

**Report on the Activities of the Supervisory Board  
of KGHM Polska Miedź S.A. for financial year 2012,  
reflecting the work  
of the Committees of the Supervisory Board of KGHM Polska Miedź S.A.**

*/Approved by resolution No. 26/VIII/13 of the Supervisory Board of KGHM Polska Miedź S.A. dated 8 May 2013/*

May, 2013

## I. Principles and procedures of operations of the Supervisory Board of KGHM Polska Miedź S.A.

The Supervisory Board of KGHM Polska Miedź S.A. is the permanent supervisory body of KGHM Polska Miedź S.A. in Lubin in all of the Company's functional areas. The Supervisory Board is comprised of 7 to 10 members, appointed by the General Meeting, including members elected by the Company's employees.

The members of the Supervisory Board are appointed for a mutual term of office, which lasts three years.

The Supervisory Board acts on the basis of prevailing law, the Statutes of KGHM Polska Miedź Spółka Akcyjna with its registered head office in Lubin and the Bylaws of the Supervisory Board of KGHM Polska Miedź S.A. with its registered head office in Lubin as well as the Code of Best Practice for WSE Listed Companies.

In financial year 2012, the Supervisory Board continuously supervised the activities of the Company and realised its tasks based on the special privileges granted to the Supervisory Board of KGHM Polska Miedź S.A. by the Statutes of the Company under Chapter IVB, § 20, and in turn by the Bylaws of the Supervisory Board under Chapter III § 8.

The Supervisory Board performed its functions at meetings of the Supervisory Board convened for this purpose, as well as through its members delegated to work in the Committees.

## II. Information on the composition of the Supervisory Board of KGHM Polska Miedź S.A. and on Supervisory Board functions served.

The composition of the **8th-term** Supervisory Board from 1 January 2012 to 19 January 2012 was as follows:

First, last name	function	period when function served in 2012
Jacek Kuciński	Chairman	01.01.2012 – 25.04.2012
Marcin Dyl	Deputy Chairman	01.01.2012 – 19.01.2012
Marek Panfil	Secretary	01.01.2012 – 25.04.2012
Franciszek Adamczyk	Member	01.01.2012 – 19.01.2012
Arkadiusz Kawecki	Member	01.01.2012 – 19.01.2012
Jan Rymarczyk	Member	01.01.2012 – 19.01.2012
Marzenna Weresa	Member	01.01.2012 – 19.01.2012
<i>Members of the Supervisory Board elected by employees of the Company</i>		
Lech Jaroń	Member	01.01.2012 – 28.06.2012
Maciej Łaganowski	Member	01.01.2012 – 28.06.2012
Paweł Markowski	Member	01.01.2012 – 28.06.2012

The Extraordinary General Meeting on 19 January 2012 resolved the following:

- to dismiss 5 Members of the 8th-term Supervisory Board,
- and to appoint 5 Members of the 8th-term Supervisory Board.

The composition of the **8th-term** Supervisory Board from 19 January 2012 to 24 April 2012 was as follows:

First, last name	function	period when function served in 2012
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Jacek Kuciński	Chairman	01.01.2012 – 25.04.2012
Marek Panfil	Secretary	01.01.2012 – 13.02.2012
	Deputy Chairman	13.02.2012 – 25.04.2012
Mariusz Kolwas	Member	19.01.2012 - 13.02.2012
	Secretary	13.02.2012 – 24.04.2012
Krzysztof Kaczmarczyk	Member	19.01.2012 – 21.05.2012
	Deputy Chairman	21.05.2012 – 31.12.2012
Aleksandra Magaczewska	Member	19.01.2012 – 17.04.2012
	Deputy Chairwoman	17.04.2012 – 21.05.2012
	Chairwoman	21.05.2012 – 31.12.2012
Robert Oliwa	Member	19.01.2012 – 03.09.2012
Jacek Poświęta	Member	19.01.2012 – 31.12.2012
<i>Members of the Supervisory Board elected by employees of the Company</i>		
Lech Jaroń	Member	01.01.2012 – 28.06.2012
Maciej Łaganowski	Member	01.01.2012 – 28.06.2012
Paweł Markowski	Member	01.01.2012 – 28.06.2012

On 24 April 2012, Mariusz Kolwas, serving as Secretary of the Supervisory Board of KGHM Polska Miedź S.A., submitted his resignation from membership on the Supervisory Board of the Company.

The Extraordinary General Meeting on 25 April 2012 resolved as follows:

- to dismiss 2 Members of the 8th-term Supervisory Board,
- and to appoint 3 Members of the 8th-term Supervisory Board.

The composition of the **8th-term** Supervisory Board from 25 April 2012 to 28 June 2012 was as follows:

<b>First, last name</b>	<b>function</b>	<b>period when function served in 2012</b>
Aleksandra Magaczewska	Deputy Chairwoman	17.04.2012 – 21.05.2012
	Chairwoman	21.05.2012 – 31.12.2012
Krzysztof Kaczmarczyk	Member	19.01.2012 – 21.05.2012
	Deputy Chairman	21.05.2012 – 31.12.2012
Dariusz Krawczyk	Member	25.04.2012 - 21.05.2012
	Secretary	21.05.2012 – 31.12.2012
Paweł Białek	Member	25.04.2012 – 31.12.2012
Robert Oliwa	Member	19.01.2012 – 03.09.2012
Ireneusz Piecuch	Member	25.04.2012 – 31.12.2012
Jacek Poświęta	Member	19.01.2012 – 31.12.2012

<i>Members of the Supervisory Board elected by employees of the Company</i>		
Lech Jaroń	Member	01.01.2012 – 28.06.2012
Maciej Łaganowski	Member	01.01.2012 – 28.06.2012
Paweł Markowski	Member	01.01.2012 – 28.06.2012

Due to the results of a referendum held in the Company on 25 and 26 April 2012 on the dismissal of three employee-elected members of the Supervisory Board, the Ordinary General Meeting on 28 June 2012 resolved to dismiss 3 Members of the 8th-term Supervisory Board elected by employees of the Company.

On 3 July 2012, Member of the Supervisory Board Robert Oliwa submitted his resignation from serving as a Member of the Supervisory Board of KGHM Polska Miedź S.A. effective as of the date of the next General Meeting of KGHM Polska Miedź S.A.

The composition of the **8th-term** Supervisory Board from 28 June 2012 to 3 September 2012 was as follows:

<b>First, last name</b>	<b>function</b>	<b>period when function served in 2012</b>
Aleksandra Magaczewska	Chairwoman	21.05.2012 – 31.12.2012
Krzysztof Kaczmarczyk	Deputy Chairman	21.05.2012 – 31.12.2012
Dariusz Krawczyk	Secretary	21.05.2012 – 31.12.2012
Paweł Białek	Member	25.04.2012 – 31.12.2012
Robert Oliwa	Member	19.01.2012 – 03.09.2012
Ireneusz Piecuch	Member	25.04.2012 – 31.12.2012
Jacek Poświata	Member	19.01.2012 – 31.12.2012

The Extraordinary General Meeting on 3 September 2012 resolved to appoint a Member of the 8th-term Supervisory Board.

The composition of the **8th-term** Supervisory Board from 3 September 2012 to 21 November 2012 was as follows:

<b>First, last name</b>	<b>function</b>	<b>period when function served in 2012</b>
Aleksandra Magaczewska	Chairwoman	21.05.2012 – 31.12.2012
Krzysztof Kaczmarczyk	Deputy Chairman	21.05.2012 – 31.12.2012
Dariusz Krawczyk	Secretary	21.05.2012 – 31.12.2012
Paweł Białek	Member	25.04.2012 – 31.12.2012
Krzysztof Opawski	Member	03.09.2012 – 31.12.2012
Ireneusz Piecuch	Member	25.04.2012 – 31.12.2012
Jacek Poświata	Member	19.01.2012 – 31.12.2012

On 5-6 September 2012, as a result of supplementary elections, the employees of the Company elected three employee representatives to the Supervisory Board of KGHM Polska Miedź S.A.

The Extraordinary General Meeting on 21 November 2012 resolved to appoint one of the three representatives elected by the employees to the 8th-term Supervisory Board.

