

**ANNUAL REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD OF
KGHM POLSKA MIEDŹ SA FOR FINANCIAL YEAR 2010**
including the evaluation of the work of the Supervisory Board with attached
reports from the work of the Audit Committee and Remuneration Committee
(approved by the Supervisory Board of KGHM Polska Miedź SA on 18 May 2011)

I. Composition of the Supervisory Board of KGHM Polska Miedź SA

The composition of the 7th-term Supervisory Board in 2010 was as follows:

<i>First name, surname</i>	<i>function</i>	<i>period when function served in 2010</i>
Marek Trawiński	Chairman	01.01.2010 – 17.02.2010
Jacek Kuciński	Deputy Chairman	01.01.2010 – 26.03.2010
	Chairman	26.03.2010 – 31.12.2010
Marcin Dyl	Member	01.01.2010 – 26.03.2010
	Deputy Chairman	26.03.2010 – 31.12.2010
Marek Panfil	Secretary	01.01.2010 – 31.12.2010
Arkadiusz Kawecki	Member	01.01.2010 – 31.12.2010
Jan Rymarczyk	Member	17.05.2010 – 31.12.2010
Marzenna Weresa	Member	01.01.2010 – 31.12.2010
<i>Members of the Supervisory Board elected by employees of the Company</i>		
Józef Czyczerski	Member	01.01.2010 – 31.12.2010
Leszek Hajdacki	Member	01.01.2010 – 31.12.2010
Ryszard Kurek	Member	01.01.2010 – 31.12.2010

II. Principles and procedures of operations of the Supervisory Board of KGHM Polska Miedź SA

The Supervisory Board of KGHM Polska Miedź SA is the permanent supervisory body of KGHM Polska Miedź SA 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, of which 3 (three) members are elected by the Company's employees. The members of the Supervisory Board are appointed for a mutual term of office, which lasts three years. The Supervisory Board acts on the basis of prevailing law, the Statutes of the Company and the Regulations of the Supervisory Board of KGHM Polska Miedź SA with its registered head office in Lubin as well as Corporate Governance Principles.

The Supervisory Board continuously supervised the activities of the Company and realised its tasks based on the special privileges granted to the Supervisory Board of KGHM Polska Miedź SA by the Statutes of the Company under Chapter IVB, § 20, and in turn by the Regulations of the Supervisory Board under Chapter III, § 8.

The Supervisory Board performed its functions at meetings of the Supervisory Board convened for this purpose, as well as through its members delegated to work in the Committees.

During the reporting period, the Supervisory Board of KGHM Polska Miedź SA held 11 meetings, of which 7 meetings were held at the head office of the Company in Lubin, and 4 at the office of KGHM Polska Miedź SA in Warsaw.

The Supervisory Board at each meeting reviewed information regarding the current work of the Management Board, always reviewing the resolutions of the Management Board of the Company. The Supervisory Board also reviewed on an on-going basis information regarding the financial results of KGHM Polska Miedź SA for individual months of 2010 and accumulated results from the beginning of 2010. In accordance with the labour contracts with the members of the Management Board, the Supervisory Board reviewed the work of the Management Board on a quarterly basis, and considered the request of the Management Board regarding the payment of an advance on variable remuneration. The Supervisory Board also periodically reviewed the report of the Management Board on the realisation of donations, sponsoring, representation, marketing and advertising in KGHM Polska Miedź SA and in the Group, as well as the report on the realisation of consulting, advisory and analytical services performed by external entities on behalf of KGHM Polska Miedź SA and the Group. The Supervisory

Board in particular analysed the realisation of investment tasks of the Company, analysing quarterly the report presented by the Management Board, at the request of the Supervisory Board, on the realisation of the budget for capital expenditures and on contracts entered into by the Company.

At each meeting the Supervisory Board reviewed its correspondence.

In order to improve communications between the Management Board and the Supervisory Board, the practice was continued of providing written information to the Management Board in the form of a letter from the Chairman of the Supervisory Board after each meeting of the Supervisory Board, with information on all of the decisions taken by the Supervisory Board during the meeting.

In 2010 the Supervisory Board adopted 70 resolutions, including one resolution in the form of written voting (between meetings).

The date, location and major issues dealt with by the Supervisory Board, as well as decisions taken by the Supervisory Board during individual meetings, are presented below.

Meeting of the Supervisory Board of KGHM Polska Miedź SA on 1 February 2010 in Lubin

The Supervisory Board, after reviewing the materials presented and following in-depth discussions, considered the requests presented by the Management Board and adopted the following resolutions:

- on the acquisition of shares in the share capital of KGHM HMS Bergbau AG with its registered head office in Berlin by KGHM Polska Miedź SA;

- on providing an opinion on the request of the Management Board of KGHM Polska Miedź SA directed towards the General Meeting of the Company on adopting the Bylaws of the General Meeting of KGHM Polska Miedź SA with its registered head office in Lubin;
- on adopting the unified text of the Statutes of KGHM Polska Miedź SA with its registered head office in Lubin;
- on approving the Budget for 2010.

