

**Report on the Activities of the Supervisory Board
of KGHM Polska Miedź S.A.
for 2020**

*(Adopted by Resolution No. 71/X/21 of the Supervisory Board of KGHM Polska Miedź S.A.
dated 21 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 2020, 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 2020.
- 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 Company 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

| | 1 January - 19 June | 19 June - 3 August | 3 August - 26 November | 26 November- 31 December |
|---|------------------------|-----------------------|---------------------------|-----------------------------|
| - Agnieszka Winnik-Kalemba | ✓ | ✓ | ✓ | ✓ |
| - Bartosz Piechota | ✓ | ✓ | ✓ | ✓ |
| - Marek Pietrzak | ✓ | ✓ | ✓ | ✓ |
| - Bogusław Szarek (elected by employees) | ✓ | ✓ | ✓ | ✓ |
| - Leszek Banaszak | ✓ | | | |
| - Jarosław Janas | ✓ | ✓ | ✓ | ✓ |
| - Ireneusz Pasis (elected by employees of the Group) | ✓ | ✓ | | |
| - Józef Czyczerski (wybrany przez Pracowników GK) | ✓ | ✓ | ✓ | ✓ |
| - Andrzej Kisielewicz | ✓ (Chairman) | ✓ (Chairman) | ✓ (Chairman) | ✓ (Chairman) |
| - Katarzyna Lewandowska | | ✓ | ✓ | ✓ |
| - Przemysław Darowski (elected by employees of the Group) | | | | ✓ |

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 2020.

| | 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 | Katarzyna Lewandowska | does not meet independence criteria |
| 3 | Jarosław Janas | meets independence criteria |
| 4 | Bartosz Piechota | meets independence criteria |
| 5 | Marek Pietrzak | meets independence criteria |
| 6 | Agnieszka Winnik-Kalemba | meets independence criteria |

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

| | | |
|---|---------------------|-------------------------------------|
| 7 | Józef Czyczerski | does not meet independence criteria |
| 8 | Przemysław Darowski | does not meet independence criteria |
| 9 | 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 2020

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 9 protocolled meetings at the Head Office of the Company and utilising means of direct communication at a distance, and adopted 118 resolutions, including 33 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 2020 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 activity of the Company 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 evaluations of the documents referred to in the first two points above,
- 4) submitting to the General Meeting annual requests for granting approval of performance of duties of the Management Board's members with respect to their activities in a financial year,
- 5) examining and controlling the activity and financial condition of the Company, and submitting to the Ordinary General Meeting an annual, brief 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,
- 20) approving the Group's remuneration policy,
- 21) approving the consolidated text of the Company's Statutes, submitted by the Management Board.

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 2020 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 2020 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 of other international assets,
- 7) information on the exposure to and management of market risk of the KGHM Polska Miedź S.A. Group, and
- 8) information regarding the investment „construction of a primary dewatering unit in the region of the SW-4 shaft of the Polkowice-Sieroszowice Mine Division.

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

- 1) on 16 January 2020 the Supervisory Board approved the Budget of KGHM Polska Miedź S.A. and the Budget of the KGHM Polska Miedź S.A. Group for 2020,
- 2) conducted a periodic evaluation as to whether the transactions referred to in art. 90h sec. 1 and art. 90k of the Act on public offerings and conditions governing the



- introduction of financial instruments to organised trading, and on public companies, met the conditions referred to in art. 90j sec. 1 point 1 of this Act for each month of 2020,
- 3) 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 2019,
 - 4) evaluated the Management Board's report on the activities of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group in 2019 prepared together with the non-financial report of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for 2019,
 - 5) adopted the report on the results of evaluation of the financial statements of KGHM Polska Miedź S.A. for 2019, the consolidated financial statements of the KGHM Polska Miedź S.A. Group for financial year 2019, the Management Board's report on the activities of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group in 2019 prepared together with the non-financial report of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for 2019,
 - 6) adopted and presented to the Ordinary General Meeting the report on the standing of KGHM Polska Miedź S.A. for the year ended 31 December 2019,
 - 7) adopted the annual report of the Supervisory Board of KGHM Polska Miedź S.A. for the year ended 31 December 2019,
 - 8) positively evaluated the Management Board's 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 2019,
 - 9) evaluated the proposal of the Management Board of KGHM Polska Miedź S.A. regarding the allocation of profit for the year ended 31 December 2019,
 - 10) adopted the report on the results of its 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 2019,
 - 11) presented to the Ordinary General Meeting the report 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 report on the results of its 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 2019,
 - 12) positively evaluated the proposal of the Management Board of KGHM Polska Miedź S.A. to the General Meeting on adoption of a resolution regarding changes to the „Statutes of KGHM Polska Miedź Company Akcyjna with its registered head office in Lubin”,