The composition of the **8th-term** Supervisory Board from 21 November 2012 to 31 December 2012 was as follows:

<b>First, last name</b>	<b>function</b>	<b>period when function served in 2012</b>
Aleksandra Magaczewska	Chairwoman	21.05.2012 – 31.12.2012
Krzysztof Kaczmarczyk	Deputy Chairman	21.05.2012 – 31.12.2012
Dariusz Krawczyk	Secretary	21.05.2012 – 31.12.2012
Paweł Białek	Member	25.04.2012 – 31.12.2012
Krzysztof Opawski	Member	03.09.2012 – 31.12.2012
Ireneusz Piecuch	Member	25.04.2012 – 31.12.2012
Jacek Poświata	Member	19.01.2012 – 31.12.2012
<i>Members of the Supervisory Board elected by employees of the Company</i>		
Bogusław Szarek	Member	21.11.2012 – 31.12.2012

### **III. Activities of the Supervisory Board**

The Supervisory Board carried out its duties at meetings convened by the Chairman of the Supervisory Board, during which the quorum necessary for taking decisions was present. The activities of the Supervisory Board in 2012 were documented in the minutes of the meetings and in resolutions adopted at the meetings and using a written circulation procedure.

The Supervisory Board monitored the current work of the Management Board and Company based on resolutions of the Management Board and on information regarding the financial results of KGHM Polska Miedź S.A. for individual months of 2012, submitted at each meeting of the Supervisory Board.

Based on quarterly evaluations of the Management Board's work, the Supervisory Board considered the proposal of the Management Board regarding the payment of an advance on variable remuneration.

The Supervisory Board also periodically reviewed the report of the Management Board on the realisation of donations, sponsoring, representation, marketing and advertising in KGHM Polska Miedź S.A. and in the Group, as well as the report on the realisation of consulting, advisory and analytical services performed by external entities on behalf of the Company and the KGHM Polska Miedź S.A. Group.

In order to improve communications between the Management Board and the Supervisory Board, the practice was continued of providing information to the Management Board, after each meeting, on all of the decisions taken by the Supervisory Board during the meeting.

During the reporting period the Supervisory Board of KGHM Polska Miedź S.A. held 16 documented meetings and adopted 126 resolutions, including 20 using a written circulation procedure.

Attendance at the meetings was as follows:

- |                                 |                                       |
|---------------------------------|---------------------------------------|
| 1. 27 January 2012              | – absent: Paweł Markowski             |
| 2. 13 February 2012             | – all Board members present           |
| 3. 14 March 2012                | – absent: Paweł Markowski             |
| 4. 27 March 2012                | – absent: Lech Jaroń, Paweł Markowski |
| 5. 17 April 2012                | – all Board members present           |
| 6. 21 May 2012                  | – all Board members present           |
| 7. 31 May, 1, 4 and 5 June 2012 | – all Board members present           |
| 8. 19, 26 and 27 June 2012      | – absent: Lech Jaroń, 19 June 2012;   |

	Dariusz Krawczyk, 26 June 2012,
9. 25 July 2012	– absent: Ireneusz Piecuch
10. 26 July 2012	– absent: Ireneusz Piecuch
11. 3 September 2012	– absent: Robert Oliwa, Krzysztof Opawski
12. 1 October 2012	– all Board members present
13. 10 October 2012	– all Board members present
14. 29 October 2012	– absent: Dariusz Krawczyk
15. 20 November 2012	– all Board members present
16. 17 December 2012	– all Board members present

All absences were confirmed as justified by the Supervisory Board.

#### **IV. Information on the major issues discussed by the Supervisory Board of KGHM Polska Miedź S.A. in financial year 2012**

##### **1. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 27 January 2012 in Lubin**

The Supervisory Board reviewed information from the Management Board on realisation of the Company Strategy and assumptions for its updating. Individual pillars of the Strategy were discussed, with particular attention to the diversification of revenues, including investments in energy and the commencement of work on the shale gas project.

The Management Board submitted to the Supervisory Board current information regarding the process of acquiring Quadra FNX Mining Ltd. The Supervisory Board heard the report of the working team of the Supervisory Board of KGHM Polska Miedź S.A. on the process of selecting an advisor to the Supervisory Board Strategy Committee and the report of an advisor, A.T. Kearney, regarding progress on work on the preparation of a strategic assessment of the acquisition of Quadra FNX.

The Supervisory Board reviewed requests of the Management Board regarding acquisition of the following:

- shares of „Elektrownia Blachownia Nowa” sp. z o.o.,
- shares in the increased share capital of „MCZ” S.A.,
- shares in the increased share capital of „Energetyka” sp. z o.o.

##### **2. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 13 February 2012 in Warsaw**

Due to unfilled positions, the Supervisory Board selected a Deputy Chairman and Secretary of the Supervisory Board of KGHM Polska Miedź S.A. Marek Panfil was selected as Deputy Chairman. Mariusz Kolwas was selected as Secretary.

The Supervisory Board reviewed a request of the Management Board regarding adoption of the Provisional Budget for 2012.

The Supervisory Board reviewed the following documents:

- current information from the Management Board regarding the Afton Ajax project,
- the presentation of an expert on the „Preliminary investigation of potential resources of unconventional shale gas deposits”,
- a report on work assigned to advisors of the Supervisory Board: AT Kearney and Weil, Gotshal & Manges,
- a request of the Management Board regarding the acquisition of shares in the increased share capital of Fermat 1 S.à r.l. with its registered head office in Luxembourg.

##### **3. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 14 March 2012 in Warsaw**

The Supervisory Board reviewed information from the Management Board:

- a report by PwC regarding Corporate Governance in the KGHM Polska Miedź S.A. Group,
- a presentation by PwC regarding risk management in the KGHM Polska Miedź S.A. Group,
- regarding progress on realisation of the Afton Ajax project,
- conclusions by the advisor McKinsey on performing due diligence on the Afton Ajax project,
- regarding realisation of Company investment projects: Weisswasser, flash furnace, hydrotransport,
- regarding the act on the minerals extraction tax

#### **4. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 27 March 2012 in Warsaw**

The Supervisory Board reviewed a request of the Management Board regarding approval of the Budget for 2012.

The Members of the Supervisory Board reviewed information from the Audit Committee regarding work related to auditing the report of the Management Board on the activities of KGHM Polska Miedź S.A. and the financial statements (separate and consolidated) of the Company for 2011. The Audit Committee recommended that the Supervisory Board grant a positive evaluation to the above-mentioned report and financial statements.

The Supervisory Board reviewed requests of the Management Board regarding approval of:

- The Financial Statements of KGHM Polska Miedź S.A. for financial year 2011,
- The Report on the activities of KGHM Polska Miedź S.A. in financial year 2011,
- The Consolidated Financial Statements of the KGHM Polska Miedź S.A. Group for financial year 2011,
- The Report on the activities of the KGHM Polska Miedź S.A. Group in financial year 2011.
- acceptance of decisions needed for further realisation of the Afton-Ajax project.
- the sale of property by KGHM Polska Miedź S.A. to the company „Energetyka” sp. z o.o. in Lubin,
- the acquisition of property by the Rudna Mining Division of KGHM Polska Miedź S.A. in Polkowice.

The Supervisory Board reviewed current information from the Management Board regarding KGHM International Ltd. and information on progress on work related to realisation of the Shale Gas project.

#### **5. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 17 April 2012 in Warsaw**

The Supervisory Board approved the text of the announcement of a competition for President of the Management Board and members of the Management Board of KGHM Polska Miedź S.A. appointed by the Supervisory Board of KGHM Polska Miedź S.A.

The Supervisory Board discussed and established the contents of documents to be submitted by the Supervisory Board to the Ordinary General Meeting of the Company:

- Report on the evaluation of the report of the Management Board on the activities of KGHM Polska Miedź S.A. in financial year 2011 and the results of the evaluation of the financial statements of KGHM Polska Miedź S.A. for financial year 2011;
- Report on the results of the evaluation of the report of the Management Board on the activities of the KGHM Polska Miedź S.A. Group in financial year 2011 and the results of the evaluation of the consolidated financial statements of KGHM Polska Miedź S.A. Group for financial year 2011;
- The annual report on the activities of the Supervisory Board of KGHM Polska Miedź S.A. for financial year 2011;
- Brief assessment of the standing of KGHM Polska Miedź S.A. for financial year 2011.

The Supervisory Board recommended that the General Meeting grant approval to the performance of duties of members of the Management Board who served on the Management Board of KGHM in financial year 2011.

The results of work performed for the Supervisory Board of KGHM Polska Miedź S.A. by the law firm Weil, Gotshal & Manges were delivered, involving an audit of the agreement entered into by KGHM Polska Miedź S.A. with Quadra FNX Mining Ltd.

It was decided to make a change in the position of Deputy Chairman of the Supervisory Board. Aleksandra Magaczewska was selected to serve in this function.

The Supervisory Board reviewed information from the Management Board regarding personnel policy in Group companies.

