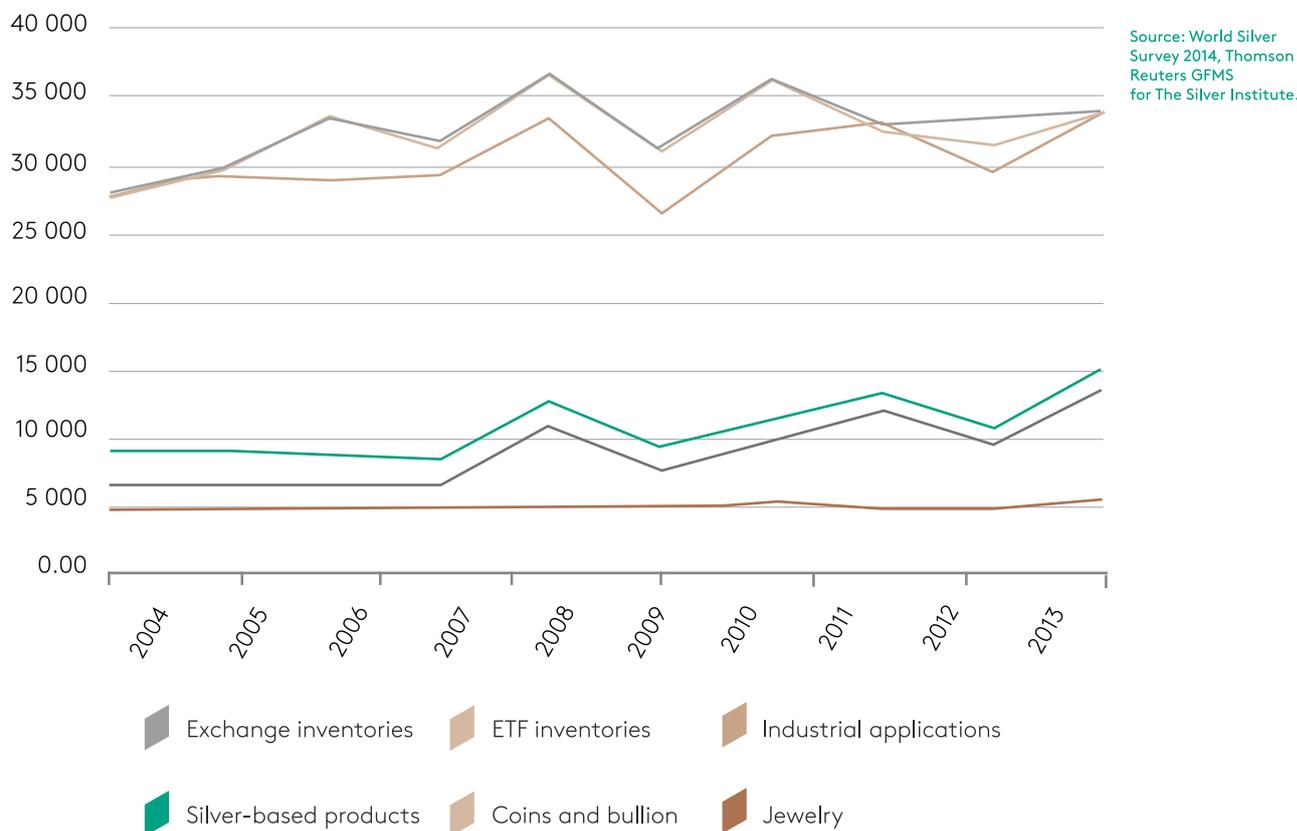
Silver consumption

The total demand for silver increased in the previous year by 1.8% to 33 946 tonnes. Physical demand grew by as much as 13%, mainly as a result of a higher interest in collectible silver coins and bullion. Silver jewelry also enjoyed a growing popularity. Demand in that segment increased to 10%, reaching the historical high of 6 185 tonnes, due to lower prices and improvement in macroeconomic conditions. The greatest increases were observed in India where demand for jewelry increased by 29%, against the background of a price decline and restrictions on the purchase of gold imposed by the Indian government which directed investors' attention

to other precious metals. Industrial demand for silver declined by around 1% due to reduced purchases in the electronic and photographic segments.

The demand from ETFs decreased considerably from 2012. Additionally, in 2013 producers tended not to enter into new hedging transactions or even reduced their existing positions. Those activities generated a new non-physical net demand of approximately 1 065 tonnes. At the end of the year, the global hedging position of producers oscillated around 467 tonnes, the lowest ever recorded by Reuters GFMS.

Silver demand 2004–2012 [tonnes]



Currency market

According to Eurostat data, in 2013 the Polish economy grew at a rate of 1.6% per annum. This growth rate, although lower than the global average (estimated by the International Monetary Fund at 3.0%), was a positive result compared to other European countries. In Europe, a symbolic growth of 0.1% was recorded, while in the Euro zone, the GDP growth was negative.

The first half of 2013 saw a number of disturbances on the financial market. It was a very difficult period of time for the European

Union, which tried to reach a budget consensus during a time when many of its members were struggling with high debt and the threat of Cyprus' bankruptcy loomed on the horizon. This tense situation resulted in aversion by investors towards emerging markets assets. At the same time, the unemployment rate in Poland reached the level of nearly 14.5% and the growth rate reported in the first quarter of the year was a mere 0.5% y/y.

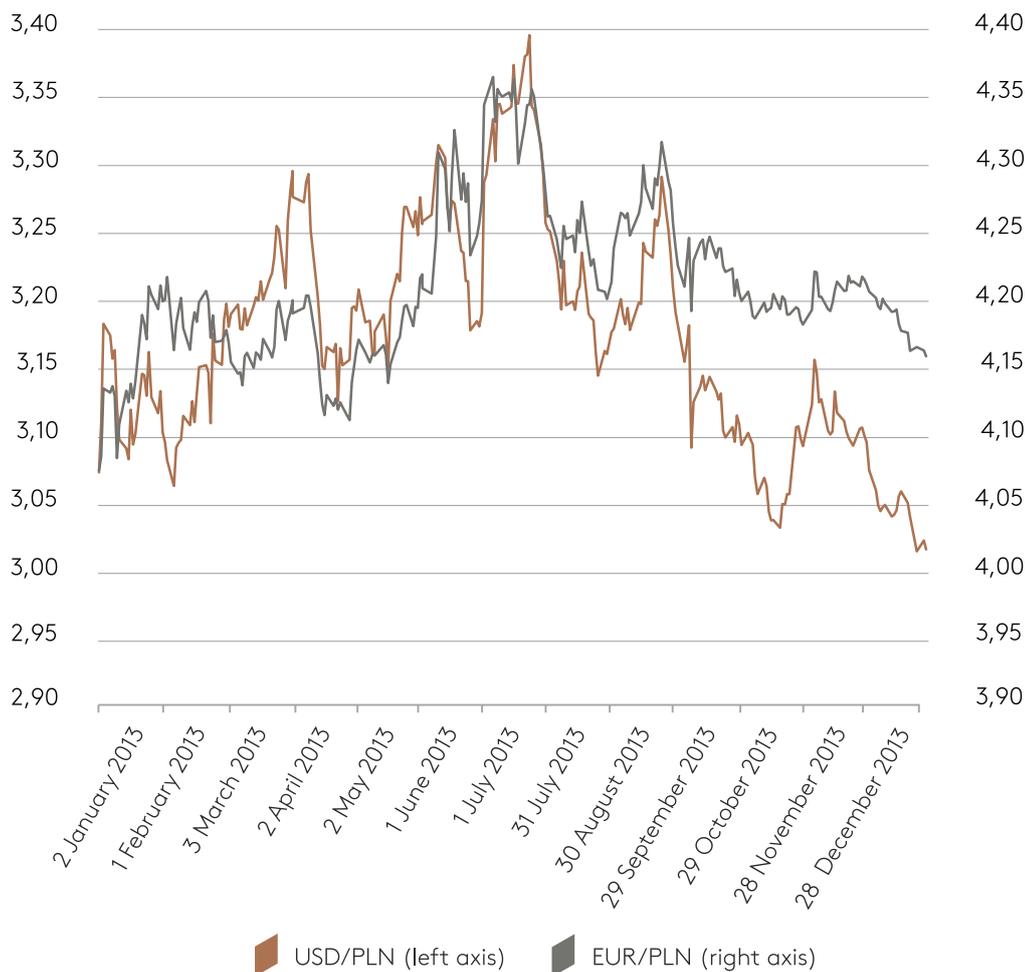
In such an environment and in view of a very low inflation rate, the Monetary Policy Council decided to continue the series of interest rate cuts to the level of 2.5%. As a result, the Polish zloty weakened against the EUR and USD, with the maximum declines recorded in July to 4.3432 and 3.3724 respectively (according to the official NBP fixings).

In the second half of the year, the economic situation in Europe began to improve. Financial markets regained stability and investors showed

a higher interest in more risky investments by returning to emerging markets. Poland experienced a growth in consumption, both individual and public, and in investments in fixed assets. As a result, the Polish zloty strengthened and exchange rates returned to the values recorded at the beginning of the year.

The inflow of capital had a positive impact on the Polish debt market which, at the end of 2013, recorded the lowest average annual rate of return in history.

USD/PLN and EUR/PLN exchange rate dynamics in 2013



Due to a slowdown in economic growth worldwide and the rising concerns about demand from China, last year saw a major revaluation of commodity assets. The Goldman Sachs Commodity Index (GSCI) published by the New York Stock Exchange went down by 3.1% in 2013.

These developments had a negative impact on the currencies of countries which mainly rely on their natural resources, such as Canada or Chile. Over the last year, the Canadian dollar and Chilean peso lost 9.8% and 7.0%, respectively, against the US dollar.

USD/PLN and EUR/PLN exchange rate dynamics in 2013



- USD/CAD (left axis)
- CLP/USD (right axis)



Building Value

An essential part of building KGHM's long-term value is to continue to focus on the copper sector, being the core business and the main source of revenue. The Company focuses on mining and metallurgical activities and supplying high quality copper and silver products to the market which meet customer expectations, while making maximum use of its production capacity and minimizing environmental impact.

The Business Strategy of KGHM Polska Miedź for 2009-2018 is based on five pillars, describing the main strategic initiatives.

The implementation of this strategy will help us build a truly global, modern and innovative organization focused on stability, responsibility and long-term growth.

Pillar I

Improvement of productivity, aimed at reversing the trend of rising unit production costs associated with the Company's core business through:

- ▶ investments in new technologies,
- ▶ modernization of infrastructure, and
- ▶ optimization of production procedures and organization.

In the mining area, strategic projects include research on the potential use of mechanical ore extraction and drift development systems. Positive results of the ongoing studies will allow us to change the mining technology, in order to reduce dilution of mined ore and, ultimately, to increase productivity and cut down production costs in the mid-term perspective. In the long run, development of a system for mining deep deposits (below 1 200 m) can extend the life of our mines by a several decades.

The enhancement of productivity in the field of ore processing involves projects to replace flotation equipment and classification systems to improve the results of the ore grinding process as well as projects intended to automate the ore enrichment process.

In the smelting area, of crucial importance is the implementation of the Pyrometallurgy Modernization Program, as a result of which all concentrate will be processed in the Głogów Smelter using flash furnaces instead of shaft furnace technology. The program will bring long-term economic benefits to the Company, including reduction in the unit costs of processing and increased revenues from the sales of additional amounts of silver, rhenium and refined lead.

As a result of modernization, a substantial reduction in the environmental impact of our smelting operations is also expected by a reduction in dust emissions by around 55% and gas emissions by around 58%, and by a decrease in the amount of stored waste and discharged wastewater.

In addition to the key projects in the respective stages of the copper production process, particularly important are the initiatives aimed at improvement of organizational and process effectiveness.

Pillar II

Development of the resource base, aimed at increasing the production of mined copper to 700 thousand tonnes annually, through:

- ▶ designing a system for mining deep ore bodies,
- ▶ mining new ore deposits in the region,
- ▶ acquisitions in the mining sector, and
- ▶ intensification of scrap processing.

Due to the limited possibilities for the organic growth of mining operations in the current region, achievement of this strategic objective has required acquisition of new mining assets located outside of Poland. Additionally, in order to expand its resource base, KGHM plans to focus on the further development of deep extraction technology which would increase the effectiveness of its mining operations in the Deep Głogów (Głogów Głęboki Przemysłowy) area and on exploring for new deposits in the vicinity of the currently mined areas. Intensification of scrap processing is another initiative aimed at increasing the share of copper recovered from scrap and other copper-bearing materials.

Pillar III

Diversification of income sources and independence from energy prices, in order to ensure continuity of energy supplies at an optimum price, through investments in the energy sector, including both the construction of new electricity sources for internal use and engagement in the building of domestic power plants based on traditional and renewable sources.

In terms of the expansion of energy generation capacity for internal use, the main project is the construction of gas-steam blocks at the power plants in Głogów and Polkowice, which are intended to satisfy 20% of the Company's demand for electric power, result in the diversification of the production portfolio and significantly reduce the company's exposure to the risk of changes in climate protection policy and volatility of fuel and electricity prices.

Pillar IV

Regional support, aimed at the creation of 750 new jobs and support of social initiatives, by:

- ▶ creating new jobs on the basis of the KGHM Letia infrastructure
- ▶ supporting sports, healthcare, culture, science and environmental protection in the region,

The Company wants to contribute to the development of local entrepreneurship and social activities and to support business projects which guarantee a return on investments aimed at the development of the regional labor market. The key projects are those based on the infrastructure of KGHM Letia, a subsidiary of the KGHM Group, and on the resources of KGHM TFI, a company which manages the KGHM Group's investment funds.

The Company's operations are carried out in conformance with the principles of corporate social responsibility, respecting all environmental standards and supporting activities addressed to local communities. Of particular significance are the projects aimed at reducing the amount of tailings stored at the Żelazny Most Tailings Facility by developing alternative storage technologies.

Our concern for the local community is evident in providing access to healthcare services for our employees and local community members, promoting amateur and professional sports and organizing cultural and social events in the region. An important part of our activities is supporting cooperation between industry and the scientific community.

Pillar V

Developing organizational know-how and capabilities, as the basis for long-term growth through:

- ▶ implementation of the concept of management through goals,
- ▶ the efficient flow of information between various units in the organization to reduce decision-making time and ensure transparent reporting,
- ▶ development of the Company's staff, and
- ▶ streamlining of the Company's capital investments and creating a transparent holding structure.



Achievement of strategic objectives

As a result of implementation of our international expansion strategy, KGHM has delivered the key objectives of its Business strategy, securing prospects for future growth of the core business and the possibility of reducing overall production costs in the KGHM Group by expanding its resource base to include new mining assets with low extraction costs.

In 2010, the Company made the first step towards the achievement of its vision of becoming a global copper producer by acquiring a 51% stake in KGHM Ajax-Mining Incorporated, a special purpose company created in cooperation with the Canadian company Abacus Mining & Exploration Corporation to advance the Afton-Ajax copper and gold project located in British Columbia, Canada. Following the publication of a Bankable Feasibility Study for the Afton-Ajax deposit in 2012, the Company exercised the option to purchase an additional 29% interest in KGHM Ajax-Mining. The project assumes annual copper production of 50 000 tonnes and gold production of 100 000 ounces. A friendly takeover of 100% of the shares of the Canadian mining company Quadra FNX (today KGHM International) in 2012 was another step which strengthened our position in the group of leading companies in the mining sector. This global expansion increased our resource base by 28% and our copper production capacity by 25% and advanced KGHM in the ranking of mine copper producers worldwide from 10th to 8th place.

As a result of this takeover, KGHM strengthened its portfolio of mining assets by new projects located mainly in Chile, the USA and Canada, rich in copper, silver, nickel, molybdenum and other precious metals. The assets are at different stages of development and include:

- ▶ a world-class deposit and active copper mines located in the Sudbury region of Canada (Levack/Morrison), the USA (Robinson) and Chile (Franke).
- ▶ mining projects at the pre-operational stage, at various stages of development, such as Sierra Gorda in Chile – the most important development project built on one of the largest deposits of copper and molybdenum in the world, as well as Victoria in Canada,
- ▶ exploration projects, including Kirkwood in the Sudbury region of Canada and Malmbjerg in Greenland.

The commissioning of operations in the Sierra Gorda mine in Chile will drive down unit production costs of the KGHM Group, securing the Company's business position at times of unfavorable trends on the non-ferrous metals market. The ultimate annual production output of Sierra Gorda will amount to 220 000 tonnes of copper, 11 tonnes of molybdenum and approximately 2 tonnes of gold over a period of 20 years. The commissioning of the Sierra Gorda open-pit mine will help us reduce overall copper mining costs to the level of 1.5 to 2.2 thousand USD per tonne.



Development prospects

Taking into consideration the achievements to date in the implementation of the Strategy adopted by KGHM Polska Miedź, the internal resource potential, as well as the macroeconomic conditions affecting the global mining sector, we have initiated in recent years a multidimensional strategic review of the prospects for further development and building the value of the KGHM Group.

The conclusions reached following this analysis will form the basis for defining the foundations for a new Company vision and for preparing a draft of the updated Strategy of the KGHM Group.

Until new strategic directions are defined with sufficient justification for implementation, the Company's strategic priorities will remain as follows:

- ▶ commissioning production at the Sierra Gorda project in Chile,
- ▶ building skills and know-how in respect of new resources,
- ▶ ensuring high, stable cash flows,
- ▶ creating a global organization,
- ▶ ongoing improvements in know-how, and
- ▶ continuing the path of growth.

Financial Standing and Assets

Letter of the Vice President in charge of Finance

Dear Stakeholders,

I am pleased to present you with the financial results of KGHM for the year 2013. It was a time of numerous challenges arising mainly from the worldwide economic slowdown which drove down the prices of key commodities produced by KGHM. It should be noted that in 2013 the price of gold fell by 8%, silver by 24% and copper by 16%. Such a situation naturally affected the Company's sales revenues which were lower by PLN 2 158 m compared to 2012. Despite the unfavorable external environment which was beyond our control we managed to partly compensate for the drop in revenues by increasing the production volume, maintaining rigorous cost discipline and effectively hedging our commercial transactions. The actions taken not only helped to minimize the impact of lower sales revenues versus 2012 but also to deliver the results forecasted by the Company.

The net profit generated by the Company in the previous year totaled PLN 3.058 billion was only 5% lower than forecasted, a result highly appreciated by the market considering the volatility of prices.

The achievement of satisfactory financial results was possible thanks to the stable mine and smelter production which, despite a decline in the copper ore grade and a three-month shutdown in the Głogów Smelter, remained at the level of the previous year (565 tonnes of electrolytic copper).

2013 was also the first full accounting year after the introduction of the minerals extraction tax. Although the tax presented an additional charge on the Company's profit amounting to PLN 1.821 billion, we not only continued the implementation of our strategic objectives but also considerably widened their scope.



First Vice President
(Finance) of KGHM
Polska Miedź

Jarosław
Romanowski

Close to 60% of investments in fixed assets were of a developmental nature and their total value in 2013 amounted to PLN 2.321 billion. We spent that money on the building of the SW-4 shaft, advancing the Deep Głogów project, upgrading the machinery used in our mines and implementing the Pyrometallurgy Modernization Program.

At the same time, the Company successfully continued capital investments in its international assets. The construction of the Sierra Gorda mine in Chile, a project thanks to which KGHM is perceived as a major global player in the copper industry, proceeded on schedule. Similarly, no problems were encountered in the advancement of two other important projects, Afton Ajax and Victoria. Victoria is our second most valuable mining asset after Sierra Gorda.

Additionally, in 2013 the Company paid out a dividend of PLN 9.80 per share, with the dividend rate at 8%. It is worth

emphasizing here that KGHM is one of the WSE listed companies which regularly share their profits with shareholders.

In recognition of this fact, we are one of 30 companies included in the WIGdiv index which lists companies regularly paying high dividends. The total amount of profit distributed to shareholders through dividends is PLN 1.960 billion.

The situation on international markets and the change in financial results drove down the price of KGHM's shares, although the Company's liquidity was not affected significantly and remained at a level comparable to the year before.

It is worth adding that in 2013 KGHM used external sources of financing in the form of bank loans, including working capital and overdraft facilities. At the end of the year, the balance of loans denominated in USD amounted to PLN 1 123 million.

Additionally, as at 31 December 2013 the Company had open credit lines in PLN, USD and EUR.

Financial Standing and Assets

In terms of the macroeconomic environment, 2014 will also be a difficult year. Although in view of the high volatility of metal prices we have decided not to publish financial forecasts, in order to conform with the best practices we will inform our stakeholders about the key aspects of our financial performance. Among the factors which are under KGHM's control, of major importance is the production volume which in 2014 will remain at a level similar to 2013. We are planning to produce 567.5 tonnes of electrolytic copper and 1 140 tonnes of metallic silver. Maintenance of strict cost discipline is also significant.

Therefore, we want to reduce the cost of producing electrolytic copper from own concentrate to PLN 20 906 per tonne. The anticipated increase in the cash cost of C1 copper concentrate (from 1.78 USD/lb in 2013 to 1.94 USD/lb in 2014) is mainly a result of the lower valuation of silver and gold contained in the concentrate and the forecasted change in the USD/PLN exchange rate.

In 2014, we will continue our strategic investments, both of a physical and equity nature. The value of the former is estimated at PLN 2.565 billion, up 9% on 2013. Such investments will include, among others, development of Deep Głogów, a new deposit with estimated resources of 6.7 million tonnes of copper. The operation of this deposit will extend the life of KGHM's mines in Poland by several decades.



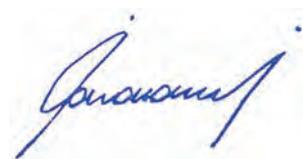
Investments in Poland will also involve continuation of the Pyrometallurgy Modernization Program in the Głogów I and Głogów II smelters.

From the Group's perspective, the key accomplishment will be the completion and launch of operations in the Sierra Gorda mine in Chile. Thanks to this project, KGHM will become a major global copper producer and will significantly reduce its overall unit costs of copper extraction. Until the end of the current year, Sierra Gorda will gradually increase its processing capacity to the ultimate level which under stage 1 will be achieved at the beginning of 2015. With regard to other international projects, we will continue the construction of the Afton-Ajax Mine and begin preparations for the construction of the Victoria Mine in Canada.

The total value of the Company's investments in development projects in 2014 will amount to PLN 1.686 billion.

The strength of any business lies not only in its current financial results but also the future prospects of generating shareholder value in the long-term perspective. Having ensured a high degree of the Company's financial security, we will distribute as a dividend for 2013 one-third of our profit for 2013, i.e. PLN 1 billion. This demonstrates that despite the declines in the prices of metals the Company is strong and has a powerful business strategy and a consistently implemented investment plan. Following the launch of the Sierra Gorda Mine in 2014, KGHM will enhance its current position and become one of the global leaders in copper production.

Best Regards,



Jarosław Romanowski
First Vice-President
(Finance)

Stock Exchange

KGHM Polska Miedź debuted on the Warsaw Stock Exchange (WSE) on 10 July 1997. The event was preceded by the Initial Public Offering of the Company's shares under which the State Treasury, holder of 200 million shares of KGHM, sold 65 732 200 shares, of which 30 000 000 were intended for the domestic market and 35 732 200 for the foreign markets. Out of the domestic tranche, 16 000 000 shares were sold to individual investors and 14 000 000 to institutional investors. Individual investors paid PLN 19 per share and institutional

investors PLN 21. The Company's employees also participated in the privatization process, acquiring 15% of the equity (30 million shares) free of charge.

The Company's IPO attracted tremendous interest from investors, and the admission of KGHM's shares to public trading remains one of the most important events in the history of the Polish capital market

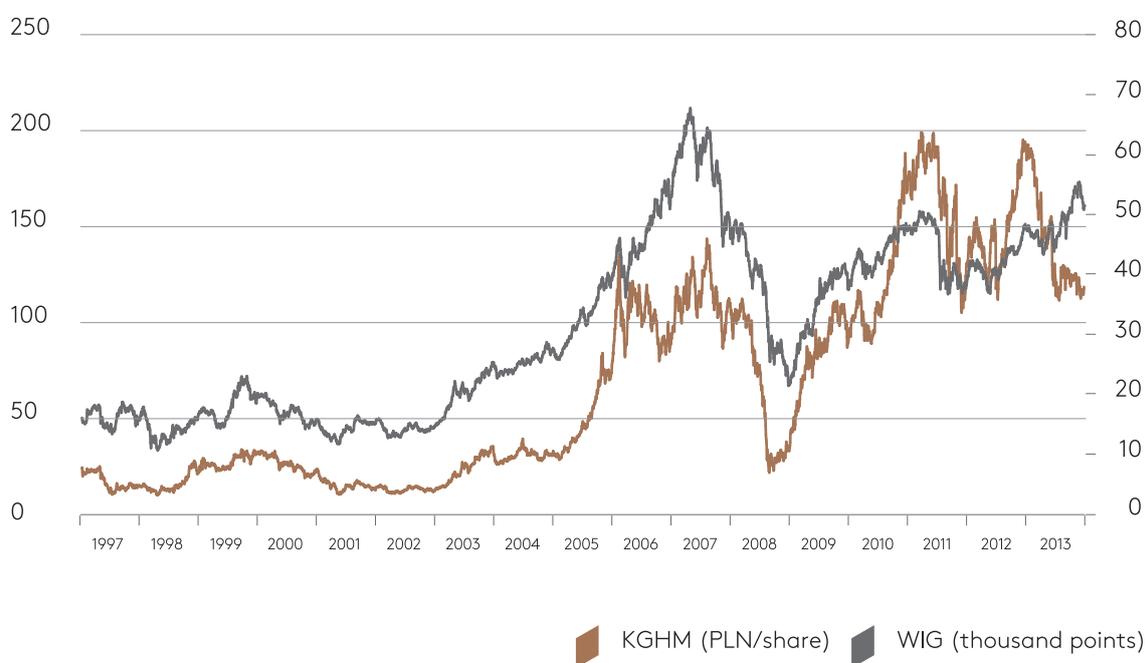
Also in July 1997, the Global Depositary Receipts (GDRs) issued on the basis of the Company's shares were listed for the first time on the London Stock Exchange. In December 2009, the GDR program was discontinued.



The Company's shares are traded on the primary market of the WSE in a continuous trading system, and are a component of a number of indices, such as the WIG, WIG20, WIGdiv (an index of companies with the highest dividend yields) and WIG-SUROWCE

(an index of companies from the basic materials industry) indices and, since 23 September 2013, also of the WIG30 index. On 19 November 2009, KGHM was admitted to the prestigious group of socially responsible companies listed in the RESPECT Index.

KGHM share price versus the WIG index



KGHM Polska Miedź on the stock exchange

In 2013, the price of KGHM shares went down by 38%, from PLN 190 on the last trading day of 2012 to PLN 118 at the end of the last trading session in 2013.

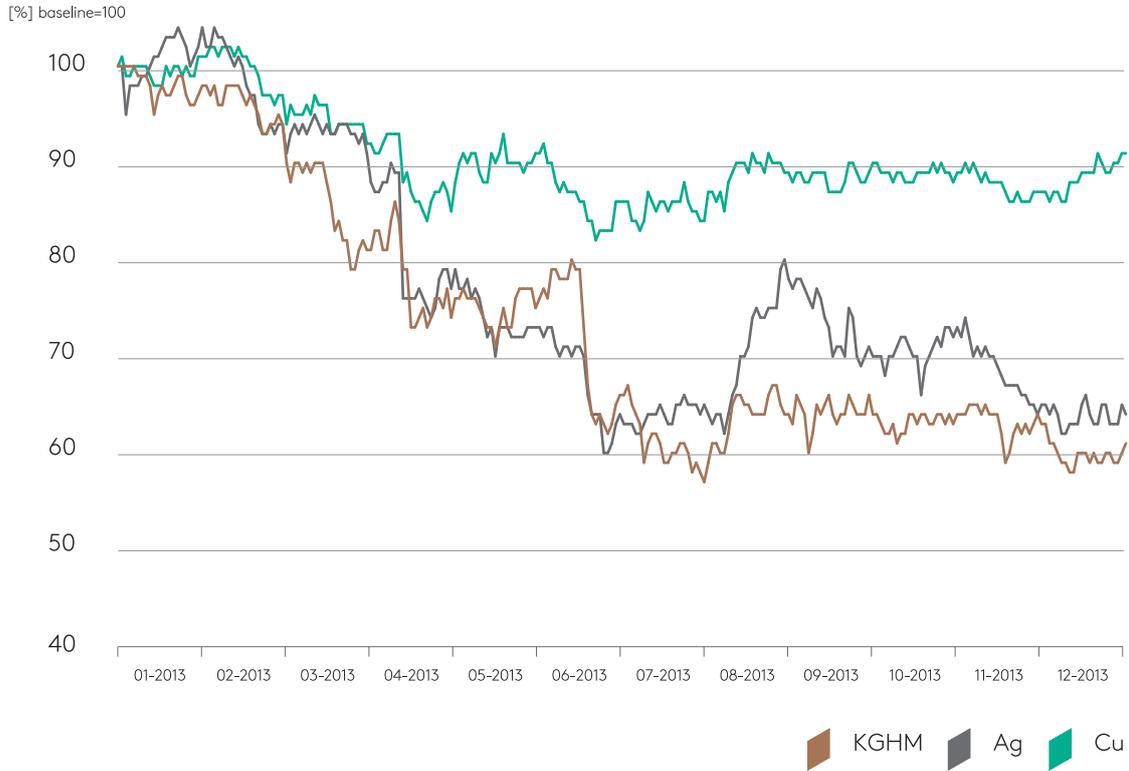
Over the same period of time, the prices of copper and silver and the USD/PLN exchange rate, values which have a major influence on the Company's performance, declined by 7%, 35% and 3%, respectively.*

* The figures have been determined by comparing the prices of metals with the exchange rate on last trading day in 2012 and in 2013. For average annual prices of metals and the average annual exchange rate in 2012 and in 2013, these figures were 8%, 24% and 3%, respectively.

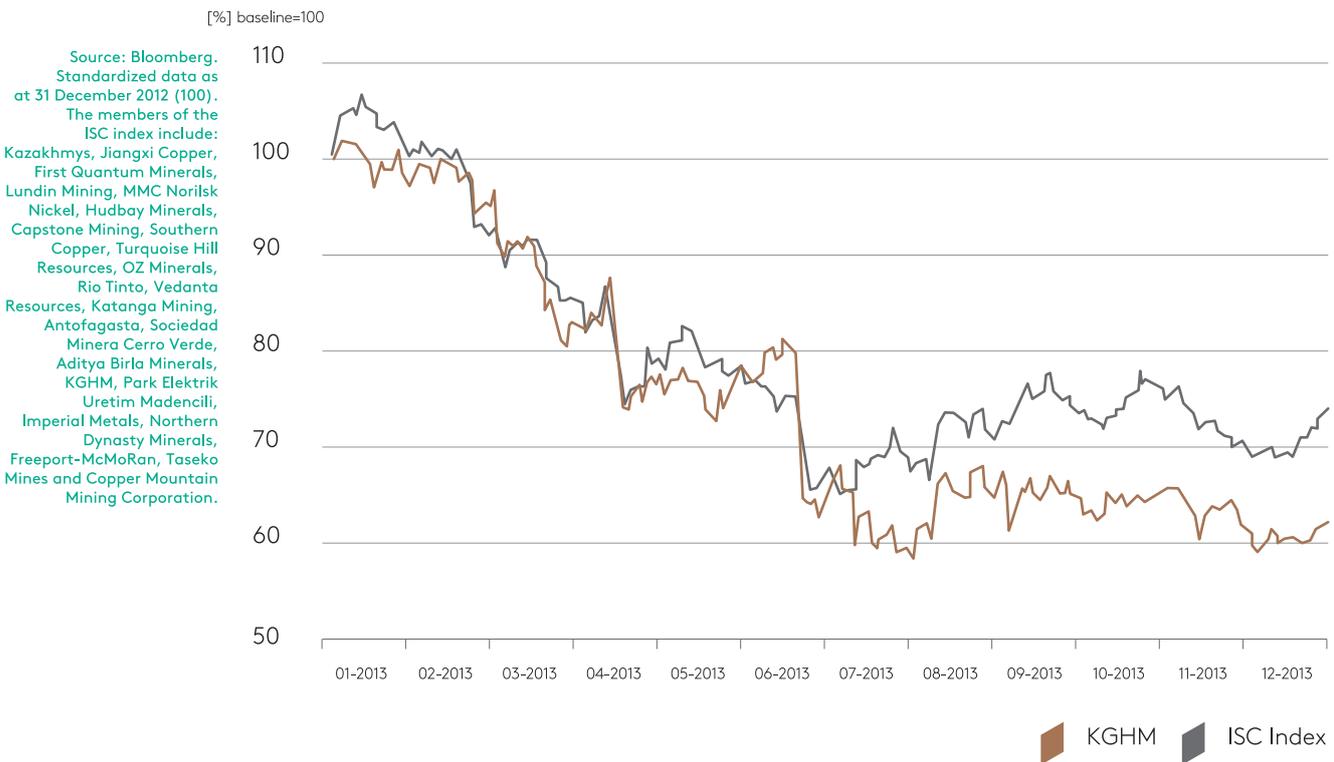


KGHM Polska Miedź on the Stock Exchange

Percentage change in the KGHM share price against the prices of copper and silver



KGHM share price against the ISE Global Copper (ISC) index



Key KGHM share price statistics between 2011 and 2013

Number of shares (200m)	2011		2012		2013	
	Price (PLN/share)	Capitalization (m PLN)	Price (PLN/share)	Capitalization (m PLN)	Price (PLN/share)	Capitalization (m PLN)
Maximum share price in the year	200.30	40 060	194.80	38 960	194.80	38 960
Minimum share price in the year	102.40	20 480	109.60	21 920	106.90	21 380
Closing share price on the last trading day in the year	110.60	22 120	190.00	38 000	118.00	23 600

Source:
WSE Statistical
Bulletin

Summary of monthly trading in KGHM shares in 2013

Average share price (in PLN)	Turnover value (in million PLN)	Average turnover per session	
189.72	2 722	651 923	January
185.41	2 431	656 938	February
166.52	3 539	1 062 886	March
151.48	3 632	1 202 159	April
144.72	2 293	792 281	May
140.22	3 984	1 461 345	June
118.46	2 504	916 573	July
122.9	2 511	968 222	August
124.25	2 458	939 822	September
122.12	2 805	1 000 497	October
120.94	1 992	872 054	November
114.87	1 849	896 606	December

Source:
WSE Statistical
Bulletin

KGHM Polska Miedź on the Stock Exchange

Dividend

Dividend between 2011 and 2013

	Unit	2011	2012	2013
Dividend paid in the financial year	m PLN	2 980	5 668	1 960
from profit for the previous year	PLN/ share	14.90	28.34	9.80
Dividend rate*	%	13.5	14.9	8.3

* Dividend per share paid in the given financial year divided by the closing price on the last trading day in the given financial year.