- 13) positively evaluated and presented to the General Meeting the „Remuneration Policy for the Members of the Management and Supervisory Boards of KGHM Polska Miedź S.A.”,
- 14) expressed its consent for the signing of subsidy agreements with the KGHM Polska Miedź Foundation,
- 15) expressed its consent for additional remuneration for the auditor,
- 16) reviewed the report on advancement of the Strategy of KGHM Polska Miedź S.A. for the years 2019-2023 for 2019,
- 17) reviewed information on the management of hazardous waste by KGHM Polska Miedź S.A.,
- 18) continually monitored reports regarding the current situation associated with the increased inflow of water into the Polkowice-Sieroszowice mine,
- 19) expressed its consent for subsidies to be provided in 2020 with respect to the project „Competent in the mining-metallurgical sector. KGHM – a key partner in professional development”,
- 20) reviewed information on the effectiveness of sponsoring activities in 2020,
- 21) expressed its consent for entering into sponsoring agreements in 2020 with sports clubs and cultural and scientific institutions,
- 22) reviewed information on significant litigated proceedings involving companies of the KGHM Group, the Head Office and the Divisions of KGHM Polska Miedź S.A., and information legal services provided by entities external to the KGHM Polska Miedź S.A. Group for 2020,
- 23) reviewed information from the President of the Management Board of KGHM Polska Miedź S.A. on current macroeconomic threats associated with the COVID-19 virus pandemic,
- 24) expressed its consent for entering into scholarship agreements under the Scholarships Program „Miedziane Rywalizacje” with 24 scholarship holders in the Program,
- 25) expressed its consent for entering into an agreement with Jan Wyżykowski University in Polkowice for dual schooling and for the advancement in 2020 of assistance in the form of subsidies as part of the co-financing of 1st level dual studies under the major „Mining and Geology”,
- 26) reviewed information on the restructuring of KGHM International and KGHM Chile,
- 27) approved a change to the operating profile of Future 2 sp. z o.o. into a technology company supporting data analysis, including building Big Data,
- 28) expressed its consent for providing subsidies to local governments on whose terrain KGHM Polska Miedź S.A. operates,
- 29) reviewed a report on expenditures incurred on advisory services, the auditing of financial statements, legal services, marketing and advertising services, cultivating traditions, representation and sponsoring carried out by external entities on behalf of KGHM Polska Miedź S.A. and the Group for the first six months of 2020,