#### **6. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 21 May 2012 in Warsaw**

Due to changes in the composition of the Supervisory Board carried out by the Extraordinary General Meeting, the Supervisory Board established itself. Aleksandra Magaczewska was selected as Chairwoman of the Supervisory Board of KGHM Polska Miedź S.A., Krzysztof Kaczmarczyk was selected as Deputy Chairman of the Supervisory Board of KGHM Polska Miedź S.A. and Dariusz Krawczyk was selected as Secretary of the Supervisory Board of KGHM Polska Miedź S.A.

The Supervisory Board also established the composition of the Supervisory Board Committees.

Proposals of the Management Board were reviewed regarding:

- confirming the validity of the voting on a proposal to dismiss employee-elected Members of the Supervisory Board of KGHM Polska Miedź S.A.;
- expressing an evaluation on the proposal of the Management Board directed to the Ordinary General Meeting regarding changes in the Company Statutes.

The Supervisory Board reviewed information from the Management Board regarding:

- the plan of action which will enable realisation of the Afton Ajax project according to the established schedule,
- the copper price hedging policy with respect to the Afton Ajax project being realised.

The Supervisory Board determined that the Supervisory Board Remuneration Committee will commence work on changing the Management Board bonus system.

#### **7. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 31 May, 1, 4 i 5 June 2012 in Warsaw**

The Supervisory Board, after reviewing the report of the Supervisory Board Committee and the Supervisory Board advisor on the progress in selecting members of the Management Board of KGHM for the new term, accepted the list of candidates for positions on the Management Board of KGHM Polska Miedź S.A.

The Supervisory Board reviewed requests of the Management Board regarding:

- the appropriation of Company profit for financial year 2011,
- expressing an evaluation on the proposal of the Management Board of KGHM Polska Miedź S.A. directed to the Ordinary General Meeting of KGHM Polska Miedź S.A. on setting a right to dividend date and dividend payment date for financial year 2011,
- expressing consent for Members of the Management Board of KGHM Polska Miedź S.A. to sit on bodies of companies in which KGHM Polska Miedź S.A. owns shares directly or indirectly.

On 1, 4 and 5 June 2012, the Supervisory Board held meetings with 16 candidates as part of the qualifying proceedings for positions on the new-term Management Board of KGHM Polska Miedź S.A.

#### **8. Meetings of the Supervisory Board of KGHM Polska Miedź S.A. on 19, 26 and 27 June 2012 in Warsaw**

The Supervisory Board reviewed the recommendation of the Remuneration Committee regarding the request of the Management Board with respect to the payment to Management Board members of an advance on variable remuneration for the fourth quarter of 2011 and the first quarter of 2012.



On 19 and 26 June the Supervisory Board continued work related to selecting candidates for the Management Board of KGHM Polska Miedź S.A. On 27 June 2012, the Supervisory Board determined that Management Board of KGHM Polska Miedź S.A. would be comprised of 5 Management Board members and appointed the Management Board, comprised of President of the Management Board Herbert Wirth and the following members of the Management Board: Włodzimierz Kiciński, Wojciech Kędzia, Adam Sawicki and Dorota Włoch.

#### **9. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 25 July 2012 in Warsaw**

The Supervisory Board reviewed proposals of the Management Board regarding:

- approval of the uniform text of the Statutes of KGHM Polska Miedź Spółka Akcyjna with its registered head office in Lubin,
- the appointment of Włodzimierz Kiciński, Member of the Management Board of KGHM Polska Miedź S.A., as I Vice President of the Management Board of KGHM Polska Miedź S.A.,
- expressing approval to the acquisition of property by the Tailings Division in Rudna of KGHM Polska Miedź S.A.

The Supervisory Board reviewed the proposal of the President of the Management Board with respect to the assignment of duties in the Management Board of KGHM Polska Miedź S.A.

The Supervisory Board, after reviewing the recommendations of the Remuneration Committee, signed employment contracts with the newly-appointed members of the Management Board of the Company.

#### **10. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 26 July 2012 in Warsaw**

Based on the recommendations of the Remuneration Committee, the Supervisory Board signed an agreement with the Management Board of KGHM Polska Miedź S.A. on forbidding competitive activities and on forbidding competitive activities following the period of employment.

A request of the Management Board was reviewed regarding payment to Management Board members of variable remuneration and additional annual remuneration for 2011.

#### **11. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 3 September 2012 in Lubin**

The Supervisory Board, in the presence of the Management Board, reviewed the report of the Auditor on its review of the financial statements of the Company for the first six months of 2012 as well as information from the Audit Committee on its meeting with the Auditor to review the report on realisation for the first half of 2012 of an integrated audit plan in the Company.

The Supervisory Board expressed consent to the following:

- for Vice President of the Management Board Dorota Włoch to sit on the supervisory boards of subsidiaries,
- for Vice President of the Management Board of KGHM Polska Miedź S.A. Włodzimierz Kiciński to serve as a member of the supervisory boards of certain other entities,
- for Vice President of the Management Board of KGHM Polska Miedź S.A. Adam Sawicki to serve as a member of the supervisory board of NetPress Digital Sp. z o.o.

Pursuant with the recommendation of the Remuneration Committee, the Supervisory Board resolved to:

- set the amount of variable remuneration for 2011 for members of the 7<sup>th</sup>-term Management Board: President of the Management Board Herbert Wirth, I Vice President of the Management Board Maciej Tybura, Vice President of the Management Board Wojciech Kędzia;
- pay variable remuneration to members of the Management Board for the second quarter of 2012.

The Supervisory Board reviewed information from the Management Board on the level of and mechanisms for hedging changes in metals prices and currency exchange rates.

The Supervisory Board made decisions and requested the Management Board to prepare an analysis of operating costs of the KGHM Group, with a description of its plan of action, aimed at containing costs and improving the efficiency of the Company.

#### **12. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 1 October 2012 in Warsaw**

The Supervisory Board reviewed information from Supervisory Board Committees:

- the Remuneration Committee, with respect to the progress of work in cooperation with PwC, aimed at creating a new Management Board bonus system,
- the Audit Committee, with respect to the progress of work related to preparing an analysis of the structure of the KGHM Group.

The Supervisory Board reviewed a request of the Management Board regarding expressing consent for the disposal of property by KGHM Polska Miedź S.A. of the Głogów smelter in Głogów.

Due to changes in the composition of the Supervisory Board, the Supervisory Board established new compositions of the Supervisory Board Committees: Audit, Strategy and Remuneration.

With respect to information from the Management Board regarding realisation of investments approved in the Company Budget for 2012, the Supervisory Board reviewed materials prepared by KGHM International called „Value Creation Plan”.

#### **13. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 10 October 2012 in Warsaw**

The Supervisory Board reviewed a document prepared by Ernst&Young, at the request of the Supervisory Board, called „Analysis of the structure of the KGHM Polska Miedź S.A. Group” and the position of the Management Board of the Company with respect to this report. The Supervisory Board gave a positive opinion of directions of actions presented in the aforementioned documents and requested both of the presenting parties to continue their work, taking into account the conclusions reached during the discussion.

The Supervisory Board reviewed requests of the Management Board regarding assigning specific duties to the members of the Management Board.

The Supervisory Board decided to:

- introduce changes to the Bylaws of the Supervisory Board of KGHM Polska Miedź S.A. and to establish a uniform text for this document,
- express consent for the Vice President of the Management Board of KGHM Polska Miedź S.A. Adam Sawicki to engage in economic activities.

#### **14. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 29 October 2012 in Warsaw**

The Supervisory Board reviewed a proposal of the Management Board regarding an Adjusted Budget for 2012.

The Supervisory Board reviewed information from the Management Board regarding:

- the Company dividend policy,
- progress on realisation of investments approved in the Company Budget for 2012 and the report of the Management Board on monitoring of the schedule of realisation of the Sierra Gorda and KGHM Ajax Mining Inc. investments,
- the management model of KGHM International Ltd. taking into account responsibility for making key decisions and information on post-acquisition synergies,

On 19 – 20 November 2012, workshops were held for the Supervisory Board, with the participation of the Management Board of the Company and an advisor – McKinsey, dedicated to updating the Strategy of KGHM Polska Miedź S.A. and the Company dividend policy.

### **15. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 20 November 2012 in Warsaw**

The Supervisory Board reviewed the recommendation of the Remuneration Committee and took a decision regarding payment of an advance on variable remuneration for members of the Management Board for the third quarter of 2012.

The Supervisory Board reviewed the proposed changes to the Bylaws for the election by employees of a member of the Management Board of KGHM Polska Miedź S.A., and decided to initiate election procedures for the election by employees of a member of the Management Board of KGHM Polska Miedź S.A.

