

**Report on the Activities of the Supervisory Board
of KGHM Polska Miedź S.A.
for the year ended 31 December 2018**

*(Adopted by Resolution No. 46/X/19 of the Supervisory Board of KGHM Polska Miedź S.A.
dated 17 April 2019)*



Lubin, April 2019

This report contains:

- I.** Principles and procedures of operations of the Supervisory Board of KGHM Polska Miedź S.A.
- II.** Information on the the Supervisory Board's term of office, the composition of the Supervisory Board of KGHM Polska Miedź S.A. in 2018, 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 the year ended 31 December 2018.
- 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 whose election and dismissal are regulated by the electoral rules adopted by the Supervisory Board.

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, adopted resolutions outside of meetings in writing and by delegating its members to work in the Committees.

II. Information on the the Supervisory Board's term of office, the composition of the Supervisory Board of KGHM Polska Miedź S.A. in 2018, on Supervisory Board functions served by its members and on meeting independence criteria by the members of the Supervisory Board.

Composition of the 9th-term Supervisory Board (the 9th-term Supervisory Board commenced on 23 June 2014 and concluded on 6 July 2018)

The following table presents the composition of the 9th-term Supervisory Board

	First, last name	Function
1	Dominik Hunek	Chairman of the Supervisory Board
2	Michał Czarnik	Deputy Chairman of the Supervisory Board
3	Janusz Kowalski	Member of the Supervisory Board

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

4	Wojciech Myślecki	Member of the Supervisory Board
5	Marek Pietrzak	Member of the Supervisory Board
6	Agnieszka Winnik-Kalemba	Member of the Supervisory Board
7	Jarosław Witkowski	Member of the Supervisory Board

and Members of the Supervisory Board elected by the Company's employees

8	Józef Czyczerski	Member of the Supervisory Board
9	Leszek Hajdacki	Member of the Supervisory Board
10	Bogusław Szarek	Secretary of the Supervisory Board

On 3 April 2018, a letter was received by the Company from Wojciech Myślecki regarding his resignation from the function of member of the Supervisory Board of KGHM Polska Miedź S.A.

Composition of the 10th-term Supervisory Board appointed by the Ordinary General Meeting of KGHM Polska Miedź S.A. (the 10th-term Supervisory Board commenced on 6 July 2018)

The following table presents the composition of the 10th-term Supervisory Board

	First, last name	Function
1	Andrzej Kisielewicz	Chairman of the Supervisory Board
2	Leszek Banaszak	Deputy Chairman of the Supervisory Board
3	Jarosław Janas	Secretary of the Supervisory Board
4	Janusz Kowalski	Member of the Supervisory Board
5	Bartosz Piechota	Member of the Supervisory Board
6	Marek Pietrzak	Member of the Supervisory Board
7	Agnieszka Winnik-Kalemba	Member of the Supervisory Board

and Members of the Supervisory Board elected by the Company's employees

8	Józef Czyczerski	Member of the Supervisory Board
9	Ireneusz Pasis	Member of the Supervisory Board
10	Bogusław Szarek	Member of the Supervisory Board

Information on the meeting of independence criteria by members of the Supervisory Board

At least two members of the Supervisory Board should meet independence criteria. By independent supervisory board member is meant an independent supervisory board member as defined by the European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC) with due regard to Best Practice 2016. The members of the Supervisory Board have provided the Company's Supervisory Board and Management Board with declarations on meeting independence criteria. The Supervisory Board of KGHM Polska Miedź S.A. conducted an analysis as to whether there were any relationships or circumstances which could have an impact on the meeting of independence criteria by a given member of the Supervisory Board. The following table presents information which conforms to the declarations submitted by members of the 10th-term Supervisory Board as at 31 December 2018.

Lp.	First, last name	The meeting of independence criteria, as specified in principle no. II.Z.4. of Best Practice 2016
1	Andrzej Kisielewicz	meets independence criteria
2	Leszek Banaszak	does not meet independence criteria
3	Jarosław Janas	meets independence criteria
4	Janusz Kowalski	meets independence criteria
5	Bartosz Piechota	meets independence criteria
6	Marek Pietrzak	meets independence criteria
7	Agnieszka Winnik-Kalemba	meets independence criteria

and Members of the Supervisory Board elected by the Company's employees

8	Józef Czyczerski	does not meet independence criteria
9	Ireneusz Pasis	does not meet independence criteria
10	Bogusław Szarek	does not meet independence criteria

III. Information on the major subjects discussed by the Supervisory Board of KGHM Polska Miedź S.A. in the year ended 31 December 2018.

