



MINISTER ENERGII

Warsaw,

DNP.II.4621.64.2019

IK: 401773

**Mr.
Marcin Chludziński
President of the Management Board
KGHM Polska Miedź S.A.**

As a Shareholder of the Company KGHM Polska Miedź S.A., entitled on the basis of art. 400 § 1 of the Commercial Partnerships and Companies Code, I request the immediate convening of an Extraordinary General Meeting of the Company KGHM Polska Miedź S.A. and the placement in the agenda of the following points:

1. Adoption of resolutions on amending the “Statutes of KGHM Polska Miedź Spółka Akcyjna with its registered head office in Lubin”.
2. Adoption of resolutions on:
 - a) the disposal of non-current assets,
 - b) principles and procedures for the disposal of non-current assets,
 - c) rules of procedure when concluding agreements for legal services, marketing services, public relations services and social communication services, and advisory services associated with management,
 - d) the obligation to submit a report on the application of best practices,
 - e) implementation of the principles stipulated in the Act on the principles of state assets management, in companies in which the Company is the parent entity.
3. Adoption of a resolution on changes to the composition of the Supervisory Board of the Company KGHM Polska Miedź S.A.

Moreover, in requesting the convening of an Extraordinary General Meeting on behalf of the State Treasury as a Shareholder pursuant to art. 400 § 1 of the *Commercial Partnerships and Companies Code*, I hereby declare that, as at the date of submitting this request, the State Treasury, represented by the Minister of Energy, holds 63 589 900 (say: sixty three million,

five hundred eighty nine thousand and nine hundred) shares of KGHM Polska Miedź S.A. with its registered head office in Lubin.

Justification

Regarding points 1 and 2:

The placement of the aforementioned points arises from the legal obligation of the Minister of Energy to take actions in order to implement the amended Act of 16 December 2016 on *the principles of state assets management* (Act) to the Statutes of the Company. An unsuccessful attempt was made to amend the Statutes of the Company KGHM Polska Miedź S.A. at the Ordinary General Meeting on 7 June 2019. The proposed amendments did not get the required majority.

The amended Act clarified certain provisions that had raised doubts as to their interpretation, which appeared after the Act came into force. Among others, they concern article 17 section 2 point 1 of the Act where it was specified that agreements for legal services, marketing services, public relations services and social communication services, and advisory services associated with management, will require the consent of the supervisory body, if the total expected remuneration for providing such services in the agreement or any other agreements concluded with the same entity exceeds the net amount of PLN 500 000 per year. The aim is to prevent the avoidance of concluding agreements exceeding this threshold by dividing the remuneration into several agreements concluded with the same entity. In article 17 section 4 of the Act, which sets forth principles for the disposal of non-current assets by way of a tender or an auction as well as exceptions to the obligation to apply such principles, it was clarified that the threshold set at PLN 20 000 refers to the market value. The aforementioned changes will be reflected in § 20 of the Statutes and § 33¹ of the Statutes.

Moreover, the amended Act allows for the possibility of assigning the duties referred to in article 17 section 1 of the Act of 16 December 2016 on the principles of state assets management to the Supervisory Board of the Company. Considering the above, justification exists for the introduction of appropriate amendments to § 20 section 3 of the Statutes with respect to the management of non-current assets.

Moreover, the question of which cases of disposal of real estate and perpetual usufruct require a resolution of the Management Board (apart from those cases reserved for the Supervisory Board) was clarified in § 29 of the Statutes by the addition of sec. 5.

In addition, the proposed changes concern the Management Board's obligation, introduced by the Act, to prepare a report on the application of best practices defined by the President of the Council of Ministers pursuant to article 7 section 3 of the Act on the principles of state assets management in the area of corporate governance, corporate social responsibility and sponsorship. Moreover, the Act of 21 February 2019 on amending the Act on the principles of state assets management and certain other acts allowed for the possibility

of submitting the reports referred to in article 17 section 6 of the Act on the principles of state assets management to the supervisory body instead of to the general meeting. An appropriate amendment was introduced in the proposed wording of § 34 sec. 3 of the Statutes of the Company.

Other changes are of an editorial nature.

The proposed amendments, due to their significance and importance, should be introduced to the Statutes. The Statutes, as an internal document regulating the company's functioning, should present a clear breakdown of the duties of corporate bodies of companies, transparent rules of managing its assets, rules regulating the making of investment decisions and also regulations on actions undertaken by management boards in areas such as consulting, marketing and sponsoring. Pursuant to the Act of 16 December 2016 *on the principles of state assets management*, these areas should be standardized in companies in which the State Treasury is a shareholder. In light of the above, it is reasonable to implement the amended Act directly to the Statutes of the Company, and not indirectly through resolutions of the general meeting. If the General Meeting adopts relevant resolutions on the proposed amendments to the Statutes, consideration of the proposals mentioned in point 2 of this letter by the General Meeting will consequently be redundant.

Notwithstanding the above, it should be stressed that the proposed amendments do not, in any way, infringe on the interests of minority shareholders.

Please find attached the proposed resolutions.

Regarding point 3:

The request to place a point in the agenda concerning the change in the composition of the Supervisory Board arises from the powers of the General Meeting to dismiss and appoint the members of the Supervisory Board and is aimed at strengthening the Supervisory Board's supervision over the Company's activities.