The Supervisory Board initially discussed the „Technical-economic plan of KGHM Polska Miedź SA for the years 2010-2014” presented by the Management Board. As a result of discussions, it requested the Management Board to again prepare the „Technical-economic plan of KGHM Polska Miedź SA for the years 2010-2014” and to present it to the Supervisory Board with the changes and suggestions provided by the Supervisory Board, announced during the discussion.

After discussing the proposed changes, the Supervisory Board adopted the „Principles for the selection of a statutory auditor to perform audit activities in KGHM Polska Miedź SA in Lubin”.

- On 11 February 2010, voting in written form, the Supervisory Board passed a decision on expressing consent for the acquisition of Bipromet SA with its registered head office in Katowice.

Meeting of the Supervisory Board of KGHM Polska Miedź SA on 26 March 2010 in Lubin

Due to the resignation of the Chairman of the Supervisory Board of KGHM Polska Miedź SA, Marek Trawiński, from membership on the Supervisory Board on 17 February 2010, the Supervisory Board elected a new Chairman, and a Deputy Chairman, of the Supervisory Board. Jacek Kuciński was elected Chairman of the Supervisory Board of KGHM Polska Miedź SA, and Marcin Dyl Deputy Chairman.

The Supervisory Board, after reviewing the materials presented, approved the „Capital expenditures plan of KGHM Polska Miedź SA for 2010” Regarding the „Technical-economic plan of the Company for the years 2010 – 2014” presented by the Management Board, the Supervisory Board decided that it would be approved at one of the next meetings of the Supervisory Board, following supplementary data.

The Members of the Supervisory Board heard information from the Audit Committee regarding the meeting with the Company Auditor on the summary of the audit of the financial statements of KGHM Polska Miedź SA and on the audit of the consolidated financial statements and the financial statements of subsidiaries at 31 December 2009. The Audit Committee did not voice any concerns in respect of the statements presented by the Management Board of KGHM, and recommended that the Supervisory Board express a positive opinion of them.

After reviewing the documents presented by the Management Board, and following a meeting with the Auditor of the Company, Ernst & Young, the Supervisory Board approved the following documents for submission to the Ordinary General Meeting of the Company:

- a positive evaluation of the Financial Statements of KGHM Polska Miedź SA for financial year 2009;
- a positive evaluation of the Report of the Management Board on the Activities of KGHM Polska Miedź SA in financial year 2009;
- a positive evaluation of the Consolidated Financial Statements of the KGHM Polska Miedź SA Group for financial year 2009;
- a positive evaluation of the Report of the Management Board on the Activities of the KGHM Polska Miedź SA Group in financial year 2009.

After reviewing the request of the Management Board, the Supervisory Board expressed its consent to the acquisition by KGHM Polska Miedź SA of shares in a foreign resource project – Frontier in Canada.

The Supervisory Board reviewed information from the Audit Committee on the selection of an Auditor to review and audit the separate and consolidated financial statements of KGHM Polska Miedź SA for the years 2010 – 2012 and the recommendation of the Committee in this regard. The Supervisory Board recognised as justified the continuation of procedures to select the Company Auditor, and obliged the Audit Committee to engage in further negotiations.

Meeting of the Supervisory Board of KGHM Polska Miedź SA on 16 April 2010 in Warsaw

The Supervisory Board reviewed and approved documents for the Ordinary General Meeting of the Company:

- The Annual Report on the Activities of the Supervisory Board of KGHM Polska Miedź SA for financial year 2009, including an evaluation of the work of the Supervisory Board and the report on the work of the Audit Committee and Remuneration Committee of the Supervisory Board of KGHM Polska Miedź SA
- An evaluation of the proposal of the Management Board of KGHM Polska Miedź SA on the appropriation of profit for financial year 2009.
- An opinion on the proposal of the Management Board of KGHM Polska Miedź SA directed to the Ordinary General Meeting of KGHM Polska Miedź SA on setting the right to dividend date and dividend payment date for financial year 2009.
- The Report of the Supervisory Board of KGHM Polska Miedź SA on the result of its evaluation of the report of the Management Board on the activities of the Company in financial year 2009, the results of an evaluation of the Financial Statements of the Company for financial year 2009 and the proposal of the Management Board of KGHM Polska Miedź SA on the appropriation of Company profit for financial year 2009.
- The Report of the Supervisory Board on the results of an evaluation of the report of the Management Board on the activities of the KGHM Polska Miedź SA Group in financial year 2009 and the results of an evaluation of the Financial Statements of the KGHM Polska Miedź SA Group for financial year 2009.
- A brief assessment of the standing of KGHM Polska Miedź SA for financial year 2009.