- 30) adopted a resolution on confirming the validity of supplementary elections of a Member of the 10th term Supervisory Board of KGHM Polska Miedź S.A. elected by the employees of the KGHM Polska Miedź S.A. Group,
- 31) reviewed information on the development of power generation in KGHM Polska Miedź S.A., including Renewable Energy Sources,
- 32) reviewed information on the current situation related to the administrative decision of the President of the Council of Ministers requesting KGHM Polska Miedź S.A. to build three temporary hospitals,
- 33) expressed its consent for entering into a security agreement with IRGiT (Izba Rozliczeniowa Giełd Towarowych S.A.) and Dom Maklerski Banku Ochrony Środowiska S.A. (a brokerage), regarding the implementation of a bank guarantee as non-cash security to secure transactions IRGiT entered into on the Polish Power Exchange,
- 34) adopted a resolution regarding changes to the Bylaws of the Supervisory Board of KGHM Polska Miedź S.A.,
- 35) approved an update to the Budgetary targets for KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for 2020 in order to provide owner financing to Sierra Gorda,
- 36) adopted the uniform wording of the Statutes of KGHM Polska Miedź S.A.,
- 37) adopted a resolution regarding supplementary elections of a Member of the 10th term Supervisory Board of KGHM Polska Miedź S.A. elected by the employees of the KGHM Polska Miedź S.A. Group,
- 38) approved changes to the „Disclosure Policy of the KGHM Polska Miedź S.A. Group”,
- 39) approved changes to the „Regulations for the appointment and dismissal of members of the Supervisory Board of KGHM Polska Miedź S.A. elected by the employees of the KGHM Polska Miedź S.A. Group”,
- 40) confirmed the validity of supplementary elections of a Member of the of the 10th term Supervisory Board of KGHM Polska Miedź S.A. elected by the employees of the KGHM Polska Miedź S.A. Group, conducted on 13 October and 14 October 2020,
- 41) expressed its consent to amend the terms of a loan entered into with the company PGE EJ1 sp. z o.o.
- 42) reviewed information on the procedure for Disposal of the International Assets of KGHM Polska Miedź S.A. and its level of advancement.
- 43) in accordance with the Statutes of KGHM Polska Miedź S.A., expressed its consent for the acquisition and disposal of property by KGHM Polska Miedź S.A.
- 44) expressed its consent for entering into framework agreements with the companies: KPMG Advisory Company z ograniczoną odpowiedzialnością sp. k., Deloitte Doradztwo Podatkowe Dąbrowski i Wspólnicy spółka komandytowa and EY Doradztwo Podatkowe Krupa sp.k., which will provide advisory and consulting services to KGHM Polska Miedź S.A.

- 45) expressed its consent for relieving the company ZEC SERVICE sp. z o.o. of its debt due to imposed contractual penalties.

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 2019,
- 2) approved Management Goals for the 10th term Management Board of KGHM Polska Miedź S.A. for financial year 2020,
- 3) the Supervisory Board of KGHM Polska Miedź S.A. recommended that the Ordinary General Meeting of KGHM Polska Miedź S.A. approve the performance of duties of Members of the 10th term Management Board of KGHM Polska Miedź S.A.,
- 4) approved the performance of management goals and variable remuneration for the President and Vice Presidents of the 10th term Management Board KGHM Polska Miedź S.A. for 2019,
- 5) approved changes to the template agreements for the provision of management services by Members of the Management Board of KGHM Polska Miedź S.A. to KGHM Polska Miedź S.A. and determined the detailed principles of employment and remuneration of members of the Management Board of KGHM Polska Miedź S.A.,

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 following tables present the compositions, 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 bylaws, 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 2020

| | 1 January - 19 June | 19 June - 16 lipiec | 16 lipiec - 3 August | 3 August - 10 December | 10 December- 31 December |
|--------------------------|------------------------|------------------------|-------------------------|---------------------------|-----------------------------|
| Agnieszka Winnik-Kalemba | ✓ (Chairwoman) | ✓ (Chairwoman) | ✓ (Chairwoman) | ✓ (Chairwoman) | ✓ (Chairwoman) |
| Bartosz Piechota | ✓ | ✓ | ✓ | ✓ | ✓ |
| Marek Pietrzak | ✓ | ✓ | ✓ | ✓ | ✓ |
| Bogusław Szarek | ✓ | ✓ | ✓ | ✓ | ✓ |
| Leszek Banaszak | ✓ | | | | |
| Jarosław Janas | ✓ | ✓ | ✓ | ✓ | ✓ |
| Ireneusz Pasis | ✓ | ✓ | ✓ | | |
| Katarzyna Lewandowska | | | ✓ | ✓ | ✓ |
| Przemysław Darowski | | | | | ✓ |