The Supervisory Board carries out its duties based on the specific powers granted to it by the Company's Statutes and the Bylaws of the Supervisory Board, as well as under the corporate governance principles set forth in Best Practice 2016. Each meeting was

attended by a quorum, which means that the Supervisory Board had the capacity to adopt resolutions in matters dealt with by a given agenda.

During the reporting period the Supervisory Board held 25 protocolled meetings at the Head Office of the Company and adopted 168 resolutions, including 10 in writing. The absences of Supervisory Board Members were justified by appropriate resolutions of the Supervisory Board.

The activities of the Supervisory Board in 2018 were documented in the minutes of the meetings and in Supervisory Board resolutions representing appendices to the minutes. As part of its activities, the Supervisory Board actively supported the Company's Management Board in achieving the Company's strategic goals, reviewed the requests of the Management Board regarding questions requiring the consent of the Supervisory Board, in accordance with the adopted Bylaws and the Company's Statutes, and also reviewed other matters presented by the Management Board.

The duties of the Supervisory Board include in particular:

1. evaluating the unconsolidated and consolidated financial statements and the report of the Management Board on the activity of the Company and the Capital Group for the given financial year,
2. evaluating the proposals of the Management Board with respect to the distribution of profits or coverage of losses,
3. submitting to the General Meeting an annual written report on the results of the evaluation of the documents referred to in points 1 and 2,
4. submitting to the General Meeting annual requests for granting approval of the Management Board's members with respect to their activities,
5. examining and controlling the activity and financial condition of the Company, and submitting to the Ordinary General Meeting an annual, concise evaluation of the Company situation,
6. choosing an auditor to audit the statements referred to in point 1,
7. suspending from their duties for important reasons some or all of the members of the Management Board,
8. temporarily delegating a member or members of the Supervisory Board to carry out the duties of members of the Management Board who are unable to carry out their duties,
9. setting the remuneration of members of the Management Board and other conditions of management services contracts, based on principles for setting the remuneration of Members of the Management Board adopted by the General Meeting, with due regard to the Act of 9 June 2016 on the terms of setting the remuneration of individuals managing certain companies (Journal of Laws of 2016, item 1202 with subsequent amendments),
10. approving the bylaws of the Management Board of the Company,
11. approving the Company's annual and long-term plans of activity,
12. stating its opinion on any request of the Management Board addressed to the General Meeting,
13. at the request of the Management Board, expressing its consent to:
 - a) the purchase and sale of real estate, of perpetual usufruct or of a stake in real estate (this does not require a resolution of the General Meeting);

- b) the granting of guarantees and loans to commercial entities in which the Company owns less than 1/3 of the voting rights at the General Meeting of such entities;
 - c) establishing and acceding to commercial partnerships and companies;
 - d) disposing of shares in subsidiaries of the Company;
 - e) establishing branches, companies, representative offices and other organizational or economic entities abroad;
 - f) obtaining or acquiring shares of another Company;
 - g) the establishment and liquidation of foundations;
14. appointing and recalling members of the Management Board, with due regard being given to § 12 of the Statutes of the Company,
15. expressing an opinion on investments by the Company in tangible assets, which meet one of the following conditions:
- a) investments having a value of more than 10% of the budget for expenditures on investments in tangible assets of the Company for a given financial year;
 - b) investments of more than 5% of the budget for expenditures on investments in tangible assets of the Company for a given financial year, if the investment does not meet the criteria for planned effectiveness in comparison to the accepted rate of return on equity in the Company.
16. determining the manner of voting by a representative of KGHM Polska Miedź S.A. at the General Meetings of companies in respect of which the Company is a parent entity pursuant to art. 4 point 3 of the Act of 16 February 2007 on competition and consumer protection (Journal of Laws from 2017 item 229), regarding:
- a) the founding by a company of another company;
 - b) amendments in the statutes or articles of association and in the subject of a company's activities;
 - c) the merger, transformation, splitting, dissolution and liquidation of a company;
 - d) increasing or decreasing a company's share capital;
 - e) the disposal and lease of an enterprise or of an organised part thereof, as well as the attachment of limited property rights to same;
 - f) the retirement of shares;
 - g) setting the remuneration of members of the management boards and supervisory boards;
 - h) decisions relating to claims for redress of damage suffered during the founding of the company, or from management or supervisory activities;
 - i) regarding issues referred to in art. 17 of the Act of 16 December 2016 on the principles of state assets management (Journal of Laws from 2016 item 2259), with due regard to § 34 sec. 4.
17. providing an opinion on the report prepared by the Management Board on representation expenses, expenses incurred on legal services, marketing services, public relations services and social communication services, and advisory services associated with management,
18. providing an opinion on the principles regulating sponsoring activities and evaluating the effectiveness of the Company's sponsoring activities,