The Annual General Meeting of KGHM Polska Miedź held on 23 June 2014 adopted resolution no. 5/2014 on the allocation of the Company's profit for 2013, under which PLN 1 billion (PLN 5 per share) was allocated

as a shareholder dividend. The dividend date is 8 July 2014 and the disbursement will take place in two tranches: on 18 August 2014 – PLN 2.50 per share and on 18 November 2014 – PLN 2.50 per share.

The calendar of investor events and selected investor relations activities undertaken by KGHM in 2013

Description	Date
Participation in the Poland Mining & Energy Conference, DM City Handlowy, Warsaw.	21 -22 January
Participation in CELAC-EU Business Summit, Chile. A visit to Sierra Gorda.	24-29 January
Publication of the „Technical Report on the Copper-Silver Production Operations of KGHM in the Legnica-Głogów Copper Belt Area of Southwestern Poland” prepared by Micon International Limited.	11 February
Participation in the Oil&Gas/ Utilities/Mining Investor’s Day, Wood & Company, Warsaw.	12 February
Publication of the results forecast for 2013.	15 February
Participation in the 22 nd Annual BMO Capital Markets Global Metals & Mining Conference, Florida.	24-27 February
Publication of the consolidated report for Q4 2012.	1 March

Presentation of the results for Q4 2012. Meeting of KGHM Board with analysts, fund managers and journalists, Warsaw.	1 March
Publication of the annual report for 2012. Publication of the consolidated annual report for 2012.	28 March
Participation in the Polish Capital Market, WSE and PKO BP Conference, London.	9-10 April
Udział w konferencji Raiffeisen, Institutional Investors Conference Züri, Austria.	12 April
Publication of the Management Board's recommendation on the payment of dividends for 2012.	8 May
Publication of the consolidated report for Q1 2013.	15 May
Presentation of the results for Q1 2013. Meeting of KGHM Board with analysts, fund managers and journalists, Warsaw.	15 May
Participation in the IPO Summit, Warsaw.	6-7 June
Participation in the Wall Street conference, Karpacz.	7-9 June
Participation in the RBC Capital Markets, Global Mining & Materials Conference, Boston.	18-19 June
Annual General Meeting.	19 June
Publication of information about the payment of dividends for 2012.	19 June
Publication of the consolidated report for Q2 2013.	14 August
Presentation of the results for Q2 2013. Meeting of KGHM Board with analysts, fund managers and journalists, Warsaw.	14 August
Publication of the half-year report for 2013. Publication of the consolidated half-year report for 2013.	30 August
Participation in the Morgan Stanley Global Natural Resources Conference, Barcelona.	16-17 September
Participation in the DM PKO BP Investors' Day Conference; Mining Sector, Katowice.	24-25 September
Publication of the consolidated report for Q2 2013.	14 November
Presentation of the results for Q2 2013. Meeting of KGHM Board with analysts, fund managers and journalists, Warsaw.	14 November

Member of the Respect Index

KGHM has been included in the Respect Index listing companies guided by the principles of corporate social responsibility since its launch in 2009. It is the first index of this kind in Central and Eastern Europe and its purpose is to distinguish every year 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 adopted methodology, the initial review of all companies for conformance with the liquidity requirements is followed by the evaluation of their Corporate Governance practices, investor relations, as well as environmental, social and employee-oriented initiatives. At present, 22 companies are listed in the index.



The high rating of the quality of corporate government practices applied by KGHM was reconfirmed in 2013 by the result of the 2nd edition of the project “ESG Analysis of Companies in Poland” organized by the Stock Exchange Issuers Association, GES and Crido Business Consulting. The purpose of the project is to increase the transparency of reporting non-financial data on the Polish

capital market by educating listed companies in effective communication of ESG (Environment, Social & Governance) data and development of a CSR strategy. The “ESG Analysis of Companies in Poland” is the only project of this kind in Europe involving a review of all companies in terms of non-financial reporting.



The analysis results were summarized in the form of a ranking of the best stock exchange companies in terms of reporting ESG data in 2013. The top three companies were identified in two classification systems: sector-based and index-based. KGHM turned out to be a leader in both categories.

The basic source of information underlying the ranking is the annual reports, websites and official documents of the companies. The analysis of the ESG disclosures covered all companies listed on the WSE (including New Connect) on 30 June 2013, altogether 865 companies.

Category	Top companies in the alphabetic order	Average for the category (out of 3 points)
Polish companies from the WIG20 and mWIG40 indexes	GRUPA LOTOS S.A. KGHM Polska Miedź S.A. PKN ORLEN S.A.	1.00
Materials sector	INTERFERIE S.A. KGHM Polska Miedź S.A. NEW WORLD RESOURCES S.A.	0.81

In the same analysis, KGHM was listed as one of top 30 public companies with the highest transparency of reporting ESG risks according to the obtained rating. The study is conducted using the GES Risk Rating methodology which involves the effectiveness of the management

systems in such areas as environment, corporate social responsibility and corporate governance. The analysis presents both the assessment of risk for the company and for the entire sector in which it operates.

Results

2013 was another year of consistent implementation of the development strategy adopted by KGHM. In accordance with the plans, we continued our strategic investments, among which the key priorities are related to:

- ▶ improvement of productivity in the main copper production process,
- ▶ securing access to the resource base, and
- ▶ engagement in the energy sector, mainly in the electricity generation segment.

Efficiency improvement

In the area of efficiency improvement, our aim is to take actions aimed at the implementation of new environmentally friendly and low-emission technologies used in the mining and metal industry worldwide.

Key strategic investments.

- ▶ **Research and technological and economic assessment of the feasibility of the use of mechanical mining in the conditions prevalent in the mines of KGHM.**

In 2013, tests were commenced in the mining conditions of the pilot division of the Polkowice Sieroszowice Mine involving use of the ACT mining complex. In the same mine, we completed

the implementation of an organizational and technical structure and started production tests of a new drift development technology using three combines. The pilot is a part of the deposit development work in the Deep Głogów area.

- ▶ **Development of a functionally integrated, cost effective and environmentally friendly smelting structure for KGHM through implementation of the comprehensive Pyrometallurgy Modernization Program in the Głogów Smelter.**

We began the construction of the main facilities of the flash smelter complex in Głogów including the foundations and the structure of the smelter building.

We continued contracting equipment for the particular sections of the smelting process. In 2013, we completed the first stage of modernization of the main flash furnace process units in Głogów II. The overhaul work in the smelter was a huge technical and organizational challenge which had been preceded by two years of intense preparations. The renovation and modernization activities were carried out by 70 contractors. The overall objective

was to increase the effectiveness and reliability of the production process, optimize costs, prepare the facility for processing of concentrate with a higher content of organic carbon and upgrade the infrastructure of the electric furnace and the sulfuric acid plant. As a result, the concentrate processing capacity of the blister copper production line has been increased to approximately 863 thousand tonnes a year.

Resource base

To ensure maximum utilization and gradual expansion of the resource base and the Company's production capacity we are undertaking actions aimed at:

- ▶ gaining new mining concessions for the currently operated deposit areas,
- ▶ developing the regional resource base in south-western Poland and in the area of Lusatia (Saxony, Germany)
- ▶ developing the mining assets outside of Poland.

In 2013, KGHM received **new concessions for the extraction of copper ore from the deposit areas currently operated by the Company – Polkowice, Sieroszowice, Lubin-Małomice, Rudna and Radwanice-Wschód, which are valid from January 2014 to December 2063.** At the same time, we signed an agreement for the mining of copper ore from these deposits.

In December 2013, the District Mining Authority approved the operational plans of Polkowice-Sieroszowice, Rudna and Lubin Mines. Hence, since 2014 we have been continuing our core operations based on new concessions, new mining usufruct agreements and new operational plans.

The main projects pursued in the region to develop the resource base include:

- ▶ **development of the Deep Głogów copper deposit (GG-P)** – in 2013 r. we began the construction of the GG-1 shaft, the deepest of all 31 shafts in the Copper District. We are also continuing execution of primary drifts along with development of the necessary technical infrastructure. We completed work on the development and commissioning of the first mining field in GG-P.

On 1 April 2014, the first mining section (G-25) in the GG-P area commenced operations through the Rudna Mine. We completed conceptual and design work and began the construction of a modern surface-based Climate Monitoring Ventilation Station near the R-IX shaft, using high-performance tri-generation systems.

► evaluation and documentation of resources in the areas covered by the obtained exploration concessions, adjacent to the currently operated deposits, including **Gaworzyce-Radwanice, Retków-Ścinawa and Głogów**, within the Old Copper District near Bolesławiec, i.e. **Synklina Grodziecka and Konrad**.

► exploring for copper ore deposits in the **Weisswasser** area (Germany) and in the vicinity of **Stojanów**, an extension of the Weisswasser area on the Polish side of the border.

► in January 2014, the Minister of the Environment issued a decision refusing to grant a concession for the exploration and evaluation of copper ore deposits in the area of **Bytom Odrzański** and issued a concession for copper ore exploration in the area of **Kulów – Luboszyce**, covering only part of the territory for which the Company sought a concession. These decisions are not legally binding,

and KGHM has submitted appeals against them to the Minister of the Environment.

► proceedings are underway with respect to granting a concession for the exploration and assessment of a potassium-magnesium salt deposit with associated minerals, i.e. copper ore and rock salt, in the **Zatoka Pucka** region.

With respect to the acquisition and development of mining assets outside Poland, in 2013 KGHM continued key mining projects managed by KGHM INTERNATIONAL LTD., founded in 2012 as a result of the acquisition of the Canadian company Quadra FX by KGHM:

► **The Sierra Gorda project in Chile** (KGHM INTERNATIONAL LTD. 55%, Sumitomo Metal Mining and Sumitomo Corporation 45%). Under the first stage of the project work continued on the construction of the technical infrastructure of the mine, including social buildings and fresh water supplies. Design work was completed as well as construction of the 220kV and 110kV power networks together with main power stations and sub-stations.

With respect to construction of the key production facilities of the mine, work continued on assembly of the installations, machinery and equipment of the production line. Production of the first copper concentrate is scheduled to take place in mid-2014.

▶ **Victoria mine construction project in the Sudbury Basin in Canada** (KGHM International 100%). In 2013 we continued engineering activities aimed at obtaining a building permit. In the first half of 2013 leveling of the terrain for future aboveground mine infrastructure was completed. An Integrated Development Study is currently being drafted, including a detailed project execution schedule, budget and operating plan. The project involves the construction of an underground mine to enable extraction of a polymetallic ore rich in copper, nickel and precious metals (mainly platinum and gold). In 2013, a Framework Agreement was signed between KGHM International, FNX Mining and Vale Canada defining the terms of execution by KGHM International of the Victoria project to mine a deposit containing copper, nickel and platinum group metals. Vale will buy polymetallic ore from KGHM International and process it in Vale's Clarabelle plant in Sudbury.

KGHM will remain the 100% owner of the Victoria project and Vale will receive a Net Smelter Return royalty on the future production from the project of 2.25%.

▶ **Afton-Ajax Project in British Columbia, Canada**

The project is currently at the stage of applying for all necessary environmental and mining permits. Apart from this formal procedure, detailed engineering work is being carried out to prepare the site for construction of the mine. In 2013, a variety of geological work was performed across the project area, which indicated a significant potential for copper mineralization. In the first half of 2014, KGHM Ajax Mining published a new plan for the mining facility which assumes a greater distance between the infrastructure of the future open-pit Afton-Ajax mine and the closest buildings of the city of Kamloops and also reduces its impact on the environment.



Investment in the Energy Sector

In an attempt to increase energy generation to meet the Company's own needs, we continued the implementation of projects which altogether will cover as much as 30% of the energy demand of KGHM and will also lead to diversification of the energy generation portfolio along with significant reduction of the Company's exposure to climate policy risks and the risks related to volatility in fuel and electricity prices.

► **Construction of gas-steam blocks at the Głogów and Polkowice power plants.**

In 2013, final acceptance procedures were conducted and start-up tests of the gas-steam blocks were carried out. In November 2013, the gas-steam block in Polkowice was handed over for operation. Handover of the gas-steam block in Głogów took place in July 2014.

► **Construction of a research installation for the underground gasification of brown coal in the Legnica-Głogów Copper Belt.**

In 2013, as part of the geological work program aimed at exploration of the brown coal deposit in the Głogów region, we drilled 9 boreholes in a predefined area and carried out specialist geological research aimed at exploring and evaluating the brown coal resources. Positive results of this geological study will serve as the basis for a decision to apply for a concession for mining of this deposit, making use of the underground brown coal gasification technology.

In 2013, KGHM participated in the execution of the most important domestic energy projects. By taking part in these projects, the Company has secured for itself energy supplies at an optimum price.

► **Construction of a power generation source based on the utilization of natural gas as the raw material for its generation, on the grounds of the existing Blachownia Power Plant.**

In December 2013, KGHM, TAURON Polska Energia and TAURON Wytwarzanie signed an agreement pursuant to which a decision was made to temporarily suspend the implementation of the project of building a gas-steam block through the company "Elektrownia Blachownia Nowa" Sp. z o.o. (KGHM 50% and Tauron 50%). The reason for the suspension is the current situation on the electricity and natural gas market which results in an increased investment risk and calls for a review and optimization of the project. The decision to re-commence the implementation of the project should be made by December 2016. To reconfirm their desire to continue the project, the parties committed themselves to support continuation of the operations of "Elektrownia Blachownia Nowa" Sp. z o.o. and to keep monitoring the energy market and the regulatory environment with a view to resumption of the project as soon as possible.

▶ **Shale gas exploration and extraction in Poland**

The Framework Agreement on the exploration for and extraction of shale gas entered into on 4 July 2012 between Polskie Górnictwo Naftowe i Gazownictwo (PGNiG), KGHM, PGE Polska Grupa Energetyczna, TAURON Polska Energia and ENEA expired on 31 December 2013.

▶ **Preparation for the construction and operation of the first Polish nuclear power plant”.**

The parties to the draft Shareholders Agreement PGE EJ1 sp. z o.o. initialed in September 2013 by ENEA, PGE Polska Grupa Energetyczna, TAURON Polska Energia and KGHM continued preparatory work for the project of building the first nuclear power plant in Poland. The parties have agreed the final draft Shareholders

Agreement and currently the process of obtaining corporate approvals necessary for its signing is in progress. Under the project, KGHM will acquire 10% of the share capital of PGE EJ1 sp. z o.o.

On 28 January 2014, the Council of Ministers approved a resolution regarding the Polish Nuclear Energy Program, one of the conditions precedent indicated in the initialed draft Shareholders Agreement prior to the signing of the Agreement on the Purchase of Shares in PGE EJ1 sp. z o.o. At present, the only unfulfilled condition precedent for the signing of the Agreement is to obtain the unconditional approval of the President of UOKiK (the Office of Competition and Consumer Protection) for the planned concentration.

Production

KGHM main products

GRI 2.2.

Copper cathodes	The Company's basic product is electrolytic copper cathodes with a minimum copper content of 99.99%. The cathodes meet the highest demands for quality and are registered as Grade „A” on the London Metal Exchange (LME) under three brands: HMG-S, HMG-B and HML and on the Futures Contracts Exchange in Shanghai. The main customers for the cathodes are producers of wire rod, flat bars, pipes, sheets and belts.
Wire rod	The second-most important copper product in terms of volume is 8 mm copper wire rod manufactured through the Contirod® continuous process of melting, casting and drawing. The charge materials for the production of wire rod are copper cathodes, mainly those produced by the Company. Depending on the needs of the customer, wire rod is produced in various classes of quality. The main customers for wire rod are the cable, electrical goods and electrotechnical industries.

<p>Cu-OFE and CU-Ag (OF) rod and billets</p>	<p>Two types of rod are produced: oxygen-free Cu-OFE rod and oxygen-free, silver-bearing CuAg (OF) rod. Rod is produced using the UPCAST® technology, in diameters from 8 mm to 25 mm. Customers for this product are in the cable industry, with application in the form of thin wires, enameled wires and fire-resistant cables, as well as cables for transmitting audio and video signals. In addition, oxygen-free, silver-bearing rod is used in the manufacture of trolleys and commutators.</p> <p>Round copper billets produced from copper cathodes cast in the Cu-ETP1 and Cu-ETP classes and from oxygen-free phosphorus-containing copper in the Cu-HCP, Cu-PHC, Cu-DLP and Cu-DHP classes are used in the construction industry (to manufacture pipes) and in the electrotechnical industry (to manufacture belts, rods and profiles).</p>
<p>Electrolytic silver</p>	<p>Electrolytic silver is produced in the form of cast metal (bars, billets) and granules containing 99.99% silver. Silver bars (weighing approx. 32 kg each) hold certificates registered on NYMEX in New York as well as Good Delivery certificates issued by the London Bullion Market Association and by the Dubai Multi Commodities Centre. The main customers for silver are financial institutions, the jewelry, electronics and electrical industries as well as producers of coins and medallions.</p>
<p>Gold</p>	<p>Gold in the form of bars weighing 0.5 kg, 1 kg, 4 kg, 6 kg and 12 kg containing 99.99% of gold is used in the jewelry industry, by banks and in the electrical industry.</p>

Mine production

The extraction of ore in 2013 was higher by 464.5 thousand tonnes than in 2012 and amounted to 30.6 Mt. The higher output in 2013 was due to an increase in daily extraction on all working days and to intensification of work on statutory holidays.

The average copper (Cu) content in extracted ore amounted to 1.57% and was lower than that achieved in 2012 (1.59%). This decrease in the copper content in ore was due to mining of lower grade copper ore. The amount of copper

in extracted ore equaled 481.7 thousand tonnes and was higher by 2.5 thousand tonnes.

Compared to 2012 we processed 401.1 thousand tonnes more copper ore. A higher content of copper in the processed ore had a direct impact on the content of copper in the produced concentrate.

The amount of copper in the concentrate was higher by 1 815 tonnes than that produced in 2012 (+0.42%). In 2013, the total amount of copper in concentrate produced reached the level of 428.8 thousand tonnes.



Copper content in concentrate improved from 22.95% in 2012 to 23.10% in 2013 (+ 0.66%). Overall concentrate production went down from 2012 by 0.2% or by 4 415

tonnes. The amount of silver in concentrate increased by 4.4% versus 2012 (from 1 149 tonnes to 1 199 tonnes).

Smelter production

The production of electrolytic copper versus 2012 was lower by 679 tonnes or by 0.1% and totaled 565.2 tonnes which was still the third-highest result in the history of KGHM. This high smelter output was achieved despite a maintenance shutdown of the Głogów II Smelter.

The completed modernization works have improved the operating parameters and will ensure effective operation of the line until the next maintenance scheduled for 2017.

The factors which contributed to the maintenance of the production volume at an unchanged level included the higher processing of own concentrate and the share of purchased

copper-bearing materials in the form of scrap, blister copper and imported concentrate. Supplementing own concentrates with purchased copper-bearing materials enabled efficient utilization of the existing process capacity.

In relation to 2012, the production of metallic gold increased by 150 kg, or 16.37%, and achieved the level of 1 066.4 kg, while the output of metallic silver decreased by 112.7 tonnes, with a total annual output of 1 161 tonnes.

The production of other smelter products depends on the volume of electrolytic copper production, the type of raw materials used and on the market demand.

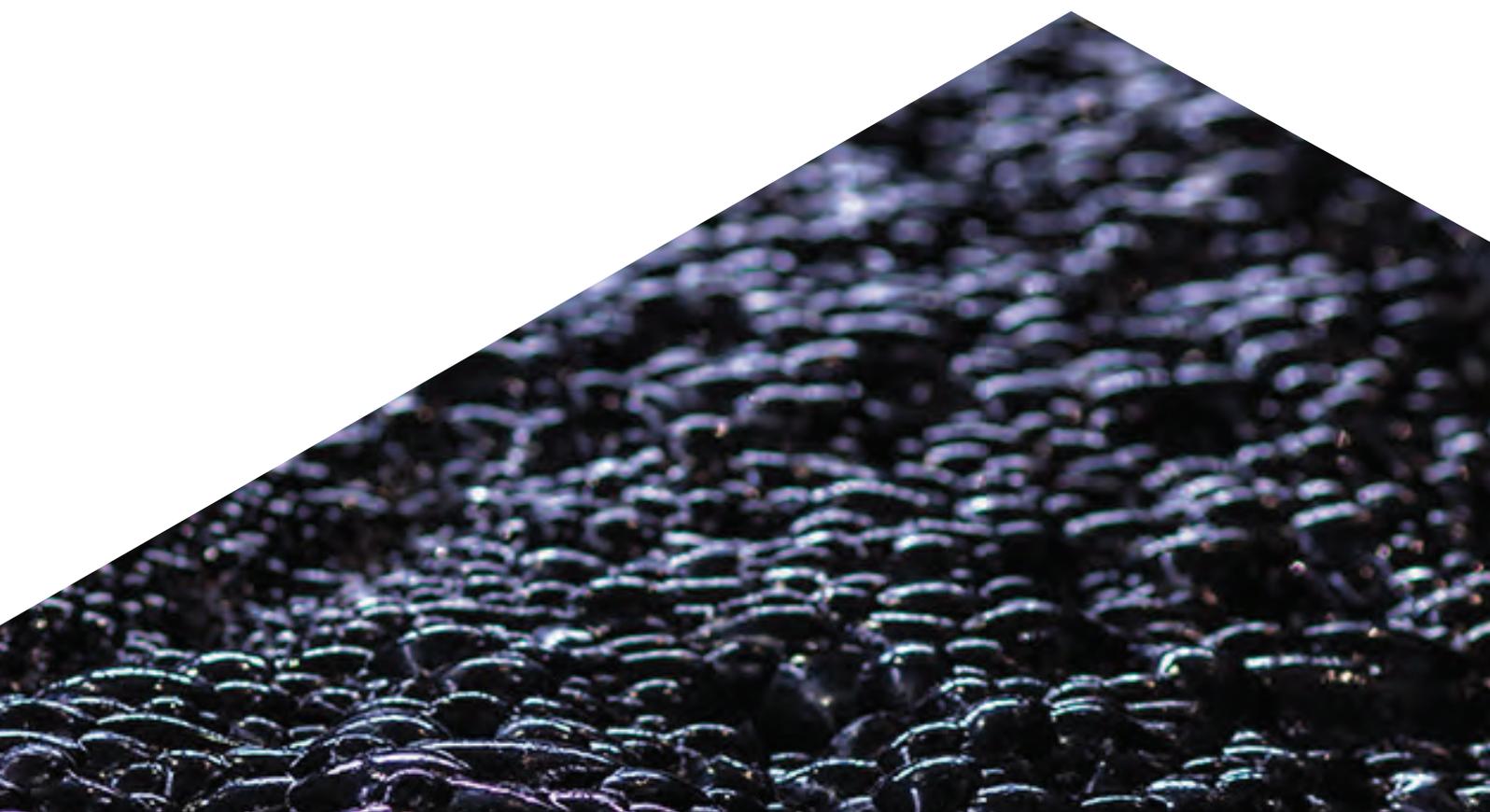
	Item	Unit	2011	2012	2013	2012=100%
	MINE PRODUCTION					
dry weight	Copper ore (dry weight)	kt	29 718	30 182	30 647	101.5
	- of which mineral extracted from ore	kt	22 985	23 119	23 855	103.2
	Copper content in ore	%	1.61	1.59	1.57	99.0
	Copper content in ore	t	479 256	479 252	481 770	100.5
	Copper yield	%	88.85	88.90	89.03	100.1
	Copper content in concentrate	t	426 665	427 064	428 879	100.4
	Silver content in concentrate	kg	1 166 589	1 148 994	1 199 029	104.4
	Copper content in concentrate	%	22.75	22.95	23.10	100.7
	Concentrate production (dry weight)	t	1 875 244	1 860 687	1 856 272	99.8
	SMELTER PRODUCTION					
	Products					
	Electrolytic copper	t	571 041	565 834	565 155	99.9
	Converter copper	t	550 061	549 012	536 798	97.8
	CONTIROD wire rod	t	226 235	228 559	228 936	100.2
	Cu-OFE rod (UPCAST)	t	15 225	13 457	13 375	99,4
	Cu-Ag rod	t	1 198,0	925,5	1 365,4	147.5
	Round billets	t	20 320	17 959	17 018	94.8
	Copper granules	t	2 260	2 154	2 156	100.1
	Other metals					
	Silver in anode slime	kg	1 261 808	1 250 572	1 151 924	92.1
	Metallic silver	kg	1 259 566	1 273 837	1 161 114	91.2
	Metallic gold	kg	703.8	916.4	1 066.4	116.4

Pt-Pd concentrate	kg	77.9	136.4	176.7	129.6
Raw lead	t	30 010	30 015	26 705	89.0
Refined lead	t	25 234	27 511	26 631	96.8
Other production					
Sulfuric acid	t	636 248	630 837	609 019	96.5
Copper sulfate	t	5 533	5 247	5 826	111.0
Nickel sulfate	t	2 481	2 600	2 756	106.0
Technical selenium	t	84.7	90.2	80.2	88.9

Product sales structure

In 2013, the Company increased the volume of copper sales by 7.2 kt (1%) versus the previous year. Additionally, approximately 25.3 kt dry weight (7.0 kt Cu) of copper concentrate was sold. Silver sales amounted

to 1 250 t and were lower by 1% (16 tonnes), while gold sales amounted to 1 057 kg and were higher by 16% (149 kg).



Sales volume of KGHM's basic products in 2011 - 2013

Item	Unit	2011	2012	2013	2012=100%
Cathodes and cathode parts	kt	308.9	317.3	323.2	101.9
Copper wire rod and OFE rod	kt	237.2	246.3	250.7	101.8
Other copper products	kt	20.8	16.7	20.6	123.4
Total copper and copper products	kt	566.9	580.3	594.5	102.4
Metallic silver	t	1 179.4	1 266.8	1 250.4	98.7
Metallic gold	kg	660.2	907.6	1 057.0	116.5
Refined lead	kt	25.3	27.1	26.7	98.5

Revenues from the sale of KGHM's products in 2011-2013 (PLN m)

Item	2011	2012	2013	2012=100%
Cathodes and cathode parts	8 200	8 394	7 707	91.8
Copper wire rod and OFE rod	6 423	6 682	6 174	92.4
Other copper products	556	449	478	106.5
Total copper and copper products	15 179	15 525	14 360	92.5
Metallic silver	4 067	4 301	3 191	74.2
Metallic gold	112	156	144	92.3
Refined lead	188	188	194	103.2
Other goods and services	431	340	395	116.2
Total revenues from the sale of products	19 977	20 510	18 285	89.2



Total revenues from the sale of KGHM's products in 2013 amounted to PLN 18 285 million, and were lower by 11% than revenues achieved in 2012, mainly as a result of lower prices of metals: copper on the London Metal Exchange (LME) and silver on the London Bullion Market (LBM), as well as due to a decrease in the USD/PLN exchange rate. Revenues from the sale of copper and copper products were

lower by 8%. Revenues from silver and gold sales versus 2012 were lower by 26% and 8%, respectively.

The value of revenues from sales in 2013 includes the positive balance of hedging instruments settlement in the amount of PLN 450 million (PLN 333 million in 2012).

Geographic sales breakdown

GRI 2.7.

In 2013, the volume of domestic sales of copper and copper products accounted for 20% of total copper sales, while export sales and supplies to European Union markets accounted for 80%. During this period, the largest foreign customers for copper produced by KGHM were Germany, China, the Czech Republic and France.

During 2013, domestic silver sales amounted to 2% of the total volume of silver sales, while export sales and supplies to the EU market accounted for 98%. The largest foreign customers for silver were Great Britain, Belgium and the USA.

Sustainable Development



» Through CSR, enterprises can significantly contribute to the European Union's treaty objectives of sustainable development and a highly competitive social market economy.«

The aspects of sustainable development and corporate social responsibility are of crucial significance for the implementation of our business strategy adopted for the years 2009-2018 in which we have stated that KGHM is the most important company of its region and, similarly to other mining companies in the world, treats the local community with due respect. We actively work for the good of the local community, particularly in such areas as creating new jobs in the region, protection of the natural environment, providing healthcare services to employees and people living in the area, protecting cultural heritage, supporting physical exercise and sports and the development of culture, science and education.

Strategic Objectives

The underlying document for all activities undertaken by KGHM in the field of sustainable development and corporate social responsibility is the Corporate Social Responsibility Strategy adopted in June 2012 for the years 2012-2018 which draws on our 50 years of experience and defines the challenges facing every modern business organizations nowadays. The strategy is based on the results of analysis of KGHM's corporate social responsibility, the PN-ISO 26000 CSR standard, the guidelines of the International Council on Metals and Mining (ICMM), the rules of sustainable reporting published by the Global Reporting Initiative and the best practices available on the market. Additionally, results of a series of workshops attended by representatives of

our management have been taken into account.

Being aware of our impact on the social and natural environment in which we operate, we initiated preparations for the implementation of our CSR Strategy in 2013.

The Strategy covers all social, ethical and environmental aspects of our business operations and assumes a complete transparency in the management of relations with the Company's stakeholders, including the employees, customers, shareholders, suppliers and members of the local communities.

Strategic directions of the corporate social responsibility of KGHM Polska Miedź until 2018

Environmentally-friendly innovator	We set environmental protection standards and look for innovative, environmentally-friendly, low-emission operating solutions
Good neighbor and a trustworthy investor	We are a trustworthy leader and a good neighbor, maintaining a dialogue and partnership with external stakeholders, bearing in mind the strategy, scale and quality of our corporate social responsibility activities
Efficiently managed business partner	Our management system is consistent with the principles of corporate governance and business ethics
Responsible employer	We maintain an open policy of dialogue on all employee matters, in conformance with the highest work safety standards.

Environment

As one of the largest companies in Lower Silesia and in Poland, we cannot and we do not want to avoid responsibility for the condition of the environment we live in. Extraction of copper ore and its subsequent processing at all stages of the production process is inseparably related

to environmental impacts. Conformance with rigorous environmental standards imposed by law is possible thanks to continuous modernization of the installations used to protect the natural environment, both those built in the past and new investments in this area.

Natural capital of KGHM

KGHM owns an area of land with a total surface of 6.6 thousand hectares which is managed by the Company and used for the purpose of mining and production operations.

Within this territory our facilities are located, representing the entire production process: mines, copper smelting and refining facilities, ore enrichment plants and tailings facilities.

Summary of the property owned by KGHM* as at 31 December 2013

Division	Land area, including:		Total area [ha]
	Perpetual usufruct / co-usufruct [ha]	Ownership / Co-ownership	
Cedynia Wire Rod Plant	48.2885	0.0000	48.2885
Głogów Copper Smelter	2 045.1537	434.5306	2 479.6843
Legnica Copper Smelter	206.3124	188.7856	395.0980

GRI MM1

*The summary does not include the property of non-production entities of KGHM (Data Center, Rescue Unit and the Central Office)

Division	Land area, including:		Total area [ha]
	Perpetual usufruct / co-usufruct [ha]	Ownership / Co-ownership	
Tailings Plant	3 071.8758	342.9196	3 414.7954
Lubin Mine	47.6933	0.0000	47.6933
Polkowice-Sieroszowice Mine	105.6831	26.7804	132.4635
Rudna Mine	91.5701	8.8674	100.4375
Ore Enrichment Plant	64.1054	0.4261	64.5315
Total	5 680.6823	1 002.3097	6 682.9920

The most valuable natural asset of the areas under our management are the copper deposits located there. Due to such properties as durability, resistance to corrosion, thermal and electrical conductivity, ductility, forgeability and lasting shine, copper has numerous applications in various industries, including the construction, electrotechnical and electrical sectors, Information Technology, Telecommunications and Transportation. It is estimated that approximately 80% of mined copper is recovered and recycled – in that respect copper is outstripped only by iron and aluminum. Copper is offered to customers mainly in the form of refined copper (cathodes), wire rod (for the production of cables and wires), round billets and OFE rod. In recent years, the volume of copper production by our Company has stabilized at the level of 500-550 thousand tonnes a year. Silver is the second most important component of our natural capital. It is used not only in the jewelry production, but also in the electronic, electrical and photographic

industries. Solar energy generation is probably the most rapidly growing industry segment which has generated demand for silver. Around the year 2015, the solar energy industry will consume close to 2 800 tonnes of silver a year, mainly thanks to India and the United States which have been developing long-term strategies of solar energy growth. At present, the annual output of refined silver in KGHM exceeds 1200 tonnes.

