

Report on the Activities of the Supervisory Board of KGHM Polska Miedź S.A. for financial year 2016

*(Approved by Resolution No. 19/IX/17 of the Supervisory Board of KGHM Polska Miedź S.A.
dated 11 May 2017)*



This report contains:

- I Principles and procedures of operations of the Supervisory Board of KGHM Polska Miedź S.A.
- II Information on the composition of the Supervisory Board of KGHM Polska Miedź S.A. in 2016, on Supervisory Board functions served by its members and on meeting independence criteria by the members of the Supervisory Board.
- III Information on the major subjects discussed by the Supervisory Board of KGHM Polska Miedź S.A. in financial year 2016.
- IV Reports by the Committees of the Supervisory Board of KGHM Polska Miedź S.A.
- V Self-evaluation by the Supervisory Board.
- VI Evaluation of the manner in which the Company met its informational obligations as regards the application of corporate governance principles, as set forth in Warsaw Stock Exchange Rules and in regulations regarding current and periodic information published by the issuers of securities.
- VII Evaluation of the rationale of the sponsoring and charitable activities carried out by the Company.

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 GPW Listed Companies.

The Supervisory Board continuously supervises the activities of the Company and carries out 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 Supervisory Board meetings, through voting in writing, by delegating its members to work in the Committees, and also by delegating its members to independently carry out supervisory activities by delegating the temporary performance of the duties of a member of the Management Board.

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

Composition of the **9th-term** Supervisory Board (the 9th-term Supervisory Board commenced on 23 June 2014)

- from 1 January 2016 to 18 January 2016 the composition was as follows:

first, last name	function	period when function served in 2016
Marcin Moryń	Chairman	01.01.2016 – 18.01.2016
Tomasz Cyran	Deputy Chairman	01.01.2016 – 18.01.2016
Bogusław Fiedor	Member of the Supervisory Board	01.01.2016 – 18.01.2016
Andrzej Kidyba	Member of the Supervisory Board	01.01.2016 – 18.01.2016
Jacek Poświęta	Member of the Supervisory Board	01.01.2016 – 18.01.2016
Barbara Wertelecka-Kwater	Member of the Supervisory Board	01.01.2016 – 18.01.2016
<i>Members of the Supervisory Board elected by the Company's employees</i>		
Józef Czyczerski	Member of the Supervisory Board	01.01.2016 – 31.12.2016
Leszek Hajdacki	Member of the Supervisory Board	01.01.2016 – 31.12.2016
Bogusław Szarek	Secretary of the Supervisory Board	01.01.2016 – 31.12.2016

In accordance with declarations submitted by members of the Supervisory Board, 4 of the Board's members – Tomasz Cyran, Bogusław Fiedor, Andrzej Kidyba and Jacek Poświata – met the criteria for independence.

On 18 January 2017, the Extraordinary General Meeting of KGHM Polska Miedź S.A. made changes to the composition of the Supervisory Board.

On 5 September 2016, due to the submission by Radosław Barszcz of his resignation from the function of Deputy Chairman, the Supervisory Board selected Michał Czarnik as Deputy Chairman of the Supervisory Board.

On 6 December 2016, Miłosz Stanisławski submitted his resignation from the function of member of the Supervisory Board.

- from 18 January 2016 to 7 December 2016 the composition was as follows:

first, last name	function	period when function served in 2016
Dominik Hunek	Member of the Supervisory Board Chairman Supervisory Board	18.01.2016 – 03.02.2016 03.02.2016 – 31.12.2016
Radosław Barszcz	Member of the Supervisory Board Deputy Chairman Member of the Supervisory Board	18.01.2016 – 03.02.2016 03.02.2016 – 05.09.2016 05.09.2016 – 07.12.2016
Michał Czarnik	Member of the Supervisory Board Deputy Chairman	18.01.2016 – 05.09.2016 05.09.2016 – 31.12.2016
Cezary Godziuk	Member of the Supervisory Board	18.01.2016 – 07.12.2016
Miłosz Stanisławski	Member of the Supervisory Board	18.01.2016 – 06.12.2016
Jarosław Witkowski	Member of the Supervisory Board	18.01.2016 – 31.12.2016
<i>Members of the Supervisory Board elected by the Company's employees</i>		
Józef Czczercki	Member of the Supervisory Board	01.01.2016 – 31.12.2016
Leszek Hajdacki	Member of the Supervisory Board	01.01.2016 – 31.12.2016
Bogusław Szarek	Secretary of the Supervisory Board	01.01.2016 – 31.12.2016

Dominik Hunek, Michał Czarnik, Cezary Godziuk and Jarosław Witkowski submitted declarations on meeting the criteria for independence, as described in II.Z.4 of „Best Practice for GPW Listed Companies”.

On 7 December 2017, the Extraordinary General Meeting KGHM Polska Miedź S.A. made changes to the composition of the Supervisory Board.

- from 7 December 2016 to 31 December 2016 the composition was as follows:

first, last name	function	period when function served in 2016
Dominik Hunek	Member of the Supervisory Board Chairman Supervisory Board	18.01.2016 – 03.02.2016 03.02.2016 – 31.12.2016
Michał Czarnik	Member of the Supervisory Board Deputy Chairman	18.01.2016 – 05.09.2016 05.09.2016 – 31.12.2016
Wojciech Myślecki	Member of the Supervisory Board	07.12.2016 – 31.12.2016
Marek Pietrzak	Member of the Supervisory Board	07.12.2016 – 31.12.2016
Agnieszka Winnik-Kalemba	Member of the Supervisory Board	07.12.2016 – 31.12.2016
Jarosław Witkowski	Member of the Supervisory Board	18.01.2016 – 31.12.2016
<i>Members of the Supervisory Board elected by the Company's employees</i>		
Józef Czyczerski	Member of the Supervisory Board	01.01.2016 – 31.12.2016
Leszek Hajdacki	Member of the Supervisory Board	01.01.2016 – 31.12.2016
Bogusław Szarek	Secretary of the Supervisory Board	01.01.2016 – 31.12.2016

In the period from 7 December 2016 to 31 December 2016, those members of the Supervisory Board who, in accordance with submitted declarations, met the criteria for independence as described in II.Z.4 of „Best Practice for GPW Listed Companies” were: Agnieszka Winnik-Kalemba, Dominik Hunek, Michał Czarnik, Wojciech Myślecki, Marek Pietrzak and Jarosław Witkowski.

III. Information on the major subjects discussed by the Supervisory Board of KGHM Polska Miedź S.A. in financial year 2016.

During the reporting period the Supervisory Board held 13 protocolled meetings and adopted 90 resolutions, including 13 in writing.