The Supervisory Board reviewed information from the Management Board regarding:

- progress on realisation of investments approved in the Company Budget for 2012 and the report of the Management Board on monitoring of the schedule of realisation of the Sierra Gorda and KGHM Ajax Mining Inc. investments.
- activities planned by the Management Board with respect to four of the Group companies: Zagłębie Lubin SA, NITROERG SA, WFP Hefra SA and „Miedziowe Centrum Zdrowia” SA.

The Supervisory Board discussed with the Management Board and with representatives of the advisor PwC the proposed bonus-setting indicators for the Management Board in 2013.

### **16. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 17 December 2012 in Warsaw**

The Supervisory Board reviewed information from the Remuneration Committee on the course of the last stage of work related to developing a new bonus system for the Management Board of KGHM Polska Miedź S.A. After reviewing the submitted material called „Bonus system for the Management Board KGHM Polska Miedź S.A.” and taking into account the recommendation of the Remuneration Committee, the Supervisory Board resolved to set collective and individual goals for the Management Board of KGHM Polska Miedź S.A. for the purpose of paying variable bonuses for 2013.

The Supervisory Board reviewed information from the Management Board regarding:

- progress on realisation of investments approved in the Company Budget for 2012 and the report of the Management Board on monitoring of the schedule of realisation of the Sierra Gorda and KGHM Ajax Mining Inc. investments,
- a supplementary report by E&Y regarding „Analysis of the structure of the KGHM Polska Miedź S.A. Group”,
- the schedule of activities with regard to companies of the KGHM Polska Miedź S.A. Group,
- the current status of the Sierra Gorda project, with the participation of management from KGHM International and representatives of the Company advisor McKinsey.

### **V. Resolutions adopted by the Supervisory Board of KGHM Polska Miedź S.A. in financial year 2012.**

<b>RESOLUTION NO.</b>	<b>REGARDING</b>	<b>DATE ADOPTED</b>
<b>1/VIII/12</b>	justification of the absence of Paweł Markowski	27.01.2012
<b>2/VIII/12</b>	expressing consent for the acquisition of shares in „Elektrownia Blachownia Nowa” sp. z o.o.	27.01.2012
<b>3/VIII/12</b>	expressing consent for the acquisition of shares in the increased share capital of „MCZ” S.A.	27.01.2012
<b>4/VIII/12</b>	expressing consent for the acquisition of shares in the increased share capital of „Energetyka” sp. z o.o.	27.01.2012
<b>5/VIII/12</b>	appointment of the KGHM Polska Miedź S.A. Supervisory Board Audit Committee and setting of its composition	31.01.2012, <i>written circulation procedure</i>
<b>6/VIII/12</b>	appointment of the KGHM Polska Miedź S.A. Supervisory Board Strategy Committee and setting of its composition	31.01.2012, <i>written circulation</i>

		<i>procedure</i>
<b>7/VIII/12</b>	appointment of the KGHM Polska Miedź S.A. Supervisory Board Remuneration Committee and setting of its composition	31.01.2012, <i>written circulation procedure</i>
<b>8/VIII/12</b>	authorisation for the Management Board KGHM Polska Miedź S.A. to enter into an agreement for ordering a law firm to conduct an audit of an agreement entered into by KGHM Polska Miedź S.A. with Quadra FNX Mining Ltd.	31.01.2012, <i>written circulation procedure</i>
<b>9/VIII/12</b>	scope and schedule of the execution for the Supervisory Board of KGHM Polska Miedź S.A. by an external law firm of a legal analysis of an agreement entered into by KGHM Polska Miedź S.A. with Quadra FNX Mining Ltd.	01.02.2012, <i>written circulation procedure</i>
<b>10/VIII/12</b>	selection of a Deputy Chairman of the Supervisory Board of KGHM Polska Miedź S.A.	13.02.2012
<b>11/VIII/12</b>	selection of a Secretary of the Supervisory Board of KGHM Polska Miedź S.A.	13.02.2012
<b>12/VIII/12</b>	approval of the Provisional Budget for 2012	13.02.2012
<b>13/VIII/12</b>	acquisition of shares in the increased share capital of Fermat 1 S.à r.l. with its registered head office in Luxembourg	15.02.2012, <i>written circulation procedure</i>
<b>14/VIII/12</b>	approval by the Supervisory Board of KGHM Polska Miedź S.A. of services and products rendered for KGHM Polska Miedź S.A. by A.T. Kearney Sp. z o.o.	24.02.2012, <i>written circulation procedure</i>
<b>15/VIII/12</b>	justification of the absence of a Member of the Supervisory Board of KGHM Polska Miedź S.A.	14.03.2012
<b>16/VIII/12</b>	appointment of members to a Committee of the Supervisory Board of KGHM Polska Miedź S.A. for the selection of members of the Management Board of KGHM Polska Miedź S.A. for the subsequent term.	23.03.2012, <i>written circulation procedure</i>
<b>17/VIII/12</b>	justification of the absence of a Member of the Supervisory Board of KGHM Polska Miedź S.A.	27.03.2012
<b>18/VIII/12</b>	justification of the absence of a Member of the Supervisory Board of KGHM Polska Miedź S.A.	27.03.2012
<b>19/VIII/12</b>	evaluation of the Financial Statements of KGHM Polska Miedź S.A. for financial year 2011.	27.03.2012
<b>20/VIII/12</b>	evaluation of the Report on the activities of KGHM Polska Miedź S.A. in financial year 2011.	27.03.2012
<b>21/VIII/12</b>	evaluation of the Consolidated financial statements of the KGHM Polska Miedź S.A. Group for financial year 2011.	27.03.2012
<b>22/VIII/12</b>	evaluation of the Report on the activities of the KGHM Polska Miedź S.A. Group in financial year 2011.	27.03.2012
<b>23/VIII/12</b>	sale of property of KGHM Polska Miedź S.A. to the company „Energetyka” sp. z o.o. in Lubin.	27.03.2012
<b>24/VIII/12</b>	acquisition of property by the Rudna Mining Division of KGHM Polska Miedź S.A. in Polkowice.	27.03.2012
<b>25/VIII/12</b>	approval of the Budget for 2012.	27.03.2012
<b>26/VIII/12</b>	approval of decisions necessary for further realisation of the Afton-Ajax project.	27.03.2012
<b>27/VIII/12</b>	delegation by the Supervisory Board of KGHM Polska Miedź S.A. of one of its members to convene and chair the first meeting of the Company Electoral Committee	28.03.2012, <i>written circulation procedure</i>
<b>28/VIII/12</b>	selection of professionals engaged in personnel consulting and designated to assist the Supervisory Board in selecting members of the Management Board of KGHM Polska Miedź S.A. for the subsequent term.	11.04.2012, <i>written circulation procedure</i>
<b>29/VIII/12</b>	approval of text of announcement of the competition for President of the Management Board and members of the Management Board of KGHM Polska Miedź S.A. appointed by the Supervisory Board of KGHM Polska Miedź S.A.	17.04.2012
<b>30/VIII/12</b>	approval and submission to the Ordinary General Meeting of the report on the evaluation of the report of the Management Board on the	17.04.2012