The exploitation of copper deposits is based on concessions issued by the Ministry of the Environment. In view of the expiration of a significant number of concessions in 2013 or in the near future we launched a project called “Concession 2013” the purpose of which was the renewal of the concessions held for the longest time provided for by law, i.e. 50 years. The Company had to carry out a number of analyses on the impact of its operations on the natural environment and local communities.

In the environmental decision issued by the Regional Environmental Director in Wrocław, it is stated that KGHM has been conducting its copper mining operations in the optimal way from the point of view of the existing geological and mining conditions. Also the future mining of deposits in the new mining areas will not generate additional impact on the landscape since no new aboveground investments are planned.

As part of our preparations for the concession process, we ordered a number of analyses of the impact of our plants and installations on the resident species of fauna and flora. The completed evaluation of the impact on animal habitats and vegetation covered the developed mining areas of Rudna, Polkowice, Lubin- Małomice, Sierszowice and Radwanice Wschodnie.

The process started with an analysis of information about the local presence of species listed in Annex II of the Habitats Directive. On the basis of the analysis results, the areas of particularly high natural value requiring special attention and field investigation were identified. Subsequently, the potential locations of the target habitats and species were determined, in conformance with the guidelines set forth in the "Guide on Conservation of Natura 2000 Habitats and Species". The work was carried out by an interdisciplinary team of experts.

The fauna inventory prepared as a result of the process shows the presence of 48 species of animals specified in Annexes II and IV of the Habitats Directive which are subject to absolute or partial protection in Poland, including invertebrates (e.g. *Phengaris nausitous*), amphibians (e.g. European tree frog), reptiles (e.g. *Coronella austriaca*), birds (e.g. common crane) and mammals (e.g. Daubenton's bat). Additionally, 10,000 protected natural habitats were identified.

GRI EN15

The completed studies have confirmed that the operations of KGHM's divisions in the analyzed locations will not have a major negative impact on the population of the species and the quality of sites covered by the Directive, including Natura 2000 areas.

GRI EN12

One of the areas covered by the analysis was the Rudna Mine, one of three mines operated by KGHM in Poland. It is one of the largest underground copper ore mines worldwide which will celebrate its 40th anniversary in 2014. The mine extracts a number of copper ore deposits, including Deep Głogów situated at a depth of up to 1 380 meters. The mining operations are carried out on terrain located almost entirely within the administrative boundaries of the Polkowice and Grębocice municipalities.

Our aim

Environmentally friendly innovator

We set the highest environmental protection standards and look for innovative, environmentally-friendly and low-emission operating solutions. Our aim is to implement measures which will minimize KGHM's environmental impact.

As part of our pro-environmental approach to operations, we wish to manage efficiently and renew our resources and elements of the natural environment through reclamation of degraded areas and employing alternative methods of reducing air emissions. Over the last 10 years,

our average annual expenditures on environmental investments totaled PLN 45 million and approximately PLN 40 million was spent on development or renewal investments with tangible environmental effects.

Expenditures of KGHM on environmental protection

		k PLN	
		2012	2013
Costs	Environmental fees	28 961.24	29 638.43
Expenditures	Environmental investments	179 450	180 961.92

GRI EN30

The highest environmental expenditure incurred in 2013 in the amount of PLN 138 630 716 was on the continued construction of the two gas-steam blocks in Głogów and Polkowice. The total amount of environmental fees was higher than in 2012 due to the annual adjustments of the fee rates. In 2013, we paid most (PLN 18 565 720)

for the discharge of supernatant from the Żelazny Most Tailings Treatment Facility and for emissions to the air (PLN 6 143 120).

KGHM operates eight facilities which require an integrated permit issued pursuant to the Environmental Protection Law:

- ▶ an installation for the production of metallic copper using shaft furnace and flash furnace technology – Głogów Smelter;
- ▶ the Biechów I industrial waste storage facility – Głogów Smelter;
- ▶ the Biechów II industrial waste storage facility – Głogów Smelter;
- ▶ an installation for the production of refined lead – Legnica Smelter;

- ▶ an installation for the production of metallic copper from copper concentrate and of products recovered from metallurgical and electronic processes – Legnica Smelter;
- ▶ an installation for the melting, continuous casting and drawing of copper rod – Cedyňa Smelter;
- ▶ an installation for the storage of tailings from the flotation of copper ore – Tailings Division; and
- ▶ an installation for the neutralisation of sulphuric acid waste – Concentrators.

The remaining Divisions of KGHM have sector administrative decisions for the use of the natural environment. Additionally, the installations in the Głogów and Legnica smelters have been prepared for participation in the CO₂ emissions trading system.

In view of continuous changes in the environmental laws and regulations and the resulting needs for upgrading installations, ongoing monitoring of the validity of administrative authorizations to operate our facilities is required. In 2013, we continued the procedures related to changes of the decisions for the mines.

KGHM is a member of six international consortiums established to meet the requirements of the European Union's REACH Decree. We have engaged in the activities of the consortiums due to:

- ▶ frequent updates of the regulations, guidelines and requirements,
- ▶ assessment of silver registration documentation carried out by the Netherlands at the request of the European Chemicals Agency (ECHA), and
- ▶ the threat of the introduction of restrictions and authorizations concerning the production and use of fire-resistant fabrics and hydrazine.

In 2013, we registered two substances, selenium and copper chloride and completed 12 updates of documents filed in 2010. By 2018, we are

planning to register two more substances: gold as an end substance and silver chloride as an intermediate substance.

The key assumptions of KGHM's environmental policy are as follows:

- ▶ 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 local communities and authorities for the benefit of the environment;
- ▶ collaboration with the Ministry of the Environment with respect to implementation of the national environmental policy;
- ▶ participation in the drafting of the Best Available Techniques document for the non-ferrous metals industry; and
- ▶ partnership with the European mining and metals industry via industry associations and contribution to the development of EU documents pertaining to environmental protection.

Minimizing environmental impact

Tangible proof of the demonstration of our responsibility for the environment is the series of actions initiated in 2013 aimed at minimizing our impact on the natural environment in accordance with the CSR Strategy and the Business Strategy of KGHM Polska Miedź. We are taking steps to implement environmentally-friendly, low-emission technologies.

In 2013, we continued the construction of two gas-steam blocks in Polkowice and in Głogów. The block in Polkowice was commissioned last November. The gas-fired power blocks will generate electric power and heat energy used, for instance, for the heating of residential buildings. As a result of co-generation, gas consumption is reduced bringing substantial savings and environmental benefits through the lowering of dust and gas emissions, including carbon dioxide and nitrogen oxide, as compared to separate generation of heat in a conventional heat plant and electricity in a condensation power plant.

In 2013, we were also building a flash smelter installation at the Głogów I Smelter which will ultimately replace the currently operated shaft furnace. The new installation will reduce the volume of air emissions, in particular of greenhouse gases such as carbon dioxide.

An important process related to the operation of the Żelazny Most Tailings Facility is regular emulsion stabilization of the field surface to prevent secondary dust emissions.

Health promotion

As part of the actions taken to demonstrate our social responsibility, in 2013 we continued the implementation of the Health Promotion and Environmental Hazard Prevention Program addressed mainly to youth and young adults, from 1-26 years of age living in the vicinity of our copper smelters. The program offers blood lead level testing, outdoor learning events for children ('green schools'), swimming classes and environmental and health education activities. In 2013, 425 children took part in the program. Additionally, 75 adults (mainly pregnant women) took advantage of the blood tests.

GRI EN26
GRI EN7

GRI SO10
GRI SO1

Program outcomes:

- ▶ 2 116 program participants since 2011, including 1 730 children
- ▶ evidence of the absence of a negative impact of the operations on the health and lives of the local population. The average blood lead level amounted to 2.3 µg/dl, while according to the World Health Organization the hazardous level starts at 10 µg/dl.

In 2013, we also carried out a wide-scale health survey program among the residents of Jerzmanowa and Żukowice who are exposed to odorous emissions from the SG-2 exhaust shaft located in the vicinity. Last year, 350 inhabitants of those villages enrolled in the program. No instances of a negative impact of odor nuisance on human health were identified.

GRI SO1
GRI EN6

Sustainable development of the region

Despite positive changes observed in the last decade in agricultural areas surrounding the Głogów Smelter, there still occurs a need for periodic soil liming and for regular monitoring of the heavy metal content in soil. The issue is a focus of attention of the local community as well as of environmental and agricultural organizations.

The matter of providing agricultural lime to farmers in the Głogów district has become one of the terms of the Agreement for Sustainable Development of Głogów District signed in May 2013 between KGHM and the local authorities. Under the Agreement, we have committed ourselves to supporting environmental initiatives implemented in the county, including the launch of a long-term soil liming program for farming land.

In 2013, the District Chemical and Agricultural Station in Wrocław carried out soil tests in Kotla and Żukowice municipalities, including determination of soil acidity and fertility, in order to define the required lime dose. The purpose of the study was to identify the optimum agricultural lime type and calculate the total amount needed for all interested farmers from Kotla and Żukowice participating in KGHM's soil liming program. As a result, tests of soil acidity and fertility were performed for 3076 samples representative for an area of over 6 700 ha. Areas where the procedure is indispensable were identified (pH below 5.5) and on that basis the total requirement for lime of 22 480 tonnes was

calculated with a total value of approximately PLN 1 573 600. The liming campaign will be executed in 2014.

Photovoltaics

In the pursuit of new, innovative power generation technology and in order to obtain renewable energy certificates ('green certificates'), since 2013 we have been investing in a project comprising the construction of two pilot photovoltaic farms with a capacity of approximately 100 kW each.

The plants are located on the grounds of the Głogów Smelter and near the Legnica Smelter. Completion of this investment is scheduled to take place in mid-2014. The total planned output of the entire farm is 168 Mwh.

As part of the second stage of the pilot farm construction, preparations are in progress for the building of another farm with a capacity of 100 kW located in Legnica. During project implementation, analyses of different design and technological solutions will be carried out and our project team from the company Energetyka will gain experience in the construction of solar farms.

Wind energy generation

The project involves the construction and commissioning of two wind farms situated near the protective zone around the Głogów Smelter in Żukowice and Radwanice, generating electricity from renewable sources. We have been implementing the project since 2009 and currently we are waiting for the issue of

environmental decisions and adoption of local land use plans in the municipalities of Radwanice and Żukowice. Local land use plans are necessary for applying for the issuance of the conditions for connecting the farms to the power grid. The installed capacity of the farm will be 34.5 MW. are necessary for applying for the issuance of the conditions for connecting the farms to the power grid. The installed capacity of the farm will be 34.5 MW.

After taking into account additional environmental restrictions, such as noise and bat flights, the total annual power output will amount to 93 357 Mwh.

The forecasted volume of energy generation will account for approximately 30% of KGHM's demand for green energy certificates and will satisfy 3.5% of our demand for electricity.

According to our internal estimations, the cost of producing 1 MWh of electricity by the Żukowice-Radwanice wind farm will amount to around 93% of the energy cost of a reference farm model defined by the Ministry of the Economy for the purpose of the auction system.

Cultivation of energy crops

In order to achieve conformance with the requirements set forth in the laws on renewable energy sources, obtain economic benefits and enhance the environmentally-friendly image of KGHM, we have decided to grow energy crops on terrain directly exposed to the impact of the Głogów Smelter. Due to the anticipated life of energy crop plantations, the cultivation is

planned for 20 years (starting from the last plantation in 2017) and the final closure of the farms is scheduled for 2037.

The project assumes cultivation of energy crops on the terrain of the former protective zones around KGHM's Głogów Smelter and production and sale of willow tree biomass.

The total yield after the main harvest is estimated at 24 tonnes per hectare.

The cultivated crops will include different species of willow. While growing, the plants make use of heavy metals deposited in the soil, hence their cultivation is beneficial in degraded industrial areas where the content of heavy metals is high.

The possibility of using biomass in the co-incineration process makes willow an excellent, long-term source of renewable energy.

The calorific value of willow chips at 30% humidity is close to 12 MJ/kg. The planned area of the crop cultivation is close to 780 hectares. The ultimate size of the plantation will depend on the successive handover of land by KGHM for energy crop farming under long-term lease contracts. At present, energy crops are cultivated on 379.2038 hectares of land by specialist external contractors. When developing a business plan for this project, Energetyka, a KGHM subsidiary, assumed that biomass made up from cultivated crops will be sold at market prices and co-incinerated in the Company's own plants. As an entity engaged in farming operations and growing energy crops, Energetyka receives every year subsidies from the Agriculture Restructuring and Modernization Agency under the Single Area Payment Scheme.

Research and development



Agata Jużyk,
Research and
Innovation
Department Director,
KGHM Polska Miedź

Innovation is a challenge for every company. It requires a look at the organization from a different angle, the ability to question the status quo and passion and determination during implementation of the developed solutions. The mining industry is not often associated with progress and innovation which would change its image in the short-term perspective.

The innovations implemented by KGHM, however, demonstrate that it doesn't always have to be this way. We have been engaged in research and development from the very beginning of our operations. We keep looking for technological solutions which would help us maximize the benefits of our ample but very difficult copper deposit. We implement projects aimed at improving work safety and working conditions, maintenance of the high performance standards of our environmental protection systems, increased process productivity and reduction of operating costs. At present, our key challenge is to find and develop technologies which would allow for sustainable operation of deep underground deposits in unprecedented mining conditions.

Innovation, however, is not only about technologies, products and processes. It is also a major social challenge which we are trying to face in a new way, building a dialogue around our key investments. Of great importance is the development of an effective model of partnership and sharing knowledge and experience between our internal experts and the scientific community. Therefore, together with the National Center for Research and Development, we have founded the CUBR Sectoral Research Program, co-financed from public funds, which contributes to the development of the non-ferrous metals sector in Poland.

Over the many years of our activities, we have built strong relationships with the leading scientific and research centers which provide us with interesting and innovative solutions. Working closely with our in-house experts, they help us build the organizational know-how. We also try to stimulate the creativity of our employees who can propose their ideas for improvements (for example, via the Bank of Inventions), many of which are later put into practice. We perceive innovation as a great opportunity and a key to sustainable development of the Company and the entire region.

KGHM is a company with global operations which through its research and development activities is heading towards the model of a knowledge-based organization. Due to the intensity of its cooperation with the academic community in recent years, KGHM has become an engine of technological and scientific

progress on an unprecedented scale. The Company's research strategy focuses on the improvement of productivity, development of new technologies in the area of mining, ore processing and non-ferrous metals processing, effective management of industrial risk and expansion of the resource base.



Numerous R&D projects are implemented in KGHM every year, including both large projects with a significant impact on the employed technologies and smaller projects executed in response to specific needs of our technological processes. As a result, continuous improvement in technological and economic effectiveness is achieved.

Many of the developed solutions are unique, not only for KGHM but also on the national and global scale.

KGHM's goal is to implement the concept of a so called Intelligent Mine and, subsequently, a fully integrated Intelligent Production Process, ensuring safety, technological effectiveness and efficient and flexible management of all production operations.

One of the challenges we are currently focusing on in the Research and Development area is the development of an effective technology for mining deep underground deposits. The related projects include implementation of a mechanical ore body mining system, automation of individual processes in the currently used mining technology, horizontal and vertical transport of mined ore and removal of employees from high-risk deep mining areas in the conditions of associated mining hazards.

We are also looking for new methods of metal recovery, including biohydrometallurgical processes. Together with our partners from Germany and France we are developing a technology for effective biohydrometallurgical processing and recovery of rare and critical metals. The potential for development of a deep sea and ocean floor mining technology is also being analyzed.

In the ore processing field, we are concentrating our attention on technologies which would reduce energy consumption and increase the rate of metal recovery, while maintaining the high quality of concentrate supplied to the copper smelters. The major research challenge related to metallurgy is to provide support to the smelting process by optimizing the production process after the switch to the flash smelting technology in the Głogów I Smelter and to develop a technology ensuring higher recovery of metals while minimizing the environmental impact of smelting operations. One of the main objectives is to design a new technology for the recovery of copper from the flash furnace slag which increase the overall rate of metal recovery from waste and generate substantial energy savings.

Environmental protection and minimization of industrial impact is one of the Company's research priorities. KGHM makes use of state-of-the-art technologies suitable for seismic areas or land deformation conditions, as well as acoustic analyses and many others.

Often, as a result of collaboration with the academic community, we succeed in raising the already high environmental standards. We are also working on changing the technology of tailings storage by introducing the process of thickening and we are designing technologies and installations which in the near future will enable filling abandoned workings (mine voids) with tailings.

An important focus of research is the work on carbon sequestration, i.e. the capture and long-term storage of atmospheric carbon dioxide in order to reduce its atmospheric emissions. A substantial part of research and development expenditures is spent on projects related to the safety of the Company's employees, contractors and the population of the Copper District.

Our wide-scale research program requires us to make continuous investments in scientific and technical progress. We finance research and development activities mainly from our own funds, but more and more often we seek public funding from institutions supporting participation of Polish enterprises in development projects.

Selected examples of KGHM's R&D projects in recent years financed from public funds

Co-financing institution	Project
Polish Agency for Enterprise Development	Development of a mining technology using the ACT mining complex by KGHM
	Hydrometallurgic technology of processing concentrate and semi-finished copper products
	Development of a coal gasification technology for high-performance production of fuels and electric energy
National Center for Research and Development	Development of a new classification of natural hazards in underground mines, including its experimental verification
	Adaptation and implementation of Lean methodology in copper mines
	Development of high-temperature reactors for industrial applications

We are trying to make the best of the opportunities for international cooperation which occurred following Poland's accession to the European Union. The examples of innovative projects involving the Company and KGHM Group companies financed under the EU framework programs include Biomine, Bioshale, IRIS, LAGUNA, PROMINE and I2Mine.

In the area of international cooperation, under the Horizon 2020 Program, the biggest EU research and innovation program ever, working as members of consortiums, we prepared in 2013 applications for submission in 2014 for the following projects:

1. Blue Atlantis – Innovative Mining of Marine Mineral Resources – A European Pilot Mining Test in the Atlantic on Tools, Facilities, Operations and Concepts.
2. Spire – Integrated Process Control – Using Distributed In-Situ Sensors Integrated into Raw Material and Energy Feedstock.
3. BioMore – An Alternative Mining Concept.
4. SUBGraph – Materials Under Extreme Conditions.

Another important source of knowledge and technological solutions for KGHM is the creativity and ingenuity of the Company's employees. By developing inventions and proposing enhancements, operators, technicians and engineers improve the existing technological processes, machinery and equipment. An important advantage of these employee inventions (including improvements) is the fact

that technological and organizational solutions are proposed by practitioners with extensive professional experience and usually involve their own workstations where they can easily spot weak points in production processes. This is a particularly effective innovation channel.

Stimulation of the creativity of employees at all levels of the organization helps to encourage continuous improvements. Therefore, it is of great importance to create in the Company the right climate for out-of-the-box thinking and problem solving.

One of the outcomes of employees' innovative thinking is the NOT Technology Champion of the Copper District award received in 2013 in recognition of an outstanding technological solution called "A mobile 110/10 kV transformer and distribution station".

The knowledge and experience of our employees is a precious asset. Our objective is to become a knowledge-based organization. KGHM has an ideal potential for it thanks to the team spirit which is one of the Company's core values. We value teamwork, sharing knowledge and experience and openness to new possibilities, particularly now when we can take advantage of the cultural diversity of KGHM as a global player.

Sustainable Development Environment - Research and development

We want to make the best use of the knowledge accumulated in the Company by improving communication and strengthening collaboration between experts representing various organizational units of our Group. A good example of our approach in this area is a new project called the Knowledge Center. It was founded in 2013 under a consortium agreement signed by four KGHM Group companies:

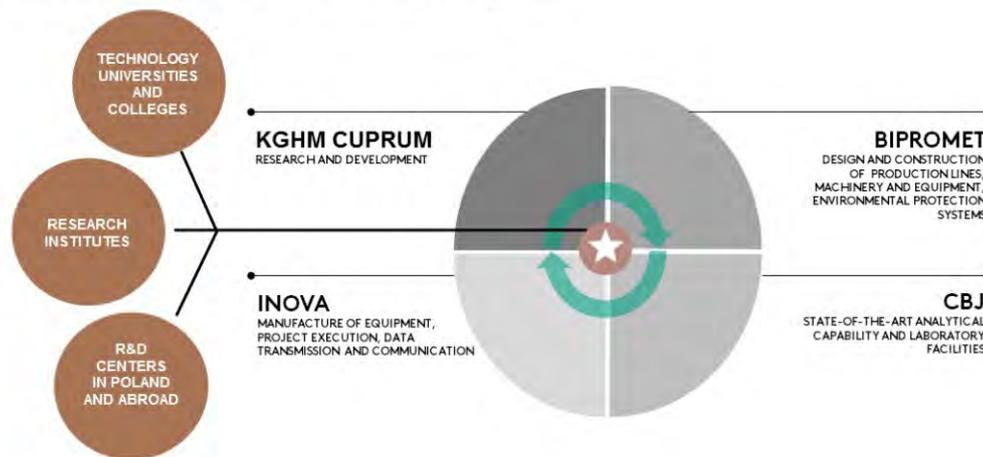
- ▶ KGHM CUPRUM (research and development),
- ▶ INOVA (manufacture of equipment, project execution, data transmission and communication),
- ▶ BIPROMET (design and construction of production lines, machinery and equipment, environmental protection systems),

environmental protection systems),

- ▶ CBJ (state-of-the-art analytical capability and laboratory facilities).

All these companies are characterized by advanced laboratory and technological facilities and a high number of well-educated staff members. As they all have enormous intellectual potential, we have decided to unite their efforts in order to achieve a new level of quality. At present, the Knowledge Center is at an advanced stage of its formation. The new entity has a well-defined organizational framework, business objectives and subject areas identified on the basis of available skills as well as on the expectations of customers, including of a strategic nature, i.e. KGHM.

Establishment of the KGHM Global Knowledge Center



The Knowledge Center will coordinate the implementation of strategic research and development programs as part of a joint venture between KGHM Group companies and external partners, and will facilitate the growth of necessary skills and capitalize on the existing and newly-gained knowledge accumulated in the KGHM Group.

The Knowledge Center is a combination of modern infrastructure with over forty years of scientific and practical experience and an excellent record of inventing and implementing innovative solutions. Its goal is to develop

interdisciplinary R&D projects across the KGHM Group in Poland and abroad. We will invite other research and development institutions and technology universities and colleges to cooperate with us.

The concept of the Knowledge Center covers the idea of knowledge management in KGHM and in the Company's immediate environment.

Establishment of a powerful research and development center within the KGHM Group follows in the path of global trends, whereby similar centers are created to support parent companies by accumulating knowledge and developing solutions underlying the companies' competitive advantage.

KGHM and the scientific community

For many years, we have been working closely with the leading research institutions in Poland and abroad, such as the AGH University of Science and Technology in Kraków, Wrocław University of Technology, Silesia University of Technology, the Central Mining Institute in Katowice, the Mineral and Energy Economy Research Institute of the Polish Academy of Science, the Non-Ferrous Metals Institute in Gliwice, the University in Lund and Lulea in Sweden, Oulu University in Finland and many others.

In 2013, we signed an executory agreement to the memorandum of understanding of 2012 with the National Center for Research and Development. As a result, a joint venture called CuBR was established in order to support research and development activities for the non-ferrous metals industry.

National Center for Research and Development

The project covers the entire spectrum of activities within the mining industry. Its purpose is to increase the competitiveness of the Polish



economy in the field of non-ferrous metals by the achievement of significant progress and the development of solutions strengthening the position of the Polish non-ferrous metals industry as a global market participant. Financing will be awarded to innovative research and development projects selected in competitions, focusing on new mining technologies, metallurgical processes, new products and their recycling and the reduction of environmental costs.

GRI 4.16.

The objective of the program is to prepare staff and equipment for the implementation of projects in KGHM's areas of operation, through access to new research methods on the domestic market and by the availability of graduates prepared for work in the non-ferrous metals industry, including our Company.

The total budget of the program scheduled to continue for the next 10 years is PLN 200 million. KGHM and the National Center will each cover 50% of the costs. The CuBR program is the first initiative in which a Polish company with global operations has proposed that it co-fund R&D collaboration with a government agency.



The project encompasses four areas related to mining, processing, metallurgy and environmental impact by the non-ferrous metals industry, such as:

1. Mining and geology.
2. Ore processing.
3. Metallurgy, processing and new materials.
4. Environmental protection, risk management and business effectiveness.

The major projects initiated under the first edition of the CuBR competition include:

- ▶ "Development of an innovative technology for mining deep underground deposits" in the 'Mining and geology' area.
- ▶ "An innovative technology of effective milling for the purpose of preparation of non-ferrous metal ores for enrichment" in the 'Ore processing' area.
- ▶ "Development of an innovative, hydrometallurgical technology of producing non-ferrous metals from

KGHM's concentrates" and "Development of an innovative technological solution for copper recovery from slag in the flash smelting process", in the 'Metallurgy, processing and new materials' area.

Another important initiative implemented by us in collaboration with the world of science is the Knowledge and Innovation Community (KIC). It is a highly integrated partnership operating within the framework of the European Innovation and Technology Institute (EIT) which aims at creating innovative solutions by combining education, technology, research, business and entrepreneurship. The future KIC resource is expected to have a strong influence over the European Commission's natural resources policy. The members of the Polish KIC Raw MatTERS consortium include KGHM, KGHM ZANAM, the AGH Science and Technology University in Kraków, the Non-ferrous Metals Institute, the Wrocław EIR Research Center and the Wrocław University of Technology.

Another example of collaboration with Polish universities and colleges was the opening in October 2013, in partnership with the AGH Science and Technology University in Kraków, of the Critical Elements Laboratory at the Department of Geology, Geophysics and Environmental Protection. The laboratory is an AGH unit, the foundation of which was a joint initiative of the Department of Geology, Geophysics and Environmental Protection and KGHM. The laboratory has been equipped by the Company with an electron microprobe which is used to analyze the chemical composition of solid substances in the micro-area.

Key data

1. Emissions

In KGHM Polska Miedź, greenhouse gas emissions are monitored in accordance with the requirements of the European Union Emissions Trading Scheme (ETS) which our main process installations (Głogów Smelter, Legnica Smelter, gas and steam blocks in Polkowice and Głogów) joined obligatorily in 2013. The scope of the monitoring activities in KGHM is broader than required by the ETS and includes gases, heat and electric energy, both in direct and indirect (related to consumed energy and heat) emissions.

In our emissions balance, we take into account greenhouse gases listed in the Emissions Trading Scheme Act of 28 April 2011, i.e. carbon dioxide (CO₂), dinitrogen oxide (nitrous oxide, nitrogen (I) oxide, N₂O), methane (CH₄), sulphur hexafluoride (SF₆) and hydrofluorocarbons.

1.1. Direct emissions

Direct emissions – emissions from sources owned or controlled by the reporting entity.

GRI EN18

Between 2005 and 2013, a slight increase in direct emissions was observed against the background of stable production, related to a minor growth in copper production volume. Between 2014 and 2018 we are planning to reduce the level of total direct CO₂ emissions by approximately 10%. This reduction will be achieved mainly as a result of:

- ▶ replacement of shaft furnace with flash furnace technology in the Głogów I Smelter which will almost halve the amount of direct emissions,
- ▶ an increase in the share of scrap in processed materials, leading to a reduction in energy consumption and CO₂ emissions (for certain types of scrap as much as 70%),
- ▶ full-scale commissioning of the gas-steam blocks in Polkowice and Głogów to reduce the operation of the coal-fired, higher emissions power plants of the company Energetyka,

- ▶ other activities, such as rationalization of fuel consumption and optimization of the material flow in the production process, etc.

- ▶ replacement of the mine hoist and its drive with a system equipped with a frequency converter, a regenerative braking system and loss-free adjustment of rotational speed.

1.2. Indirect emissions

Indirect emissions – emissions related to the reporting entity's operations, generated by sources owned or controlled by other entities.

Between 2005 and 2012, indirect emissions dropped by approximately 24% due to lower electricity and heat consumption from 2.9 million tonnes to 2.2 million tonnes. This reduction can be attributed to a large extent to the Energy Efficiency Program implemented in the Company since 2011, under which the following major investments were made:

- ▶ replacement of equipment in the Ore Enrichment Plants in Lubin, Rudna and Polkowice with high capacity flotation units based on new flotation technology, ensuring better process parameters between 2011 and 2013,
- ▶ replacement of rotors in the fans responsible for ventilation in the main areas near the mine shafts,
- ▶ modernization of the tailings hydro-transport system to the Źelazny Most facility; and

Further reductions of indirect emissions in subsequent years are planned through lower consumption of electric energy and heat as a result of:

- ▶ recuperation and use of waste heat in the Głogów Smelter,
- ▶ modernization of tailings pipelines and pumping stations in the Concentrators,
- ▶ modernization of lighting systems at the sites and replacement of motors, pumps, fans, blowers, drive systems and transformers with energy efficient versions of those devices;
- ▶ use of new, technologically advanced equipment in the smelters, concentrators and mines.

1.3. Total emissions

The total direct and indirect emissions of all greenhouse gases between 2005 and 2012 went down from over 4.3 million tonnes of CO₂e (carbon dioxide equivalent) to 3.7 million tonnes of CO₂ (or by close to 14%).

GRI EN16	Total direct and indirect emissions of greenhouse gases in KGHM by weight	Unit	2011	2012	2013
* including gas transferred to Energetyka.	Total greenhouse gases emissions (direct + indirect emissions in tonnes of CO ₂ equivalent) *	Mg CO ₂ e	3 957 134	3 725 647	3 729 789



Janusz Piątkowski,
Director of the
Environmental
Policy Department,
KGHM Polska Miedź

KGHM operates in a sector which is particularly sensitive to the impact of costs of the energy and climate policy, as evidenced by listing “copper production” and “non-ferrous metals mining” as sectors exposed to a high risk of carbon leakage.

For many years, we have been implementing measures aimed at reducing process emissions of both gases and dust. As a result, our process parameters have achieved conformance with the European Union legislation and with the national laws. Our smelting installations meet the most stringent emission standards and the condition of the air protection equipment and the environmental impact of our operations are constantly monitored by public environmental authorities. Integrated environmental permits obtained and maintained by our copper smelters impose detailed restrictions on negative environmental impact, and their possession is the best evidence of a high degree of air protection against emissions from smelting processes. Current investments in upgrading the main production line should bring a further reduction of CO₂ emissions by 2017.

It should be noted that the high degree of air protection already achieved in KGHM thanks to the environmental investments made over many years has helped us push down emissions to such a low level that further reduction might not be possible for technological reasons and due to prohibitive costs. The starting material in the smelting processes is copper concentrate from KGHM's own deposits which contains both inorganic carbon (carbonates) and organic carbon, the primary source of CO₂ released in the course of pyrometallurgical processes.

With a predetermined fixed content of carbon in the copper ore and the already high degree of air protection against gas emissions and process installations meeting the Best Available Technology standards, opportunities for additional reduction of CO₂ emissions from the Company's installations are very limited.

GRI EC2

* Commission Decision of 24 December 2009 determining, pursuant to Directive 2003/87/EC of the European Parliament and of the Council, a list of sectors and subsectors which are deemed to be exposed to a significant risk of carbon leakage

Completed studies which investigated the possibility of capturing streams of gas containing CO₂ and injecting it into underground voids have demonstrated that this solution is not economically viable. The analytical data collected has shown clearly that the estimated costs of building a CO₂ capture installation approximated EUR 238 million in the Głogów Smelter alone, and the operating cost would amount to EUR 74 per tonne of CO₂. Moreover, the above specified costs of the system's construction and operation do not include the expenses related to injection of the captured gas into underground voids remaining after the extraction of natural gas.

It must be emphasized here that the recent proposals of the European Commission stated in the Communication of 22 January 2014 on the policy framework for climate and energy in the period from 2020 to 2030 and, in particular, the announcement of the Commission's intention to increase the obligatory CO₂ reduction target to 40%, has highly raised our concerns.

The climate and energy policy of the European Union affects KGHM in both direct and indirect ways. In terms of direct impact, the annual average level of CO₂ emissions from the core production business of KGHM in Poland (mainly from smelting) between 2013 and 2022 is estimated at 1.5 million tonnes/year. The additional 0.3 million tonnes a year is generated by sources owned by Energetyka which work directly for the core production business. With respect to indirect impact via the energy market, it should be noted that copper ore extraction, processing and smelting are energy-intensive processes. With an average power consumption of 2.5 TWh/year, we are among the largest electricity users in Poland. Despite having our own energy sources, we have to buy around 70% of the electric power we consume from the market. Until 2030, we are expecting further growth of energy demand, by as much as 3 TWh/year due to factors such as the mining of deeper parts of the orebody, the need to transport mined ore over longer distances and increasingly difficult climate conditions underground.