Attendance at the meetings was as follows:

- | | |
|---------------------------------|--|
| 1. 15 January 2016 | – all Supervisory Board members present |
| 2. 3 February 2016 | – all Supervisory Board members present |
| 3. 23 February 2016 | – all Supervisory Board members present |
| 4. 15 March 2016 | – absent: Bogusław Szarek, absence justified before the Supervisory Board |
| 5. 28 April 2016 | – all Supervisory Board members present |
| 6. 17-18 May 2016 | – all Supervisory Board members present |
| 7. 13 June 2016 | – absent: Leszek Hajdacki, absence justified before the Supervisory Board |
| 8. 10-11 August 2016 | – all Supervisory Board members present |
| 9. 5 September 2016 | – absent: Józef Czyczerski, absence justified before the Supervisory Board |
| 10. 29-30 September 2016 | – all Supervisory Board members present |
| 11. 28 October 2016 | – all Supervisory Board members present |
| 12. 8-9 November 2016 | – all Supervisory Board members present |
| 13. 21 December 2016 | – all Supervisory Board members present |

The quorum necessary for taking decisions was present at every meeting.

The activities of the Supervisory Board in 2015 were documented in the minutes of the meetings and in Supervisory Board resolutions representing appendices to the minutes. Resolutions adopted in writing are documented in separate protocols.

The Supervisory Board maintained on-going control over the Company's activities:

1. by monitoring the Company's current situation based on the financial results of the KGHM Group for individual months of 2016 and by reviewing Management Board resolutions, submitted at every meeting;

2. by monitoring, based on information submitted by the Management Board, the status of advancement of the Company's key investments.

On a cyclical basis, based on agreements between the Supervisory Board and the Management Board as well as based on the Company's adopted rules, the Supervisory Board reviewed the following reports and information from the Management Board:

- reports on donations granted, 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. The Supervisory Board also reviewed reports on expenditures incurred on inventions, research and implementation work,
- reports on the current composition of the management boards of companies of the KGHM Polska Miedź S.A. Group, and of the current composition of Executive Directors in the Divisions of the Company, and
- reports on corporate risk management in the KGHM Polska Miedź S.A. Group.

In order to improve communication between the Management Board and Supervisory Board, the practice was continued of providing information to the Management Board in the form of a letter to the Management Board, on all of the decisions taken by the Supervisory Board during the meeting.

Other major subjects discussed by the Supervisory Board of KGHM Polska Miedź S.A. in financial year 2016.

1. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 15 January 2016, in Lubin

The Supervisory Board reviewed information from the Management Board regarding:

- commencement of the procedure to select the Company's Auditor,
- the status of investments approved in the Company's Budget for 2015, including on the status of the Sierra Gorda mine and the Afton Ajax project,
- the financial results of KGHM Polska Miedź S.A. and KGHM International,
- the status of the Metallurgy Development Program and perspectives for the functioning of the Legnica Copper Smelter and Refinery,
- actions taken to neutralise the threat of hydrogen sulfide,
- expenditures on advisory, consulting and legal services as well as advertising, representation, sponsoring and donations, carried out by external entities for KGHM Polska Miedź S.A. and the Group for 2015,
- expenditures incurred by the Company in the years 2013–2015 on advertising in public and private media, sponsoring and on cultural, social and charitable activities.

2. On 15 January 2016 voting in written form regarding the purchase of real estate located in the vicinity of Krzydłowice, gmina Grębocice, by the Tailings Division of KGHM Polska Miedź S.A. in Rudna.

3. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 3 February 2016, in Lubin

Due to the changes in the composition of the Supervisory Board made by the Extraordinary General Meeting of KGHM Polska Miedź S.A. on 18 January in 2016, the Supervisory Board was formed: Dominik Hunek was selected as Chairman of the Supervisory Board and Radosław Barszcz was selected as Deputy Chairman. Bogusław Szarek remained as Secretary of the Supervisory Board.

The Supervisory Board adopted a decision to fill out the composition of the Supervisory Board's Committees: Audit, Strategy and Remuneration.

During the meeting, with participation by the entire Management Board of the Company, the Supervisory Board reviewed information regarding the status of the key international investments of KGHM Polska Miedź S.A.

The Supervisory Board made changes to the composition of the Management Board. In secret voting the Supervisory Board dismissed Herbert Wirth, Jarosław Romanowski, Marcin Chmielewski and Jacek Kardela from the Management Board.

The following persons were appointed to the Management Board of KGHM Polska Miedź S.A. in secret voting:

Krzysztof Skóra as President of the Management Board, and at his request, Mirosław Biliński and Jacek Rawecki as Vice Presidents of the Management Board.

4. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 23 February 2016, in Lubin

At the request of the President of the Management Board, in secret voting, the Supervisory Board appointed Stefan Świątkowski to the Management Board of KGHM Polska Miedź S.A.

Based on the recommendation of the Remuneration Committee, the Supervisory Board:

- decided to adopt new employment contract models for members of the Management Board of KGHM Polska Miedź S.A. and to authorise the Chairman of the Supervisory Board to sign these contracts with the members of the Management Board, pursuant to the adopted models;
- positively reviewed the proposals of the Management Board of KGHM Polska Miedź S.A. regarding expression by the the Supervisory Board of consent for Members of the Management Board of KGHM Polska Miedź S.A. to serve on the bodies of entities other than KGHM Polska Miedź S.A.

During the meeting, with participation by the entire Management Board of the Company, the Supervisory Board reviewed information from the Management Board regarding the status of the Żelazny Most investment as well as regarding the status of the Pyrometallurgy Modernisation Program investment.

The Supervisory Board reviewed the proposal of the Management Board regarding approval of the Budget for 2016. The Supervisory Board decided that the discussion on the Company's Budget will be continued at the next meeting of the Audit Committee in

order to prepare a recommendation for the Supervisory Board regarding approval of the Budget for 2016.

During the meeting, with participation by the Company's Auditor, questions related to the audit of the financial statements for 2015 were discussed.

The Supervisory Board decided on details regarding the appointment of a special Commission of the Supervisory Board.

The Supervisory Board reviewed reports of the Committees of the Supervisory Board.

5. On 29 February 2016, voting in written form regarding the appointment of a Commission of the Supervisory Board to conduct control audits of key matters in KGHM Polska Miedź S.A.

6. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 15 March 2016, in Lubin

Following the recommendation of the Audit Committee, the Supervisory Board adopted a resolution regarding approval of the Budget of KGHM Polska Miedź S.A. for 2016.

After reviewing information from the Audit Committee regarding progress on the procedure to select an auditor to audit and review the Company's financial statements in the years 2016–2018, based on the recommendation of the Committee, the Supervisory Board decided to select Deloitte Polska as the Company's auditor for the years 2016–2018.

The Supervisory Board made changes to the composition of the Management Board – it dismissed Mirosław Laskowski and at the request of the President of the Management Board appointed, in secret voting, Piotr Walczak as Vice President of the Management Board.

The Supervisory Board positively reviewed the request of the Management Board regarding approval of the detailed scope of duties of the members of the Management Board of KGHM Polska Miedź S.A.

Based on a recommendation by the Audit Committee, the Supervisory Board adopted decisions:

- regarding evaluation of the Financial Statements of KGHM Polska Miedź S.A. for financial year 2015;
- regarding evaluation of the Management Board's Report on the activities of KGHM Polska Miedź S.A. in financial year 2015;
- regarding evaluation of the Consolidated Financial Statements of the KGHM Polska Miedź S.A. Group for financial year 2015;
- regarding evaluation of the Management Board's Report on the activities of the KGHM Polska Miedź S.A. Group in financial year 2015.