19. providing an opinion on changes in the principles of disposing of non-current assets, referred to in § 33¹, and
20. approving the Group's remuneration policy.

The duties of the Supervisory Board also include granting consent for the following:

1. agreements for legal services, marketing services, public relations services and social communication services, and advisory services associated with management, if the total expected remuneration for providing such services exceeds the net amount of PLN 500 000 per year,
2. changes in agreements for legal services, marketing services, public relations services and social communication services, and advisory services associated with management which increase the amount of remuneration above the amount referred to in point 1,
3. agreements for legal services, marketing services, public relations services and social communication services, and advisory services associated with management, in which the maximum amount of remuneration is not determined,
4. donations or other agreements with similar implications, with a value exceeding PLN 20 000 or 0.1% of total assets pursuant to the Act of 29 September 1994 on accounting, determined based on the most recently approved financial statements,
5. discharge of debt or other agreements with similar implications with a value exceeding PLN 50 000 or 0.1% of total assets pursuant to the Act of 29 September 1994 on accounting, determined based on the most recently approved financial statements.

In the year ended 31 December 2018, 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 2018 and by reviewing Management Board resolutions, submitted at every meeting, and
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 expenditures incurred on advisory, legal, marketing and advertising services, cultivating traditions, representation and sponsoring carried out by external entities on behalf of KGHM Polska Miedź S.A.,
- 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,
- reports on corporate risk management in the KGHM Polska Miedź S.A. Group,
- reports on the current status of the investment involving the expansion of the Żelazny Most Tailings Storage Facility.

- information on the status of the Sierra Gorda investment,
- reports on the current status of concession-related proceedings by KGHM Polska Miedź S.A.

1. The major subjects dealt with by the Supervisory Board in 2018 in terms of its duties, oversight and evaluation.

1. the Supervisory Board appointed a Supervisory Board Committee to audit the process of procurement in the Head Office of the Company and the Group, existing procurement procedures, planned changes and their impact on optimising procurement processes, comparing the results of procurement in the years 2015-2017,
2. made changes to the contracts/agreements and statutes of the domestic (i.e. Poland-based) subsidiaries of KGHM Polska Miedź S.A.,
3. reviewed a „Report on the analysis of the system and structure of safety in the KGHM Polska Miedź S.A. Group”,
4. reviewed information from the Management Board regarding the breaching of arsenic emissions by the Głogów Smelter and Refinery, corrective actions taken and Management Board plans in this regard,
5. the Supervisory Board reviewed the Bylaws of the Management Board of KGHM Polska Miedź S.A.,
6. reviewed information regarding the ordering and execution – in the years 2017 and 2018 – of detective services on behalf of the Company and all of the subsidiaries, comprising the scope of services, remuneration paid, the entities rendering the services, the subject of the services and documentation of their execution,
7. approved the Budget of KGHM Polska Miedź S.A. for 2018,
8. evaluated the separate financial statements of KGHM Polska Miedź S.A. and the Consolidated financial statements of the KGHM Polska Miedź S.A. Group for financial year 2017,
9. reviewed information from the Management Board on the most important matters for the Company involving significant risk from the point of view of its current activities,
10. evaluated the proposal of the Management Board regarding distribution of the Company's profit for financial year 2017,
11. the report of the Supervisory Board of KGHM Polska Miedź S.A. on the results of its evaluation of the financial statements of KGHM Polska Miedź S.A. for financial year 2017, the consolidated financial statements of the KGHM Polska Miedź S.A. Group for financial year 2017 and the Management Board's report on the activities of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group in 2017, together with the non-financial report of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for 2017 as well as the proposal of the Management Board regarding distribution of profit for financial year 2017,
12. approved the annual report on the activities of the Supervisory Board of KGHM Polska Miedź S.A. for financial year 2017,
13. approved proposals of the Management Board regarding the manner of exercising voting rights by representatives of KGHM Polska Miedź S.A. at General Meetings and Partner Meetings of companies in respect of which KGHM Polska Miedź S.A. is a

