
Integrated Report 2015



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Exploring new layers of opportunities

1. Introduction

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Letter from the President of the Management Board & CEO



Dear Ladies and Gentlemen,

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On behalf of the Management Board, I would like to present the 2015 Integrated Report for KGHM Polska Miedź S.A. and KGHM International Ltd.

This was an exceptional year, full of challenges and dynamic changes on the global commodities market. The KGHM Polska Miedź S.A. Group (here and after referred to as "KGHM Group") responded to these challenges by significantly increasing copper equivalent production (by 12%), reducing unit cost (by 16%), and by achieving the highest production of anode copper in history (675 thousand tonnes). The KGHM Group also reached revenue in excess of USD \$5.12B, a level comparable to that of 2014.

All this was achieved despite unfavorable macroeconomic conditions. Average annual copper listings on the London Metal Exchange (LME) dropped by nearly 20% compared to 2014, while the price of silver on the London Bullion Market Association (LBMA) dropped by nearly 18%.

Price drops also affected our other products, including molybdenum and nickel. Unfavorable macroeconomic conditions were additionally exacerbated by record lows in petroleum prices and the increasingly perceptible slowdown of the Chinese economy. The tax on extraction of certain useful minerals, which amounted to over USD \$360M in the previous year, also had a significant impact on KGHM Group's financial situation.

The situation on the commodities market in 2015 affected the market values of our mining assets. According to International Accounting Standards, the book value of production assets for: Sierra Gorda S.C.M. in Chile, mines in the Sudbury Basin (Canada), Robinson (USA) and Franke (Chile) were subjected to periodical verification. As a consequence of conducted research, the total value of write-downs on production assets in the Consolidated Report amounted to USD \$1,294M (PLN 5,048M) after the tax effect was accounted for. It is worth noting that similar research conducted for domestic assets did not indicate the necessity of updating their value, due to, above all, a significant weakening of the value of Polish zloty relative to the American dollar.

This economic downturn on the global commodities market is a strategic challenge for us. To meet this challenge, we are placing emphasis on cost competitiveness, development of modern technological solutions, and optimization of management of our project portfolio, with faith that we will continuously build value for shareholders in this way. We want for the foundations on which the KGHM Group rests, which are now being reinforced, to become the launchpad for our achievement of a lasting competitive advantage.

This is why a long-term perspective determines our activity. We verify and analyze assumptions and investment plans to pursue growth while maintaining operational profitability. We have also adopted new, more cautious macroeconomic assumptions, particularly in the context of copper prices in the next four years. All of this is

intended to maintain a stable financial situation of the Group, so that shareholders can reach their expected returns on investment.

We shall make critical, strategic investments while reliably modifying their schedules and budgets. We are successfully performing work in the Deep Głogów area (Głogów Głęboki – Przemysłowy) as well as within the framework of the Pyrometallurgy Modernization Project at the Głogów Copper Smelter, both located in Poland. We are continuing cost-effectiveness in our international investments – the Ajax and Victoria projects in Canada and the Sierra Gorda S.C.M. mine in Chile.

We achieve the objectives we set thanks to the highest standards that we have consistently been implementing at KGHM Group for years. Our unchanging values – Zero Harm, Teamwork, Results Driven, Courage, Accountability – have helped us to prepare for difficult times.

Among our customers, we continue to be perceived as a reliable manufacturer, trusted partner, and a company that consistently implements sustainable development policy.

This policy encompasses our activities oriented toward the local communities among which the KGHM Group operates. At the end of 2015, we adopted the KGHM Corporate Social Responsibility Strategy, based on the Ten Global Compact Principles – a UN initiative dedicated to the CSR mission, of which we have been a member for two years. We are convinced that the Corporate Social Responsibility Strategy we have adopted, as an essential part of KGHM Group's business strategy, will allow us to operate and

execute strategic projects based on the highest standards, regardless of the location of the investment. In 2015, we also worked on improving our relationships with local communities, and the Social Dialogue Model was created as a result of this work. We always strive to set the highest environmental standards, as underlined in KGHM Group's Environmental Policy.

For years, the KGHM Polska Miedź Foundation (Foundation) has unchangingly been our instrument for implementing sustainable development policy and consistently supporting financially valuable initiatives and projects. The Foundation defined its main areas of activity in 2015. These areas are health and safety, culture and tradition, science and education, as well as sport and recreation. In 2015, the Foundation supported initiatives, projects and individuals with funding totaling USD \$5.4M. The employee volunteer program at the KGHM Group - a joint grassroots initiative between our employees and local communities - took on a greater role.

Building a strong KGHM Group, both in Poland and abroad, is only possible thanks to our employees. Increasing their involvement translates to permanent capital, being the knowledge and experience of our team wherever the KGHM Group is present. I am convinced that our common effort to overcome the challenges we face will allow the company to achieve the objectives we have set.

Finally, I extend a special thanks to our customers and shareholders, for the trust and faith you have given us.

Krzysztof Skóra
President of the Management Board & CEO

Letter from the Chairman of the Supervisory Board



Dear Ladies and Gentlemen,

It is with satisfaction that I present you with the Integrated Report of KGHM Polska Miedź S.A. and KGHM International Ltd. for the year 2015. This is a special time for our company, namely, the 55th anniversary of its founding. Precisely on May 1st, 1961, the “ZG Lubin w budowie (Lubin Mine under construction)” enterprise was transformed into “Kombinat Górniczo-Hutniczy Miedzi w Lubinie w budowie (Copper Mining and Smelting Industrial Complex under construction)”, the direct progenitor of our company. Four years earlier, during drilling in Sieroszowice, Jan Wyżkowski’s team saw a reddish color in a core extracted from borehole S-1. This breakthrough was the first step in the construction of the Polish copper industry.

The Integrated Report that we present to you shows our company from a perspective that is as broad and complete as possible. We link financial and economic areas to environmental and social aspects.

Today, KGHM not only includes deep mines and surface mines – extracting copper, silver and many other metals on three continents – but also processing, smelting and refining facilities scattered throughout the Legnicko-Głogowski Okręg Miedziowy region (LGOM region).

We seek to ensure that the data we present is reliable, accurate and complete, which makes it possible to make a comparison with the market environment as well as to form a reliable picture of the KGHM Group - both in 2015 and from a historical perspective.

The Report shows the great weight the KGHM Group attaches to its human resources. By caring for our employees, we protect our most valuable capital. Our employees ensure the global standing of KGHM Polska Miedź S.A. and KGHM International Ltd., which is achieving success and undertaking increasingly bolder business challenges. This is why it was critical for us to use the creative potential of all of our employees to the greatest extent in 2015. The company's accomplishments and position on the market depend on their knowledge, creativity, cooperation and involvement.

Care for employees means caring for their safety, above all. Thus, a work safety improvement program was developed at KGHM Polska Miedź S.A. in 2015. Our goal is to achieve a zero accident rate through developing technologies and management systems, as well as by intensively promoting a culture of safety and appropriate behavior among employees. At the same time, we are continuously investing in recruiting new employees. The “Mining for Talent” program oriented towards students and graduates studying geoengineering, mining and geology, mechanical engineering, machine design, metallurgy, power engineering, information technology and law, served this purpose in 2015.

Our good neighbor policy, reaching back to the beginning of the KGHM Group's existence manifested itself as a series of initiatives and activities to help meet the expectations of residents of the communities of in which we operate. In 2015, we allocated over USD \$5.4M in total for projects relating to health, safety, sport, recreation, science, education, environment, culture and tradition. Among these projects, the “Ratujemy zabytki [Save our heritage sites]” program has a special place and is recognized as one of the most interesting social actions in our country. By becoming involved in saving priceless architecture and art, we have earned the title of patron of Polish culture and the position of a company that cares for our national heritage. This past year, the KGHM Polska Miedź Foundation allocated over USD \$1M for this program.

As in the year 2015, our company today faces many challenges related to mining, geology, social license and environmental management. Large price drops on global commodities markets must be included among these challenges.

This past year proves that effective actions taken by experienced staff, with the highest regard for social and environmental concerns, lends the support required to face the instability of the global markets.

In effect, although the prices of the commodities we produced fell by 18–20% on average in the previous year, we achieved revenue comparable to that of the previous year. This is the effect of continuous growth of production efficiency and consistent cost reduction. The company's management does not underestimate the

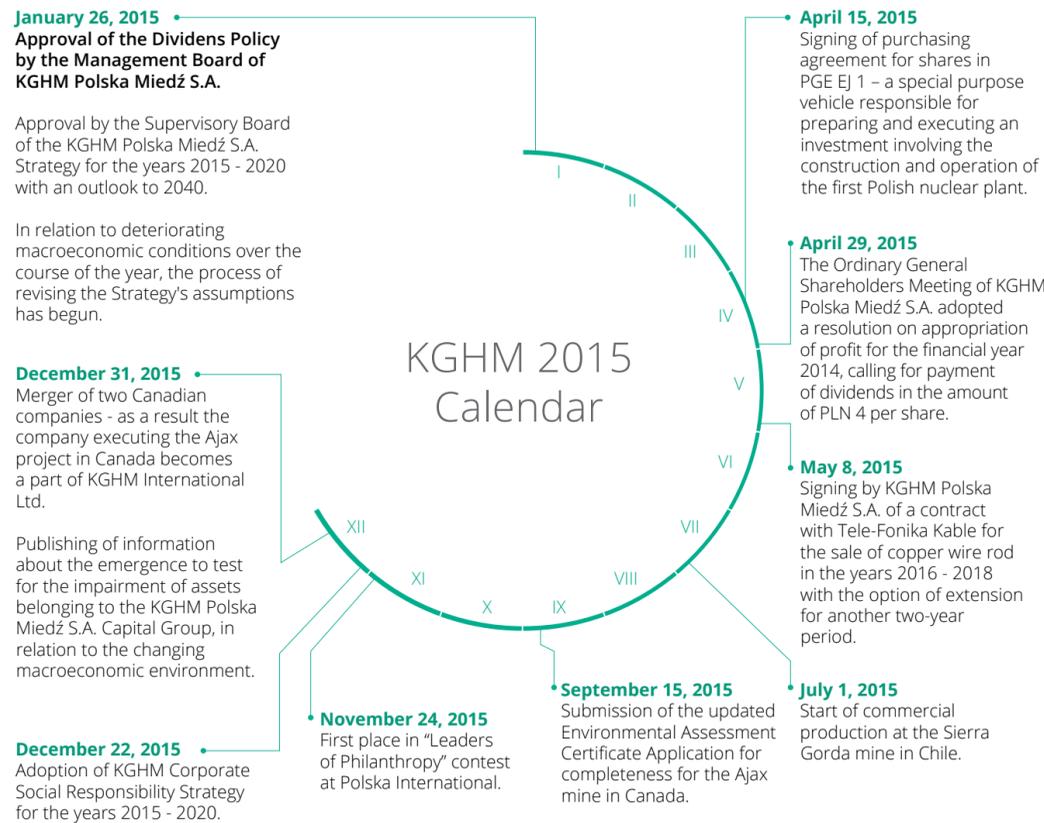
threats posed by macroeconomic conditions. Therefore, a review of investments will be conducted in 2016, with the purpose of optimizing priorities in this area.

The goal of our activities is to reduce demand for capital in the short and medium term, which will allow us to grow consistently while maintaining operational profitability. We shall continue to bet on efficiency and move to more competitive positions on the cost curve. We want to invest in the KGHM Group's development and adapt individual projects to market conditions even more. We are also working on further reducing the costs of our assets, thus meeting the expectations of our stakeholders.

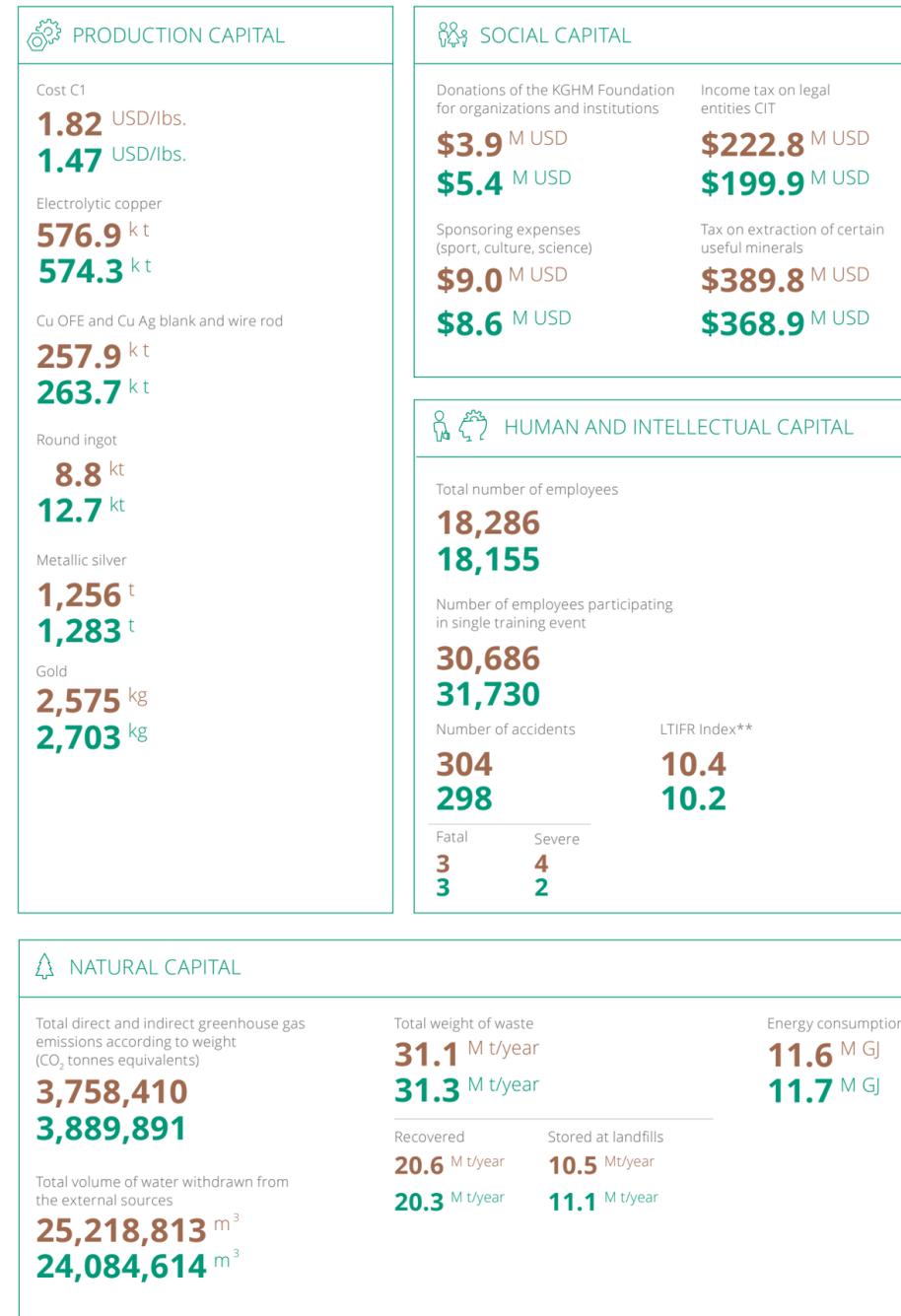
We effectively face challenges with the awareness that we must constantly adapt to the market in a globalized economy. However, I assure you that certain things will not change. KGHM Polska Miedź S.A. – just as it was from its beginnings – is and shall remain a symbol of excellent product quality and excellent standards in relations with employees and partners in the community. We are convinced that, in 2016 - and the following years - the activities of the Supervisory Board, Management Board and all employees at KGHM Polska Miedź S.A. will translate to the combined success of our company and its shareholders. Proud of our copper mining tradition of over five decades, we boldly look to the future as a strong and stable KGHM Group.

Dominik Hunek
Chairman of the Supervisory Board

KGHM in 2015



Important data - KGHM Polska Miedź S.A.



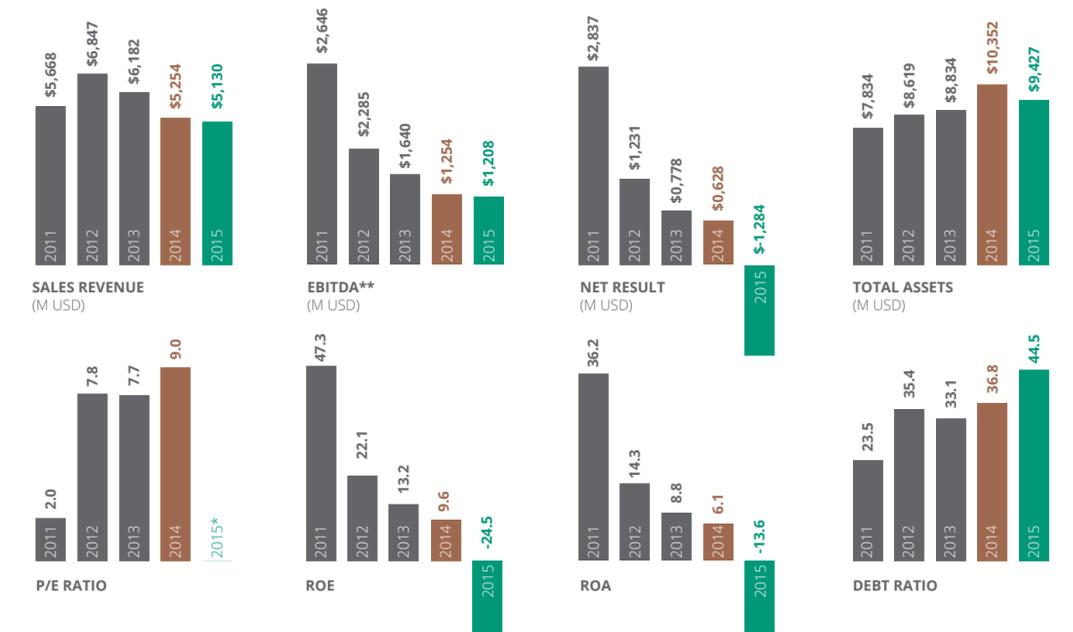
LEGEND

■ 2014 ■ 2015

**LTIFR - Loss Time Injury Frequency Rates, total number of accidents / total number of worked hours * 1M

Higher number of accidents and LTIFR index value for KGHM Polska Miedź S.A. are due to the wider definition of accident in Polish law.

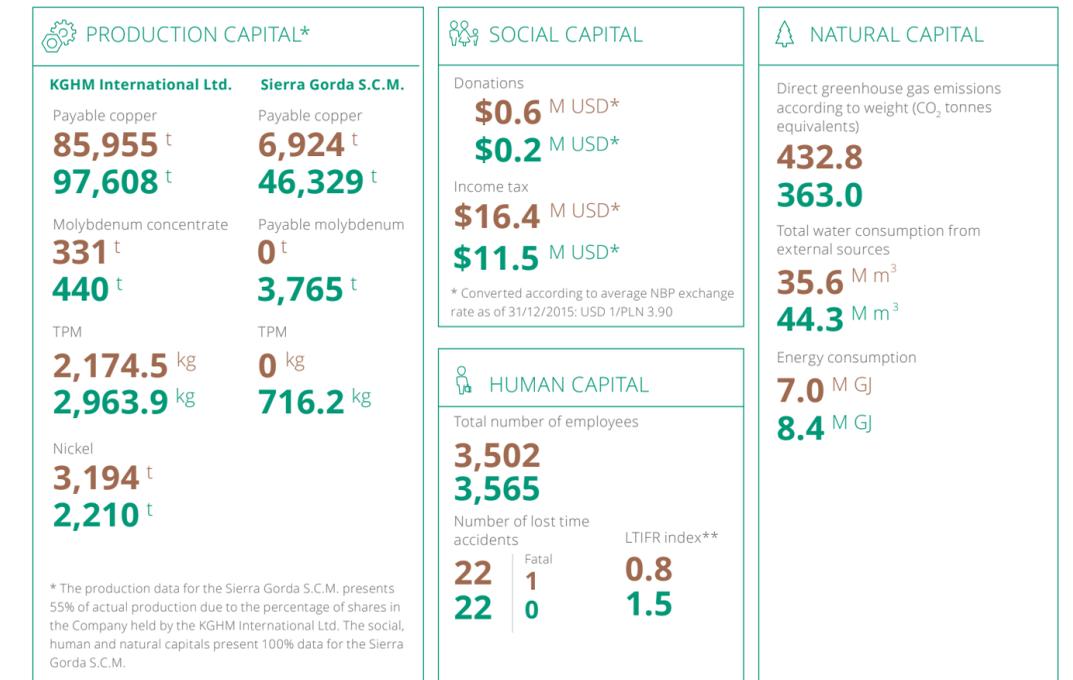
Important data - KGHM Group



* This index is calculated only for companies with net profit

** The Group defines adjusted EBITDA as profit/loss for the period pursuant to IFRS, excluding income tax (current and deferred), finance costs, other operating income and costs, the share of losses of joint ventures accounted for using the equity method, impairment losses on interest in a joint venture, depreciation/amortisation, impairment losses on property, plant and equipment included in the cost of sales, selling costs and administrative expenses.

Important data - KGHM International Ltd. and Sierra Gorda S.C.M.





Half a century of experience

2. Our business

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2.1. Who we are

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G4-6

KGHM Polska Miedź S.A. is one of the world's leading producers of copper and silver. We have over 55 years of experience in copper ore mining and processing. The activities in KGHM Group are divided into four segments. Three of them, concerning mining and metallurgy activity, are covered by this Report.*

Fig. 2.1. Primary operating segments for the activities of the mining and smelting KGHM Group

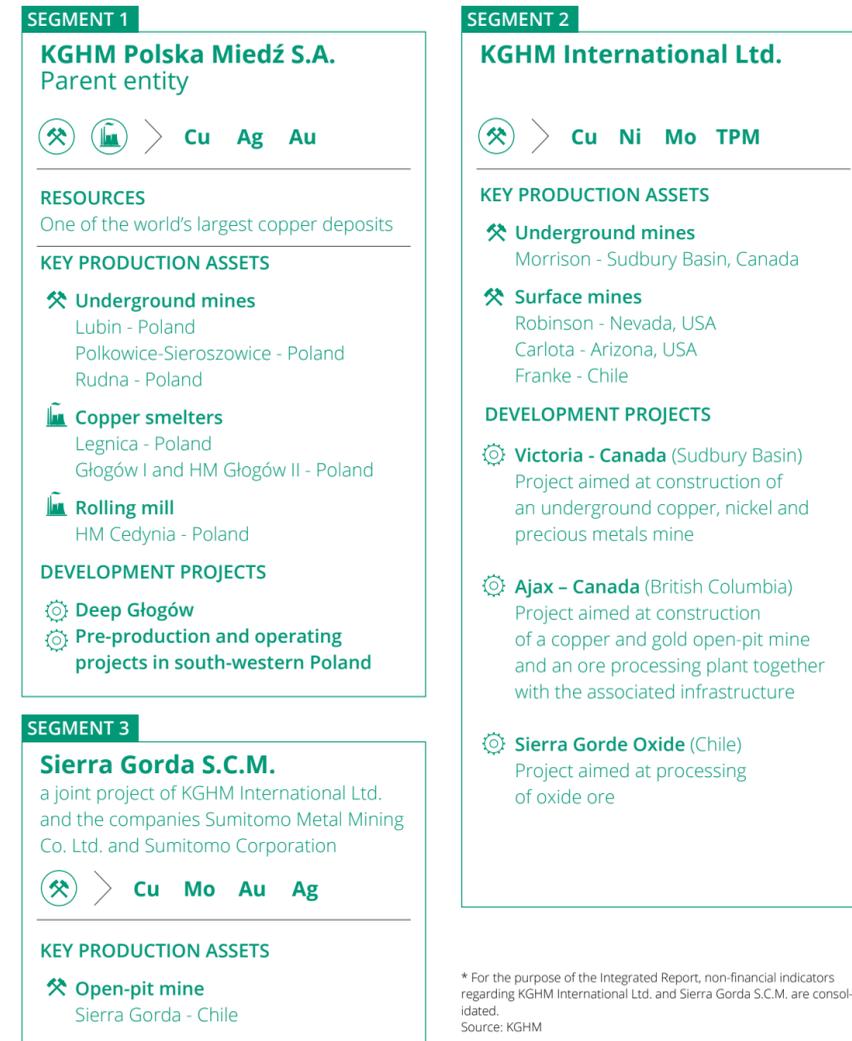
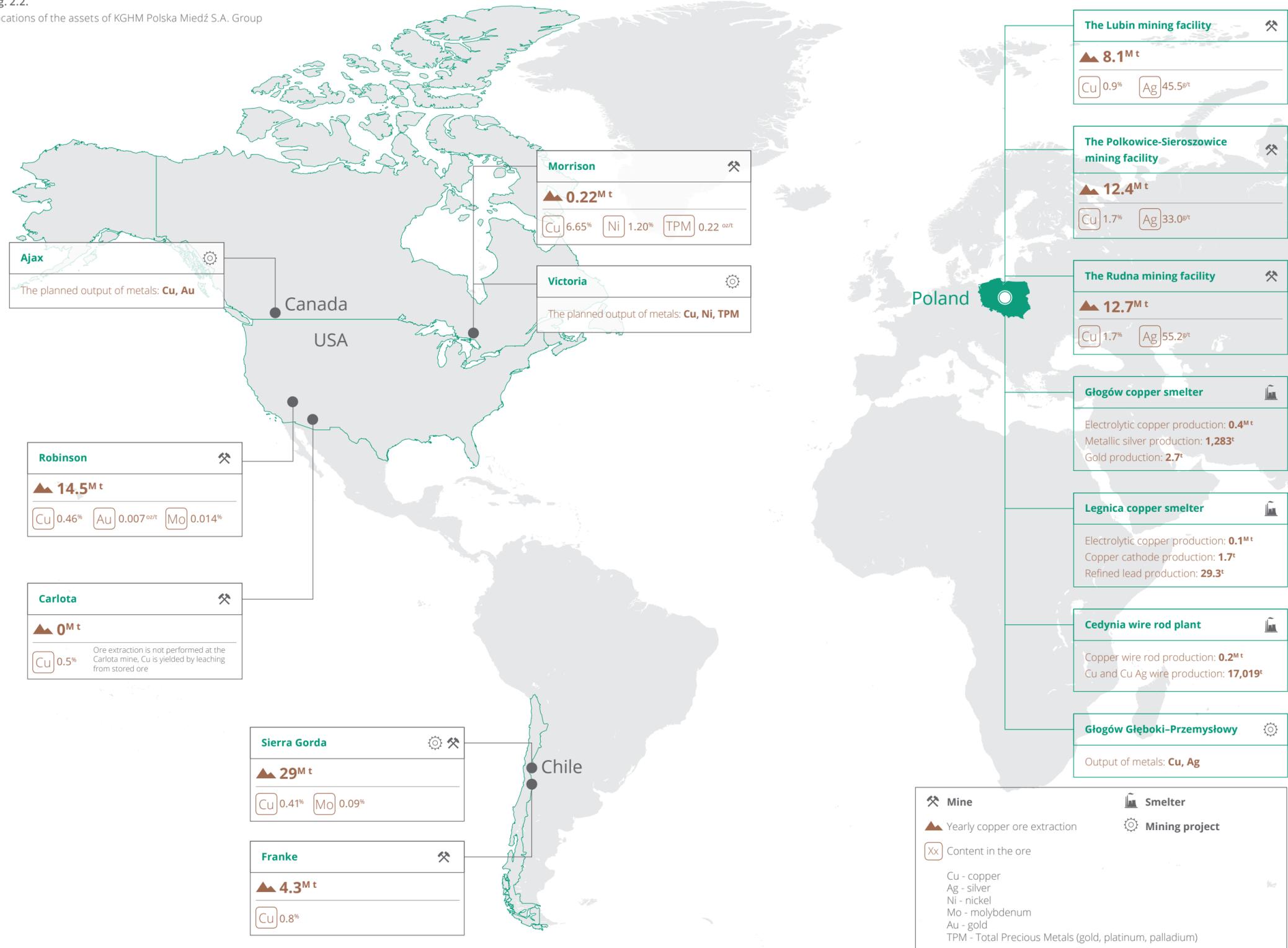


Fig. 2.2. Locations of the assets of KGHM Polska Miedź S.A. Group



Source: KGHM

2.2. The importance of metals in the global economy

Our metals are the basis for the development of the world economy, and their many applications allow a better daily life for billions of people around the world.

Copper is nowadays essential to life. It is helpful in the supply of electricity and clean water to our homes and cities, and significantly contributes to balanced and sustainable development. For centuries, this metal has been present in the history of human progress. The KGHM Group believes that the unique properties of copper make it an invaluable element of the future, and its importance for global development will grow. Energy efficiency, renewable energy, smart grids and electrification of transport are just some of the areas in which the role of copper will increase, while allowing for balanced development of the world economy.

We may underestimate the role that copper plays in our daily lives as it is often hidden behind walls, covered in protective coatings or within the intricacies of sophisticated equipment or technology.

In 2015, we produced **718.2 k tonnes** of payable copper

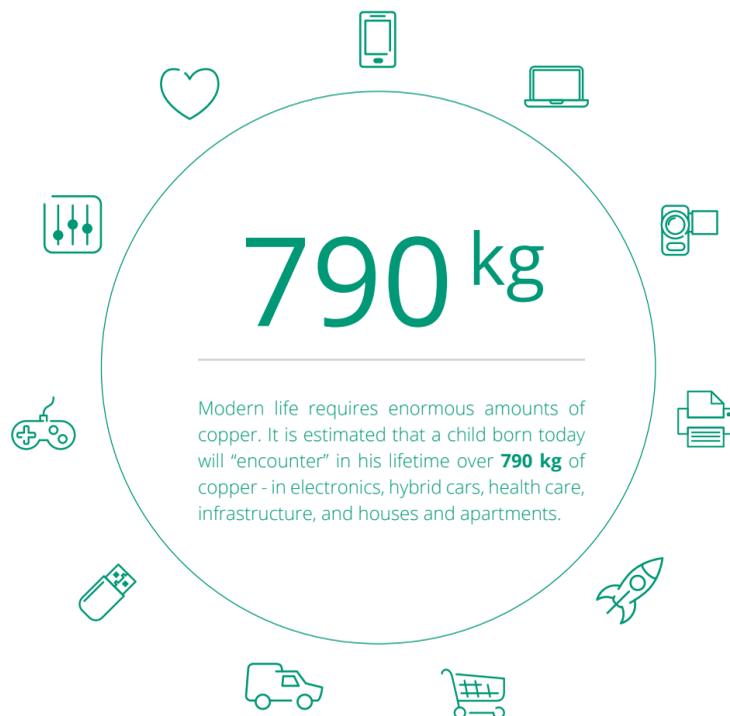
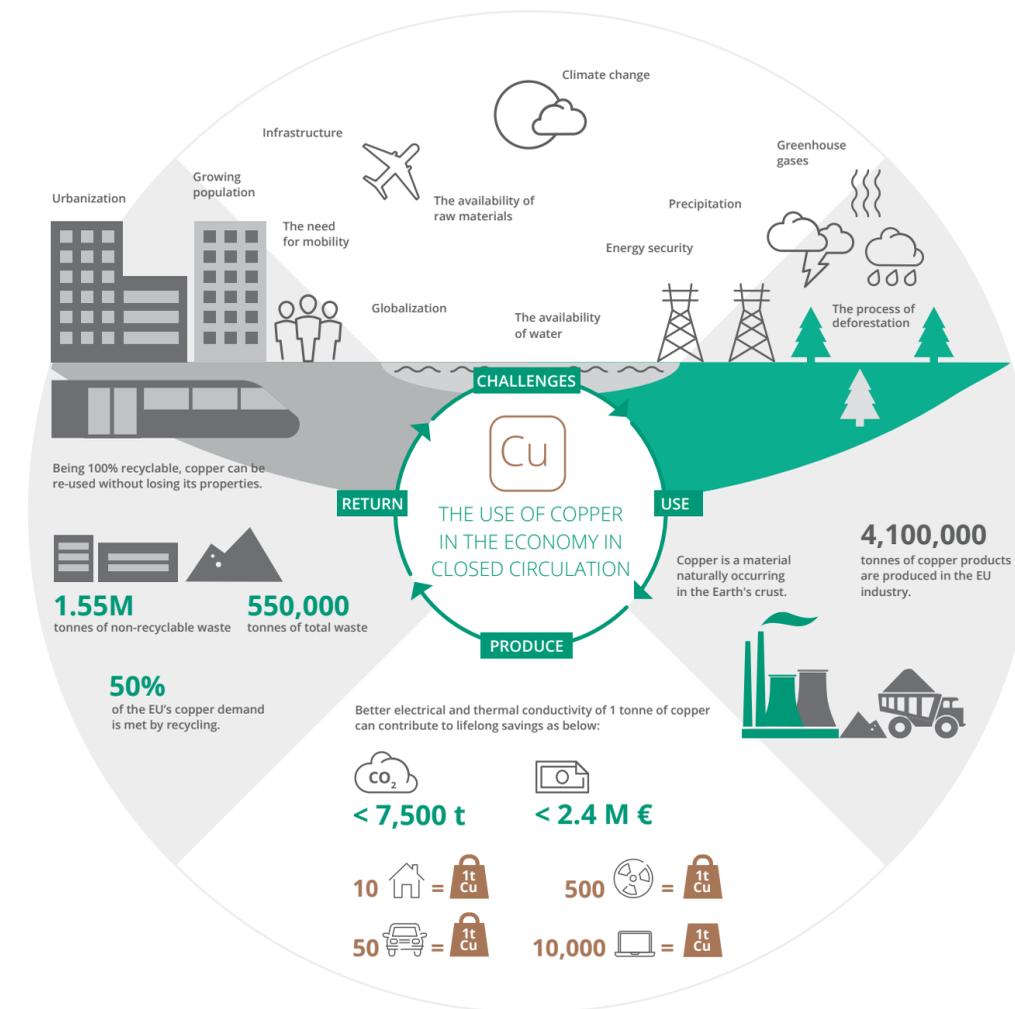


Fig. 2.3. Copper life cycle in the economy in closed circulation



Source: European Copper Institute, presented numbers are for EU only

The use of copper

Electronics and energy

Having the highest electrical conductivity, the material plays a key role in the development of electrical engineering and electronics.

From high-voltage lines to the microcircuit and from generators with gigawatts capacity to computers, at each stage of production, transmission and use of electricity, copper is a particularly important, and energy-saving metal. It is the preferred and safest conductor for use in electrical installations in buildings. The excellent electrical and thermal conductivity of this raw material is used in renewable energy sources. Copper is one of the materials currently used in solar cells, solar heating systems and wind energy.

Technologies based on copper can contribute to reducing emissions of CO₂ in both, the energy sector and in construction. It is estimated that using the excellent electrical conductivity of copper over the next 10-20 years in the EU will be able to reduce the

emissions of CO₂ by 100M tonnes per year. If these estimates take into account the development of solar heating technology and the replacement of old transformers (hidden energy consumers) for modern and energy-saving ones, built with copper windings, it will be possible to further reduce the emissions of CO₂. It is also worth noting that the optimization of power cables with regard to cross-section losses will bring annual energy savings of 35 TWh. This translates into a reduction in emissions of CO₂ by 14M tonnes. According to experts, skillful and consistent use of copper in the wider energy sector may, by the year 2050, reduce the total CO₂ emissions of the EU by 25%, i.e. by over 1,100M tonnes.

100
Mt

That is by how much, over the next 10-20 years in the EU, it will be possible to reduce annual emissions of CO₂ due to the excellent electrical conductivity of copper.

Healthcare

Copper has a natural antimicrobial property that kills bacteria and viruses that cause infectious diseases. Data from recent clinical trials have shown that replacing the key touch surfaces in close proximity to patients with those made of antimicrobial copper can reduce the risk of infection in patients by as much as 58%. Copper touch surfaces with antimicrobial properties that are part of the architecture and hospital equipment can improve the prevention and significantly reduce the incidence of nosocomial infections. In Poland, the pilot installation of touch surfaces made of antimicrobial copper was carried out at the Department of Nephrology at the Voivodship Specialist Hospital in Wrocław. Additionally, in the most frequented places in the hospital - in the vestibule and main hall - handrails were replaced with brass railing, because, as research has shown, those made of stainless steel were covered with a large

number of pathogenic microorganisms. The hospital performed microbiological tests that confirmed the efficacy of antimicrobial copper in eliminating life-threatening germs.

Worldwide, antimicrobial copper is used not only in hospitals or nursing homes, but also in public transport (Tokyo), airports (Sao Paulo) and sports centers (one of the revelations of the Brazilian World Cup - Team Chile - trained in the Juan Pinto Durán Sports Complex where Cu+ elements were there installed).



Architecture

Copper in architecture complements the widely used natural materials such as brick, wood, stone and glass, and it can be used in buildings of both, traditional and modern designs. Copper pipes are used in many homes for cold and hot water and in heating systems, they are also used for the safe supply of natural gas to homes and businesses.

When exposed to external conditions, copper and its alloys gradually take on attractive, green patina that enhances the appearance of statues, roofs and other architectural and decorative elements.

25%

that is by how much skilful and consistent use of copper in the energy sector may reduce the total emission of CO₂ in the EU countries.

58%

that is by how much we can reduce the risk of infection in patients by replacing key touch surfaces with those made of antimicrobial copper.



Copper is one of the materials currently used in solar cells, solar heating systems and wind energy.

Design

The plastic and aesthetic properties of this material are used in the development and design of many everyday objects. Copper is an excellent material for the manufacture of different objects, as either as a pure metal or as an alloys, such as brass or bronze, it offers inexhaustible processing possibilities. Perfectly malleable, ductile and durable, it has an attractive appearance thanks to the range of its colors - from red through brown to green. Apart from gold, it is the only metal with such a characteristic color. Strong identity and tradition the use of copper that has lasted for millennia contribute to its aesthetic and technical potential. It is appreciated by contemporary architects and designers who create avant-garde objects of this material.

The use of other metals



From year to year, **silver** is used more and more in modern technologies. As one of the best conductors of electricity and heat, it is an ideal metal for a variety of electrical applications, e.g. switches, ceramic capacitors, specialized conductive adhesives and films in heated car windows. Silver is also used as coating material in optical data storage media, including DVD, as well as in the production of solar panels and mirrors. The important buyers of silver are banks; it is treated as an investment metal. Silver is also widely used in the jewelry and photographic industry, and by coin and medal manufacturers. Due to its natural antimicrobial properties, silver is increasingly used in medicine.



Gold is used in the production of industrial equipment and electronics, jewelry or treated as investment capital. It also guarantees the real value of paper money (this function is performed today by approximately 75% of extracted resources). Every year, around 9% of the global demand for this metal is related to its application in new technologies - mostly in the electronics industry. The excellent conductivity of gold and its resistance to corrosion make it a natural choice for manufacturers of high-end components. In addition, its excellent biocompatibility makes it usable in the dentistry. Gold is also used in the aerospace industry and in fuel cells. Its catalytic properties are beginning to get noticed by the automotive industry as an alternative to the traditional metals used in catalytic converters.



Molybdenum. We are pleased that the position of KGHM Group in the world market of molybdenum - a very hard silvery metal - is becoming stronger. Molybdenum is used more and more frequently by both the developing and the developed world economies. Most of the molybdenum produced (65%) goes to the steel industry - its use in alloys perfectly increases the resistance to heat and corrosion. Used in the steel alloy, it strengthens it, improves its stability at high temperatures (up to 1900°C) and has anti-corrosive effects. These alloys are used in the aerospace, petrochemical industry, transport and pipeline construction. Molybdenum is also used in the chemical industry as an additive to lubricants, refractory material or a pigment for paints. This metal is also used in dietary supplements, so-called multivitamins - the human body contains approximately 0.07 milligrams of molybdenum per kilogram.



Rhenium KGHM Group is the only European mining company producing rhenium from its own resources. Rhenium is a very precious and rare metal. Its melting point is 3,186°C - it is the third highest melting point of all the chemical elements. In combination with the highest boiling point (5,596°C), high density (21.03 g/cm³) and high hardness and resistance to corrosion and deformation this makes rhenium a unique metal. Rhenium is used, among others, in the production of jet engine turbine parts, gas turbines and spacecraft shielding. Its use enables the engines to work at higher temperatures, which improves their performance, while allowing for more efficient fuel consumption. This metal is also applied in the petrochemical industry where it is used as a catalyst in the production of high-octane gasoline.



Silver was used in unmanned Magellan probe sent by NASA to study the planet of Venus. Silver-coated quartz plates protected the probe from solar radiation during the four-year scientific mission.



It is possible to create such thin layers of gold, that they become transparent. Such layers are used in windows of certain aircraft cockpits, which is helpful in the prevention of icing or in deicing by passing current through such a layer.

50%

The production of molybdenum concentrate is carried out at our Robinson mine in the U.S., and in 2015, it was also launched at the Sierra Gorda S.C.M. mine in Chile. This concentrate contains an average of 48-50% of molybdenum and it is sold for further processing.



Rhenium is also used for the production of heating elements, electrical contacts, electrodes, electromagnets, vacuum and X-ray tubes, flashbulbs, metal coatings and rocket engine components.

Ag 1,283,209 kg
Metallic silver production in 2015*

Au 6,383 kg
Metallic gold and TPM production in 2015**

Mo 4.2 t
Production of molybdenum in 2015***

Re 8.9 t
Production of rhenium in 2015*

* Production of KGHM Polska Miedź S.A.
** Production of KGHM Polska Miedź S.A. and KGHM International Ltd. (including 55% Sierra Gorda S.C.M.)
*** Production of KGHM International Ltd. and Sierra Gorda S.C.M.

2.3. Business model

LEGEND - CAPITAL



PRODUCTION
Facilities available to the organization, involved in the process of production or rendering of services, including: buildings, equipment, infrastructure



FINANCIAL
Funds of the organization – sources of financing, credit, loans and other



INTELLECTUAL
An intangible resource of the organization, based on knowledge: patents, copyrights, rights and licenses, knowledge of the organization



NATURAL
Natural resources: air, water, earth, etc. as well as biodiversity



HUMAN
Employees' skills, experience and motivation for development, ethical values



SOCIAL
Relations with stakeholders, common standards and values, the organization's license to operate

1. PROSPECTING AND EXPLORATION

WHAT DOES IT CONSIST OF?
Otherwise called exploration. A stage of geological works related to the recognition of new areas with the potential presence of mineralization. This stage is to document new economically feasible deposits and it ends with the preparation of geological documentation for a given concession area.

WHAT CAPITAL IS NEEDED AT THIS STAGE?
Financial, Human, Social

WHAT CAPITAL DOES IT GENERATE?
The documented new deposits are new assets for the mining company that allow prolongation of a mine's life.

HOW DOES IT AFFECT THE CAPITAL?
It requires investing considerable financial outlays and is exposed to a high investment risk. However, in case of successful exploration and documenting of new deposits, it provides long-term access to raw materials, allowing to extend the life of the mining facility.

WHY IS IT IMPORTANT FOR KGHM GROUP?
Securing the perspective of continuous mining of documented ore reserves is one of the foundations of the development of KGHM and its value growth.

2. ORE EXTRACTION

WHAT DOES IT CONSIST OF?
Ore is extracted from eighter open-pit or underground mines, with the application of blasting techniques and autonomous mining machinery.

WHAT CAPITAL IS NEEDED AT THIS STAGE?
Production, Financial, Human, Social

WHAT CAPITAL DOES IT GENERATE?
The extraction of copper ore by dry weight in 2015 - 31,571 k t
An increase by 548 k t compared to 2014.

HOW DOES IT AFFECT THE CAPITAL?
It involves considerable human and financial capital. It uses productive capital - the accumulated ore. Continuous process improvement reduces C1 costs. Deposits lying deeper and deeper force innovation.

