

**Report on the Activities of the Supervisory Board
of KGHM Polska Miedź S.A.
for the year ended 31 December 2019**

(Adopted by Resolution No. 27/X/20 of the Supervisory Board of KGHM Polska Miedź S.A. dated 6 May 2020)



Lubin, April 2020

This report contains:

- I. Principles and procedures of operations of the Supervisory Board of KGHM Polska Miedź S.A.
- II. Information on the Supervisory Board's term of office, the composition of the Supervisory Board of KGHM Polska Miedź S.A. in 2019, 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 2019.
- 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 IV § 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 voting by means of direct communication at a distance and by delegating its members to work in the Committees.

II. Information on the Supervisory Board's term of office, the composition of the Supervisory Board of KGHM Polska Miedź S.A. in 2019, on Supervisory Board functions served by its members and on meeting independence criteria by the members of the Supervisory Board.

Composition of the 10th-term Supervisory Board appointed by the Ordinary General Meeting of KGHM Polska Miedź S.A.

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 – resigned from the function as at 11 November 2019
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

On 23 October 2019 the Company received the resignation of Janusz Kowalski from the function of member of the Supervisory Board of KGHM Polska Miedź S.A. as at 11 November 2019.

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 members of the Supervisory Board authorised the Management Board of the Company to verify their independence in the Company and in the KGHM Polska Miedź S.A. Group.

The following table presents information which conforms to the declarations submitted by members of the 10th-term Supervisory Board as at 31 December 2019.

	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 – resigned from the function as at 11 November 2019
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 2019.

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 14 protocolled meetings at the Head Office of the Company and utilising means of direct communication at a distance, and adopted 120 resolutions, including 6 resolutions in voting utilising means of direct communication at a distance. All of the absences of Supervisory Board members were justified by appropriate resolutions of the Supervisory Board.

The activities of the Supervisory Board in 2019 were documented in the minutes of the meetings and in 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 Company's Statutes and the adopted Bylaws of the Supervisory Board, and also reviewed other matters presented by the Management Board of KGHM Polska Miedź S.A.

The duties of the Supervisory Board include in particular:

- 1) evaluating the separate and consolidated financial statements and the report of the Management Board on the activities of the Company and the Group for the given financial year,
- 2) evaluating the proposals of the Management Board with respect to the allocation 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 performance of duties of Management Board's members for the financial year,
- 5) examining and controlling the activity and financial condition of the Company, and submitting to the General Meeting an annual, concise assessment of the standing of the Company,
- 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) reviewing the Management Board's requests 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 Meetings/Partner Meetings 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 organisational or economic entities abroad;
 - f) obtaining or acquiring shares of another Company;
 - g) the establishment and liquidation of foundations;

- 14) appointing and dismissing 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 fixed 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 fixed assets of the Company for a given financial year;
 - b) investments of more than 5% of the budget for expenditures on investments in fixed 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 to 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 reports 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 2019, 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 periods of 2019 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:

- 1) reports on the current state of concession-related proceedings of KGHM Polska Miedź S.A.,
- 2) information regarding the financial results of the KGHM Group,
- 3) 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.,
- 4) reports on corporate risk management in the KGHM Polska Miedź S.A. Group,
- 5) reports on the current status of the investment involving the expansion of the Żelazny Most Tailings Storage Facility,
- 6) information on the status of the Sierra Gorda investment, and
- 7) information on the exposure to and management of market risk of the KGHM Polska Miedź S.A. Group.