- dominant entity as defined by art. 4 point 3 of the Act dated 16 February 2007 on protecting competition and consumers (Journal of Laws from 2018, item 798), regarding changes in the statutes/articles of incorporation of such companies,
14. reviewed information from the Management Board regarding the results of audits at the Głogów Copper Smelter and Refinery,
 15. the Supervisory Board reviewed the opinion and recommendation of the Strategy Committee of the Supervisory Board regarding realisation of the Strategy of KGHM Polska Miedź S.A. in 2017,
 16. analysed the operating costs of the KGHM Polska Miedź S.A. Foundation,
 17. in connection with the appointment of the 10th-term Supervisory Board, the Supervisory Board selected a Chairman, a Deputy Chairman and a Secretary of the Supervisory Board,
 18. determined the composition of the Audit Committee, Remuneration Committee and Strategy Committee of the Supervisory Board of KGHM Polska Miedź S.A.,
 19. the 10th-term Supervisory Board adopted a decision regarding the ordering of elections for an employee-elected member of the Management Board of KGHM Polska Miedź S.A.,
 20. reviewed information from the Management Board regarding the centralisation of procurement in KGHM Polska Miedź S.A.,
 21. reviewed a report on expenditures incurred with respect to inventions, R&D work, expert opinions and inventions made by external entities on behalf of KGHM Polska Miedź S.A. and the Group – for the first half of 2018,
 22. analysed a report on expenditures incurred with respect to advisory services, legal services, marketing and advertising services, cultivating traditions, representation and sponsoring carried out by external entities on behalf of the KGHM Polska Miedź S.A. Group for the first 6 months of 2018,
 23. reviewed information from the Management Board regarding an audit conducted by NIK (the Supreme Audit Office) in KGHM Polska Miedź S.A.,
 24. analysed budget targets for 2019,
 25. reviewed information regarding the existing sponsoring model of the KGHM Polska Miedź S.A. Group,
 26. The Supervisory Board reviewed information regarding the Company's production and challenges thereto,
 27. reviewed information on current challenges related to the Company's international assets,
 28. adopted a decision regarding selection of the auditing firm to audit the financial statements of KGHM Polska Miedź S.A. and of key entities of the Group for the years 2019 -2021,
 29. made changes to the Bylaws of the Supervisory Board of KGHM,
 30. the Supervisory Board approved the Strategy of KGHM Polska Miedź S.A. for the years 2019-2023.

2. Major issues with respect to its duties respecting the Management Board of KGHM Polska Miedź S.A.

1. the Supervisory Board expressed its consent for Vice President of the Management Board Stefan Świątkowski to hold a function in the Supervisory Board of the company PGE EJ 1 sp. z o.o.,
2. adopted a decision on the temporary delegation of duties to members of the Management Board,
3. adopted resolutions regarding the holding of qualification proceedings to select candidates for Members of the Management Board, taking into consideration the specific principles and manner of such proceedings,
4. approved the list of candidates to the Management Board of KGHM Polska Miedź S.A. for appointment as members of the 10th-term Management Board of KGHM Polska Miedź S.A.,
5. appointed the 10th-term Management Board of KGHM Polska Miedź S.A. and set the number of members of the Management Board,
6. the Supervisory Board submitted a proposal to the Ordinary General Meeting regarding approval/disapproval of the performance of duties of Members of the Management Board of the Company in financial year 2017,
7. signed contracts with the Members of the Management Board on providing management services to KGHM Polska Miedź S.A. and determined the specific principles of employment and remuneration for the members of the Management Board of KGHM Polska Miedź S.A.,
8. determined the specific allocation of duties among the Members of the Management Board, in accordance with the existing Organisational Regulations in force in the Company,
9. adopted resolutions on the signing of local housing contracts and of contracts for the use of business cars with members of the Management Board,
10. approved the management Goals for the Management Board of KGHM Polska Miedź S.A. for 2018.