WHY IS IT IMPORTANT FOR KGHM GROUP?
The extraction of ore is the basic element of the KGHM Group activities that enables the production of metals and the conduct of sales on the market.

3. ORE PROCESSING

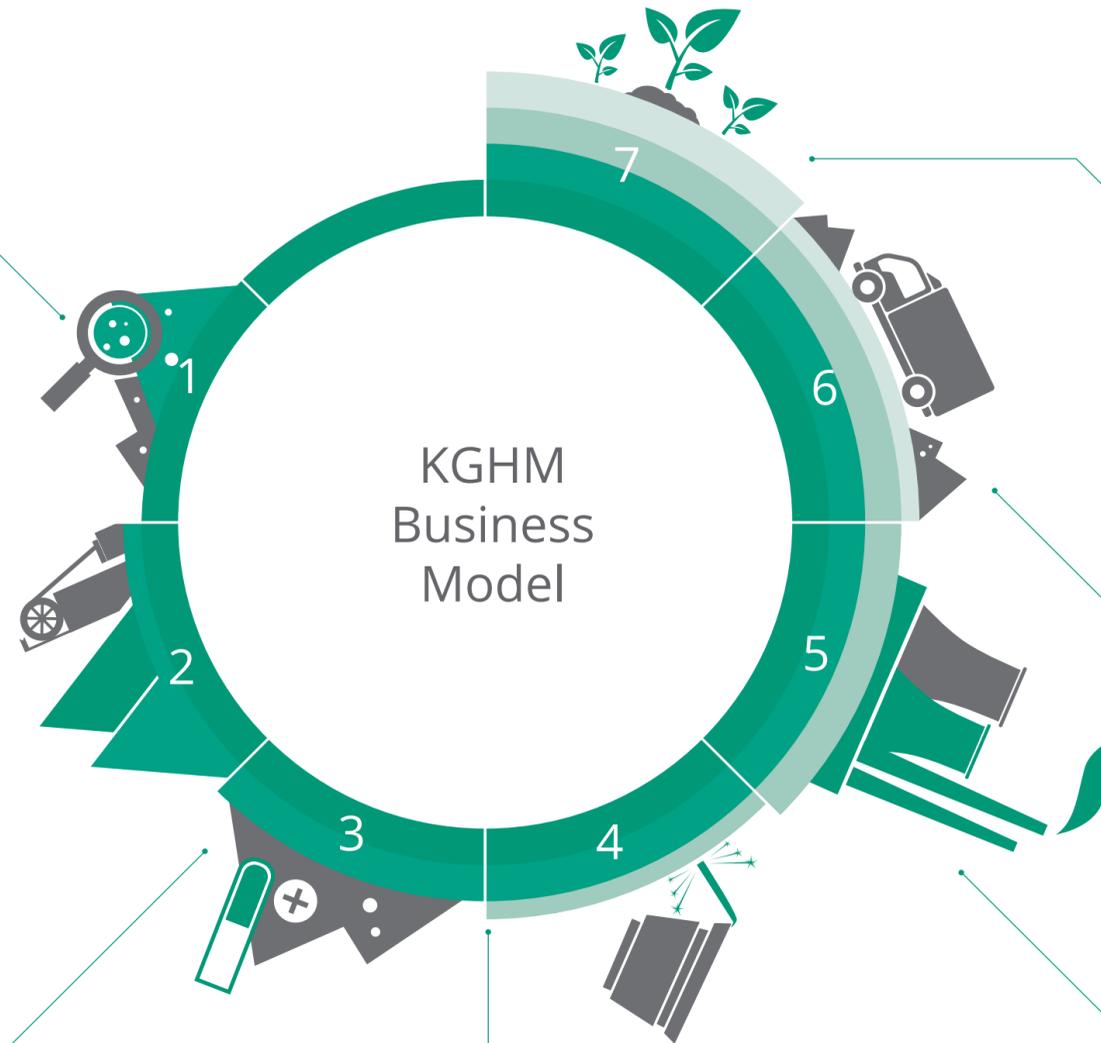
WHAT DOES IT CONSIST OF?
Copper Ore Processing is a process of mechanical treatment that enables efficient processing of mined ore before further processing at the smelter.

WHAT CAPITAL IS NEEDED AT THIS STAGE?
Production, Financial, Human, Social

WHAT CAPITAL DOES IT GENERATE?
The production of concentrate by dry weight in 2015 - 1,859 k t
An increase by 16.7 k t compared to 2014

HOW DOES IT AFFECT THE CAPITAL?
It uses decades of experience of the employees, as well as recognized technology. It transforms the mined ore into material ready to undergo further processing.

WHY IS IT IMPORTANT FOR KGHM GROUP?
The enrichment process is necessary because the copper ore mined by KGHM in Poland contains an average of about 1.53% of copper. The technology used enables effective recovery of copper and silver, and other elements of the extracted ore amounting up to 90%.



4. METALLURGY AND REFINING

WHAT DOES IT CONSIST OF?
The production in the smelters is mainly based on KGHM's copper concentrates, but purchased raw materials are also used. At this stage, silver and gold bars are produced among other things.

WHAT CAPITAL IS NEEDED AT THIS STAGE?
Production, Financial, Human, Social

WHAT CAPITAL DOES IT GENERATE?
The production of electrolytic copper in 2015 - 574 k t
The production of refined lead in 2015 - 29,253 k t
Metallic silver production in 2015 - 1,283,209 t

HOW DOES IT AFFECT THE CAPITAL?
The technology is subject to constant upgrading in order to increase efficiency and minimize the negative impact on natural capital. It involves considerable human and financial capital. It is one of the most important moments in the transformation of productive capital.

WHY IS IT IMPORTANT FOR KGHM GROUP?
With the production capacity of Polish copper smelters, KGHM is one of the world leaders in the metallurgical industry.

7. LAND REHABILITATION

WHAT DOES IT CONSIST OF?
KGHM uses standards that ensure safe and sustainable closure of mines, sand pits and other industrial facilities. Land rehabilitation plans are prepared years in advance.

WHAT CAPITAL IS NEEDED AT THIS STAGE?
Natural, Financial, Human, Social

WHAT CAPITAL DOES IT GENERATE?
The amount of funds gathered for this purpose – USD \$95M. The planned production of energy through a solar power plant in Carlota: 10 MW.

HOW DOES IT AFFECT THE CAPITAL?
It closes the process of using natural capital. It is a natural commitment to the natural and social environment and it is based on this capital. It uses pre-planned financial reserves. It gives space for innovation and non-standard solutions.

WHY IS IT IMPORTANT FOR KGHM GROUP?
The processes of post-mining land rehabilitation and restoration for people and nature are part of the environmental policy of KGHM. These actions are also duty to the environment and society. Undertaking them builds trust and credibility of the company in new mining ventures.

6. SALES & TRADING

WHAT DOES IT CONSIST OF?
Sales are realized while the security of trading is ensured by taking into account the principles contained in policies relating to sales, credit risk management and market risk management. One of the solutions aiming at ensuring the security of trading is the appropriate diversification of sales - both product and geographic - or the diversification of clients.

WHAT CAPITAL IS NEEDED AT THIS STAGE?
Production, Financial, Human, Social

WHAT CAPITAL DOES IT GENERATE?
The sales volume in the number of tonnes: copper goods - 571.4 M t; metallic silver - 1,245.3 t; metallic gold - 2,660.3 kg; refined lead - 30.4 k tonnes. Total revenues in 2015 - USD \$5,130M

HOW DOES IT AFFECT THE CAPITAL?
It is a source of social capital by building trust and long term relationships. At this stage, the production is monetized and the profits are generated - is the main source of revenue for the company.

WHY IS IT IMPORTANT FOR KGHM GROUP?
Executing sales of manufactured products to ensure steady and stable income for the Company.

5. PROCESSING

WHAT DOES IT CONSIST OF?
Copper cathodes produced by KGHM in Polish smelters are converted into copper rod, anaerobic and low-alloyed wire and copper billets. The rolled and melted ones are manufactured in the Cedynia Copper Smelter, and copper billets - in the Legnica Copper Smelter.

WHAT CAPITAL IS NEEDED AT THIS STAGE?
Production, Financial, Human, Social

WHAT CAPITAL DOES IT GENERATE?
The production of CONTROD wire rod in 2015 - 246.642 k t
The production of OC billets in 2015 - 12.666 k t

HOW DOES IT AFFECT THE CAPITAL?
It involves considerable human and financial capital. It is the final step of subjecting the extracted metals to further processing in order to obtain the finished product for trading and sale.

WHY IS IT IMPORTANT FOR KGHM GROUP?
The processed products of consistently high quality meet the needs of the market and are sold worldwide.

Source: KGHM



2.4. Company's Strategy

In connection with the ongoing challenges in the mining sector, KGHM Polska Miedź S.A. carries out activities related to the verification of the assumptions of the investment portfolio. This is to secure the stability of the long-term growth of the Company's value for its stakeholders and to ensure the safety of its operations in a challenging macroeconomic environment.

The Strategy for the years 2015-2020 with an outlook to 2014 as adopted by the Supervisory Board was focused in the medium term toward achieving an annual production capacity of 1M t of copper equivalent. The main factors determining the achievement of the mid-term objectives included an anticipated portfolio of investment projects increasing the production capacity of KGHM Polska Miedź S.A. The implementation of the Strategy investment assumptions of KGHM Polska Miedź S.A. included the execution of investment projects with a total value of USD \$6.92B. The funding of a designated investment program was based on KGHM Polska Miedź S.A. own resources and borrowing.

During 2015, the mining industry observed a significant reduction in prices of the commodities. The dominant reasons for this trend are primarily the global uncertainty about the sustainability of the economic growth, in particular in relation to the economy of the People's Republic of China that was the major consumer of commodities. A factor supporting the depreciation of the value of most commodities was also a strong fall in oil prices that is strongly correlated to the value of the commodities portfolio.

A significant reduction in the demand for the KGHM Group basic products and uncertainty regarding the short and medium term outlook for the market of commodities significantly limits the ability of KGHM Polska Miedź S.A. to generate free cash flow. In addition, the financial policy of the Company does not support an aggressive exposure to the debt market, therefore KGHM Polska Miedź S.A. does not expect a rapid increase of debt. After scrutiny consideration of a new macroeconomic situation and analysis of the investment portfolio that were conducted in 2016, the Management Board of KGHM Polska Miedź S.A. decided to start the revision work on the Company's business strategy. During this process the Management Board in particular will focus on adaptation of the investment plan of the Company to forecasted financial capacities with regard to the market conditions and the necessity of a costs cut.

2.5. Strategic risks

The KGHM Group 2015-2020 Strategy is subject to a number of risks that could affect economic and production assumptions as well as strategic goals. The company aggressively identifies and assesses business risks and seeks ways to mitigate their effects on strategic outcomes.

The KGHM Group analyzes various business risks at all levels of the organization. A comprehensive approach to risk analysis includes both identification of risks associated with the implementation of the strategic goals and corporate risks (see Chapter 4.2 Corporate risk management).

The process of analysis of the risks associated with the implementation of the assumed strategic goals is the basis for verification of the adopted shape of the Strategy, which thereby increases the odds of achieving those goals. In line with the Strategic Management Procedure adopted by KGHM Polska Miedź S.A., the supporting strategy risk map is updated annually.

Fig. 2.4. Main strategic risks



Source: KGHM

2.6. Our values

G4-56

Globally-responsible companies must have a code of ethics which serve as a compass for good business practices in today's difficult environment.

In 2015, we adopted the Code of Ethics and developed new policies introducing global, unified standards suitable for all jurisdictions in which we operate. We have also maintained

our position in the prestigious Respect Index, the first stock exchange index of socially responsible companies in Central and Eastern Europe.

Fig. 2.5. Our values



ZERO HARM
We are all responsible for our safety

We protect the life and health of our employees. We care about the environment and the welfare of our neighbors. The stability and long-term sustainability of our company means also the safety of our families, local communities and other KGHM stakeholders.

RESULTS DRIVEN
We achieve results with a view to long-term success of KGHM

We set ambitious goals and achieving them requires us to ensure sustainable development. This is possible through the use of existing company solutions - tools - and accumulated knowledge. The ability to adapt to changes, continuous investment in people and our resources are the key to the success of the Company.

COURAGE
We take up new challenges in the smart way

We are determined, resourceful and open to each other and the world around us. We are not afraid of criticism or internal discussions, because they only allow the company to grow. In this way, we take up new challenges courageously and wisely and achieve success.

TEAMWORK
is a basis for us to achieve success

Long-term and stable development of our company is results largely from cooperation. The work of teams of people - their experience, and especially their ability to share knowledge - allows us to achieve the objectives pursued, develop the company and stay optimistic about the future. It gives us also the possibility of mutual understanding, building strong ties with the company and opening up to different opinions and cultures.

ACCOUNTABILITY
We are jointly responsible before our stakeholders for the actions we take

By acting responsibly we build confidence in KGHM in the environment surrounding the company. We take full responsibility for our actions. We implement a good neighbor policy. We give a good example, we keep our commitments, and in this way we build long-term relationships with our partners.

Source: KGHM

G4-14

The precautionary principle is an important component of our key value, i.e. safety. The KGHM Group is working hard to minimize risks to workers, communities and the environment (Zero Harm policy).

We believe that the best mines are the ones that are the safest. One of the activities in this field is the use, at all levels of the organization, of risk analysis techniques in making decisions about safety and the natural environment.

Code of Ethics and our policies

Aiming at compliance of everyday activities with the KGHM Group's values, we have developed a Code of Ethics that was approved by the Management Board in September 2015. The Code is an essential tool in our corporate culture; it defines the priorities and provides a set of rules applicable to all our employees.

The purpose of the Code of Ethics, in addition to ensuring compliance with the highest standards

in the mining industry, is to ensure the KGHM Group maintains the reputation of being a stable, responsible and socially committed company.

Effective implementation of the Code of Ethics is ensured by the adopted policies and procedures aimed at introducing global, unified standards suitable for all jurisdictions in which we operate. Their implementation meets the world standards of corporate governance and the growing expectations of the stakeholders, including customers and financial institutions.

Fig. 2.6. Policies developed and accepted for implementation in 2015



Antitrust Policy objective is to create a functional system framework allowing the KGHM Group to maintain compliance with the competition law that applies in all countries where the KGHM Group operates.



The Anti-Corruption Policy covers the basic principles and standards aimed at preventing violations of anti-corruption regulations in force in the jurisdictions in which the KGHM Group operates.



The Responsible Supply Chain Policy is aimed at ensuring the selection of only the responsible suppliers, especially in case of acquiring the so-called conflict minerals (gold, tin, wolfram, and tantalum). Its aim is also to ensure that goods and services acquired by the KGHM Group do not contribute to the financing of terrorism, and that during their production or provision the fundamental human rights and labor, environment and anti-corruption standards are respected.

Source: KGHM

Anti-corruption Policy

Based on the best practices in corporate governance, the Anti-Corruption Policy was developed and accepted for implementation at KGHM Polska Miedz S.A. Group in 2015, introducing global, uniform standards adapted to the legal regulations of all jurisdictions in which KGHM Group operates. The

Anti-Corruption Policy at KGHM Group defines basic principles and standards intended to prevent violations of applicable anti-corruption regulations in the jurisdictions in which KGHM Group operates. KGHM Group has a zero-tolerance policy towards corruption and bribery, which also includes: offering, promising and giving material benefits or other benefits as well as acceptance or demanding of material benefits.

G4-15
G4-SO3
G4-SO5

Moreover, the Audit and Internal Inspection Department did not report any instances of corruption at KGHM Polska Miedź S.A. in 2015. Risks related to corruption were analyzed in the Headquarters and 10 Divisions (100%) by the Audit and Internal Inspection Department within the framework of planned and immediate audit and inspection tasks. Inspections were also conducted at KGHM International Ltd., where no instances of corruption were identified.

Respect Index

Since 2009, KGHM Polska Miedź S.A. has been among the companies listed on the Warsaw Stock Exchange in the prestigious Respect Index - the first index of socially responsible companies in Central and Eastern Europe. Its objective is the annual appointment of companies managed in a responsible and sustainable way, as well as those characterized by high investment attractiveness that is supported by, among other things, the quality

of reporting, the level of investor relations and corporate governance.

Analyses indicate that the Respect Index yields a higher rate of return than the main indices of the Warsaw Stock Exchange. This may indicate that companies whose boards insist on responsible business are more attractive to investors.

The KGHM Group is a signatory to the "Declaration of Polish business for sustainable development." In this document, key challenges and priority areas have been identified in which the business should take a proactive stance in supporting the activities of social and economic change, in line with sustainable development.

In 2014, the KGHM Group became a signatory to the Global Compact - the world's largest UN initiative for corporate social responsibility and promoting sustainable development.

The KGHM Group's commitment to sustainable development in Chile and Canada

As a member of Consejo Minero - an association of large producers of copper, gold, silver and molybdenum in Chile, KGHM Group actively participates in the work of the Commission for human capital, environment, energy, climate change, water resources and social affairs. In 2015, the Company submitted information about the progress of works in the mines of Sierra Gorda S.C.M. and S.C.M. Franke in terms of an agreement with the Chilean Ministry of Energy relating to promoting the efficient use of energy resources. As part of this initiative, we promote appropriate energy management, the use of efficient systems and equipment, the introduction of innovative solutions and proper use of energy.

KGHM International Ltd. joined the Mining Association of Canada (MAC) in late 2013. MAC members must subscribe to the Towards Sustainable Mining (TSM) Guiding Principles.

TSM consists of tools, indicators and publicly available reports to demonstrate to stakeholders that key risks are being managed. Member companies are required to assess their management practices at their Canadian facilities against indicators for six performance areas including Safety and Health, Crisis Management (facility and corporate level), Aboriginal and Community Outreach, Biodiversity, Energy and Greenhouse Gas (GHG) Management, and Tailings Management. In March 2015, KGHM International Ltd. submitted performance results on the Sudbury operations to MAC for the inaugural 2014 reporting period. New members are granted a phase-in period of three years, at which point results are made publicly available. In 2015, KGHM International Ltd. took the performance results and developed targets and improvement plans for all 6 areas. The 2015 performance in the areas of Aboriginal and Community Outreach, Biodiversity and Energy and GHG Management showed measurable improvement. Ongoing performance improvement will take place throughout 2016.

Fig. 2.7. Respect Index Quotations compared to the main index of the largest WIG20 companies



Source: WSE site



2.7. Competitive edges

Financial stability, innovative approaches, international span and 52 years of experience provide the KGHM Group the ability to offer products that meet the expectations of even the most demanding customers.



Integration of processes

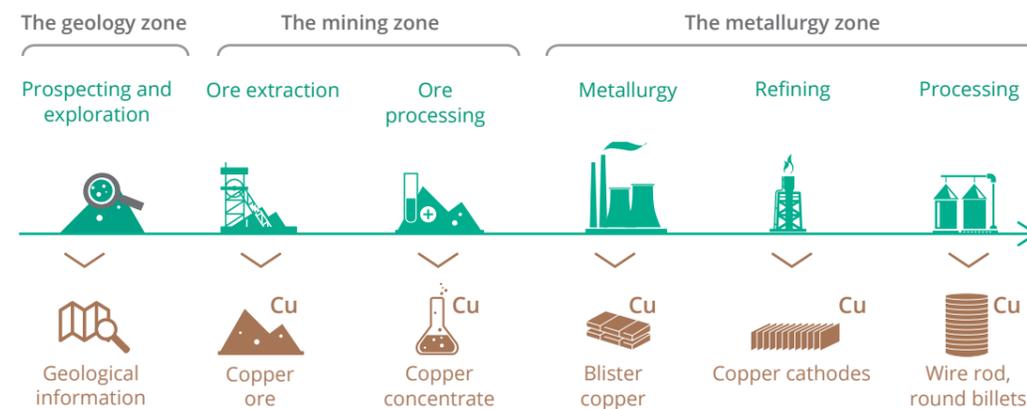
Our production in Poland is a fully integrated process wherein the end product of one technological stage is the charge (raw product) used in the next stage.

Our geological mining and smelting operations are fully integrated. The value chain encompasses all stages – from exploration and identification of deposits to pyrometallurgical processing.

In Poland, mining is carried out through three divisions: Mining Sites (ZG) - Lubin, Rudna, Polkowice-Sieroszowice, a branch - Ore Processing Plant (ZWR) that prepares concentrate for smelters, and a Tailings Plant responsible for storage and disposal of waste arising in the manufacturing process. In the organizational structure of KGHM Polska Miedź S.A. there are two metallurgical branches: the Copper Smelter (HM) - Legnica and Głogów and Wire Rod Division - Cedyňa.

Fig. 2.8.

Integrated mining and metallurgical operations and metallurgical activity of KGHM in Poland



Source: KGHM

Global scope of activity

In the twenty-first century, the KGHM Group has become a global mining entity active on three continents. Such a large scale of activity on the one hand significantly reduces the risk of disturbances in the continuity and quality of production, on the other, it allows for continuous transfer of knowledge and experience between our plants. The Mobility Policy applied enables the delegation of the best specialists wherever their expertise is required to obtain a business advantage.

Financial stability

The overall objective of the policy of financial liquidity management is to ensure the financing in the short, medium and long term period in such a way as to secure the continuity and implementation of the assumed strategy of the Group, in particular in the area of the planned investment (see Section 4.3 Financial Stability).

Competencies and skills

In our 55-year history, we have gained experience, knowledge and skills that have enabled us to transform ourselves from a local mining company to an international group that plays a large role in the global market of non-ferrous metals. Our skills are and will be used in the future as one of the key elements of building the competitive advantage of the KGHM Group against the industry competitors, and achieving a high position as an industrial center in our country.

Our expertise covers all phases of the life of the mine and ore processing. From the early stages of the search for new deposits to the most modern mining projects in the world (KGHM Cuprum) and their subsequent development (PeBeKa). We extract metals in both, underground as well as surface mines. The whole is managed by competent managers respecting the highest environmental standards.

All these elements build a unique position of the KGHM Group among the world's mining companies and provide a stable development of the Group in a competitive market (see chapter 4.9 Competence development in employees).

The Sierra Gorda S.C.M. mine in Chile, our biggest international investment, honours Ignacy Domeyko, a Polish geologist, mineralogist and social activist, by renaming the Catabella open-pit after him at the opening ceremony. Domeyko, among many great achievements, was considered the founding father of the mining industry and labour movement in Chile.



Our strong international presence increases the recognition of Poland as a stable country, with a well-developed mining industry. It is affected by our biggest international project, including the acquisition of the Canadian mining company Quadra FNX in 2012, and construction of a large surface mine, Sierra Gorda, in Chile. As a result, the interest in Poland is growing steadily among the mining industry partners, and our unique know-how and the experience of our experts becomes Poland's showpiece in the industry.

Innovation

KGHM Polska Miedź S.A. is the industry leader in innovation in Poland and a symbolic confirmation of our position in this area occurred in September of 2015 in the form of the Innovum Innovation Leader prize that was awarded to us by the Ministry of State Treasury. Business challenges oblige us to use the latest achievements of science and technology, and innovation is the key to further enhancement of the knowledge and experience of the Company.

Our innovative activity supports the achievement of the strategic objectives of the Group.

In accordance with the strategy, our innovative activity is to:

- extend the life of assets,
- lead to higher productivity,
- improve safety and protect the environment,
- allow to achieve profit growth through innovative products.

2. Our business

In 2015, we completed 210 research and development and innovation initiatives in which USD \$13M was invested.

An important place on our innovation map is occupied by the CuBR program - a joint venture of KGHM Polska Miedź S.A. and the National Research and Development Center focused on the development of breakthrough technologies to address the challenges related to the functioning of the technology process at KGHM Polska Miedź S.A. The novelty that characterizes

this initiative is searching for solutions of which level of technology will allow you to test, at pilot scale, and obtain a product or technology ready for deployment. The aim of the program is to increase competitiveness and innovation in the domestic economy and to support the development potential of Polish science and industry. The program budget is USD \$51M and it is funded equally by KGHM Polska Miedź S.A. and by the National Research and Development Center (see chapter 4.8 Innovation).



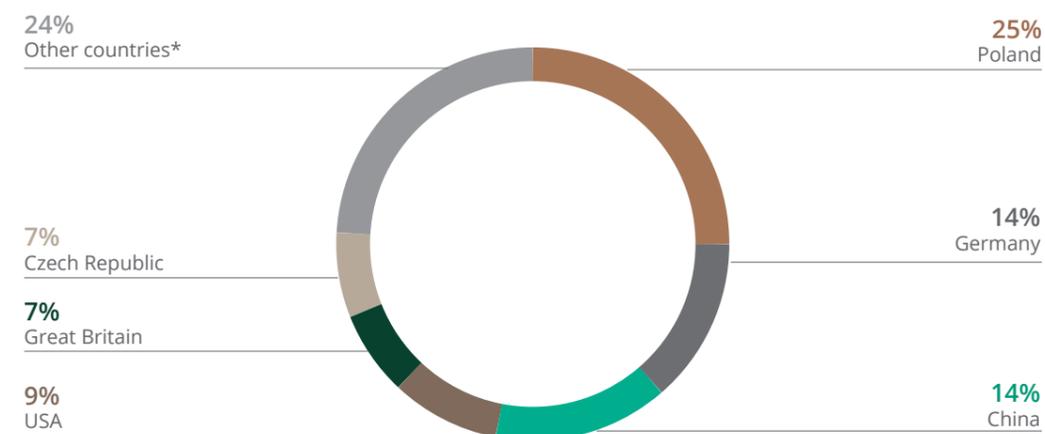
2.8. Our clients

We are a reliable supplier that offers its customers an expected and consistent quality of products and services. We cooperate on a global scale with the largest companies, as well as with smaller players operating in local markets. Hence, our products reach customers in different parts of the world. Thanks to openness and innovation, we meet their high expectations and maintain a regular group of clients.

G4-4

G4-8

Fig. 2.9. Revenue breakdown by sale markets in 2015



* sales revenue for each of the other countries did not exceed 5%
Source: KGHM

The raw material market in which we operate is extremely variable. Therefore, a key element in our business are the long-established relationships with our customers. We have continued working with over 90% of them for many years.

Our priority is to maintain the status of preferred supplier which is why we strive to continually improve and guarantee commercial

services at the highest level. In order to meet the growing demands of the market, we involve all departments of KGHM Polska Miedź S.A. and KGHM International Ltd. in close cooperation. Agreements with carriers, shippers and insurers, preferences in customs service related to the status of Authorized Economic Operator (AEO) and modern solutions enhance the quality of our services.

The Company is subjected to audits performed by its clients as part of periodic evaluations they carry out which gives it high position in the list of qualified suppliers. Such actions satisfy our business partners as to the high level of technology, quality and organization of the Group, which shapes the mutual loyalty and strengthens the image of the KGHM Group as a trustworthy supplier.

2. Our business

G4-PR5

Long-term relationships with clients and their satisfaction with their relationship with the KGHM Group are very important to us. Using our experience of many years, monitoring the market and direct contact with the customer we have created a model of cooperation that translates into a rapid response to expectations and any reported problems. Regular meetings, including those during LME Week in London and industry holidays, such as Metallurgist's Day and Miner's Day, participation in fairs, seminars and conferences also promote good relations.

We offer our clients...

Copper products

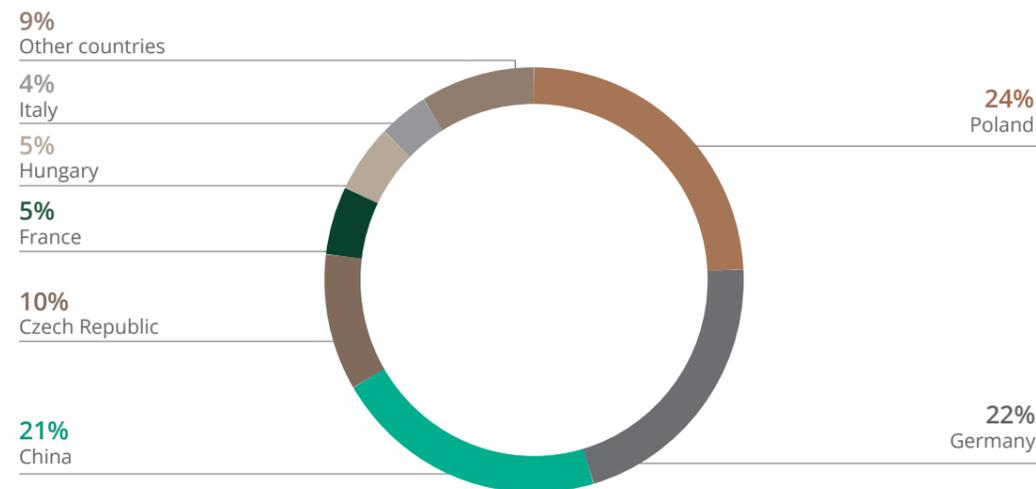
Approximately 75.5% of our copper was exported or sent to EU markets. The largest foreign recipients were: Germany, China, the Czech Republic and Hungary. The Polish market accounted for approximately 24.5% of total sales of electrolytic copper cathodes and copper products.

The starting product made of electrolytic copper are copper cathodes with a copper content of

99.99% registered as grade "A" on the London Metal Exchange (LME) and the Shanghai Futures Exchange under three brands: HMG-S, HMG-B and HML. The main recipients of the cathodes are manufacturers of semi-finished copper products, such as wire rod, wire, sheets and strips, and copper alloys.

In terms of volume is concerned, the second copper product we supply to the market is copper wire rod with a diameter of 8 mm which is intended mainly for the cable industry. On the other hand, copper wire (made of oxygen-free copper and oxygen-free low-alloy copper containing silver) is intended for thin wires, micro-wires and enameled wires, as well as fire resistant cables and audio and video cables, and other specialist cables. It is also used in the production of trolley wires and commutators. Copper billets (round) made of cathode copper is another product that goes into the construction sector, mainly for the production of pipes, rods, profiles, flat profiles and tapes, as well as the electrical industry. Copper granulate is mainly used in the galvanizing process and for the production of catalysts.

Fig. 2.10. Geographic structure of copper sales in 2015



Source: KGHM

Silver

Approximately 99.5% of our silver was exported and sent to the EU countries. The largest foreign recipients were: Great Britain, the USA and Australia. The Polish market accounted for approximately 0.5% of total sales.

Annually, we produce and sell approximately 1,200 tonnes of metallic silver. Silver with a purity of 99.99 Ag takes the form of bars (bullion) with a weight of approximately 1,000 troy ounces (approximately 32.15 kg) and granulate.

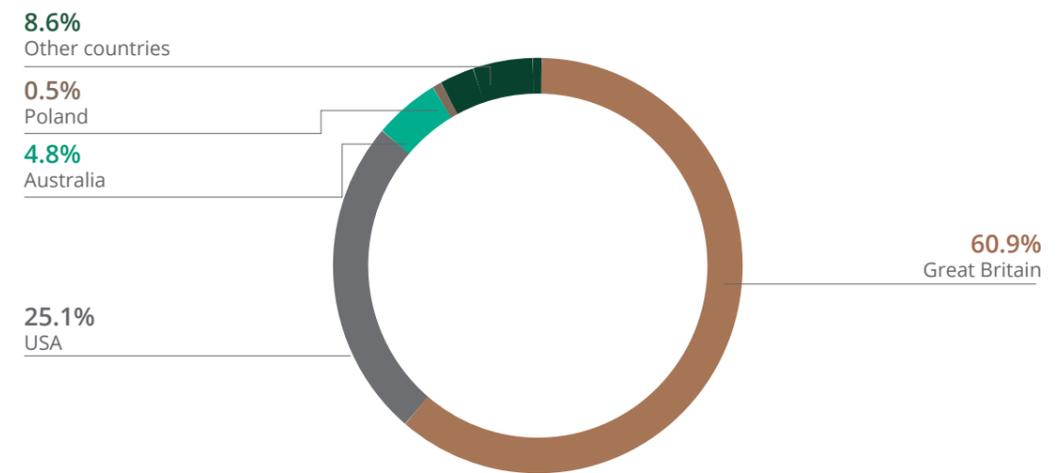
Bullion registered under the KGHM HG brand, holds a certificate of Good Delivery issued by the London Bullion Market Association and the Dubai Multi Commodities Center and the certificate of registration on the New York Stock Exchange (NYMEX).

The main recipients of silver are financial institutions. Silver is used as an investment metal, it is also used in industries such as jewelry, electronics, numismatics, photography, medicine and tableware production.

G4-S07

G4-PR7

Fig. 2.11. The geographical structure of silver sales in 2015



Source: KGHM

Other metals

Rhenium, a strategic metal for applications requiring resistance to extremely high temperatures, is a valuable and very rare metal being a by-product of the copper production process. Rhenium is mainly used to produce so-called superalloys for the aeronautics industry, and is also used as a catalyst in the production of high-octane gasolines in the petrochemical industry. It is also used to manufacture heating elements, electrical contacts, electrodes,

electromagnets, vacuum and X-ray tubes, flash bulbs, metallic coatings and rocket engine parts. It is worth noting that KGHM Polska Miedź S.A. is the only European producer of this metal basing on its own resources.

Molybdenum, used in the aeronautics, arms, petroleum, nuclear, electronics and chemical industries and mainly present on Asian, American and European markets, is a relatively new product offered by the Company.

Compliance with regulations

In 2015, there were no violations of regulations or voluntary codes regulating issues of marketing communication, with consideration of advertising, promotion and sponsoring, at KGHM

Polska Miedź S.A. No legal action concerning violations of free competition principles or monopolistic practices was taken against the Company in 2015.

2.9. The economic impact

We are the largest employer in Lower Silesia. Thanks to our operations, tens of thousands of people have jobs, and thousands more may develop their businesses by co-operating with KGHM Polska Miedź S.A.

G4-12

In every country in the world in which the mining industry is well developed, it has a large and complex impact on the economy and society. It helps to meet the demand for energy, building materials and other products that form the basis for the industry. It affects, directly and indirectly, the level of employment and the quality of life of all the citizens - not just those employed in the mines and smelters, but also a huge number of smaller and larger suppliers and subcontractors. The necessity of development of innovative mining methods and cooperation with research institutes allows for the development of science and provides funding for research and specialized education.

The local impact

Thanks to KGHM Polska Miedź S.A., the Copper Basin where over 55 years ago the construction of an industrial center started is now the richest part of Lower Silesia. The population in many places has increased in this period even tenfold. We are the largest employer in the

region and a center driving its economic and social development. Approximately 34 thousand people work in various companies belonging to KGHM Polska Miedź S.A.

KGHM Polska Miedź S.A. cooperates with different types of suppliers: contractors, intermediaries, wholesalers. They include suppliers of raw materials, subassemblies, end manufacturers, distributors. KGHM Polska Miedź S.A. Capital Group also hires the services of a logistics operator – specialized companies performing supply functions.

Our activity also allows for the continuous development of our suppliers. In 2015, 4 thousand Polish companies of all sizes cooperated with us. 1,800 of them came from the voivodship of Lower Silesia, including 1,122 from the Basin districts. Nationally, we purchased various services and goods worth over USD \$2.4B from Polish entrepreneurs. Of this amount, almost USD \$1.7B went to companies in the Copper Basin.

The number of suppliers as at 31 December 2015	Active in database	With a turnover in 2015 of
Domestic	23,100	4,034
including: Lower Silesia voivodeship	9,574	1,803
including: the Copper Belt municipalities	6,513	1,122
International	1,061	164

Source: KGHM

The volume of purchased goods/money spent in 2015 (M USD)	% of the total revenue	
Domestic	\$2,433	95.39
including: Lower Silesia voivodeship	\$1,689	88.31
including: the Copper Belt municipalities	\$1,619	87.65
International	\$485	4.61
Total (domestic+international)	\$2,918	100

Source: KGHM

We care about maintaining good relationship with the local authorities and take action to develop with them a common strategy for the development of the region. An example is the Copper Basin Forum in Poland during which we discuss activities supporting social and

economic growth of the area where KGHM Polska Miedź S.A. is present. The initiatives relate to the improvement of transport and recreation infrastructure, education of young people, health care, treatment and rehabilitation.

The economic scale of the impact of KGHM Polska Miedź S.A. in 2015 in numbers*

\$51M USD
went to the local government units by way of corporate tax

\$34.6M USD
was paid to local governments in advances towards the PIT liability

\$34.8M USD
is amount of property tax we paid

\$16.6M USD
went to local governments as maintenance fees

\$2.2M USD
was paid by us as a fee for perpetual use of land

\$2.1M USD
is the fee for environmental protection paid to local governments

\$0.67M USD
was received by local governments as a fee for waste disposal

* Converted according to average NBP exchange rate as of 31/12/2015: USD 1/PLN 3.90



The nationwide impact

The impact of KGHM Polska Miedź S.A. on the entire Polish economy is best reflected by the fact that we are one of the biggest CIT payers in Poland – having paid nearly USD \$204M in corporate income tax in 2015, which is over 4.6% of Poland's total CIT revenue.

Just these two payments exceed USD \$0.56B – so over the course of one year, we paid more than the cost of construction of the National Stadium in Warsaw, and the amount was comparable to the total cost of construction of the Świnoujście LNG Terminal. The socially responsible tax policy adopted at KGHM Polska Miedź S.A. also has an effect on the amount of tax we pay.

Over **USD \$0.37B** of tax on extraction of certain useful minerals was paid to bolster the state budget

Number of suppliers of KGHM International Ltd. and Sierra Gorda S.C.M. as of December 31st, 2015

Active suppliers in base	11,055
Inactive suppliers in base	1,695

Source: KGHM International Ltd.

Volume of goods purchased/resources expended by KGHM International Ltd. and Sierra Gorda S.C.M. in 2015 (M USD)

USA	\$220.7
Chile	\$1,113.8
Canada	\$127.2
Total	\$1,461.9

Average USD/PLN exchange rate according to NBP as of 31/12/2015: 1 PLN = 3.90 USD
Source: KGHM International Ltd.



Four thousand Polish companies of varying **size cooperated with us** in 2015. 1,800 of them were from the Lower Silesian (Dolny Śląsk) voivodeship, of which 1,122 were from the Basin.



On the national scale, we purchased goods and services from Polish enterprises worth over **USD \$2.4B**. Of this amount, nearly **USD \$1.7B** went to companies from the Copper Basin.

The impact of KGHM International Ltd.

Employment in the communities where we operate is, next to the local procurement, the foundation of our direct economic impacts. Sierra Gorda S.C.M. offers direct employment to more than 1,200 employees. The Robinson mine is a dominant employer in the city of Ely, Nevada employing more than 10% of the city's population. KGHM International Ltd. is committed to hiring employees locally, while identifying partnership opportunities with various education and training organizations and institutions to ensure the expertise required for our operations will be available.

Developing positive business relationships with the local suppliers and contractors to maximize economic opportunities and encourage the impacts to stay local will contribute to the development of a skilled workforce who understand our value of Zero Harm. The Robinson mine are leaders in this area and continue to develop and maintain positive and effective relationships with suppliers through the Vendor Scorecard program. In 2015 this program was in its second year of being implemented and has proven to be useful to ensure ongoing dialogue.

Empowering youth in the region is also a priority. This includes educational programs and scholarships related to the mining sector.

A Global Volunteer Program was launched. It is project aimed at promoting and supporting local initiatives throughout the organization. Through participation in the project, KGHM Group employees can better understand the needs of local communities and, at the same time, share outside the values that govern KGHM Group.

Support for entrepreneurs in Chile

G4-EC8

In Chile, we are in a constant and regular dialog with the communities of the Sierra Gorda copper basin since the development of the project. In 2015 we conducted dialog sessions related to the extension of a mining license for the Company. We have also developed a program aimed at local Chilean entrepreneurs that enables them to cooperate directly with mining companies and thus develop their businesses.

Health, Safety and Environment Management System

In order to make sure that in our business we take into account all the preoperative and operative risk factors to people or the environment, the following requirements that apply to each organizational unit we introduced into the system (HSEMS):

- we define and update current procedures that enable proactive detection and evaluation of significant risks in the area of health, safety and the environment that could cause serious harm or bring potentially devastating effects on an operation or a project;
- we do the assessment of tasks and areas affecting people in the workplace, including routine and non-routine activities, products and services for current and planned operations;
- we ensure that liene employees assess on a regular basis the conditions in the field or at the station for possible threats and take them into account in the decision making process.



A year filled with challenges

3. Market environment in 2015

3.1. Main trends on the commodities market in the global economy	42
3.2. Market in 2015	45
3.3. Market outlook	52



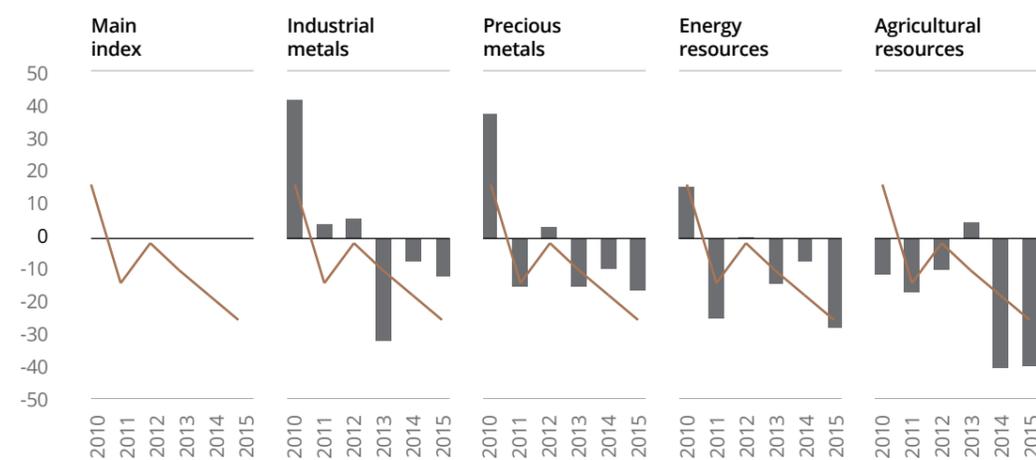
3.1. Main trends on the commodities market in the global economy

The year 2015 was a difficult period for commodity producers. The downward trend in commodity prices, already lasting since 2011, continued, and its dynamic accelerated in percentage terms.

Just one year ago, investors avoided this class of assets, which was reflected in drops in the listings of individual commodities – all commodities which make up the Bloomberg Commodity Index ended the year with much lower prices than at its beginning. Fears related to global economic growth, particularly the condition of the Chinese economy, were the main reason for this aversion to commodities. The continuing growth of the value of the U.S. dollar, in which commodity prices are denominated, starting from mid-2014, was also not without significance. Throughout 2015, the dollar gained strength against the currencies of the U.S.'s largest commercial partners by 9.3%, although the value growth reached above 11% at times.

Energy resources lost the most value in 2015. The dynamic increase of petroleum reserves, despite an equally rapid limitation of the number of boreholes, caused a sudden revaluation of the black gold in the second half of 2014. Many players on the market viewed such a dynamic increase in the amount of petroleum reserves as a drop in demand for the commodity and interpreted this as a sign of lagging economic activity around the world. This had a negative effect on investors' moods and the listings of other commodities.

