

TSM Performance by Company

KGHM International Ltd.



KGHM Polska Miedź S.A. is an innovative and globally diverse mining company headquartered in Lubin, Poland, that employs 33,000 people around the world. KGHM is among the top copper and silver producers. The company has been conducting advanced geological, mining and metallurgical activities for over 55 years. It boasts a geographically diversified portfolio of mining projects. Its facilities are located on three continents - Europe, North America and South America. KGHM International Ltd. (KGHMI) is a wholly owned subsidiary of KGHM Polska Miedź S.A. and is based in Vancouver, British Columbia.

KGHMI's operating assets (held through its subsidiaries) are located in Canada (Morrison), the United States (Robinson and Carlota) and Chile (Franke and Sierra Gorda, a 55% joint venture). Development projects include Ajax and Victoria (Canada) and Sierra Gorda Oxide (Chile).

KGHM is committed to sustainable development from exploration through closure and reclamation. In early 2017, the KGHM group published a revised strategy for 2017 to 2021, with an outlook to 2040. The company will be developing a sustainability system with a focus on optimum, efficient and rational use of natural resources. KGHM will achieve growth by implementing actions in three key areas of significance for sustainable development:

- **Technical and economic:** through employee safety and rational economic efficiency supported by state-of-the-art technologies
- **Ecological:** through minimizing the negative impact on the natural environment
- **Social:** through cooperation and partnerships with local communities of interest

KGHM operations are carried out in accordance with the highest environmental standards and regulations. The company joined MAC in late 2013.

The implementation of *TSM* is carried out in the Sudbury facility, which includes the Morrison mine and the Victoria project. In 2016, the KGHM group adopted a Corporate Social Responsibility (CSR) Strategy, with objectives that are aligned with the *TSM* framework. This will enable gradual *TSM* integration at KGHMI's operating assets outside of Canada.

While recognizing that there is always opportunity for improvement, KGHM is proud of its progress towards achieving a Level A or greater for 13 of the 15 indicators applicable to the Sudbury facility. Sudbury does not operate a tailings storage facility and, therefore, does not self-assess against the *TSM Tailings Management Protocol* indicators.

SAFETY AND HEALTH

KGHMI developed a new Health, Safety and Environment (HSE) Strategic Plan in 2016. The plan focuses on minimizing operational risk through the development and implementation of a corporate integrated HSE management system. The HSE management system was developed in 2016 and is being implemented in 2017. It will serve as a standard for existing site and project HSE management systems, and a template for those sites that do not already have a formal HSE management system. The primary focus of this effort is risk management. Sites and projects have begun a more systematic assessment of HSE risks beyond what is required for regulatory compliance.

ABORIGINAL AND COMMUNITY OUTREACH

The company recognizes the importance of building constructive Aboriginal and stakeholder relations. Over the years, KGHMI has developed formal programs to ensure that dialogue is maintained with communities of interest. This dialogue is important to ensure that trust is maintained, opportunities to share value are identified, and the company's overall performance in Aboriginal and community outreach is improved. Stakeholder identification, prioritization and subsequent engagement at the Sudbury facility and the Ajax project are based on the *TSM Aboriginal and Community Outreach Protocol* and the International Council on Mining and Metals' Community Development Toolkit. The company is committed to transparently reporting on performance through various channels, including the annual sustainability reports prepared according to the Global Reporting Initiative (GRI 4.0) and the International Integrated Reporting Framework. Reports are available on the company's website.

ENERGY USE AND GHG EMISSIONS MANAGEMENT

The Sudbury facility has developed a formal system to manage energy usage and emissions outputs. Although the facility had an overall energy intensity and CO₂ equivalent reduction from the previous year, the established targets were not met. In 2017, more realistic targets will be established to drive efficiency.