The price of copper is set by the market on a global scale. KGHM has no opportunity to charge additional costs of copper production to its customers by increasing the product sales price. Therefore, a potential rise in the costs due to more ambitious targets of the European Union's climate and energy policy without adoption of the same targets on a global level will automatically drive down the Company's profitability.

In view of the risk of a potentially significant increase in energy generation costs in the National Power System we have taken steps to join the project to build the First Nuclear Power Plant in Poland with a total capacity of 3 000 MW. With a planned share in the venture at 10%, the Company has a chance to secure for itself long-term (up to 60 years) supplies of energy at predictable prices and become immune to the market risk.

Significant air emissions – air emissions that are regulated under international conventions and/or national laws or regulations, including those listed on environmental permits for the organization's operations.

Emissions of NO _x , SO _x and other significant compounds emitted by KGHM to air in 2013 by compound types and weight		[kg]	GRI EN20
	PM10 dust	530 772	
	Cu	9 026	
	Pb	4 483	
	Co ₂	2 791 054	
	SO ₂	5 007 361	
	NO _x	1 291 951	

2. Raw materials used

GRI EN1

Raw materials used in KGHM by weight and volume	Unit	2011	2012	2013	
Copper ore extraction	tonnes w.w.*	31 240 837	31 725 395	32 215 220	* with water

3. Energy consumption

Indirect energy – energy generated outside the grounds of the reporting entity used to satisfy indirect demand of that entity for energy (e.g. electricity, heating, cooling etc.).

Primary source – a source of primary energy used to satisfy the demand for energy of the reporting entity. The energy is used either for the production of the final energy (e.g. heating of a building, transport) or for the production of intermediate forms of energy, such as electricity or heat. The examples of primary sources include non-renewable sources of energy, such as coal, natural gas, oil or nuclear energy and renewable sources, such as biomass or wind, solar, geothermal or water energy. primary energy can be used on the grounds of the reporting entity (e.g. natural gas used for heating buildings) or outside of its grounds (e.g. natural gas used by power plants which supply electric power to the reporting entity's machinery and equipment).

Direct energy – forms of energy supplied to the reporting entity. The energy can be used by the entity on its premises or exported to other users. Direct energy may be of primary nature (e.g. natural gas used for heating) or indirect nature (e.g. electricity). It can be acquired, extracted (e.g. coal, natural gas and oil), harvested (e.g. biomass), generated (solar or wind energy) or supplied to the entity in a different way.

Direct energy consumption – energy used by the reporting entity, its products and services.

Energy consumption (direct and indirect) in KGHM by source types

GRI EN3	Direct energy consumption by KGHM by primary sources of energy	Unit	2011	2012	2013
	Total consumption of direct energy	GJ	8 703 031	8 628 172	8 985 595
	Total consumption of direct energy by renewable primary sources	GJ	0	486	0
	Total consumption of direct energy by non-renewable primary sources	GJ	8 703 031	8 627 686	8 985 595
	Natural gas		3 633 387	3 636 844	3 873 770
	Gasoline		2 899	1 077	2 233
	Oil		125 073	1 257	0
	Fuel oil		133 063	186 111	159 341
	Diesel oil		1 339 067	1 217 736	1 261 088
	Liquid petroleum gas		9	0	125
	Ethane		166	0	0
	Other (including coke and semi-coke)		3 469 367	3 584 661	3 689 038
GRI EN4	Indirect energy consumption by primary sources of energy	Unit	2011	2012	2013
	Indirect energy consumption versus intermediate energy	GJ	11 314 724	11 684 487	11 749 893

The increase in the consumption of biomass is related to the environmental investment of the Głogów Smelter.

Amount of energy saved by KGHM as a result of maintenance and renovation of the infrastructure and improved energy efficiency of the existing systems in 2013

Action	GWh	GRI EN5
Replacement of rotors of the main fans	7.0	
Improved efficiency of the pump systems	0.8	
Change in organization of the mine ventilation process	17.0	
Use of energy efficient fans in cooling systems	0.0	
Replacement of lithium bromide absorption systems in the spring and summer season with compressor units	5.1	
Optimization of the operating time of the Aboveground Climate Station	1.9	
Change of the lighting systems and use of metal halide lamps in production areas	0.0	
Restoration of turbine blowers station	3.4	
Replacement of an electro-filter in the converter gas dust removal system	0.3	
Replacement of the furnace annealing burner	0.6	
Modernization of refining furnaces	0.1	
Mounting voltage controllers in major lighting circuits	0.0	
Modernization of the tailings hydro-transport system for storage in Żelazny Most facility	8.4	
Gravity discharge of surplus process water to the Odra River	2.5	
Replacement of transformers and switchboards	0.2	
Replacement of flotation equipment in concentrators in Lubin, Rudna and Polkowice mines	5.6	
Total	53	

4. Water

Total water withdrawal – the sum of all water drawn into the boundaries of the organization from all sources (including surface water, ground water, rainwater, and municipal water supply) for any use over the course of the reporting period.

GRI EN9 In our areas of operations, there are no water sources which would be depleted due to excessive withdrawal of water. Dewatering of KGHM's mines has no impact on surface intakes of groundwater.

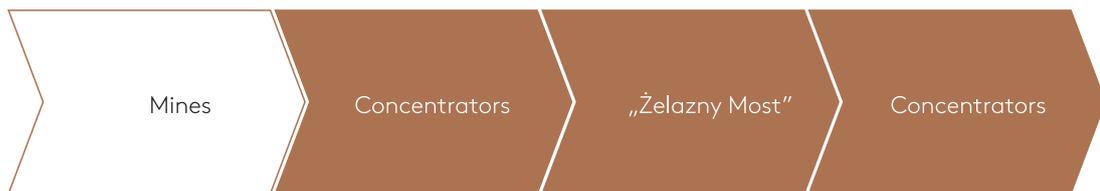
GRI EN10 Water streams entering the Lubin, Rudna and Polkowice-Sieroszowice mines are captured via

the dewatering system and used for the following process purposes:

- ▶ making hydraulic floors on the grounds of the mines,
- ▶ flushing drilling equipment,
- ▶ feeding fire extinguishing systems;
- ▶ the flotation process in the Concentrators.

Process water production	Unit	2011	2012	2013
Tailings Facility	[m ³ /year]	137 172 855	192 754 419	148 958 599
Amount of water from dewatering	[m ³ /year]	-	-	25 633 576

Water pumped out of the mines flows into a closed loop system:



Excess water is discharged to the Odra River, under the integrated environmental permit issued to the Tailings Division. Retention of water takes place in the Żelazny Most tailings pond.

In addition to its basic function of a treatment facility, the pond located centrally on the grounds of the Żelazny Most site also serves as a clarifier for supernatant used in the flotation process and – due to its large capacity – as a holding tank for

excess process water in circulation. Since 1978, surplus amounts of water has been periodically discharged to the Odra River by means of the hydrotechnical method developed and implemented by our specialists, in partnership with research institutions. This method has been officially approved for use under the provisions of the Water Law as an alternative to desalting of mineralized water from mine dewatering systems.

Annual assessments of the impact of the discharge of mine and process water on the quality of water in the Odra River carried out by the Institute of Meteorology and Water Management in Wrocław show that as a result of such discharges, the degree of water salinity and the content of certain heavy metals have increased significantly. It needs to be emphasized,

however, that the studies also demonstrate that the process of discharging water from the mine to the Odra River does not result in any physical, chemical or biological changes which would cause irreversible damage to water ecosystems or prevent conformance with the applicable water quality requirements.

GRI EN25

5. Waste

Hazardous waste – all waste categories defined as hazardous, toxic or dangerous and classified as hazardous, priority or special waste or another similar term, in accordance with the definition used by a given country, regulator or authority.

Total weight of waste of KGHM by waste type and method of handling	Unit	2011	2012	2013
Total weight of waste, of which:	tonnes/year	28 882 257	30 135 775	30 363 411
hazardous waste	tonnes/year	-	163 498,50	157 695
non-hazardous waste	tonnes/year	-	29 972 276	30 205 716
Total weight of waste by method of handling, of which	tonnes/year	28 882 257	30 135 775	30 363 411
reuse	tonnes/year	-	10	-
recycling	tonnes/year	-	2 020	-
recovery	tonnes/year	19 756 812	19 499 345	20 396 261
incineration (or use as fuel)	tonnes/year	-	44	-
landfilling	tonnes/year	9 125 445	9 875 743	10 256 385
depositing in deep wells	tonnes/year	-	1 156	-
storage on site	tonnes/year	-	422	-
other	tonnes/year	-	1 186 439	-

GRI EN22

Volume of tailings after flotation and neutralization generated in KGHM in 2013

[tonnes w.s.]* 28 809 307

GRI MM3

* without water

Society

We want to act in partnership with local authorities in order to jointly initiate new forms of economic activity. Our strategic approach to the region of the Legnica-Głogów Copper Belt in Lower Silesia involves protection of the existing jobs and stimulating local and regional social and business activity. Being a good neighbor to the local community, we accept responsibility for

preserving the social and cultural qualities and values which distinguish the region from the rest of the country. We try to minimize the potential negative impact of our industrial operations and work for the common success of our Company and of over 100 000 people associated with KGHM for many years.

Economic dimension of sustainable development of KGHM in 2013

GRI 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.	PLN m
Direct economic value generated	18 349
Revenues	
Economic value distributed	7 404
Operating costs	
Employee compensation and benefits (employees working under employment contracts)	2.79
Payments to investors	1 963
Payments to the state	2 200
Community investments	16.55

Social capital of KGHM

The Copper District, where 50 years ago the building of an industrial center started from scratch, is today the most affluent area in Lower Silesia. The largest copper deposit in Europe and one of the largest deposits in the world is located on the territory of the Lubin, Sieroszowice and Głogów municipalities. This sub-region has one of the highest growth rates in Poland and the towns and municipalities situated in the area grow at a much faster rate than many large Polish agglomerations. The region is ranked as one of the most urbanized areas in Poland. Over the years, together with the development of the copper industry, population figures of some of the communities have increased more than ten-fold. During this time, KGHM has grown to be the largest employer in the area and the engine of the local economic and social development.

The KGHM brand is known to virtually all members of the local community and to three quarters of Poles, despite the fact that the Company's business does not offer an opportunity for direct contact of individual customers with the brand. The key aspect of KGHM's social capital is its reputation as a company engaged in the development of the copper industry in Poland and committed to improvement of the quality of life of the local population in the areas where the Company's operations are based.

The reputation of the KGHM brand in Poland is excellent. The results of a brand image survey carried out in 2013* indicate that KGHM enjoys a high level of public trust.

82% of respondents from the local population declare their trust in the Company. The majority of the inhabitants of the region are also of the opinion that KGHM is a leading company in Poland with a strong and stable market position and a long-history of being in the business. The respondents also believe that KGHM is a good employer.

According to the majority of the survey participants, the Company's success has a positive impact not only on the development of the region but also on the entire country. Our stakeholders recognize the fact that relationships with the Company bring tangible benefits.

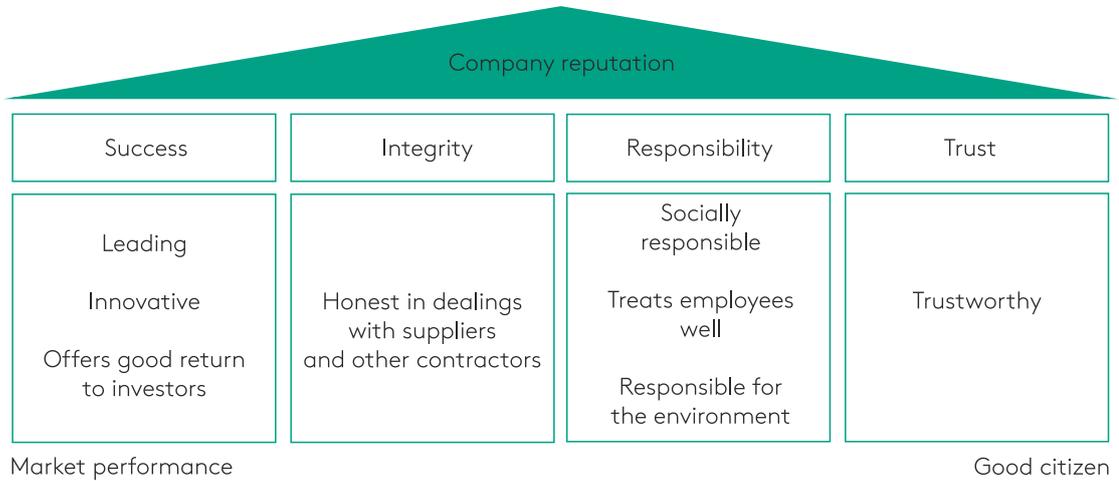
Our honesty in all interactions within our supply chain is also appreciated. Counterparties value the safety and stability of business relationships with a Company perceived to be a producer of high quality materials and an expert in mineral resources extraction.

Those who know our activities in the region well agree that KGHM is a socially responsible company. Also, in the field of environmental responsibility positive opinions are predominant, although members of the local communities are very sensitive to the subjects of quality of life in the vicinity of our mines and smelters and their expectations from the Company are very high.

The study has confirmed that we enjoy the respect and trust of our business partners, who admire our persistence and determination in the pursuit of the development strategy which assumes global expansion.

* The audit of KGHM's image has been a wide-scale research project consisting of a quantitative and qualitative component. The study was based on 114 in-depth interviews and 3 192 questionnaire interviews with internal and external stakeholders of KGHM and KGHM

KGHM brand equity determinants



The results of the survey demonstrate that our efforts aimed at being a trustworthy leader and a good neighbor maintaining a dialogue and partnership with external stakeholders are not only noticed but also appreciated. For years, the

goal of our social activities has been to establish permanent platform for social dialogue and partnership with the local authorities and other key stakeholders engaged in the development of the Copper District.

Our aim

A good neighbor and trustworthy investor	We want to build a lasting framework for social dialogue and partnership with the stakeholders at the local and regional level. We wish to become the first-choice investor recognized for respecting human rights and for responding to the expectations of local community members.
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An example of activities initiated by KGHM Polska Miedź to work out a development strategy for the region in partnership with the regional authorities is the **Copper District Forum**. The three sessions of the Forum held to date created an opportunity for making use of cross-sector cooperation mechanisms in order to attain the vision of a dynamically developing industrial region benefitting not only Lower Silesia but also the entire country. The originator of the annual Forum is the Lower Silesia Regional Development Foundation and a body appointed within its structures called the Coalition for the

Development of a European Copper Industry Region. The Coalition focuses on initiatives which support economic, social and civic development of the region. In accordance with the expectations of local community members, the projects implemented respond to such needs as improvement of the transportation, sports and leisure infrastructure, the education of young people and healthcare and rehabilitation services. We also take part in the activities of the Regional Social Dialogue Committee which in 2013 appointed the **Copper District Team**.

The key focus of the Team's activities will be the idea of sustainable development of the region. Its members include representatives of the regional authorities, trade unions and employer associations. The subjects which the Team has tackled thus far include the mining of brown coal deposits near Legnica, the idea of the Copper Agglomeration as a development opportunity and a tool for effective acquisition of EU funding for the Copper Belt, a long-term strategy for KGHM taking into account the running out of the currently mined deposits, the impact of the minerals extraction tax on the Company's

current operations and financial performance and coal gasification as a technology of the future for highly efficient production of fuel and energy.

Cooperation with our social partners is a key to the success of our development projects and a way to reduce the degree of social risk in the Company's operations. Mechanisms for conducting social dialogue are an inherent part of our business which, due to its scale and specific nature, has a major influence over the quality and standards of life of people across the region.

An important initiative of the Company implemented between 2012 and 2013 was a dialogue with the local authorities of Rudna, Polkowice and Grębocice concerning the planned expansion of the Żelazny Most Tailings Treatment Facility located on the territory of those municipalities.

Adding the so-called "Southern Quarter" to the current facility is necessary to maintain the business continuity of KGHM. The quarter will take up an area of 609 hectares of land adjacent to the existing facility which has been operated since 1997 and occupies a total area of 1 580 hectares. It is the largest tailings storage and treatment facility in Europe. Its expansion is a precondition for the further development of the copper industry in Poland for the next fifty or so years. In our daily operations at the facility we make use of all available technologies and installations to minimize impact on people living in the vicinity. The effectiveness of the measures applied is confirmed by the results of health surveys conducted among the local population which have not detected any health hazards. These medical examinations are regularly repeated.

In relation to the planned expansion project, in 2012 we signed a cooperation agreement with the authorities of Polkowice, Rudna and Grębocice permitting the Company to build new facilities and expand the existing ones, assuming the further minimization of environmental impact by the operations of KGHM and the satisfaction of certain local community needs in respect of development of the engineering, economic and social infrastructure. The agreement will remain in force until the end of the expansion project and completion of the new tailings storage facility, in the case of Rudna and Polkowice, and for a period of 10 years from the commencement of tailings storage in the current pond above the level of the dam crown at 180 m a.s.l., in the case of Grębocice.

GRI MM5

In 2013 we carried out public consultations in five villages of the Polkowice municipality bordering on the site of the planned investment. Their objective was to get the best possible insight into the needs and issues of the local communities related to the facility expansion plans. We are now working on initiatives which could be undertaken in response to the expectations voiced during the consultations. The project was intended to enhance partnership between the three parties: the local authorities of Polkowice, the residents of the municipality and the Company.

GRI MM6
GRI MM7
GRI MM9

Thanks to a well developed social dialogue system, in 2013 there were no significant disputes concerning the use of land to which KGHM has a legal title. The Company did not initiate any actions which would require relocation of the local population.

One of the possible consequences of copper ore extraction operations conducted in the mines of KGHM is mining-induced earth tremors. Such tremors are not dangerous to people and there is no need to exclude areas adjacent to the mines from development. However, due to their frequency (more than 500 a year), they can cause nuisance and discomfort. Therefore, for a number of years, we have been looking for the best construction solutions to

protect buildings and structures located in the vicinity of our mines.

In the process of preventing and redressing potential damage resulting from the impact of mining operations on the land surface, we follow procedures set forth in the Geological and Mining Law. Every year, the Company receives more than 500 requests from the whole region for repair of mining damage or protection of new buildings and structures. In order to facilitate communication with the inhabitants of the area, all mines have established departments in charge of mining damage. All claims are evaluated on a case-by-case basis and the agreements made do not have a significant influence on the Company's operations.

Local community development programs

Local community - people or groups of people living and/or working in any areas that are economically, socially or environmentally impacted (positively or negatively) by the organization's operations. For KGHM, the local community means people who live and/ or work in the Legnica-Głogów Copper District encompassing the territory of five counties: Legnica, City of Legnica, Lubin, Głogów and Polkowice.



Marek Bestrzyński
Executive Director
of the Central
Office, KGHM
Polska Miedź

Over the 50 years of its history, KGHM has built a strong position on the market of metal producers. The knowledge gained during all those years, combined with the awareness of challenges facing every modern business organization, prompted the adoption of the Corporate Social Responsibility Strategy of KGHM for 2012-2018. In the Strategy, we have set a number of directions which we want to pursue, feeling responsible for the impact of our operations on the external environment. These directions are consistent with the priorities specified in the ISO 26000 standard and in the international guidelines for the mining industry.

A socially responsible company is much more than a company which conforms to all legal regulations, looks after the health and safety of its staff, initiates actions to develop local communities or acknowledges the consequences of its operations on the natural environment. One of the aspects of our corporate social responsibility is the transparency of policies, processes and management systems. Thanks to such an approach, we are a trustworthy company which wants to minimize the risks related to its business operations. We are also a good neighbor to the local community members who give us the 'license to operate'.

In addition to regular communication, we also prepare and publish reports on our business activities. This year, KGHM for the first time has prepared an integrated report. This new approach demonstrates that the publication is not only aligned with the international standards of non-financial reporting of the Global Reporting Initiative, but also satisfies the most recently expressed needs of the stakeholders. The new formula offers an opportunity for tracking KGHM's approach to building shareholder value and shows clearly how business decisions and processes are subordinated to the idea of responsible management of all types of the Company's capital – social, natural, relational and human.

The sustainable development of KGHM requires actions affecting the Company's entire supply chain: from the stage of investment preparation and construction of a mine, through ore extraction and enrichment, processing of ore in a smelter, transport and logistics, up to the stage of mine closure and decommissioning. Each of these stages gives rise to specific challenges and responsibilities, one of which is to support local community development. We provide such support through a specially established entity, the Polish Copper Foundation, as well as our long-term CSR programs and sponsoring activities.

Our commitment to supporting the region is rooted in the objectives of the Business Strategy and the CSR Strategy of KGHM for 2012-2018.

GRI SO6

In line with these documents, we engage with the community of Lower Silesia in such areas as environment, healthcare and promotion of sports, culture and science.

One of the pillars of the corporate social responsibility of KGHM Polska Miedź is charity and

corporate giving activities coordinated by the Polish Copper Foundation, which provides assistance and offers healthcare and rehabilitation services to people who are in a difficult financial situation due to health problems.



In 2013, the Polish Copper Foundation celebrated its 10th anniversary. As a result of the Foundation's establishment, the Company's social engagement has been effectively separated from its business operations and the charitable activities have become much more professional. The goals of the Foundation include development of the region and enhancement of KGHM's image as a socially responsible company. The Foundation does not offer financial or non-financial donations to politicians, political parties or other similar institutions.

Between 2003 and 2013, our Foundation supported 2 117 projects of various organizations with a total value of funding granted amounting to PLN 82.5 million. Additionally, we made numerous donations to individual beneficiaries totaling nearly 17.9 PLN million.

Statutory areas of operation of the Polish Copper Foundation	Financed projects
Health care and promotion	<ul style="list-style-type: none"> ▶ Research and diagnostic programs ▶ Promotion of blood donation and hemotherapy ▶ Upgrading specialist laboratories and expanding hospital wards ▶ Purchasing equipment and specialist medical devices ▶ Supporting medical institutions and establishments ▶ Academic conferences and medical symposia

<p>Science and education</p> <p>Tourism and recreation for children and young people</p>	<ul style="list-style-type: none"> ▶ Equipment for educational laboratories, kindergartens, primary schools, middle schools, secondary schools, and universities ▶ Scholarships and maintenance grants, prizes ▶ Academic publications, popular science and educational and training publications ▶ Establishing new educational laboratories and upgrading the educational base ▶ Educational programs ▶ Academic symposia and conferences ▶ Scout camps, summer camps, sleep-away schools
<p>Local history</p> <p>Preserving national traditions, promoting all things Polish and developing national, civil and cultural awareness</p> <p>Supporting ethnic minorities</p> <p>Supporting European integration and contacts and collaboration between societies</p>	<ul style="list-style-type: none"> ▶ Promoting of mining and smelting traditions in the Copper District ▶ Organizing community-building meetings in order to preserve mining and smelting traditions ▶ Organizing St. Barbara's Day celebrations ▶ Celebrations to commemorate anniversaries of the discovery of the copper ore deposits by Dr Jan Wyżykowski, ▶ 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 ▶ Supporting festivals organized by ethnic minorities
<p>Promoting physical fitness and sports</p>	<ul style="list-style-type: none"> ▶ Supporting selected sports and sports clubs and associations: ▶ Educational aspect of sports and physical culture (for children and young people) ▶ Promoting sports and physical culture among children and young people ▶ Expansion and upgrading of sports and recreation facilities
<p>Protecting cultural heritage and tradition</p> <p>Protecting environmental heritage</p>	<ul style="list-style-type: none"> ▶ Long-term major renovation projects of sacral and other buildings ▶ Conservation, renovation and reconstruction of historic buildings ▶ Conservation of movable items – equipment of buildings ▶ Purchases of valuable exhibits for museums ▶ Protecting historic monuments etc. against damage or destruction
<p>Culture</p> <p>Art</p>	<ul style="list-style-type: none"> ▶ Art and cultural events, including art exhibitions, theatre performances, 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

Statutory areas of operation of the Polish Copper Foundation	Financed projects
Social welfare services, including assistance to families and individuals in need, and creating equal opportunities for such families and individuals	<ul style="list-style-type: none"> ▶ Purchasing fuel, clothes, food for orphanages, institutions providing care to homeless or addicted people, charity canteens and buying meals for underprivileged children
Supporting the disabled	<ul style="list-style-type: none"> ▶ Subsidized rehabilitation holidays, supporting physical activity of the disabled, supporting occupational therapy workshops
Charitable activities	<ul style="list-style-type: none"> ▶ Financial and organizational support for charity projects aimed at raising funds for people in need of medical treatment
Protection of the environment and animals	<ul style="list-style-type: none"> ▶ Carrying out the tasks specified in the Health Promotion and Environmental Hazard Prevention Program of KGHM by:
Rescuing and protecting of people	<ul style="list-style-type: none"> ▶ organizing health prevention and therapy holidays for children and young people,
Public order and safety and counteracting the effects of social pathologies	<ul style="list-style-type: none"> ▶ offering rehabilitation and exercise courses at swimming pools
Aid to victims of disasters, military conflicts and wars in Poland and abroad	<ul style="list-style-type: none"> ▶ conducting monitoring examinations ▶ Environmental education for children and young people ▶ Rescue and protection of people; purchasing equipment for volunteer fire-fighting units and the police ▶ Education and prevention
Health care	<ul style="list-style-type: none"> ▶ Purchasing medicines, financing treatment and rehabilitation of the disabled ▶ Assisting with the purchase of rehabilitation and orthopedic equipment
Social welfare services, including assistance to families and individuals in need, and creating equal opportunities for such families and individuals	<ul style="list-style-type: none"> ▶ Rehabilitation holidays and medical treatment abroad ▶ Eliminating architectural barriers in the dwellings of disabled people ▶ Assistance offered to children leaving orphanages and starting their adult life ▶ Purchasing school accessories and schoolbooks

In 2013, the Polish Copper Foundation funded many valuable projects in the field of healthcare, culture, science or sports, in response to the expectations of the community and in line with the Company's strategic CSR objectives and directions. Thanks to the charitable activities of the Foundation, KGHM retained its position of one of leading corporate givers in Poland and ranked second in the Philanthropy Leaders 2013 competition in the category of companies with the highest spending on social causes. Last year, we participated in the implementation of 398 projects and supported 1 317 individuals.

In 2013 we worked out the key assumptions of the Company's new CSR programs (Cultura, the Copper Heart, ECO-Health and the Innovation Zone) launched at the beginning of 2014.

Cultura

This program supports cultural, artistic and educational initiatives aimed at protecting our national heritage, strengthening the historical identity and developing cultural sensitivity. We support our partners through sponsoring, donations and involvement in designing new initiatives in the visual and performing arts, music, literature, journalism, film and theatre.

At the local level, we are focusing on the idea of building the strength of Lower Silesia's reputation as an important contributor to Polish and European culture. As part of these activities, we have been supporting the renovation of the Cistercian Abbeys in Krzeszów and Lubiąż, sponsoring the Opera and the Contemporary Theater in Wrocław and financing the theater festival in Legnica organized by the H. Modrzejewska Theater and the Silver Festival. We also support the preparations of the City of Wrocław for taking up the role of European Capital of Culture in 2016. In addition to regional activities, we also engage in countrywide projects managed by such institutions as the Ministry of Culture and National Heritage, the Adam Mickiewicz Institute, the Fryderyk Chopin Institute, the National Film Archive and the National Museum in Warsaw. One of the focuses of our cultural activity is the cultivation of copper mining and smelting traditions, including celebrations of St. Barbara's Day and St. Florian's Day and promotion of copper-related traditions among children and youth in the region.



In 2013, we published the first issue of *Miedziorysy*, a quarterly in which we document the history, traditions and people associated with the copper industry in Poland.



The Copper Heart

The Copper Heart is an employee voluntary work program under which our staff engage in projects for the benefit of the local communities, help people in need or work for the environment. We are open to proposals and ideas of our employees which meet the predefined criteria. Many volunteers prepare their own projects and the Company provides them with necessary support. Most often, such initiatives involve sharing knowledge, skills and professional experience.



One of the most advanced voluntary work projects is the KGHM Bone Marrow Team of the Copper Industry Sports Society. The team is involved in helping leukemia patients by registering bone marrow donors. Thanks to our 70 volunteers working for the initiative on a regular basis, more than 700 potential donors have been registered and three employees donated bone marrow saving the lives of other people.

A number of other projects are targeted at specific communities or beneficiaries. For our employees, voluntary work is an opportunity to develop new skills and abilities which can become useful in daily work and contribute to an increase in the Company's competitiveness.

ECO-Health



GRI SO10

The goal of the program is to promote the general welfare of the region in which KGHM's operations are based. Our priorities include protection of the natural environment in the region and promotion of healthy and active lifestyles among the inhabitants of the Copper District. As a company engaged in industrial operations in the mining sector, we undertake actions and measures aimed at minimizing our environmental impact. Participation in the European Union's CO₂ Emissions Trading Scheme, the variety of energy efficiency initiatives in the production area or the soil liming program are just a few examples of measures contributing to the proper use of the environment or renewal of natural resources in the area of our operations. As part of our health promotion activities, we encourage people living in the Copper District to take part in free sports classes and medical examinations, promote health promotion strategies and organize sports and recreation events. Our health promotion initiatives are addressed to a wide range of people from different age groups. The examples of activities carried out to date include Nordic walking classes, swimming courses for children and soccer clubs.

Innovation Zone



This program is a tool to support the process of developing leaders who should be able to face the challenges of efficient business management on the international arena, in conformance with the best corporate governance practices. The program is addressed to managers from the SME sector, opinion leaders, journalists specializing in business and economics and employees of government agencies supporting the international expansion of Polish enterprises. The goal is to create a platform for the exchange of experience and upgrading the skills of the managerial staff of Polish companies in respect of operations carried out on foreign markets. Through those activities we want to shape the image of KGHM as a leader sharing its knowledge and experience with the entire business community in Poland.

Key Data

Donations of the Polish Copper Foundation to organizations and institutions in 2013

No.	Field	Donation value [PLN]	Percentage of the budget [%]
1.	Healthcare	3 664 767.00	22
2.	Protection of the national heritage	2 903 000.00	17
3.	Science, education and upbringing	1 994 961.92	12
4.	Sports and physical culture	1 986 150.00	12
5.	Culture and art	2 208 000.00	13
6.	Environment and public safety	880 300.00	5
7.	Regional development	2 516 775.95	15
8.	Other social causes	596 000.00	4
Total		16 749 954.87	100

GRI EC8

Donations of the Polish Copper Foundation to individuals in 2013

Field	Donation value [PLN]	Percentage of the budget [%]
Healthcare	3 846 500.00	98
Social welfare	96 500.00	2
Total	3 943 000.00	100

Donations of the Polish Copper Foundation to individuals in 2013

Field	Number of projects	Copper District	Lower Silesia	Other provinces
Healthcare	1 309	935	277	97
Social welfare	8	7	1	-
Total	1 317	942	278	97

Expenditures of KGHM on sponsoring in 2013

Field	Share in the budget [PLN]
Sports	28 453 000
Culture	4 125 000
Science	1 700 000
Total	34 278 000

Relational Capital of KGHM

Customers are of paramount importance for KGHM. We put a lot of emphasis on the strategy of building long-term direct relationships with our customers. Evidence of the strength of the Company's relational capital is the fact

that over 90% of our clients have been working with KGHM for many years. This excellent result is an outcome of our conscious and long-term approach to development of relationships with the market environment.



Marek Bednarz,
Executive Director,
Central Purchasing
Department,
KGHM Polska Miedz

KGHM has been continuously building its reputation as a professional business partner showing a responsible approach at all stages of the supply chain. Bearing in mind our obligation to maintain and grow the human and relational capital, we work only with those suppliers who conduct their operations in strict conformance with the law and who respect human rights.

GRI EC6

The purchasing procedures in force in our Company have been precisely defined in the adopted Purchasing Policy. As a result, we can be sure that suppliers are selected in a process ensuring equal treatment of all business entities. In practice, this means that the choice of a business partner is in each case based on such criteria as the nature of conducted operations, capacity, knowledge and experience, quality of products and services, environmental impact of products and services, work safety standards and the financial terms of the offer.

We are also aware of the significant scale of our impact on the economy, not only in terms of the amount of taxes paid to the state budget, but even more in terms of cooperation with our suppliers and sub-contractors of whom 94% are domestic companies. In this way we contribute to the development of the Polish economy, in particular in Lower Silesia. We monitor the domestic and local market on an ongoing basis and regularly update the lists of qualified suppliers and producers meeting our requirements.

Satisfaction from cooperation with KGHM is one of our priorities. To this end, we review the degree of customer satisfaction on a regular basis. Cyclical customer satisfaction surveys help us improve the existing procedures and increase transparency in relations with our counterparties, as well as in the area of business ethics which is very important for our Company.

Customer satisfaction

GRI PR5

In our approach to customers, the strategic goal is to maintain the highest standards of product liability and quality of partnership. Customers are our greatest value, therefore we want to develop long-term direct relations with them, measure their satisfaction, offer flexible terms of cooperation and meet their expectations concerning the quality of service.