1. The major subjects dealt with by the Supervisory Board in 2019 in terms of its duties, oversight and evaluation.

- 1) on 10 January 2019 the Supervisory Board approved the Budget of KGHM Polska Miedź S.A. and the Budget of the KGHM Polska Miedź S.A. Group for 2019,
- 2) 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 2018,



- 3) reviewed information of the Management Board on the most important Company matters raising substantial risk from the point of view of its current operations,
- 4) evaluated the proposal of the Management Board regarding allocation of the Company's profit for financial year 2018,
- 5) adopted 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 2018, the consolidated financial statements of the KGHM Polska Miedź S.A. Group for financial year 2018 and the Management Board's report on the activities of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group in 2018, together with the non-financial report of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for 2018 as well as the proposal of the Management Board regarding the allocation of profit for financial year 2018,
- 6) evaluated the standing of the Company in 2018, including assessment of the systems of internal control, risk management and compliance as well as the internal audit function,
- 7) evaluated 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 2018,
- 8) adopted the annual report on the activities of the Supervisory Board of KGHM Polska Miedź S.A. for financial year 2018,
- 9) 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,
- 10) adopted resolutions regarding the manner of casting votes by representatives of KGHM Polska Miedź S.A. at general meetings and partnership meetings of companies in respect of which KGHM Polska Miedź S.A. is a parent entity as understood by art. 4 point 3 of the Act dated 16 February 2007 on competition and consumer protection – a request for changes in the principles of remunerating members of the Management Boards of the subsidiaries of KGHM Polska Miedź S.A. in Poland,
- 11) expressed consent for subsidies being grants under advancement of the project „Competent in the mining-metallurgical sector. KGHM – a key partner in professional education”,
- 12) the Supervisory Board reviewed the status of the process of issuing bonds by the Company,
- 13) reviewed information on the financial and production-related situation in the international assets,
- 14) reviewed information on the subject of advancement of work in the area of procurement,
- 15) the Supervisory Board confirmed the independence of members of the Audit Committee,
- 16) the Supervisory Board reviewed an analysis on the functioning of KGHM Polska Miedź S.A. in a situation where the Company fails to receive concessions,

- 17) reviewed information on the impact of the implementation of supply chain management processes in the KGHM Polska Miedź S.A. Group,
- 18) reviewed information on the measureable financial benefits and savings accruing from implementation of the new Procurement Policy in the KGHM Polska Miedź S.A. Group,
- 19) analysed a report 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. Group in the first 6 months of 2019,
- 20) reviewed information on current challenges related to the Company's international assets,
- 21) made changes to the Bylaws of the Supervisory Board KGHM,
- 22) approved requests on the manner of voting by a representative of KGHM Polska Miedź S.A. at the partner meetings of the direct subsidiaries of the KGHM Polska Miedź S.A. Group regarding changes in the contracts/statutes of companies,
- 23) the Supervisory Board adopted a procedure for the periodic evaluation of significant transactions with related entities,
- 24) positively evaluated the „Sponsoring Policy of KGHM Polska Miedź S.A.”

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

- 1) the Supervisory Board presented proposals to the Ordinary General Meeting regarding approval of the performance of duties of Members of the Management Board in 2018,
- 2) approved Management Goals for the Management Board of KGHM Polska Miedź S.A. in 2019,
- 3) expressed consent for training for Members of the Management Board based on signed Management Contracts to Provide Services to KGHM Polska Miedź S.A.,
- 4) the Supervisory Board adopted a negative decision regarding the setting of rights to variable remuneration for the 9th-term Management Board,
- 5) approved the setting of the detailed scope of duties for Radosław Stach, Vice President of the Management Board (Production), due to changes in the Organisational Bylaws of KGHM Polska Miedź S.A.,
- 6) approved changes to the templates for the management services contracts of Members of the Management Board of KGHM Polska Miedź S.A., and established detailed rules for the employment and remuneration of members of the Management Board of KGHM Polska Miedź S.A.,
- 7) expressed consent for the utilisation by the Members of the Management Board of KGHM Polska Miedź S.A. of other services based on § 4 sec. 7 of the management services contracts – setting rules for the utilisation by the Members of the

- Management Board of KGHM Polska Miedź S.A. of benefits resulting from life insurance contracts entered into by KGHM Polska Miedź S.A.,
- 8) the Supervisory Board approved the execution of the Management Goals and set the right to receive variable remuneration by Members of the 10th-term Management Board for 2018.