The Supervisory Board, during a meeting with participation by the entire Management Board of the Company, reviewed information from the Management Board regarding:

- the economic results of the KGHM Polska Miedź S.A. Group;
- the current composition of bodies of companies of the KGHM Group and employment in bodies in the Divisions of KGHM Polska Miedź S.A. as well as information from the Management Board on the Company's principles for the remuneration of employees in bodies of subsidiaries of KGHM;

- regarding the Sierra Gorda mine.

The Members of the Supervisory Board Commission to conduct control audits of key matters in KGHM Polska Miedź S.A. submitted a report to the Supervisory Board on the results of the Commission's work.

7. On 5 April 2016 voting in written form regarding approval of the selection of advisors – experts, conducted by the Supervisory Board Commission to conduct control audits of key matters in KGHM Polska Miedź S.A.

8. On 18 April 2016 voting in written form regarding:

- the purchase from Irena Giermek of real estate, located in the vicinity of Tarnówek, gmina Polkowice, by the Tailings Division of KGHM Polska Miedź S.A. in Rudna,
- the purchase from Janina and Adam Kulik of real estate, located in the vicinity of Tarnówek, gmina Polkowice, by the Tailings Division of KGHM Polska Miedź S.A. in Rudna,
- the purchase of real estate, located in the vicinity of Żukowice, gmina Żukowice, by the Głogów Copper Smelter and Refinery Division of KGHM Polska Miedź S.A. in Głogów, from Halina Lignowska.

9. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 28 April 2016, in Lubin

The Supervisory Board positively reviewed requests of the Management Board:

- regarding approval of the detailed scope of duties of Vice President of the Management Board (Production) Piotr Walczak,
- regarding the use of local housing free-of-cost.

During the meeting, with participation by the entire Management Board, the Supervisory Board reviewed information from the Management Board regarding:

- personnel changes carried out since 3 February 2016 regarding management positions (management in subsidiaries, managers and deputy managers of departments, directors and deputy directors of divisions);
- regarding progress on the management of significant risks in the Company's domestic part, including information regarding development of Żelazny Most as well as information from the Management Board on key problems being dealt with by individual members of the Management Board following their appointment;
- regarding the results of the KGHM Polska Miedź S.A. Group in the first three months of 2016.

The Supervisory Board reviewed information on the progress of work carried out by consultants-experts selected to conduct control audits of key matters in KGHM Polska Miedź S.A.

10. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 17-18 May 2016, in Lubin

Following the recommendation of the Remuneration Committee, the Supervisory Board adopted a resolution regarding approval of the amounts of premiums for members of the Management Board of KGHM Polska Miedź S.A. for 2016.

The Supervisory Board adopted the Report on activities of the Audit Committee, Remuneration Committee and the Strategy Committee in 2015.

Based on the recommendation of the Audit Committee, the Supervisory Board adopted the following decisions:

- regarding adoption and presentation to the Ordinary General Meeting of the report on the results of its evaluation of the Management Board's report on the activities of the KGHM Polska Miedź S.A. Group in financial year 2015 as well as the results of its evaluation of the consolidated consolidated financial statements of the KGHM Polska Miedź S.A. Group for financial year 2015;
- regarding adoption for the purpose of presenting to the Ordinary General Meeting the report on the results of its evaluation of the Management Board's report on the activities of KGHM Polska Miedź S.A. in financial year 2015 as well as the results of its evaluation of the financial statements of KGHM Polska Miedź S.A. for financial year 2015;
- regarding adoption and presentation to the Ordinary General Meeting of the assessment of the standing of KGHM Polska Miedź S.A. in financial year 2015.

After reviewing the requests of the Management Board, the Supervisory Board adopted resolutions:

- regarding evaluation of the proposal of the Management Board of KGHM Polska Miedź S.A. regarding covering the loss for financial year 2015 as well as a dividend payout;
- regarding granting an opinion on the proposal of the Management Board of KGHM Polska Miedź S.A. presented to the Ordinary General Meeting of KGHM Polska Miedź S.A. on setting a dividend date and a dividend payout date in 2016.

The Supervisory Board adopted, for the purpose of presentation to the Ordinary General Meeting, the annual report on the activities of the Supervisory Board of KGHM Polska Miedź S.A. in financial year 2015.

At the request of the President of the Management Board, the Supervisory Board appointed the Vice President of the Management Board (Supply Chain Management) to fulfil the duties of the 1st Vice President of the Management Board.

As a result of secret voting, the Supervisory Board adopted resolutions in which it proposed that the Ordinary General Meeting not approve the performance of duties in financial year 2015 of former members of the Management Board of KGHM Polska Miedź S.A.: Herbert Wirth, Jarosław Romanowski, Marcin Chmielewski, Jaceki Kardela, Mirosław Laskowski and Wojciechow Kędzia.

The Supervisory Board reviewed:

- current information on the progress of work carried out by consultants-experts selected to conduct control audits of key matters in KGHM Polska Miedź S.A.;
- information from the Management Board regarding proposed solutions with respect to information policy related to the approach of 3 July 2016, when new capital market regulations will come into force.

11. On 30 May 2016, voting in written form regarding expressing consent for member of the Management Board of KGHM Polska Miedź S.A. Stefan Świątkowski to serve as a member of the Supervisory Board of the company TAURON Polska Energia S.A. with its registered head office in Katowice.

12. On 31 May 2016, voting in written form regarding reviewing and providing an opinion to the General Meeting regarding the „Disclosure Policy of the KGHM Polska Miedź S.A. Group”

13. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 13 June 2016, in Lubin

The Supervisory Board reviewed the report of consultants-experts selected to conduct control audits of key matters in KGHM Polska Miedź S.A. – the results of the audit were presented by representatives of Alvarez & Marsal Europe Limited.

The Supervisory Board decided to change the wording of the employment relationship with members of the Management Board of KGHM Polska Miedź S.A. as well as with the 1st Vice President of the Management Board of KGHM Polska Miedź S.A.

The Supervisory Board conducted a procedure involving verification that members of the Supervisory Board met the criteria for independence described in II.Z.4. of Best Practice.

During the meeting, with participation by the Management Board, the Supervisory Board reviewed the results of the KGHM Polska Miedź S.A. Group after the first four months of 2016.

14. On 6 July in 2016, voting in written form regarding expressing consent for member of the Management Board of KGHM Polska Miedź S.A. Stefan Świątkowski to serve as a member of the Board of Directors of KGHM INTERNATIONAL LTD.

15. On 8 July 2016 voting in written form regarding expressing consent for creating in the Czech Republic a Representative Office of KGHM Polska Miedź S.A.

16. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 10-11 August 2016, in Lubin

After reviewing the request of the Management Board, the Supervisory Board expressed consent for the purchase of real estate by the Tailings Division of KGHM Polska Miedź S.A. in Rudna.

The Supervisory Board reviewed a Report from the analysis of selected areas of operation of KGHM Polska Miedź S.A. as well as selected subsidiaries, presented by representatives of the firm Crido Taxand sp. z o.o.