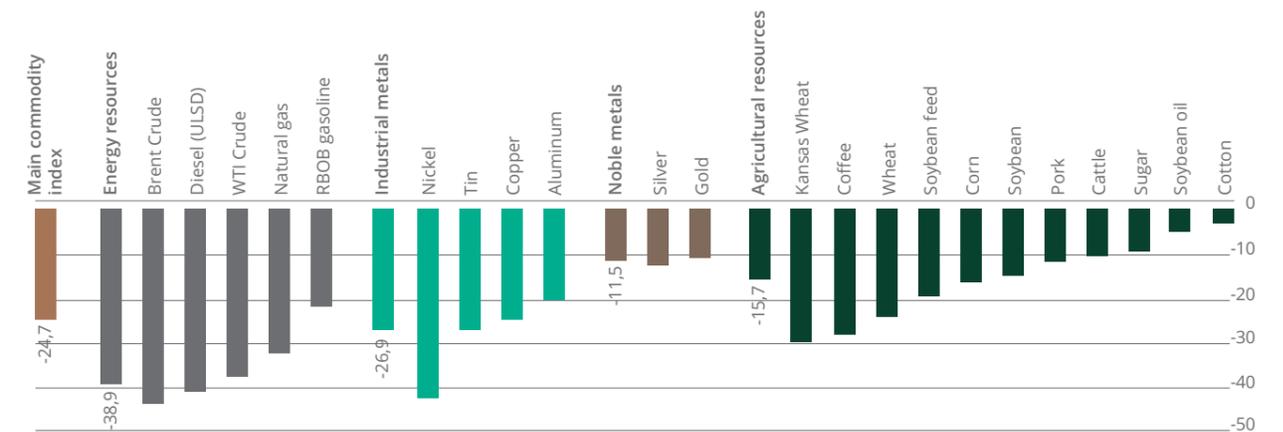
Fig. 3.1. Annual changes in trading commodity index according to the Bloomberg Commodity Index (percent. YOY)



Source: Bloomberg

Commodity prices continued their downward trend in 2015

Fig. 3.2. Change in Bloomberg Commodity Index prices in 2015 (%)



Source: Bloomberg

Analysts and manufacturers observed China attentively, fearing a growing speculation bubble on the local stock exchange. The first half of the year was a period of relative stability for commodity prices, and in May, some materials (including energy resources) were quoted higher than in December 2014. In June, however, Chinese stocks were suddenly revaluated, which immediately led to drops in commodity prices. By the end of the year, the Shanghai stock exchange was undergoing large fluctuations, which saw commodities continuing their declining trend, further exacerbated by the downward dynamic of China's GDP, industrial production and investments in fixed assets.

The deterioration of the commodity market's foundations was also reflected in stock valuations of mining companies. Despite the fact that broad-based share indexes were rising with relative stability since the end of 2011 – within five years, prices of the largest American companies gained 63% while European companies gained 17% – shares of companies from the mining sector went in the opposite direction, losing value from the end of 2010 by as much as 73% as commodity prices plunged. In 2015 alone, the value of these companies was reduced by over 41%, and many of them ended the year with huge losses and high debt ratios.



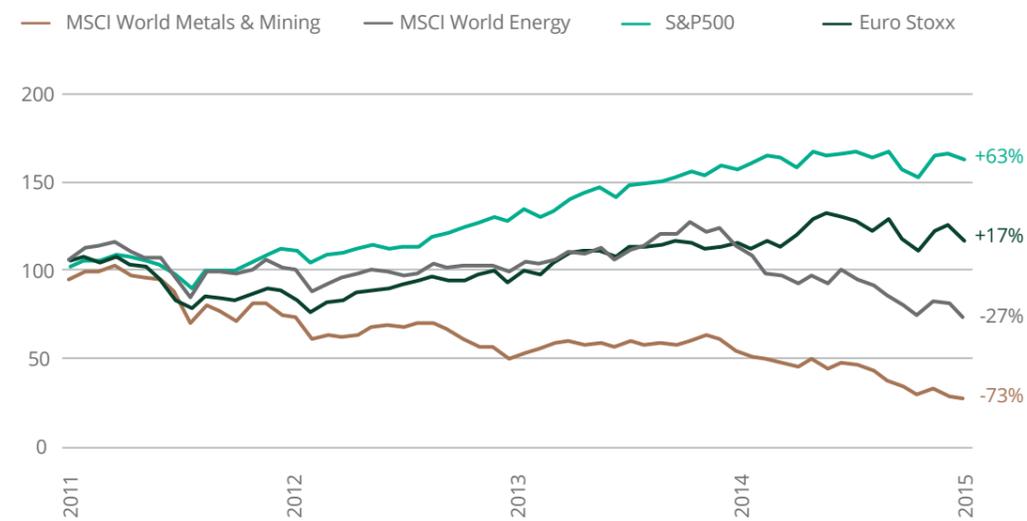
Fig. 3.3. Prices of industrial metals compared to energy resource prices and shares on the Shanghai Composite Index (31/12/2014 = 100)



Source: Bloomberg

Prices of metals were dependent on listings of energy resources and on sentiment on the Chinese stock exchange, to a large extent

Fig. 3.4. Main broad-based indices of shares and shares of companies from the mining and energy sector (31/12/2010=100).



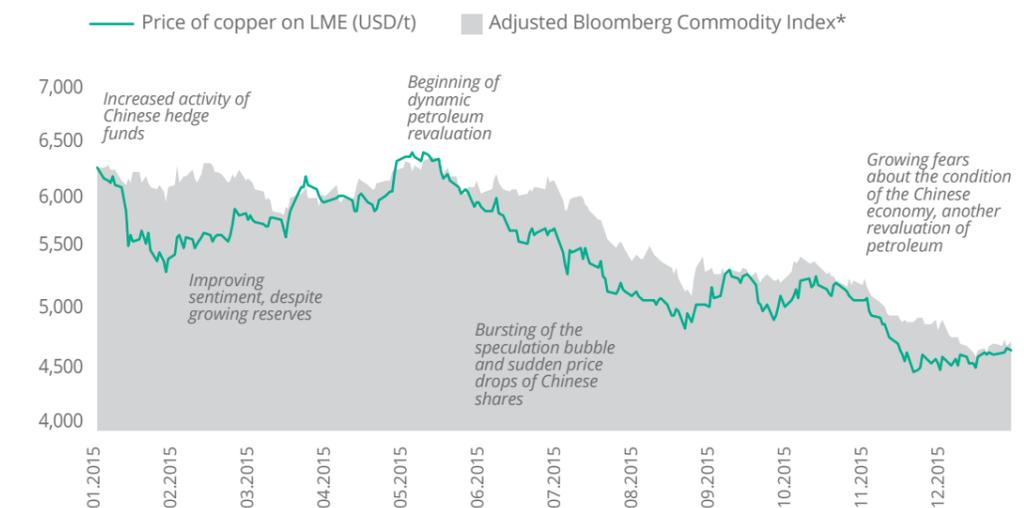
Source: Bloomberg

While global stock indices grew, companies from the mining and energy sector lost significant value

3.2. Market in 2015

According to estimates of CRU International, mining production amounted to 15,091M tonnes in 2015 and was 3.9% greater than in 2014, and production of refined metal reached 22,035M tonnes and increased by 1.6% compared to the previous year. At the same time, demand for copper increased by 0.4% YOY and amounted to 21,597 k tonnes. In consequence, the market balance increased to 63 k tonnes compared to -188 k tonnes in 2014.

Fig. 3.5. Copper price per the LME and critical events affecting this price versus of the Bloomberg Commodity Index



* Adjustment is based on determining the index's initial value as equal to the price of copper (2/01/2015 = 6309)
Source: Bloomberg

The situation in China was of critical importance to the copper market, as in the previous year

The past year brought further drops in copper listings. The price of the red metal was under pressure from Chinese hedge funds, which bet on price reductions, as early as January. Beijing's actions stopped a sell-off, however, and moods on the market had been improving since February so copper listings could make up losses despite growing reserves of copper on the stock exchange. The next wave of reductions took place after the second quarter due to the petroleum sell-off on the market

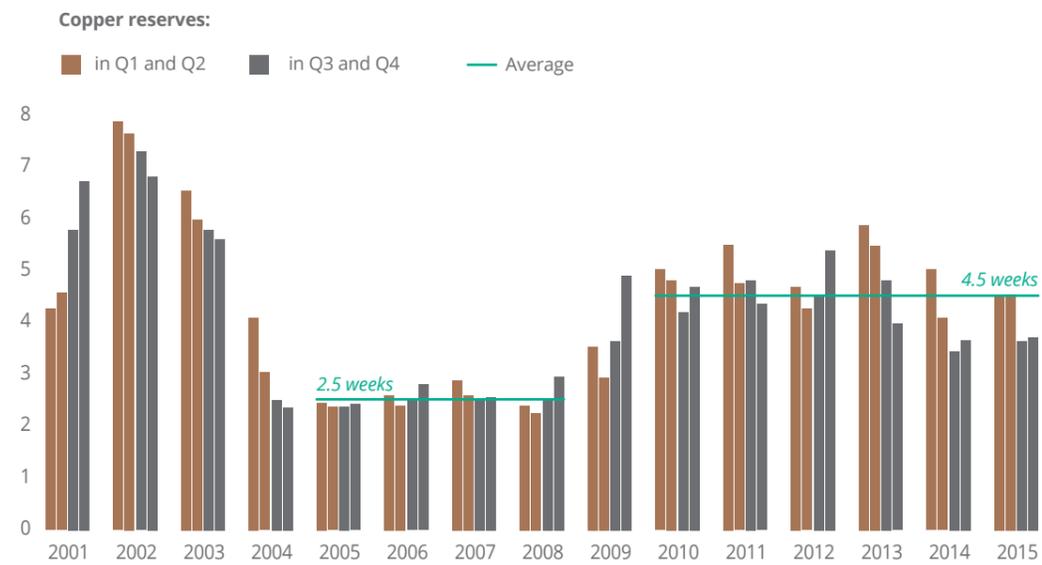
and sudden revaluation of Chinese shares on the Shanghai stock exchange. After a certain stabilization of copper listings at the end of Q3 and the beginning of Q4, the declining tendency continued, once again exacerbated by the falling price of petroleum and fears about the condition of the Chinese economy. In consequence, the price of copper was 4,702 USD/t at the end of 2015. Throughout the whole year, it had been 5,495 USD/t on average, which was 20% less than in 2014.

3. Market environment in 2015

According to estimates of CRU International, mining production amounted to 15,091 k tonnes in 2015 and was 3.9% greater than in 2014, and production of refined metal reached 22,035 k tonnes and increased by 1.6% compared to the previous year. At the same time, demand for copper increased by 0.4% YOY and amounted to 21,597k tonnes. As a consequence, the market surplus increased by 63 thousand tonnes above the surplus of 188 thousand tonnes in 2014.

Chile remains the largest producer of mined copper, with a 30% market share, while China remains the largest producer and consumer of refined copper with 33% and 46% market shares, respectively to these roles. The demand for inventory of this metal amounted to 4 weeks on average throughout the entire year and was lower than the average from the last 5 years, and thanks to seasonality, it fell to approximately 3.6 weeks in the second half of the year.

Fig. 3.6.
Global copper inventory expressed in weeks of consumption



Source: Bloomberg

The inventory to demand ratio was lower than in the previous 5 years

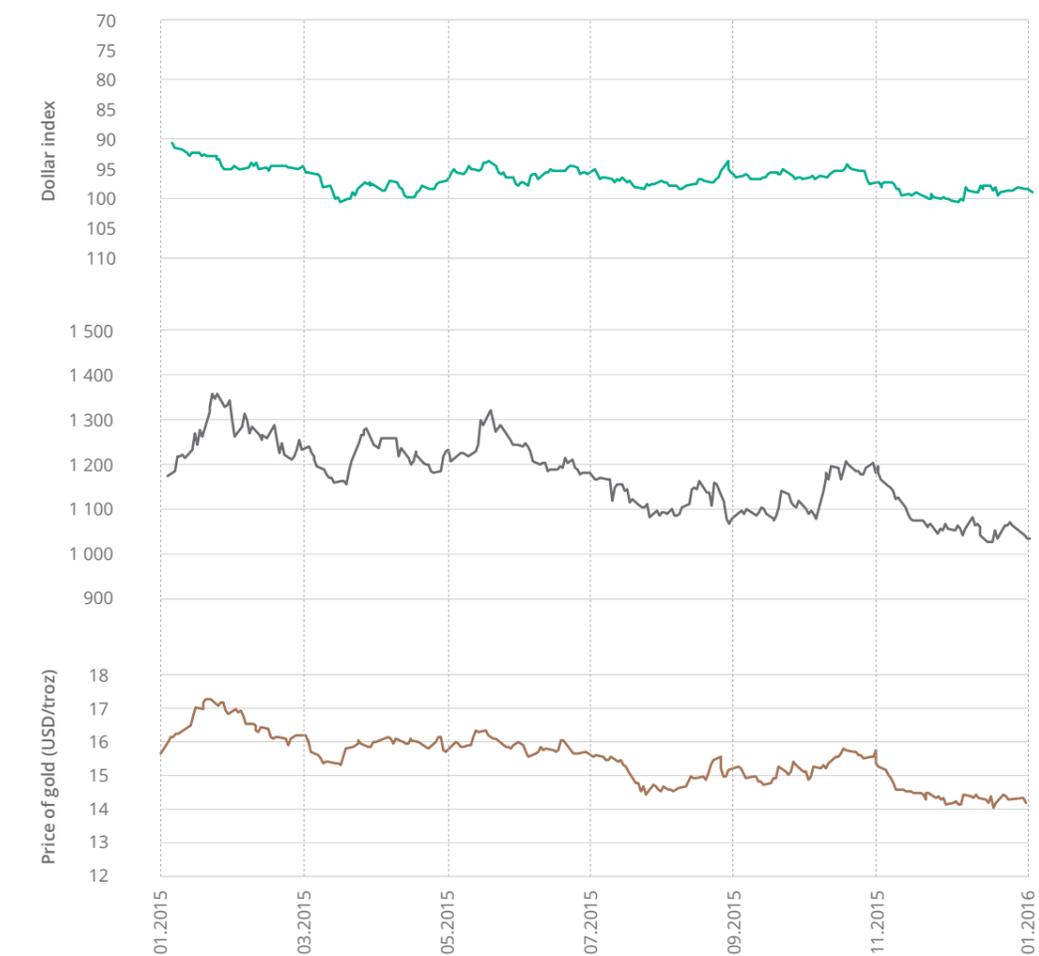
Price drops throughout the year increased the need to restructure the sector. A high debt ratio of some companies and falling profitability or exacerbation of losses caused many mining companies to take action to improve their financial situation. In effect, some mines were closed or their operations limited, and the average C1 cash cost decreased by more than 10% and the stronger dollar had a partial influence on this.

Disruptions of production relative to expectations at the beginning of the year, without including the reaction to lower prices, amounted to 6.2% throughout the entire year (approximately 1M tonnes). The situation of companies in the sector was further deteriorated by low prices of auxiliary commodities, which also had much weaker prices than in the previous year.

The price of silver changed relatively similarly to the price of gold in the previous year, and the gold/silver ratio was maintained at a high level, 74 on average throughout the year. Both metals gained value at the beginning of the year because investors treated them as a safe harbor, but later in 2015, their prices changed according to the general trend on the commodities market. The value of the dollar was an important factor in the evaluation of both gold and silver.

The price of silver amounted to 13.82 USD/oz. and was 13.5% lower than at the beginning of the year, while gold ended the year with an 11.4% decrease. At the same time, the American dollar was strengthened by 9.3% compared to the currency basket of the USA's major trade partners. On the scale of the year, silver lost value compared to 2014, 17.8% on average, and gold lost 8.4% of its value, while the value of the dollar increased by 16.6% compared to the average for 2014.

Fig. 3.7.
Gold and silver prices per the LBMA and change in value of the American dollar compared to the basket of currencies (dollar index)



Source: Bloomberg

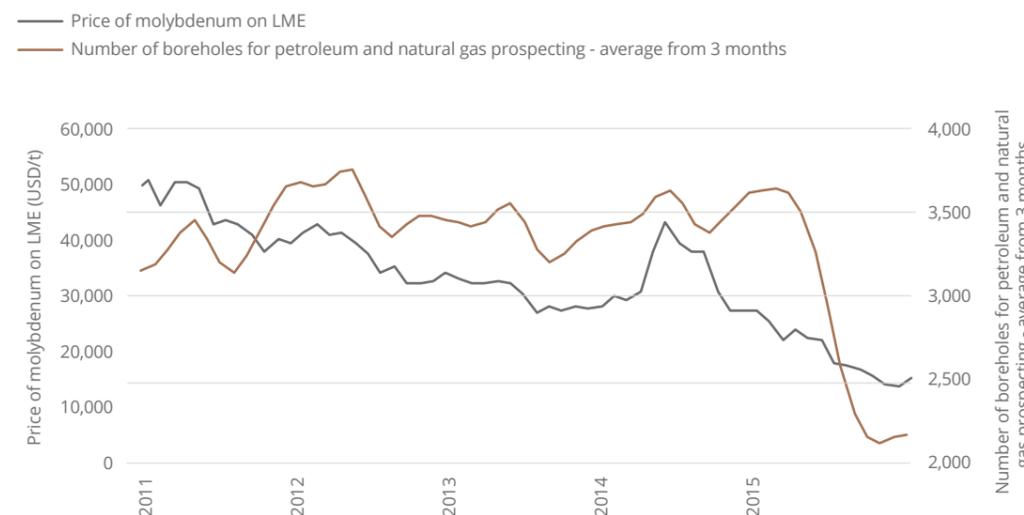
The price of silver followed the price of gold, and both metals remained sensitive to changes in the value of the USD

3. Market environment in 2015

According to CRU International's estimates, the global supply of silver was 32,661 tonnes in 2015 (increase by 0.7% YOY) of which mining production made up 26,966 tonnes (decrease of 0.8% YOY), and 5,625 tonnes of metal were recovered from scrap (increase by 4.7% YOY). The industrial demand for this metal, with the exception of coins and medals, increased by

0.7% and amounted to 23,291 tonnes. As a result, the fundamental market balance remained at a level similar to that achieved in the previous year, amounting to 5,936 tonnes. Throughout the entire year, the involvement of ETF funds in silver and gold decreased – respectively – by 2.7% to 606M oz. and by 8.6% to 47M oz.

Fig. 3.8. Price of molybdenum according to LME and number of boreholes for petroleum and natural gas prospecting



Source: Bloomberg

Molybdenum is one of the metals most vulnerable to the situation on the petroleum market

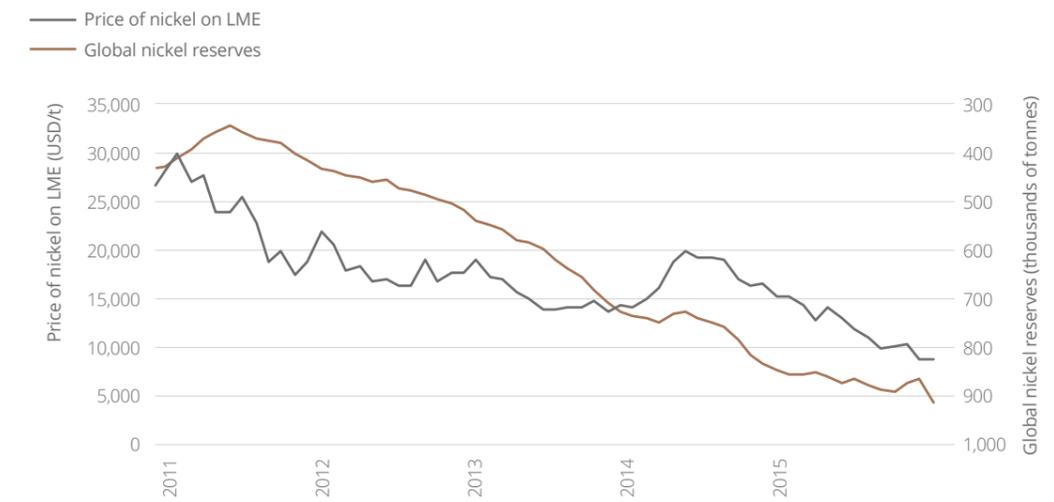
Listings of both molybdenum and nickel fell more than the entire commodities market and the average for industrial metals. The prices of these two commodities decreased in 2015 – respectively – by 43% and 42%. On average in 2015, molybdenum was quoted on the LME at 14,837 USD/t, or 42% less than in all of 2014 (15,548 USD/t). The price of nickel from an annual perspective amounted to 11,807 USD/t and was 30% lower than the price listed in the previous year (16,867 USD/t).

The downturn on the steel market was one of the main causes of the unfavorable price trend on the nickel market. As much as 2/3 of demand for this metal comes from the stainless steel sector, which was also under pressure in 2015 – according to CRU International's estimates, global production of this commodity decreased by 0.8% YOY. During the last 5 years, although the supply of stainless steel increased by nearly 30%, most new production capacities were

being created in China, and outside of China, this growth was only 2.4%. However, the entire global economy is responsible for increasing demand for this metal by 27% since 2010, while the level of manufacturing rose by 35% despite Indonesia's embargo on export of the metal in unprocessed form in 2014. This disproportion led to a gradual increase in the reserves of this commodity over 5 years by over 100%, and in 2015 by 7.3%.

Besides the stainless steel industry, which makes up about 20% of demand for this commodity, the collapse on the petroleum and natural gas market also resulted in lower valuations of molybdenum, since it is responsible for approximately 20% of global use of this metal. The sudden revaluation of petroleum significantly limited the number of new drilling sites – from an average level of approximately 3,500 per month in the years 2011–2014 to just 1,969 in December 2015 (44% decrease).

Fig. 3.9. Price of nickel on the LME versus global nickel reserves according to CRU International



Source: Bloomberg

Growing nickel reserves have not let the price of this metal bounce back

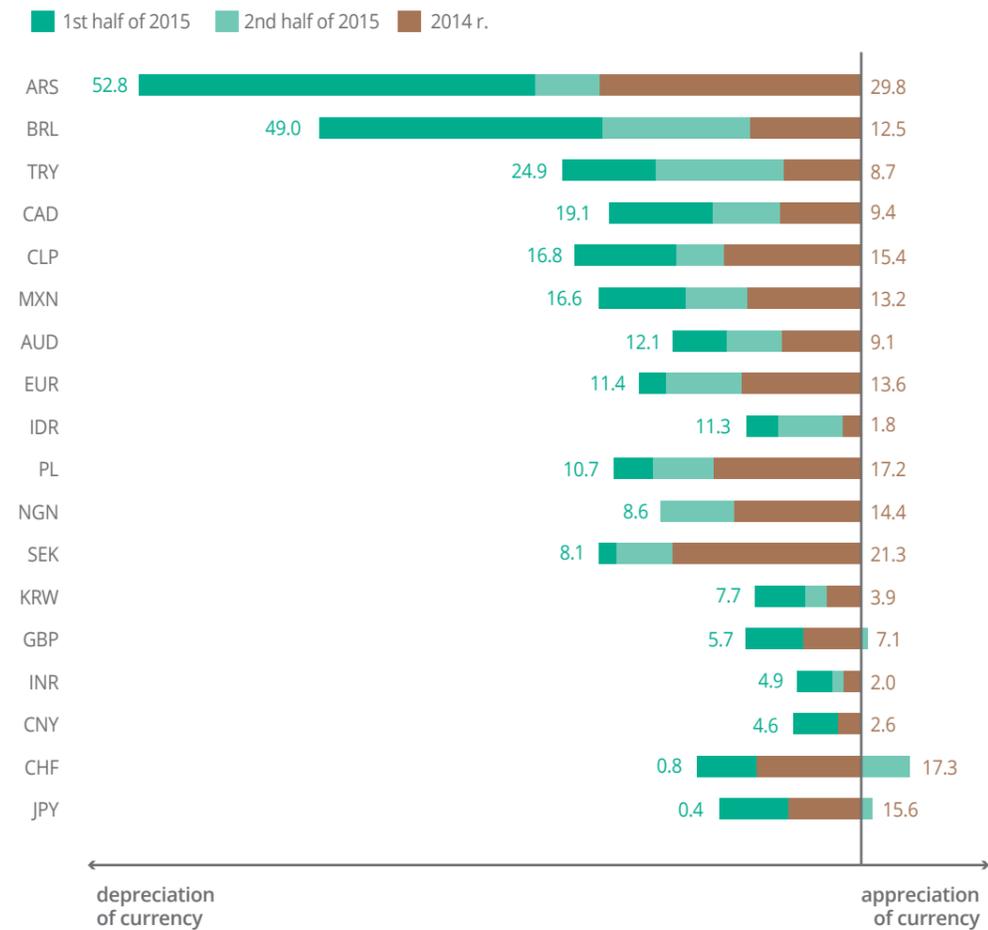
The appreciation trend of the American dollar relative to a significant number of currencies persisted throughout the previous year – its value increased compared to the currencies of the 25 largest economies (with the exception of Saudi Arabia). Expectations that the Fed would raise interest rates were the main reason for further strengthening of the American dollar, but due to ambiguous macroeconomic data from the American and Chinese economies. Investors also treated assets in the USA as a safe harbor protecting against geopolitical problems related to conflicts in the Middle East and Ukraine and economic problems – further complications in the Eurozone, the slowdown in China, as well as troubles of other developing economies.

The devaluation of the yuan (officially renminbi – RMB), controlled by the People's Bank of China, was an important event on the currencies market. The Chinese central bank decided to take this step in relation to the yuan's entry into the SDR currency basket of the International Monetary Fund as well as in order to bolster a weakening economy. The currencies of commodity-exporting countries also lost value, including the Canadian dollar (CAD), Chilean peso (CLP), Australian dollar (AUD) and Brazilian real (BRL).

The EUR/PLN exchange rate was relatively stable throughout the year, reflecting the relative power of the Polish economy compared to the Eurozone. Despite temporary appreciation between Q1 and Q2, as many zlotys were paid per euro at the end of 2015 as at the end of 2014, and the average annual exchange rate was similar – 4.18. Growth of the USD/PLN exchange rate resulted from the global strength of the dollar, as well as from economic and political problems in the Eurozone. Over the course of the year, the zloty lost 11.2% against the dollar and ended the year with an exchange rate of 3.90, and from an average annual perspective, the Polish currency depreciated by nearly 20% – the average exchange rate in 2015 was 3.77 compared to 3.15 in 2014.

3. Market environment in 2015

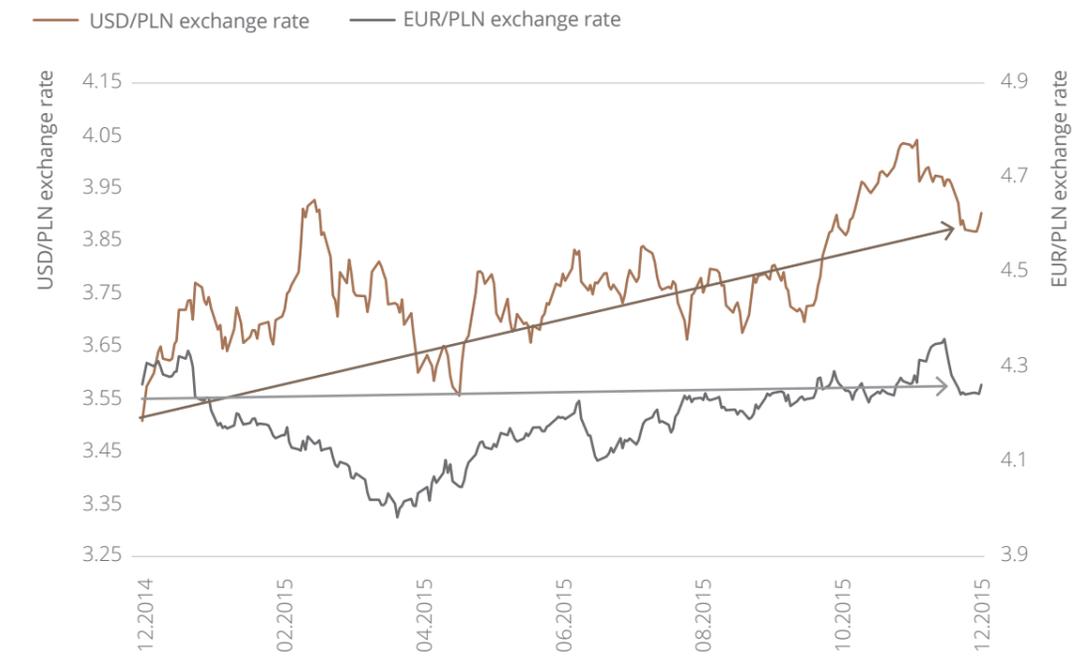
Fig. 3.10. Changes in value of currencies of the 25 largest global economies and Chile versus the U.S. dollar in 2014 and 2015, with the exception of Russia and Saudi Arabia



Source: Bloomberg

Investors placed their trust in the strength of the U.S. dollar once again

Fig. 3.11. USD/PLN and EUR/PLN exchange rate according to NBP fixings in 2015



Source: Bloomberg

The increase in the USD/PLN exchange rate was due to appreciation of the US dollar rather than depreciation of the PLN



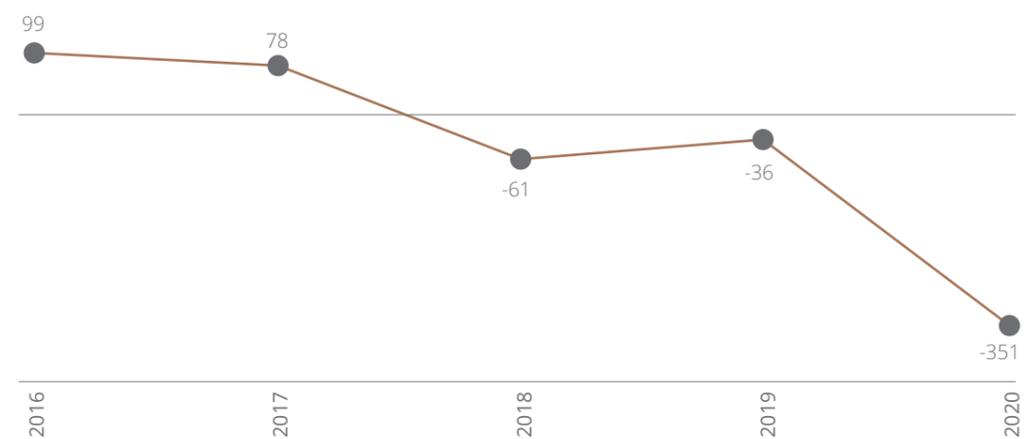
3.3. Market forecasts

The growth dynamics of demand for copper around the world will accelerate again in 2016 by up to 1.8%, according to forecasts by CRU International, in the following years, growth will reach a value of 2.2%. On the supply side, however, final production of the metal should be slightly lower in 2016 than in 2015. As a consequence, the market should register a slight surplus in the next two years, followed by a slight deficit of the commodity.

There are many indicators that this period will be a challenge for manufacturers, and the market will undergo restructuring. The financial difficulties of many companies are already becoming apparent, and mine closures and suspensions or delays of new projects may intensify. Producers will also take steps to reduce extraction costs – their decrease until now (with C1 cost as an example) has been small and largely dictated by depreciation of local currencies against the American dollar.

Suspension of investments in new resources as well as limitation of restoration expenses may lead, however, to a deficit of red metal on the market, which will be impossible to eliminate in the short term. Most institutions are predicting that this scenario will occur in 2018, when demand for copper is expected to exceed production slightly. According to analysts, this deficit will grow rapidly and may be in excess of 350 thousand tonnes in 2020.

Fig. 3.12. Median of forecasts of the copper market balance (thousands of tonnes) by 12 banks and analytical institutions



Source: Reports of banks and institutions

The market expects a small surplus of copper throughout the next 2 years and a large deficit in 2020



We produce
for a changing
world

4. Our results

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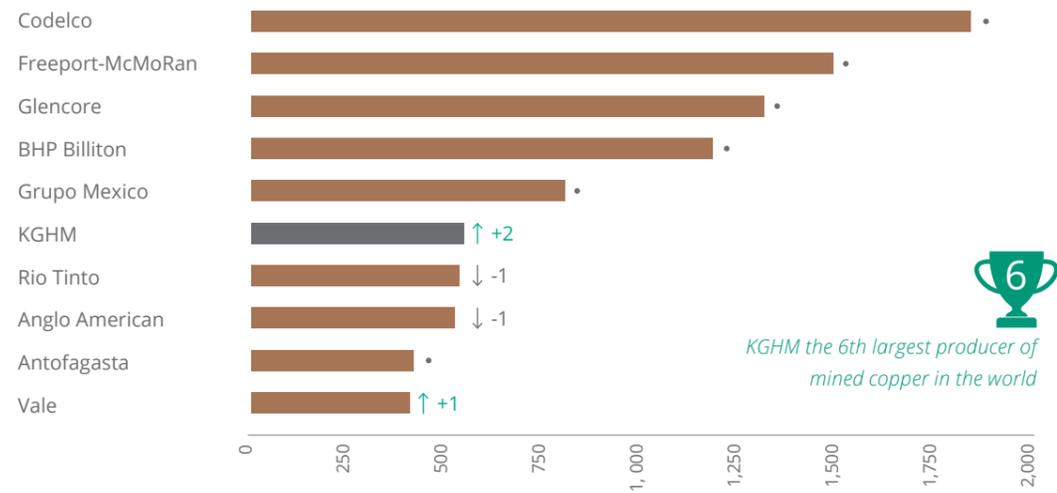
4.1. Market position

In 2015, we placed 6th in mined copper production and 2nd in mined silver production globally.

Codelco still retains its leading position in the group of the largest copper producers in the world. In 2015, the Chilean group produced 1,891 k t of mined copper and 1,406 k t of refined copper, which made up, accordingly, 9.9% and 6.4% of

global production of the metal. The KGHM Group placed 6th in terms of mined production with a result of 564 k t and 8th in terms of refined copper: 600 k t, which mean, respectively, a 2.9% and 2.7% share of the Company on the global market.

Fig. 4.1. Production of mined copper in 2015: the ten largest companies and changes in their positions relative to 2014 (k t)



Source: CRU International

The KGHM Group's global position as a producer of mined copper improved by two places in 2015.

In 2015, the KGHM Group also improved its position as a producer of refined copper from nine to eight in 2015.

Fig. 4.2. Production of refined copper in 2015: the ten largest companies and changes in their positions compared to the previous year (k t)



Source: CRU International

Fresnillo, a Mexican company, was the largest producer of mined silver in 2015, with a 4.8% share in the market.

The KGHM Group found itself in 2nd place with a 4.7% share.

Fig. 4.3. Production of mined silver in 2015: the ten largest companies and changes in their positions compared to the previous year (t)



Source: CRU International

4.2. Corporate risk management

Our market position reflects the ability to manage risk effectively, among other things.

KGHM Polska Miedź S.A. Group defines risk as uncertainty being an integral part of conducted activity and that might result in being both opportunities and threats to achieve business objectives. The current and future, actual and potential impact of risks on the Group's activity is assessed. On the basis of conducted assessment, verification is carried out, and management practices are adapted in response to individual risks.

Within the framework of the corporate risk management policy and procedure approved in 2013 and the regulations of the Corporate Risk Committee, the corporate risk management process is consistently being performed at the KGHM Group. Companies in the KGHM Group have implemented documents regulating corporate risk

management coherent with the policy in force at KGHM Polska Miedź S.A., which simultaneously supervises the corporate risk management process at the KGHM Group.

Risks in various areas of the KGHM Group's activity are continuously identified, assessed and analyzed in the context of the potential for their mitigation.

Key risks are the subject of in-depth analysis with the purpose of developing a response plan to risk and adaptive measures. Other risks are subject to continuous monitoring by the Corporate Risk Management and Compliance Department, and in the scope of financial risks, by the Chief Director of Finance and the Market and Credit Risk Management Department.

Fig. 4.4. Organizational structure of risk management at KGHM Polska Miedź S.A. The division of rights and responsibilities accounts for the principles of good corporate governance and the universally recognized three lines of defense model



Source: KGHM

The risk model is a tool used in the threat identification process. Its structure is based on sources of risk and includes five categories: technological, value chain, market, external and internal. A dozen or so subcategories corresponding to individual areas of activity or management are distinguished and defined at the next level.

The key risk factors of KGHM Group are presented below. (A detailed description of risks and

mitigating measures can be found in the generally available online informational service at www.kghm.com in the document "Consolidated annual report CR 2015").

The comprehensive approach to risk analysis also covers identification of risks related to the achievement of assumed strategic objectives (more in sub-section 2.9. Strategic risks).

Fig. 4.5. Key risk factors of KGHM Group



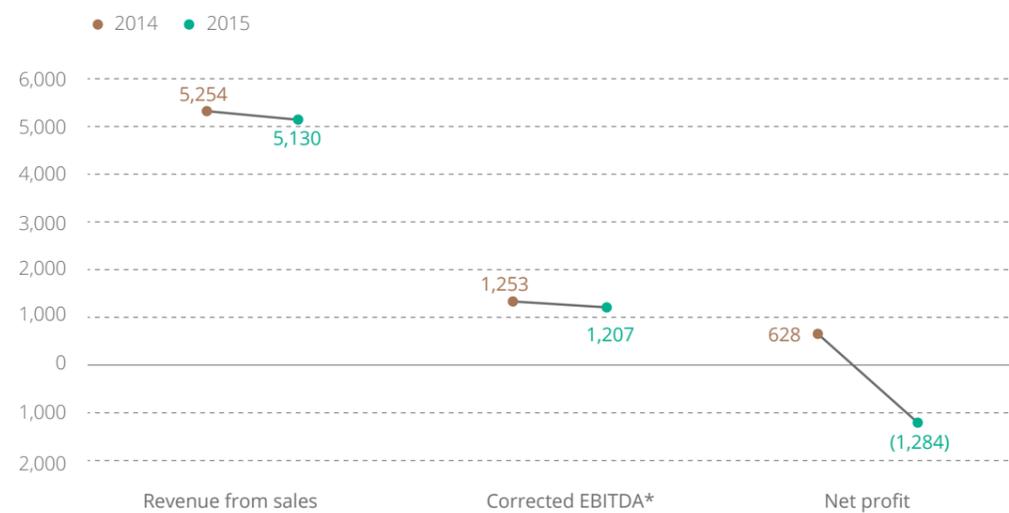
Source: KGHM

4.3. Financial stability

In 2015, market conditions necessitated a sustainable approach to liquidity management at KGHM Polska Miedź S.A. Group.

The primary objective of liquidity management policy was to ensure financing in the short-, medium- and long-terms alike, in such a way as to secure continuity of operations and achievement of the Group's Strategy, particularly in the area of planned investments.

Fig. 4.6.
Key financial data of KGHM Polska Miedź S.A. Capital Group (M USD)



* EBITDA adjusted by write-downs due to impairment of non-current assets in the amount of USD \$1,756M
Average USD/PLN exchange rate according to the NBP as of 31/12/2015: 1 PLN = 3.90 USD
Source: Financial statements of the KGHM Polska Miedź S.A. Group in 2015

Financial results of the KGHM Group

80% of the KGHM Group's sales revenue is generated by KGHM Polska Miedź S.A., which registered a drop in revenue from USD \$4.27B in 2014 to USD \$4.08B in 2015, which is a decrease by USD \$177.9M (i.e. 4%), mainly due to:

- falling copper and silver prices denominated in Polish Zloty,

- hedging of prices and the currency exchange rate,
 - lower copper sales volume by two thousand tonnes,
- with a favorable impact by:
- an increase in sales of other products by USD \$12.3M (including refined lead and sulphuric acid),
 - higher gold sales volume by 130 kg while prices were 9% higher.

Sales results of KGHM Polska Miedź S.A.

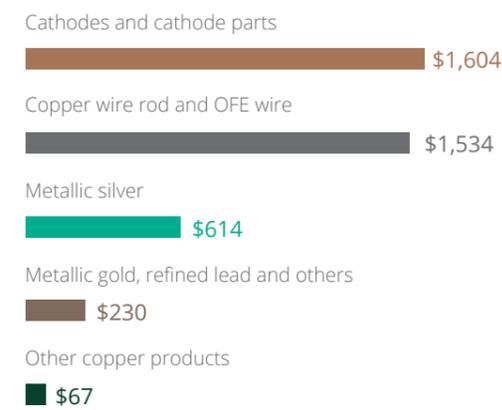
Total revenue from sales of KGHM Polska Miedź S.A.'s products reached USD \$4.05M in 2015, which was 4% less than the revenue achieved in 2014 (USD \$4.22M), mainly due to a copper sales volume decreased by approximately 2 kt and the drop of metal prices denominated in Polish Zloty. In the scope of sales of copper and copper products, a decrease in revenue by over 5% was registered.

80% of revenue from the KGHM Group's sales is generated by KGHM Polska Miedź S.A.

4.05 B USD revenue from sales of products of KGHM Polska Miedź S.A.

Converted according to average NBP exchange rate as of 31/12/2015: USD 1/PLN 3.9

Fig. 4.7.
Sales structure of basic KGHM Polska Miedź S.A.'s products in 2015 (M USD)



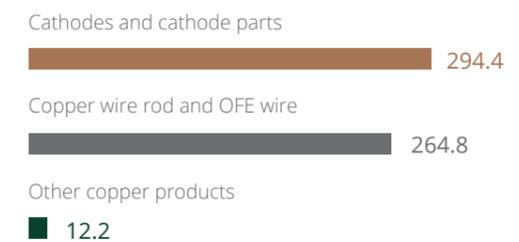
Source: KGHM

Fig. 4.9.
Structure of KGHM International Ltd.'s revenue in 2015 (M USD)



Source: KGHM

Fig. 4.8.
Sales volume of basic KGHM Polska Miedź S.A.'s products in 2015 (kt)



Source: KGHM

Sales results of KGHM International Ltd.

Total revenue from sales at KGHM International Ltd. reached USD \$679.3M in 2015, which was over 5% less than the revenue achieved in 2014 (USD \$717.1M), mainly due to lower copper listings.

679.3 M USD revenue from sales of KGHM International Ltd.'s products

COPPER

The sales volume of electrolytic copper cathodes and copper products on the Polish market made up approximately 24.5% of total sales of these products.

Approximately 75.5% of copper was exported.

The largest foreign recipients were: Germany, China, Czech Republic and Hungary.

KGHM INTERNATIONAL LTD.

The volume of copper sales amounted to 98.9 k t, which is more than 24% greater than the sales result in 2014 (80.1 k t).

The volume of nickel sales amounted to 2.2 k t, which is more than 31% less than the sales result in 2014 (3.2 k t).

The volume of precious metal (gold, platinum and palladium) sales amounted to 97.0 koz., which is more than 49% greater than the sales result in 2014 (66.5 koz.).

The volume of molybdenum sales amounted to 834.3 k lbs., which is over 7% greater than the sales result in 2014 (781.9 thous. lbs.).



SILVER

Silver sales amounted to 1,245.3 t and were 1.4% lower (17 t) than in 2014.

Silver sales on the Polish market made up approximately 0.5%; and export made up approximately 99.5%.

The largest foreign recipients of silver were: the United Kingdom, USA and Australia.

Revenue from silver sales amounted to USD \$615.4M, which was lower by over 3% compared to revenue from this source in 2014 (USD \$633M).



GOLD

Gold sales amounted to 2,660 kg and were 5% (130 kg) greater than in the previous year.



Revenue from gold sales amounted to USD \$95.6M, over 14% more than in 2014. Growth of revenue from sales of this product was caused by both an increase in the price of the metal, denominated in Polish Zloty and growth of sales volume.



Cost position (C1 costs)

The C1 cost of the KGHM Group was 16% lower in 2015 due to the increase in production of copper and accompanying metals as well as the change in macroeconomic factors. The reduction of C1 cost at KGHM Polska Miedź S.A. was mainly the result of the Polish Zloty's depreciation against the American dollar. The lower C1 cost at KGHM International Ltd. is the result of a 24% higher payable copper production mainly at the Robinson mine and significant efforts made to reduce operating costs. The delay in reaching full production capacity at the Sierra Gorda S.C.M. mine was not without effect on the level of C1 cash cost of copper production, which amounted to USD \$2.58/lb. in the second half of 2015. Prices of accompanying metals, including molybdenum, above all, fell by 32% compared to the first half of 2015, which also had an unfavorable effect on C1. Sierra Gorda S.C.M. commenced commercial production in July 2015, thus the unit cost for 2015 pertains to the second half of the year.