3. Information on the execution of resolutions of the General Meeting with respect to the activities of the Supervisory Board

1. The Supervisory Board entered into contracts with Members of the Management Board for the providing of management services to KGHM Polska Miedź S.A., with wording compliant with the resolution of the Ordinary General Meeting No. 8/2016 dated 7 December 2016 regarding the principles of remuneration of members of the Management Board.
2. The wording of the uniform Statutes of KGHM Polska Miedź S.A. with its registered head office in Lubin was adopted.

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

In performance of the recommendations and principles set forth in Best Practice 2016, in the past financial year the activities of the Supervisory Board were supported by the following Committees: Audit Committee, Strategy Committee and Remuneration Committee.

The Committees of the Supervisory Board are advisory and opinion-creating bodies, which act collegially and provide assistance and advice to the Supervisory Board. The tasks of the Committees of the Supervisory Board are performed by presenting to the Supervisory Board proposals, recommendations, opinions and reports regarding the scope of their tasks.

The rights, scope of actions and manner of work are described in the Bylaws of the Committees as approved by the Supervisory Board.

The composition of the Audit Committee met the criteria for independence pursuant to art. 129 point 1 of the Act dated 11 May 2017 on certified auditors, auditing firms and public oversight, wherein at least one member of the Audit Committee possesses knowledge and skills in the area of accounting, and moreover one member of the Audit Committee possesses knowledge and skills in the sector in which KGHM Polska Miedź S.A. operates.

The following tables present the tasks and duties of the Committees of the Supervisory Board.

Tasks and duties of the Audit Committee
1. Monitoring the process of financial reporting, the effectiveness of internal control systems and risk management systems as well as internal auditing, including financial reporting, the conduct of financial review, in particular carrying out auditing research, reflecting all of the conclusions of the Auditing Oversight Committee resulting from audits carried out within an auditing firm.
2. The conduct of financial reviews, particularly research conducted by an auditing firm, reflecting all of the conclusions and recommendations of the Audit Oversight Commission resulting from audits carried out within the auditing firm; conducting reviews of transactions carried out by the Company, which the Audit Committee considers as significant for the Company.
3. Providing an opinion on the Company's internal audit plan and the internal audit by-laws, as well as changes in the position of Internal Audit Director, which is directly responsible to the President or other member of the Management Board.
4. Analysis of the conclusions and recommendations of the Company's internal audit, including monitoring of the degree of implementation of the recommendations by the Company's Management Board.
5. Verifying and monitoring the independence of the certified auditor and the auditing firm, in particular if the auditing firm also provides other services to the Company

apart from auditing.
6. Informing the Supervisory Board of audit results and explaining to what degree such audits have contributed to the reliability of financial reporting in the Company, and also what was the role of the Audit Committee in this process.
7. Assessing the independence of the certified auditor and expressing consent for the certified auditor to provide permitted non-auditing services to the Company.
8. Developing a policy to select the auditing firm for conducting audits.
9. Developing a policy of providing permitted non-auditing services by the auditing firm conducting audits, entities affiliated to that auditing firm and by members of the auditing firm's network.
10. Establishing procedures of selecting an auditing firm by the Company.
11. Presenting the Supervisory Board with the recommendations referred to in Article 16 Paragraph 2 of Regulation No. 537/2014 (i.e. the recommendation regarding the appointment of certified auditors or auditing firms), in accordance with the policies referred to in Points 5 and 6 above.
12. Submitting recommendations aimed at ensuring the reliability of the Company's financial reporting process.

Tasks and duties of the Strategy Committee

1. Execution, on behalf of the Company's Supervisory Board, of tasks in the area of oversight of issues associated with the Company's strategy.
2. Monitoring of the execution of the Company's strategy by the Management Board and issuing opinions on the degree to which the existing strategy corresponds to the needs of the changing situation;
3. Monitoring of the execution of the annual and long-term operating plans of the Company by the Management Board, and assessing 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 as executed by the Management Board, and presentation of any proposed changes to all such Company documents.
5. Submission to the Company's Supervisory Board of the Committee's opinions regarding draft strategies of the Company and any changes thereto and of the Company's annual and long-term operating plans, as presented by the Company's Management Board.