The Supervisory Board, during a meeting with participation by the members of the Management Board, reviewed information from the Management Board regarding:

- the current composition of bodies of companies of the KGHM Polska Miedź S.A. Group together with presentation of the principles of the policy of ownership governance over the international investments,
- personnel changes carried out since 26 April 2016 regarding management positions (management in subsidiaries, managers and deputy managers of departments, directors and deputy directors of divisions),
- the results of the KGHM Polska Miedź S.A. Group after the first five months of 2016;

- the current situation as well as key challenges in the area of mine production in individual Divisions of KGHM Polska Miedź S.A.

The Supervisory Board held talks with members of the Management Board regarding progress with respect to developing solutions for key problems involving the operation of Sierra Gorda.

Based on a recommendation by the Remuneration Committee, the Supervisory Board adopted a decision regarding the payout of variable remuneration to members of the Management Board of KGHM Polska Miedź S.A. for 2015.

During the meeting, with participation by the the Company's Auditor, the Supervisory Board reviewed a summary of the review of the financial statements as well as of the consolidated financial statements of the KGHM Group as at 30 June 2016.

As a result of requests by the Management Board, the Supervisory Board adopted resolutions regarding:

- the detailed scopes of duties of members of the Management Board of KGHM Polska Miedź S.A.;
- establishing the foundation „Polska Fundacja Narodowa” (Polish National Foundation).

As a result of discussions, the Supervisory Board decided to delegate Members of the Supervisory Board Dominik Hunek and Michał Czarnik to independently carry out supervisory activities.

The Supervisory Board adopted a resolution regarding irregularities in services provided to the Supervisory Board of KGHM Polska Miedź S.A.

17. On 26 August 2016, voting in written form regarding the solution of technical, legal and financial problems regarding the investment of KGHM Polska Miedź S.A. in Sierra Gorda.

18. On 1 September 2016, voting in written form regarding expressing consent for Vice President of the Management Board of KGHM Polska Miedź S.A. Piotr Walczak to serve as a member of an examination commission of the State Mining Authority.

19. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 5 September 2016, in Warsaw

Due to the resignation of Radosław Barszcz from the function of Deputy Chairman, the Supervisory Board adopted a resolution regarding the selection of Michał Czarnik as Deputy Chairman of the Supervisory Board of KGHM Polska Miedź S.A.

The Supervisory Board reviewed a report on actions taken with respect to individual oversight conducted by delegated members of the Supervisory Board.

As a result of discussions and current analysis of the Company's standing, the Supervisory Board adopted a decision regarding the delegation of Member of the Supervisory Board Dominik Hunek to temporarily carry out the duties of a member of the Management Board.

20. On 22 September in 2016, voting in written form regarding expressing consent to acquire shares in the increased share capital of Future 1 Sp. z o.o.

21. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 29-30 September 2016, in Lubin

During the meeting, with participation by the entire Management Board, the Supervisory Board reviewed information from the Management Board regarding:

- the status of the Sierra Gorda investment,
- the status of the Głogów Głęboki Przemysłowy (Deep Głogów) investment, with particular regard to information regarding construction of the GG1 shaft;
- the status of the tailings storage facility investment, with regard to information on advancement of the schedule of planned activities regarding the acquisition of environmental permits;
- causes of the fatal accident at the Legnica Copper Smelter and Refinery,
- the status of the investment in modernising pyrometallurgy as well as the status of construction of a roaster,
- expenditures on advisory, legal, marketing and advertising services, cultivating traditions, representation and sponsoring, carried out in the first six months of 2016 in the KGHM Polska Miedź Group,
- the results of the KGHM Polska Miedź S.A. Group in the first eight months of 2016.

The Supervisory Board reviewed a report on corporate risk management in the KGHM Polska Miedź S.A. Group, in the first quarter of 2016.

At the request of the Management Board, the Supervisory Board expressed consent for the disposal of real estate, located in the vicinity of Iwiny, gmina Warta Bolesławiecka, by the Lubin Mine Division of KGHM Polska Miedź S.A. in Lubin.

The Supervisory Board received a current report from the Deputy Chairman of the Supervisory Board on the status of work regarding individual supervision and also decided to delegate Member of the Supervisory Board Miłosz Stanisławski to independently carry out supervisory activities.

The Supervisory Board adopted a resolution regarding setting remuneration for a Member of the Supervisory Board delegated to temporarily carry out the duties of a member of the Management Board.

On the second day of the meeting, the members of the Supervisory Board reviewed the functioning of the production line of the Głogów Copper Smelter and Refinery Division of KGHM Polska Miedź S.A.

22. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 28 October 2016, in Lubin

Chairman of the Supervisory Board Dominik Hunek submitted his resignation from the delegated performance of duties of a member of the Management Board.

In the presence of the member of the Management Board responsible for production, the Supervisory Board reviewed information from the Management Board regarding undertaken and planned activities with respect to improving occupational safety in KGHM Polska Miedź S.A.

The Supervisory Board made a change in the position of President of the Management Board of KGHM Polska Miedź S.A. – Krzysztof Skóra was dismissed from this position and Radosław Domagalski-Łabędzki was appointed.

23. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 8-9 November 2016, in Lubin.

The Supervisory Board positively reviewed the request of the Management Board regarding the purchase of real estate, located in the vicinity of Koźlice, gmina Rudna, by the Lubin Mine Division of KGHM Polska Miedź S.A. in Lubin.

During a discussion with participation by the entire Management Board, the Supervisory Board reviewed information presented by the Management Board:

- assumptions to the Budget of KGHM Polska Miedź S.A. for 2017,
- information regarding the start-up of the flash furnace,
- information regarding the results of the KGHM Polska Miedź S.A. Group after the first 9 months of 2016, including data on the structure of costs in individual mines, both in Poland and abroad, unit costs as well as including the impact of the minerals extraction tax on individual costs,
- a report on corporate risk management in the KGHM Polska Miedź S.A. Group, in the second quarter of 2016,
- information on the production and financial results of the Sierra Gorda investment, including information on the results of the review of the mine life plan as well as information on the course and status of negotiations with the Japanese.

During a joint debate with the Management Board, the Supervisory Board received a final report from the special team of consultants, dealing with economic and legal questions respecting restructurisation of the Company's international assets.

At the request of the President of the Management Board, the Supervisory Board appointed Michał Jezioro as Vice President of the Management Board of KGHM Polska Miedź S.A. (Development).

The Supervisory Board adopted final reports from Michał Czarnik, Dominik Hunek and Miłosz Stanisławski on their delegated work to independently carry out supervisory activities.

24. On 25 November 2016, voting in written form regarding expressing consent for Radosław Domagalski-Łabędzki, member of the Management Board of KGHM Polska Miedź S.A., to fulfil functions in company bodies, in which KGHM Polska Miedź S.A. is a minority shareholder.

25. On 6 December 2016, voting in written form regarding the signing of a contract for the use of local housing free-of-cost.

26. Meeting of the Supervisory Board of KGHM Polska Miedź S.A. on 21 December 2016, in Lubin.

Due to changes in the composition of the Supervisory Board, carried out on 7 December 2016 by the Extraordinary General Meeting of KGHM Polska Miedź S.A., the Supervisory Board decided to update the composition of the Audit, Strategy and Remuneration Committees.