EBITDA and net result

Reduction of the Group's EBITDA index by USD \$46.1M is the result of deteriorating macroeconomic conditions, particularly lower metal listings partially compensated for by the higher USD/PLN currency exchange rate and the beneficial effect of growth of production and sales volumes, as well as maintenance of cost discipline. In addition, the ongoing commissioning of the Sierra Gorda S.C.M. mine and the production and efficiency problems related to this had a negative effect on the EBITDA result.

The consolidated net result in 2015 amounted to USD -\$1.28B, and this result was affected, above all, by write-downs due to loss of value of the KGHM Group's fixed assets in the total amount of USD \$1.77B. After deduction of the effects of write-downs, the net result would amount to USD \$0.48B, or 24% less than in 2014. The main cause of deterioration of the result, besides the drop in commodity prices, was the loss sustained at the Sierra Gorda S.C.M. mine, which burdened the Group's result with the amount of around USD \$0.15B.

Cost position (C1 cost) in the KGHM Polska Miedź S.A. Group (USD/lb.)

C1 cost of copper production KGHM Polska Miedź S.A. Group (including Sierra Gorda S.C.M.)

C1 costs of copper production KGHM Polska Miedź S.A.

C1 costs of copper production KGHM International Ltd. (not including Sierra Gorda S.C.M.)

	2015	2014	Difference	Change (%)
C1 cost of copper production KGHM Polska Miedź S.A. Group (including Sierra Gorda S.C.M.)	1.59	1.89	(0.30)	(15.9)
C1 costs of copper production KGHM Polska Miedź S.A.	1.47	1.82	(0.35)	(19.2)
C1 costs of copper production KGHM International Ltd. (not including Sierra Gorda S.C.M.)	1.87	2.26	(0.39)	(17.3)

Source: The Management Board Report on the Activities of the Group in 2015

Investments

The KGHM Group's expenditures on property, plant and equipment and intangible assets amounted to USD \$1,2B in 2015, which is USD \$129M more (14.7%) than expenditures incurred in 2014. Capital expenditures increased in every segment except Sierra Gorda S.C.M. Expenditures on property, plant and equipment and intangible assets

within this segment were significantly lower in 2015 compared to 2014 due to the completion of the investment phase and start of commercial production in 2015. The 55% interest of the KGHM Group in expenditures on the Sierra Gorda S.C.M. project amounted to USD \$286.9M in 2015 (USD \$704M in 2014), which is a decrease by USD \$416.9B compared to 2014 (59%).

4. Our results

Capital expenditures by the KGHM Polska Miedź S.A. Group by reporting segment (M USD)	2015	2014	Difference	Change (%)
KGHM Polska Miedź S.A.	636.2	564.9	278	12.6
KGHM International Ltd.	282.3	236.9	177	19.2
Other segments	83.8	70.5	52	18.9
TOTAL	1002.3	872.1	508	14.9

Converted according to average NBP exchange rate as of 31/12/2015: USD 1/PLN 3.90
Source: The Management Board Report on the Activities of the Group in 2015

Debt

In 2015, the KGHM Group had an open line of credit with total available financing in the amount of approximately USD \$4.1B, of which USD \$1.8B was drawn as of December 31st, 2015.

Long-term financing was secured by a syndicated credit facility in the amount of USD \$2.5B, as well as an investment loan granted by the European Investment Bank in the amount of USD \$0.5B. In the short- and medium-term, current liquidity and effective working capital management are supported by bilateral bank loans, and as of December 31st, 2015, the Group had drawn USD \$0.7B of the available USD \$1B.

The KGHM Group consistently realized the Strategy of consolidating external financing at the level of KGHM Polska Miedź S.A, thanks to which it will be possible to gain significant savings in the years 2015-2019 due to reduction of debt service costs and organization of the structure of external financing.

Many measures aimed at supporting current liquidity were taken in 2015, including with respect to managing working capital, and extended deadlines for payment for deliveries or services rendered were introduced in the areas of receivables, inventories and liabilities, in line with trends in the mining industry.

The most important events in 2015 were:

1. Refinancing of a bank loan in the amount of USD \$200M and bonds totaling USD \$500M.

In the 1st half of 2015, KGHM Polska Miedź S.A. incurred a liability within the framework of a revolving, syndicated credit facility in the total amount of USD \$700M, allocated for refinancing of the external debt of KGHM International Ltd., i.e. bank loan in the amount of USD \$200M and issued senior notes totaling USD \$500M. Consolidation of the KGHM Group's external financing at the level of KGHM Polska Miedź S.A. is the basic tenet of the financial Strategy, one of the priorities of which is to optimize external financing costs and coordinate cash flows in the KGHM Group. This practice is compliant with the best market standards for large capital groups.

2. Extension of the availability of unsecured renewable consortium credit by one year.

The agreement for the unsecured, revolving, syndicated credit facility in the amount of USD \$2.5B was signed in 2014 with a syndicate banks group with a 5-year tenor, with the option of extending it by another 2 years. In 2015, KGHM Polska Miedź S.A. obtained the consent of banks, being members in the consortium, for extension of the maturity deadline on the full amount

of credit by one year. Consent granted by the banks for extension of the period of availability of financing indicates a positive assessment of the KGHM Group's creditworthiness. Currently, this credit will reach maturity on July 10th, 2020.

The KGHM Group's total debt arising from taken credit, loans and debt securities as of December 31st, 2015 amounted to USD \$1.8B and grew compared to 2014 by USD \$0.56B (increase by 46%). At the same time, the structure of externally financed debt changed as a result of replacement of the credit and bonds of KGHM International Ltd. with the syndicated credit facility of KGHM Polska Miedź S.A., with a significantly lower interest rate.

In order to maintain its financial liquidity and credit rating at a safe level, the Group assumes maintenance, in the long term, of the own equity index at a level no lower than 0.5 and of the net debt/EBITDA ratio at a level of up to 2.0.

As of December 31st, 2015, the net debt/EBITDA ratio for the KGHM Group was at a level of 1.4. This level indicates that the Group's debt was maintained at a safe level and positively distinguishes the KGHM Group from other players in the mining industry.

Predicted situation in 2016

KGHM Polska Miedź S.A. intends to maintain stable copper concentrate production in 2016. In relation to the planned, four-month shutdown at the Głogów I Smelter/Refinery, related to a change of technology from a shaft furnace to a flash furnace, the Company assumes that production of electrolytic copper will be reduced by approximately 9% in 2016.

The volume of copper and silver sales in 2016 covers the sale of 215 kt of concentrate (47 kt of payable Cu and 106 tonnes of payable Ag) planned by the company, which will not be used by KGHM Polska Miedź S.A. due to the shutdown of the smelting plant.

The high level of investment outlays in 2016 (capital expenditures in the amount of USD \$0.65B and equity in the amount of USD \$0.4B) is largely the result of the necessity of completing investments related to change of technology at smelting plants as well as support of operational activity at Sierra Gorda S.C.M. and KGHM International Ltd.'s mining assets in the form of a shareholder loan, in the face of unfavorable macroeconomic conditions.

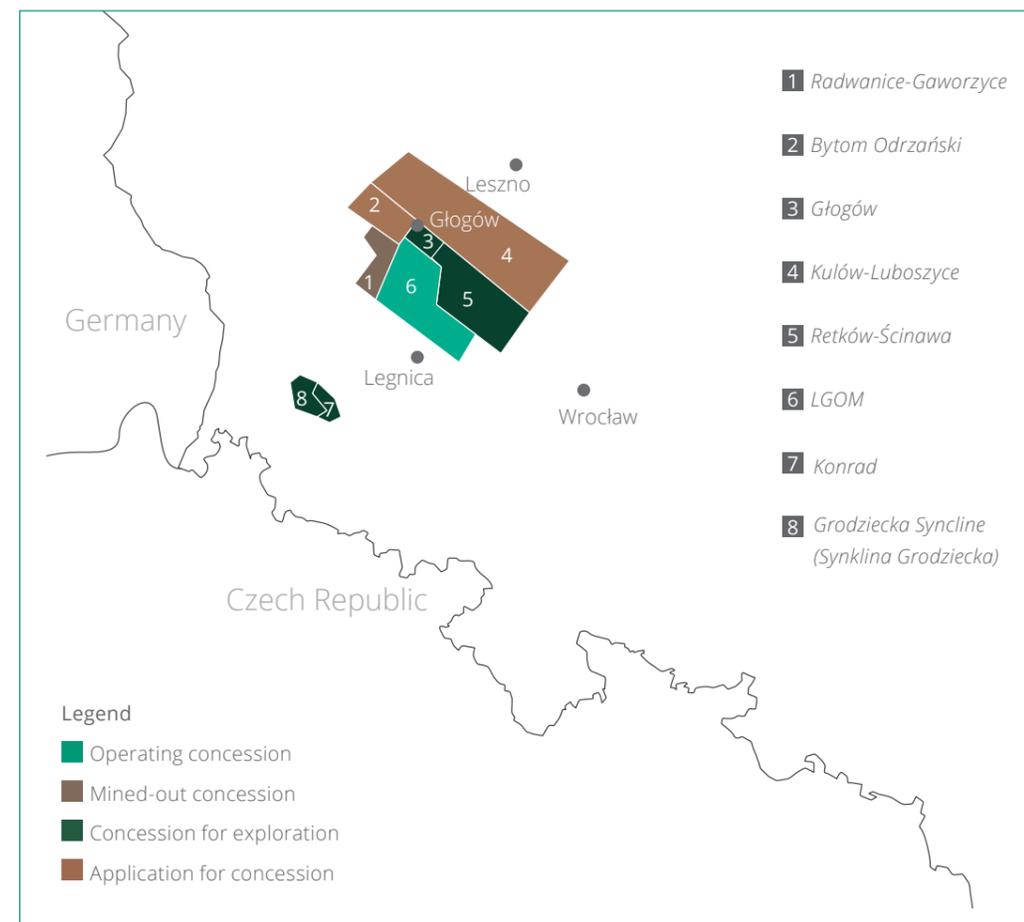
Group debt arising from credit, loans and other sources of financing (M USD)	2015	2014	Change	Change as percentage (%)
Long-term liabilities	\$1,244	\$761	\$483	63
Bank credit	\$942	\$36.7	\$905.3	2.469
Loans	\$302	\$271	\$31	11
Debt securities	0	\$454	(\$454)	(100)
Short-term liabilities	\$546	\$461	\$85	18
Bank credit	\$545	\$457	\$88	19
Loans	\$1.54	\$2.56	(\$1.02)	(40)
Debt securities (interest)	0	\$1.54	(\$1.54)	(100)
Total	\$1,790	\$1,222	\$568	46

The USD amounts above are calculated using the Polish National Bank exchange rate at 31 December 2015: 1 USD/3.90 PLN.
Source: KGHM

4.4. Development of the resource base

Access to geological resources is an element securing the operating capabilities at KGHM Polska Miedź S.A., above all, in areas adjacent to terrain where mining is being performed.

Fig. 4.10. KGHM Polska Miedź S.A. resource projects



Source: KGHM

Exploratory projects in progress

1 Radwanice-Gaworzyce

Work on preparing the deposit management design is underway. First, it is planned to manage (develop) the northern part of the Radwanice-Gaworzyce copper ore deposit.

7 8 Grodziecka Syncline and Konrad

Surface-based geophysical surveys have been completed, which will allow for more detailed identification of the geological structure for the purposes of determining geological and mining conditions. The next stage of work calls for the performance of drilling work for the purpose of studying hydrogeological conditions in detail as well as for continuation of surface-based geophysical surveys.

3 5 Retków-Ścinawa and Głogów Projects

Drilling work in the first stage was continued, and by the end of December 2015, seven boreholes were drilled in the Retków-Ścinawa area, while another three boreholes are in progress. Four boreholes are being drilled in the Głogów area.

Exploratory projects in the preparatory phase

2 4 Bytom Odrzański and Kulów-Luboszyce

In July 2015, hearings were held in the cases concerning mining concessions in the areas of: Bytom Odrzański, Kulów-Luboszyce, Bytom Odrzański (Leszno Copper), Kotla and Niechlów. For formal reasons, the Voivodeship Administrative Court in Warsaw repealed the decision of the Minister of Environment of 29 July 2014 on repealing the decision of 28 January 2014. In late October and early November, the Company filed complaints in cassation to the Supreme Administrative Court in the case of Bytom Odrzański and Kulów-Luboszyce. Setting of the date of the hearing is now being awaited.

Potash salt deposits

2015 also marked the conclusion of surface-based geophysical surveys in the area of the concession in the Bay of Puck. Detailed analysis and interpretation of data is in progress – thanks to this, it will be possible to more accurately survey the geological structure of the area as well as to verify the locations of planned drilling work.



4.5. Development of assets

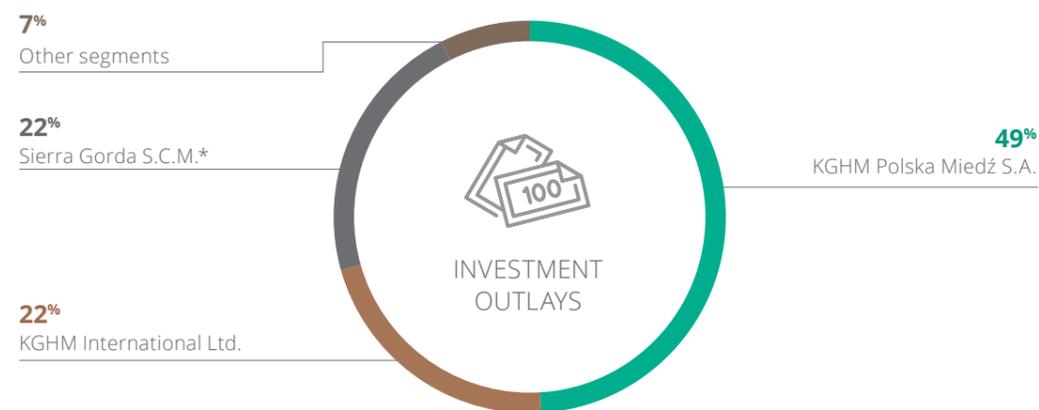
We are investing in modernization of the KGHM Group's main process line and are taking action to lead resource projects in Poland, Canada and Chile to the production phase.

By development of assets, we mean the economically justified investment policy of our company, oriented toward rational management of mining assets and investment in their modernization.

To us, development of assets is an obligation to execute our investments according to planned schedule and location in an economically justified manner.

Fig. 4.11.

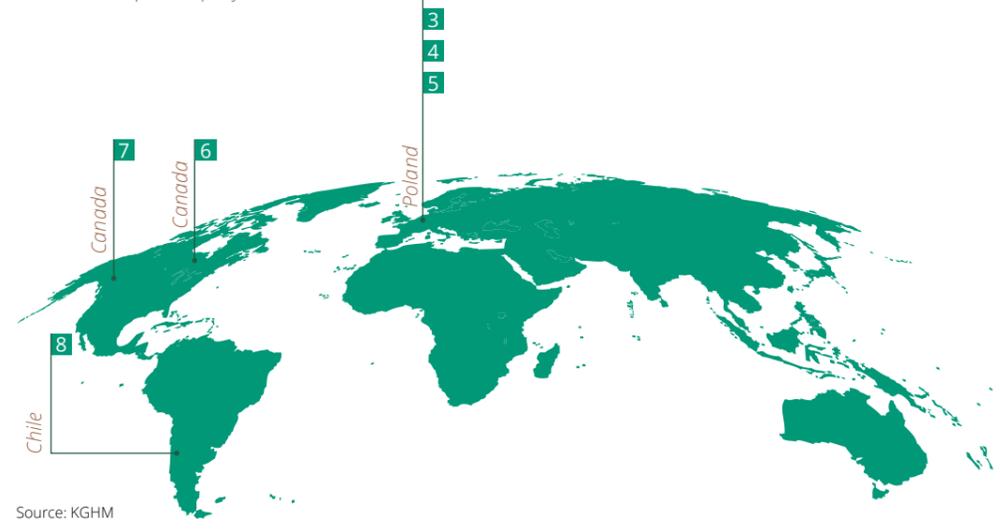
Structure of investment outlays according to reporting segments in 2015



* 55% share of KGHM International Ltd.
Source: KGHM

Fig. 4.12.

Asset development projects



Source: KGHM

Asset development projects

1 Głogów Głęboki-Przemysłowy (Poland)

The main development project is to provide access to the deposit in the Głogów Głęboki-Przemysłowy (Deep Głogów) area, which will make it possible to maintain the production of Polish mines at the current level for a time horizon of over a decade. This is one of the largest mining projects in Europe in terms of underground resources, and we are planning to expend USD \$64M annually for its realization until 2020. The infrastructure of the Rudna and Polkowice-Sieroszowice mines is used to exploit the deposit. The estimated balance of ore resources amounts to nearly 300M tonnes, with average copper content of 2.40%. These resources make up approximately 25% of copper resources and approximately 33% of silver resources in all current areas to which the Company holds concessions in Poland. According to predictions, production in this area will amount to 10-11M tonnes of ore and 200-220 k tonnes of electrolytic copper per annum in the years 2028–2035, i.e. the period of the greatest intensity of exploitation work (visit www.kghm.com for more information on the Głogów Głęboki-Przemysłowy project).

2 Mechanical mining program (Poland)

Mechanical mining of a deposit is based on boring of gallery headings using a group of combines. This is a technological alternative to currently applied blasting works. Elements improving the performance parameters of mechanical mining were identified within the framework of improvement of the technology in 2015, with particular emphasis on work currently performed under conditions of mining disruption. Further design work will be focused on increasing the rate of boring headings accordingly to present geological and mining conditions.

Exploitation technology utilizing mechanical mining is being developed in cooperation with Caterpillar Global Mining Europe. In 2015, work related to implementing modifications in the prototype device enabling performance of the final stage of operating tests using the ACT (Active Cutting Technology) mining complex was completed. The performance of successive tests will make it possible to verify assumed technical and performance parameters of the tested technology. The completion of testing is planned at the end of Q2 2016.

3 Pyrometallurgy modernization program at Głogów Copper Smelting Plant (Poland)

In 2015, we completed construction of the lining of the furnace hall for the fluidized-bed furnace and electrical furnace. Assembly of equipment and systems related to operation of the fluidized-bed furnace, electrical furnace, waste-heat boiler and facilities of the Stock Preparation Department at the Głogów I Smelting Plant is still underway. Commissioning of the fluidized-bed furnace is planned for Q4 2016.

4 Metallurgy development program (Poland)

Our goal is to create a functionally integrated, cost-effective and environment-friendly structure of metallurgy at KGHM Polska Miedź S.A. We will achieve this thanks to technology ensuring maintenance of the current processing capacity of our own concentrates and imported concentrates for at least the following decade or so.

Basic benefits arising from the change of technology:

- growth of revenue from sales of additional amounts of silver, rhenium and refined lead,
- reduction of outlays for restoration investments as well as of the costs of overhauls and labor costs,
- fulfillment of BAT conditions,
- improvement of working conditions – elimination of burdensome workstations present in shaft furnace technology,
- improvement of energy efficiency of processes – recovery of chemical energy in the form of useful heat,
- significant reduction of the negative environmental impact of metallurgical processes,
- improvement of the competitiveness of the Company's metallurgy.

The following projects are underway at this time within the framework of the metallurgy development program:

- construction of a steam drier at Głogów II Smelting Plant,
- construction of concentrate roasting system at Głogów I Smelting Plant,
- modernization of the Vat Hall and Electrolyte Decoppering Facility at Legnica Smelting Plant.

4. Our results

Other projects under the Metallurgy Development Program are at the documentation preparation stage.

5 Expansion of the Żelazny Most Extraction Waste Neutralization Facility (OUOW) (Poland)

Żelazny Most is the largest extraction waste neutralization facility in Europe for extraction waste generated after enrichment of copper ore. KGHM Polska Miedź S.A. extracts approximately 30M tonnes of copper ore annually – waste makes up over 29M tonnes and is transported to Żelazny Most via pipelines. Extension of mine lifetime and maintenance of jobs in the region require expansion of the facility. A concept for expansion of the facility and creation of a southern quarter with an area of approximately 609 ha has been prepared in cooperation with an international team of experts. In Q2 2015, legally binding amendments to local zoning plans in the Polkowice commune were achieved, enabling expansion. In 2015, work with the purpose of selecting construction and waste storage technology in the newly planned quarter, as well as waste compaction technology, was performed.

6 Victoria Project (Canada)

The Victoria Project is situated in the Sudbury region in Canada. It assumes deep exploitation of the deposit using two shafts, and all ore extracted from the mine will be processed in Vale facilities. The geological resources in mineral deposits at the project site are estimated at 13.6 M t of ore (500k t in the category “mapped”, 13.1 M t in the category “indicated”), with approximately content of 2.6% Cu, 2.7% Ni and 8.3 g/t of accompanying metals. Surface infrastructure including power and water treatment facilities were developed in 2015, and construction of a transformer station was completed, among other things. In addition, the KGHM International Ltd. Management Board made decisions resulting in modification of the accepted schedule of the Victoria project.

7 Ajax Project (Canada)

In September 2015, an application was filed for an environmental permit for construction of the Ajax copper and gold surface mine. In November, the regulator issued a positive assessment of the application for the environmental permit from a completeness standpoint, thus approving the document for further substantive assessment. In January 2016, a supplemented final application was submitted, initiating the 180-day technical government review process, and the 75-day period of public consultations, in which both residents of the city of Kamloops and the indigenous population are participating. 35% of the engineering work required for preparing construction of the mining facility was completed in 2015. The project’s feasibility study was updated, according to which the mine’s infrastructure was moved away from the developed areas of the city of Kamloops.

8 Sierra Gorda Oxide – oxide ore processing project (Chile)

During 2015, the project finalized Basic Engineering and entered the detailed Engineering and Procurement phase. In 2016, the project will continue investigating potential for lowering CAPEX and increasing project NPV.

Investment outlays of KGHM International Ltd. (M USD)	2015	2014	Dynamic 2014=100
Victoria Project	\$60.3	\$49	123.0
Sierra Gorda Oxide Project	\$16.4	\$9.7	168.4
Overburden removal and other	\$162.3	\$135.6	119.7
Ajax	\$43.3	\$42.6	101.8
Total	\$282.3	\$236.9	119.2
Flows to Sierra Gorda S.C.M	\$238.2	\$542.8	43.9

Source: KGHM International Ltd.



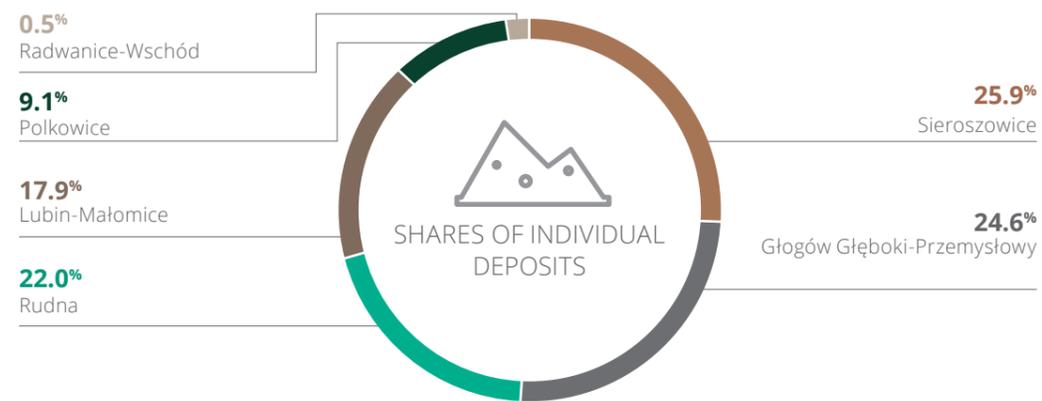
4.6. Mining and smelting production

We place special emphasis on increasing production capacities and improving the cost-efficiency of production. The innovative technologies, optimizing measures and production processes we implement, as well as further improvement of work safety systems, are intended to serve this purpose.

Our production in Poland is a fully integrated process in which the final product of one phase of the process is the stock (semi-finished product) used in the next phase. There are three mines in the mining zone: Lubin, Rudna, Polkowice-Sieroszowice, an Ore Processing Facilities Division, which prepares concentrate for the smelting plants, and the Hydrotechnical Facilities

Division, responsible for storing and managing waste generated over the course of the production process. Two smelting divisions are active in the Company's organizational structure: the Legnica Smelter/Refinery and Głogów Copper Smelting Plant, as well as the rolling mill of Cedynia Wire Rod Plant.

Fig. 4.13. Shares of individual deposits in geological copper resources in Poland



Source: KGHM

31.6
M t

This past year, we achieved the highest extraction of winning in mines by moist weight or actual weight in the Company's history...



...as well as record processing of feed at Ore Processing Facilities.

Production results

Mining production in Poland

In 2015, we extracted 31.6M t of ore in dry weight – this is 0.5M t more than in 2014. Growth of extraction is the result of the increase of daily extraction on workdays as well as intensification of work on days-off. Average copper content in ore (1.52%) was slightly lower than that achieved in 2014 (0.6%) as a result of exploitation of regions with lower

copper content in ore. Despite this, the amount of metal in the extracted winning was greater by 5.5 k t than in 2014, amounting to 478.7 k t. The volume of silver in winning increased by 23 t, amounting to 1,407 t.

Concentrate production in dry weight increased in comparison to 2014 by 16.7 k t (increase from 1,842 k t to 1,859 k t). The amount of silver in concentrate was greater by 2% than in 2014 (increase from 1,186 t to 1,209 t).

Mining - materials used according to weight and volume	Unit of measure	2015	2014	2013	2014=100%
Copper ore extraction	kt	31,571	31,023	30,647	101.8
Cu content in ore	%	1.52	1.53	1.57	99.4
Amount of Cu in ore	t	478,727	473,258	481,770	101.2
Ag content in ore	g/t	44.57	44.60	45.47	99.9
Amount of Ag in ore	kg	1,407,167	1,383,757	1,393,366	101.7
Cu yield	%	89.18	89.05	89.03	100.2
Amount of Cu in concentrate	t	425,870	421,285	428,879	101.1
Amount of Ag in concentrate	kg	1,209,094	1,186,014	1,199,029	101.9
Cu content in concentrate	%	22.91	22.87	23.10	100.2
Concentrate production	t	1,858,857	1,842,155	1,856,272	100.9

Source: KGHM

Smelting production in Poland

This past year, production of electrolytic copper decreased by 2.6 k t (0.4%) in comparison to 2014, which is the second highest result in the Company's history - 574.3 kt. Greater processing of own concentrates as well as a share of foreign stock in the form of scrap, blister copper and imported concentrate contributed to maintained processing. Supplementation of own stock with foreign stock made it possible to utilize existing technological capabilities effectively.

Production of other metallurgical products (silver, wire rod, OFE wire and ingots) is a derivative of the scale of production of electrolytic copper and depends on the type of raw materials that are used, and above all, on market demand. In comparison to 2014, we produced 128 kg more metallic gold – reaching a volume of 2,703 kg for the first time in the Group's history. Our smelting plants also manufactured 1,283 tonnes of metallic silver – 27 tonnes more than in 2014.

4. Our results

574.3 k t

This past year, production of electrolytic copper decreased by 2.6 k t (0.4%) in comparison to 2014, reaching the second highest result in the KGHM Polska Miedź S.A. history.



In comparison to 2014, we manufactured 128 kg more metallic gold and 27 tonnes more metallic silver.

Metallurgy - materials used according to weight and volume	Unit of measure	2015	2014	2013	2014=100%
Products					
Electrolytic copper including:	t	574,310	576,876	565,155	99.6
production from own stock	t	420,491	420,367	430,338	100.0
production from foreign stock	t	153,819	156,509	134,817	98.3
Converter copper	t	582,398	575,696	536,798	101.2
CONTIROD wire rod	t	246,642	242,474	228,936	101.7
CU OFE wire (UPCAST)	t	14,629	12,729	13,375	114.9
Cu Ag wire	t	2,390.3	2,714.4	1,365.4	88.1
OC ingots	t	12,666	8,800	17,018	143.9
Granulated copper	t	2,016	2,056	2,156	98.1
Other metals					
Silver in slurries	kg	1,276,975	1,277,881	1,151,924	99.9
Metallic silver	kg	1,283,209	1,256,238	1,161,114	102.1
Metallic gold	kg	2,702.7	2,574.7	1,066.4	105.0
Pt-Pd concentrate	kg	136.5	137.2	176.7	99.5
Raw lead	t	29,001	27,107	26,705	107.0
Refined lead	t	29,253	26,128	26,631	112.0
Other production					
Sulphuric acid	t	669,080	646,074	609,019	103.6
Copper sulfate	t	5,914	5,832	5,826	101.4
Nickel sulfate	t	2,967	2,658	2,756	111.7
Technical selenium	t	87.0	89.8	80.2	96.9

Source: KGHM

Production at KGHM International Ltd. and Sierra Gorda S.C.M.	Unit of measure	2015	2014	2013	2012	2014=100%
Payable copper	t	143,937	92,878	100,799	110,367	155.0
Molybdenum	t	4,205	331	624	149	1 270.4
Nickel	t	2,210	3,194	4,660	4,772	69.2
TPM (gold, platinum, palladium)	kg	3,680.1	2,174.5	3,058	2,993	169.2

Source: KGHM

Locations of facilities and production in Canada, USA, Chile

Our mining facilities are:

- Morrison (Canada) – underground mine, production of ore with copper, nickel, gold, palladium and platinum content
- McCreedy (Canada) – underground mine in the care and maintenance phase, potential production of ore with copper, nickel, gold, palladium and platinum content
- Carlota (USA) – leach operation, production of electrolytic copper in the form of copper cathodes
- Robinson (USA) – surface mine, production of copper concentrate and molybdenum concentrate
- S.C.M. Franke (Chile) – surface mine, production of electrolytic copper in the form of copper cathodes
- Sierra Gorda S.C.M. (Chile) – surface mine, production of copper concentrate and molybdenum concentrate

In July 2015, the Sierra Gorda S.C.M. surface mine in Chile, the majority of which belongs to our Group, situated on one of the largest copper

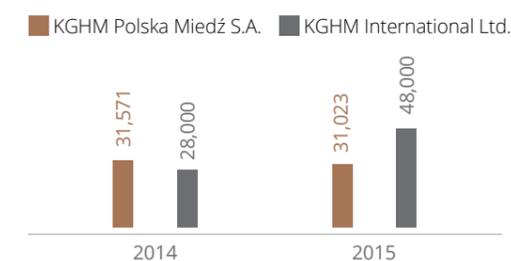
and molybdenum deposits in the world, started commercial production. The deposits were discovered in 2006. Two years later, KGHM International Ltd. took over the project, which is a joint project of KGHM International Ltd. (55%), Sumitomo Metal Mining Co. Ltd. (31.5%) and Sumitomo Corporation (13.5%) since September 2011.

The Sierra Gorda S.C.M. mill has a design target processing capacity of 110 k t of ore per day. In 2015, over 87 k t of copper and 6.5 k t of molybdenum were produced in Sierra Gorda S.C.M. Copper concentrate produced in Sierra Gorda S.C.M. is transported to the port of Antofagasta by train, and occasionally by truck, and shipped by sea to smelting plants all over the world from there. The mine also has exploratory potential in neighboring areas.

110^{k t}

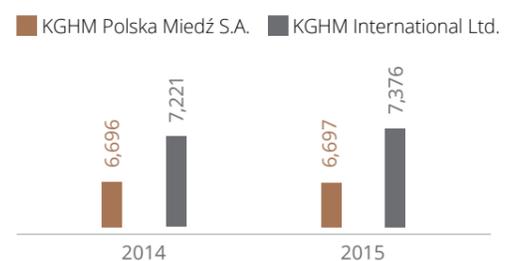
Target processing capacity in first phase of Sierra Gorda S.C.M. processing facility

Fig. 4.14.
Total copper ore extraction (k t)



Source: KGHM

Fig. 4.15.
Total area of land used for production or extraction activity (ha)

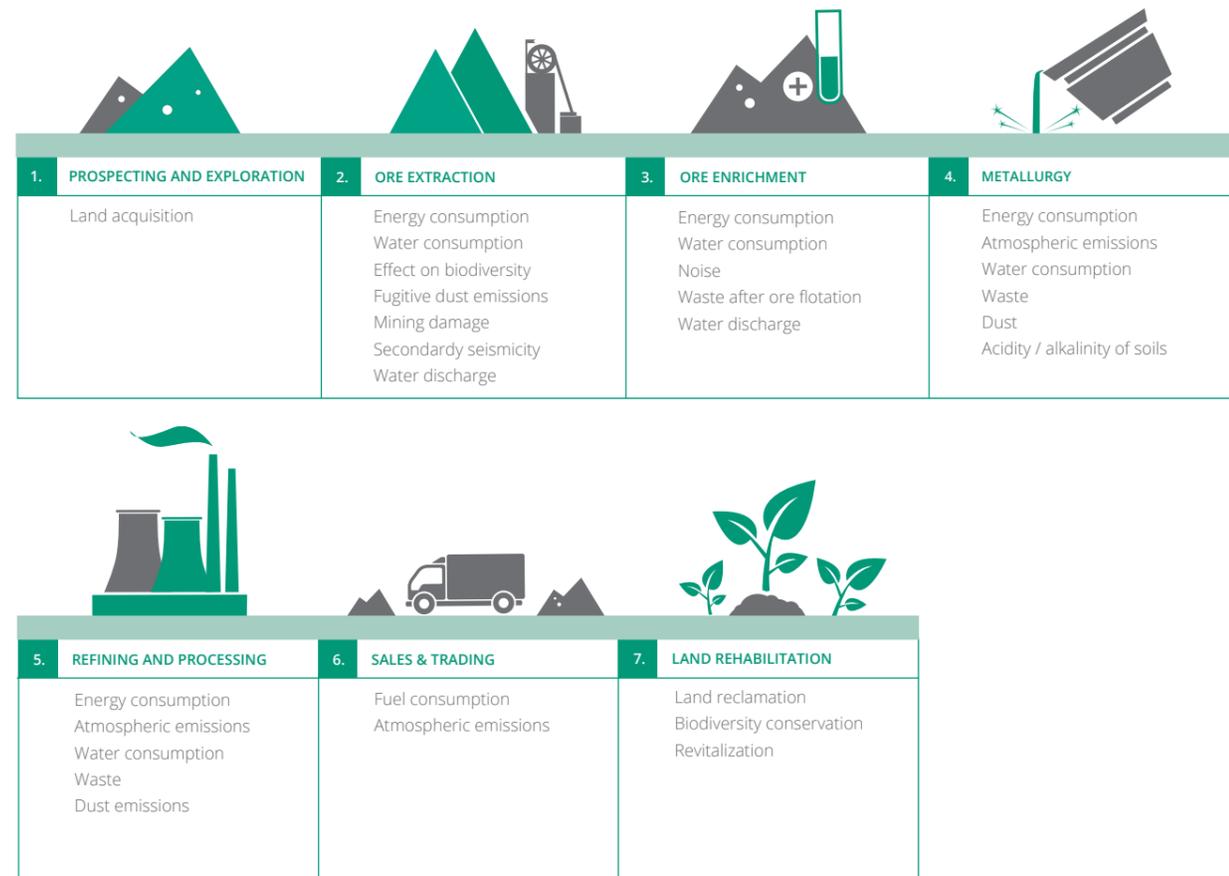


Source: KGHM

4.7. Environmental protection

As a Group, we understand our responsibility for the state of the environment in which we operate. We operate with the best industry standards to minimize impacts to the natural environment.

Fig. 4.16. Effects of the KGHM Group on the environment



Source: KGHM

KGHM Polska Miedź S.A. environmental policy

As with many large scale extractive industries, mining and metallurgy have a substantial impact on the natural environment. The KGHM Group is taking a series of measures to limit the negative impact of mines and

smelters on the environment. We continuously monitor water consumption, water conditions, the consumption of energy and emissions, waste, impact on biodiversity, etc. We want the environmental policy that we implement to meet the highest ecological standards and serve as a model for other companies in the industry.

The main assumptions of the KGHM environmental policy

- Maintenance of full technical efficiency of equipment used for environmental protection
- The development of waste management techniques and steady growth in the proportion of waste managed using these techniques
- Tracking technical innovations to reduce the negative impact of industry on the environment and putting them to use according to needs and opportunities
- Collaboration on the development of a Best Available Techniques for the non-ferrous metals industry
- Ongoing collaboration concerning the environment with the community and local authorities
- Collaboration with the global mining industry and non-ferrous metals industry within the framework of professional organizations on preparing documents concerning the protection of the environment (for example, at the level of the EU)
- Collaboration with governmental authorities

In Poland, we operate 10 facilities at which an integrated permit to operate is required. In connection with the changes in environmental laws implemented in 2015, we continuously update the environmental permits we hold. We also belong to six international consortia that were created to meet the requirements of the EU REACH regulation. In 2015, the activities related to REACH mainly focused on the monitoring of

chemical legislation, and the updating of safety data sheets. The costs of collaborating with the consortia totaled almost USD \$124,000 last year.

Our community initiatives with our plant neighbors that encourage residents to engage in environmentally responsible behavior towards nature are very important to us (details in section 4.10 on Corporate social responsibility).

Emissions indicators per tonne of copper produced at KGHM Polska Miedź S.A.		IU	2015	2014	2013	2012	2011
Emissions of CO ₂	Mg/1Mg Cu		2.889	2.524	2.510	2.889	2.901
Emissions of SO ₂	Mg/1Mg Cu		0.008	0.008	0.009	0.009	0.008
Emissions of PM10 dust	Mg/1Mg Cu		0.001	0.001	0.001	0.001	0.001
Production of electrolytic copper	Mg		574,310	576,878	565,155	565,834	571,041

Source: KGHM

4. Our results

KGHM International Ltd. environmental policy

The Environmental Policy is the basis of our actions followed by the environmental component of the eight Health, Safety and Environment Principles which provide further direction to operating sites. Each site operates under comprehensive and rigorous environmental permits obtained from federal or regional agencies. These permit requirements are actively managed by qualified environmental professionals. In 2015, there were no environmental compliance issues resulting in any fines at any of our operating facilities.

KGHM International Ltd. operates in various environmental conditions in which environmental concerns, challenges and risks vary and are based on the local and regional climate, available resources and ecological aspects. These aspects are carefully considered when planning a new mine and reviewed regularly as the mine develops and operates. These aspects are also very important during closure planning.

Within the environmental pillar of the approved 2015 to 2020 CSR Strategy, we will focus on developing meaningful and measurable objectives within the following areas:

-  Effectively engaging through transparent and honest dialogues with stakeholders on environmental issues
-  Developing energy management systems and greenhouse gas (GHG) reduction targets at material facilities
-  Managing our tailings storage facilities to the highest industry standard
-  Adopting best practices for mine closure planning

In 2016, we will amend the Environmental Policy to include Biodiversity – a priority area in which we work collaboratively with Canadian, Chilean and U.S. governments, universities, industry leaders and our local stakeholders. An Energy Policy was also drafted and is under review.

In 2015, entities of the KGHM International Ltd. also engaged in activities related to environmental protection. Activities at the Robinson mine in the USA were aimed at monitoring air and water quality and the restoration of mining areas (total expenditures amounted to approximately USD \$6.41M). At the Carlota mine, activities were mainly related to recontouring the waste rock pile, executing the sub-surface leaching activities and pursuing the solar project (total expenditures for this purpose amounted to approximately USD \$11.3M).

Pro-ecological investments in the KGHM Group

In 2015, to implement pro-ecological investments, KGHM Polska Miedź S.A. spent USD \$161.7M, \$158M of which was for the pyrometallurgy modernization program at HM Głogów I (more information is contained in section 4.6, Mining and Metallurgical Production). In the process of increasing copper production, improvements in processing efficiencies help to fund new environmental control systems and technology.

The most important projects related to ecology planned in the near future are the following, among others:

- finishing the pyrometallurgy modernization work at Głogów Smelter/Refinery;
- adapting administrative decisions to the emerging changes in the law;
- supervising the CO₂ emissions trading system;
- work related to the safety of the Żelazny Most Tailings Storage Facility – overload of the landfill wall, among other things;
- expansion of the Żelazny Most by the southern quarter.

In 2015, KGHM Polska Miedź S.A. spent **USD \$161.7M** on the implementation of pro-ecological investments

KGHM Polska Miedź S.A.' environmental fees

We adjust all environmental taxes in a timely manner. Fees for using the environment amounted to a little over USD \$8M in 2015. This was USD \$0.5M more than in 2014, mainly due to the

increase in individual fee rates. The highest fees (approximately USD \$5.4M) the Company paid for pollution loads discharged in surface waters were for mining waste from the Żelazny Most Tailings Storage Facility. The second largest fee in terms of cost amount – over USD \$1.6M – was the fee for emissions into the atmosphere.

G4-EN29

G4-EN31

Total expenditure and investment of KGHM Polska Miedź S.A. earmarked for environmental protection (USD)	2015	2014
The costs of waste treatment, treatment of emissions and remediation	\$8,132,764	\$7,611,112
Costs and capital expenditures on prevention and environmental protection	\$161,717,949	\$154,181,638

Converted according to average NBP exchange rate as of 31/12/2015: USD 1/PLN 3.90
Source: KGHM

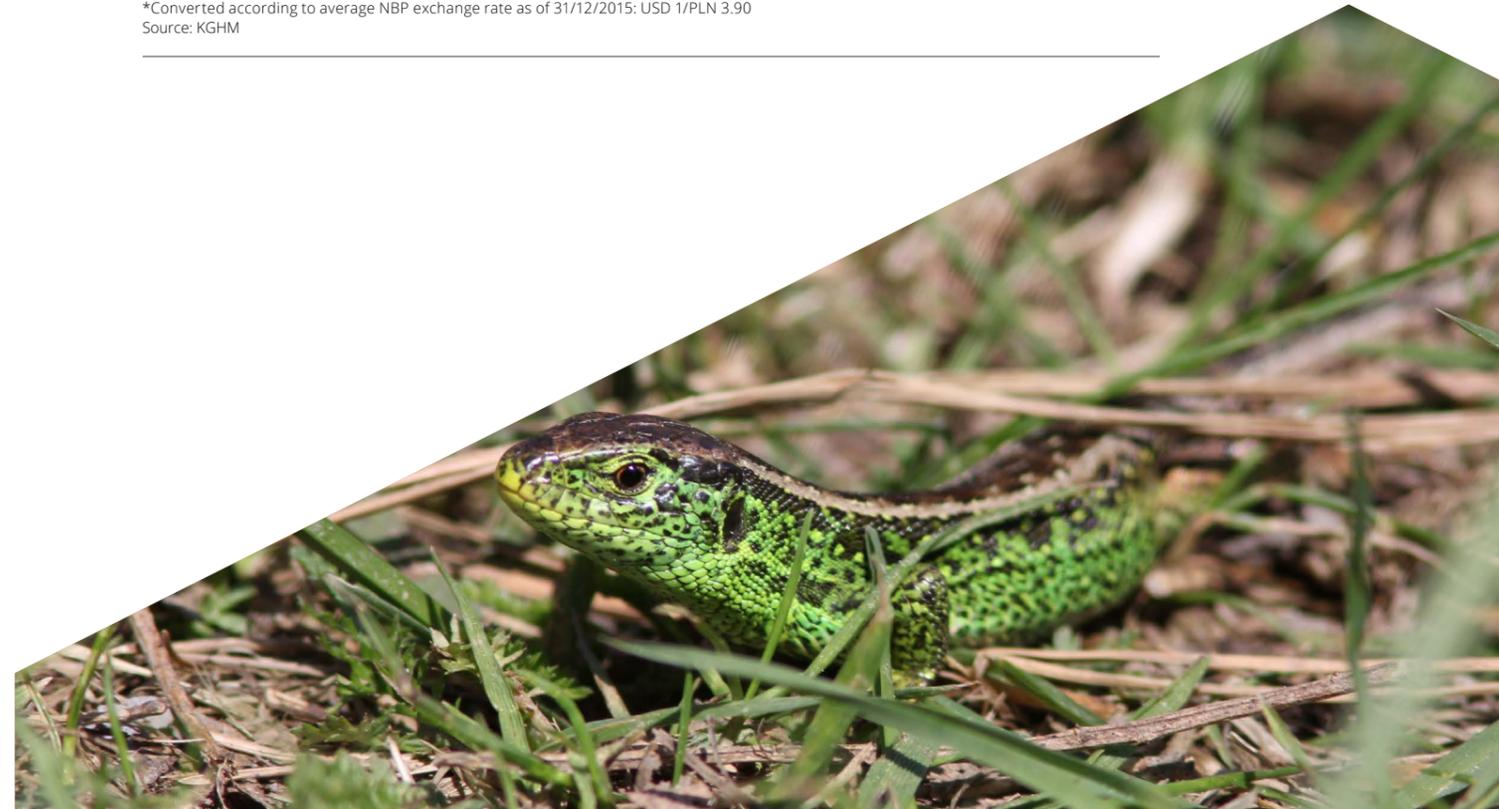
Environmental penalties

In 2015, KGHM Polska Miedź S.A. paid USD \$85,603 for exceeding the allowable air emissions. At the request of the Głogów Smelting/Refinery, the penalty payment deadline was postponed in connection with the implementation of invest-

ments removing the basis for calculating penalties. In 2015 no penalties were imposed on KGHM International Ltd. for failure to comply with environmental laws. This excellent result is a reflection of the company's commitment to environmental protection and conscientious daily efforts of thousands of our employees.