Tasks and duties of the Remuneration Committee

1. The management of issues related to the recruitment and employment of members of the Management Board by preparing and arranging draft documents and

processes to be submitted to the Supervisory Board for approval.
2. The preparation of draft contracts/agreements and other sample documents related to the establishment of a legal relationship with Members of the Management Board and oversight of the execution of the contractual obligations of the parties.
3. Oversight of the operation of the Management Board remuneration system, in particular the preparation of settlement documents with respect to variable elements and bonus-based remuneration in order to submit recommendations to the Supervisory Board.
4. Monitoring and periodic assessment of the remuneration system for the Company's senior management and, if necessary, the preparation of recommendations for the Supervisory Board.
5. Oversight of the proper provision of additional benefits for Members of the Management Board arising from contracts binding the Members of the Management Board with the Company, such as: insurance, company cars, housing, etc.

Composition of the Audit Committee in 2018

First, last name	1 January – 6 July (9th-term Supervisory Board)	23 July – 31 December (10th-term Supervisory Board)
Dominik Hunek	Member of the Committee	X
Michał Czarnik	Chairman of the Committee	X
Leszek Banaszak	X	Member of the Committee
Leszek Hajdacki	Member of the Committee	X
Jarosław Janas	X	Member of the Committee
Janusz Kowalski	Member of the Committee	X
Wojciech Myślecki	Member of the Committee	X
Ireneusz Pasis	X	Member of the Committee
Bartosz Piechota	X	Member of the Committee
Marek Pietrzak	Member of the Committee	Member of the Committee
Agnieszka Winnik-Kalemba	Member of the Committee	Chairwoman of the Committee
Jarosław Witkowski	Member of the Committee	X
Bogusław Szarek	Member of the Committee	Member of the Committee

Composition of the Strategy Committee in 2018

First, last name	1 January – 6 July (9th-term Supervisory Board)	23 July – 31 December (10th-term Supervisory Board)
Leszek Banaszak	X	Member of the Committee

Michał Czarnik	Member of the Committee	X
Józef Czyczerski	Member of the Committee	Member of the Committee
Leszek Hajdacki	Member of the Committee	X
Janusz Kowalski	X	Member of the Committee
Wojciech Myślecki	Member of the Committee	X
Ireneusz Pasis	X	Member of the Committee
Bartosz Piechota	X	Chairman of the Committee
Marek Pietrzak	Member of the Committee	Member of the Committee
Bogusław Szarek	Member of the Committee	Member of the Committee
Agnieszka Winnik – Kalemba	Member of the Committee	Member of the Committee
Jarosław Witkowski	Chairman of the Committee	X

Composition of the Remuneration Committee in 2018

First, last name	1 January – 6 July (9th-term Supervisory Board)	23 July – 31 December (10th-term Supervisory Board)
Leszek Banaszak	X	Member of the Committee
Józef Czyczerski	Member of the Committee	Member of the Committee
Leszek Hajdacki	Member of the Committee	X
Dominik Hunek	Member of the Committee	X
Jarosław Janas	X	Member of the Committee
Andrzej Kisielewicz	X	Chairman of the Committee
Ireneusz Pasis	X	Member of the Committee
Marek Pietrzak	Chairman of the Committee	Member of the Committee
Bogusław Szarek	Member of the Committee	Member of the Committee

Information on the major issues dealt with by the Committees of the Supervisory Board during their meetings in 2018

Audit Committee

In financial year 2018 the Audit Committee held 13 protocolled meetings.

1. The Audit Committee expressed a positive opinion regarding the „Integrated Audit Plan in the KGHM Polska Miedź S.A. Group for 2018”;
2. The Audit Committee expressed its consent for the company Deloitte Polska Sp. z o.o. sp.k. to verify the consolidation packets of selected companies of the KGHM Polska Miedź S.A. Group for the year ended 31 December 2017;