An important aspect of our relationship-building activities is the monitoring of customer satisfaction. We seek customers' feedback on the quality of supplied products and customer service during the purchasing process. The subject of the quality of cooperation with the Company is raised during telephone conversations with customers and one-to-one meetings. The methodology used by our sales staff has been developed on the basis of experience, observation of the market and daily interactions with customers. We also take into account the specific nature of our industry and the limited number of market participants, to make sure that the selected method is most effective. Direct contacts with customers in the course of executing contracts are treated as an opportunity to immediately respond to customer expectations and the issues raised.

Conclusions from the customer satisfaction surveys are documented whenever there is a need for corrections or improvements and serve as a reference during the next round of customer satisfaction surveys.

We strive to continuously improve our methods in order to reduce the reaction time to

new customer needs and to increase our customer service standards.

Realizing the significance of KGHM's relations with its business partners and the whole business community, every year we organize a number of events for our customers, for example a meeting during LME Week in London. We also invite guests to our industry celebrations, such as the Miner's Day or the Smelter's Day and strengthen the ties with our stakeholders while attending international industry events, trade exhibitions, conferences and seminars which attract many of our current and prospective business partners.

We attach great importance to the availability and transparency of information about the quality of our products. Our customers are invited to visit KGHM's production facilities and the Company undergoes regular audits of its ISO-compliant management systems. Such an approach gives customers confidence in our high technology, quality and organizational standards and enhances our image as a reliable business partner. Additionally, twice a year, we survey our partners, suppliers and external and internal customers enquiring about their satisfaction with the interactions with our Company.

The recent survey carried out in November 2013 covered 8 656 external customers and 1 688 internal customers of the Company. Positive opinions about the quality of cooperation with KGHM were expressed by 79% and 84% of all respondents, respectively.

Ethical procurement

We strive to maintain high ethical standards in our procurement process. For a number of years, we have been guided by the principles set forth in the Code of Conduct which is appended to the Procurement Policy of the KGHM Group.

The Code is intended to give assurance to our key stakeholders of the professionalism and honesty of people in charge of procurement processes in

the Company. The Code of Conduct also regulates such matters as conflicts of interest and equal treatment of suppliers, in line with the fair competition rules. The employees of organizational units responsible for purchasing have been trained in the organization of the purchasing process based on existing internal regulations and requirements, including different aspect of business ethics.

Our educational efforts regarding preventing corruption focus on employees directly involved in the purchasing process, which in recent years has been centralized and is now carried out according to clearly defined rules. We also train our employees in other processes which are exposed to the risk of misconduct and illegal actions.

GRI 503 In the years 2011-2013, a total of 124 KGHM employees during over 1 000 training hours were trained in the anti-corruption policy and procedures of the organization.

Between 2014 and 2015, we are planning to continue training programs for employees of the procurement department in such thematic areas as counteracting unfair competition and preventing dumping, and for employees of the accounting and finance departments respecting anti-money laundering practices. During the training, employees will learn how to identify suspicious transactions and fulfill the related reporting obligations. We are also preparing a development program for the Company's sales force, enhancing their knowledge and skills in such areas as conducting trade negotiations,

managing market and credit risk and understanding the operating rules of commodity exchanges. Additionally, the concept of conflict of interest will be explained and discussed during a series of training events addressed to all Company employees on the Company's values and the newly implemented Code of Conduct. Our aim is to increase awareness of the need to counteract unfair market practices. In relation to the planned centralization of certain processes, in-depth training will be offered mainly to the employees directly in charge of those processes, as well as to their managers.

Supply chain practices

The procurement procedures in force in KGHM are detailed in the Procurement Policy. The policy does not provide for the use of locality criteria.

In the existing legal and procedural framework, including the requirement of equal treatment of all business entities, suppliers are selected in a process based on such criteria as the nature of the conducted operations, capacity, knowledge and experience, quality of products and services, environmental impact of products and services, work safety standards and the financial terms of the offer.

We monitor the domestic and local market on an ongoing basis and regularly update the lists of qualified suppliers and producers meeting our requirements. Ninety-four percent of qualified suppliers of goods and services are domestic companies, including local contractors from Lower Silesia.

We develop our relations with counterparties following internationally recognized rules of social responsibility. Therefore, we work only with those suppliers who conduct their operations in strict conformance with the law and who respect human rights. With regard to human rights, we focus on ensuring safe working conditions for our contractors' personnel.

Due to the specific nature of our operations and the priority given to work safety in relations with

third parties, all agreements executed with contractors include clauses which oblige them to train their staff in the rules of safe work under conditions found in the workplace, insure the employees against the risk of work accidents, provide the necessary personal protection equipment and make sure that work is carried out in conformance with the applicable work safety and environmental regulations.

GRI EC6

All agreements signed with contractors working within the Company's grounds include provisions stipulating the obligation to adhere to the applicable work safety rules and environmental regulations. Furthermore, in the case of agreements executed by mining companies, contractor personnel who are hired to carry out work underground have to undergo special work safety training and, in the event of any accident at work, help will be provided to them by rescue staff from the Mine-Smelter Emergency Rescue Unit.

GRI HR1

The Company's production sites have implemented environmental management systems in accordance with the ISO 14001 standard which guarantees that the production operations are carried out safely, both from the point of view of employees and the external environment. When selecting a contractor, we include a requirement for all participants in tender procedures to submit certificates of no arrears in the payment of social security and

taxes. An additional factor taken into consideration in the tender evaluation is possession of certificates demonstrating their conformance with work safety and hygiene procedures and environmental and quality management practices under ISO standards.

The subject of respecting human rights is also included on the agenda of training delivered to our employees.

GRI HR3
GRI HR8

Employees of KGHM trained in the subject of respecting human rights	2011	2012	2013
Total number of hours of training for employees in white-collar jobs	13 656	14 336	17 480
Total number of hours of training for employees in blue-collar jobs	111 344	110 944	114 432
Total number of hours of training for managerial staff	2 648	2 616	2 864
Percentage of employees trained versus the total number of employees	79.97	80.28	83.27

A requirement to complete training in human rights also applies to third-party companies providing security services to KGHM. The employees of security agencies must be licensed agents and complete courses in professional ethics, with special emphasis placed on respecting human rights.

law, avoidance of intentional harm and being accountable for the consequences of our actions. Our marketing communication must be free from any discriminating or controversial content.

These principles are used in combination with the provisions of applicable laws, in particular including the Press Law, the Radio and Television Act, the Act on Protection of Certain Consumer Rights, the Act on Services Provided via Electronic Channels, the Personal Data Protection Act and the Copyright and Related Rights Act.

GRI PR6

Marketing communication

While managing all aspects of the KGHM brand and building the positive image of the Company through advertising, promotional and sponsoring activities, we follow the principles of adherence to

In order to increase the transparency of the sponsoring processes, in 2013 the Management Board passed a resolution on the adoption of the Sponsoring Policy of KGHM. This document is aligned with the objectives of the Corporate Social Responsibility Policy and refers to the guidelines set out in the Regulation of the Minister of the State Treasury on the principles of sponsoring activities carried out by companies owned and co-owned by the State Treasury. Additionally, the Policy Satisfies the recommendations of the International Council on Mining and Metals (ICMM) on being a good neighbor, respecting human rights and the principles of business ethics and ensuring full transparency of operations and environmental impact.

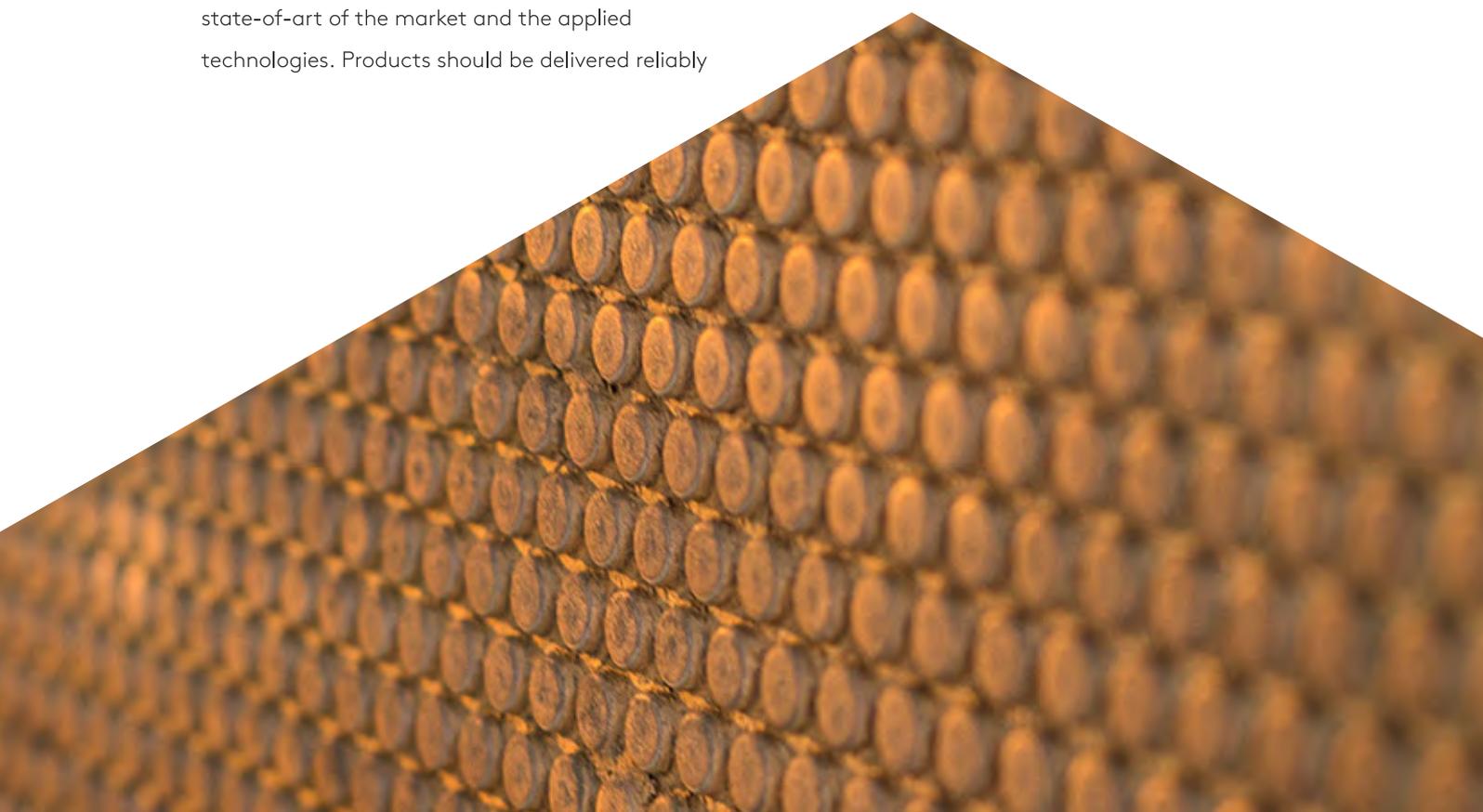
and on time and should conform with the regulations and laws pertaining to the impact of products on human health and safety of the environment.

An important aspect of our standards of cooperation with customers is to give them access to all required information concerning the parameters of the products offered. The Company's website www.kghm.pl contains information about the quality, technical specifications, production processes and packaging operations for the main products we offer. Additionally, we include information about the properties and quality parameters of marketed products in all executed contracts.

GRI MM11

Product liability

Product liability is a commitment to supply products of the highest quality, aligned with the state-of-art of the market and the applied technologies. Products should be delivered reliably



GRI SO7
GRI PR8
GRI PR9

The majority of KGHM's products meet international quality standards, as evidenced by the issued certificates. Our products which have particular registrations are modified in accordance with the requirements of the certifying institutions. Each product delivery is accompanied by a detailed specification of the quantity and quality of the goods delivered. Additionally, the parameters of all our products are adapted to the specific expectations of our customers to the extent permitted by the Company's production processes, the applicable product standards and the regulations of the certifying institutions.

At the customer's request, we provide them with safety data sheets which include information about the basic physiochemical properties and potential hazards related to a each material.

KGHM's products are manufactured in Poland. In addition to our own concentrate, we use copper bearing materials purchased on the market, including copper scrap, concentrate, copper anodes and blister, as the feed for the production process.

The robustness of our product quality and customer service processes is evidenced by the fact that in 2013 no fines or sanctions were imposed on the Company for non-conformance with the laws or regulations governing the supply and use of the Company's products. There were also no issues concerning the impact of our products on human health or safety of the environment and no complaints were filed about violation of privacy or loss of personal data.

Employees

The implementation of KGHM's development strategy is supported by a range of activities aimed at the continuous upgrading of organizational skills and abilities, including the building of a value-based culture. The key to success of this process is to make use of the creativity of our employees. It is their knowledge, ingenuity, ability to work together and integrity

that will determine the Company's future success and market position. In order to ensure the satisfaction and fulfillment of our employees, we keep investing in their professional development and good atmosphere at work. We implement best available techniques to minimize health and safety hazards to our employees.

Our aim

To be a responsible employer and efficiently managed business partner

We strive for excellence in the development and utilization of KGHM's human capital. Our priority is the health and safety of our employees. We want to build our organizational culture on the basis of a set of corporate values.

Responsibility towards employees

In 2013 we continued the implementation of the employee development objectives set forth in the Business Strategy and Corporate Social Responsibility Strategy to the year 2018:

1. improvement of employee health and safety systems;
2. optimization of the recruitment and job induction process;
3. establishment of employee education systems and development programs;
4. identification and management of key employee skills;
5. implementation of new solutions in the area of performance management and evaluation;
6. promoting employee mobility, including that of our international employees;
7. development of internal communication channels and building organizational culture; and
8. continuation of projects aimed at streamlining management systems and standards in the organization, including implementation of the system of managing projects, programs and portfolios.



Anna Wróbel
Executive Director,
Human Resources
KGHM Polska Miedz

In KGHM, we believe that skillful management and investment in human capital are the best way to keep improving the organizational culture and build a stable and lasting competitive advantage in key operational areas. Therefore, the right attitude towards existing and prospective employees is a particularly important task for the Company's managers who are assisted in this respect by the implemented HR management processes, solutions and tools.

In 2013, we initiated a series of actions on a global scale, to enhance KGHM's culture and values constituting a common denominator and a reference framework for different functional areas responsible for the achievement of our business strategy. Our determination and efforts undertaken in this area will bring tangible benefits to the Company in the long run, provided the organizational culture is founded on a consistent system of values. Therefore, we have decided to identify the core values which will underlie the organizational culture of KGHM.

The important part of this process was drawing on our history and tradition, making reference to our future development vision and strategy and making good use of the vast diversity of our organization, including other KGHM Group companies all over the world. The process proceeded smoothly thanks to the involvement of top management, including the Board Members and representatives of the entire KGHM Group in Poland and abroad, but also thanks to contributions from our staff who took part in the surveys of our organizational culture and key change drivers.

In effect, we have managed to define the values and—more importantly—the behaviors and attitudes which reflect them and which make KGHM's organizational culture distinctive and unique. Our values are: Safety, Teamwork, Focus on Performance, Courage and Accountability. The next step of the process is to translate these values into the daily operations of our Company with the help of appropriately structured HR tools. But the tools are not enough. Success will be achieved only when we realize that each of us, employees of KGHM, lives and breathes our corporate values every day.

We also set ourselves a goal of transforming the HR area by changing the quality of human capital management using a consistent and homogenous range of HR processes and tools. We have been working on improvements in those areas for years, but today we have an extra motivation related to the global scale of KGHM's operations and competitive activity. Last year was an interesting period in our history. On the one hand, being a global company means that we now have access to the most talented employees who are able to deliver the expected growth of the Company and its markets. On the other hand, however, a need has occurred to prepare the Company leaders, managers and experts who understand the significance of human capital and treat it as the Company's most valuable asset, for the expansion and the global scale of our operations. With a common set of values, the task becomes much easier. Other useful tools will include a uniform skills model and the resulting leadership model.

There are a number of skills categories which we focus on in KGHM. The first one includes the “obvious” skills: knowledge, experience and professional expertise. We have created a skills map not only for the mining and smelting industry, but also for the areas of business knowledge, such as exploration, mergers and acquisitions, development of mining projects, sales and logistics. There is also a set of complementary skills required in the Company's support functions, such as finance, risk management, audit, communication, legal affairs and HR. The second category encompasses management and communication skills. The objective here is to create a common language and tools for the development and monitoring of strategic and operational plans, management of teams, projects and processes and daily communication. The third category of skills includes attitudes and behaviors reflecting the organizational culture. We need to define a common code of conduct consistent with the core values of KGHM: Safety, Teamwork, Focus on Performance, Courage and Accountability.

KGHM's culture, built over many decades, serves now as a baseline for finding responses to new needs related to the Company's global scale of operations and growing market competition. We do our best to find the most talented and best prepared candidates for taking up the key roles and functions in the respective activity areas. To this end, we design and implement structured employee development programs. The identification of key roles and management of skills in a global organization, as well as development and maintenance of strong relationships with the labor market, are examples of challenges which we encounter on a daily basis. The title of the most attractive employer awarded to KGHM in a number of prestigious competitions is a reason for satisfaction but there is no room for complacency. We need to keep looking for proactive and inspiring ways of finding the best candidates for work in our industry, including on the highly competitive international markets.

It may seem that recruitment and professional development of people in an organization with a global footprint and 30 000 employees is by itself a huge challenge for HR. But if I were to mention the biggest concern for myself and other KGHM business leaders, I would name a different, often disregarded area. Considering the size of KGHM's operations and the value generation model, one of the key challenges for which HR is expected to provide effective support tools is performance management, i.e. the focus of our managers and experts on priority objectives and strategic tasks. Also in this area, we are looking for new solutions, from a bonus system for senior management to better ways of evaluating employee performance at all levels of the organization. This task requires close cooperation with the strategy, development and controlling functions.

All the components of HR management should be well-coordinated in order to bring maximum effects in our daily work, particularly from the point of view of our business partners - managers and their teams. I believe that each year they notice things changing for the better, and they are also changing to become more conscious and effective leaders.

One of our strategic CSR objectives is to build a culture based on values. In 2013 we began to design a model of KGHM's organizational culture and define a set of recommendations for our corporate values. During workshops attended by senior management in Poland and abroad, a set of KGHM values and a draft of the Code of Conduct were agreed. The input data

for the process included the results of numerous organizational culture surveys conducted in the past and of research carried out last year on a representative group of employees defining the behaviors and attitudes reflecting our values which we want to promote and reinforce in KGHM.

204 | 205 Sustainable Development
Society - Responsibility towards employees

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The audit of KGHM's image was a wide-scale research project consisting of a quantitative and qualitative component. The study was based on 114 in-depth interviews and 3 192 questionnaire interviews with internal and external stakeholders of KGHM and KGHM International.

The next steps of the process will include activities aimed at mobilizing our employees around the common set of values and supporting adherence to those values in daily practice.

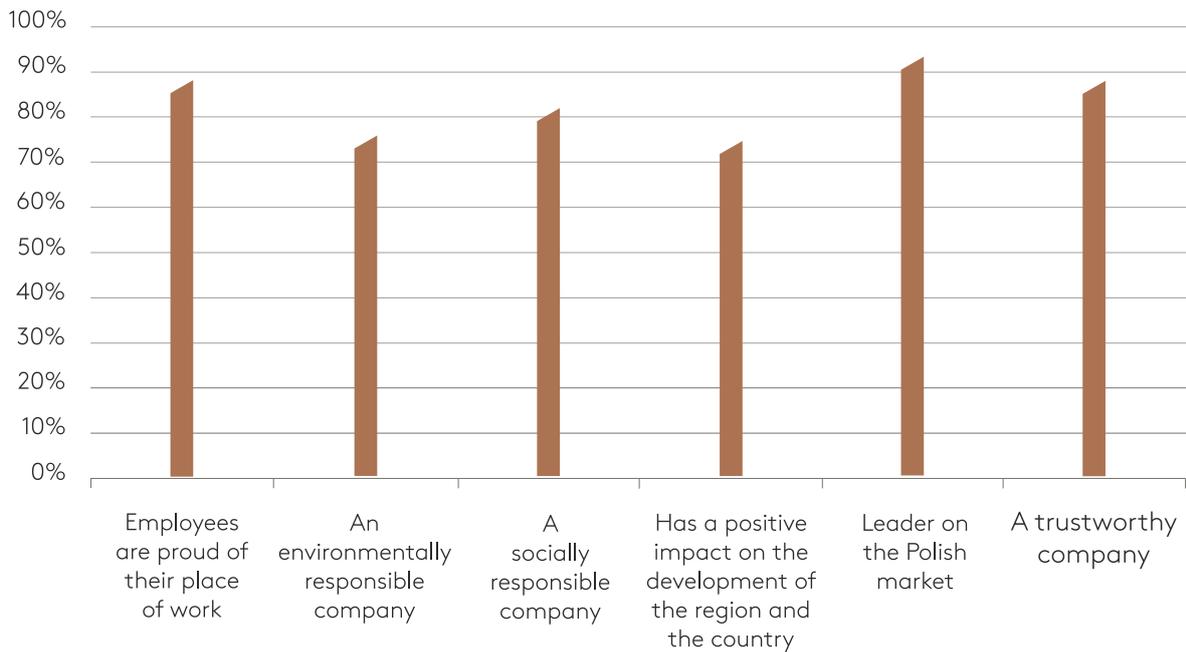
The audit carried out in 2013* demonstrated that employees notice and appreciate the Company's efforts. KGHM's employees are proud of working for the Company. This observation is most evident in the case of people in managerial positions (95%) and

slightly less evident in the case of blue-collar jobs (86%).

In response to the question "Does KGHM treat its employees well?" 58% of the respondents answered 'yes and mostly yes'.

The results of the audit have confirmed that KGHM's image in Poland is very good. The Company is perceived as a good employer and a stable and responsible business partner. The brand evokes respect, confidence, feelings of security and pride.

KGHM brand according to Company employees



Man Amongst the Elements

All employees of the Company have been working towards the achievement of the "Zero loss - Zero harm" objective as soon as possible. We treat safety as our number one operating priority, significantly exceeding the requirements set forth in the applicable laws. It is our

commitment not only to KGHM's employees, but also to the more than 6 000 contractor staff who work for us on the Company's premises every year.



Stefan Kwaśny
Chief EHS Engineer,
KGHM Polska Miedź

We are aware of the fact that in the case of the mining and smelting industry safe working conditions are an essential precondition for employee satisfaction. Our approach to safety is the central element of the responsible employer strategy. In KGHM, we all feel responsible for the safety of our own employees and contractor personnel. Our uniform policy in this respect assumes achievement of the "Zero-harm" objective through improvements in the technology and management systems, raising awareness and motivating employees to safe behaviors.

Safe working conditions must be secured not only for the benefit of KGHM's employees. Agreements signed by KGHM with all contractors include clauses which oblige them to train their staff in the rules of safe work under conditions found in the workplace, insure employees against the risk of work accidents, provide the necessary personal protection equipment and make sure that work is carried out in conformance with the applicable work safety and environmental regulations.

In this way we are putting into practice the motto of the Work Safety and Hygiene Policy of KGHM Polska Miedź, "KGHM-Man Amongst the Elements". In the context of human resources management, the role of managers and their involvement in the promotion of work safety rules is of crucial importance. Additionally, employees and trade union representatives should be engaged in managing work safety issues. Our approach to safety is demonstrated during educational and communication activities devoted to the subject of occupational health and safety of KGHM's employees and our business partners. Each division has its own programs and campaigns, such as "Zero-harm" in the Rudna Mine, "The Safe Mine" in the Polkowice-Sieroszowice Mine and "Get Home Safely" in the Lubin Mine. We appreciate all these initiatives and want to integrate them into one development project.

We are also working on improvements in the culture of communication between managers and employees. Good communication between people working together in such difficult conditions enabling correct understanding of all instructions and rules is a foundation of work safety.

I am personally very glad that I have spent all my professional life with KGHM, a company which takes care of the most important and precious values: human life and safety of the people.

Selected activities undertaken by KGHM to develop a safe work culture

Education and instruction in work safety	<ul style="list-style-type: none"> ▶ Specialist training ▶ Promotion of safe and appropriate behaviors e.g. through job instructions ▶ Educational health campaigns and programs
Prevention of accidents	<ul style="list-style-type: none"> ▶ Analysis of accidents which occurred on Company property ▶ Discussions of accidents with site management and employees ▶ Identification of root causes of accidents and implementing preventive measures
Participation of employees and trade unions in work safety management	<ul style="list-style-type: none"> ▶ Consultations in the field of work safety ▶ Making use of employees' knowledge, skills and experience with respect to work safety during analyses of job risks ▶ Involving employees in the development of internal work safety regulations and training programs
Motivating employees to safe behaviors	<ul style="list-style-type: none"> ▶ Rewarding employees who take part in the promotion of safe work principles ▶ Organizing competitions in work safety knowledge ▶ Promoting the right attitudes and behaviors
Management engagement	<ul style="list-style-type: none"> ▶ Proper delivery of job instruction ▶ Being a role model and demonstrating interest in work safety matters ▶ Appropriate organization of reporting employees' work stations ▶ Involvement in work safety processes e.g. assessment of job risks and planning of training ▶ Incorporating work safety subjects in daily work e.g. during the planning and implementation of organizational and technological changes
Communication with employees	<ul style="list-style-type: none"> ▶ Informing employees about the existing risks and implemented preventive measures ▶ Presenting clear procedures to be followed in emergency situations. ▶ Discussing work safety performance during meetings, in the employee newsletter and on the intranet.

GRI LA9 Work safety and hygiene aspects are included in the formal agreements signed with the trade unions and are reflected in the Collective Bargaining Agreement with Employees of KGHM

Polska Miedź executed in 2000 between the Management Board of KGHM and the trade unions operating in all divisions.

The document regulates such matters as working conditions, working hours, holidays, additional remuneration and benefits and the rules of their award and exercise. Furthermore, the organization follows a uniform policy of providing personal protection equipment, working clothes and boots. All rules concerning their distribution are subject to consultations between the employer and employee representatives.

Each Division has a Work Safety and Hygiene Committee whose members are engaged in improvement of workplace safety. The Committee is composed of an equal number of members representing the employer and the employees, including a voluntary labor inspector. The Committee members participate in the introduction of new personal protection equipment and in joint work station inspections and audits.

Percentage of total workforce of KGHM Polska Miedź represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.

Division	Representation rate [%]
Lubin Mine	0.61
Polkowice Sieroszowice Mine	0.68
Rudna Mine	0.57
Legnica Smelter	0.89
Głogów Smelter	0.66
Cedynia Smelter	3.44
Tailings Division	2.25
Concentrators	1.50
Data Processing Center	2.60
Central Office	0.93

GRI LA6

We offer training in occupational health and safety during which risks occurring in particular jobs are discussed. The Company has also taken

out life insurance policies under which employees can receive money in the case of a serious disease and hospitalization.

GRI LA8

GRI LA7

Additionally, employees who carry out the most demanding types of work are entitled to shorter hours, additional days off work and health prevention and treatment holidays organized by the Company. In 2009, an agreement was signed with the Copper Industry Healthcare Center in Lubin for the provision of psychological and psychiatric first aid to persons involved in work accidents or near accidents in the divisions of KGHM. Under the concluded agreement psychological assistance is also available to rescue personnel members and families of accident victims. In the coming years, we are planning to continue activities aimed at

prevention of hazards in the workplace. We also want to promote safe lifestyles among our employees after hours. Despite the employer's intensified efforts to improve the safety level, 388 accidents took place in KGHM in 2013, including three fatalities and one serious accident involving Company employees and 125 minor accidents involving contractor personnel.

The most frequent causes of accidents include loss of balance by the employee as a result of tripping or sliding, injuries caused by rock falls or falling objects or bumping into moving or still objects.

Human and intellectual capital of KGHM



Anna Trusiak,
Training and Development
Director
KGHM Polska Miedź

Enhancement of human capital is one of the key priorities of KGHM, a company which focuses on the safety and development of its employees. The management of the Company's human capital, on the one hand, increases the competitiveness of KGHM and, on the other, is in line with the expectations concerning the positive social impact of our operations.

The most important initiatives undertaken as part of the long-term human and intellectual development plans include: change of the educational structure of Company employees through the co-financing of university studies, post-graduate courses and other forms of education for employees. We are positive that investments in upgrading the qualifications of our employees will be mutually beneficial.

Furthermore, being aware of the business challenges lying ahead, the organization attaches great importance to the development of employee skills, in particular including managerial, interpersonal, change and project management skills. Of fundamental significance are the periodic work safety training courses and exams which must be passed before taking up specialized underground jobs in a mine or other jobs which require certain skills due to the specific nature of our industry.

We develop and implement educational programs adapted to particular purposes and to the nature of the Company's operations. Such programs are intended to systematize the acquired knowledge and facilitate its use. We are aware of the fact that employees with greater duties are more aware of their personal goals in the organization, manage their people more effectively, have higher motivation and, consequently, better performance results

Selecting successors for the key roles and duties in KGHM is the Company's priority. We are a business Group carrying out worldwide operations on a number of continents. The diversity of industries and technologies represented within KGHM is so large that the number of key skills is very high. Implementation of the adopted HR policy on the highly competitive international market is a challenge which must be confronted with a range of projects aimed at the acquisition and retention of employees with high potential.

Being part of the mining industry, we emphasise developmental activities with respect to specific, job-related skills. Such programs offer an opportunity to acquire, enhance or update the knowledge and skills required in particular jobs.

In 2013, a total of 5 800 employees took advantage of training courses of this kind. Of major significance are investments in the development of qualifications and skills of both existing and future employees. Therefore, in parallel to traditional job training or work safety

training, we offer numerous programs aimed at development of future experts or managers.

We understand skills as a combination of knowledge of the law, technology and industry, with specific skills such as performance management, analytical thinking, communication, multi-tasking and human capital management. The above-mentioned skills should be complemented by attitudes and behaviors consistent with KGHM's values.

We offer our employees a chance to participate in various development schemes designed so as to ensure the highest effectiveness of the delivered training programs. The programs are addressed to or targeted at different professional groups depending on their expectations and identified training needs.

An effective training policy allows for conscious and intentional shaping of the employees' knowledge, behaviors and attitudes and, ultimately, translates into retention of highly motivated employees who can contribute to the achievement of business targets.

The training policy of KGHM is aligned with the business objectives. They have to be coordinated with the responsibilities and projects carried out by a given group of employees who have completed a development program. The important elements of the process include identification of the needs and selection of appropriate forms and tools to enable measurement of the final effects. Thanks to a development program structured in such a way, we can systematize the acquired knowledge and make sure it will be properly used.

Key development projects

► KGHM Executive Academy

The KGHM Executive Academy is a global, international program of development launched in 2013, adapted to the needs of KGHM and aimed at promoting a global vision and cooperation, as well as supplying additional skills and abilities, to meet global challenges. The program uses a comprehensive, interactive learning format, is delivered in English and focuses on three main knowledge areas: business management, mining operations management and leadership. The program will continue for 18 months, in order to ensure its impact on current business operations and strategic directions. It consists of six modules combining theory and practice, business projects (related to the actual strategic priorities of KGHM) implemented by the teams of participants and an executive coaching session. The program has 40 participants from KGHM and KGHM International, senior managers and identified future successors of key roles in the organization.

► Leadership Academy

This program, active since 2010, is based on the managerial skills development standard developed in KGHM. A similar program is planned to be launched in KGHM International. To date, 1 400 managers from all of the Polish divisions of the Company have completed the course. In 2014, the program will be continued for 530 new participants. The objective of the program is to present to the participants state-of-the-art methods and techniques of team problem solving and ways to improve communication in teams consisting of members from different management levels. Completion of the program enhances managerial skills, helps to change the attitudes of managers, improves productivity and increases organizational efficiency. The program also helps to identify employee potential, eliminate gaps in interpersonal communication between the manager and reporting employees and improve collaboration between different divisions and functional areas.

► Young Talent

The first of its type in Poland, this is an innovative program of talent development in the mining industry. The 2-year program initiated in 2012 is addressed to young graduates of universities and colleges from all over Poland and includes a series of development activities and job rotation in key operating areas of KGHM.

Students of the 5th year and recent graduates are offered a unique opportunity to get to know and work for one of the global mining companies which has successfully completed the largest international expansion project in the history of the Polish economy. Around 20 participants will take part in the future editions of the program.

► **Go Global Internships – Student Internships Program**

This is a program of international student internships organized by KGHM. Twelve students from the AGH University of Science and Technology, the Silesia University of Technology and the University of Technology in Wrocław were enrolled in the first edition of the program and offered monthly internships in the mining projects of KGHM International: Sierra Gorda in Chile, Victoria and Afton-Ajax in Canada and the Robinson Mine in the USA. The participants agree that the internship was a most valuable experience for each of them and that their expectations have been fully met.



► **Smelter 2020 Development Program**

The program is addressed to selected employees of the Głogów Smelter (Excellence Leaders). The objective of the program is to prepare the participants for the

implementation of the Smelter 2020 operational excellence program across the entire Division. The program prepares the participants for building excellence in their teams, through setting precise objectives, encouraging employee commitment, overcoming barriers, solving problems, implementing effective, two-way communication and inspiring people by one's own example. The project will be carried out in 2013 and 2014 and will cover the following areas:

- managerial skills and abilities improved thanks to coaching and moderating problem sessions, both individual and in a group;
- Lean management training, including examples of practical applications of audit tools, the Kaizen methodology and indicator analysis in the metals sector and a training course in a model factory.

To date, 30 people have completed training under the program.