Monetary value of fines and total number of non-monetary sanctions for non-compliance with laws and regulations relating to environmental protection (USD)	KGHM Polska Miedź S.A.*		KGHM International Ltd.	
	2015	2014	2015	2014
Total value monetary penalties	\$85,603	\$5,897	0	\$53,589

*Converted according to average NBP exchange rate as of 31/12/2015: USD 1/PLN 3.90
Source: KGHM



G4-EN11
G4-EN12
G4-EN13
G4-EN14
G4-EN15
G4-EN16

Emissions

Adherence to strict environmental pre-existing standards is being facilitated through to the systematic modernization of installations for the protection of the environment, both pre-existing and new investments. At KGHM Polska Miedź S.A., a CO₂ Emissions Management System has been implemented. The Company is implementing activities under the Air Protection Programs.

At KGHM International's open pit mines, a particularly important issue related to environmental protection is dust control. An example of decisive actions

related to the proper control of dust emissions into the atmosphere is the Sierra Gorda S.C.M. mine. Facility workers make sure to regularly water roads used for the transportation of excavated ore. In addition, waste rock dumps are only operated when wind conditions do not disperse dust towards the Sierra Gorda village. Special suppression systems reduce nuisance generated during the crushing process. Air quality is continuously monitored, and information on the monitoring results is publicly available through online databases. The Company has also introduced training programs and instructions for employees, contractors and the community of Sierra Gorda village.

Direct emissions of greenhouse gases – KGHM Polska Miedź S.A. (tCO ₂ e)	2015	2014	Greenhouse gases that were included in the calculations
Emissions associated with the generation of electricity	857,850	821,761	Blast-furnace gases exported to Company Energetyka Sp. z o.o. (in the EU, ETS is treated as an Energetyka Sp. z o.o. emission)
Emissions associated with heat generation	39,107	39,356	Emissions from the combustion of natural gas and heating oil
Emissions from physical and chemical processing	649,207	543,631	Processing emissions
Emissions of hydro fluorocarbons (HFCs)	35,002	35,481	Cooling and electro-insulating agents (SF6)
Emissions associated with the transport of materials, products and waste	97,289	92,217	Engine fuels
Sum of direct emissions	1,678,455	1,532,446	
Biogenic emissions of carbon dioxide in metric tonnes of CO ₂ equivalent	125,306	131,874	This also includes the transfer of carbon of biological origin in blast-furnace gas to the Energetyka Sp. z o.o. electrical power plant
Indirect emissions by origin (tCO₂e)			
Emissions from electricity purchased for organizational usage	1,905,048	1,916,645	Indirect emissions associated with the electricity purchased by various operators
Emissions resulting from thermal energy purchased for organizational usage	306,388	309,319	Indirect emissions associated with the total purchased heating (water heating, process steam)
Sum of indirect emissions	2,211,436	2,225,964	

Consolidation Approach and boundaries are presented in Section 6
Source: KGHM

Direct emissions of greenhouse gases – KGHM International Ltd. and Sierra Gorda S.C.M. (tCO ₂ e)	2015	2014
Blasting	4,567	4,187*
Stench gas	54	250
Natural gas combustion	5,932	8,994
Propane combustion	1,235	1,461
Gasoline combustion	1,202	1,474
Diesel combustion	350,022	385,770
Total	363,011	432,078

* 2014 value for blasting was corrected to an error in reporting units due to error in units. Consolidation Approach and boundaries are presented in Section 6
Source: KGHM

G4-EN15
G4-EN8
G4-EN9
G4-EN10

Water / waste

Like most mining companies, the KGHM Group's business activities require water. In KGHM Polska Miedź S.A.'s operations, no water sources are significantly depleted by excessive consumption by the Company. Mine dewatering at KGHM Polska Miedź S.A. mines does not affect the intake of underground waters from the surface. Waters flowing to the mining plants are included in the drainage system and are utilized in technological processes. The excess is discharged into the Odra River. Water retention occurs in the Obiekt Unieszkodliwiania Odpadów Wydobywczych Żelazny Most (Iron Bridge Mining Waste Water Treatment Facility). Most of KGHM International Ltd.'s mines implement a zero-discharge policy which presupposes no waste water discharge

directly into the environment. To further reduce the impact on natural resources, there are used water recovery and re-usage technologies at the plants. An interesting solution in this regard is used at the Sierra Gorda S.C.M. mine. The facility operates on the basis of sea water derived from the cooling systems for the thermoelectric power plant at seashore in Mejillones. Instead of going to the ocean, the water from the power plant is transported to Sierra Gorda S.C.M. via a 143 km pipeline constructed by the Company. It is an extremely efficient and ecological system for access to water that does not jeopardize the water sources in the desert area where the operation takes place. Sierra Gorda S.C.M.'s consumption of seawater increased by more than 2.5 times since 2014.

Total water consumption by source (m ³)	KGHM Polska Miedź S.A.		KGHM International Ltd. and Sierra Gorda S.C.M.	
	2015	2014	2015	2014
Total water consumption	24,084,614	25,218,813	44,280,122	35,559,850

Consolidation Approach and boundaries are presented in Section 6
Source: KGHM



In 2015, KGHM Polska Miedź S.A. spent **USD \$161.7M** on the implementation of pro-ecological investments.



Instead of being discharged to the ocean, the water used in thermoelectric plant is transported to Sierra Gorda S.C.M. via a **143 km** pipeline we built.

4. Our results

G4-EN22

Waste water and sludge

G4-EN23

KGHM Polska Miedź S.A. and KGHM International Ltd. are taking systematic action to improve the management of underground water, waste water from mines and smelters, and the protection of drinking water natural resources. In 2015, there was only one environmental spill of reportable

quantity at KGHM International Ltd. On January 23, 2015, at the Robinson mine (in USA), during start-up of the mill, a newly installed gate valve failed, causing a release onto the ground of approximately 19 k liters of process solution. The spill was reported to the appropriate governmental agencies and the contaminated soil was immediately cleaned-up.

The total volume of waste water by quality and its final destination (m³)	KGHM Polska Miedź S.A.		KGHM International Ltd. and Sierra Gorda S.C.M.	
	2015	2014	2015	2014
Treated water to natural environment	18,546,831	19,415,560	6,364*	148,498
Untreated and non-impacted water to the natural environment (not exposed to mineralized rock)	0	0	1,318,458**	0
Third party waste water treatment plant	7,906,556	13,462,910	582,339	619,209
Total	26,453,387	32,878,470	1,917,161	767,707

* In 2015 there was substantially less dewatering from the underground Podolsky mine compared to the previous year causing a reduction in the total treated water discharged to the natural environment.

**The untreated water that was discharged in 2015 is from a limestone aquifer that borders the Robinson mine. This water is pumped from two wells and piped to a holding tank. The majority of the water sent to the tank is used for drinking water by the neighbouring city of Ely and town of Ruth, the excess volume of water that is not utilized by the city is gauged and discharged to a creek. This water is of high quality and does not have an impact on the receiving environment. The Carlota mine remains a zero discharge mine.

Consolidation Approach and boundaries are presented in Section 6
Source: KGHM

The total weight of non-hazardous and hazardous wastes generated according to practice methods - KGHM Polska Miedź S.A. (Mg)	2015		2014	
	Non-hazardous wastes	Hazardous wastes	Non-hazardous wastes	Hazardous wastes
Recovery (including energy recovery)	20,100,623	139,430	20,473,124	81,929
Storage in landfills	11,016,255	94,562	10,477,923	33,715
Total	31,116,878	233,992	30,951,047	115,644

Source: KGHM

Complaints

G4-EN34

In 2015, KGHM Polska Miedź S.A. recorded 53 complaints. Every one of them concerned fumes from the SG 2 mineshaft near Jerzmanowa in Głogów. The Company is taking action to neutralize the gases emanating from the mineshaft.

Robinson management investigated the well using a camera, and, if necessary, clean it and restore it to a functional state. This work was finished on January 25, 2016. It was determined that the decrease in water flow in the well was the result of the reduction of flow due to the clogging of well water filter slots by deposits entering from an open part of the well.

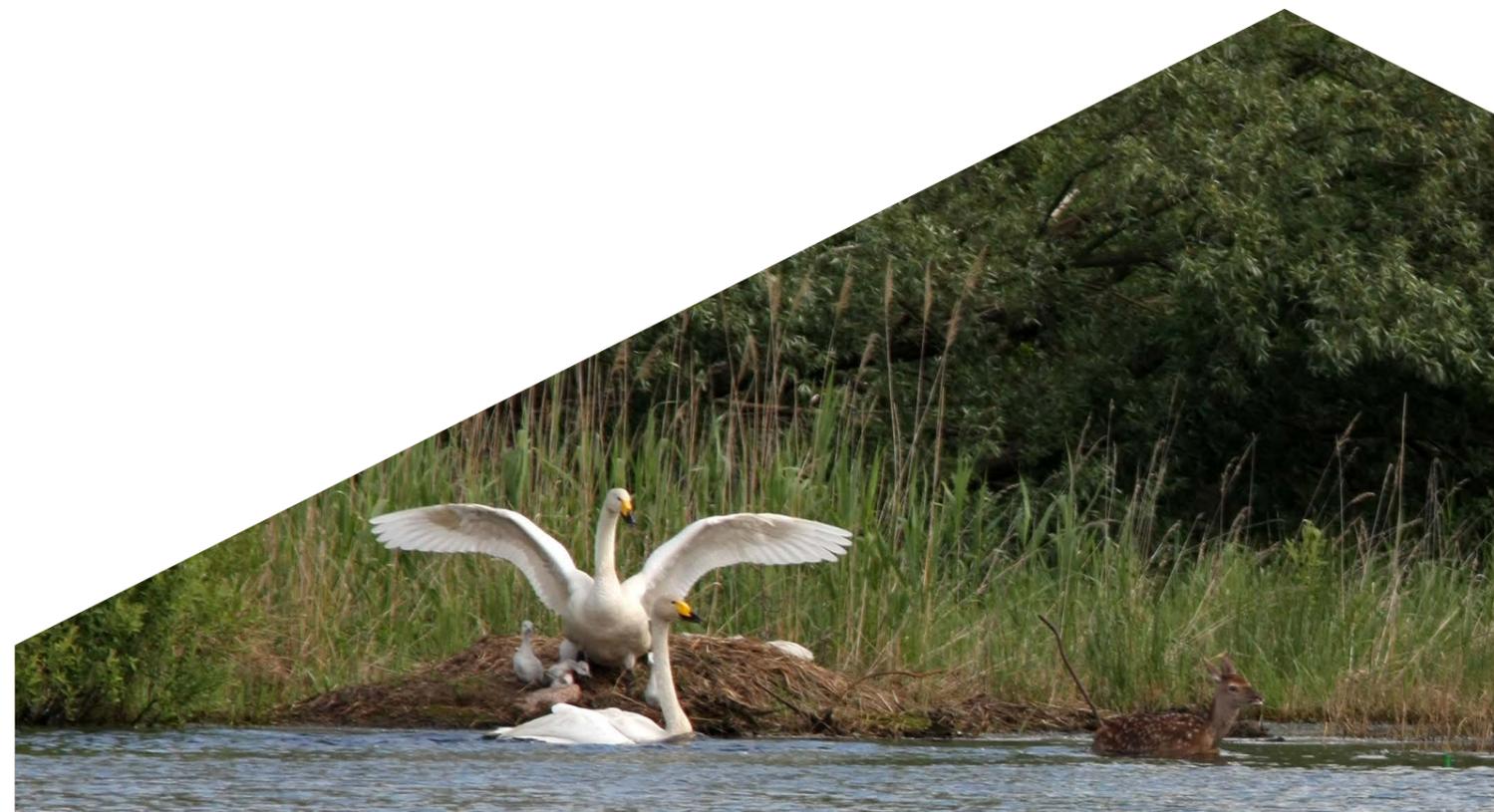
KGHM International Ltd. recorded two complaints. The first concerned the dust in the Sierra Gorda municipality. Dust suppression mitigation efforts were employed. The second complaint concerned the Robinson mine. A resident contacted the Nevada Division of Water Resources (NDWR) about a drop in the water level in his household well. The NDWR asked the Robinson mine to provide data to confirm our position that the problem with the well was not caused by our dewatering work.

March 2016, the Chilean environmental enforcement authority, Superintendencia del Medio Ambiente de Chile (SMA), raised nine claims against Sierra Gorda S.C.M. for alleged non-compliance with the environmental permits. The company responded by submitting the corrective plan.

The number of complaints associated with environmental impact, examined and resolved through formal mechanisms in force at the organization.

	KGHM Polska Miedź S.A.		KGHM International Ltd. and Sierra Gorda S.C.M.	
	2015	2014	2015	2014
Total number of complaints associated with environmental impact reported during the reporting period in the formal complaint process	53	13	2	3
The number of reported cases that were resolved	53	13	2	3

Source: KGHM



4. Our results

G4-EN11
G4-EN12
G4-EN13
G4-EN14

Biodiversity

In our activities, we take into account the fact that disturbed terrains contain valuable natural areas. The company seeks opportunities to conserve and enhance the environment in conjunction with our work activities.

Among the most important in the area impacted by KGHM Polska Miedź S.A. are the natural monument of Aleja Dębowa in Nowy Dwór in the Polkowice mining area, the nature reserves of Uroczysko Orbiszów and Buczyna Jakubowska in the Sieroszowice deposit area, three landscape-nature complexes: Guzicki Potok, Trzebcz

and Grodowiec, as well as 45 natural monuments at the Lubin-Małomice mining deposit area. The activities of KGHM Polska Miedź S.A. branches have no significant negative impact on the population of species and valuable natural areas included in the Natura 2000 program.

As for KGHM International Ltd., in the area affected by the Company there are endangered species present (see the table below). The significant decrease in the number of near threatened species is due to the improvement at the Robinson mine where the numbers dropped from 77 to 16.

The number of species included on the Red List of the International Union for Conservation of Nature (IUCN) and on national endangered species lists, with habitats in areas affected by operations

KGHM International Ltd. and Sierra Gorda S.C.M.

	2015	2014
Critically endangered	1	3
Endangered	5	12
Vulnerable	6	11
Near threatened	4	21

Source: KGHM

KGHM Polska Miedź S.A. programs directed at local communities

We are also continuing the Health Promotion and Prevention of Environmental Threats Program. The project is aimed mainly at children up to 16 years of age who live in the vicinity of our smelters and includes, among other things, blood testing for lead content, trips to "green schools", swimming lessons at pools, and environmental-health education. In 2015, 756 children and 98 adults were part of the program.

Last year, together with Glogów district authorities, we conducted soil liming activities in the municipality of Jerzmanowa. We provided funding that allowed for soil liming on the surface of 1,652 hectares of soil used for agriculture. We also tested the soil in the municipality of Pęcław in a 2,032 hectare area.

We actively support local communities in the neighborhood of our assets (more in section 4.10. Corporate social responsibility).



In 2015, 756 **children** and **98 adults** were part of the program.



We provided funding that allowed for soil liming on the surface of **1,652 hectares** of soil used for agriculture.



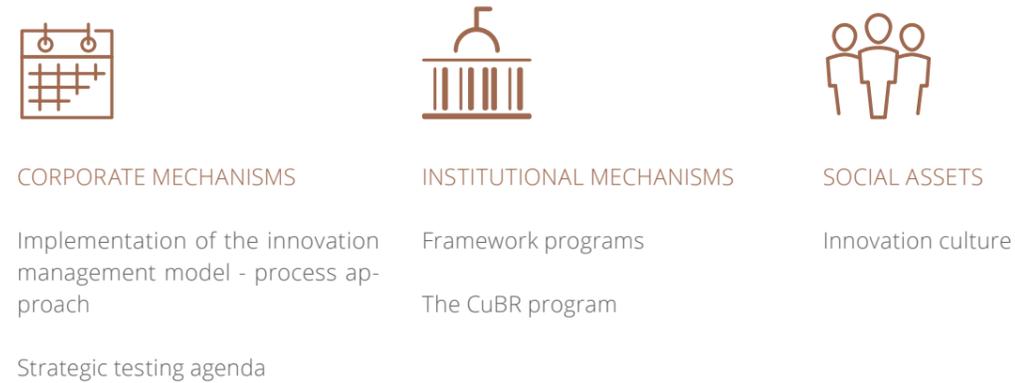
4.8. Innovation

The consistent investment policy in research and development has enabled us to reach a leadership position in innovation amongst Polish businesses. We are recognized as a model example of collaboration between science and industry in Poland.

At the KGHM Group, we have systematically invested in research and development projects for years. We are the industry leader in innovation in Poland, and our status as an international corporation challenges us on our broadly defined innovation policy. We are aware that innovation is the key to the further expansion of the firm's knowledge and experience accumulated

for over 50 years. We are constantly looking for solutions and technologies that on the one hand contribute to the reduction of production costs, and on the other hand allow for a greater recovery of copper and associated metals, and also help to increase worker safety and better protect the environment.

Fig. 4.17.
Development of the innovations management system in KGHM Group



Source: KGHM

We combined the innovation management process with the strategic management process and the capital allocation process, as well as investment management. Thanks to this, it is

possible to define the development trends in the key areas and to identify objectives for the short-term and long-term perspective.

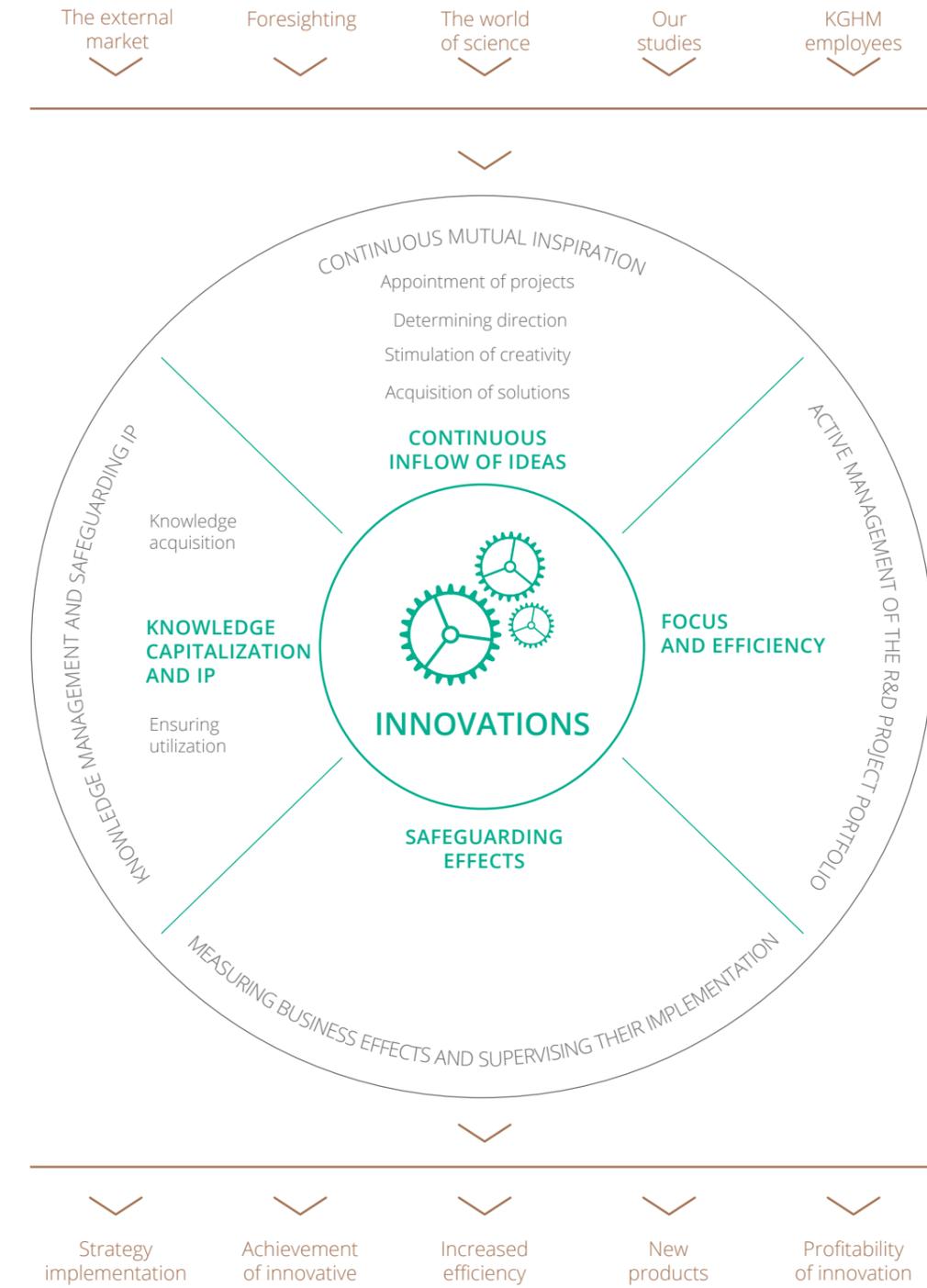


In 2015, we carried out approximately **140 activities** in inventiveness.



The value of remuneration arising from implemented solutions in the first half of 2015 amounted to over **USD \$1.49M.**

Fig. 4.18.
Delivery value model in the area of innovation



Source: KGHM

4. Our results

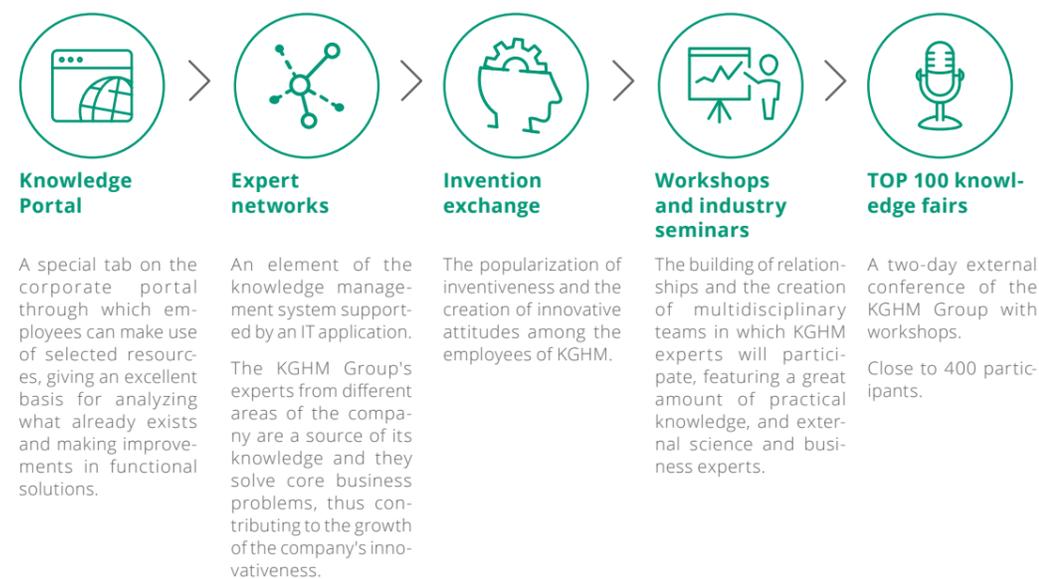
Research and development activities

In September 2015, we organized the third edition of the TOP 100 Conference, the primary objective of which is the promotion of the idea of knowledge sharing and exchange of experiences. Approximately 200 people from different KGHM Polska Miedź S.A. branches and subsidiaries attended the meeting. According

to statements by participants, high quality substantive and productive solutions were presented at this year's TOP 100 Conference.

In 2015, we carried out approximately 140 activities in inventiveness. The value of remuneration arising from implementing projects in the first half of 2015 amounted to over USD \$1.49M, while at the same time economic benefits in the amount of USD \$25M were obtained.

Fig. 4.19. Development of an innovative culture



Source: KGHM

Implemented projects

In 2015, we implemented 210 research and development R&D and innovative initiatives. For carrying them out, we spent over USD \$13M. These initiatives included, among others:

- R&D projects on the mechanical mining of deposits (more on the subject of the mechanical mining of deposits can be found in section 4.6, Mining and Metallurgical Production);
- projects in the area of work safety during the carrying out of mining work in associated hazardous conditions;
- work on building an effective and energy-efficient prototype conveyor belt which is scheduled for testing in 2016;

- tests on the complete management of lead, arsenic, tellurium, and zinc in the KGHM Group's core business activities;
- work associated with optimal metallurgy at the KGHM Group;
- research on balancing the transportation of mass and heat in technological processes for obtaining copper.

In 2015 we implemented **210** research and development and innovative **initiatives**

Collaborating with education

In our research and development activities, we have for years collaborated with leading institutes and educational institutions. Among our partners are:

- KGHM CUPRUM Sp. z o.o. Centrum Badawczo-Rozwojowe (The Research and Development Centre) in Wrocław,
- Instytut Metali Nieżelaznych (Institute of Non-Ferrous Metals) in Gliwice,
- Akademia Górniczo-Hutnicza (the AGH University of Science and Technology) in Kraków,
- Główny Instytut Górnictwa (the Central Mining Institute) in Katowice,
- Państwowy Instytut Geologiczny (the Polish Geological Institute) in Warsaw,
- The Chemical Processing of Coal Institute in Zabrze
- Politechnika Wroclawska (the Wrocław University of Technology),
- Politechnika Śląska (the Silesian Technical University),
- Polska Akademia Nauk (the Polish Academy of Sciences) in Warsaw.

Support from us may be of an indirect character, i.e. outsourcing work, or it may be direct, e.g., the 2013 opening of the Critical Elements Laboratory at the Faculty of Geology, Geophysics and Environmental Protection in cooperation with the AGH University of Science and Technology in Kraków. Through

collaboration of KGHM CUPRUM with AGH, the project "Automatic devices for breaking up blocks" was also implemented. Its main

foundation is the full automation of the mineral haulage process useful for reloading points, where there is fragmentation, and reduction in haulage costs. In addition, the initiative has the objective of removing parts of the crew from areas where adverse conditions prevail to remote and automated control centers.

Institutions KGHM International Ltd. collaborates with:

- Laurentian University, Sudbury, Ontario, Canada
 - Goodman School of Mines
 - Mineral Exploration Research Centre (MERC)
- Centre for Excellence in Mining Innovation, Sudbury, Ontario, Canada
- University of Waterloo, Waterloo, Ontario, Canada
- University of British Columbia, Vancouver, British Columbia, Canada
- Thompson River University, Kamloops, British Columbia, Canada
- University of Arizona, Tucson, Arizona USA
 - Center for Environmentally Sustainable Mining
 - Lowell Institute for Mineral Resources

Research partners at Sierra Gorda S.C.M.:

- Antofagasta University
- North Catholic University
 - Technology Research Center Water in the Desert (CEITSAZA)
 - Center for Research and Development of Talents DeLTA.

Fig. 4.20. Expenditures on testing and development (M USD \$)



Source: KGHM

4. Our results

Acquiring external financing for innovation

In order to minimize the financial risk associated with conducting innovative studies, we are also taking part in external financing programs. A standard example is our close collaboration with the National Research and Development Center. Its result was the CuBR joint venture,

focused on finding breakthrough technologies in the non-ferrous metals field.

The aim of CuBR is to increase the competitiveness of the Polish economy and to support the development potential of Polish science and industry. In the case of KGHM Polska Miedź S.A.,

this means the selection of promising ideas to develop innovative devices that improve the functioning of the core business. In 2015, two editions of the competitions were resolved under the CuBR program. 12 research programs including, among others, technology to quickly share deep deposits below 1,300 m, the

development of remote and automated control devices for breaking blocks, and technology for the production of low-loss power cables were approved for implementation.

The CuBR PROGRAM

The CuBR joint venture - an opportunity for the sustainable development of the Polish non-ferrous metals industry.

Objective

- A focus on finding breakthrough technologies, equipment, materials and products for the non-ferrous metals industry;
- Support for research studies and research and development jobs in the non-ferrous metals area, and the preparation of personnel businesses.

Financing

- USD \$51M (half financed by KGHM and half financed by the National Research and Development Center).

Partners

- A 10 year venture taken together with the National Research and Development Center.

Achievements

- Two competitions (the projects will start to be implemented during the first and second quarters of 2015);
- A total of 12 projects with a value of USD \$26.2M (funded by KGHM and NCBiR - USD \$22.6M) have been accepted for implementation;
- Three competitions - advertised until the end of 2015;
- Active collaboration with multidisciplinary academic and industrial consortia.

Areas

Entire value chain - mining, ore processing, metallurgical processes, metal processing, new materials to protect the environment, risk management, and business efficiency. The following are examples of projects:

- "Innovative methods for the sharing of deep copper ore deposits" (below 1,300 m for a period of three years or less);
- "The development of highly effective technologies for the enrichment of Polish copper ore" (adapted to the properties of currently mined ore and ore that will be mined in the future, including to meet the requirements of metallurgy);
- "The KOT-170A self-propelled anchoring wagon with automatic anchor head" (complete anchoring cycle in automatic mode);
- "The development of innovative technological solutions for the decoppering slag process in the copper retrieval suspension process" (higher metal recovery and increase in the quality of processed pyrometallurgical products).

KIC PROGRAM*

Objective

- Increase in raw material security and the competitiveness of the EU economy;
- Building of innovation and the formation of raw material policy in the EU in partnership with the Knowledge and Innovation Community.

Financing

- Financing of the venture with EITIn.

Partners

- 116 partners from 22 countries including: industries, universities and research facilities - the strongest players in the raw materials sector in Europe, companies engaged in the exploration, extraction, and the processing of raw materials, as well as those looking for ways to substitute some raw materials with others.

Achievements

- The official accession of KGHM Polska Miedź S.A. to the Knowledge and Innovation Community occurred during General Assembly in Berlin on 09/25/2015;
- The first accepted projects.

Areas

- The creation and development of new business entities in Europe;
- Enhancement of the role of the RM sector through the introduction of new raw materials and new production units onto the market;
- System integration and the creation of new partnerships through value chains using innovative ICT solutions and intelligent product design;
- The creation of new forms of entrepreneurship education that meets the development needs of graduates and professionals in the RM sector in order to increase the efficiency of turning ideas into business solutions and thereby participate in the development of cost and resource efficiency in the industry.

Planned results - impact on regional development

- 64 new start-ups;
- 50 development projects;
- 50 new SMEs that will last at least three years;
- 40 planned prototypes and demonstrations;
- 180 up-scaling projects;
- 8,000 trained students and trainees;
- 8,000 jobs resulting from the above objectives;
- 2,000 jobs originating from "Perfect Job Truck";
- 10,000 new jobs in the raw materials sector;
- USD \$26M in savings from greater efficiency in raw materials work.

G4-EC4

International collaboration projects

We are successfully taking part in the Horizon 2020 EU Framework Program. This is the largest such program in the history of the EU in terms of research and innovation studies. Currently, we are implementing three projects co-funded by this program, putting us at the forefront of companies and research entities in Poland.

- The DISIRE project – "Integrated process control based on distributed in-situ sensors into raw material and energy feedstock".
- The BioMORe project in which Group KGHM serves as the international coordinator. Together with 21 academic and industrial partners from Europe, Canada and the Republic of South Africa, at the ZG Rudna branch, a demonstration installation aimed at verifying, under real conditions, the possibility of connecting fracturing and bioleaching technologies for the recovery of metals from deep deposits located in poor areas in Europe will be built.
- The EcoMetals project – the objective of the venture is to develop bio hydrometallurgical methods of metal recovery from primary sources (shale copper from the Łużyce area) and secondary sources (mining heaps in Mansfeld Land). The project is funded by the French and German governments.

Knowledge and Innovation Community for raw materials – EIT RawMaterials

Exchange of experiences on an international scale allows for membership in the EIT RawMaterials European consortium set up by over 100 partners from 22 EU member states, including mining companies, universities, and research institutes. On the part of KGHM Polska Miedź S.A., KGHM ZANAM and KGHM CUPRUM take part in the program. In 2015, a strategy of the Polish branch of the community prepared and carried out four calls for applications for funding projects: Network of Infrastructure (KAVA NOI), Lifelong Learning, Upscaling and Learning and Education.

Plans for innovation in 2016 have been made for

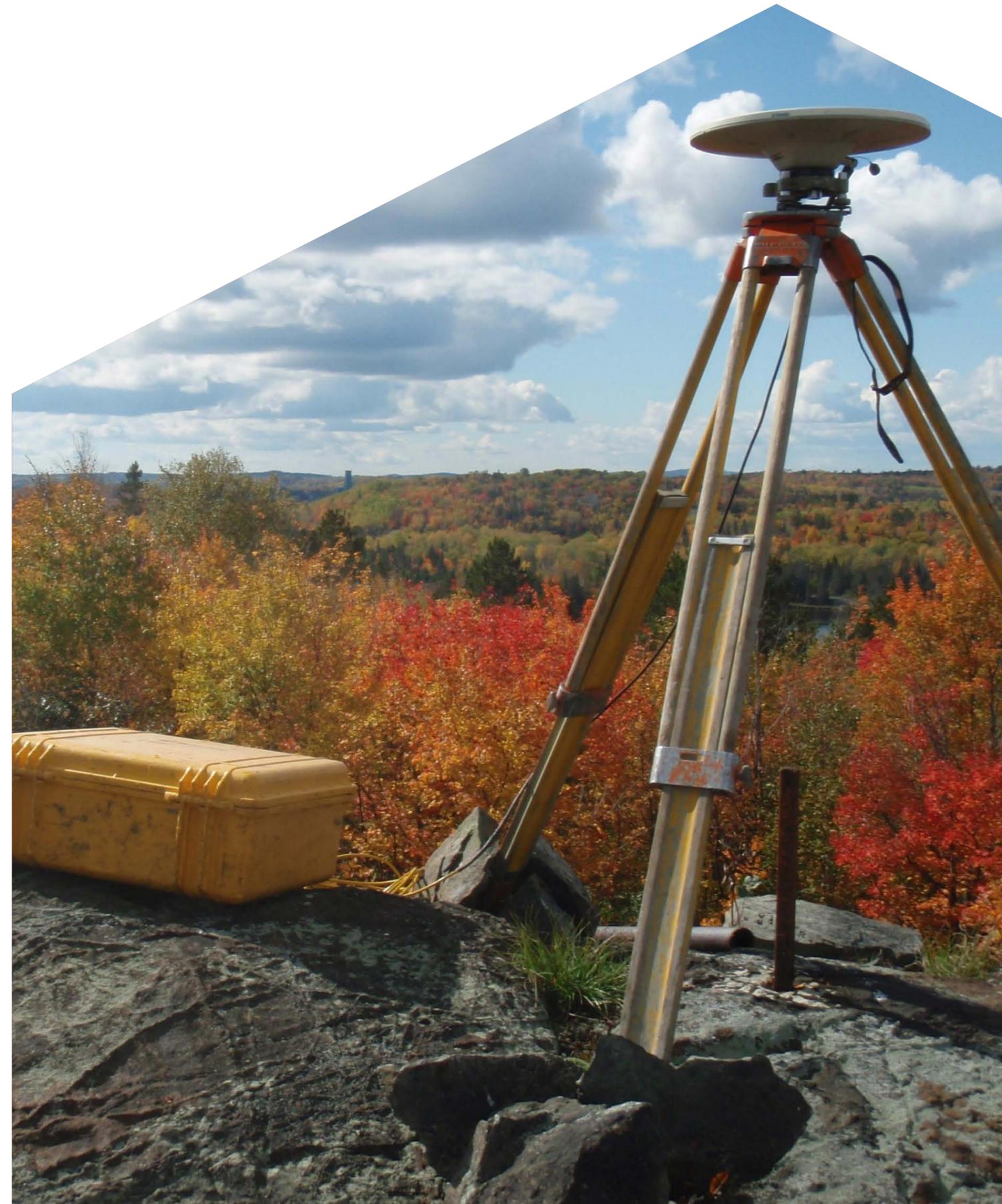
- the implementation of the CuBr program,
- the identification of optimal funding sources for selected research and innovation projects and actively searching for funding,
- the implementation of the Intelligent Mine program, including the Intelligent Mining Branch for ZGPS,
- active participation in EIT RawMaterials (research, education, and commercialization projects),
- continuation on work related to neutron analysis technology for the elemental composition of ore,
- work related to the development of mechanical rock mining technologies,
- research on effective modification of a wide range of internal and external feedstocks in the existing business core,
- the automation of metallurgical technological core areas in flash furnace infrastructure projects.

In 2016, we are planning to develop an innovation management model in the KGHM Polska Miedź S.A. Group. Management standards will be improved in the area of R&D, i.e., through the introduction of a new KGHM Group innovation policy and a related strategic research agenda for 2017-2020 (together with the regulatory documents).

Significant financial support received from the (Polish) Government

\$0.53M USD

the amount is for projects subsidized under the Horizon 2020 Programme



4.9. The development of competences and employee safety

A key element of our business Strategy is making the best possible use of our employees' potential. Our employees determine the global significance of the company, allowing continued success and overcoming increasingly bold business challenges. Our priority is to manage operational risk to a point where injury and occupational illness is minimized.

Safety, cooperation, responsibility, and courage on the part of our employees translates into our Company's position and results. In an effort to ensure an optimal work environment, we invest in the professional development of our employees and a positive work culture at our facilities. We are proud of building long-term relationships with our employees, something that is reflected

in the high average length of their employment. Behind the development of our employees and the improvement of work efficiency is the Human Resources department, which in recent years has been transformed from an office performing purely administrative functions (human resources) into a modern and efficient office ready to achieve strategic objectives.

Employment in the KGHM Group (full-time)	2015	2014	Dynamics 2014=100
Office workers	10,285	10,190	100.9
Manual workers	23,313	23,907	97.5
Total	33,598	34,097	98.5

Source: KGHM

Fig. 4.21. Employment structure for 2015



* The segments consists of other companies of the Group, conducting following type of activities: support of the core business; sanatorium-healing and hotel services; investment funds, financing activities; other activities. More information can be found in the consolidated annual report RS 2015.
 ** Employment proportional to the share in the Company (55%)
 Source: KGHM

In 2015, employment at the KGHM Group dropped by 499 positions (1.5%) in comparison with 2014. We recorded the biggest drop in employment in KGHM International Ltd. (226 positions – approximately 10%) – this is the effect of a necessary reduction in costs, due to a significant drop in copper prices. The reduction is also associated with the suspension of production activity of the McCreedy West mine due to its low profitability in mining at the current commodities prices.

Developing our employees' skills

The competitive advantage and success of KGHM on the international market depends on the potential of our employees. To support their development, the company organizes vocational training, subsidized academic education, and encourages the exchange of expert knowledge. In recent years, due to the globalization of activities, we are intensively investing in raising our language qualifications and long-term development programs for expert personnel and management at all organizational levels.

The global success of KGHM is dependent today on innovation, and the engagement and cooperation of many thousands of employees possessing a wide array of knowledge and experience. The identification of talent and building career paths that are individualized and tailored to the

skills and needs of the organization, are the key for the further dynamic development of the entire company. For this reason, among others, in 2015, this was adopted for universal implementation in the Global Group Talent Management Process, the goal of which is a uniform system of talent management in our company. Last year, work was also started on a single system for evaluating the company's employees under the results management process. Investments that shape the personnel's potential have a long tradition at KGHM. The number of KGHM Polska Miedź S.A. employees taking part in various development activities is in the tens of thousands.

Parallel to traditional training and academic support, KGHM is intensively implementing long-term development programs for expert personnel and managers. Managers can take advantage of many programs consistent with the company's business priorities.

At KGHM we create a working environment free of discrimination, offering employees opportunities to use their skills and potential. We operate in diverse cultures and nationalities which we take into account when making mutual plans. We value the fact that our diversity is conducive to the success of KGHM and allows us to strengthen our brand. We do not tolerate any signs of discrimination.

Fig. 4.22. Important data concerning training at KGHM Polska Miedź S.A.



Source: KGHM

SELECTED TRAINING CONDUCTED IN 2015

- 40 of our managers participated at the end of 2015 in the KGHM Executive Academy program. This is an international program in English that was organized in collaboration with the known business school of IMD and the Colorado School of Mines mining University. The classes were tailored to the needs of KGHM, and the objective preparing participants for the global challenges facing the company. At the end of the program, preparations for the next program were started under the name Leaders Academy aimed at persons holding key positions at our company and their successors.
- After the completion of the "Leadership study – development of managerial competences in the metallurgical branches" program at the beginning of 2015, in the autumn, the next edition was started, which this time was addressed to the managing personnel of persons employed at the mine plants. The goal of this complex program is aligning the managerial competences in the company and making evolutionary change in the dominating leadership style, supporting the changes in the organizational culture. It is planned that in the years 2015-2016, 1,000 employees will be included in the program; in 2015 alone, 287 people took advantage of the program.
- In 2015, a complex project management development program was completed. The training concerned both the methodology adopted by the company and the scheduling of projects, as well as software support for project management. 484 people took part in training organized last year.
- 87 employees of KGHM and the Group companies took part in one of the globally largest advanced business simulations called Global Management Challenge Poland, supported by the Warsaw Stock Exchange and the Polish National Bank. Participation in the game created an opportunity for participants to manage a virtual company operating in the competitive international market. In 2015, KGHM was made a strategic partner in the competition.
- In one of the mining plants, a pilot program preparing 37 representatives of the top management and senior inspectors to act as mentors and personal development coaches for less experienced colleagues was implemented. During the program, participants took part in workshops and individual consultations preceded by mentoring sessions and personal training.
- A development program on methods for instructing adults addressed to future trainers at the company was carried out, and in addition, a substantive and organizational framework for the implementation of internal training was created. The objective of the program is to expand the accessibility of training and utilization of knowledge and experience of employees working in the company. In 2015, under the Training Academy, internal training on "One KGHM" and Lean was carried out.

Talent Mine

Being concerned about the quality of future personnel, we periodically organize Talent Mine, which is aimed at students and graduates of technical universities. In 2015, 199 people signed up for a multi-step recruitment process from which 8 participants were chosen. Talent Mine is a unique 18-month program in which participants have the opportunity to learn

about different business areas of the company (from the strategic area to the production area to finance) and participate in the rich development program. The best graduates of the program are offered permanent employment at the company. 15 out of the 16 participants in the 2nd edition found employment with us!