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 Marek Pietrzak, a member of the Audit Committee, possesses knowledge and skills in the area of accounting, and Bogusław Szarek, a 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 section 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 management contracts, such as insurance, company cars, housing, etc.

Composition of the Audit Committee in 2019

First, last name	1 January – 31 December 2019
Agnieszka Winnik-Kalemba	Chairwoman of the Audit Committee
Leszek Banaszak	Committee Member
Jarosław Janas	Committee Member
Ireneusz Pasis	Committee Member
Bartosz Piechota	Committee Member
Marek Pietrzak	Committee Member
Bogusław Szarek	Committee Member

Composition of the Strategy Committee in 2019

First, last name	1 January – 31 December (10th-term Supervisory Board)
Bartosz Piechota	Chairman of the Committee
Leszek Banaszak	Committee Member
Józef Czyczerski	Committee Member
Janusz Kowalski	Committee Member to 11 November 2019
Ireneusz Pasis	Committee Member
Marek Pietrzak	Committee Member

Bogusław Szarek	Committee Member
Agnieszka Winnik- Kalembe	Committee Member

Composition of the Remuneration Committee in 2019

First, last name	1 January – 31 December 2019 (10th-term Supervisory Board)
Andrzej Kisielewicz	Chairman of the Committee
Leszek Banaszak	Committee Member
Józef Czyczerski	Committee Member
Jarosław Janas	Committee Member
Ireneusz Pasis	Committee Member
Marek Pietrzak	Committee Member
Bogusław Szarek	Committee Member

Information on the major issues dealt with by the Committees of the Supervisory Board during their meetings in 2019

Audit Committee

In financial year 2019 the Audit Committee held 10 protocolled meetings.

1. The Audit Committee expressed a positive opinion regarding the final report of the Team for the selection of an auditor based on the procedure for selecting the auditing firm for the review and audit of the financial statements of KGHM Polska Miedź S.A. and key subsidiaries of the Group for the years 2019-2021.
2. The Committee expressed consent for the firm of PricewaterhouseCoopers Sp. z o.o. Sp. k. to carry out the fourth stage of the audit confirming the adherence by the Company with the principles for supplying non-conflict precious metals as defined by the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance in the years 2017-2018.
3. The Audit Committee expressed a positive opinion regarding the Internal Audit plan for 2019.
4. The Audit Committee reviewed information regarding the plan to audit the Company's financial statements for 2018 with the auditor Deloitte.
5. The Audit Committee, after reviewing the Company's financial statements for 2018 as submitted by the Management Board, provided its recommendations to the Supervisory Board:
 - 1) with respect to its evaluation of the separate financial statements of KGHM Polska Miedź S.A. for financial year 2018,
 - 2) with respect to its evaluation of the consolidated financial statements of the KGHM Polska Miedź S.A. Group for financial year 2018,
 - 3) with respect to its evaluation of the Report of the Management Board of KGHM Polska Miedź S.A. on the activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group in 2018 prepared together with the non-financial report of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group for 2018.
6. Provided its recommendations to the Supervisory Board regarding the submission of a declaration on the selection of an auditing firm to carry out the audit of the annual financial statements of KGHM Polska Miedź S.A. for 2018 and the annual