The Supervisory Board positively reviewed proposals of the Management Board:

- regarding setting the detailed scope of duties of the President of the Management Board as well as the Vice President Management Board (Development);
- on expressing consent for a member of the Management Board of KGHM Polska Miedź S.A. to serve as a member of the Board of Directors of KGHM INTERNATIONAL LTD. as well as a member of the Owners Council of Sierra Gorda S.C.M.

In the presence of members of the Management Board, the Supervisory Board reviewed information presented by the Management Board:

- on the status of KGHM's international projects, with particular regard to information on mines, including the Sierra Gorda mine;
- on the current status of matters concerning post-accident proceedings;
- a report on the major problems being dealt with by individual members of the Management Board in their respective areas;
- regarding staff training policy, the principles of promotions and selection of staff for top management positions in the KGHM Polska Miedź S.A. Group and KGHM International;
- on the status of work on the Budget of KGHM in 2017 as well as assumptions adopted by the draft Budget;
- the results of the KGHM Polska Miedź S.A. Group after the first 10 months of 2016.

IV. Reports by the Committees of the Supervisory Board of KGHM Polska Miedź S.A.

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

These committees assist the Supervisory Board with respect to preparing evaluations, opinions and recommendations, in matters requiring the decision of the Supervisory Board.

All Supervisory Board members are entitled to participate in the meetings of individual committees. The rights, scope of activities and procedures of operation are described by the Committees' Bylaws, approved by the Supervisory Board.

The Reports on the activities of the aforementioned Committees comprise appendices to this report on the activities of the Supervisory Board of KGHM Polska Miedź S.A. for financial year 2016.

V. Self-evaluation by the Supervisory Board

The Supervisory Board in 2016 worked with the required intensity. Each of the Members of the Supervisory Board applied the amount of effort in their work appropriate to their competencies, while differences of opinion and outlook as well as assessments brought the desired effects in the form of a broad approach to the problems reviewed. The Supervisory Board positively reviewed the results of their work, as well as the degree of contribution of each of the Members of the Supervisory Board.

VI. Evaluation of the manner in which the Company met its informational obligations as regards the application of corporate governance principles, as set forth in Warsaw Stock Exchange Rules and in regulations regarding current and periodic information published by the issuers of securities.

In the opinion of the Supervisory Board, the Company endeavoured at each stage of its operations to carry out all of the recommendations and principles respecting "Best Practice" for listed companies.

The Company maintains a corporate website on which it provides, in a clear and detailed manner, basic corporate documents, including the Company's Statutes and the Bylaws of the Supervisory Board and Management Board, information on the composition of the Company's bodies with biographical data as well as information on the fulfilment of independence criteria by the members of the Supervisory Board, and also follows a transparent informational policy aimed at the Company's shareholders.

The Management Board's report on the activities of KGHM Polska Miedź S.A. in 2016 contains a corporate governance statement on the application of corporate governance principles by the Company in 2016.

The contents of the document „Best Practice by GPW listed companies”, as well as the „Corporate governance statement for 2016” are available on the Company's corporate website, <http://www.kghm.com/pl/inwestorzy/lad-korporacyjny/stosowanie-ladu-korporacyjnego>

Taking into consideration the aforementioned actions, the Supervisory Board of KGHM Polska Miedź S.A. positively evaluates the manner in which the Company met its informational obligations regarding the application of the corporate governance principles as set forth in Warsaw Stock Exchange Rules and in regulations regarding current and periodic information published by the issuers of securities.

III. Evaluation of the rationale of the sponsoring and charitable activities carried out by the Company.

Since 2013, the Company, in its Integrated Annual Report, and previously in its Reports on Corporate Social Responsibility, has published detailed information on the results of its activities regarding regional support, including data on its sponsoring and charitable activities.

Activities in this regard are based on the „Strategy of Corporate Social Responsibility (CSR) of KGHM Polska Miedź SA for the years 2015 - 2020” adopted by the Company. The sponsoring activities of KGHM Polska Miedź S.A are mainly aimed at promoting the Company and Lower Silesia by the sponsoring of sport and the arts. The charitable activities of the Company are conducted by the Polish Copper Foundation, which since 2003, thanks to its founder and sponsor KGHM Polska Miedź S.A., has supported the region and the communities of the Copper Belt.

Twice every financial year the Supervisory Board reviews information from the Management Board regarding expenditures on sponsoring and charitable activities, for the prior year and the current half-year.

Taking into consideration the above, in the opinion of the Supervisory Board, the Company's sponsoring and charitable activities were carried out in compliance with the assumptions of the Management Board.

The Supervisory Board of KGHM Polska Miedź S.A. hereby submits the above report on the execution of its obligations in financial year 2016.

Appendix no. 1
to the Report on the activities of the
Supervisory Board of KGHM Polska Miedź S.A.
for financial year 2016

Report on the activities of the Audit Committee of the Supervisory Board of KGHM Polska Miedź S.A. in 2016

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.

In accordance with the Bylaws of the Supervisory Board of KGHM Polska Miedź S.A., 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 evaluation of the accounting principles adopted in the Company,
- 3) the review of transactions entered into by the Company, which the Audit Committee deems to be important for the Company,
- 4) the analysis and monitoring of post-control conclusions arising from the risk management process in the Company,
- 5) guidance of the process of selecting independent auditors to audit the financial statements of the Company in order to recommend their acceptance by the Supervisory Board, and participation in commercial negotiations prior to signing a contract with an auditor by the Company,
- 6) on-going cooperation with the independent auditor of the Company during the audit, analysis and formulation of conclusions from the audit and opinion of the auditor respecting the financial statements, the auditor's letter to the Management Board and/or Supervisory Board, and the preparation of draft statements and evaluations required by the by-laws for Company's bodies and other administrative institutions,
- 7) providing an opinion on the internal audit plan of the Company and the internal audit regulations, and of changes of the director of internal audit,
- 8) analysis of the conclusions reached and the recommendations made by an internal audit of the Company, with monitoring of the degree of implementation of these recommendations by the Management Board of the Company,
- 9) the monitoring of the Company's principles as regards accounting, finances and hedging against commercial and financial risks, and of exposure of the Company to serious harm.

The statutory duties of the Audit Committee (under the Act dated 7 May 2009 on certified auditors and their self-governing body, entities entitled to audit financial statements and on public supervision) comprise:

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

The Act in addition set the number of members of such a committee – it should comprise 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.

Principle II.Z.8. of Best Practice by GPW listed companies was also met, respecting the meeting of independence criteria by the Chairman of the Audit Committee.

The Members of the Audit Committee select from amongst their number a Chairman, who directs their work. 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. As in the case of the other permanent Committees of the Supervisory Board of KGHM Polska Miedź S.A., non-Committee members of the Supervisory Board may also participate in meetings of the Audit Committee.

In the work of the Audit Committee the following principles of „Best Practice by GPW listed companies” were in particular applied:

- in compliance with III.Z.2. „Subject to principle III.Z.3, persons responsible for risk management, internal audit and compliance should report directly to the president or other member of the management board and should be allowed to report directly to the supervisory board or the audit committee” – the Audit Committee directly received the reports of persons responsible in the Company for internal audit, internal control and risk management;
- in compliance with III.Z.5. „The supervisory board should monitor the efficiency of the systems and functions referred to in principle III.Z.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company’s management board, and make an annual assessment of the efficiency of such systems and functions according to principle II.Z.10.1. Where the company has an audit committee, it should monitor the efficiency of the systems and functions referred to in principle III.Z.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.” – the Audit Committee monitored the effectiveness of the systems implemented in the Company: internal control, risk management and the internal audit function.