► **Train the Trainer**

The purpose of this training is to provide trainer skills to selected employees and to prepare them for the delivery of internal training in the future. During the program employees not only have a chance to develop training skills and the ability to work with a group of people, but also acquire knowledge on designing and evaluating training programs.

The ultimate goal is to prepare HR employees for the launch of the planned KGHM Trainer Academy project. The participants are people with past trainer experience or with special predispositions for the role. Sixteen people have completed the training to date.

In addition to the development activities designed exclusively for KGHM, our employees attend conferences in Poland and abroad to monitor new developments and solutions applied in the industry. In 2013, 940 Company employees participated in events of this kind.

We support upgrading of education by our employees, taking advantage of the courses offered by universities and colleges. In 2013, the Company co-financed higher education studies of 150 employees, of whom 69% took post-graduate courses. Co-financing is available to employees continuing education in an area

consistent with their job duties and with the Company's strategy.

Many of our programs are prepared specifically with aim of developing managerial, communication or teamwork skills which are complementary to the technical qualifications.

In relation to the international expansion of our operations, since 2013 we have increased the offer of language courses for our employees, particularly English and Spanish classes. Last year, 832 employees took advantage of various language learning options co-financed by the Company. To upgrade their skills, many employees learn foreign languages on their own, without financial assistance from the Company, taking up individual classes or specialist courses. In 2013, the total number of employees who used the training offered by KGHM amounted to 29 000.

GRI LA10

Average hours of training per year per employee by gender, and by employee category	2011	2012	2013
Female	24.23	28.68	24.22
Male	31.84	32.01	30.73
Blue-collar jobs	28.85	28.54	28.71
White-collar jobs	36.39	37.30	31.71
Managerial positions	48.54	57.69	47.21

We take a long-term approach to the development of human capital. Our total annual spending on training has remained at a relatively stable level for many years. We place tremendous emphasis on precise identification

of needs in the context of changes in the Company's environment and on continuous improvement of the effectiveness of our development activities, including efficient training budget management.

The implemented development programs are open and based on a comprehensive analysis of training needs arising from the employees' job responsibilities and identified skills gaps, as well as the Company's development needs, disregarding such criteria as the age or gender of the employees.

We are proud of our long-term relationships with employees, as reflected by the data on the average duration of employment. Worth emphasizing is the fact that unlike many other

employers, the Company does not have an HR policy which would state preference for employing young people, and its employees belong to various age categories. People with a long-term employment history are valuable employees with vast experience and high qualifications. Young staff members who have recently joined the Company require much more intense development efforts to prepare them for the performance of difficult tasks in very demanding conditions, in accordance with particular job requirements.

Average number of training hours per an employee of KGHM Polska Miedź by age groups	2011	2012	2013
Employees < 30 years of age	51.46	47.88	47.31
Employees between 30 and 50 years of age	29.36	30.73	28.99
Employees > 50 years of age	22.36	23.40	22.58

For many years we have worked closely with vocational schools and technical colleges within a framework of numerous projects aimed at alignment of the educational process with the expectations of the employers and the changing market reality. We support vocational schools in Lower Silesia by offering internships and programs, participation in job fairs, organizing practical classes for students of vocational schools and general education classes for students of secondary schools as well as by

purchasing classroom equipment and materials required for vocational training. We also liaise with higher education institutions providing assistance in research and scientific work by sharing our data or arranging internship opportunities in Poland and abroad. Our activities in this respect are highly appreciated by young people as is demonstrated by KGHM's high position in national rankings of the best employers based on students' opinions (e.g. Randstadt Awards, Universum TOP100).

► **Professional Adaptation Program**

The main objective of this program is to prepare the graduates of the B. Krupiński Vocational School Complex in Lubin and the Jan Wyżykowski Vocational School Complex in Głogów for working as smelting technicians, mining technicians, automation technicians, mechanical technicians, underground mining technicians, electrical technicians and electronic technicians. Our active involvement in preparing school graduates for their first employment is related to KGHM's position as the largest employer on the regional labor market and the related commitment to its development by creating new jobs. The program has been active since 2009.

To date, 61 graduates have been employed by the Company and the next 60 graduates are currently taking part in the program.

Internships organized under the program are co-financed by the Lower Silesia Labor Office. Participants in the program acquire the skills and knowledge which KGHM expects from its employees and helps to instill an attitude to work consistent with the Company's values. Young people develop skills thanks to which they can become full-fledged employees, ready to join in the production cycle of a mine or a smelter. The assumptions of this program are modified depending on the present demographic situation and the Company's strategy.

► **Practical Job Training**

We organize job training for students of secondary schools and colleges. The goal is to offer the participants an opportunity to

develop practical skills required in particular professions. Training is offered in various blue-collar and white collar jobs, in underground mines, in smelters but also in KGHM's offices. By taking part in the training program, students acquire their first professional experience and get to know the expectations of the labor market. **In 2013, KGHM received 600 job training applications, of which 90% were accepted.**

► **Sharing Company information and data**

Our offer is addressed mainly to university students of such faculties as mining, mechanics, electrotechnology, industrial automation, economics, education and psychology. The materials we make available to students refer to various areas of the Company's operations, such as technology, organization, economics, legal finance, design, construction, decommissioning of operations, environmental impact assessments and waste management. Learning about the practical aspects of the Company's functioning helps students build their experience and understand the specific nature of a company from the copper mining sector. On the basis of the materials students can develop innovative solutions or propose projects which may turn out interesting for the Company. **In 2013, KGHM received 253 requests for information, of which 80% were accepted.**

Good practices in relations with employees

KGHM and the Legnica Special Economic Zone are the biggest employers in the region. Almost all our employees are members of the local community, i.e. people living in the vicinity of the Company's main operations. This holds true for 99% of the workforce. If special licenses or expertise are required for a certain job, the Company may hire a candidate from other regions. Most of the Company's managers have been promoted to their current positions. They usually started work as regular blue-collar workers or junior clerks and often took part in internship or training programs offered by the Company while still at school. In many of our Divisions, we employ at the moment members

of the third generation of families who have associated their entire careers with KGHM.

Recruitment of new employees is conducted in the Company depending on the current needs. Information about job openings is published at www.kghm.pl, in the Career section.

Applications of candidates are accepted only for advertised positions in KGHM and are evaluated by the Recruitment Committees in each Division. We offer stable employment and above-average wages. All employees receive compensation higher than the national minimum wage in a given year.

GRI EC7

Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operations of KGHM Polska Miedź	2011	2012	2013
Minimum wage in Poland [PLN]	1 386	1 500	1 600
Ratio of standard entry level wage* compared to local minimum wage at significant locations of operations, of whom	333.5%	307.5%	318.6%
female	333.0%	307.5%	288.0%
male	344.0%	340.0%	330.3%
Definition of a "significant location"	Poland	Poland	Poland

GRI EC5

* Entry level employees are defined as employees whose average wage falls within the first decile of the average wage

Coverage of the organization's defined benefit plan obligations	Unit	2011	2012	2013
Payments of employee insurance premiums to investment funds	k PLN	373 241	537 625	668 373

GRI EC3

GRI LA3
GRI LA4

The Company offers attractive terms of employment and a broad package of social benefits to all employees, regardless of their age and gender. The same social benefits are offered to employees with contracts for a defined and undefined period of time, employed full-time or part-time, in accordance with the provisions of the Collective Bargaining Agreement with Employees of KGHM Polska Miedź. 99.7% of Company employees fall under the provisions of the Collective Agreements.

Dialogue with employee representatives

GRI LA5

We attach great importance to the dialogue with trade unions. In KGHM there are 15 Group-wide trade union organizations and 47 company trade unions. The dialogue with the trade unions is held both at the Company and division level. In the case of important changes in the Company's situation, employee representatives are informed about such changes 30 days before their effective date. Twice a year consultations between the employer and the trade unions are held, according to the schedule included in the Collective Agreement.

In 2013, pursuant to the joint decision of the parties to the Collective Agreement, new rates of basic salaries and wages were approved. Additionally, the rates were adjusted to the new minimum wage in force since 1 January 2013 and the value of the allowance to the Company Social Benefits Fund was increased for co-financing the costs incurred by parents of children attending daycare centers and nursery schools.

Additionally, since 2005 we have been offering an employee pension plan under which the employer finances payment of insurance premiums to investment funds. Participation in the plan is voluntary. At present, 91% of employees take part in the pension plan and their basic premiums are paid by the employer. Since 2013, the premium rate amounts to 7% of the remuneration. We are one of only a few employers in Poland whose pension plan has reached the maximum value permitted by the Law over a period of just a few years.

In November 2013, the Copper Industry Employees Trade Union initiated a collective labor dispute, submitting the following compensation-related demands: payment of a one-off bonus in the amount of 100% of the monthly salary, making an additional allowance to the Company Social Fund in the amount of PLN 500 per employee, fixing the wage growth index at 5% and restructuring the basic pay scale.

Following the signing of Annex no. 15 to the Collective Bargaining Agreement with all trade unions regarding the pay index for 2013, in December 2014 an agreement was executed on the resolution and discontinuation of the collective labor dispute with the Copper Industry Employees Trade Union.

Key Data

Employment

Employee – a generic term referring to any person working for the employer, regardless of the contract type.

Total workforce – a total number of people employed by the organization as at the end of the reporting period.

Total workforce by employment type and employment contract broken down by gender	2011	2012	2013
Permanent employees with employment contracts, of whom:	18 615	18 629	18 570
male	17 283	17 275	17 216
female	1 332	1 354	1 354
Full-time employees, of whom:	18 600	18 618	18 559
male	17 275	17 269	17 210
female	1 325	1 349	1 349
Part-time employees, of whom:	15	11	11
male	8	6	6
female	7	5	5
Employees hired for a defined period of time, of whom:	17 535	17 421	17 314
male	16 269	16 138	16 014
female	1 266	1 283	1 300
Employees hired for an undefined period of time, of whom:	1 080	1 208	1 256
male	1 014	1 137	1 202
female	66	71	54

GRI LA1

GRI LA2

Total number and rate of new employee hires and employee turnover in KGHM by age group and gender	2011	2012	2013
Total number of employees hired by the Company in the period under review, of whom:	602	750	661
female	46	56	43
male	556	694	618
<30 years of age	356	481	389
30-50 years of age	226	249	259
>50 years of age	20	20	13
Total number of employees who left the Company in the period under review, of whom:	3	11	9
female	0	3	0
male	3	8	9
<30 years	2	4	4
30-50 years	1	7	5
>50 years	0	0	0
Percentage of employees hired by the Company in the period under review, of whom:	3.2%	4.0%	3.6%
female	3.5%	4.1%	3.2%
male	3.2%	4.0%	3.6%
<30 years of age	12.9%	17.9%	15.3%
30-50 years of age	1.8%	2.0%	2.1%
>50 years of age	0.6%	0.5%	0.4%

Equal opportunities for employment and remuneration

Basic wage – a fixed, minimum amount of remuneration paid to the employee in return for performance of job duties. It does not include additional remuneration elements, such as seniority allowance, overtime pay, bonus or any kind of benefits.

Job grading – classification of all jobs depending on their level in the hierarchy and role. Job grades are defined according to a system developed by the HR.

Actual wage – the basic salary plus any additional elements of remuneration, such as seniority allowance, bonuses paid in cash and performance shares, benefits, financial aid, overtime and all other additional pay.

Due to the specific nature of KGHM's operations, does not differentiate pay rates by gender. The percentage of women in the total workforce rates are assigned to a particular job grade, in is small and amounts to 7%. Only 30 women are accordance with the provisions of the Collective employed in underground jobs. The Company Bargaining Agreement.

GRI LA14

Ratio of basic salary and remuneration of women to men by employee category and by position held within KGHM [%]

		2011	2012	2013
JOB CATEGORY	total	21.1	21.1	24.8
Managerial positions, total of whom:	female	25.2	25.2	25.6
	male	25.8	25.8	24.7
JOB CATEGORY	total	21.8	21.8	21.3
Managerial positions, underground, of whom:	female	32.0	32.0	30.0
	male	21.7	21.7	21.2
JOB CATEGORY	total	32.8	32.8	31.4
Managerial positions, aboveground, of whom:	female	24.7	24.7	25.2
	male	34.9	34.9	33.1

JOB CATEGORY	total	27.4	25.6	26.3
Other white-collar jobs, total, of whom:	female	31.9	29.2	30.1
	male	26.0	24.7	25.4
JOB CATEGORY	total	22.9	17.7	22.2
Other white-collar jobs, underground, of whom:	female	32.6	29.8	30.5
	male	22.8	17.6	22.1
JOB CATEGORY	total	31.4	34.3	30.8
Other white-collar jobs, aboveground, of whom:	female	31.9	40.1	30.1
	male	31.0	30.6	31.3
JOB CATEGORY	total	21.5	20.3	20.07
Blue-collar jobs, total, of whom:	female	19.3	24.6	25.9
	male	21.5	20.3	20.7
JOB CATEGORY	total	20.3	19.2	19.5
Other blue-collar jobs, underground, of whom:	female	23.1	22.4	23.9
	male	20.3	19.2	19.5
JOB CATEGORY	total	25.3	23.7	24.3
Blue-collar jobs, aboveground, of whom:	female	26.2	24.8	25.9
	male	25.3	23.7	24.3

Composition of governance bodies and breakdown of employees by employee category according to gender, age group, minority group membership, and other indicators of diversity

			2011		2012		2013	
Total number of employees in all job grades in the organization by gender			total	18 615	18 629		18 570	
	gender	female	1 332	7.2%	1 354	7.3%	1 354	7.3%
		male	17 283	92.8%	17 275	92.7%	17 216	92.7%
	age	< 30	2 760	14.8%	2 691	14.4%	2 547	13.7%
		30-50	12 295	66.0%	12 287	66.0%	12 400	66.8%
		>50	3 560	19.1%	3 651	19.6%	3 623	19.5%
JOB CATEGORY			total	3	5		5	
	gender	female	0	0.0%	1	20.0%	0	0.0%
		male	3	100.0%	4	80.0%	5	100.0%
Management Board	age	< 30	0	0.0%	0	0.0%	0	0.0%
		30-50	2	66.7%	3	60.0%	3	60.0%
		>50	1	33.3%	2	40.0%	2	40.0%
JOB CATEGORY			total	10	9		10	
	gender	female	1	10%	1	11%	2	20%
		male	9	90%	8	89%	8	80%
Supervisory Board (not included in workforce)	age	< 30	0	0%	0	0%	0	0%
		30-50	4	40%	7	78%	8	80%
		>50	6	60%	2	22%	2	20%
JOB CATEGORY			total	46	47		49	
	gender	female	5	10.9%	5	10.6%	7	14.3%
		male	41	89.1%	42	89.4%	42	85.7%
Directors	age	< 30	0	0.0%	0	0.0%	0	0.0%
		30-50	21	45.7%	20	42.6%	22	44.9%
		>50	25	54.3%	27	57.4%	27	55.1%

GRI LA13

		total	835		858		845	
JOB CATEGORY	gender	female	136	16.3%	140	16.3%	136	16.1%
		male	699	83.7%	718	83.7%	709	83.9%
Managerial positions, total	age	< 30	3	0.4%	2	0.2%	0	0.0%
		30-50	476	57.0%	489	57.0%	478	56.6%
		>50	356	42.6%	367	42.8%	367	43.4%
		total	383		393		405	
JOB CATEGORY	gender	female	7	1.8%	8	2.0%	9	2.2%
		male	376	98.2%	385	98.0%	396	97.8%
Managerial positions, underground	age	< 30	0	0.0%	0	0.0%	0	0.0%
		30-50	234	63.4%	244	62.1%	246	60.7%
		>50	140	36.6%	149	37.9%	159	39.3%
		total	452		465		440	
JOB CATEGORY	gender	female	129	28.5%	132	28.4%	127	28.9%
		male	323	71.5%	333	71.6%	313	71.1%
Managerial positions, aboveground	age	< 30	3	0.7%	2	0.4%	0	0.0%
		30-50	233	51.5%	245	52.7%	232	52.7%
		>50	216	47.8%	218	46.9%	208	47.3%
		total	3 723		3 774		3 841	
JOB CATEGORY	gender	female	1 043	28.0%	1 069	28.3%	1 082	28.2%
		male	2 680	72.0%	2 705	71.7%	2 759	71.8%
Other white-collar jobs, total	age	< 30	340	9.1%	326	8.6%	331	8.6%
		30-50	2 394	64.3%	2 435	64.5%	2 481	64.6%
		>50	989	26.6%	1 013	26.8%	1 029	26.8%

		2011		2012		2013	
	total	1 597		1 610		1 622	
JOB CATEGORY	female	17	1.1%	18	1.1%	18	1.1%
	gender	male	98.9%	1 592	98.9%	1 604	98.9%
Other white-collar jobs, underground	age	< 30	9.8%	152	9.4%	139	8.6%
		30-50	78.5%	1 256	78.0%	1 281	79.0%
		>50	11.7%	202	12.5%	202	12.5%
	total	2 126		2 164		2 219	
JOB CATEGORY	female	1 026	48.3%	1 051	48.6%	1 064	47.9%
	gender	male	51.7%	1 113	51.4%	1 155	52.1%
Other white-collar jobs, aboveground	age	< 30	8.7%	174	8.0%	192	8.7%
		30-50	53.6%	1 179	54.5%	1 200	54.1%
		>50	37.7%	811	37.5%	827	37.3%
	total	14 008		13 945		13 830	
JOB CATEGORY	female	150	1.1%	142	1.0%	131	0.9%
	gender	male	98.9%	13 803	99.0%	13 699	99.1%
Blue-collar jobs, total	age	< 30	17.3%	2 363	16.9%	2 216	16.0%
		30-50	67.1%	9 340	67.0%	9 416	68.1%
		>50	15.6%	2 242	16.1%	2 198	15.9%
	total	9 707		9 663		9 659	
JOB CATEGORY	female	7	0.1%	6	0.1%	5	0.1%
	gender	male	99.9%	9 657	99.9%	9 654	99.9%
Blue-collar jobs, underground	age	< 30	20.4%	1 909	19.8%	1 810	18.7%
		30-50	72.0%	7 007	72.5%	7 117	73.7%
		>50	7.6%	747	7.7%	732	7.6%

		total	4 301		4 282		4 171	
JOB CATEGORY	gender	female	143	3.3%	136	3.2%	126	3.0%
		male	4 158	96.7%	4 146	96.8%	4 045	97.0%
Blue-collar jobs, aboveground	age	< 30	434	10.1%	454	10.6%	406	9.7%
		30-50	2 411	56.1%	2 333	54.5%	2 299	55.1%
		>50	1 456	33.9%	1 495	34.9%	1 466	35.1%

Share of particular job categories in the total workforce of KGHM [%]

	2011	2012	2013
Management Board	0.3	0.3	0.3
Managerial positions, total	4.5	4.6	4.6
Managerial positions, underground	2.1	2.1	2.2
Managerial positions, aboveground	2.4	2.5	2.4
Other white-collar jobs, total	20.0	20.3	20.7
Other white-collar jobs, underground	8.6	8.6	8.7
Other white-collar jobs, aboveground	11.4	11.6	11.9
Blue-collar jobs, total	75.3	74.9	74.5
Blue-collar jobs, underground	52.1	51.9	52.0
Blue-collar jobs, aboveground	23.1	23.0	22.5

Parental leave – a leave granted to a man or woman upon birth of his/her child.

GRI LA15

Return to work and retention rates in KGHM in 2013 after parental leave, by gender

		2011	2012	2013
	total	706	1 008	762
Number of employees entitled to a parental leave	female	67	55	36
	male	639	953	726

		2011	2012	2013
	total	699	1 064	786
Number of employees who went on a parental leave*	female	68	88	59
	male	631	976	727
	total	669	1 009	713
Number of employees who returned to work from a parental leave	female	49	53	12
	male	620	956	701
	total	669	1 009	713
Number of employees who returned to work from a parental leave and were still employed by the organization one year later	female	49	53	12
	male	620	956	701
	total	669	1 009	713
	total	669	1 009	713
Rate of return to work and retention of employees after a parental leave	total	100%	100%	100%

* Total number of people with entitlement to a parental leave in a given year and in the previous year

Accidents

Occupational disease - a disease arising from the work situation or activity (such as stress or regular exposure to harmful chemicals), or from a work-related injury.

Lost day - time ('days') that could not be worked (and is thus 'lost') as a consequence of a worker or workers being unable to perform their usual work because of an occupational accident or disease. A return to limited duty or alternative work for the same organization does not count as lost days

Fatality - the death of a worker occurring in the current reporting period, arising from an occupational injury or disease sustained or contracted while in the organization's employ.

Injury rate - the frequency of injuries relative to the total time worked by the total workforce in the reporting period.

Occupational disease rate (ODR) - the frequency of occupational diseases relative to the total time worked by the total workforce in the reporting period.

Lost day rate (LDR) - the impact of occupational accidents and diseases as reflected in time off work by the affected workers. It is expressed by comparing the total lost days to the total number of hours scheduled to be worked by the workforce in the reporting

GRI LA7

Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities in KGHM by gender		2011	2012	2013
Total number of work accidents:		467	364	388
female employees		1	1	6
male employees		466	363	382
Number of accidents, of which:				
fatal		2	4	3
serious		4	4	1
minor		461	356	384
female employees*		1	1	6
male employees**		6	8	4
Total number of (calendar) days lost from the accident date:		25 667	21 614	22 180
female employees		15	6	208
male employees		25 652	21 608	21 972
Lost day rate (LDR)		169.71	143.23	147.32
Accident frequency rate:		25.15	19.60	20.90
female employees		0.75	0.73	4.42
male employees		26.96	21.01	22.18
Accident seriousness rate:		55.20	60.04	57.61
female employees		15	6	34 66
male employees		55.04	59.59	57.52

* Only minor accidents.
** Fatal and serious accidents.

Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities in KGHM by gender	2011	2012	2013
Injury rate (IR)	3.077	2.414	2.577
Number of diagnosed occupational disease cases:	9	11	16
female employees	0	0	0
male employees	9	11	16
Occupational disease rate (ODR)	0.059	0.072	0.106
Total number of accidents involving contractor's personnel while working for the Company, of which:	72	135	125
fatal	0	0	0
serious	0	1	4
minor	72	134	121

Description of the circumstances of fatal accidents which occurred in KGHM in 2013

Accident on 1 February 2013

The victim was a miner, operator of a self-propelled mining machine employed in the Rudna Mine.

Accident causes

Inaccurate inspection of the workings at the site of the accident where blasting work was carried out during roof ripping in 2009 by PeBeKa in Lubin, by persons supervising the blasting work. Due to lapse of a significant amount of time and occurrence of an untypical risk related to execution of the mine workings support, on 1 February 2013 it was not possible to effectively review the safety conditions at the workplace prior to drilling. In the course of drilling, residual explosives left in the blasting hole in 2009 were accidentally detonated causing an explosion.

Key measures implemented following the accident

Training for supervisory personnel of the Rudna Mine and third-party contractors working in Rudna, responsible for supervising blasting work. Amending the work instructions in force in the Company concerning execution of roof bolting to include an additional obligation of detailed examination prior to commencement of work involving drilling holes in underground workings, away from the face. All employees of the Rudna Mine and members of the contractor's personnel engaged in drilling were informed about the causes and circumstances of the accident. All instructions applicable to drilling of holes in the rock were reviewed. Inspection of blasting materials used in the Company was carried out. The risk related to the process was reassessed. Conformance with the issued permits was checked. Additional sources of light were provided to employees inspecting the workings.

Accident on 19 June 2013

The victim was a miner, operator of a self-propelled mining machine employed in the Rudna Mine.

Accident causes

The victim placed his head outside the loader during the operation of the machine. The victim operated the loader with a faulty system preventing operation of the loader with the door open. The victim did not assess the technical condition of the machine properly. The victim operated the loader with the intentionally disabled lever of the limit switch which activates the parking brake when the door of the machine is open. Insufficient supervision over the assessment of the machine's technical condition. Lack of appropriate action planning by supervisory staff in a situation where machinery was left outside the area of the base section. Inaccurate performance of the obligatory weekly checks of the technical condition of the machine by shift supervisory personnel of the section. Damaged distribution panel in the loader. Ineffective supervision and acceptance by the supervisory staff of operation of the loader in an unsatisfactory technical condition, in breach of the requirements specified in the technical documentation.

Key measures implemented following the accident

Additional training for machine operators was carried out. Extraordinary inspection of all automatic door locks in self-propelled mining machines equipped with such mechanisms was conducted. As of 1 September 2013, reorganization of sections C-25 and C-26 has been implemented, changing the rules of supervision over the machines. The supervisory staff, all employees of the Rudna Mine and members of the contractor's personnel were informed about the causes and circumstances of the accident.

Accident on 5 October 2013

The victim was a miner, operator of a self-propelled mining machine employed in the Polkowice-Sieroszowice Mine.

Accident causes

On 5 October 2013, the victim got out of the loader cabin leaving the engine on, without pulling up the emergency and parking brake. The victim did not prevent uncontrolled movement of the machine and stayed within the reach of the loader. The risk of accident was neglected.

Key measures implemented following the accident

The supervisory personnel, all employees of the mine and members of the contractor's personnel, were informed about the causes and circumstances of the accident. Additional training was organized for operators of self-propelled mining machines in respect of the obligatory procedures concerning parking of the vehicles. The risk data sheet was reviewed. The instruction for the loader operators was reviewed. The Chief Engineer – Manager of the Underground Equipment Department contacted the loader manufacturer, KGHM ZANAM, enquiring about the possibility of an automatic solution switching on the parking brake whenever the cabin door is opened and a sound and light alarm which would be activated when the door of the cabin is open and the parking brake has not been pulled up.



WORK SAFETY AND HYGIENE POLICY OF KGHM POLSKA MIEDŹ

MOTTO

KGHM – Man Amongst the Elements
Our safety and health is our common concern.

Zero accidents and injuries due to technical failures and human errors and zero new cases of occupational diseases among our employees and contractor personnel

1. Each person employed in KGHM Polska Miedź has the right to work in a safe and healthy environment and come back safely home after work.
2. Safety and health are our priorities in our all activities. Prevention of accidents and occupational diseases is our main concern and operating principle.
3. Each of us shares the responsibility for own health and safety and the health and safety of colleagues.
4. We do not accept behaviors which are not in conformance with the law and which cause a threat to health or safety.
5. We encourage all employees of our sites to report every instance of behavior which causes a threat to health or safety.
6. We eliminate or minimize the occurrence of threats to employees' health or safety by applying the best available technologies, techniques, methods and measures in the workplace. We invest money and efforts to make continuous improvements to the safety standards.
7. All our employees, without any exceptions, are obliged to take part in work safety training.
8. We require high qualifications and skills from all our employees. Each employee has the right to upgrade his/her skills and qualifications.
9. The status of work safety and hygiene in KGHM Polska Miedź is subject to regular audits of the Company's top management in order to facilitate ongoing improvement of work safety standards.
10. Our management staff is accountable for the work safety in the organizational units which they manage. Managers are obliged to make their team members accountable for work safety in the same way.
11. The health of our workforce is our main concern. We are continuously improving the standards of healthcare services offered. We also expect every employee to take care of their health and carry out their job duties in a safe and efficient manner.
12. We require our suppliers and contractors to adhere to the principles of work safety and hygiene.



Financial statements





»Meeting the challenges of global competition and increased sustainability requires the achievement of excellence in innovation. Innovation is a key driver for productivity, increased energy and material efficiency, the improved performance of goods and services, and the generation of new markets.«

Annual Separate Financial Statements

These condensed separate financial statements of KGHM Polska Miedź S.A. with its registered office in Lubin are an abridged version of the complete audited annual separate financial statements for 2013 prepared in accordance with the International Reporting Standards adopted by the European Union.

In order to have full insight into the Company's financial standing, assets and financial results for the period from 1 January 2013 to 31 December 2013, the full version of the Company's separate financial statements, together with the opinion and report of the independent auditor on the statements, should be read (the full version of the statements is available on the Internet at www.raportroczny.kghm.pl).

Independent Registered Auditor's Opinion to the Shareholders' Meeting and the Supervisory Board of KGHM Polska Miedź Spółka Akcyjna

We have audited the accompanying financial statements of KGHM Polska Miedź Spółka Akcyjna (hereinafter called "the Company"), Marii Skłodowskiej-Curie 48 Street, Lubin, which comprise the statement of financial position as at 31 December 2013, showing total assets and total equity and liabilities of PLN 29 038 mln, the statement of profit or loss for the year from 1 January to 31 December 2013, showing a net profit of PLN 3 058 mln, the statement of comprehensive income for the period from 1 January to 31 December 2013, showing a total comprehensive income of PLN 3 335 mln, the statement of changes in equity, the statement of cash flows for the financial year and additional information on adopted accounting policies and other explanatory notes.

The Company's Management Board is responsible for preparing the financial statements and Directors' Report in accordance with the applicable regulations, and for the correctness of the accounting records. Members of the Management Board and Members of the Supervisory Board of the Company are obliged to ensure that the financial statements and the Director's Report comply with the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2013, item 330 as amended).

Our responsibility was to perform an audit of the accompanying financial statements and to express an opinion on whether the financial statements comply in all material respects with the applicable accounting policies and whether they present, in all material respects, a true and clear view of the Company's financial position and its financial results, and whether the accounting records constituting the basis for their preparation are properly maintained.

We conducted our audit in accordance with:

- a. the provisions of Chapter 7 of the Accounting Act;
- b. national standards of auditing issued by the National Council of Registered Auditors

Our audit was planned and performed to obtain reasonable assurance that the financial statements were free of material misstatements and omissions. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting policies applied by the Company and significant estimates made in the preparation of the financial statements, as well as overall assessment of their presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, and in all material respects, the accompanying financial statements:

- a. give a fair and clear view of the Company's financial position as at 31 December 2013 and of the financial results for the year from 1 January to 31 December 2013, in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS);
- b. comply in terms of form and content with the applicable laws and the Company's Memorandum of Association;
- c. have been prepared on the basis of properly maintained books of account, in accordance with the applicable accounting policies.

The information contained in the Directors' Report for the year from 1 January to 31 December 2013 has been presented in accordance with the provisions of the Decree of the Minister of Finance dated

19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (*"the Decree"* – Journal of Laws of 2014, item 133) and is consistent with the information presented in the audited financial statements.

Person conducting the audit on behalf
of PricewaterhouseCoopers Sp. z o.o.,
Registered Audit Company No. 144:
Marcin Sawicki
Group Registered Auditor,
Key Registered Auditor No. 11393

Wrocław, March 24th 2014

The amounts in the tables are denominated in PLN m unless stated otherwise.