Composition of the Strategy Committee in 2020

| | 1 January - 19 June | 19 June-16 lipiec | 16 lipiec - 3 August | 3 August- 10 December | 10 December- 31 December |
|--------------------------|------------------------|-------------------|-------------------------|--------------------------|-----------------------------|
| Józef Czyczerski | ✓ | ✓ | ✓ | ✓ | ✓ |
| Marek Pietrzak | ✓ | ✓ | ✓ | ✓ | ✓ |
| Bogusław Szarek | ✓ | ✓ | ✓ | ✓ | ✓ |
| Bartosz Piechota | ✓ Chairman) | ✓ (Chairman) | ✓ (Chairman) | ✓ Chairman) | ✓ (Chairman) |
| Leszek Banaszak | ✓ | | | | |
| Ireneusz Pasis | ✓ | ✓ | ✓ | | |
| Agnieszka Winnik-Kalemba | ✓ | ✓ | ✓ | ✓ | ✓ |
| Katarzyna Lewandowska | | | ✓ | ✓ | ✓ |
| Przemysław Darowski | | | | | ✓ |

Composition of the Remuneration Committee in 2020

| | 1 January - 19 June | 19 June - 16 lipiec | 16 lipiec - 3 August | 3 August - 10 December | 10 December- 31 December |
|--------------------------|------------------------|------------------------|-------------------------|---------------------------|-----------------------------|
| Józef Czyczerski | ✓ | ✓ | ✓ | ✓ | ✓ |
| Marek Pietrzak | ✓ | ✓ | ✓ | ✓ | ✓ |
| Bogusław Szarek | ✓ | ✓ | ✓ | ✓ | ✓ |
| Andrzej Kisielewicz | ✓ (Chairman) | ✓ (Chairman) | ✓ (Chairman) | ✓ (Chairman) | ✓ (Chairman) |
| Leszek Banaszak | ✓ | | | | |
| Jarosław Janas | ✓ | ✓ | ✓ | ✓ | ✓ |
| Ireneusz Pasis | ✓ | ✓ | ✓ | | |
| Katarzyna Lewandowska | | | ✓ | ✓ | ✓ |
| Przemysław Darowski | | | | | ✓ |

Audit Committee

In accordance with § 7 sec. 2 of the Bylaws of the Supervisory Board of KGHM Polska Miedź S.A. with its registered head office in Lubin, most of the members of the Audit Committee, including its chairperson, should be independent as defined under the criteria set forth in art. 129 sec. 3 of the Act dated 11 May 2017 on certified auditors, auditing firms and public oversight. At least one member of the Audit Committee should possess qualifications or experience with respect to accounting or the auditing of financial statements and at least one member of the Audit Committee should possess knowledge and skills in the sector in which KGHM Polska Miedź S.A. operates.

Information on the major issues dealt with by the Committee of the Supervisory Board during its meetings in 2020

In 2020 the Audit Committee held 10 protocolled meetings, during which:

- 1) the Audit Committee expressed a positive opinion of the Internal Audit plan for 2020;
- 2) the Audit Committee reviewed information regarding a summary of the audit of the financial statements of the Company for 2019 with the auditor PricewaterhouseCoopers Polska Company z ograniczoną odpowiedzialnością spółka komandytowa;
- 3) the Audit Committee, after reviewing the Company's financial statements for 2019 presented by the Management Board, adopted recommendations for the Supervisory Board as regards evaluation of the following:
 - a) the consolidated financial statements of the KGHM Polska Miedź S.A. Group for financial year 2019,



- b) 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 2019,
- c) the financial statements of KGHM Polska Miedź S.A. for 2019;
- 4) the Audit Committee made a recommendation to the Supervisory Board with respect to the declaration of the Supervisory Board on adherence to the rules regarding the appointment, composition and functioning of the Audit Committee as well as the execution thereby of the tasks set forth for it under existing existing rules and laws;
- 5) the Audit Committee made a recommendation to the Supervisory Board regarding the Company's standing for the year ended 31 December 2019, including an evaluation of the internal control, risk management and compliance systems and the internal audit function;
- 6) the Audit Committee made a recommendation to the Supervisory Board regarding the declaration of the Supervisory Board on the selection of an auditing firm to carry out the audit of the annual financial statements of KGHM Polska Miedź S.A. for 2019 rok and the annual consolidated financial statements of the KGHM Polska Miedź S.A. Group for 2019 pursuant to the rules for the selection and the procedure for selection of the auditing firm;
- 7) the Audit Committee made a recommendation to the Supervisory Board regarding its 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 2019;
- 8) made a 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. for the year ended 31 December 2019;
- 9) accepted the report on the execution of the Audit Plan of the KGHM Polska Miedź S.A. Group for 2019;
- 10) reviewed the report on corporate risk management in Q4 2019 of the KGHM Polska Miedź S.A. Group;
- 11) made a recommendation to the Supervisory Board regarding its evaluation of the proposal of the Management Board of KGHM Polska Miedź S.A. on the allocation of profit for the year ended 31 December 2019;
- 12) made a recommendation to the Supervisory Board regarding the report on the proposal of the Management Board of KGHM Polska Miedź S.A. on the allocation of profit for the year ended 31 December 2019;
- 13) expressed its consent to enter into an agreement with the auditor for services involving the certifying of covenants,
- 14) made a recommendation to the Supervisory Board regarding consent to the setting of additional remuneration for the auditor;
- 15) reviewed the report on corporate risk management in Q1 2020 of the KGHM Polska Miedź S.A. Group;