- consolidated financial statements of the KGHM Polska Miedź S.A. Group for 2018 pursuant to the rules for the selection and the procedure for selection of the auditing firm.
7. The Audit Committee provided its recommendation to the Supervisory Board regarding the submission of a declaration on adherence to the rules regarding the appointment, composition and functioning of the Audit Committee and its performance of the tasks assigned to it by existing laws.
 8. Reviewed the report on corporate risk management in Q2 and Q3 2018 in the KGHM Polska Miedź S.A. Group.
 9. The Audit Committee indicated Marek Pietrzak and Bogusław Szarek as Members of the Audit Committee who meet the terms for independence under art. 129 point 1 of the Act dated 11 May 2017 on certified auditors, auditing firms and public oversight.
 10. The Audit Committee provided its recommendation to the Supervisory Board regarding the positive evaluation of the request of the Management Board of KGHM Polska Miedź S.A. regarding the allocation of profit for the year ended 31 December 2018.
 11. The Audit Committee provided its recommendation to the Supervisory Board regarding its report on the evaluation of the proposal of the Management Board of KGHM Polska Miedź S.A. regarding the allocation of profit for the year ended 31 December 2018 and on setting the dividend date and dividend payment date for the year ended 31 December 2018.
 12. The Audit Committee provided its recommendation to the Supervisory Board regarding its positive evaluation of its assessment of the Company's standing in 2018, including an evaluation of the internal control, risk management and compliance systems and the internal audit function.
 13. The Audit Committee provided its recommendation to the Supervisory Board regarding its positive evaluation of report of the Management Board of KGHM Polska Miedź S.A. on representation expenses, expenses incurred on legal services, marketing services, public relations services and social communication services, and advisory services associated with management in 2018.
 14. The Audit Committee provided its recommendation to the Supervisory Board regarding adoption of the report on the activities of the Audit Committee of the Supervisory Board of KGHM Polska Miedź S.A.
 15. Expressed a positive opinion on the report regarding execution of the Audit Plan for 2018.
 16. The Audit Committee reviewed information on the state of audit-related work on the task „Drilling of drift tunnels using a combines team”.
 17. Expressed a positive opinion on the Internal Audit Rules of the KGHM Polska Miedź S.A. Group.
 18. Reviewed the report on corporate risk management in Q4 2018 in the KGHM Polska Miedź S.A. Group.
 19. Recommended that the Supervisory Board direct questions regarding the Źelazny Most Tailings Storage Facility to the Management Board of KGHM Polska Miedź S.A.

20. The Audit Committee reviewed information from the Auditor PwC regarding its review of the accounts in the first half of 2019.
21. The Audit Committee reviewed a report on corporate risk management in Q1 and Q2 2019 in the KGHM Polska Miedź S.A. Group.
22. The Audit Committee reviewed information from the Auditor PwC after its initial audit for 3Q.
23. As a result of the updating of the Act on public offerings and conditions governing the introduction of financial instruments to organised trading, and on public companies and the coming into force of regulations placing obligations on supervisory boards – on 30 November 2019 the Audit Committee adopted a procedure for the periodic evaluation of significant transactions.
24. Reviewed a report on Execution of the Audit Plan for the first half of 2019.
25. The Audit Committee reviewed a report on corporate risk management in Q3 2019 in the KGHM Polska Miedź S.A. Group.
26. Expressed its consent for PricewaterhouseCoopers Sp. z o.o. Sp. k. (PwC) to carry out attestation services under the task titled: „Audits confirming the adherence by the Company with the principles for supplying non-conflict precious metals as defined by the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance in 2019.”

Information on the major issues dealt with by the Committees of the Supervisory Board during their meetings in 2019

Strategy Committee

In 2019 the Strategy Committee held 5 protocolled meetings.

1. The Strategy Committee reviewed the Company's financial hedging Strategy.
2. The Strategy Committee adopted the report on the activities of the Strategy Committee of the Supervisory Board of KGHM Polska Miedź S.A.
3. Reviewed information on the state of proceedings related to concessions and of the risks related to the potential prolongation of administrative proceedings.
4. The Strategy Committee reviewed a report on the state of advancement of the Strategy of KGHM for the years 2019-2023 for the first half of 2019.

Information on the major issues dealt with by the Committees of the Supervisory Board during their meetings in 2019**Remuneration Committee**

In 2019 the Remuneration Committee held 8 protocolled meetings.