Statement of financial position

	Note	As at:		
		31 December 2013	31 December 2012 restated*	1 January 2012 restated*
ASSETS				
Non-current assets				
Property, plant and equipment	5	9 744	8 445	7 277
Intangible assets	6	273	175	151
Shares and investment certificates in subsidiaries	7	11 744	11 641	2 012
Investments in joint ventures	7	33	33	-
Deferred tax assets	18	98	266	169
Available-for-sale financial assets	8	809	882	992
Financial assets for mine closure and restoration of tailing storage facilities	9	178	141	112
Derivatives	10	342	742	899
Trade and other receivables	11	314	85	84
		23 535	22 410	11 696
Current assets				
Inventories	12	2 432	2 992	2 356
Trade and other receivables	11	2 475	1 687	1 503
Financial assets for mine closure	9	1	-	2
Derivatives	10	472	381	859
Cash and cash equivalents	13	123	707	12 836
		5 503	5 767	17 556
TOTAL ASSETS		29 038	28 177	29 252

		As at:		
	Note	31 December 2013	31 December 2012 restated*	1 January 2012 restated*
EQUITY AND LIABILITIES				
Equity				
Share capital	14	2 000	2 000	2 000
Revaluation reserve from measurement of financial instruments	15	512	286	535
Actuarial gains/losses on post-employment benefits	15	(112)	(519)	(356)
Retained earnings	15	20 898	20 156	20 956
TOTAL EQUITY		23 298	21 923	23 135
LIABILITIES				
Non-current liabilities				
Trade and other payables	16	26	36	12
Derivatives	10	17	230	538
Employee benefits liabilities	19	1 423	1 471	1 216
Provisions for other liabilities and charges	20	523	718	484
		1 989	2 455	2 250
Current liabilities				
Trade and other payables	16	2 431	2 227	1 828
Borrowings	17	1 123	1 013	-
Current corporate tax liabilities		50	390	1 588
Derivatives	10	6	23	330
Employee benefits liabilities	19	110	110	107
Provisions for other liabilities and charges	20	31	36	14
		3 751	3 799	3 867
TOTAL LIABILITIES		5 740	6 254	6 117
TOTAL EQUITY AND LIABILITIES		29 038	28 177	29 252

Statement of profit or loss

	Note	For the period	
		from 1 January 2013 to 31 December 2013	from 1 January 2012 to 31 December 2012
Sales	21	18 579	20 737
Cost of sales		(13 173)	(12 786)
Gross profit		5 406	7 951
Selling costs		(126)	(113)
Administrative expenses		(671)	(703)
Other operating income	24	460	1 400
Other operating costs	25	(861)	(2 109)
Operating profit		4 208	6 426
Finance costs	26	(12)	(9)
Profit before income tax		4 196	6 417
Income tax expense	29	(1 138)	(1 549)
Profit for the period		3 058	4 868
Earnings per share for the annual period (in PLN per share)	30		
- basic		15.29	24.34
- diluted		15.29	24.34

Statement of comprehensive income

	Note	For the period	
		from 1 January 2013 to 31 December 2013	from 1 January 2012 to 31 December 2012
Profit for the period		3 058	4 868
Other comprehensive income:			
Other comprehensive income, which will be reclassified to profit or loss when specific conditions are met			
Other comprehensive income from measurement of financial instruments			
Available-for-sale financial assets		16	48
Income tax related to available-for-sale financial assets		(3)	(9)
Cash flow hedging instruments		263	(355)
Income tax related to cash flow hedging instruments		(50)	67
Total other comprehensive income, which will be reclassified to profit or loss when specific conditions are met		226	(249)
Other comprehensive income, which will not be reclassified to profit or loss			
Actuarial gains/(losses)		63	(201)
Income tax related to actuarial gains/(losses)		(12)	38
Total other comprehensive income, which will not be reclassified to profit or loss		51	(163)
Other comprehensive net income for the financial period	15	277	(412)
TOTAL COMPREHENSIVE INCOME		3 335	4 456

Statement of cash flows

	Note	For the period	
		from 1 January 2013 to 31 December 2013	from 1 January 2012 to 31 December 2012
Cash flow from operating activities			
Profit for the period	15	3 058	4 868
Total adjustments to profit for the period:		2 106	2 583
Income tax recognised in profit or loss		1 138	1 549
Amortisation/Depreciation		768	772
Losses on sale of property, plant and equipment and intangible assets		34	-
Losses on sale of a subsidiary		2	-
Impairment loss recognised		95	185
Impairment loss reversed		(47)	185
Interest and share in profits (dividends)		(40)	(58)
Foreign exchange losses		3	856
Change in provisions	32	(14)	70
Change in assets/liabilities due to derivatives		791	(2)
Reclassification of other comprehensive income to profit or loss as a result of realisation of hedging derivatives		(450)	(333)
Other adjustments		-	4
Changes in working capital:		(174)	(460)
Inventories		560	(636)
Trade and other receivables	32	(777)	(180)
Trade and other payables	32	43	356
Income tax paid		(1 374)	(2 748)
Net cash generated from operating activities		3 790	4 703
Cash flow from investing activities			
Purchase of shares and investment certificates in subsidiaries		(129)	(9 604)

	Note	For the period	
		from 1 January 2013 to 31 December 2013	from 1 January 2012 to 31 December 2012
Proceeds from sale and liquidation of shares in subsidiaries		48	-
Purchase of interest in joint ventures		-	(33)
Purchase of property, plant and equipment and intangible assets		(2 174)	(1 647)
Advances granted for purchase of property, plant and equipment and intangible assets		(84)	(93)
Proceeds from sale of property, plant and equipment and intangible assets	32	33	16
Purchase of financial assets from mine closure fund and tailing storage facilities restoration fund		(38)	(27)
Loans granted		(239)	(8)
Repayments of loans granted		13	5
Interest received		2	3
Dividends received		36	57
Other investment expenses		(15)	(4)
Net cash used in investing activities		(2 547)	(11 335)
Cash flow from financing activities			
Proceeds from bank loans		1 546	1 039
Repayments of bank loans		(1 409)	-
Dividends paid	15	(1 960)	(5 668)
Other financial proceeds/(expenses)		(1)	10
Net cash used in financing activities		(1 824)	(4 619)
Total net cash flow		(581)	(11 251)
Exchange losses on cash and cash equivalents		(3)	(878)
Movements in cash and cash equivalents		(584)	(12 129)
Cash and cash equivalents at beginning of the period	13	707	12 836
Cash and cash equivalents at end of the period	13	123	707
including restricted cash and cash equivalents		-	1

Annual Consolidated Financial Statements

These condensed consolidated financial statements of KGHM Polska Miedź S.A. with its registered office in Lubin are an abridged version of the complete audited annual consolidated financial statements for 2013 prepared in accordance with the International Reporting Standards adopted by the European Union.

In order to have full insight into the Company's financial standing, assets and financial results for the period from 1 January 2013 to 31 December 2013, the full version of the Company's consolidated financial statements, together with the opinion and report of the independent auditor on the statements, should be read (the full version of the statements is available on the Internet at www.raportroczny.kghm.pl).

Independent Registered Auditor's Opinion to the Shareholders' Meeting and the Supervisory Board of KGHM Polska Miedź Spółka Akcyjna

We have audited the accompanying consolidated financial statements of the KGHM Polska Miedź Spółka Akcyjna Group (hereinafter called "the Group"), having KGHM Polska Miedź Spółka Akcyjna, Marii Skłodowskiej-Curie 48 Street, Lubin, as its parent company (hereinafter called "the Parent Company"), which comprise the consolidated statement of financial position as at 31 December 2013, showing total assets and total equity and liabilities of PLN 34 465 million, the consolidated statement of profit or loss for the year from 1 January to 31 December 2013, showing a net profit of PLN 3 033 million, the consolidated statement of comprehensive income for the period from 1 January to 31 December 2013, showing a total comprehensive income of PLN 3 082 million, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year and additional information on adopted accounting policies and other explanatory notes.

The Parent Company's Management Board is responsible for preparing the consolidated financial statements and Group Directors' Report in accordance with the applicable regulations, and for the correctness of the accounting records. The Management Board and Members of the Supervisory Board of the Parent Company are obliged to ensure that the consolidated financial statements and the Group Director's Report comply

with the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2013, item 330 as amended).

Our responsibility was to perform an audit of the accompanying consolidated financial statements and to express an opinion on whether the consolidated financial statements comply, in all material respects, with the applicable accounting policies and whether they present, in all material respects, a true and clear view of the Group's financial position and results.

We conducted our audit in accordance with:

- a. the provisions of Chapter 7 of the Accounting Act;
- b. national standards of auditing issued by the National Council of Registered Auditors.

Our audit was planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatements and omissions. The audit included examining, on a test basis, accounting documents and entries supporting the amounts and disclosures in the consolidated financial statements. The audit also included assessing the Group's accounting policies and significant estimates made during the preparation of the consolidated financial statements, as well as evaluating the overall presentation

thereof. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements, in all material respects:

- a. give a fair and clear view of the Group's financial position as at 31 December 2013 and of the results of its operations for the year from 1 January to 31 December 2013, in accordance with the International Financial Reporting Standards as adopted by the European Union;
- b. comply in terms of form and content with the applicable laws applicable to the Group;
- c. have been prepared on the basis of properly maintained consolidation documentation.

The information contained in the Group Directors' Report for the year from 1 January to 31 December 2013 has been presented in accordance with the provisions of the Decree of the Minister of Finance dated

19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state ("the Decree" – Journal of Laws of 2014, item 133) and is consistent with the information presented in the audited consolidated financial statements.

Person conducting the audit on behalf
of PricewaterhouseCoopers Sp. z o.o.,
Registered Audit Company No. 144:
Marcin Sawicki
Group Registered Auditor,
Key Registered Auditor No. 11393

Wrocław, March 24th 2014

The amounts in the tables are denominated in PLN m unless stated otherwise.



Consolidated statement of financial position

	Note	As at:		
		31 December 2013	31 December 2012 restated*	1 January 2012 restated*
ASSETS				
Non-current assets				
Property, plant and equipment	6	15 128	13 971	9 093
Intangible assets	7	2 175	1 989	663
Investment property	8	65	59	60
Investments accounted for using the equity method	9	3 720	3 911	-
Deferred tax assets	23	451	565	272
Available-for-sale financial assets	10	810	892	994
Financial assets for mine closure and restoration of tailing storage facilities	11	323	460	112
Derivatives	12	357	745	899
Trade and other receivables	13	3 459	1 516	40
		26 488	24 108	12 133
Current assets				
Inventories	14	3 397	3 769	2 658
Trade and other receivables	13	3 119	2 846	1 839
Current corporate tax receivables		54	77	8
Available-for-sale financial assets	10	58	149	16
Financial assets for mine closure	11	1	-	2
Derivatives	12	476	382	860
Cash and cash equivalents	15	864	2 629	13 130
Non-current assets held for sale		8	2	4
		7 977	9 854	18 517
TOTAL ASSETS		34 465	33 962	30 650

		As at:		
	Note	31 December 2013	31 December 2012 restated*	1 January 2012 restated*
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Parent Entity				
Share capital	16	2 000	2 000	2 000
Revaluation reserve from measurement of financial instruments	17	522	235	536
Exchange differences from the translation of foreign operations statements	17	(267)	19	19
Actuarial gains/losses on post-employment benefits	17	(132)	(543)	(373)
Retained earnings	18	20 718	19 971	20 920
		22 841	21 682	23 102
Non-controlling interest	19	223	232	289
TOTAL EQUITY		23 064	21 914	23 391
LIABILITIES				
Non-current liabilities				
Trade and other payables	20	774	880	142
Borrowings, debt securities and finance lease liabilities	21	1 714	1 783	194
Derivatives	12	17	230	538
Deferred tax liabilities	23	1 726	1 772	129
Employee benefits liabilities	24	1 563	1 615	1 339
Provisions for other liabilities and charges	25	920	999	485
		6 714	7 279	2 827

Consolidated statement of financial position (continued)

	Note	31 December 2013	As at:	
			31 December 2012 restated*	1 January 2012 restated*
Current liabilities				
Trade and other payables	20	3 094	3 008	2 249
Borrowings, debt securities and finance lease liabilities	21	1 215	1 075	104
Current corporate tax liabilities		128	448	1 596
Derivatives	12	7	25	331
Employee benefits liabilities	24	131	133	126
Provisions for other liabilities and charges	25	112	80	26
		4 687	4 769	4 432
TOTAL LIABILITIES		11 401	12 048	7 259
TOTAL EQUITY AND LIABILITIES		34 465	33 962	30 650

Consolidated statement of profit or loss

	Note	For the period	
		from 1 January 2013 to 31 December 2013	from 1 January 2012 to 31 December 2012 (restated*)
Continued operations			
Sales	27	24 110	26 705
Cost of sales	28	(18 101)	(18 235)
Gross profit		6 009	8 470
Selling costs	28	(426)	(402)
Administrative expenses	28	(989)	(1 082)
Other operating income	30	847	1 706
Other operating costs	31	(1 069)	(2 217)
Operating profit		4 372	6 475
Finance costs	32	(137)	(146)
Profit before income tax		4 235	6 329
Income tax expense	35	(1 202)	(1 576)
Profit for the period		3 033	4 753
(Loss)/Profit for the period attributable to:			
shareholders of the Parent Entity		3 035	4 752
non-controlling interest		(2)	1
Earnings per share attributable to the shareholders of the Parent Entity for the reporting period (in PLN per share)	37		
– basic		15.18	23.76
– diluted		15.18	23.76

Consolidated statement of comprehensive income

	Note	For the period	
		from 1 January 2013 to 31 December 2013	from 1 January 2012 to 31 December 2012 (restated*)
Profit for the period		3 033	4 753
Other comprehensive income			
Other comprehensive income, which will be reclassified to profit or loss when specific conditions are met:			
Other comprehensive income from measurement of financial instruments:			
Available-for-sale financial assets		79	(6)
Income tax related to available-for-sale financial assets		(5)	(7)
Cash flow hedging instruments		263	(355)
Income tax related to cash flow hedging instruments		(50)	67
Total other comprehensive income from measurement of financial instruments		287	(301)
Exchange differences from the translation of foreign operations statements		(293)	(15)
Total other comprehensive income, which will be reclassified to profit or loss when specific conditions are met		(6)	(316)
Other comprehensive income, which will not be reclassified to profit or loss:			
Actuarial gains/(losses)		68	(210)
Income tax related to actuarial gains/losses		(13)	40
Total other comprehensive income which will not be reclassified to profit or loss	17	55	(170)
Other comprehensive net income for the financial period		49	(486)
TOTAL COMPREHENSIVE INCOME		3 082	4 267
Total comprehensive income attributable to:			
shareholders of the Parent Entity		3 091	4 270
non-controlling interest		(9)	(3)

Consolidated statement of cash flows

	Note	For the period	
		from 1 January 2013 to 31 December 2013	from 1 January 2012 to 31 December 2012 (restated*)
Cash flow from operating activities			
Profit for the period		3 033	4 753
Adjustments to profit for the period:		3 347	3 638
Income tax recognised in profit or loss		1 202	1 576
Amortisation/Depreciation	28	1 580	1 724
Impairment losses on goodwill		27	-
Losses on the sale of property, plant and equipment and intangible assets		46	5
Gains on the sale of available-for-sale financial assets		(24)	-
Impairment loss on property, plant and equipment, intangible assets and available-for-sale financial assets		444	207
Reversal of impairment loss on property, plant and equipment, intangible assets and available-for-sale financial assets		(36)	(2)
Interest and share in profits (dividends)		(116)	8
Foreign exchange losses		4	852
Change in provisions	39	(19)	68
Change in assets/liabilities due to derivatives		774	(5)
Reclassification of other comprehensive income to profit or loss as a result of realisation of derivatives		(450)	(333)
Other adjustments		21	(22)
Changes in working capital:		(106)	(440)
Inventories	39	357	(420)
Trade and other receivables	39	(242)	(346)
Trade and other payables	39	(221)	326
Income tax paid		(1 456)	(2 870)
Net cash generated from operating activities		4 924	5 521

Consolidated statement of cash flows (continued)

	Note	For the period	
		from 1 January 2013 to 31 December 2013	from 1 January 2012 to 31 December 2012 (restated*)
Cash flow from investing activities			
Purchase of subsidiaries, less acquired cash and cash equivalents		(1)	(6 917)
Purchase of an entity accounted for using the equity method		(9)	(33)
Purchase of property, plant and equipment and intangible assets		(3 189)	(2 402)
Advances granted for purchase of property, plant and equipment and intangible assets		(84)	(93)
Proceeds from sale of property, plant and equipment and intangible assets	39	56	42
Purchase of available-for-sale financial assets		(42)	–
Proceeds from sale of available-for-sale financial assets		139	3
Purchase of financial assets from mine closure fund and tailing storage facilities restoration fund		(63)	(93)
Proceeds from sale of financial assets purchased from mine closure fund		197	–
Establishment of deposits		–	(43)
Termination of deposits		40	66
Loans granted		(1 798)	(1 251)
Dividends received		37	57
Other investment expenses		(13)	(5)
Net cash used in investing activities		(4 730)	(10 669)

	Note	For the period	
		from 1 January 2013 to 31 December 2013	from 1 January 2012 to 31 December 2012 (restated*)
Cash flow from financing activities			
Proceeds from payment to capital of a subsidiary from holders of non-controlling interest		29	17
Acquisition of non-controlling interest		(30)	(93)
Proceeds from bank and other loans		1 597	1 439
Repayments of bank and other loans		(1 446)	(86)
Payments of liabilities due to finance leases		(16)	(11)
Interest paid		(144)	(139)
Dividends paid to shareholders of the Parent Entity	38	(1 960)	(5 668)
Donations received		10	19
Other financial expences		(1)	-
Net cash used in financing activities		(1 961)	(4 522)
Total net cash flow		(1 767)	(9 670)
Exchange gains/(losses) on cash and cash equivalents		2	(831)
Movements in cash and cash equivalents		(1 765)	(10 501)
Cash and cash equivalents at beginning of the period	15	2 629	13 130
Cash and cash equivalents at end of the period	15	864	2 629
including restricted cash and cash equivalents		108	99

Useful Information





»Integrated Reporting brings together material information about an organization's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates.«

Calendar of Significant Events in KGHM Polska Miedź in 2013

Cooperation agreement between KGHM and EcoMetales

A cooperation agreement was signed in Santiago de Chile by the presidents of KGHM and EcoMetales (a subsidiary of Codelco). Under the agreement, the companies will implement joint research and development projects focusing on improvement of production parameters and environmental impact.



Publication of the Micon Report

An independent report prepared by Micon International Ltd. confirmed the size and quality of the Polish resources of copper and silver owned by KGHM. The audit was carried out in conformance with the guidelines of the Canadian National Instrument 43-101 – Standard of Disclosure for Mineral Projects.



Commencement of the second stage of exploration in the Niecka Grodziecka concession area

With positive results of the first drillings, it was possible to plan further stages of work and project development in the vicinity of Bolesławiec. The initial results were very promising. In the nine boreholes executed during the first stage, the average content of copper was 1.4% and of silver 50g per tonne of ore.

Poland, Go Global!

Think Tank Conference

The conference on “How to Manage a Global Organization and Develop the Skills Required on the International Arena?” was held in the Copernicus Center of Science in Warsaw. It was the second conference organized by POLAND, GO GLOBAL! Think Tank, a joint initiative of KGHM and the ICAN Institute. Its aim is to promote knowledge and experience in the internalization of Polish companies and to create a platform for cooperation and exchange of best practices between businesses.

POLAND
GO GLOBAL
THINK TANK

January

February

March



Polish copper on the dome of the Temple of Divine Providence

Thanks to the contribution of the Polish Copper Foundation, the dome of the Temple of Divine Providence in Warsaw was plated with 30 tonnes of copper and the crucial stage of the temple's construction was able to be completed. Thanks to the durability of the metal itself and the patina which forms on copper surfaces, the average life of copper roofs is estimated at 700 years.



60th anniversary of the Legnica Smelter

The Legnica Smelter is the leading Polish recycler of non-ferrous metals. 60 000 tonnes of copper scrap was processed there in 2012 alone. The plant also processes copper concentrate, including one of the most difficult materials accepted for smelting i.e. the concentrate from the Lubin Mine.

Agreement on the sustainable development of the Głogów municipality

The main goal of the agreement is to secure stable and harmonious growth in the region, focusing on improving the quality of life of the present and future citizens of local communities. The agreement was signed on behalf of KGHM by Mr. Herbert Wirth, KGHM President and Ms. Dorota Włoch, KGHM Vice-President and on behalf of the Głogów municipality by Mr. Rafał Rokaszewicz, Head of the municipality and Mr. Grzegorz Anyż, Deputy Head of the municipality.



"Responsible for Our Common Future" Conference

The presentation of KGHM, both from the perspective of its business operations and corporate social activity, was the purpose of a meeting of the KGHM management with representatives of the local authorities from the areas where KGHM currently operates and where it is applying for concessions to carry out exploration work.

Launch of the Company's Image Review Program

KGHM commenced the implementation of a program of building and strengthening its position as a leading global producer, business partner and employer. The motto "Spread Our Brand, Spread Our Wings" accompanies the Company's image review program. The goal is to develop a consistent, world-class system of values, identity, brand architecture, visual identification system and corporate communication.

April

May

June

Completion of the SW-4 shaft

The SW-4 shaft, now connected to the underground drifts running from the direction of the Polkowice-Sieroszowice Mine, helped to provide access to the deepest copper ore deposits in the area of Deep Głogów. The shaft was named after Tadeusz Zastawnik, often referred to as the Father of the Polish Copper Industry.



KGHM offers international student internships

The internships in KGHM's international mining projects – Sierra Gorda in Chile, Victoria and Afton-Ajax in Canada and the Robinson Mine in the United States – lasted from July to September. The students qualified for the program represented the AGH University of Science and Technology, the Silesia University of Technology and the Wrocław University of Technology. KGHM is the first company from the mining sector offering international internships to Polish students.



Agreement with Vale

KGHM International signed an Agreement with Vale on the development of the Victoria project and sale of the copper ore to Vale sites in Sudbury, Canada. KGHM acquired the right to develop and manage the project as its sole owner. It was the first step towards the execution of the third most important development project of KGHM

NCBR and KGHM together for innovation

The executed agreement provides for allocating PLN 200 million for research on the development and implementation of innovative technologies in the non-ferrous metals sector. It is the first initiative in the history of Poland where an international corporation approached the Government with a proposal to co-finance a sectoral research and development program.

Changes in the Company's Management Board

The need to strengthen the coherence of actions and consolidate the KGHM Group was the main reason for the changes in the composition of the Company's Management Board. The newly appointed members are people with an excellent knowledge of the industry and a proven track record of achievements.

Important agreement in Sierra Gorda

Sierra Gorda signed a strategic commercial partnership agreement with Molymet which will remain in force for 10 years. Starting from the beginning of 2014, the molybdenum concentrate produced by Sierra Gorda will be processed into molybdenum oxide in technical quality and in the form of powder, briquettes and ferro molybdenum.

KGHM employs the best people – 2nd Edition of the Young Talent Program

Sixteen of the most talented students and graduates of the best institutions of higher education in Poland, including the Wrocław University of Technology and the AGH University of Science and Technology. To be offered jobs, the successful candidates had to beat 860 participants of the 2nd edition of the Young Talent Program.

Concessions in five mining areas for the next 50 years

The Minister of the Environment signed a decision on the issuance of a concession to continue mining of the copper ore deposits by KGHM for the next 50 years. In this way, KGHM finalized a procedure of critical significance for the future mining operations in five areas: Rudna, Sieroszowice, Polkowice, Lubin-Małomice and Radwanice-Wschód. The concessions are valid until the end of 2063.

July

August

September



“United Employers Can Achieve More”

A debate was organized by the Polish Association of the Copper Industry Employers on the theme “United Employers Can Achieve More”. The event was attended by employers from Lower Silesia. The purpose of the debate was to integrate the employers’ organization and strengthen its impact on the external business environment.

Completion of the modernization program in Głogów II Smelter

The purpose of the modernization of the Głogów II Smelter was to increase its productivity and reliability, reduce operating costs, prepare for the processing of concentrate with a higher carbon content and upgrade the infrastructure of the electric furnace and the sulfuric acid production plant. The operation was a major technical and organizational challenge.

The first bucket of rock from the GG-1 shaft

The GG-1 shaft is a strategic KGHM investment and the deepest shaft in the Copper Belt. The first ore hoisted from the GG-1 shaft was ceremoniously raised on 11 December.



KGHM at London Metal Exchange Week

Traditionally, KGHM has hosted one of the meetings at London Metal Exchange Week which attracted a record-breaking number of participants. Over 600 people from companies, organizations and institutions associated with KGHM met in Gibson Hall. The guests were interested in KGHM’s international investments and its potential debut on foreign stock exchange markets.

The shaft provided access to copper ore below the level of 1 200 m in the Deep Głogów area and is the 31st shaft of KGHM.

October

November

December

GRI Content Index

The table below can be of help when looking for a specific place in the Report where content referring to the respective reporting requirements of the Global Reporting Initiative is presented.

GRI indicator	Conformance with GRI	Additional information	Page in the report
STRATEGY AND ANALYSIS			
1.1. Statement from the most senior decision-maker of the organization. (e.g. CEO, Board President or a person occupying a similar position) on the significance of sustainable development for the organization and its strategy.	+		14
1.2. Description of key impacts, risks, and opportunities.	+		97
ORGANIZATIONAL PROFILE			
2.1. Name of the organization.	+		18
2.2. Primary brands, products and/or services.	+		19, 147
2.3. Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	+		31, 290
2.4. Location of organization's headquarters.	+		18, 302
2.5. Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	+		20

GRI indicator	Conformance with GRI	Additional information	Page in the report
2.6. Nature of ownership and legal form.	+		30, 31
2.7. Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	+		26, 153
2.8. Scale of the reporting organization.	+		21
2.9. Significant changes during the reporting period regarding size, structure, or ownership.	+		31
2.10. Awards received in the reporting period.	+		41
REPORT PARAMETERS			
REPORT PROFILE			
3.1. Reporting period (e.g., fiscal/calendar year) for information provided.	+		35
3.2. Date of most recent previous report (if any).	+		35
3.3. Reporting cycle (annual, biennial, etc.)	+		35
3.4. Contact point for questions regarding the report or its contents.	+		302
3.5. Process for defining the report content, including:	+		37
<ul style="list-style-type: none"> ▶ Relevance of the respective aspects for the reporting organization and its stakeholders ▶ Prioritization of the main issues, and ▶ Identification of the stakeholders – report addressees. 			
3.6. Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	+		37
3.7. State any specific limitations on the scope or boundary of the report.	+		37

GRI Content Index

GRI indicator	Conformance with GRI	Additional information	Page in the report
3.8. Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	+		37
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.	+		35
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).	+		37
3.11. Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	+		37
			GRI CONTENT INDEX
3.12. Table identifying the location of the Standard Disclosures in the report.	+		GRI Content Index
			ASSURANCE
3.13. Policy and current practice with regard to seeking external assurances for the report.	+		35
<p>If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).</p>			

GRI indicator	Conformance with GRI	Additional information	Page in the report
GOVERNANCE, COMMITMENT AND ENGAGEMENT			
GOVERNANCE			
4.1. Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	+		66, 76, 83
4.2. Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	+		81, 83
4.3. For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	+		66
4.4. Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	+		60
4.5. Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	+		80, 88
4.6. Processes in place for the highest governance body to ensure conflicts of interest are avoided.	+		81, 88
4.7. Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	+		69

GRI Content Index

GRI indicator	Conformance with GRI	Additional information	Page in the report
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.	+		27
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.	+		82
4.10. Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	+		83
COMMITMENT TO EXTERNAL INITIATIVES			
4.11. Explanation of whether and how the precautionary approach or principle is addressed by the organization.	+		58
4.12. Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	+		29
4.13. Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization:	+		52
<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. 			

GRI indicator	Conformance with GRI	Additional information	Page in the report
STAKEHOLDER ENGAGEMENT			
4.14. List of stakeholder groups engaged by the organization.	+		48
4.15. Basis for identification and selection of stakeholders with whom to engage.	+		48
4.16. Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	+		48, 88, 171
4.17. Key topics and concerns that have been raised through stakeholder engagement, and how the organization	+		48
APPROACH TO MANAGEMENT			
ECONOMICS	+		130
ENVIRONMENT	+		161
WORKING CONDITIONS	+		200, 205
HUMAN RIGHTS	+		184
SOCIETY	+		184
PRODUCT LIABILITY	+		199
PERFORMANCE INDICATORS			
ECONOMIC ASPECTS			
ECONOMIC PERFORMANCE			
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.	+		8, 182

GRI Content Index

GRI indicator	Conformance with GRI	Additional information	Page in the report
EC2. Financial implications and other risks and opportunities for the organization's activities due to climate change.	+		175
EC3. Coverage of the organization's defined benefit plan obligations.	+		215
EC4. Significant financial assistance received from government.	+	<p>Project title: Adaptation and implementation of Lean technology in the copper mines. Value of the grant awarded to KGHM: PLN 800 400.00; Source of financing: National Center for Research and Development (NCBiR); Project completion: 31 October 2013.</p> <p>Project title: Development of high-temperature reactors for industrial applications. Value of the grant awarded to KGHM: PLN 80 000.00; Source of financing: National Center for Research and Development (NCBiR); Project completion: 2 March 2015.</p> <p>Project title: Development of mining technology using the ACT mining complex by KGHM (28.92.1). Value of the grant awarded to KGHM: PLN 38 155 562.16, including Stage 1: 18 448 666.96 and Stage 2: 19 706 895.20; Source of financing: Polish Agency for Enterprise Development (PARP) (from the funds of the European Fund for Regional Development and a special purpose grant); Project completion: Stage 1 – 30 June 2014, Stage 2 – 31 December 2015.</p> <p>Project title: Development of coal gasification technology for high-performance production of fuels and electric energy. Value of the grant awarded to the consortium: PLN 80 000 000.00; (no financing to KGHM alone); Source of financing: National Center for Research and Development (NCBiR); Project completion: 17 March 2015.</p>	GRI Content Index

GRI indicator	Conformance with GRI	Additional information	Page in the report
MARKET PRESENCE AND LOCAL CONTRIBUTION			
<i>EC5. Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.*</i>	+		215
EC6. Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	+		194, 197
EC7. Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	+		215
INDIRECT ECONOMIC IMPACT			
EC8. Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	+		193
MATERIALS			
EN1. Materials used by weight or volume.	+		177
ENERGY			
EN3. Direct energy consumption by primary energy source.	+		178
EN4. Indirect energy consumption by primary source.	+		178
<i>EN5. Energy saved due to conservation and efficiency improvements.</i>	+		179
<i>EN6. Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.</i>	+		164

* GRI Additional Indicators are italicized.

GRI Content Index

GRI indicator	Conformance with GRI	Additional information	Page in the report
EN7. Initiatives to reduce indirect energy consumption and reductions achieved.	+		163
			WATER
EN8. Total water withdrawal by source.	-	Data not monitored.	-
EN9. Water sources significantly affected by withdrawal of water.	+		180
EN10. Percentage and total volume of water recycled and reused.	+		180
			ECOSYSTEM SERVICES AND BIODIVERSITY
EN11. Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	+		160
EN12. Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	+		159
MM1. Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated	+		157
EN13. Habitats protected or restored.	+	<p>Between 2011 and 2013 KGHM carried out rehabilitation of:</p> <p>a) PW region (with P-III and P-IV shafts) of Polkowice Sieroszowice mine. Completion of work is scheduled for 2017;</p> <p>b) SW-1 gangue dump of Polkowice-Sieroszowice mine. The project has been completed. Currently, a cultivation plan is being developed for forecrop vegetation growing on the reclaimed SW-1 dump, until the ultimate planting and cultivation of trees;</p> <p>c) Żukowice and Żukowice sand quarry near Głogów Smelter. Completion of work is scheduled for 2014.</p>	GRI Content Index

GRI indicator	Conformance with GRI	Additional information	Page in the report
EN14. Strategies, current actions, and future plans for managing impacts on biodiversity.	+/-	<p>The effort to protect biodiversity in the areas exposed to the impact of the copper industry is one of the key activities provided for in the Corporate Social Responsibility Strategy of KGHM to the year 2018, under the strategic direction 'Environmentally friendly innovator'.</p> <p>In 2013, in line with the strategy, the following activities were carried out:</p> <ul style="list-style-type: none"> a) planting forest-forming tree species around the Głogów Smelter; the forestation process was conducted in accordance with the relevant permits; b) maintenance of the meadows on the Odra River banks which have the status of ecological terrain; c) actions aimed at protecting the Peregrine falcon species in the area surrounding the Głogów Smelter. 	GRI Content Index
MM2. The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place	-	In 2013, the process of risk identification and assessment was carried out. On the basis of its results, key risks for the Company were selected. Those risks will be further analyzed in order to prepare the Risk Response Plan and Corrective Actions.	-
EN15. Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	+		159

EMISSIONS, EFFLUENTS AND WASTE

EN16. Total direct and indirect greenhouse gas emissions by weight.	+		174
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GRI Content Index

GRI indicator	Conformance with GRI	Additional information	Page in the report
EN17. Other relevant indirect greenhouse gas emissions by weight.	+	<p>The data reported under EN16 include the entire volume of greenhouse gas emissions in KGHM. The only type of emissions which can be reported as indirect would be emissions from the biomass compensated by CO₂ absorption during the vegetation stage of the future biomass. At the time of preparing this Report, the only available data were figures for 2012:</p> <ul style="list-style-type: none"> ▶ direct CO₂ emissions of biological origin: 5 173 tonnes CO₂/ year ▶ transfer of carbon of biological origin in top gas to the heat power plant of the company Energetyka: 137 706 tonnes CO₂/year. 	GRI Content Index
<i>EN18. Initiatives to reduce greenhouse gas emissions and reductions achieved.</i>	+		173
EN19. Emissions of ozone-depleting substances by weight.	-	In KGHM, we measure, monitor and report emissions for the purpose of the European Pollutant Release and Transfer Register (E-PRTR) and the European Emissions Trading System and we also prepare a global balance of greenhouse gas emissions. Some of those substances have a negative impact on the ozone layer, however, we do not prepare a balance of ozone-depleting substances in the format recommended by the Montreal Protocol.	GRI Content Index
EN20. NO _x , SO _x , and other significant air emissions by type and weight.	+		177
EN21. Total water discharge by quality and destination.	-/+	KGHM is getting ready for the comprehensive reporting of this indicator. This report presents the data for the Polkowice-Sieroszowice Mine. The total volume of water discharged from the mine in 2013 is 16 434 802 m ³ , of which 14 542 176 m ³ of water was discharged to the land surface and 1 892 626 m ³ was transported underground to the Rudna Mine.	GRI Content Index

GRI indicator	Conformance with GRI	Additional information	Page in the report
EN22. Total weight of waste by type and disposal method.	+		181
MM3. Total amounts of overburden, rock, tailings, and sludge and their associated risks.	+		181
EN23. Total number and volume of significant spills.	+	In 2013, no significant spills occurred in KGHM.	GRI Content Index
EN25. Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	+		181
PRODUCTS AND SERVICES			
EN26. Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	+		163
COMPLIANCE			
EN28. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	+	In 2013, no significant sanctions were imposed on KGHM for non-conformance with environmental regulations.	GRI Content Index
GENERAL			
EN30. Total environmental protection expenditures and investments by type.	+		161
SOCIAL ASPECTS			
EMPLOYMENT			
LA1. Total workforce by employment type, employment contract, and region, broken down by gender.	+		217
LA2. Total number and rate of new employee hires and employee turnover by age group, gender, and region.	+		218

GRI Content Index

GRI indicator	Conformance with GRI	Additional information	Page in the report
LA3. Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	+		216
LA15. Return to work and retention rates after parental leave, by gender.	+		224
LABOR/ MANAGEMENT RELATIONS			
LA4. Percentage of employees covered by collective bargaining agreements.	+		216
LA5. minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	+		216
MM4. number of strikes and lock-outs exceeding one week's duration, by country	+	In 2013, there were no strikes or lockouts in KGHM.	GRI Content Index
OCCUPATIONAL HEALTH AND SAFETY			
LA6. Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	+		207
LA7. Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	+		208, 226
LA8. Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	+		207
LA9. Health and safety topics covered in formal agreements with trade unions.	+		206
TRAINING AND EDUCATION			
LA10. Average hours of training per year per employee by gender, and by employee category.	+		212