II. Composition of the Audit Committee

The composition of the Audit Committee of the 9th-term Supervisory Board, from 1 January 2016 to 18 January 2016, was as follows:

First, last name	Period function served in 2016
Bogusław Fiedor Chairman of the Committee	01.01.2016 – 18.01.2016
Tomasz Cyran	01.01.2016 – 18.01.2016
Leszek Hajdacki	01.01.2016 – 31.12.2016
Bogusław Szarek	01.01.2016 – 31.12.2016

The Chairman of the Audit Committee, Bogusław Fiedor, and a member of the Committee, Tomasz Cyran, in accordance with declarations submitted, met the criteria for independence.

On 18 January 2016, the Extraordinary General Meeting of KGHM Polska Miedź S.A. made changes to the composition of the Supervisory Board.

The composition of the Audit Committee of the 9th-term Supervisory Board, from 3 February 2016 to 7 December 2016, was as follows:

First, last name	Period function served in 2016
Radosław Barszcz	03.02.2016 – 07.12.2016
Michał Czarnik – Chairman of the Committee	03.02.2016 – 31.12.2016
Cezary Godziuk	03.02.2016 – 07.12.2016
Leszek Hajdacki	01.01.2016 – 31.12.2016
Dominik Hunek	03.02.2016 – 31.12.2016
Miłosz Stanisławski	03.02.2016 – 07.12.2016
Bogusław Szarek	01.01.2016 – 31.12.2016
Jarosław Witkowski	03.02.2016 – 31.12.2016

The Chairman of the Audit Committee, Michał Czarnik, as well as members of the Committee Cezary Godziuk, Dominik Hunek and Jarosław Witkowski, in accordance with declarations submitted, met the criteria for independence.

On 7 December 2016, the Extraordinary General Meeting of KGHM Polska Miedź S.A. made changes to the composition of the Supervisory Board.

The composition of the Audit Committee of the 9th-term Supervisory Board, from 21 December 2016 to 31 December 2016, was as follows:

First, last name	Period function served in 2016
Michał Czarnik – Chairman of the Committee	03.02.2016 – 31.12.2016
Leszek Hajdacki	01.01.2016 – 31.12.2016
Dominik Hunek	03.02.2016 – 31.12.2016
Wojciech Myślecki	21.12.2016 – 31.12.2016
Marek Pietrzak	21.12.2016 – 31.12.2016
Bogusław Szarek	01.01.2016 – 31.12.2016
Agnieszka Winnik-Kalemba	21.12.2016 – 31.12.2016
Jarosław Witkowski	03.02.2016 – 31.12.2016

The Chairman of the Audit Committee, Michał Czarnik, as well as members of the Committee Dominik Hunek, Wojciech Myślecki, Marek Pietrzak and Agnieszka Winnik-Kalemba, in accordance with declarations submitted, met the criteria for independence.

Individual members of the Audit Committee were in compliance with 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 2016 the Audit Committee held four meetings.

1. Meeting of 9 February 2016, organised with the use of a video connection between Lubin-Warsaw.

Seven members of the Committee participated in the meeting. The Company's Chief Accountant was invited to participate in the meeting.

During the meeting of the Audit Committee bids were opened by entities providing certified accountant services to audit the Company's financial statements for the years 2016–2018. It was decided that at the next meeting of the Committee, after analysing the submitted bids as well as after hearing the opinion of the Management Board, the Audit Committee would select the the Company's Auditor for the years 2016–2018.

The Audit Committee reviewed information on the current status of testing for impairment of the carrying amount of assets.

The process of auditing the financial statements of KGHM for 2015 was discussed – the current stage and the schedule of the next actions to be taken.

2. Meeting of 10 March 2016, organised with the use of a video connection between Lubin-Warsaw

All of the members of the Committee participated in the meeting. The following persons were invited to participate in the meeting: the Vice President of the Management Board (Finance), representatives of the Auditor PwC, the Company's Chief Accountant, the Director of the Financial Reporting Department, the Executive Director for Finance, the Executive Director for Controlling and Economic Analysis, the Director of the Market and Credit Risk Management Department.

As a result of a discussion, after reviewing the Company's Budget for 2016 presented by the Management Board, the Audit Committee, in open voting, accepted the recommendation to the Supervisory Board regarding approval of the Budget of KGHM Polska Miedź S.A. for 2016.

After analysing the offers of auditor firms invited to the tender for the audit and review of the financial statements of KGHM Polska Miedź S.A in the years 2016 – 2018, as well as after reviewing the course and results of negotiations with individual bidders, as a result of voting the Audit Committee accepted the recommendation to the Supervisory Board of KGHM Polska Miedź S.A. regarding the selection of Deloitte Polska as the Company's auditor for the years 2016 – 2018.

The Audit Committee reviewed the Company's financial statements for 2015 as submitted by the Management Board, the report of the Auditor PwC on its audit of the Company's financial statements for 2015 and, as a result of discussion, after voting, accepted the recommendation to the Supervisory Board of KGHM Polska Miedź S.A. regarding adopting decisions on the positive evaluation of:

- the Company's Financial Statements for 2015,
- the Consolidated Financial Statements of the Group for 2015,
- the Management Board's Report on the Company's activities in 2015, and
- the Management Board's Report on the activities of the KGHM Polska Miedź S.A. Group w 2015.

the Audit Committee reviewed information from the Management Board regarding the „JV Sierra Gorda – borrowings”.

3. Meeting of 17 May 2016, in Lubin

The meeting of the Committee was held with full attendance, with participation by the following persons who were invited to participate in the meeting: the Director of the Audit and Internal Control Department as well as the Director of the Corporate Risk Management and Compliance Department.

The Committee gave a positive opinion of the Report on the realisation of the Audit and Internal Control Plan of KGHM Polska Miedź S.A. for 2015.

The Audit Committee reviewed and accepted the following presented by the Management Board: information regarding corporate risk management in the KGHM Polska Miedź S.A. Group as well as the Report on corporate risk management in the KGHM Polska Miedź S.A. Group in the four quarters of 2015.

As a result of a discussion the wording of the following documents was set:

- the report on the results of the evaluation of the Management Board's report on the activities of KGHM Polska Miedź S.A. in financial year 2015, the results of the evaluation of the financial statements of KGHM Polska Miedź S.A. for financial year 2015, the Management Board's report on the activities of the KGHM Polska Miedź S.A. Group in financial year 2015 and the results of the evaluation of the consolidated financial statements of the KGHM Polska Miedź S.A. Group for financial year 2015,
- the assessment of the Company's standing in financial year 2015, including assessment of the systems of internal control, risk management and compliance as well as the internal audit function.

The Committee decided to recommend that the Supervisory Board approve the aforementioned documents, and present them to the Ordinary General Meeting.