1. The Remuneration Committee provided its recommendation to the Supervisory Board regarding the confirmation of management goals for 2019 for the Members of the 10th-term Management Board of KGHM Polska Miedź S.A.
2. Recommended that the Supervisory Board adopt resolutions regarding expressing its consent for the providing of services for the President of the Management Board based on § 5 sec. 1 of the management services contract and on Best Practice for GPW Listed Companies 2016 (principle no. II.Z.2).
3. The Remuneration Committee recommended that the Supervisory Board express a negative assessment of the request regarding the performance of management goals by former members of the Management Board of KGHM Polska Miedź S.A. indicated for 2017.
4. The Remuneration Committee provided its recommendation to the Supervisory Board regarding the signing of appendices to the contracts with the Members of the Management Board for the use of company cars.
5. It adopted the report on the activities of the Remuneration Committee of the Supervisory Board of KGHM Polska Miedź S.A. for 2018.
6. The Remuneration Committee recommended that, once per quarter, the Members of the Management Board submit to the Supervisory Board of KGHM Polska Miedź S.A. a personal declaration on the obligations carried out by them.
7. The Remuneration Committee recommended that the Supervisory Board adopt a resolution regarding expressing consent for the financing of training for the Members of the Management Board based on the signed Management Contracts to Provide Services to KGHM Polska Miedź S.A.
8. Recommended that the Supervisory Board adopt a resolution regarding changes to the templates for the contracts to provide management services by the Members of the Management Board of KGHM Polska Miedź S.A. to KGHM Polska Miedź S.A.
9. The Remuneration Committee recommended that the Supervisory Board adopt a resolution regarding expressing its consent for the providing of other services to the Members of the Management Board – based on § 4 sec. 7 of the management services contracts (life insurance).
10. The Remuneration Committee recommended that the Supervisory Board adopt a resolution regarding changes to the templates for the contracts to provide management services by the Members of the Management Board of KGHM Polska Miedź S.A. to KGHM Polska Miedź S.A. of management services reflecting a clause in the appendix regarding its coming into force as at 1 January 2020.

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. In 2019 each of the Members of the Supervisory Board during the performance of their duties took into consideration the good of the Company. The Management Board cooperated with the Supervisory Board, providing information on the status of matters of importance to the Company. All of the Members of the Supervisory Board applied due diligence in the performance of their duties, and consequently the Supervisory Board positively assesses the results of their work.

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 to carry out all of the recommendations and principles enshrined in the document *Best Practice for GPW listed companies*.

On 17 March 2020 the Company published the Management Board's report on the activities of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group in 2019, one of whose elements is the Corporate Governance Statement for 2019, containing information required under §70 point. 6. 5) of the Decree of the Minister of Finance dated 29 March 2018 concerning the publication of current and periodic information by issuers of securities and the conditions of recognising information as equivalent as required by the laws of a non-member state.

In accordance with detailed principle I.Z.1.13 of Best Practice by GPW listed companies, the Corporate Governance Statement is available on the Company's corporate website: <https://kg hm.com/en/investors/corporate-governance/governance-compliance>.

In the opinion of the Supervisory Board the Company has a transparent and effective informational policy, ensuring the simple and non-discriminatory access to disclosed information, utilising various communications tools. The Company manages a corporate website which provides, in a clear and accessible manner, the basic corporate documents, including the Company's Statutes, the Bylaws of the Supervisory Board and of the Management Board, information on the composition of the Company's bodies with biographical data along with information on the meeting of independence criteria by the members of the Supervisory Board, and also conducts a transparent informational policy aimed at the Company's shareholders.

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.

The sponsoring activities of KGHM Polska Miedź S.A. emphasise the presence of the KGHM brand at prestigious events in Poland and abroad. Amongst the ventures sponsored are important social events related to national culture, sport and science.

One of the pillars of corporate social responsibility is the KGHM Polska Miedź Foundation, which engages in acts of goodwill and charitable activities. It assists in the advancement of social projects and provides support to people who find themselves in difficult situations. The basic activities of the KGHM Polska Miedź Foundation involve the providing of financial subsidies and material support. In 2020 the Non-financial Report of the Company for 2019 presented the expenditures incurred by the KGHM Foundation from the support provided in the form of cash subsidies in the total amount of **PLN 20 243 989.96**.

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 2019.

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