GRI indicator	Conformance with GRI	Additional information	Page in the report
LA11. Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	+		213
DIVERSITY AND EQUAL OPPORTUNITY			
LA13. Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	+		68, 84, 220
EQUAL REMUNERATION FOR WOMEN AND MEN			
LA14. Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	+		219
INVESTMENT AND PROCUREMENT PRACTICES			
HR1. Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	+		197
HR2. Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening and actions taken.	+	In 2013, KGHM did not screen its suppliers and business partners for conformance with human rights.	GRI Content Index
HR3. Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	+		198
NON-DISCRIMINATION			
HR4. Total number of incidents of discrimination and corrective actions taken.	+	In 2013, in KGHM there were no instances of discrimination due to race, skin color, gender, religion, political views and ethnic or social background	GRI Content Index

GRI Content Index

GRI indicator	Conformance with GRI	Additional information	Page in the report
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
HR5. Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	+	In 2013 in KGHM no threats were identified to the freedom of association or collective bargaining.	GRI Content Index
CHILD LABOR			
HR6. Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	+	In 2013 in KGHM there were no indications of a risk of making use of child labor. The Company strongly supports a total ban on child labor.	GRI Content Index
PREVENTION OF FORCED AND COMPULSORY LABOR			
HR7. Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	+	In 2013 in KGHM there were no instances of forced or compulsory labor. The Company strongly supports total elimination of all forms of forced labor.	GRI Content Index
SECURITY PRACTICES			
<i>HR8. Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.</i>	+		198
INDIGENOUS RIGHTS			
MM5. Total number of operations taking place in or adjacent to indigenous peoples' territories, and number and percentage of operations or sites where there are formal agreements with indigenous peoples' communities	+	In its operations conducted on the territory of Poland, KGHM did not identify communities with a different identity from the predominant group of the society. The indicator has been reported by referring to significant agreements executed with the local community of the Copper Belt in relation to KGHM's corporate social activities.	185

GRI indicator	Conformance with GRI	Additional information	Page in the report
HR10. Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	-	KGHM does not apply the criteria of respecting human rights when choosing locations for its operations in Poland because there is no risk of violating human rights on the territory in which KGHM operates. In its CSR Strategy to the year 2016, the Company is planning to implement a system of identification and assessment of risks related to potential foreign investments, taking into account human rights as one of the CSR aspects.	-
HR11. Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	+	In 2013, KGHM did not receive any grievances concerning alleged violation of human rights by the Company.	GRI Content Index
LOCAL COMMUNITIES			
Percentage of operations with implemented local community engagement, impact assessments, and development programs.	+		163, 165
SO9. Operations with significant potential or actual negative impacts on local communities.	-	KGHM is getting ready for carrying out a study to assess the effect of the CSR activities completed to date. One of the elements of the project will be assessment of the Company's impact on local communities. For this reason the indicator is not reported yet.	-
SO10. Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	+/-	For a number of years, KGHM has been implementing a comprehensive Health Promotion and Environmental Hazards Prevention Program. The tests and examinations carried out under the Program demonstrate absence of a negative impact of the Company on the lives and health citizens of local communities. Analyses of the potential impact will be related to activities undertaken with reference to indicator SO9.	163, 192
MM6. number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples	+		186

GRI Content Index

GRI indicator	Conformance with GRI	Additional information	Page in the report
MM7. The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and indigenous peoples, and the outcomes	+		186
ARTISANAL AND SMALL-SCALE MINING			
MM8. Number (and percentage) of company operating sites where artisanal and small-scale mining takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks	-	On the territory where KGHM's operations are based, there are no sites which would carry out artisanal or small-scale extraction.	
RESETTLEMENT			
MM9. Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process	+		186
CLOSURE PLANNING			
MM10. Number and percentage of operations with closure plans	+	In 2013, KGHM did not prepare any plans for closure of significant operations.	GRI Content Index
CORRUPTION			
SO2. Percentage and total number of business units analyzed for risks related to corruption.	+	100% of Group companies and divisions are analyzed for risks related to corruption	GRI Content Index
SO3. Percentage of employees trained in organization's anti-corruption policies and procedures.	+		196
SO4. Actions taken in response to incidents of corruption.	+	Identified instances of corruption are reported by KGHM to competent public authorities. In 2013, no instances of corrupt practices were identified in the Company.	GRI Content Index
CORRUPTION			
SO5. Public policy positions and participation in public policy development and lobbying.	+		52

GRI indicator	Conformance with GRI	Additional information	Page in the report
SO6. Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	+		188
ANTI-COMPETITIVE BEHAVIOR			
SO7. Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	+		200
COMPLIANCE			
SO8. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	+	In 2013 no administrative or court sanctions were imposed on the Company.	GRI Content Index
MATERIALS STEWARDSHIP			
MM11. Programs and progress relating to materials stewardship	+/-		199
CUSTOMER HEALTH AND SAFETY			
PR1. Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	-	<p>The main products of KGHM are used in the healthcare and medical sectors.</p> <p>The Company assesses its impact on health and safety in accordance with the applicable legal regulations.</p> <p>In relation to dealing in hazardous substances and their procedures on Company property, a range of specific legal obligations are imposed on the Company which specify in detail the actions which must be taken to establish an effective safety system.</p> <p>The safety system is one of the elements of the overall management system.</p> <p>The Company is getting ready to report in detail its approach to management of its impact on the health and safety of product users.</p>	-

GRI Content Index

GRI indicator	Conformance with GRI	Additional information	Page in the report
PRODUCT AND SERVICE LABELLING			
PR3. Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	-	<p>The main products of KGHM are subject to information requirements imposed on the Company by force of the obtained certificates. Electrolytic copper cathodes meet the highest demands for quality and are registered as Grade "A" on the London Metal Exchange (LME) and on the Futures Contracts Exchange in Shanghai under the brands: HMG-S and HMG-B (for cathodes produced by the Głogów Smelter) and HML (for cathodes produced by the Legnica Smelter).</p> <p>Refined silver bars registered under the brand KGHM HG hold two certificates of Good Delivery issued by the London Bullion Market Association and by the Dubai Multi Commodities Centre. Since 2009, our silver also has a certificate of registration on NYMEX in New York. The Company is getting ready for detailed reporting of its approach to product labeling.</p>	-
<i>PR5. Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.</i>	+		195
MARKETING COMMUNICATIONS			
PR6. Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	+		198
CUSTOMER PRIVACY			
<i>PR8. Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.</i>	+		200

GRI indicator	Conformance with GRI	Additional information	Page in the report
COMPLIANCE			
PR9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	+		200



Glossary of terms



B

Best Available
Techniques
(BAT)

According to the definition presented in Directive 96/61/EC, Best Available Techniques are the most effective and advanced stage in the development of activities and their methods of operation which indicate the practical suitability of particular techniques for providing in principle the basis for emission limit values designed to prevent and, where that is not practicable, generally to reduce emissions and the impact on the environment as a whole.

Biodiversity

The diversity of all living organisms from terrestrial, marine and other water ecosystems and ecological complexes of which they form part. The term refers both to diversity with a single species, between different species and between ecosystems.

Business ethics

Applying solutions in the conducted business operations which combine ethical requirements with the strategic interest of the organization. Business ethics sets the ethical standards, rules of conduct and values of the organization.

C

Code
of Conduct

A collection of principles and rules of conduct in business operations which, in addition to general principles of reliability and honesty in business relations and engaging in activities which contribute to social development and do not violate ethical norms and community standards, also prescribes specific behaviors expected in the organization.

	<p>Competences, experience and motivation of the employees to participate in development and innovation, including:</p> <ul style="list-style-type: none"> ▶ conformance with the corporate governance principles, approach to risk management and ethical values, ▶ a possibility to understand, develop and implement a strategy of the organization, ▶ motivation for improvement and development of processes, products and services, including the leadership, management and teamwork skills.
Copper cathodes	The basic form of refined electrolytic copper; the product of electrolytic copper refining;
Copper rod	A rolled copper rod with a diameter range from 6 to 12mm commonly used as material for the cable industry.
Copper smelting and electrolytic refining	The process consists of preparation of the charge (mixing the components and drying), Dore metal smelting and casting anodes (the charge is smelted in the Kaldo furnace for the purpose of slagging or gasification of impurities), casting the product (anodes containing 99% of silver), electrorefining of silver (cathode slurry with a 99% of Ag content), smelting in an electric induction furnace and casting refined silver in the form of bars or granules.
Corporate mission	A set of the organization's aspirations and goals. It encompasses the values adopted by its management and is the basis for setting the directions of the organization's activities. The mission also defines the identity and organizational culture.
Corporate social responsibility	<p>A strategic approach of the organization assuming achievement of economic objectives while taking into account social interests in all decisions made.</p> <p>CSR includes conformance with ethical standards, respecting employee and human rights and taking care of the local community and natural environment. It is now commonly accepted that social responsibility should be an integral element of each company's policy, complementary to its business objectives.</p>
D	
Donation	A type of agreement under which an individual or a business entity referred to as the donor commits to donate certain assets to the beneficiary at its own expense. The donation agreement may apply to movable and immovable property, sums of money and ownership rights, but not to provision of free of charge services.

Glossary of terms

E	
Electrolytic copper refining technology	<p>Metal electrorefining technology applied to copper.</p> <p>Periodical withdrawal of electrolyte is necessary to maintain impurities at the acceptable level which determines the quality of refined electrolytic copper.</p> <p>Polluted electrolyte and slime are starting materials for the recovery of certain metals accompanying copper, such as silver, gold, selenium and nickel.</p>
Electrorefining	The process of electrolysis with a soluble anode made of an alloy subject to refining. During the process, thanks to adequate process conditions, selective extraction of refined metal takes place on the cathode, while impurities remain in the electrolyte in the solid or dissolved form.
Employee voluntary work	Involvement of employees in voluntary work for charity organizations. Employee volunteers provide different kinds of services to people in needs using their skills and competences and have a chance to develop their talents in different fields. The company supports employees in voluntary work. Depending on the organizational culture, employees may be delegated to do charity work during work time or receive material, logistic or financial support.
F	
Flotation (ore enrichment)	<p>The process of ore separation into fractions with different grades of the useful material based on the differences in the hydrophilic properties of different mineral grains.</p> <p>Hydrophilic minerals settle at the bottom of the flotation tank while hydrophobic minerals (additionally treated with substances called collectors, such as xanthates to enhance their hydrophobic properties) float at the surface of the froth formed using special foaming agents.</p>
Flotation waste (tailings)	The final product of the ore enrichment process which requires utilization or storage.
G	
Gangue	Useless rock extracted during the mining of minerals.

GRI	<p>Global Reporting Initiative is an independent organization promoting Sustainability Reporting Guidelines which are applied globally. The guidelines are intended for companies which want to prepare comprehensive reports on their activities, including economic, environmental and social impacts.</p> <p>At present, two standards are in force, the so called G3 launched in 2006 and G4 launched in 2013.</p>
I	
Intellectual capital	<p>Intangible, knowledge-based resources of a company, including:</p> <ul style="list-style-type: none"> ▶ intellectual property, such a patents, ▶ organizational know-how, systems, procedures and policies, ▶ brand and reputation.
ISO	International Organization for Standardization
M	
Marketing communication	<p>A combination of strategy, systems, methods and activities used by an organization to build its reputation and promote its brands, products and services to target groups.</p> <p>Marketing communication may include such activities as advertising, personalized sales, promotion, public relations and sponsoring.</p>
N	
Natural capital	<p>Renewable and non-renewable resources and processes used to supply products and services which have supported the past, present and future development of the organization, including:</p> <ul style="list-style-type: none"> ▶ air, water, soil, minerals, forests etc. ▶ diversity and good conditions of ecosystems.
NGO	<p>A non-governmental organization is an organization independent from the state and political structures which conducts non-profit operations for the sake of social causes and public interest and its activities are to a high extent based on voluntary work.</p>

Glossary of terms

Nickel (Ni, niccolum) – a chemical element with an atomic number 28 and atomic weight of 58.96. A relatively hard metal, forgeable, a ferromagnetic. Physical properties: density – 8.9 g/cm³, melting temperature – 1 459 °C, boiling point – 2 732 °C. A microelement with a higher presence in plant tissues compared to animal tissues. In the body of a man weighing 70 kg 1 mg of nickel can be found (it acts as an activator for certain enzymes). In the earth rock, occurs in a mineral form (e.g. niccolite). A component of the Earth's core. Used in nickel plating, in production of special steel types, as a catalyst and – in the form of alloys- in the manufacture of chemical apparatus, surgical instruments, coins. Discovered in 1751 by A.F. Cronstedt.

O

Organizational culture A collection of standards, values, behaviors, attitudes, assumptions and symbols which determine the organization's way of thinking and acting and set the standards of communication and action.

Ounce a unit of measures used in Anglo-Saxon countries; a unit of mass 1 oz = 1/16 lb = 437,5 g/16 = 28.3495 g; a unit of mass used in pharmacy and jewelry making (troy ounce, tr oz) 1 tr oz = 480 g/16 ~ 31.1035 g; a unit of volume (fluid ounce, fl oz) fl oz (UK) = 1/160 gal (UK) ~ 28.4131 cm³; American - fl oz (US) = 1/128 gal (US) ~ 29,5735 cm³.

Ozone depleting substances All substances with the ozone depleting potential higher than zero which resulting in the shrinking of the ozone layer in the stratosphere.

The majority of ozone depleting substances are controlled under the Montreal Protocol and amendments to the Protocol, including CFC, HCFC, halones and methyl bromide.

P

Platinum (Pt, platinum) – a chemical element with an atomic number 78 and atomic weight of 195.08. A relatively soft and plastic metal. Physical properties: density – 21.45 g/cm³, melting temperature – 1 722 °C, boiling point – 3 827 °C.

A precious metal resistant to chemical agents. Absorbs gases. occurs in indigenous form and also as an alloy with other metals form the Platinum group. used as a catalyst (platinum sponge or platinum black), in the production of electrodes, laboratory vessels, thermal components and coatings.

Discovered in 1735 by A. de Ulloa.

Primary source of energy	A source of primary energy used to satisfy the demand for energy of the reporting entity. The energy is used either for the production of the final energy (e.g. heating of a building, transport) or for the production of intermediate forms of energy, such as electricity or heat. The examples of primary sources include non-renewable sources of energy, such as coal, natural gas, oil or nuclear energy and renewable sources, such as biomass or wind, solar, geothermal or water energy. primary energy can be used on the grounds of the reporting entity (e.g. natural gas used for heating buildings) or outside of its grounds (e.g. natural gas used by power plants which supply electric power to the reporting entity's machinery and equipment).
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R

Renewable resources	Resources which can be renewed in a short period of time as part of the natural ecological cycle (unlike such resources as minerals, metals, oil, gas or coal which cannot be renewed in a short period of time).
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Resources	Natural resources processed into products and services, such as ores, minerals, wood, etc.
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Rhenium	(Re, rhenium) – a chemical element with an atomic number 75 and atomic weight of 186.2. Physical properties: density – 8.9 g/cm ³ , difficult to melt - melting temperature – 3 180 °C, boiling point – 5 650 °C. It does not form deposit and occurs in small amounts in ores of other metals (copper), most often bound with molybdenum; creates compounds with oxygen and chlorine; used as a catalyst in petrochemical industry and in the production of super alloys for the space, aviation and chemical industry. Discovered in 1925.
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Rock bump hazard	A risk of sudden collapse of the rock structure around the working with a rapid movement of the risk into the working.
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S

Selenium	(Se, selenium) – a chemical element with an atomic number 34 and atomic weight of 78.96. A semi metal with melting temperature at 217 °C and boiling point at 684.9 °C. The most durable allotropic version is metallic selenium with the density of 4.79 g/cm ³ . and with the properties of a semi-conductor; occurs In the Earth's shell in sulfur and sulfide mineral deposits. A microelement occurring in a human body (14mg in a man weighing 70 kg) and protecting tissues against genetic damage caused by free radicals. Contributes to proper growth of tissues; in excessive amounts the element has toxic properties and may have carcinogenic and teratogenic effects. Used mainly in the production of photocells, thin optical layers, rectifiers, glass dying and vulcanization of rubber.
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Glossary of terms

Significant impact	<p>An impact which may have a negative, direct or indirect, effect on the integrity of a geographic region/ area through a significant change in the environmental characteristics of the whole area, its structures and functions, in the long-term perspective. This may mean that it will not be possible to maintain the habitats or the population size of particular species of major significance for the area.</p> <p>With respect to a species, significant impact may lead to reduction and/or change of distribution of the population, affecting the rate of natural increase and preventing return of the population to its original size for a number of generations. Significant impact may also reduce survivability of a species or result in commercial exploitation of resources negatively affecting the wellbeing of the species relying on the resources.</p>
Significant operation locations	<p>Locations whose revenues, costs, payments to stakeholders, production and employment on a given market account for a major part of the overall global revenues, costs etc. of the respective organization and are sufficient to serve as the basis for decisions made by the organization or its stakeholders. The sum of all data for significant operation locations should make up a definite majority of the presented figures.</p>
Social and relational capital	<p>Relations between communities and groups of stakeholders and the ability to share information to enhance the quality of life of individuals and communities, including:</p> <ul style="list-style-type: none"> ▶ common standards, values and behaviors, ▶ key relationships with stakeholders, credibility and commitment of the organization which serve as the basis for maintaining and strengthening the ties with external stakeholders.
Social dialogue	<p>The exchange of information and presentation of positions. The parties to such dialogue can include public institutions, businesses and non-governmental organizations. It is a platform for the presentation of interests of the respective parties. The key to success is an open and honest exchange of information and collaboration between the parties.</p>
Social program	<p>A range of planned actions the purpose of which is to solve or prevent a particular social issue. It can be implemented jointly or individually by public institutions, business organizations and NGOs.</p>

Spill	<p>An accidental release of a hazardous substance which may have a negative impact on human health, vegetation and groundwater. A significant spill is a spill of a substance which may have a powerful impact on the natural environment e.g. due to high content of salt, acid, toxicity or resistance to biodegradability.</p>
Sponsoring	<p>A mutual agreement between two parties, the sponsor and the beneficiary, under which the sponsor provides funding, tangible benefits or services to the beneficiary in exchange for promotional services on the part of the beneficiary. Sponsoring is a planned and conscious activity undertaken in order to build a positive image of the company. It is often an element of the long-term marketing strategy of a company.</p>
Stakeholder	<p>A term introduced for the first time in 1963 by the Stanford Research Institute to mean a person or an entity having interest in the company's operations and exposed to different risks related to its operations, as well as a person or entity affected by the company's operations.</p> <p>Unlike shareholders interested mainly in the profits from the company's operations, stakeholders are a much bigger group including, for instance, employees, customers, lenders, suppliers, government agencies and, in a broader sense of the term, also the local community, natural environment and the public opinion.</p>
Sustainable development	<p>Social and economic development harmonized with the natural environment. The idea of sustainable development assumes rational use of resources (human, social and natural), so that they can be used also in the future.</p>

The glossary of terms has been prepared based on KGHM own sources as well as on information from the following websites: www.filatropia.org.pl, www.fob.org.pl, www.pfcg.org.pl and www.globalreporting.org.

Operations of the KGHM Polska Miedź Group

Composition of KGHM Poland Miedź Group as at 31 December 2013

GRI 2.3.

	Company	Country	City
	KGHM Polska Miedź S.A.	Poland	Lubin
	KGHM Metraco S.A.	Poland	Legnica
	POL-MIEDŹ TRANS Sp. z o.o.	Poland	Lubin
	„Energetyka” sp. z o.o.	Poland	Lubin
	PeBeKa S.A.	Poland	Lubin
	KGHM ZANAM Sp. z o.o. (wcześniej ZANAM-LEGMET Sp. z o.o.)	Poland	Polkowice
	KGHM CUPRUM sp. z o.o. - CBR	Poland	Wrocław



Operations

mining copper ore, extraction of salt, production of copper and precious metals

wholesale trade of scrap metals, lead, non-ferrous metals, chemical products and salt; the company supplies scrap copper to KGHM Polska Miedź and sells to external markets byproducts of the Parent Company's technological processes

passenger and cargo railroad transport; road transport; trading in petroleum products; the company is a leading railroad and road carrier and a supplier of fuel to KGHM Polska Miedź;

generation, transmission and distribution of electric energy and heat; water and wastewater management; the company satisfies a certain part of the demand for energy of KGHM Polska Miedź;

mining construction services (building shafts, drift work); building road and railroad tunnels; specialized construction services; the company is the main contractor of mining construction for KGHM Polska Miedź;

manufacture of mining machinery and equipment and construction machinery; overhaul of machines; plant maintenance services; building steel structures; the company is a major supplier of mining machinery and equipment and provider of related machine maintenance services to KGHM Polska Miedź; it also provides plant maintenance services in selected areas;

design, research and development and scientific activities; the company is a major provider of design services to KGHM Polska Miedź ;

Composition of KGHM Poland Miedź Group as at 31 December 2013

Company	Country	City
CBJ sp. z o.o.	Poland	Lubin
INOVA Spółka z o.o.	Poland	Lubin
BIPROMET S.A.	Poland	Katowice
„BIOWIND” sp. z o.o. w likwidacji	Poland	Lubin
WPEC w Legnicy S.A.	Poland	Legnica
NITROERG S.A.	Poland	Bieruń
PHP „MERCUS” sp. z o.o.	Poland	Polkowice
KGHM Ecoren S.A. (spółka połączona 31.01.2014 r. z KGHM Metraco S.A.)	Poland	Lubin
CENTROZŁOM WROCŁAW S.A.	Poland	Wrocław
Walcownia Metali Nieżelaznych „ŁABĘDY” S.A.	Poland	Gliwice
WFP Hefra S.A.	Poland	Warszawa
Ecoren DKE sp. z o.o. w likwidacji (spółka zlikwidowana 1.04.2014 r.)	Poland	Lubin
PHU „Lubinpex” Sp. z o.o.	Poland	Lubin
PMT Linie Kolejowe Sp. z o.o.	Poland	Owczary

Operations

physio-chemical tests and analyses; measurement of emissions and imissions; industrial research the company mainly provides industrial research services to KGHM Polska Miedź;

design and manufacture – innovative solutions in the area of electrotechnology, automation, communication systems; certification and attestation of machines and equipment; the company is the supplier and provider of maintenance services of the underground radio communication system for the mines of KGHM Polska Miedź;

design services; consulting; technical concepts; general contractor services; the company prepares the technical documentation for the Pyrometallurgy Modernization Program of KGHM Polska Miedź;

generation, transmission and distribution of electric energy;

production of heat from own sources; heat transmission and distribution; maintenance services;

production of explosives, Nitrocet 50 and initiators; the company satisfies a major part of the demand of KGHM Polska Miedź mines for explosives

trading in consumer goods; supplying materials and technical components; manufacture of wiring harnesses and hydraulic hoses; the company acts as a coordinator of supplies of materials and spare parts for the core business of KGHM Polska Miedź;

processing of acidic industrial wastewater into rhenium products (metallic rhenium and ammonium perrhenate); manufacture of construction aggregate; processing and recovery of metals; processing of electronic waste; the company specializes in the management and processing of industrial waste of KGHM Polska Miedź;

recovery of resources from segregated materials; purchase and sale of scrap metal; recycling of waste; sale of steel and aluminum production of construction reinforcements;

production of flat copper and copper alloy products; providing of hot-rolling services;

manufacture and sale of cutlery made of stainless steel, silver plated metals and silver;

utilization of used batteries and small-size battery cells; collection and processing of waste electric and electronic equipment;

food and beverage services, trading, vending and catering;

management of railroad lines; maintenance of railroad infrastructure; renovation and overhaul service;

Composition of KGHM Poland Miedź Group as at 31 December 2013

	Company	Country	City
	KGHM TFI S.A.	Poland	Wrocław
	INTERFERIE S.A.	Poland	Lubin
	Interferie Medical SPA Sp. z o.o.	Poland	Lubin
	Uzdrowiska Kłodzkie S.A. – Grupa PGU (wcześniej ZUK S.A.)	Poland	Polanica- -Zdrój
	Uzdrowisko Połczyn Grupa PGU S.A. (wcześniej Uzdrowisko Połczyn S.A.)		Połczyn- -Zdrój
	Uzdrowisko Cieplice sp. z o.o. – Grupa PGU (wcześniej „Uzdrowisko Cieplice” sp. z o.o.)	Poland	Jelenia Góra
	Uzdrowisko Świeradów-Czerniawa Sp. z o.o. – Grupa PGU (wcześniej Uzdrowisko „Świeradów-Czerniawa” sp. z o.o.)		Świeradów- -Zdrój
	Fundusz Hotele 01 Sp. z o.o.	Poland	Wrocław
	Fundusz Hotele 01 Sp. z o.o. S.K.A.		Wrocław
	Polska Grupa Uzdrowisk Sp. z o.o.		Wrocław
	Polska Grupa Uzdrowisk Sp. z o.o. S.K.A. (wcześniej Fundusz Uzdrowiska 01 Sp. z o.o. S.K.A.)		Wrocław
	KGHM I FIZAN	Poland	Wrocław
	KGHM III FIZAN		Wrocław
	KGHM IV FIZAN		Wrocław
	KGHM V FIZAN	Poland	Wrocław
	„MCZ” S.A.	Poland	Lubin
	Zagłębie Lubin S.A.	Poland	Lubin

Operations

establishing and managing investment funds; the company manages closed-ended investment funds, the participant of which is KGHM Polska Miedź;

selling tourist services, including package tours, spa and treatment holidays and hotel services;

providing hotel, recreation, rehabilitation, health and wellness tourism services;

providing services in the area of medical treatment, sanatoriums, spa and wellness and health tourism; the companies participate in the project called Polska Grupa Uzdrowisk (Polish Resort Group) implemented jointly by KGHM and FIZAN

providing services in the area of medical treatment, sanatoriums, spa and wellness and health tourism; the companies participate in the project called Polska Grupa Uzdrowisk (Polish Resort Group) implemented jointly by KGHM and FIZAN

providing a variety of services, including acting as a holding company; management of special purpose companies specializing in holiday, sanatorium, spa and wellness and other similar services; the companies belong to the structures of KGHM Polska Miedź and FIZAN;

investing funds;
diversification of investment risk of KGHM Polska Miedź S.A.

investing funds;
diversification of the investment risk of KGHM Polska Miedź;

hospital treatment; medical practice;
healthcare services; occupational medicine;

operating a football club;
organization of professional sports events;

Composition of KGHM Poland Miedź Group as at 31 December 2013

	Company	Country	City
	KGHM LETIA S.A.	Poland	Legnica
	KGHM (SHANGHAI) COPPER TRADING CO., LTD.	China	Shanghai
	KGHM Kupferhandelsges. m.b.H.i.L (spółka w likwidacji)	Austria	Wiedeń
	Przedsiębiorstwo Budowlane Katowice S.A. w likwidacji	Poland	Katowice
	Bipromet Ecosystem Sp. z o.o.	Poland	Katowice
	NITROERG SERWIS Sp. z o.o. (wcześniej BAZALT-NITRON Sp. z o.o.)	Poland	Wilków
	KGHM Kupfer AG	Germany	Weisswasser
	KGHM AJAX MINING INC.	Canada	Vancouver
	Sugarloaf Ranches Ltd.	Canada	Vancouver
	KGHM International Ltd.	Canada	Vancouver
	FNX Mining Company Inc.	Canada	Vancouver
	DMC Mining	Canada	Toronto
	Quadra FNX Holdings Partnership	Canada	Vancouver
	0899196 BC Ltd.	Canada	Vancouver
	Quadra FNX Holdings Chile Limitada	Canada	Vancouver
	Aguas de la Sierra Limitada	Chile	Santiago

Operations

operating a technological park; promotion of scientific achievements;
technology transfer; sales and rental of property;

trading in copper and silicon products, mined products (copper/silicon) and providing related services; the company is an intermediary of KGHM Polska Miedź S.A. on the Chinese market;

trading in copper;

manufacturing , design and trading activities; research and development and dissemination of knowledge in the field of heating, water and wastewater installations, etc;

manufacturing , design and trading activities; research and development and dissemination of knowledge in the field of heating, water and wastewater installations, etc;

a broad range of drilling and blasting services for mining companies;
sale of explosives and initiators;

prospecting for and exploration of copper and other minerals;
the company has been implementing a resource project –
evaluation of the Weisswasser copper deposit in Germany;

prospecting and exploration of mineral deposits:
the company has been implementing Afton-Ajax resource project (copper and gold)
in British Columbia, Canada

the company owns real estate assets for the future mining operations
under the Afton-Ajax project

establishment, development, management and controlling companies

mining copper and nickel ore; production and sale of copper and nickel; development of the Victoria project; the company owns underground mines: Levack/Morrison, McCreedy West, Ontario Canada

contracting mining services

managing and controlling other companies

managing and controlling other companies

managing and controlling other companies

holding and managing water licenses in Chile

Composition of KGHM Poland Miedź Group as at 31 December 2013

	Company	Country	City
	Minera Carrizalillo Limitada	Chile	Santiago
	Mineria y Exploraciones KGHM International SpA (wcześniej Minería y Exploraciones Quadra FNX SpA)	Chile	Santiago
	Sociedad Contractual Minera Franke	Chile	Santiago
	Robinson Holdings (USA) Ltd.	Chile	Santiago
	Wendover Bulk Transshipment Company	USA	Denver
	Robinson Nevada Mining Company	USA	Denver
	Carlota Holdings Company	USA	Denver
	Carlota Copper Company	USA	Denver
	FNX Mining Company USA	USA	Denver
	DMC Mining Services	USA	Denver
	KGHMI Holdings (Barbados) Ltd. (wcześniej Quadra FNX Holdings (Barbados) Ltd.)		Bridgetown
	Quadra FNX Chile (Barbados) Ltd.		Bridgetown
		Barbados	
	Quadra FNX SG (Barbados) Ltd.		Bridgetown
	Quadra FNX FFI Ltd.		Holetown
	Raise Boring Mining Services S.A. de C.V.	Mexico	Juarez

Operations

managing and controlling other companies

managing and controlling other companies
providing exploration services for the purpose of Sierra Gorda Project;

leaching copper ore;
production and sale of copper;
the company owns the Franke open-pit mine in Chile;

technical and management services provided to subsidiaries in the United States

loading and unloading services provided to Robinson minemining copper ore;

production and sale of tools;the company owns the open pit Robinson mine in Nevada;

managing and controlling other companies

leaching copper ore, production and sale of copper;
the company owns the Carlota open-pit mine in the United States

managing and controlling other companies

contracting mining services

managing and controlling other companies

financial operations;

Composition of KGHM Poland Miedź Group as at 31 December 2013

*
 On 22 January 2014,
 Pan de Azucar (BVI) Ltd.
 and Centenario
 Copper (BVI) Ltd.,
 Volcanes (BVI) Ltd.,
 subsidiaries of the
 KGHM Ltd. Group, were
 merged and acquired by
 Centenario Holdings
 Ltd.

	Company	Country	City
	Centenario Holdings Ltd.		Road Town
	Pan de Azucar (BVI) Ltd.*	British	Road Town
	Volcanes (BVI) Ltd.*	Virgin Islands	Road Town
	Frankie (BVI) Ltd.		Road Town
	Centenario Copper (BVI) Ltd.*		Road Town
	Malmbjerg Molybdenum A/S	Greenland	Nuuk
	International Molybdenum Plc	United Kingdom	St. Albans
	Sierra Gorda S.C.M.	Chile	Sierra Gorda
	„Mercus Software” sp. z o.o. (połączona z PHP „MERCUS” sp. z o.o. 31.03.2014 r.)	Poland	Lubin
	PHU „Mercus Bis” sp. z o.o.	Poland	Wieliczka
	NANO CARBON Sp. z o.o.	Poland	Warszawa
	TUW-CUPRUM	Poland	Lubin
	„Elektrownia Blachownia Nowa” Sp. z o.o.	Poland	Kędzierzyn-Koźle
Other companies taken into account in consolidation adjustments			
	Fermat 1 S.à r.l.		
	Fermat 2 S.à r.l.	Luxembourg	Munsbach
	Fermat 3 S.à r.l.		
	0929260 B.C. U.L.C.	Canada	Vancouver

Operations

managing and controlling other companies;

financial operations;

management and development of the molybdenum extraction project Malmbjerg
(the company hold a permit and a mining license for the project);

financial operations

the company manages the Sierra Gorda project in the pre-production stage

implementation of IT systems; managing and administrating computer networks;
selling IT software and hardware; fiscal cash registers and consumables;
on 31 March the company was merged with PHP MERCUS sp. z o.o.

sales of construction and installation materials for the metals industry and custom made furniture;

an innovative company specializing in graphene technologies;
identifying and implementing product which can make use of graphene;

insurance activities on mutual terms, including life and property insurance;

preparatory activities for the construction of the power block and formal organization of the
Company;

holding structure companies established in order to purchase the shares of KGHM International Ltd.

managing and controlling other companies;

Contact

Additional information about the business operations and social and environmental activities of KGHM can be found at www.kghm.pl.

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