The Audit Committee accepted the report on the activities of the Audit Committee in 2015 for the purpose of presenting it to the Supervisory Board.

4. Meeting of 25 October 2016, organised with the use of a video connection between Lubin-Warsaw-Wrocław.

The meeting of the Committee was held with full attendance, with participation by the following persons who were invited to participate in the meeting: the Director of the Audit and Internal Control Department, the Company's Chief Accountant and the Director of the Tax Department.

The Audit Committee, following analysis and discussion of the subjects presented by the Management Board:

- the Report on the realisation of the Audit and Internal Control Plan of the KGHM Polska Miedź S.A. Group for the period from 1 January 2016 to 22 September 2016.
- Adjustments to the „Integrated Audit and Internal Control Plan of KGHM Polska Miedź S.A. for 2016”.

gave a positive opinion to the aforementioned documents.

The Committee reviewed information from the Management Board regarding reorganisation of the international part of the KGHM Polska Miedź S.A. Group.

Appendix no. 2
to the Report on the activities of the
Supervisory Board of KGHM Polska Miedź S.A.
for financial year 2016

Report on the activities of the Remuneration Committee of the Supervisory Board of KGHM Polska Miedź S.A. in 2016

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. The functional principles of the Committee were set forth in the Bylaws of the Remuneration Committee approved by resolution of the Supervisory Board.

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

- 1) to carry out the recruitment and employment of members of the Management Board by developing and organising draft documents and processes to be submitted to the Supervisory Board for their acceptance,
- 2) to develop draft agreements and samples of other documents related to the hiring of members of the management board, and supervision over the realisation of the contractual obligations entered into by the parties,
- 3) to supervise realisation of the system of remuneration of the management board, in particular to prepare settlement documents related to variable salary and bonuses, in order to submit a recommendation to the Supervisory Board,

- 4) to monitor and make periodic analyses of the remuneration system of the management staff of the Company and, if necessary, to formulate recommendations to the Supervisory Board, and
- 5) to supervise realisation of additional benefits received by the Management Board arising from labour contracts, such as: insurance, automobiles, housing, etc.

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

V. Composition of the Remuneration Committee

The composition of the Remuneration Committee of the 9th-term Supervisory Board of KGHM Polska Miedź S.A., from 1 January 2016 to 18 January 2016, was as follows:

First, last name	Period function served in 2016
Tomasz Cyran – Chairman	01.01.2016 – 18.01.2016
Józef Czyczerski	01.01.2016 – 31.12.2016
Leszek Hajdacki	01.01.2016 – 31.12.2016
Marcin Moryń	01.01.2016 – 18.01.2016
Barbara Wertelecka-Kwater	01.01.2016 – 18.01.2016

The Chairman of the Remuneration Committee, Tomasz Cyran, in accordance with a declaration submitted, met the criteria for independence.

On 18 January 2016 the Extraordinary General Meeting KGHM Polska Miedź S.A. made changes to the composition of the Supervisory Board.

The composition of the Remuneration Committee of the 9th-term Supervisory Board, from 3 February 2016 to 7 December 2016, was as follows:

First, last name	Period function served in 2016
Radosław Barszcz - Chairman of the Committee	03.02.2016 – 07.12.2016
Józef Czyczerski	01.01.2016 – 31.12.2016

Leszek Hajdacki	01.01.2016 – 31.12.2016
Dominik Hunek	03.02.2016 – 31.12.2016
Miłosz Stanisławski	03.02.2016 – 07.12.2016

Member of the Committee Dominik Hunek, in accordance with a declaration submitted, met the criteria for independence.

On 7 December 2016 r. Extraordinary General Meeting KGHN Polska Miedź S.A. made changes to the composition of the Supervisory Board.

The composition of the Remuneration Committee of the 9th-term Supervisory Board, from 21 December 2016 to 31 December 2016, was as follows:

First, last name	Period function served in 2016
Józef Czyczerski	01.01.2016 – 31.12.2016
Leszek Hajdacki	01.01.2016 – 31.12.2016
Dominik Hunek	03.02.2016 – 31.12.2016
Bogusław Szarek	21.12.2016 – 31.12.2016

Member of the Committee Dominik Hunek, in accordance with a declaration submitted, met the criteria for independence.

VI. Activities of the Remuneration Committee.

During the reporting period the Remuneration Committee held 3 protocolled meetings.

1. Meeting of 22 February 2016, organised with the use of a video connection between Warsaw-Lubin.

The meeting of the Committee was held with full attendance.

The meeting was dedicated to preparing a recommendation to the Supervisory Board:

1. regarding the introduction of changes to the employment contracts as well as in contracts forbidding competitive activities for the members of the Management Board of KGHM Polska Miedź S.A.;
2. with respect to requests by members of the Management Board of KGHM Polska Miedź S.A. on expressing consent for members of the Management Board of

KGHM Polska Miedź S.A. to serve on the bodies of companies other than KGHM Polska Miedź S.A.

The Remuneration Committee accepted the recommendation to the Supervisory Board in the above matters.

2. Meeting of 17 May 2016, in Lubin

The meeting of the Committee was held with full attendance.

The following persons participated in the meeting at the invitation of the Chairman of the Committee: the Executive Director for Human Resource Management, the Director of the Department of Human Resources and Remuneration as well as the Executive Director for Controlling and Economic Analysis.

The Remuneration Committee accepted the recommendation to the Supervisory Board with respect to approval by the Supervisory Board of key performance indicators (KPI) for members of the Management Board of KGHM Polska Miedź S.A. for 2016.

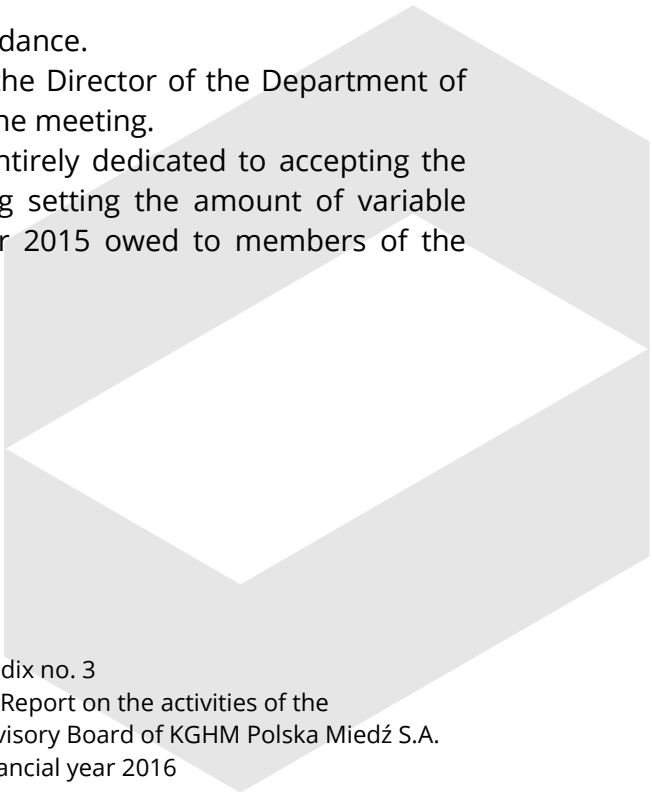
The Committee accepted the report on the activities of the Remuneration Committee in 2015 for the purpose of presenting it to the Supervisory Board.