The International Mobility process has been prepared at KGHM Group for managers and industry experts. This process allows for development of an employee's skills on one hand, and on the other, it increases the business value of

KGHM Group's facilities around the world. The process provides for the possibility of delegating key employees to project management or providing efficient production to local facilities within the structure of KGHM International Ltd.

Number of training hours by gender	2015			2014		
	Women	Men	In total	Women	Men	In total
Total number of training hours	36,584	533,736	570,320	34,232	519,584	553,816
Number of employees (the values are identical to the G4-10 indicator data)	1,325	16,901	18,226	1,327	16,841	18,168
Average number of training hours	27.61	31.58	31.29	25.79	30.85	30.48

Source: KGHM

Number of training hours during the year per employee by employment category	Number of training hours per employment category		Number of employees per employment category	
	2015	2014	2015	2014
The Management Board	400	476	5	5
Top management	5,384	4,200	50	50
Management staff	51,744	30,024	944	560
Office workers	135,344	130,084	3,742	4,096
Manual workers	377,448	389,032	13,485	13,457

Source: KGHM

G4-EC5

G4-LA2

Lean Management at KGHM Group

At selected branches, for several years we have been implementing the Lean Management concept which involves measures aimed at the greatest possible reduction in costs, deficiencies and unnecessary work, while also taking into consideration respect for people. One of the main advantages of this system is savings – not only in terms of money, but also the employees' energy and the time spent by them in performing various tasks. The objective of the implementation is increased productivity through the elimination of unnecessary processes and the improvement of existing ones.

Lean management is being gradually introduced to each of our plants, and the adjustment of the specifics for solutions for each unit is particularly important. Key employees are instructed by external experts and then – as part of internal training – they transmit their acquired knowledge to the rest of the crew. The KGHM Head Office coordinates this entire endeavor.

The average monthly salary in USD - KGHM Polska Miedź S.A	2015	2014	2013
Mines	\$2,548	\$2,521	\$2,496
Metallurgical plants	\$2,064	\$2,072	\$1,985
KGHM Polska Miedź S.A.	\$2,466	\$2,442	\$2,405

Converted according to average NBP exchange rate as of 31/12/2015: USD 1/PLN 3.90
Source: KGHM

Standard entry level monthly wage by gender compared to local minimum monthly wage at significant locations of operation at KGHM Polska Miedź S.A (USD)	2015	2014
Minimum wage at a given location (gross value) 2015	\$449	\$431
Women		
Average lowest level employee salary	\$1,091	\$832
Employee remuneration at the lower level of the minimum salary	2.4	2
Men		
Average lowest level employee salary	\$845.8	\$977
Employee remuneration at the lower level of the minimum salary	1.88	2.27

Converted according to average NBP exchange rate as of 31/12/2015: USD 1/PLN 3.90
Source: KGHM

Salaries and additional benefits

In 2015, the average monthly salary not including an annual bonus for profitability in KGHM Polska Miedź S.A. was USD \$2,096 (an increase of 2.1% compared to 2014).

The additional benefits provided both to KGHM Polska Miedź S.A. and KGHM International Ltd. employees are:

- benefits financed by an employee benefit fund,
- contributions to the employee pension plan,
- a prepaid medical care package for employees and spouses financed by the employer,
- insurance for employees,
- subsidized transportation to work.

At KGHM Polska Miedź S.A., no distinction is made between the additional benefits for full-time workers and temporary and part-time workers.

The health and safety of KGHM Polska Miedź S.A. employees

The life and health of employees and a broad sense of safety is one of the KGHM Group's values. Since 2014, we have implemented a uniform policy in health and safety – "A program to improve work safety at KGHM Polska Miedź S.A. to 2020".

KGHM International Ltd. offers employees in the USA, Canada, and Chile life insurance, private medical, and insurance, and subsidized vision care. Additional benefits differ slightly between mines. For example, employees of the Franke plant have an additional bonus: for the birth of a child, a marriage, holidays and subsidized commuting to work, training, etc. It is also due to the different laws in each country.

Fig. 4.23. Primary hazards to KGHM Group employees



UNDERGROUND MINES

- Noise
- Machine and moving equipment work
- Fire
- Electrical
- Incorrect and/or unsafe human conduct
- Fatigue
- Explosives
- Rock burst
- Atmospheric contaminants
- Gaseous (H₂S)
- Gas outbursts

SURFACE PLANTS AND MINES

- Noise
- Machine and moving equipment
- Industrial dust
- Exposure to chemical agents (Pb, As, Ni, Cd, Co, SO₂)
- Burns from hot tops
- Electrical
- Unstable ground
- Incorrect and/or unsafe human conduct
- Explosives
- Weather extremes

* Defect and/or failure in means of work
** Human behavior
Source: KGHM

G4-LA2

4. Our results

The Program for Work Safety Improvement is based on the best practices previously applied by each branch, and it was consulted on with social labor inspectors and trade unions.

The program, including its action to change attitudes and improve safety education, aims to:

- reduce the LTIFR index (lost time accidents per million hours worked),
- improve the safety culture,
- improve the quality of training,
- wider participation of employees in safety management activities,
- register events that may lead to accidents and eliminate them,
- implement a coherent program of preventative health care,
- introduce new personal protective equipment.

One of the major threats to the life and health of employees at KGHM Polska Miedź S.A. mines are natural hazards associated with underground mining of copper ore deposits. Seismic shocks and their resulting tremors and shocks are phenomena that are particularly important from the point of view of safety. In their wake, serious accidents with severe or fatal consequences and damage to the underground infrastructure, as well as operational meltdown may occur. We systematically conduct seismological observations covering the whole region and mining exploitation fields. We also take measures aimed at limiting the risk of tremors and shocks, as, among other things, we determine the optimal sequence of selecting deposits and carefully select the size and shape of the compartments and pillars in between them.

Fig. 4.24. Program to improve the health and safety culture



* The way safety is perceived, valued and treated - how things are done
Source: KGHM

But the most important issue for the safety of employees is their own awareness of threats and their ability to work safely. That is why we have prepared campaigns that help to develop a culture of safety among employees (Lubin – "Let's get back home safely", Polkowice-Sieroszowice – "Safe mine", Rudna – "Stop workplace accidents"). At the same time, at every plant we have implemented a catalog of uniform, golden rules on work safety together with information on ways to motivate and discipline employees. Employees are systematically encouraged to actively participate in raising the level of

health and safety at our company. We assumed a uniform reporting of innovations model at our plants in this regard, and, as a result, in 2015, we noted a 5% increase in solutions adopted for application.

In addition Company implemented an internal H&SVortal that provide information, educational and motivation tools. Employees are receiving informations about, among others, work-related illnesses and hazards, methods of handling with stress, tiredness, hot microclimat and noise.

CATALOGUE OF GOLDEN RULES in KGHM Polska Miedź S.A.

1. We always consider action before starting it.
2. We come to workplace rested and sober.
3. We always use personal protective equipment and adhere to the safety markings in the workplace.
4. We immediately report any noticed potential accidents and accidents.
5. We only work with machines and devices in working order.
6. We recognize potential hazards and risks connected with work.
7. We adhere to the law and order in the workplace.
8. We remember about our family and friends.

Fig. 4.25. Lean Management principles at facilities



Source: lean.org.pl

4. Our results

G4-LA6

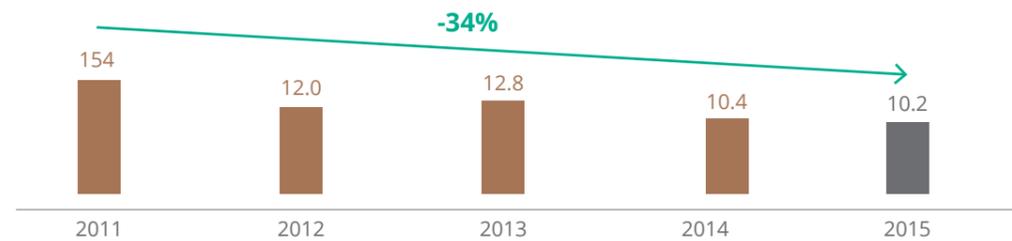
G4-LA7

The 5S initiative, the goal of which is to improve workplace organization and as a result improve the production process, also plays an important role in increasing security. The systematic implementation of 5S at the plants allows for the

elimination of potentially injurious events and for the limitation of losses caused by wastage associated with various employee operations. The effects of intensive safety measures is reflected in a systematically decreasing LTIFR index value.

Fig. 4.26.

LTIFR accident index – KGHM Polska Miedź S.A.



Source: KGHM

Index of injuries, occupational diseases, lost days and days of absence at work, according to sex - KGHM Polska Miedź S.A.

	2015			2014		
	Women	Men	In total	Women	Men	In total
Total number of accidents at work	6	292	398	2	302	304
Number of fatal accidents	0	3	3	0	3	3
Number of serious accidents	0	2	2	0	4	4
Number of minor accidents	6	287	293	2	295	297
Total number of persons injured in accidents			298			304
Accident frequency rate ¹	0.22	16.19	16.41	0.109	16.53	16.63
Total number of days of incapacity to work due to workplace accidents ²	2.09	87.35	89.47	0.93	115.46	116.4
Rate of severity of accidents ³	117	66.93	67.76	69	55.78	56.80
Rate of identified occupational diseases ⁴	0	0.054	0.054	0	0.045	0.045

1. IR, calculated as the total number of people injured in accidents/employment x 1000

2. LDR, calculated as the ratio of the total number of days lost to the number of scheduled working hours of employees in the reporting period x 200,000

3. calculated as the total number of days of incapacity to work due to accidents / number of accidents

4. ODR, calculated as the number of incidents of occupational diseases / total number of hours worked by all employees in a given period x 200,000

Source: KGHM

Number of employees susceptible to harmful or burdensome work-related factors (each employee is counted as many times as the number of factors he's susceptible to) - KGHM Polska Miedź S.A.

Identification of risks	Groups of employees exposed to the identified risks	Number of employees employed in risky conditions		Information why are there risks	Mitigation efforts	Percentage of employees for which preventative measures have been taken
		2014	2015			
		2014	2015	2014 and 2015	2014 and 2015	2014 and 2015
Fibrous industrial particles	Miners	2 299	2 275	Technologies and systems	Personal protective equipment	100%
Carcinogenic chemical substances	Metallurgists	1 103	1 083	The pyrometallurgy process	Ventilation and personal protection	100%
Noise	Miners, metallurgists, processing workers	6 787	6 395	Devices	Personal protection	100%
Vibrations	Miners	727	595	Machines and devices	High quality equipment	100%
Hot microclimate	Miners, metallurgists	3 650	3 202	Large depth exploration	Central air conditioning, ventilation	100%
Excessive physical strain	Miners, metallurgists, processing workers	2 121	2 090	Working conditions	Mechanization of activities	60%

Source: KGHM



G4-S08

Health and safety at KGHM International Ltd.

Beginning in 2013, mines and projects have been developing HSEMS (health, safety and environmental management systems). This multi-year process requires each unit to create procedures for identifying significant threats to life and health to workers, and threats that may lead to significant material losses. At all KGHM International Ltd. mines, the principle of the shared responsibility of all employees at all levels for safety is prominent. One of the important tools that contribute to risk reduction in KGHM International Ltd. is 5X5S, a hazard control tool that integrates field level risk assessment and lean manufacturing principles to improve house-keeping, work processes and waste reduction. Last year at KGHM International Ltd., a thorough safety audit was carried out at selected mines in the USA, Canada and Chile. The findings and recommendations were submitted to the Management Board.

HSEMS became the basis for the implementation of the Zero Harm policy – zero accidents, zero incidents and zero harm to the environment. The group is continuously improving the quality of safety and hygiene at work; goals are

set every year and their achievement is monitored.

In 2015, KGHM International Ltd. recorded a record 265 zero harm days in which none of the plants belonging to the Group experienced any accident requiring medical care – neither among employees, contractors and visitors to the company. In 2014, there were 225 such days and in 2013, 210. One of the performance metrics used for safety is the TRIR index (Total Recordable Injury Rate) for which the company is approaching best in class performance in the countries in which KGHM International Ltd. operates.

The long-term safety strategy at KGHM International also involves the optimization of its HSEMS, site work culture and the safety leadership of site managers. One aspects of this work is focus on increasing competencies of the crew and management skills and risk assessments employed in mining work.

For many years in the entire KGHM Group, investment on health and safety has been at a high level, ensuring full financing of specific needs and meeting the highest safety standards in the mining industry.

Trade unions in the KGHM Group

At KGHM Polska Miedź S.A., there are 15 trade unions which formed 48 trade union organizations. 88.6% of employees belong to trade unions. In February 2015, an agreement was reached with the unions on wages and employee benefits. In July, a document concerning moving a portion of the employees up by one category was signed.

Approximately 3,900 people work in Canada, the USA, and Chile that belong to KGHM International Ltd. Over 20% of them are under a collective agreement on workers' rights, and collaboration with the personnel has minimized the risk of any strikes. In January 2015, Sierra Gorda S.C.M. company entered into a collective agreement in accordance with Chilean law with the representatives of Trade Union No. 2 and into a new agreement for 48 months on various types of benefits for 433 employees. In May 2015, a collective agreement in accordance with the representatives of Trade Union No. 1 was entered into, as well as a new agreement for 44 months on various types of benefits for 366 employees.

Health and safety issues are also the subject of collective agreements entered into with KGHM Polska Miedź S.A. employees (covering 99.7% of KGHM Polska Miedź S.A.'s employees). The provisions provide for, i.a., the necessity of the use of personal protective equipment, safety training, and periodic inspections. The employees also have the right to refuse to do unsafe work, and representatives of the employees participate in inspections and health and safety audits as well as accident investigations. Approximately 60% of employees at KGHM International Ltd. in Canada and Chile are represented at formal committees on safety and health at work (Joint Health and Safety Committees).

G4-11

G4-MM4

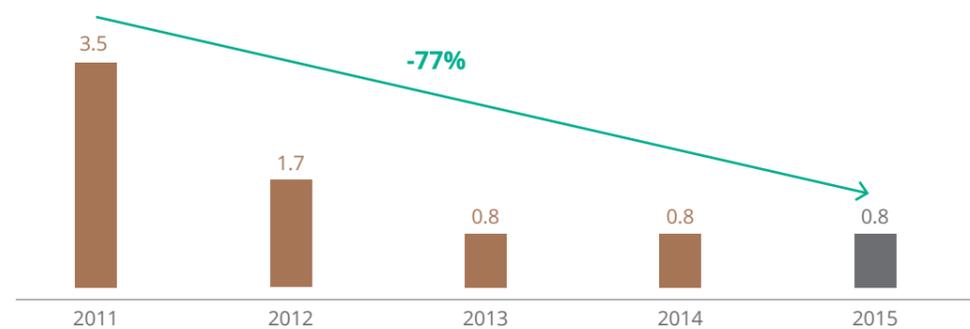
G4-LA5

G4-LA8

In 2015, at KGHM Polska Miedź S.A. and KGHM International Ltd., no employee strikes were noted

Fig. 4.27

The TRIR (Total Recordable Injury Rate) index at KGHM International Ltd.



Source: KGHM

In 2015, KGHM International Ltd. noted a record number of **265 Zero Harm Days**

Monetary value of fines for non-compliance with laws and regulations for KGHM International is **\$166,314 USD**



4.10. Corporate social responsibility

Improving cooperation with local communities is one of the priorities of our Corporate Social Responsibility Strategy. We want to be a good neighbor to communities where we operate.

Our Strategy

G4-SO1

Strengthening our position as global leader that cares about the common good – this the a main objective of the KGHM Group's Corporate Social Responsibility Strategy. Under the adopted

assumptions, the new strategy has global reach. The document was based on our experience, the Global Compact provisions, and the guidelines of the International Council on Mining and Metals, and corresponds to the Global Reporting Initiative guidelines (GRI G4).

Fig. 4.28.

The Corporate Social Responsibility Strategy. Strategic initiatives

MAIN OBJECTIVE: to empower a stable, developing, global leader that cares about the common good



Source: KGHM

The corporate social responsibility policy for the KGHM Group is based on five key pillars. The first concerns the globalization of CSR. As a company operating on the international arena, we want to standardize CSR procedures and programs. The standardization of measures shall also include the second pillar on improving cooperation with local communities.

The third CSR pillar is the strengthening of the position of the Company as a trusted and stable business partner. The adoption of the “Know your customer” strategy is one of the ways we improve communication and strengthen relationships with contractors. The communication aspect is also of fundamental importance to the fourth pillar – developing and maintaining our position as a responsible employer. We want to effectively obtain key information from employees concerning, among other things, their level of job satisfaction. Invariably, one of the priorities will also be to build a leadership position in the area of workplace safety.

The last, and fifth pillar for CSR measures is the promoting of responsible environmental stewardship. The key initiative in this regard will be the creation of an energy management system enabling a reduction in the usage and emissions of greenhouse gases. We are convinced that a new strategy will help the entire KGHM Group effectively implement measures in the area of corporate social responsibility on a global scale.

CSR programs

The implementation of the Strategy requires, among other things, the use of CSR programs. Some of them will be implemented directly by KGHM Polska Miedź S.A., and the others by the KGHM Polska Miedź Foundation.

Copper Heart (KGHM Polska Miedź S.A)

Copper Heart is a volunteer employee program under which the Company employees join in activities that support the local community, persons in need of assistance, and projects that promote the environment.

Selected numbers:

- over 1,000 registered potential bone marrow donors,
- 2,400 children took part in various educational activities,
- USD \$12,820 was collected for providing treatment to individual residents of areas around the copper district.
- over 700 volunteer employees of the Company took part in voluntary activities.

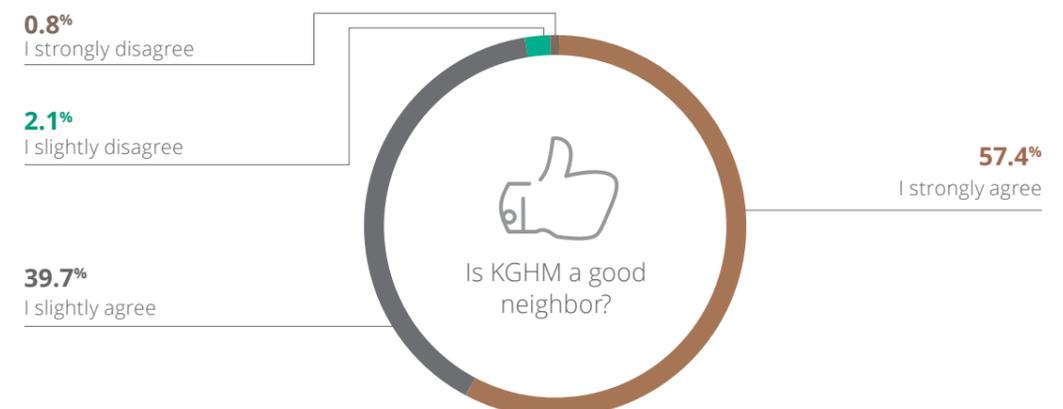
In 2015, close to 60 voluntary activities were organized. At the Company, volunteer competences are expanding very well.



KGHM took part for the first time in the “Philanthropic Leaders” competition. Last year, our company contributed the largest amount of funds for social purposes among Polish companies.

Fig. 4.29.

The perception of KGHM Polska Miedź S.A, in local communities



Source: Evaluation of the EKO-Health program, 2016

4. Our results

ECO-Health (KGHM Polska Miedź S.A.)

ECO-Health is a project in which we encourage residents in the region to take part in free sports activities and medical examinations. The program promotes preventative health care, and its concrete proposals are directed to as many people of different ages as possible.

Innovation Zone (KGHM Polska Miedź S.A.)

Innovation Zone is a platform for the exchange of experiences. In KGHM Polska Miedź S.A. program, knowledge and experience is shared with business, media and national agencies supporting the international expansion of Polish companies. In the program, workshops aimed at owners and executives of companies who want to become global players were held. In the last conference, organized on September 3, 2015, inaugurated the collaboration of the Company and the initiatives of the Secretary of the UN – the Global Compact Network Poland in the „Innovation – Business and Education 2015-2020” program.

Health Promotion and Prevention of Environmental Threats Program (KGHM Polska Miedź S.A.)

In 2015, the Health Promotion and Prevention of Environmental Threats Program was continued. It is directed mainly at children up to 16 years of age residing in the vicinity of smelters owned by the Company. Among other things, it includes blood testing for lead content, trips to “green schools”, swimming lessons at pools, and environmental-health education (additional information can be found in section 4.7, Managing impact on the natural environment).

Activities of the KGHM Polska Miedź Foundation

One of the tools of the corporate social responsibility policy at KGHM Polska Miedź S.A. are the activities of the KGHM Polska Miedź Foundation which was founded in 2003. The Foundation is a consistent element of the Company’s corporate social responsibility policy. It continues philanthropic and charitable activities carried out by the Company from the time of the beginning of the existence of the copper industry in Lower Silesia. It supports important local and regional initiatives and also is involved in projects on a national scale.

2015 was a year of many changes for the better at the KGHM Polska Miedź Foundation which for 13 years has supported residents of the Copper Basin in Lower Silesia. The corporate Foundation was rebranded, its name was expanded to include “KGHM”, and its corporate identity was updated. Internet sites dedicated to the Foundation were created, through which stakeholders of its initiatives and supporters have access to current information. Work on the introduction of a registration system for handling requests made to the KGHM Polska Miedź Foundation aimed at simplifying the procedure for the submission and processing of requests. In addition, a Committee for Individuals’ Requests was set up and is composed of medical specialists and community leaders. Its opinions allow for the optimal amount of support according to the needs of the applicant.

Taking advantage of past experience, a decision was made to strengthen support for key areas from the perspective of the region and its residents. Initiatives in the following four areas are supported actively in partnership: health and safety, sports and recreation, education and

culture, and traditions. In 2015, the Foundation granted 478 donations to institutions in the amount of over USD \$5.1M and 334 donations to individuals for over USD \$0.25M. A detailed list of donations to institutions can be found on the Foundations web page (http://fundacjakghm.pl/documents/10180/11439/Darowizny_2015.pdf).

Projects of the KGHM Polska Miedź Foundation

In 2015, in order to increase the impact of the Foundation’s activities on the environment, the “Your Five Minutes” and “We Save Monuments” flagship projects were implemented. In addition, preparatory work for the implementation of projects in other areas was also carried out.

“Your Five Minutes” is a project through which youngsters were taught how to administer first aid. Training for almost 400 students was carried out by teams of rescuers from KGHM Polska Miedź S.A.’s Mining and Metallurgy Emergency Rescue Department and nurses from the Miedziowego Centrum Zdrowia S.A. (International Health Center).

The project “We Save Monuments” works to protect cultural heritage in the region and in Poland. Outstanding examples of the involvement of the Foundation are: Cisterian Teams in Krzeszów and Lubiąż, the Collegiate Church in Głogów, the Piast Mausoleum in Legnica, and the Royal Baths in Warsaw.

The project “Copper School of Mathematics” is addressed to students in primary, middle, and high schools. In collaboration with universities, methodological centers, and mathematical organizations, additional principles and methods for teaching mathematics are being developed.

“Soccer for everyone” was planned to promote physical activity among children five to ten years of age and covers the entire region of the Copper Basin.

In 2015, the initiative on publishing the quarterly “Copper Art, People, and Traditions of Polish Copper” was continued. Its aim is to bring together people who for many working years were associated with KGHM Polska Miedź S.A. Thanks to the initiative, the Foundation has made close to 200 biographies.

In 2015, at KGHM Polska Miedź S.A. and KGHM International Ltd. there were no complaints concerning any events in which resettlement occurred.

Good neighbor

Good relationships with stakeholders based on mutual understanding and trust are of paramount importance to us. We pay particular attention to the policy of good neighborliness which is reflected in initiatives to implement the expectations and needs of residents in the region.

We engage in dialogue with local communities. An example is the issue of the Żelazny Most Tailings Storage Facility. Along with the development of our mines, it became necessary to expand facilities by over 600 hectares. Such a large investment could not occur without the agreement of the local communities, and that is why we held about 20 consultative sessions which resulted in the signing of the Agreement with the Municipality of Polkowice regarding five of its towns. The document covered a wide range of commitments, including the organizing of recreation for children as well as medical care and medical examinations for the residents. In accordance with the findings, we also collaborated in improving the knowledge and skills of professional residents. There were presentations on, among other things, the skills necessary for employment within the KGHM Polska Miedź S.A. structure and the possibility of being hired. An agreement allowing the Company to take action to expand Żelazny Most was signed.

The input of KGHM Polska Miedź S.A. into development of infrastructure amounted to USD \$262M. Funds were allocated for, among other things: co-financing of modernization work on the Małkowskie Caritas Medical Care Center, co-financing of renovation of the electrical system at the Middle School in Nielubia, construction of the 24h Nursing Home in Lubin and sports field near the School Complex with Integrated Departments in Głogów, creation of school mining workshops in the building of the Mechanical Schools Complex in Bolesławiec.

G4-EC7

G4-MM9

Key data on KGHM Polska Miedź Foundation's donations

Recipients of donations	Number of donations	Total amount of donations (USD)
Institutions	478	\$5,161,501
Individuals	334	\$277,703
Total	812	\$5,439,204

Converted according to average NBP exchange rate as of 31/12/2015: USD 1/PLN 3.90
Source: KGHM Polska Miedź S.A.

G4-EC7

KGHM International Ltd.'s social commitments

KGHM International Ltd. is committed to build strong and lasting partnerships in the communities in which we operate. At each location, the Company has undertaken numerous community outreach programs including workshops, open houses, mine site tours, etc. Additionally, KGHM International Ltd. is very active in seeking community partnerships and consistently sponsors events, clubs, local businesses, community groups, local athletics, art initiatives and performances, as well as a variety of non-profit organizations.

As a member of the Mining Association of Canada (MAC), we subscribe to the Towards Sustainable Mining (TSM) framework which has a strong and important component relating to Aboriginal and Community Outreach. The Sudbury group has taken proactive measures in 2015 in order to become aligned with the Aboriginal and Community Outreach framework and protocol by partnering with a group of graduate students from the University of Waterloo to develop a plan designed to enhance the social sustainability of our operations within the Sudbury mining camp. The plan includes developing a system to identify communities of interest (COI), effectively engaging with the COI, and implementing a system to respond and reporting internally and externally. This framework will formally be rolled-out at Canadian operations.

Sierra Gorda S.C.M has continued implementing its Sustainability Strategy since 2014, which declares as general purpose to Prosper Associatively. One of its pillars is the Community Relationship, which has three sub-pillars: Relationship, Development and Life Quality. The Relationship pillar focuses on generating trust with local communities, through the establishment of

a relationship based on a frank and fluid communication. During 2015 a site visit program was developed framed on this pillar, which consists of bringing residents from our Area of Affection to the mine and plant, giving them basic induction on health, safety and environment, and a tour along different areas and process of our operations. The Development pillar focuses on the economic development of the local communities through initiatives and opportunities such as, hiring local workforce, development of suppliers and professional volunteering. In 2015, a local entrepreneurs program was developed that seeks to formalize their businesses in order to enable them to become direct suppliers of mining companies, and thus, improve their profits and increase their opportunities for growth. The Life Quality pillar is based on the generation of positive impact in the local communities in order to improve their quality of life. During 2015, several initiatives were implemented to the benefit of the communities of Sierra Gorda, either directly or in alliance with the local Municipality or social organizations.

One of the most interesting examples of cooperation with the local community is the contribution of KGHM International Ltd. in building the Earth Science Building on the University of British Columbia campus in Vancouver, Canada. The building, built mainly with wood, is considered by many specialists to be one of the finest and most beautiful examples of sustainable architecture. Its functionality and innovative solutions have been recognized in many prestigious international architectural competitions. One of the leading sponsoring companies of the erection of the Building was KGHM International Ltd. The five-year sponsorship agreement with the university ended in the first months of 2015. The contribution of KGHM International Ltd. was commemorated by the naming of one of the halls after our company.

KGHM International Ltd. underground operations is an active participant in the annual mine rescue competitions. A tremendous amount of training by a dedicated team of personnel is invested to ensure that we are prepared in the face of an emergency. In 2016, Canada will be hosting for the first time in history the International Mine Rescue Competition. This event aims to promote the exchange of information related to training strategies for various mine emergency scenarios and the use of technical equipment. The Company is proud to have invested in this important event as a Silver Sponsor.

Total number of operations taking place in or adjacent indigenous peoples' territories

As mentioned in section 2.9., employment in the communities where we operate is the foundation of our direct economic impacts. The Victoria Project, in full operation, is expected to add more than 400 people to our Sudbury basin employee base. The construction phase will require far more resources and is expected to have a positive direct and indirect impact on the community including the First Nations and Métis Nation. The Company is committed to working with Aboriginal communities who have traditional lands and Treaty rights that may be affected by the project or who have on-going traditional use of the land.

Ongoing dialogue and formal engagement activities in 2015 resulted in the following formal negotiated agreements between KGHM International Ltd. and the following parties:

- at the Ajax project: Tk'emlups te Secwepemc Indian Band & Skeetchestn Indian Band (4 agreements) - Additional Capacity Funding for Cultural Heritage Work (September 2015), Further Capacity Funding Agreement (December 2015); Lower Nicola Indian Band - Capacity Funding Agreement (June 2015); Whispering Pines-Clinton Indian Band - Capacity Funding Agreement (May 2015);
- at the Victoria project: Metis Nation of Ontario, Region 5 - Advanced Exploration Project Engagement Agreement (April 2015).



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We work with
clear principles
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5. Corporate governance

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5.1. Organizational structure

The framework of our Group’s corporate governance is made up of legal regulations and Statutes as well as the Warsaw Stock Exchange Rules. The KGHM Polska Miedź S.A. Management Board is committed to promoting the application of good corporate governance practices.

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Over the last few years, we have developed effective organizational methods of corporate governance. The topic which we most focused on in the process was to attain the convergence of long-term interests of shareholders with that of the Company.

The components of governance are:

- General Meetings;
- The Supervisory Board along with its supporting Committees and
- The Management Board.

Corporate governance structure at KGHM

KGHM Polska Miedź S.A. is a company listed on the Warsaw Stock Exchange, which was subject in 2015 to corporate governance principles set out in the document “Code of Best Practice for WSE Listed Companies” (hereinafter: Best Practice) (Annex to Resolution of the Board No. 19/1307/2012 of November 21, 2012).

In 2015, KGHM Polska Miedź S.A. did not comply with the recommendation described in chapter I point 12 of „Best Practice...”, regarding providing assurance by the Company that its shareholders will have the possibility to personally, or through a proxy, exercise their voting rights during General Meetings from a location other than that of the Meeting, using electronic means of communication.

The Company also refrained from application of the principle set forth in Section IV point 10 of „Best Practice...”, according to which the Company should provide its shareholders with the possibility to participate in General Meetings using electronic means of communication, based on real-time webcasts of General Meetings as well as real-time bilateral communication, based on which shareholders may take the floor during a General Meeting from a location other than that of the Meeting.

In the Company’s opinion, introduction of the possibility of participation in General Meetings using electronic means of communication may carry risk factors of a legal and technical nature leading to interference with the efficient conduct of General Meetings, and as a result to the possible questioning of any resolutions adopted. In the Company’s opinion, current principles of participation in the General Meetings of KGHM Polska Miedź S.A. enable all shareholders to exercise the rights attached to owning the shares and protect the interests of all shareholders. The Company is considering introducing the aforementioned principle and recommendation in situations when their technical and legal aspect no longer raises any doubts, and when such introduction will be justified by a real need for this form of communication with shareholders.

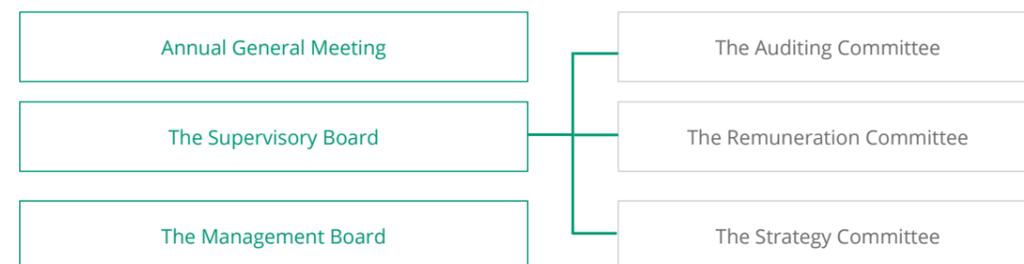
Starting from 2016 the Company provides live webcasts of General Meetings.

Since 2016 The Company has been subject to the rules adopted on October 13, 2015 by the Stock Exchange Board, Resolution No. 26/1413/2015 regarding the adoption of new corporate governance rules “Best Practice of CPW Listed Companies 2016” (hereinafter: Best Practices 2016).

Information on the use of our recommendations and principles of Best Practices was published on the KGHM website in the section on corporate governance: <http://kgm.com/en/investors/corporate-governance>.

Fig.5.1.

Corporate governance structure of KGHM Polska Miedź S.A.



Source: KGHM



5.2. Activities of the Supervisory Board

The Supervisory Board is the permanent KGHM supervisory body for all of the Company's functional areas. It consists of nine members appointed by the General Meeting, of whom three are elected by the employees of the Company. The Supervisory Board has three committees: the Audit Committee, the Remuneration Committee and the Strategy Committee.

Members of the Supervisory Board are appointed for a three year term. In accordance with the Company's Statutes and the principles of "Best Practices of WSE Listed Companies", at least two Supervisory Board members should be independent members.

The Supervisory Board performs its functions at meetings (convened at least quarterly) as well as by delegating its members to work in Board committees. For Board resolutions to be valid, all members of the Board must be invited to the meeting and adopt a resolution by an absolute majority of votes in the presence of at least half of the Board members.

The powers and operational rules of the Supervisory Board shall be determined by, among others, the Company Statutes and Bylaws of the Supervisory Board. These documents are publicly available at www.kghm.com.

In 2015, the Supervisory Board consisted of:

- Marcin Moryń, Chairman,
- Tomasz Cyran, Deputy Chairman,
- Bogusław Stanisław Fiedor,
- Andrzej Kidyba,
- Jacek Poświata,
- Barbara Wertelecka-Kwater,

as well as those chosen by employees:

- Józef Czyczerski,
- Leszek Hajdacki,
- Bogusław Szarek, Secretary.

Bogusław Fiedor, Jacek Poświata, Andrzej Kidyba, and Tomasz Cyran have submitted declarations with regard to meeting the independence criterion as defined in principle II.Z.4 "Best Practices of WSE Listed Companies".

In 2015 the Supervisory Board held 11 protocolled meetings and adopted 70 resolutions. The Board monitored the ongoing work of management and our entire Company. This consisted of Management Board resolutions as well as information on the KGHM's monthly financial results. Periodically, the Supervisory Board also familiarized itself with the reports of the Management Board concerning:

- donations, sponsorship, representation, marketing and advertising within KGHM Polska Miedź S.A. and the Group;
- consulting services, advice and analysis performed for us by external entities;
- research and development.

The Supervisory Board also reviewed the status of investments approved in the budget.

In January 2015 The Supervisory Board approved the KGHM Polska Miedź S.A. Strategy for 2015–2020 with an outlook to the year 2040.

Supervisory Board Committees

The Supervisory Board has three committees: the Audit Committee, the Remuneration Committee and the Strategy Committee. They play a supportive role in preparing evaluations and opinions and in developing decisions, which are made by the Supervisory Board.

The Audit Committee supervises financial reporting, the internal control system and risk management as well as internal and external audits.

In 2015, the Audit Committee of the Supervisory Board consisted of:

- Bogusław Fiedor, Chairman,
- Bogusław Szarek, Deputy Chairman,
- Tomasz Cyran,
- Leszek Hajdacki.

In 2015, the Audit Committee held eight protocolled meetings. In particular, the Audit Committee dealt with:

- meetings with our internal auditor, issuing opinions regarding the audit plan and control of KGHM Polska Miedź S.A. as well as examining reports on the implementation of the audit plan (reports on the implementation of the previous year and for the first half of the current year);
- examining quarterly reports on corporate risk management within KGHM Polska Miedź S.A. as well as KGHM International Ltd.;
- meetings with the Company auditor in order to examine the unconsolidated financial statements and consolidated financial statements of KGHM Polska Miedź S.A. for 2014, and in order to review the half-year reports;

- preparing recommendations for the Supervisory Board on the adoption of the following annual reports:

- reporting the results of its evaluation of the Management Board's report on the activities of KGHM Polska Miedź in the financial year and the results of its evaluation of the financial statements of KGHM Polska Miedź S.A. for the financial year 2014.
- reporting the its evaluation of the Management Board's report on the activities of the KGHM Polska Miedź S.A. Group for the financial year and the results of its evaluation of the financial statements of KGHM Polska Miedź S.A. for the financial year 2014,
- the concise assessment of the Company's standing for the financial year 2014, including an evaluation of the internal control system and the Company's significant risk management system,
- the Audit Committee's report on operations for 2014;
- analyzing the draft Company budget for 2016 and preparing recommendations for the Supervisory Board on the adoption of the 2016 budget.
- commencing the process for selecting an auditor to audit the Company in 2016-2018.

As of February 3, 2016, the Audit Committee of the Supervisory Board consisted of the following:

- Bogusław Szarek, Committee Chairman,
- Cezary Godziuk,
- Dominik Hunek,
- Leszek Hajdacki,
- Miłosz Stanisławski,
- Bogusław Szarek,
- Radosław Barszcz,
- Jarosław Witkowski.

5. Corporate governance

The Remuneration Committee is responsible for supervising the performance of agreements signed with the Management Board, the remuneration system and the benefits paid out in KGHM Polska Miedź S.A. and the Group, training and other benefits provided by the Company and audits carried out by the Supervisory Board in this respect.

In 2015, the Audit Committee of the Supervisory Board consisted of:

- Tomasz Cyran, Committee Chairman,
- Leszek Hajdacki, Deputy Chairman,
- Józef Czyczerski,
- Marcin Moryń,
- Barbara Wertelecka-Kwater.

In 2015, the Remuneration Committee held five protocolled meetings. In particular, the Remuneration Committee dealt with:

- developing recommendations for the Supervisory Board regarding the approval of bonuses for the Management Board members of KGHM Polska Miedź S.A. in 2015;
- preparing recommendations for the Supervisory Board regarding approval to implement changes to employment contracts for the Management Board members of KGHM Polska Miedź S.A.;
- preparing recommendations for the Supervisory Board regarding determination of how much remuneration the Management Board members of KGHM Polska Miedź S.A. are entitled to in 2014;
- preparing recommendations for the Supervisory Board regarding the proposal relating to the introduction of adjustments in bonus indicators for the Management Board members of KGHM Polska Miedź S.A. for 2015.

As of February 3, 2016, the Remuneration Committee of the Supervisory Board consisted of the following:

- Bogusław Szarek, Committee Chairman
- Józef Czyczerski
- Leszek Hajdacki
- Dominik Hunek
- Miłosz Stanisławski

The Strategy Committee supervises the implementation of our Strategy, annual and long-term operating plans, and evaluates the coherence of these documents. Its tasks include providing opinions on strategy projects presented by the Management Board and their amendments as well as the annual and long-term operating plans of our Company.

In 2015, the Strategy Committee of the Supervisory Board consisted of:

- Barbara Wertelecka-Kwater, Committee Chairman,
- Andrzej Kidyba Deputy Chairman,
- Józef Czyczerski,
- Leszek Hajdacki,
- Marcin Moryń,
- Jacek Poświata,
- Bogusław Szarek.

Last year, the Strategy Committee held three protocolled meetings. In particular, the following was dealt with:

- examining the following Management Board reports: regarding expenditure in 2014 on advisory services, advertising, representation, sponsorship and donations, research, expertise and analysis, as well as on invention and implementation within the KGHM Polska Miedź S.A.; the Strategy Committee prepared recommendations for the Supervisory Board regarding the way the Company reports on the costs of the aforementioned objectives,
- on the employment structure as well as the number of employees in the KGHM Polska Miedź S.A. Group's companies;
- on the status of progress regarding the implementation of corporate governance in KGHM Polska Miedź S.A.;
- on the status of the plan to implement the strategy of KGHM Polska Miedź S.A..

As of February 3, 2016, the Strategy Committee of the Supervisory Board consisted of the following:

- Jarosław Witkowski, Committee Chairman,
- Michał Czarnik,
- Józef Czyczerski,
- Cezary Godziuk,
- Leszek Hajdacki,
- Miłosz Stanisławski,
- Bogusław Szarek.

The specific powers, scope and mode of operation of the committees is determined and approved by the Supervisory Board Bylaws.



Fig. 5.2.

KGHM Polska Miedź S.A. Supervisory Board From the left: Cezary Godziuk, Leszek Hajdacki, Miłosz Stanisławski, Józef Czyczerski, Dominik Hunek, Jarosław Witkowski, Michał Czarnik, Radosław Barszcz, Bogusław Szarek

Additional information

In the second half of January 2016, the make-up of the Board was changed. The new Supervisory Board consists of:

- Dominik Hunek, Chairman of the Supervisory Board (as of February 3, 2016),
- Radosław Barszcz, Committee Deputy Chairman of the Supervisory Board (as of February 3, 2016),
- Michał Czarnik,
- Cezary Godziuk,
- Miłosz Stanisławski,
- Jarosław Witkowski.

as well as those chosen by employees:

- Bogusław Szarek, Secretary of the Supervisory Board,
- Józef Czyczerski,
- Leszek Hajdacki.

KGHM Polska Miedź S.A. Supervisory Board members: Dominik Hunek, Jarosław Witkowski and Michał Czarnik have submitted declarations with regard to meeting the independence criteria as defined in principle II.Z.4 of the "Code of Best Practice of GPW Listed Companies 2016."

5.3. Activities of the Management Board

The Management Board operates based on generally applicable laws, the Company's Statutes, and the Bylaws of the Management Board of KGHM Polska Miedź S.A.

The duties of our Management Board include all matters pertaining to the Company's operations save for those which have been reserved by the Commercial Partnerships and Companies Code and the Statutes of the Company for the competence of the general shareholder's meeting or the Supervisory Board. Detailed powers, scope and mode of operation of the committees is determined and approved by the Supervisory Board Regulations.

Currently, the Management Board consists of five members appointed for a joint three-year term of office. 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 he/she appoints and dismisses the remaining members of the Management Board, save for selection or dismissal of a member of the Board elected by the Company's employees. Members of the Management Board, including the employee-elected Management Board members, may be dismissed by the Supervisory Board prior to the expiry of their term of office, which does not infringe upon their rights under employment contracts or other legal relationships to fulfill their function as a Board member. 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 on 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.

The Management Board operates based on generally applicable laws, the Company's Statutes and the Bylaws of the Management Board of KGHM Polska Miedź S.A. These corporate documents are publicly available at www.kghm.com.

For resolutions of the Management Board to be valid, at least two-thirds of the members of the Management Board must be present and resolutions of the Management Board are adopted by a simple majority of votes cast. In the case of a tie vote, the vote of the President of the Management Board shall be the deciding vote. A detailed list of matters requiring resolutions of the Board is contained in the KGHM Polska Miedź S.A. Management Board Bylaws, approved by the Supervisory Board.

In 2015, the Management Board consisted of:

- Herbert Wirth, Chairman of the Board,
- Jarosław Romanowski, Vice President of the Board (Finance),
- Marcin Chmielewski, Vice President of the Management Board (Corporate affairs),
- Jacek Kardela, Vice President of the Management Board (Development),
- Mirosław Laskowski, Vice-President of the Management Board (Production) (replaced Wojciech Kędzia in February 2015).