- 16) the Audit Committee reviewed collective information regarding the costs of legal services in the Head Office and the Divisions of the Company;
- 17) the Audit Committee met with the Auditor regarding the review of the accounts for the first half of 2020;
- 18) reviewed the report on corporate risk management in Q2 2020 of the KGHM Polska Miedź S.A. Group;
- 19) reviewed the report on execution of the Audit Plan for the first half of 2020.
- 20) met with the auditor PricewaterhouseCoopers Polska Company z ograniczoną odpowiedzialnością spółka komandytowa after a preliminary review of the accounts for 2020;
- 21) expressed its consent for PricewaterhouseCoopers Polska Company z ograniczoną odpowiedzialnością spółka komandytowa to provide independent attestation services with respect to the responsible gold and silver supply chain management process in order to confirm that the requirements of the London Bullion Market Association („LBMA”) Responsible Gold Guidance and Responsible Silver Guidance for the years 2020 and 2021 had been met.

Strategy Committee

During the reporting period the Strategy Committee acted in accordance with § 7 sec. 1 point 3 and sec. 6 and 7 of the Bylaws of the Supervisory Board. The actions of the Committee are set forth in the Strategy Committee Bylaws, adopted by resolution of the Supervisory Board No. 59/VIII/11 dated 10 October 2011. The Strategy Committee is comprised of at least three members of the Supervisory Board.

Information on the major issues dealt with by the Strategy Committee of the Supervisory Board during its meetings in 2020

In 2020 the Strategy Committee held 3 protocolled meetings, during which:

- 1) The Strategy Committee accepted the report on the activities of the Strategy Committee of the Supervisory Board of KGHM Polska Miedź S.A. for 2019;
- 2) The Strategy Committee accepted the report on the state of advancement of the Strategy of KGHM Polska Miedź S.A. for the years 2019 -2023 for 2019;
- 3) The Strategy Committee accepted the report on the state of advancement of the Strategy of KGHM Polska Miedź S.A. for the years 2019 -2023 for the first half of 2020, in which it reviewed strategic areas such as production, development, innovation, people and the environment, efficient organisation, financial stability and the operational goals contained therein;
- 4) The Strategy Committee held meetings with individual coordinators of strategic programs, who presented conceptual outlines of the programs established by the Management Board of KGHM Polska Miedź S.A. under the adopted Strategy of KGHM Polska Miedź S.A.;
- 5) Moreover, the Strategy Committee reviewed and analysed the budgets of individual strategic programs.

Remuneration Committee

During the reporting period the Remuneration Committee acted in accordance with § 7 sec. 1 point 2 and sec. 4 and 5 of the Bylaws of the Supervisory Board and of the Bylaws of the Remuneration Committee of the Supervisory Board of KGHM Polska Miedź S.A. with its registered head office in Lubin, adopted by the Supervisory Board of KGHM Polska Miedź S.A. by resolution no. 41/VII/08 dated 14 November 2008.