BIODIVERSITY CONSERVATION MANAGEMENT

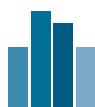
In 2016, KGHMI revised its environmental policy to demonstrate senior management's commitment to biodiversity conservation management. A formal biodiversity conservation management plan has been implemented at the facility level. The Sudbury facility has ongoing regional, provincial and national partnerships in this management area. One example is the partnership with the City of Greater Sudbury's Land Reclamation Program, where forest floor mats from the Victoria and Podolsky properties were donated to act as seed sources in areas of low biodiversity.

CRISIS MANAGEMENT AND COMMUNICATIONS PLANNING

While KGHMI strives to avoid all crises, this is not always possible. Some crises are externally imposed and occur in spite of a company's best intentions for prediction and prevention. Therefore, KGHMI recognizes that crisis preparedness is a critical component of operating. In 2016, both the corporate and facility-level crisis preparedness plans were reviewed and revised. In 2017, the plans and their associated communication systems will be tested for effectiveness and to ensure that key personnel understand the established processes. These actions will substantially improve both corporate and facility-level performance in 2017 under the *TSM Crisis Management and Communications Planning Protocol*.

🔗 For more information, please visit www.kghm.com/en/sustainable-development





2016 TSM Results

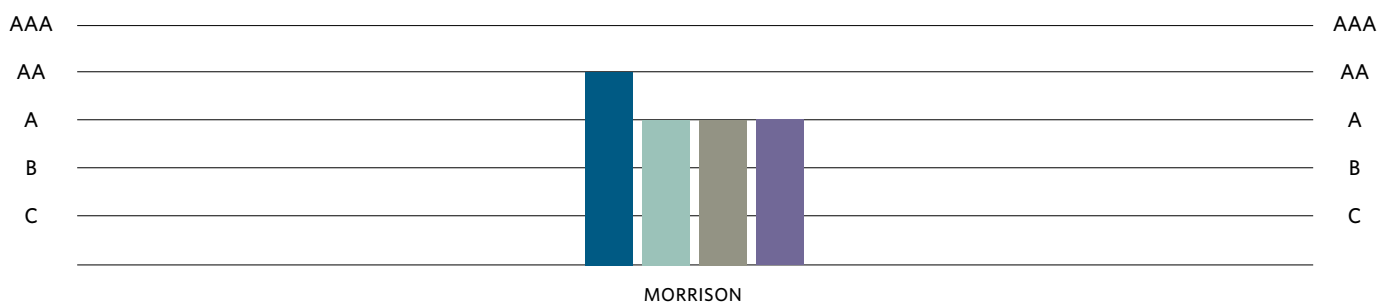
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Crisis Management and Communications Planning Assessment

FACILITY	PREPAREDNESS	REVIEW	TRAINING
KGHM INTERNATIONAL LTD.	×	×	×
MORRISON	×	×	×

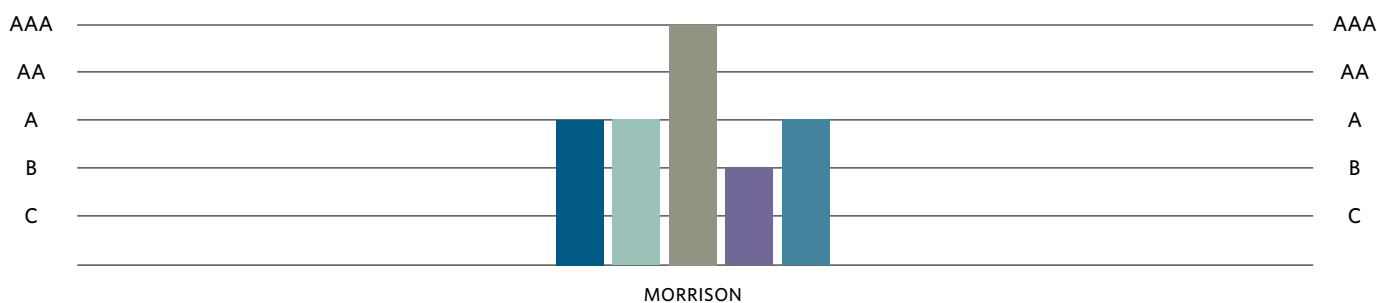
Aboriginal and Community Outreach Assessment