	activities of KGHM Polska Miedź S.A. in financial year 2011 and of the financial statements of KGHM Polska Miedź S.A. for financial year 2011.	
<b>31/VIII/12</b>	approval and submission to the Ordinary General Meeting of the report on the results of the evaluation of the report of the Management Board on the activities of the KGHM Polska Miedź S.A. Group in financial year 2011 and the results of the evaluation of the consolidated financial statements of KGHM Polska Miedź S.A. Group for financial year 2011.	17.04.2012
<b>32/VIII/12</b>	approval of the annual report on the activities of the Supervisory Board of KGHM Polska Miedź S.A. for financial year 2011.	17.04.2012
<b>33/VIII/12</b>	approval and submission to the Ordinary General Meeting of the brief assessment of the standing of KGHM Polska Miedź S.A. for financial year 2011.	17.04.2012
<b>34/VIII/12</b>	receipt of work performed for the Supervisory Board of KGHM Polska Miedź S.A. by the law firm Weil, Gotshal & Manges	17.04.2012
<b>35/VIII/12</b>	submission of a request to the Ordinary General Meeting on granting approval to the performance of duties of a member of the Management Board in financial year 2011.	17.04.2012
<b>36/VIII/12</b>	submission of a request to the Ordinary General Meeting on granting approval to the performance of duties of a member of the Management Board in financial year 2011.	17.04.2012
<b>37/VIII/12</b>	submission of a request to the Ordinary General Meeting on granting approval to the performance of duties of a member of the Management Board in financial year 2011.	17.04.2012
<b>38/VIII/12</b>	selection of the Deputy Chairman of the Supervisory Board of KGHM Polska Miedź S.A.	17.04.2012
<b>39/VIII/12</b>	selection of the Chairman of the Supervisory Board of KGHM Polska Miedź S.A.	21.05.2012
<b>40/VIII/12</b>	selection of the Deputy Chairman of the Supervisory Board of KGHM Polska Miedź S.A.	21.05.2012
<b>41/VIII/12</b>	selection of the Secretary of the Supervisory Board of KGHM Polska Miedź S.A.	21.05.2012
<b>42/VIII/12</b>	changes in the composition of the Supervisory Board Audit Committee of KGHM Polska Miedź S.A.	21.05.2012
<b>43/VIII/12</b>	changes in the composition of the Remuneration Committee of the Supervisory Board of KGHM Polska Miedź S.A.	21.05.2012
<b>44/VIII/12</b>	changes in the composition of the Strategy Committee of the Supervisory Board of KGHM Polska Miedź S.A.	21.05.2012
<b>45/VIII/12</b>	confirmation of the validity of the voting on a request to dismiss employee-elected Members of the Supervisory Board of KGHM Polska Miedź S.A.	21.05.2012
<b>46/VIII/12</b>	evaluation of the proposal of the Management Board of KGHM Polska Miedź S.A. directed to the Ordinary General Meeting of the Company regarding changes in the „Statutes of KGHM Polska Miedź Spółka Akcyjna with its registered head office in Lubin”.	21.05.2012
<b>47/VIII/12</b>	acceptance of the list of candidates for positions on the Management Board of KGHM Polska Miedź S.A.	31.05.2012
<b>48/VIII/12</b>	evaluation of the proposal of the Management Board of KGHM Polska Miedź S.A. regarding the appropriation of profit for financial year 2011	31.05.2012
<b>49/VIII/12</b>	evaluation of the proposal of the Management Board of KGHM Polska Miedź S.A. directed to the Ordinary General Meeting of KGHM Polska Miedź S.A. on setting a dividend date and dividend payment date for financial year 2011	31.05.2012
<b>50/VIII/12</b>	expressing consent for Members of the Management Board of KGHM Polska Miedź S.A. to sit on bodies of companies in which KGHM Polska Miedź S.A. owns shares directly or indirectly	31.05.2012
<b>51/VIII/12-01</b>	justification of the absence of a Member of the Supervisory Board of KGHM Polska Miedź S.A.	19.06.2012
<b>52/VIII/12-02</b>	approval of an advance on variable remuneration for Herbert Wirth, President of the Management Board of KGHM Polska Miedź S.A.	19.06.2012

<b>53/VIII/12-03</b>	approval of an advance on variable remuneration for Maciej Tybura, I Vice President of the Management Board of KGHM Polska Miedź S.A.	19.06.2012
<b>54/VIII/12-04</b>	approval of an advance on variable remuneration for Wojciech Kędzia, Vice President of the Management Board of KGHM Polska Miedź S.A.	19.06.2012
<b>55/VIII/12-05</b>	approval of an advance on variable remuneration for Herbert Wirth, President of the Management Board of KGHM Polska Miedź S.A.	19.06.2012
<b>56/VIII/12-06</b>	approval of an advance on variable remuneration for Maciej Tybura, I Vice President of the Management Board of KGHM Polska Miedź S.A.	19.06.2012
<b>57/VIII/12-07</b>	approval of an advance on variable remuneration for Wojciech Kędzia, Vice President of the Management Board of KGHM Polska Miedź S.A.	19.06.2012
<b>51/VIII/12</b>	justification of the absence of a Member of the Supervisory Board of KGHM Polska Miedź S.A.	26.06.2012
<b>52/VIII/12</b>	setting of the number of members of the 8 <sup>th</sup> -term Management Board of KGHM Polska Miedź S.A.	27.06.2012
<b>53/VIII/12</b>	appointment of the President of the 8 <sup>th</sup> -term Management Board of KGHM Polska Miedź S.A.	27.06.2012
<b>54/VIII/12</b>	appointment of a Member of the 8 <sup>th</sup> -term Management Board KGHM Polska Miedź S.A.	27.06.2012
<b>55/VIII/12</b>	appointment of a Member of the 8 <sup>th</sup> -term Management Board KGHM Polska Miedź S.A.	27.06.2012
<b>56/VIII/12</b>	appointment of a Member of the 8 <sup>th</sup> -term Management Board KGHM Polska Miedź S.A.	27.06.2012
<b>57/VIII/12</b>	appointment of a Member of the 8 <sup>th</sup> -term Management Board KGHM Polska Miedź S.A.	27.06.2012
<b>58/VIII/12</b>	changes to the „Regulations for the election and dismissal of members of the Supervisory Board of KGHM Polska Miedź S.A. elected by the employees of the Company”	18.07.2012, <i>written circulation procedure</i>
<b>59/VIII/12</b>	the ordering of supplementary elections of members of the Supervisory Board elected by employees	19.07.2012, <i>written circulation procedure</i>
<b>60/VIII/12</b>	authorisation for the Remuneration Committee of the Supervisory Board to reach agreement with the Management Board of the Company and to submit to the Supervisory Board draft employment contracts and draft contracts forbidding competitive activities	19.07.2012, <i>written circulation procedure</i>
<b>61/VIII/12</b>	justification of the absence of a Member of the Supervisory Board of KGHM Polska Miedź S.A.	25.07.2012
<b>62/VIII/12</b>	setting of the uniform text of the Statutes of KGHM Polska Miedź Spółka Akcyjna with its registered head office in Lubin	25.07.2012
<b>63/VIII/12</b>	appointment of a member of the Management Board of KGHM Polska Miedź S.A. with the function I Vice President of the Management Board of KGHM Polska Miedź S.A.	25.07.2012
<b>64/VIII/12</b>	signing of an employment contract with Herbert Wirth, President of the Management Board of KGHM Polska Miedź S.A.	25.07.2012
<b>65/VIII/12</b>	signing of an employment contract with Włodzimierz Kiciński, Member of the Management Board of KGHM Polska Miedź S.A.	25.07.2012
<b>66/VIII/12</b>	signing of an employment contract with Wojciech Kędzia, Member of the Management Board of KGHM Polska Miedź S.A.	25.07.2012
<b>67/VIII/12</b>	signing of an employment contract with Dorota Włoch, Member of the Management Board of KGHM Polska Miedź S.A.	25.07.2012
<b>68/VIII/12</b>	acquisition of property by the Tailings Division in Rudna of KGHM Polska Miedź S.A.	25.07.2012
<b>69/VIII/12</b>	signing of an employment contract with Adam Sawicki, Member of the Management Board of KGHM Polska Miedź S.A.	26.07.2012
<b>70/VIII/12</b>	signing of contracts forbidding competitive activities during and after the period of employment with Herbert Wirth, President of the Management Board of KGHM Polska Miedź S.A.	26.07.2012
<b>71/VIII/12</b>	signing of contracts forbidding competitive activities during and after the	26.07.2012