The composition of the Remuneration Committee is defined in the Bylaws of the Supervisory Board of KGHM Polska Miedź S.A. The Remuneration Committee should be composed of at least three members of the Supervisory Board, of which the majority should be independent members of the Supervisory Board as defined under the criteria set forth in the Bylaws of the Supervisory Board of KGHM Polska Miedź S.A. and at least one member of the Supervisory Board should possess qualifications or experience regarding human resources management.

Information on the major issues dealt with by the Remuneration Committee of the Supervisory Board during its meetings in 2020

In 2020 the Remuneration Committee of the Supervisory Board of KGHM Polska Miedź S.A. held 4 protocolled meetings, during which:

- 1) The Remuneration Committee made a recommendation to the Supervisory Board regarding approval of the management goals for 2020 for the Members of the 10th-term Management Board of KGHM Polska Miedź S.A.;
- 2) Accepted the report on the activities of the Remuneration Committee of the Supervisory Board of KGHM Polska Miedź S.A. for 2019;
- 3) The Remuneration Committee made a recommendation to the Supervisory Board regarding its opinion on the proposal of the Management Board to the General Meeting regarding adoption of the Remuneration Policy for Members of the Management Board and Supervisory Board of KGHM Polska Miedź S.A. As at 30 November 2019, the Act on public offerings and conditions governing the introduction of financial instruments to organised trading, and on public companies requires public companies to adopt a Remuneration Policy for Members of the Management Board and Supervisory Board, with the obligation for supervisory boards of public companies to prepare an annual report on remuneration in respect of which the auditor issues an opinion. Pursuant to art. 36 sec. 2 of the Act dated 16 October 2019 on amendment of the Act on public offerings and conditions governing the introduction of financial instruments to organised trading, and on public companies and of certain other acts (Journal of Laws, item 2217) the first annual report on remuneration will be prepared jointly for the years 2019-2020, and will be evaluated for the first time in 2021;
- 4) made a recommendation to the Supervisory Board regarding the settlement of Management Goals and on setting the right to receive variable remuneration by Members of the 10th term Management Board for 2019.

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 2020 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 (hereafter „Best Practice”) adopted by resolution No. 26/1413/2015 of the Exchange Board on 13 October 2015. In 2020 the Company complied with the corporate governance rules set forth in „Best Practice”, with the exception of detailed principles, which do not apply to the Company:

- Detailed principle I.Z.1.10. which states that the Company should publish, on its corporate website, financial projections published at least in the last 5 years, if the company has decided to publish them, including information about the degree of their implementation.
- Detailed principle III.Z.6. which states that, where the company has no separate internal audit function in its organisation, the audit committee (or the supervisory board if it performs the functions of the audit committee) should review on an annual basis whether such function needs to be separated.
- Detailed principle IV.R.3. according to which the Company attempts to ensure that, in a situation where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.
- Detailed principle VI.Z.2. which states that, in order to tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.

In 2020, KGHM Polska Miedź S.A. did not comply with the following recommendation from „Best Practice”:

- Recommendation IV.R.2 which states that, if justified, a company should enable its shareholders to participate in general meetings using electronic means of communication, in particular through the real-time broadcast of general meetings, real-time bilateral communication whereby shareholders may take the floor during a general meeting from a location other than the general meeting, and also exercise the right to vote during a general meeting either in person or through a proxy.

On 24 March 2021 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 2020, one of whose elements is the Corporate Governance Statement for 2020, containing information required under §70 sec. 6 point 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 (Journal of Laws from 2018, item 757).

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://kghm.com/en/investors/corporate-governance>.

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. are closely connected with activities involving Corporate Social Responsibility (CSR) and foresee the commitment of most of the funds on achieving planned activities, aimed on the one hand at promoting the Company through the presence of the KGHM brand at prestigious events in Poland and abroad, and on the other hand at supporting valuable initiatives and ventures involving culture and the arts, sport, science and society, aiding in social development.

In terms of culture and society, in 2020 KGHM sponsored 39 events and initiatives in the amount of over PLN 6 million. In 2020 it continued patronage over the Royal Castle in Warsaw, which tried to adapt to the situation and opened its own virtual exhibit, organising online lessons. The Company was also a patron for the Wrocław Opera, which likewise organised online show premiers.