3. It adopted the „Final Report of the Audit Committee Team (ACT) of the Supervisory Board of KGHM Polska Miedź S.A.” to research realisation of the project „Construction of drifts using a combine team”;
4. The Audit Committee, after reviewing the Company’s financial statements for 2017 as submitted by the Management Board, and after reviewing the report of the Auditor on its audit of the financial statements and consolidated financial statements of the Group prepared as at 31 December 2017, in the presence of the Auditor Deloitte Polska, decided to recommend to the Supervisory Board of KGHM Polska Miedź S.A. that the Board adopt decisions on the positive evaluation of:
 - the Company’s Financial Statements for 2017;
 - the Consolidated Financial Statements of the Group for 2017;
 - the Report of the Management Board of KGHM Polska Miedź S.A. on the activities of the Company and Group for financial year 2017;
5. Issued a positive recommendation for the Supervisory Board to approve the Budget of KGHM Polska Miedź S.A. and the Group for 2018 with corrections;
6. Expressed a positive opinion and decided to recommend that the Supervisory Board approve the following:
 - a) the report of the Supervisory Board of KGHM Polska Miedź S.A. on the results of the evaluation of the financial statements of KGHM Polska Miedź S.A. for financial year 2017, the consolidated financial statements of the KGHM Polska Miedź S.A. Group for financial year 2017 and the Management Board’s report on the activities of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group in 2017, as well as the proposal of the Management Board of KGHM Polska Miedź S.A. regarding distribution of profit for financial year 2017,
 - b) evaluation of the standing of KGHM Polska Miedź S.A. in financial year 2017, including assessment of the systems of internal control, risk management and compliance as well as the internal audit function,
 - c) positively reviewed the report on representation expenses, expenses incurred on legal services, marketing services, public relations services and social communication services, and advisory services associated with management in 2017;
7. Adopted the report on the activities of the Audit Committee for 2017, which is part of the report on the activities of the Supervisory Board for 2017;
8. The Audit Committee monitored and reviewed reports on corporate risk management in 2018 in the KGHM Polska Miedź S.A. Group;
9. Reviewed the training policy of KGHM Polska Miedź S.A.;
10. Expressed consent for Deloitte Advisory Sp. z o.o. sp.k. to provide the following services:
 - Auditing of the financial statements of KGHM and FIZAN in liquidation prepared on the opening date of the liquidation process and the closing date;
 - Verification of the compliance of the Company’s consolidation documentation and its accounts with the consolidated financial statements for the years ending 31 December 2017 and 31 December 2018, the correctness of calculations of the financial covenants in accordance with the borrowing agreements dated 8 August 2014 in the amount of PLN 2 000 mn and dated 11 December 2017 in the amount of PLN 900 mn granted to the Company by the European Investment Bank;

11. The Audit Committee reviewed the financial statements of KGHM for the first half of 2018 and the Consolidated financial statements of the KGHM Group for the first half of 2018;
12. Reviewed the report for the first 9 months on the realisation of the internal audit plan for 2018;
13. Assessed the offers of bidders and presented its recommendations to the Supervisory Board with respect to the selection of the auditing firm;
14. The Audit Committee accepted the recommendation for the Supervisory Board of KGHM Polska Miedź S.A. indicating the offer of the firm PWC as the preferred one for the purposes of auditing and reviewing the financial statements of KGHM Polska Miedź S.A. and key entities of the Group for the years 2019-2021;
15. The Audit Committee reviewed information:
 - regarding the manner of implementing post-audit recommendations and conclusions as well as the schedule for implementing the most important recommendations in 2018, and
 - regarding the functioning of the internal audit unit;
16. The Audit Committee adopted resolutions regarding:
 - the urgent preparation and presentation of the plan to develop the services segment in the companies of the KGHM Polska Miedź S.A. Group in Poland and abroad,
 - presenting an opinion on the candidate for the position of Director of the Internal Audit Department at the Head Office of KGHM Polska Miedź S.A.,
 - expressing the consent of the Audit Committee for Deloitte Advisory Sp. z o.o. sp.k. to provide attestation services regarding corporate social responsibility with regard to the RESPECT Index project.

Information on the major issues dealt with by the Committees of the Supervisory Board during their meetings in 2018

Strategy Committee

In 2018 the Strategy Committee held 5 protocolled meetings.

1. it reviewed and analysed the annual report on realisation of the Strategy of KGHM Polska Miedź S.A. in 2017;
2. the Strategy Committee reviewed information regarding the IT Strategy for the Company and the KGHM Polska Miedź S.A. Group;
3. the Strategy Committee recommended adoption of the annual report on realisation of the Strategy of KGHM Polska Miedź S.A. in 2017 by the Supervisory Board;
4. the Strategy Committee adopted and submitted to the Supervisory Board the „Report on the activities of the Strategy Committee of the Supervisory Board of KGHM Polska Miedź S.A. S.A. in financial year 2017“;
5. reviewed the report on the execution of the Strategy of KGHM Polska Miedź S.A. for the years 2017-2021 for the first half;
6. the Strategy Committee analysed and recommended that the Supervisory Board approve the Strategy of KGHM Polska Miedź S.A. for the years 2019 – 2023.