Last year, the Management Board held 42 protocol meetings, during which 154 resolutions were passed. The most important decisions were as follows:

- adoption of the Credit Risk Management Policy for the KGHM Polska Miedź S.A. Group,
- adoption of the KGHM Group's global Corporate Social Responsibility Strategy for 2015-2020,
- adoption of a Code of Ethics for the KGHM Polska Miedź S.A. Group,
- approval of the "Integrated audit and internal control plan of KGHM Polska Miedź S.A. for 2016".



Fig. 5.3.

The Management Board of KGHM Polska Miedź S.A. From the left: Vice President Jacek Rawecki, Vice President Piotr Walczak, President Krzysztof Skóra, Vice President Mirosław Biliński, Vice President Stefan Świątkowski

Additional information

On February 3, 2016 the KGHM Polska Miedź S.A. Supervisory Board passed a resolution regarding changes in the KGHM Polska Miedź S.A. Management Board. The new Management Board consisted of:

- Krzysztof Skóra, President of the Management Board,
- Mirosław Biliński, Vice President of the Management Board (Development),
- Mirosław Laskowski, Vice President of the Management Board (Production),
- Jacek Rawecki, I Vice President of the Management Board (Supply Chain; nominated to the position of I Vice President on 17 May 2016)

The KGHM Polska Miedź S.A. Supervisory Board, during a meeting on March 15, 2016, dismissed Vice President Mirosław Laskowski from the KGHM Polska Miedź S.A. Management Board. At the same time, the KGHM Polska Miedź S.A. Supervisory Board appointed Piotr Walczak as Vice President (Production) to the KGHM Polska Miedź S.A. Management Board.

The Supervisory Board of the company, following the meeting held on 23 February 2016 adopted a resolution appointing Stefan Świątkowski to the Management Board of KGHM Polska Miedź S.A. as a Vice President (Finance).

In addition, the Supervisory Board changed the area of responsibility of Jacek Rawecki, who was appointed on 3 February 2016 as a Vice President of KGHM Polska Miedź S.A. (Corporate Affairs), from "Corporate Affairs" to "Supply Chain Management".

Currently, the new Management Board consists of:

- Krzysztof Skóra, President of the Management Board,
- Jacek Rawecki, First Vice President of the Management Board (Supply Chain Management), appointed as First Vice President on 17 May 2016),
- Stefan Świątkowski, Vice President of the Management Board (Finance),
- Mirosław Biliński, Vice President of the Management Board (Development),
- Piotr Walczak, Vice President of the Management Board (Production).

5.4. Shareholders and their role

G4-7

We consider dialogue with stakeholders, among whom shareholders play a special role, as an element that is critical to the Company's effective operation. The KGHM Group, as a global company operating on three continents, prioritizes equal access to information for all participants in international capital markets.

The Company on the Warsaw Stock Exchange (WSE)

KGHM Polska Miedź S.A. debuted on the Warsaw Stock Exchange (WSE) in July 1997. The Company's shares are traded on the primary market in the continuous trading system and are a component of the WIG, WIG20 and WIG30 indices. The Company's shares are included in the WIG-basic materials ("WIG-SUROWCE") sector index and the WIGdiv index.

As at 31 December 2015, the share capital of the Company, in accordance with the entry in the National Court Register, amounted to PLN 2 billion and was divided into 200 million shares,

series A, having a face value of PLN 10 each. All shares are bearer shares. Each share grants the right to one vote at the General Meeting. The Company has not issued preference shares.

In 2015 the shares of KGHM Polska Miedź S.A. were once again amongst the selected group of 23 companies listed on the Warsaw Stock Exchange which comprise the RESPECT Index. The Company has participated in this index continuously since 2009, which confirms its conformance with the highest standards of social responsibility.

The RESPECT Index, which has been published since 19 November 2009, is an index of

Fig. 5.4.

Change in KGHM Polska Miedź S.A.'s share price versus the WIG and FTSE 350 Mining indices



Source: WSE

socially-responsible companies listed on the Warsaw Stock Exchange. The Index includes companies from the Warsaw Stock Exchange which conform to Corporate Social Responsibility (CSR) standards.

The RESPECT Index highlights those companies which are managed in a sustainable and responsible manner, and also points out their investment attractiveness. Inclusion in the index is determined by a company's quality of reporting, its level of investor relations and its adherence to Corporate Governance principles.

In 2015 companies operating in the mining sector, including KGHM Polska Miedź S.A., were under substantial pressure from macroeconomic factors related primarily to the slowing rate of economic growth in Asian markets (mainly China), the rapid decrease in commodities prices and the global geopolitical situation (the Middle East). The result of this led to a trend to sell-off the shares of mining companies by investors. The FTSE 350 mining index fell in 2015 by 48.56%. The FTSE 350 Mining index is an index of companies listed on the London Stock Exchange (LSE). Amongst the 350 largest companies in terms of market capitalisation are companies

in the mining sector. The index includes companies such as Anglo-American, Antofagasta, BHP Billiton and Rio Tinto.

The decrease in KGHM Polska Miedź S.A.'s share price in 2015 was lower than the average decrease for all companies in the peer group (the largest global companies in the mining sector), which amounted to approx. 50%.

In 2015 KGHM Polska Miedź S.A.'s share price fell by 41.67%, from a closing price of PLN 108.85 on 30 December 2014 to PLN 63.49 on the last trading day of 2015. During the same period the market indices WIG, WIG20 and WIG30 fell respectively by 9.62%, 19.72% and 16.56%.

At the end of 2015, the Company's capitalization reached a level of USD \$3.26B, and the average trading volume per session amounted to 948,323 shares in 2015. In 2015, KGHM Polska Miedź S.A.'s share price fluctuated within the range from USD \$15.14 (December 17th) to USD \$33.58 (May 13th), to end the year at a price of USD \$16.28. In comparison to the last stock market session in 2014, KGHM Polska Miedź S.A.'s share price dropped by 41.67% at the end of 2015.

Key data concerning the Company's share price on the Warsaw Stock Exchange (WSE)*

Symbol: KGH	ISIN: PLKGHM000017	Unit of measure	2015	2014
Number of shares issued		millions of shares	200	200
Market capitalization at the end of the year		billion USD	\$3.26	\$5.59
Average daily trading volume		shares	948,323	883,361
Change of share price compared to last price of previous year		%	-41.67	-7.75
Maximum closing price of the year		USD	\$33.58	\$35.38
Minimum closing price of the year		USD	\$15.14	\$25.62
Closing price on last day of trading of the year		USD	\$16.28	\$27.91

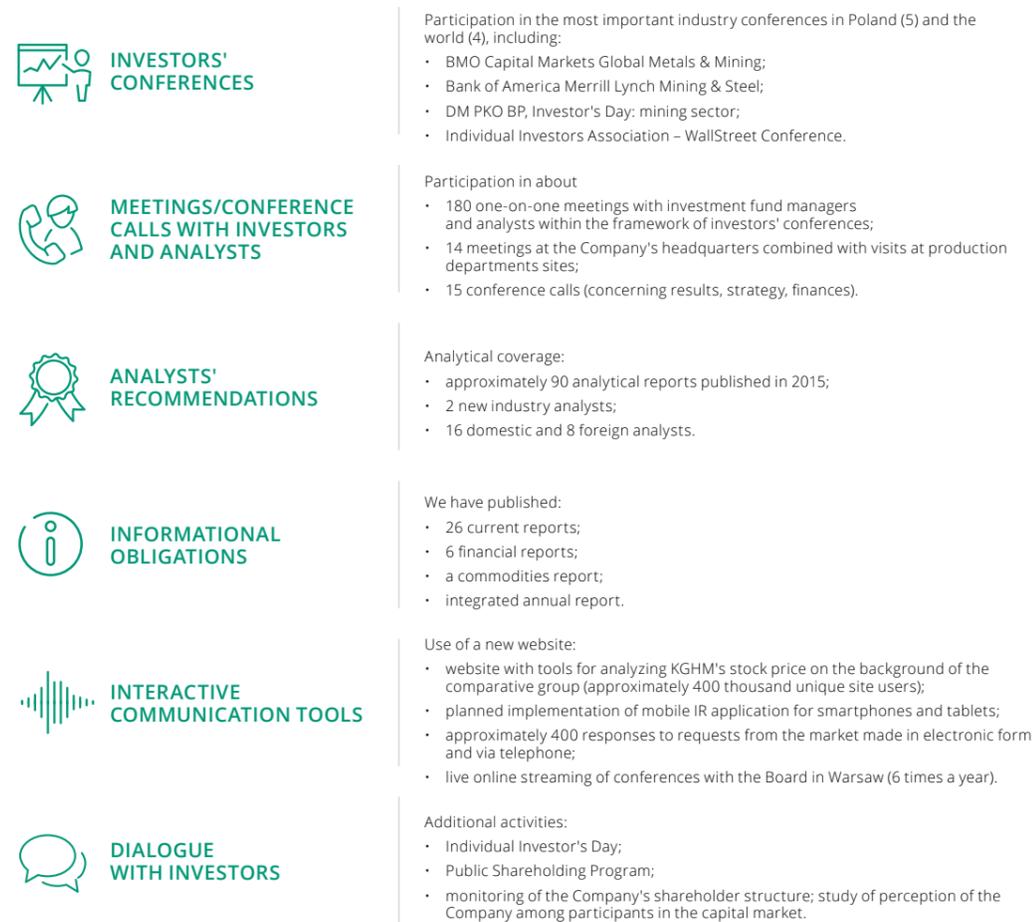
* USD values for reference purposes only; the Company's shares are traded in the Polish zloty
Source: WSE

Role of investor relations and dialogue with stakeholders

The dialogue with stakeholders, among whom shareholders are of particular significance, is for us a key aspect of the Company's operations. For KGHM, as a global company operating on three continents, it is a priority to ensure equal access to information to all members of the global capital markets. KGHM's actions are aimed at maintaining regular communication and transparent dialogue with investors and analysts as well as at ensuring conformance with our regulatory legal obligations.

In KGHM Polska Miedź S.A. we maintain an active dialogue with shareholders and market participants through meetings with investors and analysts both in Poland and abroad. In 2015 the Investor Relations team participated in numerous regional and sector conferences, meeting with investors and analysts (a summary of our IR activities is presented in the figure below). At the same time the Company fulfils its regulatory obligations by publishing regulatory filings and periodic reports via the official reporting system (ESPI). In 2015, representatives of KGHM Polska Miedź S.A. took part in 9 investor conferences and road shows, while about 180 meetings were held with investors and analysts.

Fig. 5.5. Primary tools for dialogue with the investment market



Source: KGHM

Publication by KGHM Polska Miedź S.A. of its financial results is accompanied by a conference that is open to all stakeholders, streamed live over the internet in Polish and English. Video recordings of the conference are available on the Company's website (www.kghm.com) under the Investors tab. Teleconferences and videoconferences organized in response to needs of stakeholders are another way that the Company communicates with the market.

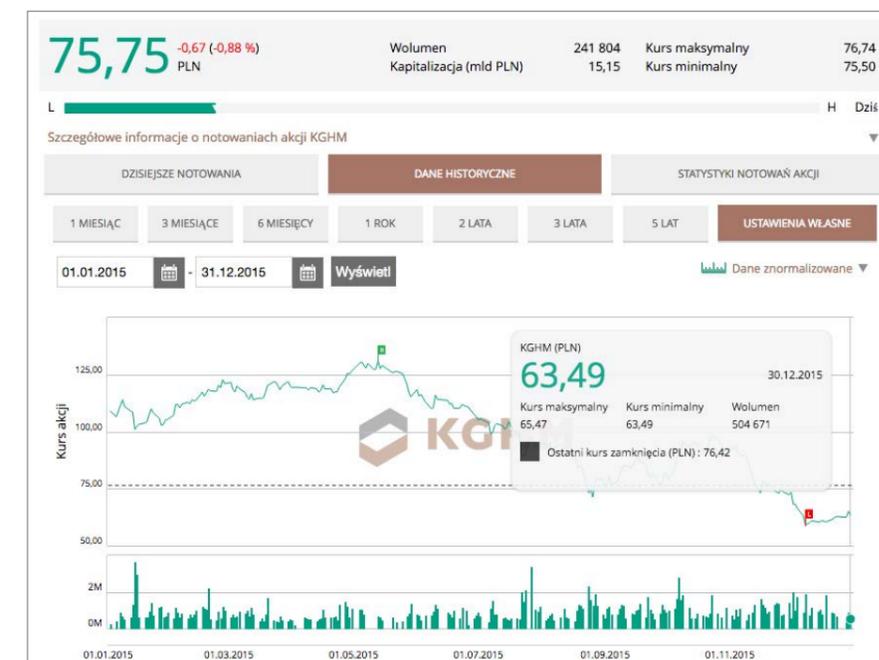
In cooperation with the Individual Investors Association, KGHM Polska Miedź S.A. organized an Individual Investor's Day. This was the first time an event like this took place at the Company, and it was met with great interest by investors. Investors were able to visit KGHM Polska Miedź S.A.'s production sites and take part in meetings with managing staff. Participants gave high praise for the organizational and substantive level of the visit as well as for the corporate materials that were made available and unanimously supported the organization of similar events in the future.

KGHM Polska Miedź S.A.'s new website was introduced in 2015, and the investor relations service began functioning: www.kghm.com/pl/

investorzy. They are adapted to the needs of investors around the world. The IR service contains data about the Group, and it also contains a detailed description of KGHM Polska Miedź S.A.'s assets and Corporate Strategy. The Investors tab is regularly updated with information and documents, including regulatory filings and periodical reports, information about the shareholder structure, documents related to General Meetings, corporate governance, as well as presentations and videos for investors. Investors are able to view historical financial data, share prices, and KPIs.

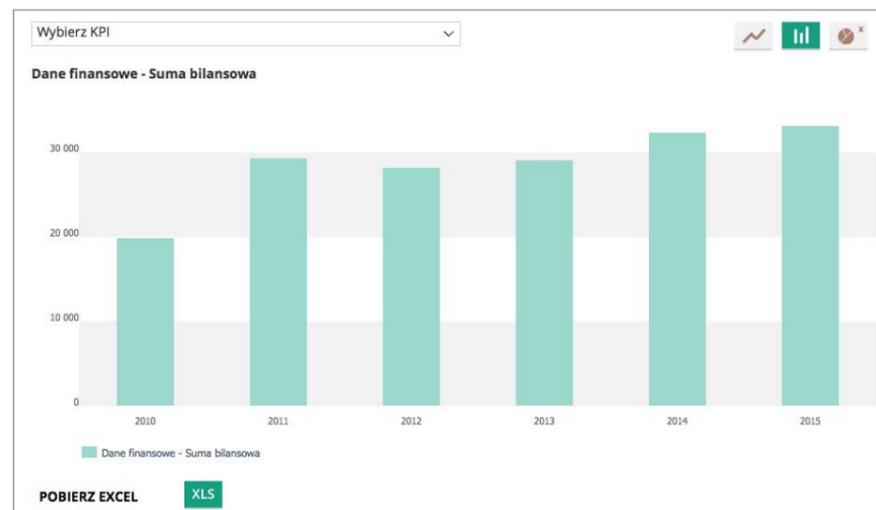
All numerical data is presented in a form that enables it to be exported to a spreadsheet. The information that investors need appears on the site at the same time as it is published in the stock market system. The website does not just contain current information but also an archive reaching back 10 years. It also includes a survey concerning evaluation of the investor relations section. Investors can evaluate the navigation system, usefulness of information, and quality of published materials. The Investor Relations Department systematically monitors the expectations of the investment community with respect to improvement of the IR tab.

Fig. 5.6. Inverstor Relations Service at www.kghm.com - graph of KGHM Polska Miedź S.A. share prices



Source: KGHM

Fig. 5.7. Inverstor Relations Service at www.kghm.com – KPI tool



Source: KGHM

The website also features a tab dedicated to KGHM Polska Miedź S.A.'s participation in the Civic Shareholding (Akcjonariat Obywatelski) program. The Company has been involved in this program since 2012 and engages in activities serving to increase public awareness and acceptance of the principles and mechanisms governing the market economy, including the capital market. Civic Shareholding is an expansive educational program conducted by the Ministry of the Treasury, based on training and workshops held nationwide, cooperation with universities and on an e-learning platform that can be used by both those who are planning to

make their first investment on the stock market and by more mature private investors. The most important companies and institutions listed on the stock exchange and operating on the capital market are the Ministry's partners in the Civic Shareholding program. In 2015, the Company continued to support educational activities intended to encourage the public to consciously invest in securities.

In 2015, analytical reports about KGHM Polska Miedź S.A were prepared by 16 "sell-side" analysts from Poland and 8 from abroad.

List of financial institutions issuing recommendations and reports concerning KGHM Polska Miedź S.A.'s shares

Based in Poland

Deutsche Bank	DM Banku Handlowego S.A. (DMBH)	DI mBank
DI Investors	Haitong Bank	DM BZ WBK
Erste Group	ING Securities	IPOPEMA Securities
JP Morgan	PKO Dom Maklerski	Trigon Dom Maklerski
UBS	Pekao Investment Banking	DM BOŚ
Société Générale		

Based abroad

Morgan Stanley	Raiffeisen	Bank of America Merrill Lynch
BMO	Credit Suisse	Goldman Sachs
WOOD & Company	Haitong	

Source: KGHM

Dividend

According to resolution no. 5/2015 of the Ordinary General Meeting of KGHM Polska Miedź S.A. of April 29th, 2015 regarding appropriation of KGHM Polska Miedź S.A.'s profit for the financial year of 2014, USD \$205M was allocated for shareholder dividends, which

amounts to USD \$1.02 per share. The date of gaining dividend rights was determined to be May 27th, 2015, and payment of dividends was planned in two instalments: June 18th, 2015 – USD \$0.51 per share and October 19th, 2015 – USD \$0.51 per share (USD values for reference purposes only; dividends are paid at the Polish zloty).

Payment of dividends in the years 2014 – 2015

Symbol: KGH	ISIN: PLKGHM000017	Unit of measure.	2015	2014
Dividend paid in fiscal year from division of profit for previous year		M USD	\$205	\$256
Dividend rate*		USD/share	\$1.02	\$1.28
		%	6.3	4.6

* dividend per share paid in a given fiscal year divided by last share price in the given fiscal year
Source: KGHM

On 26 January 2015, the Management Board of KGHM Polska Miedź S.A. resolved to adopt a Dividend Policy for KGHM Polska Miedź S.A. The Dividend Policy is part of its on-going efforts to ensure a balance between dividends paid out to shareholders and opportunities to efficiently invest the Company's funds.

The Dividend Policy assumes that the Management Board will recommend allocation of up to one-third of the profit for the period of KGHM Polska Miedź S.A. for the previous financial year as a dividend, while taking into account the current and anticipated financial situation of the Company and the Group. In particular, in making its recommendation the Management Board will take into account the Company's anticipated requirements for capital to complete the Company's development program as well as a safe debt level for the Group.

The final decision regarding the amount of dividends paid is made by the General Meeting of KGHM Polska Miedź S.A.

Information about the Company's ownership structure and issued shares

The only shareholder who as at 1 January 2015 as well as at 31 December 2015 held a number of shares granting the right to 5% or more of the total number of votes at the General Meeting of KGHM Polska Miedź S.A. was the Polish State Treasury. The Company's shareholder structure as at 31 December 2015 and at the date this report was signed was as follows:

Shareholder structure as of December 31st, 2015.

Shareholder	Number of shares/votes	% of share in capital/total number of votes
State Treasury*	63,589,900	31.79%
Other shareholders	136,410,100	68.21%
Total	200,000,000	100.00%

* based on the notice dated January 12th, 2010, received by the Company
Source: KGHM

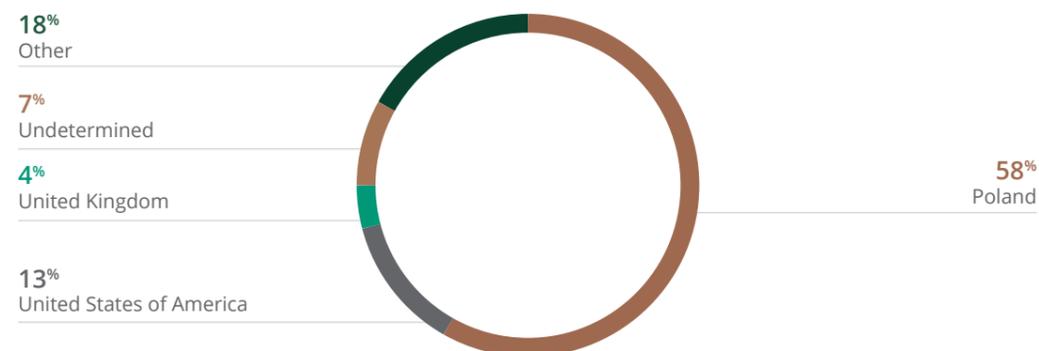
5. Corporate governance

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.

Following is the geographic distribution of the Company's shareholder structure. The data is based on research into the Company's shareholder structure performed in 2015.

Fig. 5.8.

Geographic shareholder structure of KGHM Polska Miedź S.A.



Source: KGHM

In comparison to the results of an analogous study conducted in 2014, the share of investors from Poland, the USA, and the UK is remained at a similar level. The Company does not have treasury shares. The Management Board of the Company is unaware of any agreements which could result in changes in the proportion of

shares held by present shareholders in the future. Based on the information held by KGHM Polska Miedź S.A., as at 31 December 2015, the following Members of the Management Board and the Supervisory Board of KGHM Polska Miedź S.A. held the Company's shares:

KGHM Polska Miedź S.A. shares owned by Management Board Members and Supervisory Board Members of KGHM Polska Miedź S.A. as of December 31st, 2015

First name and surname	Position/function	Number of shares as of December 31st, 2015	Nominal share value in USD
Herbert Wirth	President of the Management Board	3,639	\$9,331
Jarosław Romanowski	1st Vice-President of the Board	3,650	\$9,359
Marcin Chmielewski	Vice President of the Board	3,743	\$9,597
Jacek Kardela	Vice President of the Board	3,664	\$9,395
Mirosław Laskowski	Vice President of the Board	1,715	\$4,397
Józef Czyczerski	Supervisory Board Member	10	\$26
Leszek Hajdacki	Supervisory Board Member	1	\$2.6

Source: KGHM

On January 18th, 2016, the Extraordinary General Meeting of KGHM Polska Miedź S.A. made changes to the composition of the Supervisory Board of KGHM Polska Miedź S.A. Based on the information held by KGHM Polska Miedź S.A., as

at the date the report was signed the following Members of the Management Board and the Supervisory Board of KGHM Polska Miedź S.A. held the Company's shares:

KGHM Polska Miedź S.A. shares owned by Board Members and Supervisory Board Members of KGHM Polska Miedź S.A. as of the report's signing date

First name and surname	Position/function	Number of shares as of December 31st, 2015	Nominal share value in USD
Krzysztof Skóra	President of the Management Board	5	\$13
Mirosław Laskowski	Vice President of the Board	1,715	\$4,397
Józef Czyczerski	Supervisory Board Member	10	\$26
Leszek Hajdacki	Supervisory Board Member	1	\$2.6

Source: KGHM

Based on information held by KGHM Polska Miedź S.A., Members of the Company's Management Board and Supervisory Board did not hold

shares of the related entities of KGHM Polska Miedź S.A. The Company did not have an employee share incentive program in 2015.



We report on
the basis of
GRI and IIRC
standards

6. About this Report



6.1. About this Report

G4-13
G4-17
G4-18
G4-19
G4-20
G4-21
G4-22
G4-23
G4-24
G4-25
G4-26
G4-27

The below Report presents data and indicators for 2015, which includes KGHM Polska Miedź S.A. and KGHM International Ltd. (including Sierra Gorda S.C.M).

The Report for 2015 has been prepared in accordance with the guidelines of the International Integrated Reporting Council (IIRC) and the guidelines of the Global Reporting Initiative (GRI), version G4, basic level (core). The KGHM Group reporting procedure is done on an annual basis. In 2015, there were no significant changes in the structure, form of ownership, or value chain of the Company. The document has not been subjected to external evaluation. In case of indicator G4-EN direct emissions of greenhouse gases – KGHM International Ltd., the value for blasting was corrected because the 2014 values were erroneously reported due to an error in units.

With respect to the reporting duties of KGHM Polska Miedź S.A. and the good practices of

mining companies the corporate governance is presented only for the Parent Company (G4-34).

Reporting methodology

The process of defining the contents contained in the Report was conducted in accordance with the guidelines of the International Integrated Reporting Council (IIRC) and the Global Reporting Initiative (GRI G4). This was divided into three stages:

1. Identification of relevant business issues and adequate sustainable development for the Company.
2. Prioritization of identified issues.
3. Validation workshops attended by management members.

Fig. 6.1. KGHM Group stakeholders



Source: KGHM

Fig. 6.2. Issue significance matrix for KGHM Polska Miedź S.A.



Issues:

1. Resource levels of copper and silver, the outlook for mining operations
2. Resource base development
3. Research and Development
4. Building client relationships
5. Emissions, sewage, and waste
6. KGHM vs. competitors
7. Introduction of new technologies
8. The impact of KGHM on the environment
9. Improved production efficiency
10. Reducing operational costs (C1)
11. Ensuring the financial stability of the Company
12. Model for adding value
13. Reducing water consumption
14. Reducing energy consumption
15. Knowledge Management
16. Measures to protect the environment
17. Steps to becoming energy independent

18. Improvements to purchasing and sales practices
19. Investment activities
20. Quality of human resources
21. Occupational health and safety
22. Education and training
23. Indirect economic impact
24. Improved management efficiency
25. Anti-corruption
26. Risk management
27. Net Debt/EBITDA competition
28. Secured financing for investments
29. Relationships with key stakeholders
30. Relationship with the local community
31. Compliance with regulations
32. Protecting human rights
33. Diversity and equal opportunity
34. KGHM priorities regarding dividend policy
35. Corporate governance
36. Relationship with trade unions

Source: KGHM

G4-17
G4-18
G4-19
G4-20
G4-21
G4-22
G4-23
G4-24
G4-25
G4-26
G4-27

6. About this Report

- G4-17 During the identification and prioritization process, documents, publications and press releases concerning the KGHM Group and industry were analyzed, including reports of competitors. A chart of KGHM Polska Miedź S.A. and KGHM International Ltd. stakeholders was created and their expectations within the scope of this Report were examined. Interviews were conducted with management and senior management of the Group.
- G4-18
- G4-19
- G4-20
- G4-21
- G4-22 Measures taken led to the identification of key issues for KGHM Polska Miedź S.A. Among the most important issues found were:
- G4-23
- G4-24
- G4-25
- G4-26
- G4-27
- resource levels of copper and silver, the outlook for mining operations, resource base development (sections 4.4, 4.5),
 - improved production efficiency (section 4.6),
 - research and development (section 4.8),
 - ensuring the financial stability of the Company, reducing operational costs (C1) (section 4.3),
 - model for adding value (section 2.3),
 - KGHM vs. competitors (section 4.1),
 - the impact of KGHM on the environment (sections 2.9, 4.7, 4.9, 4.10),
 - measures to protect the environment, reduction of energy and water consumption (section 4.7),
 - occupational health and safety, quality of human resources (section 4.9).

Similar research was also conducted for KGHM International Ltd. stakeholders. Significant responses were as follows:

- indirect economic impact,
- improved management efficiency,
- anti-corruption,
- compliance,
- protecting human rights,
- diversity and equal opportunity,
- KGHM priorities regarding dividend policy,
- relationship with trade unions.

The final identification of issues relevant to the Company took place at the workshop attended by management members. From this, the final important reporting areas were decided upon in consideration of business objectives as well as the sustainable development of the KGHM Group. The structure of this Report reflects the decisions taken.

Additional information about consolidation approach and boundaries

G4-EN22

Consolidation Approach

KGHM Polska Miedź S.A. and KGHM International Ltd.: To compare the total volume of waste water for Companies, data for waste water discharge to the natural environment by KGHM International Ltd. is the sum of the treated and untreated waste water discharged. The water that Robinson discharged is clean water that is pumped from a limestone aquifer - the water is used by municipality.

Aspect Boundaries

KGHM International Ltd.: All properties in the production stage or where water is considered material due to the sensitive nature of the receiving environment were included in the calculations for total volume of waste water. These include Carlota, Robinson, Morrison, McCreedy, Podolsky S.C.M. Franke and Sierra Gorda S.C.M.

KGHM Polska Miedź S.A.: All properties in the production stage in 2015 and 2014 were included in the calculations for water withdrawal. These include: underground mines: Lubin, Polkowice-Sieroszowice, Rudna; Copper smelters/refineries: Legnica, Głogów I and Głogów II; Wire rod plant Cedynia.

G4-EN3, G4-EN5, G4-EN15, G4-EN18, G4-EN21

Consolidation Approach

KGHM International Ltd.: In 2015 the financial consolidation approach was selected. The reported values are therefore consistent with our percent ownership of the operations. KGHM International Ltd. owns 55% of Sierra Gorda and the balance is owned by Sumitomo Metal Mining Co. Ltd. and Sumitomo Corporation. This is a material change from 2014 where the operational consolidation approach was used and 100 percent of Sierra Gorda's energy usage and emissions were reported.

The emissions were calculated based on actual fuel and material usage for the reporting year and the appropriate emission factor or carbon content mass balance. The emission factors used were provided by Environment Canada. The energy consumption values were developed using fuel usage information and the energy conversion factors taken from the Energy Statistics Handbook, Appendix A: Conversion Factors, Statistics, Canada, August 2012 <http://www.statcan.gc.ca/pub/57-601-x/2012001/appendix-appendice1-eng.htm>. KGHM International Ltd. does not currently have a policy in place for contractor energy usage on site. A small percentage of the total emissions may have been associated with contractor work performed on our properties.

KGHM Polska Miedź S.A.: to determine the emissions related to the consumption of electricity purchased centrally by Company from suppliers other than the Energetyka company the weighted average CO₂ emission indicator for a basket of energy purchased was used. Indicator was determined based on the shares of individual suppliers in the total amount of energy purchased and CO₂ emission indicators published by suppliers. To determine the size of the emission energy of unknown origin reference emission indicator for Polish power designated by KOBiZE based on data from the years 2008-2011 was used. Direct emissions of carbon dioxide have been established in accordance with Commission Regulation (EU) no 601/2013 from 21 June 2012. To determine the emission process mass balance approach was used, annual emissions of CO₂ have been determined on the basis of the annual consumption of individual raw materials and the content of carbon in the raw materials consumed.

For metallurgical plants in Poland: Legnica, Głogów I and Głogów II participating in the trading scheme for greenhouse gas emissions, emissions of CO₂ were determined in accordance with the methodology set out in the approved monitoring plan issue, based on data collected in monitoring systems of emissions. Emissions of other greenhouse gases emitted from the processes and the combustion of motor fuels were determined in a manner consistent with the requirements of the methodology for determining releases for reporting to the



6. About this Report

National Pollutant Release and Transfer Register (KRUIZ), generally in line with the methodology and on the basis of indicators published by the IPCC. For the purpose of reporting the energy consumption the data from both 2015 annual report of Central Statistical Office of Poland (G-02b, G-03) and KGHM facilities were used.

Aspect Boundaries

KGHM International Ltd.: All properties in the production stage in 2015 and 2014 were included in the calculations for the energy use, GHG and other significant emissions. These include Carlota, Robinson, Morrison, McCreedy, S.C.M. Franke and Sierra Gorda S.C.M.

KGHM Polska Miedź S.A. : All properties in the production stage in 2015 and 2014 were included in the calculations for water withdrawal. These include: underground mines: Lubin, Polkowice-Sieroszowice, Rudna; Copper smelters/refineries: Legnica, Głogów I and Głogów II; Wire rod plant Cedynia.

G4-EN8

Consolidation Approach

KGHM Polska Miedź S.A. and KGHM International Ltd.: To compare total water withdrawal for Companies, data for water withdrawal from various sources for KGHM International were summed.

Sources include: surface water, groundwater, precipitation, municipal water supplies, sewerage. KGHM Polska Miedź S.A. uses only water from a rock mass.

Aspect Boundaries

KGHM International Ltd.: All properties in the production stage in 2015 and 2014 were included in the calculations for water withdrawal. These include Carlota, Robinson, Morrison, McCreedy, S.C.M. Franke and Sierra Gorda S.C.M.

KGHM Polska Miedź S.A.: All properties in the production stage in 2015 and 2014 were included in the calculations for water withdrawal. These include: underground mines: Lubin, Polkowice-Sieroszowice, Rudna; Copper smelters/refineries: Legnica, Głogów I and Głogów II; Wire rod plant Cedynia.



GRI index

Indicator code	Indicator name	On page
Strategy and analysis		
G4-1	Statement by top management (e.g., Executive Director, Chairman of the Board, or any other person in an equivalent position) on the importance of sustainability to the organization and its strategy	6
Organization profile		
G4-3	Organization name	14
G4-4	Main brands, products and/or services	33
G4-5	Location of organizational headquarters	176
G4-6	The number of countries in which the organization operates and the countries where the main offices of the organization are located	15
G4-7	Nature of ownership and legal structure of the organization	122
G4-8	Target markets (including geographic regions), serviced sectors, characteristics of clients, consumers, and beneficiaries	33
G4-9	Scale of operations	11
G4-10	Total workforce by type of employment, type of employment contract, and region, broken down by gender	166
G4-11	The percentage of employees covered by collective bargaining agreements	105
G4-12	Existing supply chain	36
G4-13	Significant changes during the reporting period with regard to size, structure, form of ownership, and value chain of the Company.	132
G4-14	Explanation of whether and how the organization applies the precautionary principle	27
G4-15	External economic, environmental and social declarations, rules and other initiatives adopted or endorsed by the organization	28-29
G4-16	Membership of associations (such as industry associations) and/or national/international organizations	166
Identification of relevant aspects and areas		
G4-17	Business unit report taken into account in the consolidated financial statement	132-134
G4-18	Defining the report content	132-134
G4-19	Relevant identified aspects of social and environmental impact	132-134
G4-20	The significance of identified aspects of social and environmental impact for individual business areas	132-134
G4-21	Limitations of this report with regard to relevant aspects of social and environmental impact, taking into account areas outside the organization	132-134
G4-22	Explanation of the effect of any adjustments to the information contained in previous reports as well as the reasons for their inclusion and their impact (e.g., mergers, acquisitions, change of year/reference period, nature of business, measurement methods)	132-134
G4-23	Substantial changes, in comparison to previous reports, with regard to scope, region, or methods of measurement applied in the report	132-134

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Indicator code	Indicator name	On page
Stakeholder involvement		
G4-24	List of stakeholders groups involved with the organization	132-134
G4-25	Basis of identification and selection of stakeholders involved with the organization	132-134
G4-26	Stakeholder involvement, including frequency of involvement by type and stakeholder group	132-134
G4-27	Key issues and concerns raised by stakeholders and the response from the organization, including their own reports	132-134
Report parameters		
G4-28	Reporting period (e.g., financial/calendar year)	132
G4-29	Publication date of the previous report (if published)	132
G4-30	Reporting cycle (yearly, biennial, etc.)	132
G4-31	Contact	141
G4-32	GRI index	135
G4-33	Policy and current practices with regard to external evaluation of the report.	132
Oversight		
G4-34	The governance structure of the organization, including committees under the highest supervisory authority, indicating entities which are responsible for making decisions regarding economic, environmental and social impact	114
Ethics and integrity		
G4-56	The organization's values, principles, code of ethics and standards of behavior	26

Aspect	Indicator code	Indicator name	KGHM Polska Miedz S.A. on page	KGHM International Ltd on page
ECONOMIC INDICATORS				
Management approach	G4-DMA	Economic results – management approach	60	60
Financial results	G4-EC4	Significant financial support received from the government	92	-
Management approach	G4-DMA	Market presence – management approach	56	56
Market presence	G4-EC5	Standard entry level wage by gender compared to local minimum wage at significant locations of operation	98	-
Management approach	G4-DMA	Indirect economic impact – management approach	36	36
Indirect economic impact	G4-EC7	Development of infrastructure as well as services provided for the public benefit through commercial, in-kind, and pro-bono activities Impact of these activities on the community	109	110
Indirect economic impact	G4-EC8	Identification and description of significant indirect economic impacts, including the scale and scope of impact	-	39
ENVIRONMENTAL INDICATORS				
Management approach	G4-DMA	Materials – management approach	76	76
Materials	G4-EN1	Materials used by weight and volume	75	75
Management approach	G4-DMA	Energy – management approach	76	76

Aspect	Indicator code	Indicator name	KGHM Polska Miedz S.A. on page	Dia KGHM International Ltd. on page
Energy	G4-EN3	Direct and indirect energy consumption by the organization	170	171
Energy	G4-EN5	Energy efficiency	-	171
Energy	G4-EN6	Reducing energy consumption	172	-
Management approach	G4-DMA	Water – management approach	80	80
Water	G4-EN8	Total water withdrawal by source	81	81
Water	G4-EN9	Water sources significantly depleted by excessive water withdrawal.	81	81
Water	G4-EN10	Percentage and total volume of water recycled and reused.	81	-
Management approach	G4-DMA	Biodiversity – management approach	84	84
Biodiversity	G4-EN11	Location and size of land owned, leased or managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	84	84
Biodiversity	G4-EN12	Description of significant impact of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	84	84
Biodiversity	G4-EN14	The number of species included on the Red List of the International Union for Conservation of Nature (IUCN) and national conservation lists, with habitats in areas affected by operations, by level of extinction risk	-	84
Biodiversity	G4-MM1	Total amount of land (owned or leased, and managed for the purpose of production or extractive activities)	75	75
Management approach	G4-DMA	Emissions – management approach	80	80
Emissions	G4-EN15	Total direct greenhouse gas emissions by weight	80	81
Emissions	G4-EN16	Total indirect greenhouse gas emissions by weight	80	-
Emissions	G4-EN18	Efficiency associated with greenhouse gas emissions	-	170
Emissions	G4-EN21	Emission of NOx, SOx, and other significant air emissions by type and weight	171	171
Management approach	G4-DMA	Sewage and waste – management approach	82	82
Effluents and waste	G4-EN22	The total volume of effluents by quality and destination	82	82
Effluents and waste	G4-EN23	Total weight of waste by type and disposal method	82	-
Effluents and waste	G4-EN24	Total amount and volume of significant spills	-	82
Effluents and waste	MM3	Total amount (overburden, rock, waste and effluents) and a description of the associated risks	-	171
Management approach	G4-DMA	Compliance – management approach	79	79
Compliance with regulations	G4-EN29	Monetary value of fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	79	79

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Aspect	Indicator code	Indicator name	KGHM Polska Miedz S.A. on page	KGHM International Ltd on page
Management approach	G4-DMA	Total (expenditure and investment for environmental protection) – management approach	79	79
Total (expenditure and investment for environmental protection)	G4-EN31	Total expenditure and investment for environmental protection by type	79	-
Management approach	G4-DMA	The mechanisms for handling environmental complaints – management approach	83	83
Complaints	G4-EN34	The number of complaints concerning environmental impact directed to and resolved through formal mechanisms	83	83
SOCIAL INDICATORS: working conditions				
Management approach	G4-DMA	Recruitment – management approach	94	94
Recruitment	G4-LA1	Total number and rate of new employee hires, dismissals and employee turnover, by age, gender, and region	172	-
Recruitment	G4-LA2	Benefits provided to full-time employees that are not available to temporary or part-time employees, by main operations	98	99
Recruitment	G4-LA3	Return to work and retention rates after parental leave, in relation to gender	173	-
Recruitment	G4-MM4	Number of strikes and lockouts, exceeding one week in duration, by country	105	105
Management approach	G4-DMA	Occupational health and safety – management approach	99	104
Occupational health and safety	G4-LA5	Percentage of total workforce represented in formal health and safety committees (made up of management and employees), which advise on health and safety programs as well as monitor such programs	-	105
Occupational health and safety	G4-LA6	Rates of injury, work-place related illnesses, lost days, and absenteeism, as well as number of work-related fatalities by region and gender	102	-
Occupational health and safety	G4-LA7	Employees are particularly susceptible to workplace-related illnesses	103	-
Occupational health and safety	G4-LA8	Health and safety issues covered in formal agreements with trade unions	105	105
Management approach	G4-DMA	Education and training – management approach	95	95
Education and training	G4-LA9	Average hours of training during the year per employee by gender and employment category	97	-
Education and training	G4-LA10	Management skills training programs and lifelong learning that supports the continued employability of employees and facilitate the retirement process	95	95
Management approach	G4-DMA	Diversity and equal opportunity – management approach	95	95
Diversity and equal opportunity	G4-LA12	Composition of governing bodies and workforce divided into employee categories by gender, age, minority group membership, and other indicators of diversity	173	-

Aspect	Indicator code	Indicator name	KGHM Polska Miedz S.A. on page	KGHM International Ltd on page
SOCIAL INDICATORS: Community				
Management approach	G4-DMA	Local community – management approach	106	106
Local community	G4-SO1	Percentage of operations, with regard to social engagement, impact assessments and development programs	106	106
Local community	G4-MM9	Places of business, in which there was displacement, the number of displaced households and how this process has affected living situations	110	110
Management approach	G4-DMA	Anti-corruption – management approach	27	27
Anti-corruption	G4-SO3	Percentage and total number of business units analyzed for corruption-related risks and the risks identified	28	28
Anti-corruption	G4-SO5	Confirmed incidents of corruption and actions taken in response	28	28
Management approach	G4-DMA	Participation in public policy – management approach	33	-
Violations of competition rules	G4-SO7	Total number of legal actions taken against the organization relating to anti-competitive behavior, antitrust violations and their outcomes	35	-
Management approach	G4-DMA	Compliance – management approach	26	26
Compliance with regulations	G4-SO8	Monetary value of fines and total number of non-monetary sanctions for non-compliance with laws and regulations	-	104
PRODUCT LIABILITY				
Management approach	G4-DMA	Product and service labelling – management approach	33	33
Product and service labelling	G4-PR5	Client satisfaction survey results	34	-
Management approach	G4-DMA	Marketing communications – management approach	33	33
Marketing communications	G4-PR7	Total incidents of non-compliance with regulations and voluntary codes relating to marketing communications, including advertising, promotion and sponsorship	35	-

Glossary of terms

Barren rock	Rock which accompanies the extraction of mineral ore and, due to its lack of minerals in sufficient quantities, is not considered as economically useful.
BAT	Best Available Technique, as defined in Directive 96/61/EC, means the most effective and advanced stage in the development of activities and their methods of operation which indicate the practical suitability of particular techniques for providing in principle the basis for emission limit values designed to prevent and, where that is not practicable, generally to reduce emissions and the impact on the environment as a whole.
C1 Cost	Cash cost of production of copper concentrate, which among its other uses, is used to analyze the company's competitive position in the industry, expressed in USD / lb.
Converter (blister) copper	A semi-product of the converter process.
Copper cathodes	The basic form of electrolytically-refined copper; the product of electrolytic copper refining.
Copper concentrate	The product of enriching or concentrating low-grade copper ore.
Copper equivalent	Total volume of production of all metals translated into copper based on market prices.
Copper from purchased copper-bearing materials	Copper obtained from purchased copper-bearing materials (concentrates, scrap, blister).
Copper from own concentrates	Copper obtained from the company's own mine production.
Copper wire rod	Drawn copper rod, usually with a diameter of 6-12 mm, universally used as a starting material in the cable industry.
Deposit	Natural collection of minerals in the earth, arising as a result of various geological processes.
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization.
Electrolytic copper	The product of electrolytic copper refining.
Electrolytic copper refining technology	A process involving the electrolytic refining of metal, in this case copper. The periodic removal of portions of the electrolyte is required to maintain the level of contaminants at an acceptable level, which is a deciding factor in the quality of electrolytically-refined copper. The contaminated electrolyte and slimes are used as the raw material in the recovery of some of the metals accompanying the copper, such as silver, gold, selenium and nickel.
Electrorefining	The process of electrolysing dissoluble anodes which are produced from refineable alloys. During this process, which takes place under specially-designed conditions, refined metal collects on a starter sheet, while other elements remain in the electrolyte in solid or liquid form.
Flotation (ore processing)	A stage in the process of breaking down ore into fragments of varying composition of useful elements which exploits differences in the degree of wettability of individual mineral grains. Wellwettered minerals fall to the bottom of the flotation tank, while the poorly-wettered grains (those whose wettability decreases due to the action of so-called collecting agents, e.g. xanthates) collect at the surface of the froth created from froth-inducing agents.
Flotation tailings	Waste remaining after the ore processing process; can be utilised or stored.
Hazardous waste	Waste that poses substantial or potential threats to public health or the environment.
ISO	International Organization for Standardization
LIFTR	Lost-time injury frequency rate – number of accidents per million worked hours.
Mining production	The amount of products from the phase of a mine.
Muck	Rock removed from a mine face. Contains both ore and barren rock.
Net Debt	Liabilities due to loans less cash and cash equivalents.
Non-hazardous waste	waste that doesn't pose substantial or potential threats to public health or the environment.
OFE rod	Oxygen-free copper wire rod produced at the Cedynia wire rod plant using UPCAST technology.
Ore	The naturally occurring material from which a mineral or minerals of economic value can be extracted profitably or to satisfy social or political objectives.
Open-pit	Open area (hole) left after the excavation of soil, rock and ore from the surface of the earth.