In terms of science, in 2020 KGHM sponsored 26 events and initiatives in the amount of over PLN 1.5 million. It was involved in sponsoring events in the world of science, thanks to which KGHM is able to develop, while its experts can share their knowledge and experiences. The priority was events from Lower Silesia and those related to the operations, including in particular in the area of innovation, as well as cooperation with schools of higher learning and scientific institutions. KGHM participated in the largest economic and sector events, including the Economic Forum, the Development Vision Forum and the Polish Chemical Congress.

In terms of sport, in 2020 KGHM sponsored 16 events and initiatives in the amount of over PLN 30 million. It was the main sponsor of the Extraclass football club Zagłębia Lubin, but it also supported handball and volleyball clubs (teams at the highest league level in Poland). For years KGHM has been one of the sponsors of the Bieg Piastów run in Jakuszyce.

The Company also supported other running events – Crossowa Liga Biegowa, Noworoczny Marszobiegi in Głogów, Wilczym Tropem – Bieg Pamięci Żołnierzy Wyklętych, but also local sporting organisations, whose members include employees of the KGHM Group.

To ensure the transparency of the principles of undertaking decisions involving the sponsoring of a given project, offers are reviewed by a Sponsoring Committee. Its decisions are documented in each case by meeting minutes, which are verified by the President of the Management Board of KGHM Polska Miedź S.A. The signing of agreements valued at more than PLN 100 000 requires that the Sponsoree submit the assumed specific equivalent of the proposed benefits.

In 2020, 81 sponsoring agreements were settled. The epidemic situation resulted in the necessity to attach annexes to over half of them in order to adapt the benefits to the sanitary regime or to reflect a change in the date of a given event. In addition, Sponsorees decided to cancel 5 projects and these agreements were annulled.

In 2020, it was also decided to defer the dates of completion of nine projects to future years (2021 and 2022), as reflected in appropriate annexes to the agreements.

Apart from the support of sports clubs and events, in 2020 the **scholarship program** for athletes called „Miedziane Rywalizacje” was continued. The program represents support for athletes who have already achieved substantial success. The basis for granting a scholarship are exemplary sporting achievements and the determination to achieve even better results. In 2020, in cooperation with the Ministry of Sport, scholarships were granted to 24 athletes, amongst whom 7 are from the Copper Basin. The support received enables these athletes to focus on training and achieving superior results.

One of the social 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. In 2020, the **KGHM Polska Miedź Foundation**, in accordance with its statutory assumptions, as well as taking into account its capabilities, endeavoured to respond to diverse social needs. The basic activities of the KGHM Polska Miedź Foundation involve the providing of financial subsidies and material support. In 2021 the Non-financial Report of the Company for 2020 presented the expenditures incurred by the KGHM Foundation from the support provided in the form of cash subsidies in the total amount of **PLN 25 097 363.68**. In 2020, due to the epidemiological situation associated with the spread of the COVID-19 coronavirus, the priority of the KGHM Polska Miedź Foundation were actions in the area „Health and safety”. The highest amount of subsidies were granted in this area, in the amount of PLN 8 314 769.20.

Moreover, in 2020 the Management Board of the Foundation, in demonstration of its concern for the health and safety of society, initiated the action **„Against COVID-19”**, designated for the purchase and free distribution of the means necessary to prevent, counteract and combat COVID-19. Subsidies totaling **PLN 2 419 517.91 were granted to 134 Institutions. The employee volunteer Program „Miedziane serce”** has existed since 2014. Because of the pandemic, in 2020 this program functioned whilst maintaining all sanitary standards and restrictions. The employee volunteers took part in numerous assistance actions, aimed at those most in need, as well as joined the Seniors Aid Corp. They participated in the packing and delivery of packages for seniors. They individually assisted those in need in their environment, by doing shopping for them or taking pets for walks. Thanks to these actions and to collecting materials, aid found its way to needy citizens in the region and to employees of KGHM, e.g. to an employee in ventilation section K-1 of the Polkowice- Sieroszowice mine who, thanks to colleagues in the Company, was not only able to undergo rehabilitation in a special center, but also his flat was adapted to the needs of of a disabled person.

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 2020 to the Ordinary General Meeting.