	period of employment with Włodzimierz Kiciński, I Vice President of the Management Board of KGHM Polska Miedź S.A.	
<b>72/VIII/12</b>	signing of contracts forbidding competitive activities during and after the period of employment with Wojciech Kędzia, Member of the Management Board of KGHM Polska Miedź S.A.	26.07.2012
<b>73/VIII/12</b>	signing of contracts forbidding competitive activities during and after the period of employment with Dorota Włoch, Member of the Management Board of KGHM Polska Miedź S.A.	26.07.2012
<b>74/VIII/12</b>	signing of contracts forbidding competitive activities during and after the period of employment with Adam Sawicki, Member of the Management Board of KGHM Polska Miedź S.A.	26.07.2012
<b>75/VIII/12</b>	presentation by the Management Board of KGHM Polska Miedź S.A. of additional materials and explanations	26.07.2012
<b>76/VIII/12</b>	delegation by the Supervisory Board of KGHM Polska Miedź S.A. of one of its members to convene and chair the first meeting of the Company Electoral Committee	09.08.2012, <i>written circulation procedure</i>
<b>77/VIII/12</b>	justification of the absence of a Member of the Supervisory Board of KGHM Polska Miedź S.A.	03.09.2012
<b>78/VIII/12</b>	justification of the absence of a Member of the Supervisory Board of KGHM Polska Miedź S.A.	03.09.2012
<b>79/VIII/12</b>	changes to Resolution No. 50/VII/2011 of the Supervisory Board of KGHM Polska Miedź S.A. dated 31 May 2012 regarding: expressing consent for Members of the Management Board of KGHM Polska Miedź S.A. to sit on bodies of companies in which KGHM Polska Miedź S.A. owns shares directly or indirectly	03.09.2012
<b>80/VIII/12</b>	expressing consent for Vice President of the Management Board of KGHM Polska Miedź S.A. Włodzimierz Kiciński to serve as a member of the supervisory boards of certain other entities	03.09.2012
<b>81/VIII/12</b>	expressing consent for Vice President of the Management Board of KGHM Polska Miedź S.A. Adam Sawicki to serve as a member of the supervisory board of NetPress Digital Sp. z o.o.	03.09.2012
<b>82/VIII/12</b>	setting the amount of variable remuneration for Herbert Wirth, President of the Management Board of KGHM Polska Miedź S.A., for the year 2011	03.09.2012
<b>83/VIII/12</b>	setting the amount of variable remuneration for Maciej Tybura, I Vice President of the 7th-term Management Board of KGHM Polska Miedź S.A., for the year 2011	03.09.2012
<b>84/VIII/12</b>	setting the amount of variable remuneration for Wojciech Kędzia, Vice President of the Management Board of KGHM Polska Miedź S.A., for the year 2011	03.09.2012
<b>85/VIII/12</b>	approval of an advance on variable remuneration for Herbert Wirth, President of the Management Board of KGHM Polska Miedź S.A.	03.09.2012
<b>86/VIII/12</b>	approval of an advance on variable remuneration for Włodzimierz Kiciński, I Vice President of the Management Board of KGHM Polska Miedź S.A.	03.09.2012
<b>87/VIII/12</b>	approval of an advance on variable remuneration for Wojciech Kędzia, Vice President of the Management Board of KGHM Polska Miedź S.A.	03.09.2012
<b>88/VIII/12</b>	approval of an advance on variable remuneration for Dorota Włoch, Vice President of the Management Board of KGHM Polska Miedź S.A.	03.09.2012
<b>89/VIII/12</b>	approval of an advance on variable remuneration for Maciej Tybura, I Vice President of the Management Board of KGHM Polska Miedź S.A.	03.09.2012
<b>90/VIII/12</b>	selection of an advisor to the Supervisory Board of KGHM Polska Miedź S.A. to conduct an analysis of the structure of the KGHM Polska Miedź S.A. Group	13.09.2012, <i>written circulation procedure</i>
<b>91/VIII/12</b>	confirmation of the validity of supplementary elections for members of the 8th-term Supervisory Board of KGHM Polska Miedź S.A. elected by employees of the Company, held on 5-6 September 2012.	13.09.2012, <i>written circulation procedure</i>
<b>92/VIII/12</b>	sale of property of the Głogów Smelter Division of KGHM Polska Miedź S.A. in Głogów	01.10.2012

<b>93/VIII/12</b>	signing of an agreement with Włodzimierz Kiciński, I Vice President of the Management Board of KGHM Polska Miedź S.A., granting him the use of local housing free-of-charge	01.10.2012
<b>94/VIII/12</b>	signing of an agreement with Adam Sawicki, Vice President of the Management Board of KGHM Polska Miedź S.A., granting him the use of a company car	01.10.2012
<b>95/VIII/12</b>	changes in the composition of the Audit Committee of the Supervisory Board of KGHM Polska Miedź S.A.	01.10.2012
<b>96/VIII/12</b>	changes in the composition of the Strategy Committee of the Supervisory Board of KGHM Polska Miedź S.A.	01.10.2012
<b>97/VIII/12</b>	changes in the composition of the Remuneration Committee of the Supervisory Board of KGHM Polska Miedź S.A.	01.10.2012
<b>98/VIII/12</b>	assigning of the specific scope of duties of Herbert Wirth, President of the Management Board of KGHM Polska Miedź S.A.	01.10.2012
<b>99/VIII/12</b>	assigning of the specific scope of duties of Włodzimierz Kiciński, I Vice President of the Management Board (Finance) of KGHM Polska Miedź S.A.	01.10.2012
<b>100/VIII/12</b>	assigning of the specific scope of duties of Wojciech Kędzia, Vice President of the Management Board (Production) of KGHM Polska Miedź S.A.	01.10.2012
<b>101/VIII/12</b>	assigning of the specific scope of duties of Dorota Włoch, Vice President of the Management Board (Development) of KGHM Polska Miedź S.A.	01.10.2012
<b>102/VIII/12</b>	assigning of the specific scope of duties of Adam Sawicki, Vice President of the Management Board (Corporate Affairs) of KGHM Polska Miedź S.A.	01.10.2012
<b>103/VIII/12</b>	changes to the Bylaws of the Supervisory Board of KGHM Polska Miedź S.A.	10.10.2012
<b>104/VIII/12</b>	expressing consent for the Vice President of the Management Board of KGHM Polska Miedź S.A. Adam Sawicki to engage in economic activities	10.10.2012
<b>105/VIII/12</b>	approval of the Adjusted Budget for 2012	29.10.2012
<b>106/VIII/12</b>	justification of the absence of a Member of the Supervisory Board of KGHM Polska Miedź S.A.	29.10.2012
<b>107/VIII/12</b>	approval of an advance on variable remuneration for Herbert Wirth, President of the Management Board of KGHM Polska Miedź S.A.	20.11.2012
<b>108/VIII/12</b>	approval of an advance on variable remuneration for Włodzimierz Kiciński, I Vice President of the Management Board of KGHM Polska Miedź S.A.	20.11.2012
<b>109/VIII/12</b>	approval of an advance on variable remuneration for Wojciech Kędzia, Vice President of the Management Board of KGHM Polska Miedź S.A.	20.11.2012
<b>110/VIII/12</b>	approval of an advance on variable remuneration for Adam Sawicki, Vice President of the Management Board of KGHM Polska Miedź S.A.	20.11.2012
<b>111/VIII/12</b>	approval of an advance on variable remuneration for Dorota Włoch, Vice President of the Management Board of KGHM Polska Miedź S.A.	20.11.2012
<b>112/VIII/12</b>	expressing consent for the signing by Herbert Wirth, President of the Management Board of KGHM Polska Miedź S.A. of an employment contract with Wrocław University of Technology	20.11.2012
<b>113/VIII/12</b>	changes in the Regulations for the election by employees of a member of the Management Board of KGHM Polska Miedź S.A.	20.11.2012
<b>114/VIII/12</b>	ordering of elections by employees of a member of the Management Board of KGHM Polska Miedź S.A.	20.11.2012
<b>115/VIII/12</b>	ordering of supplementary elections of members of the Supervisory Board of KGHM Polska Miedź S.A. elected by employees	11.12.2012, written circulation procedure
<b>116/VIII/12</b>	setting of collective and individual goals for the Management Board of KGHM Polska Miedź S.A. for the purpose of paying variable bonuses for 2013	17.12.2012



<b>117/VIII/12</b>	acquisition of property by the Tailings Division in Rudna of KGHM Polska Miedź S.A.	18.12.2012, <i>written circulation procedure</i>
<b>118/VIII/12</b>	signing of an agreement for the granting of local housing free-of-charge	21.12.2012, <i>written circulation procedure</i>
<b>119/VIII/12</b>	assigning of the specific scope of duties of Herbert Wirth, President of the Management Board of KGHM Polska Miedź S.A.	21.12.2012, <i>written circulation procedure</i>

## **VI. Committees of the Supervisory Board of KGHM Polska Miedź S.A.**

Under the auspices of the Supervisory Board are the Audit Committee, the Remuneration Committee and the Strategy Committee.

These committees assist the Supervisory Board with respect to preparing evaluations and opinions and the taking of other actions aimed at decision-making by the Supervisory Board.

**The Audit Committee** is responsible for supervision in the areas of financial reporting, the internal control system, risk management and internal and external audits.

**The Remuneration Committee** is responsible for supervising the realisation of contracts signed with the Management Board, the remuneration system and benefits in the Company and Group, training and other benefits provided by the Company, as well as audits performed by the Supervisory Board in this regard.

**The Strategy Committee** supervises the realisation of Company strategy, the Company's annual and multi-year operating plans, supervising the coherence of these documents, and also provides its opinion to the Supervisory Board on the strategic projects presented by the Management Board of the Company and any changes thereto, as well as on the Company's annual and multi-year operating plans.

The rights, scope of activities and procedures of operation of these Committees are described by regulations approved by the Supervisory Board.

The reports on the activities of the above-mentioned Committees represent appendices to this report on the activities of the Supervisory Board of KGHM Polska Miedź S.A. for financial year 2012.

## **VII. Conclusion**

This report describes the main directions of the activities of the Supervisory Board in financial year 2012. All of the members of the Supervisory Board properly performed their duties on the Supervisory Board, applying their knowledge and experience in the operation and supervision of commercial law companies.