Payable copper	Copper to be paid for which is contained in sold products.
Pillar (mining)	An unremoved mass of rock in an underground mine used to support the ceiling against collapse.
PM10	Tiny particles in the air of a size less than or equal to 10 microns diameter (10 microns is equal to one hundredth part of a millimetre)
Refined production	Final products of a refining phase.
Silver smelting and electrolytic refining technology	Comprised of: batch preparation (the mixture of batch elements followed by drying); the smelting of Doré metal and the casting of anodes (melting of the batch in a Kaldor furnace to remove slag or gasify impurities followed by casting of the product [99% silver] into anodes); silver electrorefining (forming into cathodes containing a min. 99.99% Ag); melting in an electric induction furnace and the casting of refined silver into commercial form (billets or granules).
Stench gas	A gas containing Ethyl Mercaptan (Ethanethiol), a colorless organic liquid that has a strong odor, is used to signal an emergency to the personnel that are underground by injecting it into the mine ventilation system.
Troy ounce (oz t)	A unit of measure mainly used in English-speaking countries. The troy ounce (abbreviated as oz t) is universally used in jewellery and precious metals commerce. 1 troy ounce equals 31.1035 grams.

Abbreviations and units used in this Report

kg	kilogram (1000 grams)	Cu	copper
t	metric tonne (1000 kilograms)	Au	gold
K t	thousand metric tonnes (1000 t)	Ag	silver
ths	thousand	Pt	platinum
M	million	Pd	palladium
g/t	grams per tonne	Ni	nickel
SX-EW	Solvent Extraction Electrowinning (technology used to produce copper cathodes)	Mo	molybdenum
m a.s.l.	meters above sea level	MoS²	molybdenum disulfide
m	meter	lb	pound (unit of weight)
km	kilometer (1000 meters)	oz t	troy ounce (unit of weight)
m²	square meter	CIM	Canadian Institute of Mining, Metallurgy and Petroleum
USD	United States Dollar	M&I	measured and indicated mineral resources

Finances under control

7. Selected items from the separate and consolidated annual financial statements



Separate financial statements

Introduction

The accompanying selected items from the condensed financial statements of KGHM Polska Miedź S.A. seated in Lubin have been prepared by the Company Management Board based on the complete audited annual financial statements for 2015 prepared in accordance with the International Financial Reporting Standards adopted by the EU.

In order to fully understand the economic and financial situation of the Company and its financial results for the period from January 1, 2015 to December 31, 2015 you need to read the complete financial statements of the Company, along with the opinion and audit report of the statutory auditor regarding these financial statements (the full text of the statements is available on <http://kg hm.com/en/investors/reports-and-presentations/financial-reports>)

Independent Registered Auditor's Opinion to the Shareholders' Meeting and the Supervisory Board of KGHM Polska Miedź Spółka Akcyjna

Opinion on the financial statements

We have audited the accompanying financial statements of KGHM Polska Miedź S.A. (hereinafter called "the Company"), Marii Skłodowskiej-Curie 48 Street, Lubin, which comprise the statement of profit or loss for the year from 1 January to 31 December 2015, the statement of comprehensive income, the statement of cash flows for the financial year, the statement of financial position as at 31 December 2015, the statement of changes in equity for financial year from 1 January to 31 December 2015 and other explanatory notes including regulatory financial information containing disclosure defined by regulations of article 44 of the Act on Energy Law of 10 April 1997 ("Energy Law" - "Journal of Laws of 2012, item 1059 as amended).

The Company's Management Board and Supervisory Board's responsibility

The Company's Management Board is responsible for preparing the financial statements and the Management Board's Report on the activities of the Company, and for the correctness of the accounting records comply with the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" - Journal of Laws of 2013, item 330 as amended). The Company's Management Board is also responsible for internal controls as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Members of the Management Board and Members of the Supervisory Board of the Company are obliged to ensure that the financial statements and the Management Board's Report on the activities of the Company meet the requirements of the Accounting Act.

Auditor's Responsibility

Our responsibility was to perform an audit of the accompanying financial statements and to express an opinion and the report on whether the financial statements present, in all material respects, a true and fair view of the Company's financial position and its financial results, in accordance with

the applicable regulations and adopted accounting policies, and whether the accounting records constituting the basis for their preparation are properly maintained and also if the disclosures presented by Company fulfill requirements of article 44 of the Act on Energy Law.

We conducted our audit in accordance with section 7 of the Accounting Act and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements in all material respects:

- give a true and fair view of the Company's financial position as at 31 December 2015 and its financial performance and its cash flows for the year from 1 January to 31 December 2015, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the adopted accounting policies;
- comply in terms of form and content with the applicable laws, including of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions of recognizing 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 the Company's Memorandum of Association;
- have been prepared on the basis of properly maintained books of account.

Report on Other Legal and Regulatory Requirements

Opinion on fulfilling requirements of article 44 of Energy Law

In our opinion, Company's regulatory financial information included in explanatory note no. 12.12 of the financial statement presented the statements of financial position as at 31 December 2015 and statement of profit and loss for financial year from 1 January to 31 December 2015, separately for each performed activity, in all essential aspects, in accordance with the requirements of article 44 of the Act on Energy Law.

The scope of regulatory financial information is determined by regulations of article 44 of Energy Law. Our audit did not include assessment, whether the information required to be disclosed under that act are sufficient to provide equal treatment of receivers and eliminating cross subsidy between activities.

Opinion on the Management Board's Report on the activities of the Company

The information contained in the Management Board's Report on the activities of the Company for the period from 1 January to 31 December 2015 accommodates the requirements of article 49 paragraph 2 of the Accounting Act and The Decree and are consistent with the information contained in audited financial statements.

Based on the knowledge of the Company and its environment obtained during our audit we have not identified any material misstatements in the Management Board's Report on the activities of the Company.

In the Statement of Corporate Governance, which is a separate part of the Management Board's Report on the activities of the Company, the Company included information in accordance with the scope defined in the Decree. This information complies with the applicable regulations and is consistent with the information contained in the financial statements.

Auditor conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Marta Ratajczyk
Key Registered Auditor
No. 13125

Wrocław, March 15, 2016



7. Selected items from the separate and consolidated annual financial statements

	USD*		PLN	
	2015	2014	2015	2014
Statement of profit or loss				
Sales revenue	\$4,087	\$4,265	15,939	16,633
Cost of sales	(\$3,028)	(\$3,145)	(11,809)	(12,265)
Gross profit	\$1,059	\$1,120	4,130	4,368
Selling costs and administrative expenses	(\$217)	(\$219)	(846)	(855)
Profit on sales	\$842	\$901	3,284	3,513
Other operating income and costs	(\$1,298)	\$8	(5,064)	32
Finance costs	(\$41)	(\$47)	(158)	(183)
Profit/(loss) before income tax	(\$497)	\$862	(1,938)	3,362
Income tax expense	(\$218)	(\$243)	(850)	(948)
PROFIT/(LOSS) FOR THE PERIOD	(\$715)	\$619	(2,788)	2,414
Weighted average number of ordinary shares (million)	200	200	200	200
Basic/diluted earnings per share (in PLN)	(\$3.57)	\$3.1	(13.94)	12.07

* The USD amounts are calculated using the Polish National Bank exchange rate at 31.12.2015: 1 USD/3.90 PLN. They were not audited by Independent Registered Auditor
Source: KGHM

	USD*		PLN	
	2015	2014	2015	2014
Statement of comprehensive income				
Profit/(loss) for the period	(\$715)	\$619	(2,788)	2,414
Measurement of hedging instruments net of the tax effect	(\$93)	(\$63)	(362)	(247)
Measurement of available-for-sale financial assets net of the tax effect	(\$27)	\$26	(107)	101
Other comprehensive income, which will be reclassified to profit or loss	(\$120)	(\$37)	(469)	(146)
Actuarial gains/(losses) net of the tax effect	\$15	(\$74)	59	(289)
Other comprehensive income, which will not be reclassified to profit or loss	\$15	(\$74)	59	(289)
Total other comprehensive net income	(\$105)	(\$111)	(410)	(435)
TOTAL COMPREHENSIVE INCOME	(\$820)	\$507	(3,198)	1,979

* The USD amounts above are calculated using the Polish National Bank exchange rate at 31 December 2015: 1 USD/3.90 PLN. They were not audited by Independent Registered Auditor
Source: KGHM

	USD*		PLN	
	2015	2014	2015	2014
Statement of cash flows				
Cash flow from operating activities				
Profit/(Loss) before income tax	(\$497)	\$862	(1,938)	3,362
Depreciation/amortisation recognised in profit or loss	\$224	\$210	875	818
Interest and commissions on borrowings	\$22	\$7	85	29
Impairment loss recognised/reversal of impairment loss on non-current assets	\$1,352	\$8	5,272	32
Other adjustments to profit before income tax	(\$110)	\$100	(430)	390
Exclusions of incomes and costs, total	\$1,488	\$325	5,802	1,269
Income tax paid	(\$226)	\$219	(880)	(853)
Changes in working capital	\$77	\$57	295	222
Net cash generated from operating activities	\$841	\$1,026	3,279	4,000
Cash flow from investing activities				
Proceeds	\$13	\$17	50	65
Expenditures on mining and metallurgical assets	(\$626)	\$559	(2,442)	(2,179)
Expenditures on other property, plant and equipment and intangible assets	(\$10)	\$6	(39)	(24)
Loans granted	(\$1,088)	\$409	(4,245)	(1,597)
Other expenses	(\$50)	\$24	(196)	(93)
Total expenses	(\$1,775)	\$998	(6,922)	(3,893)
Net cash used in investing activities	(\$1,762)	\$982	(6,872)	(3,828)
Cash flow from financing activities				
Proceeds from borrowings	\$1,271	\$506	4,956	1,974
Repayments of borrowings	(\$96)	(\$291)	(375)	(1,135)
Dividends paid	(\$205)	(\$256)	(800)	(1,000)
Interest paid	(\$19)	(\$5)	(75)	(21)
Other expenses	(\$6)	(\$10)	(23)	(40)
Total expenses	(\$326)	(\$563)	(1,273)	(2,196)
Net cash generated from/(used in) financing activities	\$944	(\$57)	3,683	(222)
TOTAL NET CASH FLOW	\$23	(\$13)	90	(50)

7. Selected items from the separate and consolidated annual financial statements

	USD*		PLN	
	2015	2014	2015	2014
Statement of cash flows				
Cash and cash equivalents at beginning of the period	\$22	\$32	85	123
Exchange gains/(losses) on cash and cash equivalents	(\$4)	\$3	(17)	12
Cash and cash equivalents at end of the period	\$41	\$22	158	85

* The USD amounts above are calculated using the Polish National Bank exchange rate at 31 December 2015: 1 USD/3.90 PLN. They were not audited by Independent Registered Auditor
Source: KGHM

	USD*		PLN	
	2015	2014	2015	2014
Statement of financial position				
ASSETS				
Mining and metallurgical property, plant and equipment	\$3,294	\$2,906	12,845	11,335
Mining and metallurgical intangible assets	\$139	\$126	541	490
Mining and metallurgical property, plant and equipment and intangible assets	\$3,432	\$3,032	13,386	11,825
Other property, plant and equipment	\$60	\$58	233	227
Other intangible assets	\$6	\$5	24	21
Other property, plant and equipment and intangible assets	\$66	\$64	257	248
Investments in subsidiaries	\$1,758	\$3,020	6,858	11,778
Loans granted	\$1,731	\$524	6,750	2,042
Derivatives	\$30	\$49	117	190
Other financial instruments measured at fair value	\$148	\$239	579	931
Other financial assets	\$75	\$68	291	266
Financial instruments, total	\$1,984	\$879	7,737	3,429
Other non-financial assets	\$7	\$12	27	48
Deferred tax assets	\$36	\$28	141	111
Non-current assets	\$7,284	\$7,036	28,406	27,439
Inventories	(\$326)	(\$563)	(2,601)	(2,377)
Trade receivables	\$256	\$361	1,000	1,407
Tax assets	\$106	\$80	412	312

	USD*		PLN	
	2015	2014	2015	2014
Statement of financial position				
Derivatives	\$2	\$68	6	267
Other assets	\$138	\$109	537	425
Cash and cash equivalents	\$41	\$22	158	85
Current assets	\$1,209	\$1,249	4,714	4,873
	\$8,492	\$8,285	33,120	32,312
EQUITY AND LIABILITIES				
Share capital	\$513	\$513	2,000	2,000
Other reserves from measurement of financial instruments	(\$26)	\$94	(103)	366
Accumulated other comprehensive income	(\$88)	(\$103)	(342)	(401)
Retained earnings	\$4,801	\$5,721	18,724	22,312
Equity	\$5,200	\$6,225	20,279	24,277
Borrowings	\$1,211	\$270	4,724	1,052
Derivatives	\$41	\$31	158	122
Employee benefits liabilities	\$462	\$472	1,803	1,842
Provisions for decommissioning costs of mines and other facilities	\$224	\$254	873	992
Other liabilities	\$51	\$48	198	187
Non-current liabilities	\$1,989	\$1,076	7,756	4,195
Borrowings	\$538	\$271	2,098	1,056
Derivatives	\$12	\$9	48	36
Trade payables	\$338	\$284	1,318	1,109
Employee benefits liabilities	\$148	\$150	577	584
Tax liabilities	\$115	\$134	450	522
Other liabilities	\$152	\$137	594	533
Current liabilities	\$1,304	\$985	5,085	3,840
Non-current and current liabilities	\$3,293	\$2,060	12,841	8,035
	\$8,492	\$8,285	33,120	32,312

* The USD amounts above are calculated using the Polish National Bank exchange rate at 31 December 2015: 1 USD/3.90 PLN. They were not audited by Independent Registered Auditor
Source: KGHM

Consolidated financial statements

Introduction

The accompanying selected items from the consolidated financial statements of the KGHM Polska Miedź S.A. Group seated in Lubin have been prepared by the Company Management Board based on the complete audited annual consolidated financial statements for 2015 prepared in accordance with the International Financial Reporting Standards adopted by the EU.

In order to fully understand the assets and financial situation of the KGHM Polska Miedź S.A. Group and its financial results for the period from January 1, 2015 to December 31, 2015 you need to read the complete consolidated financial statements of the KGHM Group, along with the opinion and audit report of the statutory auditor regarding these financial statements (the full text of the statements is available on www.kghm.com)

Independent Registered Auditor's Opinion to the Shareholders' Meeting and the Supervisory Board of KGHM Polska Miedź Spółka Akcyjna

Opinion on the consolidated financial statements

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 profit and loss for the year from 1 January to 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of cash flows for the financial year, the consolidated statement of financial position as at 31 December 2015, the consolidated statement of changes in equity for financial year from 1 January to 31 December 2015 and explanatory notes.

The Company's Management Board and Supervisory Board's responsibility

The Parent Company's Management Board is responsible for preparing the consolidated financial statements and the Management Board's Report on the activities of the Group, and for the correctness of the accounting records comply with requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2013, item 330 as amended). The Parent Company's Management Board is also responsible for internal controls as management determines necessary to enable the preparation of financial statements consolidated that are free from material misstatement, whether due to fraud or error.

Members of the Management Board and Members of the Supervisory Board of the Parent Company are obliged to ensure that the consolidated financial statements and the Management Board's Report on the activities of the Group meet the requirements of the Accounting Act.

Auditor's Responsibility

Our responsibility was to perform an audit of the accompanying consolidated financial statements and to express an opinion and the report on whether the consolidated financial statements present, in all material respects, a true and fair view of the Group's financial position and its financial results in accordance with the regulations and the applicable accounting policies and on the correctness of the accounting records constituting the basis for their preparation.

We conducted our audit in accordance with section 7 of the Accounting Act and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Group's consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements in all material respects:

- a. give a true and fair view of the Group's financial position as at 31 December 2015 and its financial performance and its cash flows for the year from 1 January to 31 December 2015, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and adopted accounting policies;
- b. comply in terms of form and content with the applicable laws for the Group, including the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions of recognizing 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);
- c. have been prepared on the basis of properly maintained consolidation documentation.

Report on Other Legal and Regulatory Requirements

Opinion on the Management Board's Report on the activities of the Group

The information contained in the Management Board's Report on the activities of the Group for the year from 1 January 2015 to 31 December 2015 accommodates the requirements of article 49 paragraph 2 of the Accounting Act and The Decree and is consistent with the information contained in audited consolidated financial statements.

Based on the knowledge of the Group and its environment obtained during our audit we have not identified any material misstatements in the Management Board's Report on the activities of the Group.

In the Statement of Corporate Governance, which is a separate part of the Management Board's Report on the activities of the Group, the Group included information in accordance with the scope defined in the Decree. This information complies with the applicable regulations and is consistent with the information contained in the consolidated financial statements.

Auditor conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o. Registered Audit Company No. 144:

Marta Ratajczyk
Key Registered Auditor
No. 13125

Wrocław, March 15, 2016



7. Selected items from the separate and consolidated annual financial statements

	USD*		PLN	
	2015	2014	2015	2014
Consolidated statement of profit or loss				
Sales revenue	\$5,130	\$5,254	20,008	20,492
Cost of sales	(\$4,656)	(\$4,039)	(18,159)	(15,751)
Gross profit	\$474	\$1,216	1,849	4,741
Selling costs and administrative expenses	(\$344)	(\$356)	(1,343)	(1,388)
Profit on sales	\$130	\$860	506	3,353
Share of losses of joint ventures accounted for using the equity method	(\$1,143)	(\$65)	(4,457)	(252)
Impairment loss on interest in a joint venture	(\$172)	(\$4)	(671)	(15)
Interest income on a loan granted to joint ventures	\$119	\$72	466	282
Profit or loss on involvement in joint ventures	(\$1,195)	\$4	(4,662)	15
Other operating income and costs	(\$169)	\$14	(660)	56
Finance costs	(\$78)	(\$84)	(306)	(326)
Profit/(loss) before income tax	(\$1,313)	\$794	(5,122)	3,098
Income tax expense	\$29	(\$166)	113	(647)
PROFIT/(LOSS) FOR THE PERIOD	(\$1,284)	\$628	(5,009)	2,451
Profit/(loss) attributable to:				
Shareholders of the Parent Entity	(\$1,285)	\$628	(5,012)	2,450
Non-controlling interest	\$0.8	\$0.3	3	1
Weighted average number of ordinary shares (million)	200	200	200	200
Basic/diluted earnings per share (in PLN)	(\$6.43)	\$3.14	(25.06)	12.25

* The USD amounts above are calculated using the Polish National Bank exchange rate at 31 December 2015: 1 USD/3.90 PLN. They were not audited by Independent Registered Auditor
Source: KGHM

	USD*		PLN	
	2015	2014	2015	2014
Consolidated statement of comprehensive income				
Profit/(loss) for the period	(\$1,284)	\$628	(5,009)	2,451
Measurement of hedging instruments net of the tax effect	(\$93)	(\$63)	(362)	(246)
Measurement of available-for-sale financial assets net of the tax effect	(\$20)	\$26	(79)	101

	USD*		PLN	
	2015	2014	2015	2014
Consolidated statement of comprehensive income				
Exchange differences from translation of foreign operations statements	\$274	\$370	1,070	1,444
Other comprehensive income (net of the tax effect) which will be reclassified to profit or loss	\$161	\$333	629	1,299
Actuarial gains/(losses) net of the tax effect	\$15	(\$77)	57	(302)
Other comprehensive income, which will not be reclassified to profit or loss	\$15	(\$77)	57	(302)
Total other comprehensive net income	\$176	\$256	686	997
TOTAL COMPREHENSIVE INCOME	(\$1,108)	\$884	(4,323)	3,448
Total comprehensive income attributable to:				
Shareholders of the Parent Entity	(\$1,109)	\$882	(4,326)	3,441
Non-controlling interest	\$0.8	2	3	7

* The USD amounts above are calculated using the Polish National Bank exchange rate at 31 December 2015: 1 USD/3.90 PLN. They were not audited by Independent Registered Auditor
Source: KGHM

	USD*		PLN	
	2015	2014	2015	2014
Consolidated statement of cash flows				
Cash flow from operating activities				
Profit/(loss) before income tax	(\$1,313)	\$794	(5,122)	3,098
Depreciation/amortisation recognised in profit or loss	\$498	\$419	1,943	1,635
Share of losses of joint ventures accounted for using the equity method	\$1,143	\$65	4,457	252
Impairment loss on interest in a joint venture	\$172	\$4	671	15
Interest on a loan granted to joint ventures	(\$119)	(\$72)	(466)	(282)
Interest and commissions on borrowings	\$52	\$36	201	142
Other impairment losses on non-current assets	\$762	\$17	2,970	66
Other adjustments to profit before income tax	(\$34)	\$70	(132)	272
Exclusions of income and costs, total	\$2,473	\$538	9,644	2,100
Income tax paid	(\$237)	(\$223)	(925)	(868)
Changes in working capital	\$145	\$133	566	519

7. Selected items from the separate and consolidated annual financial statements

	USD*		PLN	
	2015	2014	2015	2014
Consolidated statement of cash flows				
Net cash generated from operating activities	\$1,067	\$1,243	4,163	4,849
Cash flow from investing activities				
Expenditures on mining and metallurgical assets	(\$911)	(\$798)	(3,553)	(3,112)
Expenditures on other property, plant and equipment and intangible assets	(\$99)	(\$83)	(386)	(322)
Loans granted to joint ventures	-	(\$417)	-	(1,628)
Acquisition of newly-issued shares of a joint venture	(\$238)	(\$129)	(928)	(502)
Other expenses	(\$29)	(\$16)	(114)	(61)
Total expenses	(\$1,277)	(\$1,442)	(4,981)	(5,625)
Proceeds	\$19	\$21	75	81
Net cash used in investing activities	(\$1,258)	(\$1,422)	(4,906)	(5,544)
Cash flow from financing activities				
Proceeds from borrowings	\$1,279	\$677	4,988	2,641
Other proceeds	\$8	\$9	33	37
Total proceeds	\$1,287	\$687	5,021	2,678
Repayments of borrowings	(\$794)	(\$318)	(3,096)	(1,240)
Dividends paid to shareholders of the Parent Entity	(\$205)	(\$256)	(800)	(1,000)
Interest paid	(\$59)	(\$35)	(232)	(136)
Other	(\$7)	(\$14)	(29)	(54)
Total expenses	(\$1,066)	(\$623)	(4,157)	(2,430)
Net cash generated from financing activities	\$222	\$64	864	248
TOTAL NET CASH FLOW	\$31	(\$115)	121	(447)
Movements in cash and cash equivalents	(\$4)	(\$100)	(14)	(389)
Cash and cash equivalents at beginning of the period	\$122	\$222	475	864
Exchange gains/(losses) on cash and cash equivalents	(\$35)	\$15	(135)	58
Cash and cash equivalents at end of the period	\$118	\$122	461	475

* The USD amounts above are calculated using the Polish National Bank exchange rate at 31 December 2015: 1 USD/3.90 PLN. They were not audited by Independent Registered Auditor
Source: KGHM

Consolidated statement of the financial position	USD*		PLN	
	2015	2014	2015	2014
ASSETS				
Mining and metallurgical property, plant and equipment	\$3,660	\$3,814	14,273	14,876
Mining and metallurgical intangible assets	\$803	\$692	3,130	2,700
Mining and metallurgical property, plant and equipment and intangible assets	\$4,462	\$4,507	17,403	17,576
Other property, plant and equipment	\$680	\$704	2,653	2,745
Other intangible assets	\$62	\$56	241	218
Other property, plant and equipment and intangible assets	\$742	\$760	2,894	2,963
Joint ventures accounted for using the equity method	\$144	\$1,119	562	4,363
Loans granted to joint ventures	\$1,924	\$1,598	7,504	6,231
Total involvement in joint ventures	\$2,068	\$2,716	8,066	10,594
Derivatives	\$30	\$55	117	214
Other financial instruments measured at fair value	\$148	\$239	579	931
Other financial assets	\$188	\$161	735	627
Financial instruments, total	\$367	\$454	1,431	1,772
Deferred tax assets	\$143	\$137	557	535
Other assets	\$25	\$33	97	129
Non-current assets	\$7,807	\$8,607	30,448	33,569
Inventories	\$867	\$862	3,382	3,362
Trade receivables	\$395	\$485	1,541	1,890
Tax assets	\$139	\$114	542	445
Derivatives	\$2	\$71	7	277
Other assets	\$98	\$91	383	356
Cash and cash equivalents	\$118	\$122	461	475
Current assets	\$1,619	\$1,745	6,316	6,805
	\$9,427	\$10,352	36,764	40,374

* The USD amounts above are calculated using the Polish National Bank exchange rate at 31 December 2015: 1 USD/3.90 PLN. They were not audited by Independent Registered Auditor
Source: KGHM

7. Selected items from the separate and consolidated annual financial statements

	USD*		PLN	
Consolidated statement of the financial position	2015	2014	2015	2014
EQUITY AND LIABILITIES				
Share capital	\$513	\$513	2,000	2,000
Other reserves from measurement of financial instruments	(\$16)	\$97	(64)	377
Accumulated other comprehensive income	\$479	\$190	1,868	741
Retained earnings	\$4,207	\$5,688	16,407	22,184
Equity attributable to shareholders of the Parent Entity	\$5,182	\$6,488	20,211	25,302
Equity attributable to non-controlling interest	\$52	\$58	203	228
Equity	\$5,234	\$6,546	20,414	25,530
Borrowings and debt instruments	\$1,249	\$768	4,870	2,997
Derivatives	\$41	\$32	159	123
Employee benefits liabilities	\$507	\$516	1,979	2,011
Provisions for decommissioning costs of mines and other facilities	\$376	\$376	1,466	1,466
Deferred tax liabilities	\$183	\$430	714	1,676
Other liabilities	\$247	\$261	965	1,019
Non-current liabilities	\$2,603	\$2,383	10,153	9,292
Borrowings and debt instruments	\$550	\$465	2,145	1,813
Derivatives	\$12	\$9	48	37
Trade payables	\$364	\$310	1,418	1,209
Employee benefits liabilities	\$195	\$196	760	765
Tax liabilities	\$195	\$193	762	751
Other liabilities	\$273	\$251	1,064	977
Current liabilities	\$1,589	\$1,424	6,197	5,552
Non-current and current liabilities	\$4,192	\$3,806	16,350	14,844
	\$9,427	\$10,352	36,764	40,374

* The USD amounts above are calculated using the Polish National Bank exchange rate at 31 December 2015: 1 USD/3.90 PLN. They were not audited by Independent Registered Auditor
Source: KGHM



8. Additional GRI indicators

We report
non-financial
indicators



8. Additional GRI indicators

G4-10 We included GRI G4 indicators in chapters I-VI in order to display our results in the area of social responsibility.

G4-16

Below, we present the indicators that complement the content presented in previous chapters.

Total number of employees by form of employment, broken down by gender and region - KGHM Polska Miedź S.A.

	2015		2014	
	Women	Men	Women	Men
Total number of employees broken down by:				
Sex	1,325	16,901	1,327	16,841
Full-time	1,321	16,886	1,324	16,838
Part-time	4	15	3	3
Total number of employees and colleagues broken down by:				
Employed for a fixed period of time	68	1,276	43	901
Employed as permanent employees	1,257	15,625	1,284	15,940
Employed under contracts to perform specific tasks	32	181	22	134
Employed under specific task contracts	0	1	0	1
Employed under seniority contracts	24	46	10	62

Source: KGHM

KGHM Polska Miedź S.A.'s and KGHM International Ltd.'s membership in organizations.

KGHM Polska Miedź S.A.'s membership in organizations.

KGHM Polska Miedź S.A. is a member of national and international professional and specialized organizations. It also actively participates in forums of employer organizations and forums promoting social responsibility and sustainable development ideas.

KGHM Polska Miedź S.A.'s is a member of the following organizations:

Industry organizations:

- International Copper Association (ICA)
- European Copper Institute (ECI)
- Centra Promocji Miedzi (Copper Promotion Center)
- Eurométaux (European Association of Metals)
- Euromines (European Association of Mining Industries, Metal Ores & Industrial Minerals)
- International Copper Study Group (ICSG)
- International Wrought Copper Council (IWCC)
- International Precious Metals Institute (IPMI)
- European Precious Metals Federation (EPMF)
- London Bullion Market Association (LBMA)
- European Technology Platform on Sustainable Mineral Resources (ETPSMR)
- European Innovation Partnership (EIP)
- Minor Metals Trade Association (MMTA)

Organizations promoting corporate social responsibility:

- Forum Odpowiedzialnego Biznesu (Forum on Corporate Social Responsibility - FOB)
- Koalicja Prezesa - Wolontariusze 2011 (Presidents - Volunteers Coalition 2011)
- Koalicja CR (CR Coalition)

Specialized organizations:

- European Sulphuric Acid Association (CEFIC-ESA)
- Central Europe Energy Partners
- Stowarzyszenie Księgowych w Polsce (Accountants Association in Poland)
- Stowarzyszenie Emitentów Giełdowych (Polish Association of Listed Companies)
- Polska Izba Ekologii (Polish Chamber of Ecology)

Business organizations:

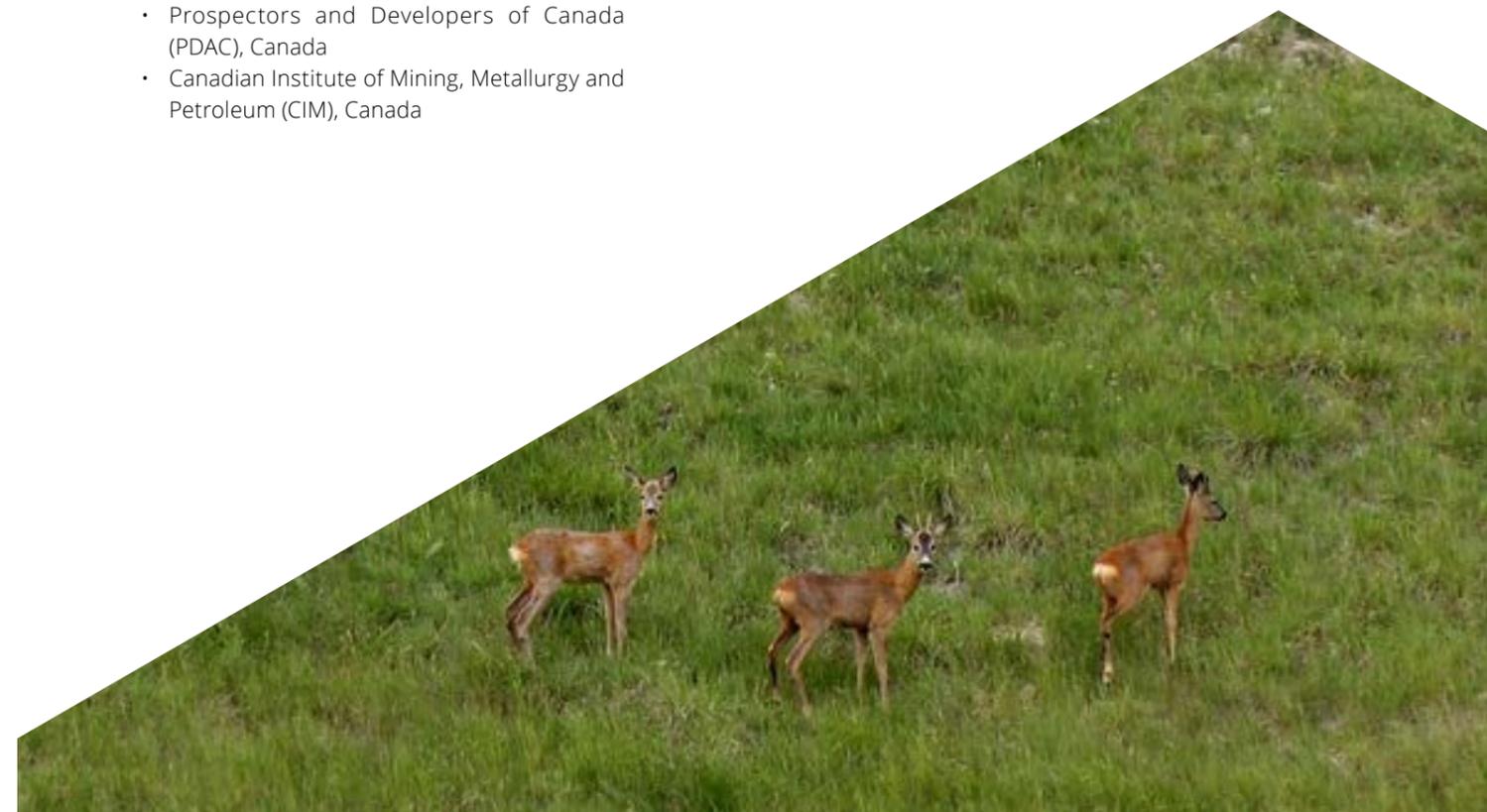
- Związek Pracodawców Polska Miedź (National Union of Copper Employers)
- Zachodnia Izba Gospodarcza (Western Chamber of Commerce)
- Izba Gospodarcza Metali Nieżelaznych i Recyklingu (Economic Chamber of Non-Ferrous Metals and Recycling)

KGHM International Ltd.'s membership in organizations.

KGHM International Ltd. is a member of a number of organizations:

- The Mining Association of Canada (MAC), Canada
- Prospectors and Developers of Canada (PDAC), Canada
- Canadian Institute of Mining, Metallurgy and Petroleum (CIM), Canada

- Mining Association of British Columbia, Canada
- Mineral Exploration Research Centre - Laurentian University, Canada
- Geological Association of Canada, Canada
- Canadian Mining Industry Research Organization (CAMIRO), Canada
- Ontario Mining Association, Canada
- Committees appointed by Ministry of Labour, Canada
- Arizona Mining Association, USA
- Society for Mining, Metallurgy & Exploration (SME), USA
- The University of Arizona - Center for Environmentally Sustainable Mining (CESM), USA
- National Institute for Occupational Safety and Health (NIOSH), USA
- American Society of Safety Engineers (ASSE), USA
- American Industrial Hygiene Association (AIHA), USA
- Nevada Mining Association, USA
- Society of Economic Geologists (SEG), International organization
- International Molybdenum Association, International organization
- London Metals Exchange, UK
- Consejo Minero, Chile
- Institute of Internal Audit, USA / Vancouver
- National Mining Association (SONAMI), Chile



Environmental indicators

Direct and indirect energy consumption by primary energy source at KGHM Polska Miedź S.A.

	Values (Gj)	
	2015	2014
Total energy consumption from non-renewable resources (owned or purchased) in joules or joule multiples, broken down by type of raw material		
Non-renewable		
Coal	3,632,848	3,420,694
Natural gas	5,936,325	4,294,025
Heating oil	146,027	131,657
Diesel	1,292,689	1,249,203
Total consumption	11,007,889	9,095,579
Total energy consumption from own or purchased production, broken down into: electricity, heating in joules or joule multiples		
electricity	9,578,690	9,435,091
thermal energy (including the consumption of steam and the consumption of cooling energy)	2,161,902	2,184,643
Total energy consumption	11,740,592	11,619,734
Total energy sales broken down into: electricity, heating, cooling, and steam, in joules or joule multiples		
Total sales of electricity	637,157	503,665
Total sales of thermal energy (net)	905,252	355,145
Total sales of steam	80,642	
Total sale	1,623,051	944,463
Total energy consumption at the organization, according to formula	21,125,430	19,770,850

Consolidation Approach and boundaries are presented in Section 6
Source: KGHM

Direct and indirect energy consumption by primary energy source - KGHM International Ltd. and Sierra Gorda S.C.M.

	Values (Gj)	
	2015	2014
Natural gas	120,099	182,100
Gasoline	18,297	22,436
Oil	2,447	6,742
Diesel	4,503,698	4,957,985
Propane	20,259	23,973
Total non-renewables	4,664,800	5,193,236
Electricity purchased	3,774,863	1,813,663
Total direct energy consumption	8,439,663	7,006,899

Consolidation Approach and boundaries are presented in Section 6
Source: KGHM

Energy efficiency - KGHM International Ltd. and Sierra Gorda S.C.M.

	2015	2014
Energy intensity		
GJ/tonne of ore handled	0.242	0.146
GJ/tonne of material handled	0.047	0.028

Consolidation Approach and boundaries are presented in Section 6
Source: KGHM

8. Additional GRI indicators

G4-EN6

Reducing energy consumption - KGHM Polska Miedź S.A.

G4-EN18

	Energy-saving measures	The amount of energy saved as a result of individual activities (Gj/MWh)	The basis for calculating the amount of energy saved, including: the base year/base value	Type of energy saved and a description of the initiative
Initiative/project 1	Redesigning and streamlining processes • Upgrading or modernizing equipment • Changes in the habits and behavior of employees • Changes in systems / procedures	59,162	Electricity saved in comparison to base year 2013	Electricity
Initiative/project 2	Redesigning and streamlining processes • Upgrading or modernizing equipment • Changes in the habits and behavior of employees • Changes in systems / procedures	44,148	Fuel gas saved in comparison to base year 2013	Fuel gas
Initiative/project 3	Redesigning and streamlining processes • Upgrading or modernizing equipment • Changes in the habits and behavior of employees • Changes in systems / procedures	1,525	Steam saved in comparison to base year 2013	Steam
Total		104,835		

The information provided above was calculated as the sum of the effects of the savings activities carried out and described in the Energy Saving Program for the KGHM Polska Miedź S.A. process line.

Source: KGHM

Efficiency associated with the greenhouse gas emissions of KGHM International Ltd. and Sierra Gorda S.C.M.

	2015	2014
kg per tonne of ore handled (CO ₂ eq)	9.01	10.39
kg per tonne of material handled (CO ₂ eq)	1.72	2.03

Consolidation Approach and boundaries are presented in Section 6
Source: KGHM

Emission of NOx, SOx and other significant air emissions by type and weight - KGHM Polska Miedź S.A.

G4-EN21

G4-MM3

Emission of NOx, SOx, and other significant air emissions	Emission (Mg)	
	2015	2014
SO _x	4,605	4,837
NO _x	1,327	1,249
Dust (PM)	138	409
Cu	7	96
Pb	4	5

Consolidation Approach and boundaries are presented in Section 6
Source: KGHM

Emission of NOx, SOx, and other significant air emissions by type and weight - KGHM International Ltd. and Sierra Gorda S.C.M.

Emission of NOx, SOx, and other significant air emissions	Emission (Mg)	
	2015	2014
Dust (PM)	19,840	21,449
Dust (PM ₁₀)	8,139	7,890
NO _x	7,847	7,516
CO	5,183	7,831
SO ₂	48	59

Consolidation Approach and boundaries are presented in Section 6
Source: KGHM

Total amount of overburden of rocks, minerals, heaps, sediments, and the risks associated with them - KGHM International Ltd. and Sierra Gorda S.C.M.

Total amount of overburden of rocks, minerals, heaps, sediments (Mt)	2015	2014
Overlay	0	0
Rocks	194	200
Minerals	5	7
Heaps	45	19
Deposits	0	0

Source: KGHM

Social indicators

Total number and rate of employee hires, dismissals and employee turnover, by age, gender, and region - KGHM Polska Miedz S.A.

Total number of employees (in terms of persons) broken down by:	Number of employees:		Number of newly hired employees		% of newly hired employees	
	2015	2014	2015	2014	2015	2014
Women	1,325	1,327	53	34	4.00	2.56
Men	16,901	16,841	821	406	4.86	2.41
Total	18,226	18,168	874	440	4.80	2.42

Total number of employees (in terms of persons) broken down by age group:	Number of newly hired employees in a given group		% of newly hired employees	
	2015	2014	2015	2014
<30	530	229	22.22	52.05
30-50	315	132	2.56	30.00
>50	29	40	0.82	9.09

Total number of employee dismissals (in terms of persons) broken down by:	Number of employees:		Number of employee dismissals:		% of employee dismissals:	
	2015	2014	2015	2014	2015	2014
Women	1,325	1,327	56	60	4.23	4.52
Men	16,901	16,841	764	781	4.52	4.64
Total	18,226	18,168	820	841	4.50	4.63

Total number of dismissals (in terms of persons) broken down by age group:	Number of employee dismissals in a given age group		% of employee dismissals	
	2015	2014	2015	2014
<30	69	55	2.89	6.54
30-50	314	299	2.55	35.55
>50	437	448	12.34	53.27

Source: KGHM

Return to work and retention rates after parental leave, in relation to gender - KGHM Polska Miedz S.A

	2015		2014	
	Women	Men	Women	Men
Number of employees who took parental leave	73	745	48	675
Number of employees who returned to work after parental leave	38	732	34	674
Number of employees who returned to work after maternity/paternity leave, and worked at the Company for 12 consecutive months after their return	3	731	6	672
Return to work indicator	100%	100%	70.8%	99.9%

Source: KGHM

Composition of governing bodies and workforce divided into employee categories by gender, age, minority group membership, and other indicators of diversity - KGHM Polska Miedz S.A.

Total number of employees broken down by age group:	Proportion of employees in each of the categories in 2015 (%)		Proportion of employees in each of the categories in 2014 (%)	
	Women	Men	Women	Men
<30	0.5	12.0	0.5	12.0
30-50	4.0	64.5	3.7	62.2
>50	2.8	16.2	3.1	18.5
Foreigners	0.0	0.0	0	0.0
Total breakdown %	7.3	92.7	7.3	92.7

Employees by type of employment				
	2015	2014	2015	2014
Management Board	0.00	0.03	0	0.03
Executive management	0.04	0.23	0.03	0.24
Management	0.47	4.70	0.4	2.7
Non-labor positions	6.20	14.38	6	16.55
Laborer positions	0.60	73.35	0.7	73.35

8. Additional GRI indicators

Supervisory Board by age and diversity category	Proportion of employees in each of the categories in 2015 (%)		Proportion of employees in each of the categories in 2014 (%)	
	Women	Men	Women	Men
<30 years	0	0	0	0
30-50 years	11	11	11	33
>50 years	0	77.8	0	56
Foreigners	0	0	0	0
Total breakdown %	11	89	11	89
Management Board by age and diversity category				
<30 years	0	0	0	0
30-50 years	0	20	0	60
>50 years	0	80	0	40
Foreigners	0	0	0	0
Total breakdown %	0	100	0	100

Source: KGHM