Information on the major issues dealt with by the Committees of the Supervisory Board during their meetings in 2018

Remuneration Committee

In 2018 the Remuneration Committee held 5 protocolled meetings.

1. it reviewed material on the variable part of remuneration of a Member of the 9th-term Management Board and recommended that the Supervisory Board sign an appendix with the Member of the 9th-term Management Board;
2. it approved the report on the activities of the Remuneration Committee for 2017, which is part of the report on the activities of the Supervisory Board for 2017;
3. the Remuneration Committee selected from among its members a Chairman of the Remuneration Committee of the 10th-term Supervisory Board of KGHM Polska Miedź S.A.;
4. the Committee positively recommended the level of remuneration of Members of the 10th-term Management Board of KGHM Polska Miedź S.A.;
5. it adopted and provided recommendations to the Supervisory Board regarding approval of model management contracts with the Members of the Management Board of KGHM Polska Miedź S.A.;
6. the Committee provided recommendations regarding the granting of consent for signing management contracts with the Members of the 10th-term Management Board;
7. it recommended that the Supervisory Board conditionally approve the management goals for the Members of the 10th-term Management Board of KGHM Polska Miedź S.A. for 2018 for a 3-month period;
8. it did not provide recommendations for the Supervisory Board regarding a decision with respect to variable remuneration for former Members of the Management Board for 2017;
9. it reviewed an analysis of Goal Cards for individual Members of the Management Board for 2019;
10. the Remuneration Committee decided to recommend that the Supervisory Board adopt resolutions regarding the distribution of duties amongst the Members of the Management Board of KGHM Polska Miedź S.A.;
11. the Remuneration Committee discussed whether to approve the bonus measures for Members of the Management Board of KGHM Polska Miedź S.A. for 2017.

V. Self-evaluation by the Supervisory Board

The Supervisory Board of KGHM Polska Miedź S.A. is the permanent supervisory authority of the Company in all of its functional areas, in accordance with the obligations and rights set forth in the Commercial Partnerships and Companies Code and other laws, the Statutes of the Company and the Bylaws of the Supervisory Board. Moreover, in performing its duties the Members of the Supervisory Board of KGHM Polska Miedź S.A. were directed by the principles of Best Practice 2016. The Supervisory Board in 2018 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 enshrined in the document *Best Practice by GPW 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. and the KGHM Polska Miedź S.A. Group in 2018* contains a corporate governance statement on the application of corporate governance principles by the Company in 2018. The contents of the document *Best Practice by GPW listed companies*, as well as the *Corporate governance statement for 2018* are available on the Company's corporate website, <https://kghm.com/en/investors/corporate-governance/governance-compliance>.

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.

VII. 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. In 2019, in its Non-financial report for 2018, the Company also presented expenditures on its sponsoring activities and those directed at the statutory activities of the foundation (the KGHM Polska Miedź Foundation and the Polish National Foundation).

The basis for these actions is the „Corporate Social Responsibility Strategy of KGHM Polska Miedź S.A. for the years 2017 - 2021” 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, education and the arts. The Company's

charitable activities are conducted by the Polish Copper Foundation (Fundacja Polska Miedź), which since 2003, thanks to its founder and sponsor KGHM Polska Miedź S.A., has supported the communities of the Copper Belt and the region, as well as persons beyond Lower Silesia, injured as a result of natural disasters.

Twice every financial year the Supervisory Board reviews information from the Management Board regarding expenditures on sponsoring and charitable activities: collective information regarding all expenditures in this regard for the prior year and the 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 the year ended 31 December 2018.

- Leszek Banaszak
- Józef Czyczerski
- Jarosław Janas
- Andrzej Kisielewicz
- Janusz Kowalski
- Ireneusz Pasis
- Bartosz Piechota
- Marek Pietrzak
- Bogusław Szarek
- Agnieszka Winnik- Kalemba