In submitting this report, the Supervisory Board requests that its members be acknowledged as having properly performed their duties in financial year 2012.

**Report on the activities of the Audit Committee  
of the Supervisory Board of KGHM Polska Miedź S.A. in 2012**

**I. Functioning of the Audit Committee.**

During the reporting period the Audit Committee acted on the basis of § 7 point 3 of the Bylaws of the Supervisory Board, as well as the Bylaws of the Audit Committee approved by resolution of the Supervisory Board, in which the tasks of the Committee were set forth.

In accordance with the Bylaws of the Supervisory Board, the tasks of the Audit Committee are as follows:

- 1) supervision on behalf of the Supervisory Board of the process of financial reporting in the Company, including the process of reporting to the Supervisory Board,
- 2) analysis and/or assessment of the accounting principles adopted by the Company,
- 3) review of the transactions conducted by the Company with related parties and unusual transactions,
- 4) analysis and monitoring of the conclusions resulting from the control of the risk management processes,
- 5) execution of the process of selection of independent auditors to audit the financial statements of the Company in order to recommend the choice made to the Supervisory Board, and participation in the business negotiations before the conclusion of the agreement with the auditor by the Company,
- 6) on-going cooperation with the independent auditor of the Company during the audit, performance of analysis and the drawing of conclusions from the audit and opinion of the auditor regarding the financial statements, auditor's letter to the Management Board and/or the Supervisory Board, and the preparation of draft reports and assessments required under the regulations by the Company's authorities or other official institutions,
- 7) issuing an opinion on the Company's internal audit plan and on the rules of the internal audit, and on any changes in the position of the internal audit director,
- 8) analysis of the conclusions and recommendations of the Company's internal audit including the monitoring of the degree of implementation of recommendations by the Company's Management Board,
- 9) monitoring of the rules applied in the Company in the areas of accounting, finances and hedging against the business and financial risks and the risk of exposing the Company to major loss.

The Act dated 7 May 2009 on certified auditors and their self-governing body, entities entitled to audit financial statements and on public supervision, required public companies to appoint Supervisory Board Audit Committees and listed tasks which should be in particular the responsibility of such Committees:

- monitoring of the financial reporting process,
- monitoring of the effectiveness of internal control systems, internal auditing and risk management,
- monitoring of the execution of financial review,
- monitoring of the independence of the certified auditor and of the entity entitled to audit financial statements.

The law in addition calls for Audit Committees to include at least 3 members, of which at least one member should meet the criteria for independence and hold qualifications in the areas of accounting or financial review.

The Members of the Audit Committee select from amongst their number a Chairman, who directs their work and supervises its conduct. The Chairman may invite non-Committee Members of the Supervisory Board, Members of the Management Board and employees of the Company and other persons cooperating with the Company, to participate at meetings of the Committee.

## II. Composition of the Audit Committee

In the year 2012, the following Members of the Supervisory Board served on the Audit Committee of KGHM Polska Miedź S.A.:

<b>First, last name</b>	<b>period function served in 2012</b>
Marek Panfil – Chairman of the Committee	01.01.2012 – 25.04.2012
Marcin Dyl	01.01.2012 – 19.01.2012
Marzenna Weresa	01.01.2012 – 19.01.2012
Lech Jaroń	31.01.2012 – 28.06.2012
Mariusz Kolwas	31.01.2012 – 24.04.2012
Krzysztof Kaczmarczyk	31.01.2012 – 31.12.2012
Chairman of the Committee	from 29.05.2012
Robert Oliwa	31.01.2012 – 03.09.2012
Paweł Białek	21.05.2012 – 31.12.2012
Krzysztof Opawski	01.10.2012 – 31.12.2012

The composition of the Audit Committee meets the requirements of the Act dated 7 May 2009 on certified auditors and their self-governing body, entities entitled to audit financial statements and on public supervision.

## III. Activities of the Audit Committee.

In financial year 2012, the Audit Committee held six meetings.

### **Meeting of 17 January 2012 in Warsaw**

The Audit Committee met with representatives of PwC, the Company's auditor, and with the Director of the Audit Department of KGHM Polska Miedź S.A.

During the meeting with the external Auditor, amongst the matters discussed were current affairs in which the Supervisory Board was involved, questions related to the potential acquisition of Quadra FNX, questions involving the divestment of the telecom assets and the process of auditing the Company's financial statements.

The meeting with the Director of the Audit Department was dedicated to a discussion of the Integrated Audit Plan of KGHM Polska Miedź S.A. for 2012.

The Audit Committee gave a positive opinion of the aforementioned Audit Plan, indicating, in the context of the planned investments, the need to strengthen the number and competence of the Audit Department in the Head Office of KGHM Polska Miedź S.A.

### **Meeting of 9 March 2012 in Warsaw**

The Audit Committee met with representatives of PwC, the Company's auditor, and with the Director of the Audit Department of KGHM Polska Miedź S.A.

During the meeting, with participation by the external Auditor, the statutory duties of the Audit Committee were discussed. The Audit Committee, taking into consideration the acquisition of Quadra FNX, indicated the need to discuss changes in the hedging policy at the upcoming meetings of the Committee.

The Auditors summarized their activities with respect to the auditing of the Company's financial statements for 2011 and submitted their conclusions from the audit of the financial statements. The Director of the Audit Department presented the Committee with the bases of the activities of the Audit Department, the goals of auditing in the Company and the results of its activities for the years 2007 – 2011.

#### **Meeting of 2 April 2012 in Warsaw**

The meeting of the Committee was dedicated to a discussion of the draft documents for the Ordinary General Meeting of the Company: the reports of the Supervisory Board on the evaluation of the financial statements (separate and consolidated) of the Company and the Brief assessment of the standing of the Company.

The Committee decided to recommend acceptance by the Supervisory Board of the aforementioned documents.

#### **Meeting of 29 May 2012 in Warsaw**

The Committee selected a Chairman of the Supervisory Board's Audit Committee.

The role and tasks of the Committee in the near term were discussed.

The discussion made reference to the document „Risk management in the KGHM Polska Miedź S.A. Group”, prepared by the Company Auditor.

#### **Meeting of 23 August 2012 in Warsaw**

The Audit Committee met with representatives of PwC, the Company's auditor.

The meeting was dedicated to a discussion of the report on the realisation of the Audit Plan of KGHM Polska Miedź S.A. for the first half of 2012. As a result of this discussion it was determined that it was necessary to perform an analysis of the functioning of internal auditing in KGHM – diagnoses, concrete recommendations and a schedule for their implementation.

Also discussed were the results of the review of the Company's financial statements for the first six months of 2012. It was determined, among others, that for the purpose of auditing the financial statements for 2012 the Auditor would conduct an audit with respect to the tax-related aspects of the acquisition of Quadra FNX.

#### **Meeting of 6 December 2012 in Warsaw**

The Audit Committee met with representatives of PwC, the Company's auditor, and with the Director of the Tax Department.

The Audit Committee reviewed the analysis performed by PwC on certain tax questions which arose during the process of acquisition of Quadra FNX, including a presentation by PwC of its review of one of the tax documents as requested by the Audit Committee.

The offer for consulting services with respect to assessment of the Internal Audit function in KGHM Polska Miedź S.A. was discussed. Also discussed were questions related to the current work of the Company's Supervisory Board and to the auditing of the Company's financial statements for 2012.

## **Report on the activities of the Remuneration Committee of the Supervisory Board of KGHM Polska Miedź S.A. in 2012**

### **IV. Functioning of the Remuneration Committee.**

During the reporting period the Remuneration Committee acted on the basis of § 7 point 5 of the Bylaws of the Supervisory Board, as well as the Bylaws of the Remuneration Committee approved by resolution of the Supervisory Board, in which the duties of the Committee were set forth.

In accordance with the Bylaws of the Supervisory Board the tasks of the Remuneration Committee are as follows:

- 1) management of the affairs associated with the recruitment and employment of the management board members by preparing and arranging the draft documents and processes to be submitted for the acceptance of the Supervisory Board,
- 2) preparation of the draft agreements and other model documents in relation to the establishment of an employment relationship with the management board members and supervision of the execution of contractual obligations of the parties,
- 3) supervision of the execution of the management board remuneration system, specifically preparation of the settlement documents in the area of variable elements and bonus-based remuneration in order to submit the recommendations to the Supervisory Board,
- 4) monitoring and periodic analyses of the remuneration system of senior management of the Company and, if necessary, the preparation of recommendations for the Supervisory Board,
- 5) supervision of the proper execution of additional benefits for the Management Board resulting from employment contracts, such as insurance, cars, apartments, etc.