3. Meeting of 11 August 2016, in Lubin

The meeting of the Committee was held with full attendance.

At the invitation of the Chairman of the Committee, the Director of the Department of Human Resources and Remuneration participated in the meeting.

The meeting of the Remuneration Committee was entirely dedicated to accepting the recommendation to the Supervisory Board regarding setting the amount of variable remuneration as well as additional remuneration for 2015 owed to members of the Management Board of KGHM Polska Miedź S.A.



Appendix no. 3
to the Report on the activities of the
Supervisory Board of KGHM Polska Miedź S.A.
for financial year 2016

Report on the activities of the Strategy Committee of the Supervisory Board of KGHM Polska Miedź S.A. in 2016

VII. Functioning 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. The functional principles of the Committee were set forth in the Bylaws of the Strategy Committee approved by resolution of the Supervisory Board.

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

- 1) The performance of tasks on behalf of the Supervisory Board of the Company respecting the supervision of matters related to Company strategy and the Company's annual and multi-year operating plans,
- 2) Monitoring the realisation by the Management Board of the Company of the Company's strategy, and evaluating to what extent the existing strategy is appropriate in dealing with changes in the actual situation,
- 3) Monitoring achievement by the Management Board of the Company's annual and multi-year operating plans, and evaluating whether they require modification,
- 4) Evaluating the uniformity of the Company's annual and multi-year operating plans with achievement by the Management Board of the Company's strategy, and presenting proposed changes to any of these Company's documents, and
- 5) Submitting to the Supervisory Board of the Company its opinions in respect of the draft strategy of the Company 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.

VIII. The composition of the Strategy Committee:

1. From 1 January 2016 to 18 January 2016, the composition was as follows:

First, last name	Period function served in 2016
Barbara Wertelecka-Kwater Chairwoman of the Committee	01.01.2016– 18.01.2016
Józef Czyczerski	01.01.2016 – 31.12.2016

Translation from the original Polish version. In the event of differences resulting from the translation, reference should be made to the official Polish version.

Leszek Hajdacki	01.01.2016 – 31.12.2016
Andrzej Kidyba	01.01.2016– 18.01.2016
Marcin Moryń	01.01.2016– 18.01.2016
Jacek Poświata	01.01.2016– 18.01.2016
Bogusław Szarek	01.01.2016 – 31.12.2016

On 18 January 2016 the Extraordinary General Meeting KGHM Polska Miedź S.A. made changes to the composition of the Supervisory Board.

2. From 3 February 2016 to 7 December 2016, the composition was as follows:

First, last name	Period function served in 2016
Michał Czarnik	03.02.2016 – 31.12.2016
Józef Czyczerski	01.01.2016 – 31.12.2016
Cezary Godziuk	03.02.2016 – 07.12.2016
Leszek Hajdacki	01.01.2016 – 31.12.2016
Miłosz Stanisławski	03.02.2016 – 07.12.2016
Bogusław Szarek	01.01.2016 – 31.12.2016
Jarosław Witkowski – Chairman of the Committee	03.02.2016 – 31.12.2016

On 7 December 2016 the Extraordinary General Meeting of KGHM Polska Miedź S.A. made changes to the composition of the Supervisory Board.

3. From 21 December 2016 to 31 December 2016, the composition was as follows:

First, last name	Period function served in 2016
Michał Czarnik	03.02.2016 – 31.12.2016
Józef Czyczerski	01.01.2016 – 31.12.2016

Leszek Hajdacki	01.01.2016 – 31.12.2016
Wojciech Myślecki	21.12.2016 – 31.12.2016
Marek Pietrzak	21.12.2016 – 31.12.2016
Bogusław Szarek	01.01.2016 – 31.12.2016
Agnieszka Winnik-Kalemba	21.12.2016 – 31.12.2016
Jarosław Witkowski – Chairman of the Committee	03.02.2016 – 31.12.2016

IX. Activities of the Strategy Committee

In 2016 the Strategy Committee held 4 meetings:

1. Meeting of 9 February 2016, organised with the use of a video connection between Warsaw-Lubin.

The meeting was held with full attendance, with participation by the President and a Vice President of the Management Board, as well as the Executive Director of the Center of Strategic and Resource Base Analysis.

The meeting was dedicated to familiarising the members of the Committee with the Strategy of KGHM Polska Miedź S.A for the years 2015 – 2020, with an outlook to 2040 and its operationalisation.

The main assumptions of the Strategy were discussed against the Company's economic background as well as in relation to the macroeconomic situation. Execution of the Strategy in the third quarter of 2015 was discussed.

2. Meeting of 10 March 2016, organised with the use of a video connection between Warsaw-Lubin.

The meeting was held with full attendance, with participation by the Executive Director of the Center of Strategic and Resource Base Analysis as well as the Executive Director for Finance.

During the meeting the members of the Committee reviewed information from the Management Board regarding strategic contracts of the Sierra Gorda investment. Also discussed was an analysis submitted by the Management Board of the basic risks associated with the activities of the Sierra Gorda mine.

The Strategy Committee reviewed a Report by the Management Board on the status of the Strategy Implementation Plan of KGHM Polska Miedź S.A. for the years 2015 – 2020, for reporting period 2015. The Committee, as a result of discussions, accepted this information.

3. Meeting of 10 August 2016, in Lubin.

The meeting was held with full attendance, with participation by the President of the Management Board, the Executive Director for Strategy and Innovation and the Director of the Department of Equity Investments and Corporate Supervision of Domestic Companies.

The meeting of the Committee was dedicated to reviewing information from the Management Board regarding progress on work related to updating the Company's Strategy as well as reviewing information from the Management Board regarding the activities and development perspectives of the domestic companies of the KGHM Polska Miedź S.A. Group.

As a result of a discussion, jointly with the Management Board, the manner was determined of how to proceed further on updating the Company's Strategy, and a schedule was adopted for work on updating the Strategy.

4. Meeting of 29 September 2016, in Lubin.

The meeting of the Committee was held with full attendance. The President of the Management Board and the Executive Director for Strategy and Innovation were invited to participate in the meeting of the Committee.

The meeting of the Committee was entirely dedicated to reviewing information from the Management Board on progress on work on updating the Company's Strategy.

X. Conclusions for the Supervisory Board of KGHM Polska Miedź S.A.

Summarising its activities in financial year 2016, the Strategy Committee requests that the Supervisory Board:

- continuously monitor the activities of KGHM International Ltd., in particular the realisation of the Sierra Gorda and Victoria projects and the realisation of the Afton-Ajax project, as well as monitor the process of integration of KGHM International Ltd. with KGHM Polska Miedź S.A.;
- monitor the process of reorganisation of the KGHM Polska Miedź S.A. Group which is being carried out by the Management Board; and
- continue work on the plan to decrease operating costs and improve the efficiency of the KGHM Polska Miedź S.A. Group; and
- undertake actions aimed at intensifying the Management Board's work on updating the Company's Strategy, due to macroeconomic changes.