- COMMUNITY OF INTEREST (COI) IDENTIFICATION
- EFFECTIVE COI ENGAGEMENT AND DIALOGUE
- COI RESPONSE MECHANISM
- REPORTING



Safety and Health Assessment

- COMMITMENTS AND ACCOUNTABILITY
- PLANNING AND IMPLEMENTATION
- TRAINING, BEHAVIOUR AND CULTURE
- MONITORING AND REPORTING
- PERFORMANCE

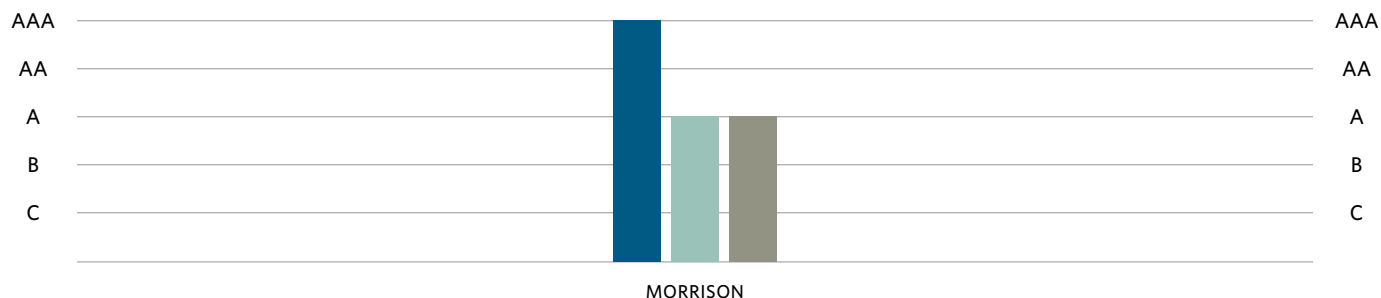


Self-assessed results; first external verification is scheduled for 2017.



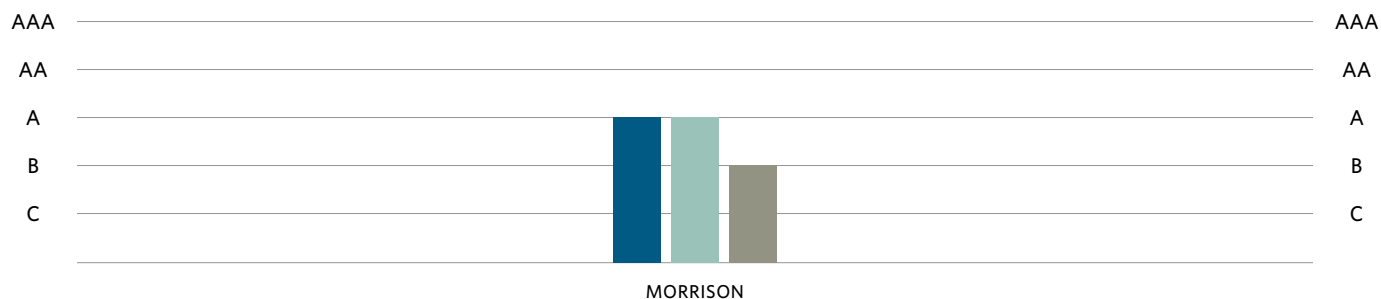
Biodiversity Conservation Management Assessment

- CORPORATE BIODIVERSITY CONSERVATION POLICY, ACCOUNTABILITY AND COMMUNICATIONS
- FACILITY-LEVEL BIODIVERSITY CONSERVATION PLANNING AND IMPLEMENTATION
- BIODIVERSITY CONSERVATION REPORTING



Energy Use and GHG Emissions Management Assessment

- ENERGY USE AND GHG EMISSIONS MANAGEMENT SYSTEMS
- ENERGY USE AND GHG EMISSIONS REPORTING SYSTEMS
- ENERGY AND GHG EMISSIONS PERFORMANCE TARGETS



Self-assessed results; first external verification is scheduled for 2017.