The Members of the Remuneration Committee select from amongst their number a Chairman, who directs their work and supervises its conduct. The Chairman may invite non-Committee Members of the Supervisory Board, Members of the Management Board and employees of the Company and other persons cooperating with the Company, to participate at meetings of the Committee.

### **V. Composition of the Remuneration Committee**

The following Members of the Supervisory Board served on the Remuneration Committee of KGHM Polska Miedź S.A. in 2012:

<b>First, last name</b>	<b>period when function served in 2012</b>
Franciszek Adamczyk	01.01.2012 – 19.01.2012
Arkadiusz Kawecki	01.01.2012 – 19.01.2012
Jacek Kuciński	01.01.2012 – 25.04.2012
Maciej Łaganowski	01.01.2012 – 28.06.2012
Paweł Markowski	01.01.2012 – 28.06.2012
Paweł Białek	21.05.2012 – 31.12.2012
Dariusz Krawczyk	21.05.2012 – 31.12.2012
Robert Oliwa	21.05.2012 – 03.09.2012
Ireneusz Piecuch	01.10.2012 – 31.12.2012

## **VI. Activities of the Remuneration Committee.**

During the reporting period the Remuneration Committee held a number of meetings, which resulted, amongst others, in the development by the Committee and the adoption by the Supervisory Board of KGHM of new employment contracts with the Management Board of KGHM Polska Miedź S.A. and confirmation for the members of the Management Board of KGHM Polska Miedź S.A. of collective and individual goals with respect to the payment of variable remuneration for 2013.

### **Meeting of 31 May 2012 in Warsaw**

The members of the Committee selected Paweł Białek as Chairman.

The meeting was dedicated to a discussion of the plan of activities, aimed at developing recommendations by the Committee for the Supervisory Board with respect to:

1. adoption by the Supervisory Board of new bonus-based remuneration principles for the Management Board,
2. requests by the Management Board with respect to the payment of advances on variable remuneration for the Management Board for the fourth quarter of 2011 and the first quarter of 2012.

### **Meeting of 5 June 2012 in Warsaw**

The meeting was dedicated to a discussion, as a result of which the Members of the Committee approved recommendations for the Supervisory Board with respect to the payment of variable remuneration for the members of the Management Board for the fourth quarter of 2011 and the first quarter of 2012.

It was also determined that there is an urgent need to implement new remuneration principles for the Management Board, and work was planned in this regard.

### **Meeting in July 2012 in Warsaw**

The meeting was dedicated to the development of new model contracts for the members of the Management Board of the Company: employment contracts, contracts on forbidding competition and contracts on forbidding competition following the period of employment.

### **Meeting of 13 September 2012 in Warsaw**

The purpose of the meeting was to recall and discuss the main assumptions developed in 2011 by a team of PwC for the bonus system for the Management Board of KGHM, as well as to determine the direction and schedule of activities aimed at the adoption by the Supervisory Board of new bonus principles for the members of the Management Board to come into force from 1 January 2013.

### **Meeting of 6 November 2012 in Warsaw**

The meeting was dedicated to the development of recommendations for the Supervisory Board of KGHM Polska Miedź S.A. regarding the payment of advances on variable remuneration to the members of the Management Board for the third quarter of 2012.

The Remuneration Committee also requested the preparation of information on the subject of the remuneration system in KGHM International for the Management Board of that company and for staff directly reporting to the Management Board.

### **Meeting of 6 December 2012 in Warsaw**

The meeting was dedicated to the final stage of work on the new bonus principles for the Management Board. The Committee adopted and decided to recommend the adoption by the Supervisory Board of KGHM Polska Miedź S.A. of the „Bonus system for the Management Board of KGHM Polska Miedź S.A.”.

## Report on the activities of the Strategy Committee of the Supervisory Board of KGHM Polska Miedź S.A. in 2012

### VII. Functioning of the Strategy Committee

In accordance with the Bylaws of the Supervisory Board the tasks of the Strategy Committee are as follows:

- 1) execution on behalf of the Company's Supervisory Board of the tasks in the area of supervision of the issues associated with the Company's strategy and annual and long-term operating plans of the Company,
- 2) monitoring the execution of the Company's strategy by the Management Board and issuing opinions on the degree to which the existing strategy is able to deal with changes in the actual situation,
- 3) monitoring the execution of annual and long-term operating plans of the Company by the Management Board, and assessment of whether these plans need to be modified,
- 4) assessment of the consistency of the annual and long-term operating plans of the Company with the Company's strategy executed by the Management Board, and the presentation of any proposed changes in all such Company documents,
- 5) submission to the Company's Supervisory Board of its opinions regarding the draft strategies of the Company and any changes thereto and annual and long-term operating plans of the Company, presented by the Company's Management Board,

### VIII. Composition of the Strategy Committee

The following Members of the Supervisory Board served on the Strategy Committee of KGHM Polska Miedź S.A. in 2012:

<i>First, last name</i>	<i>period when function served in 2012</i>
Franciszek Adamczyk	01.01.2012 – 19.01.2012
Jacek Kuciński	01.01.2012 – 25.04.2012
Jan Rymarczyk	01.01.2012 – 19.01.2012
Krzysztof Kaczmarczyk	31.01.2012 – 31.12.2012
Aleksandra Magaczewska	31.01.2012 – 31.12.2012
Jacek Poświęta	31.01.2012 – 31.12.2012
Paweł Białek	21.05.2012 – 31.12.2012
Ireneusz Piecuch	21.05.2012 – 31.12.2012
Dariusz Krawczyk	01.10.2012 – 31.12.2012
Krzysztof Opawski	01.10.2012 – 31.12.2012

### IX. Activities of the Strategy Committee

During the reporting period the Strategy Committee acted on the basis of § 7 point 7 of the Bylaws of the Supervisory Board, as well as the Bylaws of the Strategy Committee approved by resolution of the Supervisory Board, in which the tasks of the Committee were set forth.

A permanent area of activities of the Strategy Committee were questions related to supervision of matters related to Company strategy and to the annual and multi-year operating plans of the Company.

In 2012, the Strategy Committee held three meetings:

#### **Meeting of 20 August 2012 in Warsaw**

The meeting was held with the participation of the Vice President of the Management Board for Development, an employee of the Market Risk Unit and a representative of a Company advisor, the company McKinsey.

The meeting was dedicated to a discussion of the following:

- information from the Management Board on the state of integration with KGHM International Ltd.,
- a report of the Management Board on the realisation of the Sierra Gorda and Afton Ajax investments.

The discussion was dominated by issues involving the Sierra Gorda project, in particular management of the project, supervision of its realisation, responsibility for key decisions and monitoring of realisation of the project schedule.

The Committee requested the preparation of supplementary materials in the aforementioned questions.

#### **Meeting of 3 September 2012 in Warsaw**

The meeting was held with the participation of the President of the Management Board and the Vice President of the Management Board for Development.

The meeting was dedicated to a discussion of information from the Management Board on work involving an update of the Company Strategy.

A proposal of the Management Board was adopted on the organisation of strategic workshops for the Supervisory Board, with the participation of a Company advisor, the company McKinsey.

The Management Board was requested to engage in cooperation and discussions with regard to analyses initiated by the Supervisory Board on the following:

- the structure of the KGHM Polska Miedź S.A. Group,
- the operating costs of the KGHM Group with a description of the plan of activities, aimed at containing costs and improving efficiency.

#### **Meeting of 15 October 2012 in Warsaw**

The meeting was held with the participation of the Vice President of the Management Board for Development and the Director of the Department of Controlling and Economic Analysis.

The meeting was dedicated to a discussion of documents prepared by the Management Board at the request of the Committee:

- Analysis of the operating costs of the KGHM Group including planned and realised investment projects with a description of the plan of activities, aimed at containing costs and improving efficiency,
- Information on the subject of the policy of the coordination, support and integration of KGHM International Ltd.

The Strategy Committee decided the aforementioned documents were insufficient, and requested that they be resubmitted.

#### **IV. Conclusions for the Supervisory Board of KGHM Polska Miedź S.A.**

Summarising its activities in financial year 2012, the Strategy Committee requests that the Supervisory Board, with respect to:

- KGHM International: continuously monitor the activities and integration of KGHM International Ltd. with KGHM Polska Miedź S.A., and in particular realisation of the Sierra Gorda and Victoria projects;
- the Strategy of KGHM Polska Miedź S.A.: continue work on developing the long term directions of Company development, which will be reflected in the Strategy of KGHM Polska Miedź S.A.;



- the KGHM Polska Miedź S.A. Group: develop final decisions regarding Group subsidiaries and monitor the process initiated by the Management Board.