The Supervisory Board also adopted a resolution on the requests for the General Meeting to grant approval of the performance of duties of members of the Management Board who served on the Management Board of KGHM in financial year 2009: member of the Management Board Mirosław Krutin, member of the Management Board Herbert Wirth, member of the Management Board Maciej Tybura and member of the Management Board Ryszard Janeczek.

In relation to the requests of the Management Board, after reviewing the materials presented by the Management Board, the Supervisory Board passed the following resolutions:

- on the founding in Shanghai, in the People's Republic of China, a subsidiary of KGHM Polska Miedź SA;
- on increasing the share capital of Zagłębie Lubin SA;
- on expressing consent to disposing of the shares held by KGHM Polska Miedź SA in the company Polskie Centrum Promocji Miedzi Sp. z o.o.;
- on the acquisition of property by the Głogów smelter division of KGHM Polska Miedź SA

The Supervisory Board, after reviewing information on the course of selecting a new Company Auditor and after reviewing the recommendation of the Audit Committee in this regard, decided to select the company PwC Sp. z o.o. as statutory auditor for the review and audit of the Financial Statements of KGHM Polska Miedź SA and the Consolidated the Financial Statements of the KGHM Polska Miedź SA Group for the financial years 2010 – 2012.

Taking into consideration the recommendation of the Remuneration Committee, the Supervisory Board granted an advance on the variable remuneration of the Management Board for the third and fourth quarters of 2009.

The Supervisory Board reviewed information from the Management Board on the liquidation of the company KGHM Kupferhandelsges.m.b.H. in Vienna.

Meeting of the Supervisory Board of KGHM Polska Miedź SA on 24 May 2010 in Lubin

The Supervisory Board reviewed information from the Management Board on the agreement of KGHM Polska Miedź SA with the company Abacus Mining & Exploration Corporation in Canada as well as information on the Bond Issuance Program.

Based on materials presented by the Management Board, the Supervisory Board and Management Board in common session discussed in detail questions related to smelting in KGHM Polska Miedź SA.

The Supervisory Board reviewed supplementary material to the request of the Management Board of KGHM Polska Miedź SA on the founding in Shanghai, in the People's Republic of China, a subsidiary of KGHM Polska Miedź SA, being one of the points on the agenda of the previous meeting.

The Supervisory Board reviewed economic–financial information on the progress in realising the Company Budget.

The Supervisory Board heard information from the Audit Committee on the course of negotiations on conditions of the agreement with the new Company Auditor, and reviewed the draft agreement with PwC for auditing services for the review and audit of the financial statements of KGHM Polska Miedź SA for the years 2010 – 2012.

In respect of the request of the Management Board of KGHM Polska Miedź SA on approval of the new „Regulations of the Management Board of KGHM Polska Miedź SA in Lubin” the Supervisory Board requested the Management Board to perform a comparative analysis of the existing and proposed versions of the Regulations of the Management Board and justifications of the proposed changes.

The Supervisory Board passed resolutions on the payment of an advance on variable remuneration and the annual bonus for 2009 for Management Board Members Herbert Wirth, Maciej Tybura and Ryszard Janeczek.

Meeting of the Supervisory Board of KGHM Polska Miedź SA on 11 June 2010 in Warsaw

The meeting of the Supervisory Board was solely dedicated to reviewing the request of the Management Board of KGHM Polska Miedź SA on expressing consent for the acquisition by KGHM Polska Miedź SA of shares of Tauron Polska Energia SA with its registered head office in Katowice. The Supervisory Board adopted a resolution expressing its consent for the acquisition of shares of Tauron Polska Energia SA.

Meeting of the Supervisory Board of KGHM Polska Miedź SA on 25 June 2010 in Warsaw

The Supervisory Board reviewed a request of the Management Board of KGHM Polska Miedź SA and adopted a resolution expressing its consent for the acquisition of shares of KGHM Ecoren SA.

The Supervisory Board reviewed the following supplementary information to information presented by the Management Board at the previous meeting of the Supervisory Board:

- on the agreement of KGHM with Abacus Mining & Exploration Corp. in Canada;
- on the present state and future of smelting in KGHM.

In addition, the Supervisory Board reviewed the request of the Management Board and passed resolutions in the following matters:

- setting the amount of the variable remuneration and the annual bonus for 2009 for Mirosław Krutin;
- the disposal of property by the Legnica smelter division of KGHM Polska Miedź SA;
- the disposal of property by the Lubin mine division of KGHM Polska Miedź SA

The Supervisory Board supported the recommendation of the Remuneration Committee and determined that it would oblige the Management Board to review specialised consulting firms, operating on the market, which could develop principles on granting bonuses to the Management Board of the Company.

As a result of voting the Supervisory Board adopted a resolution on the payment of an advance on variable remuneration to Vice President of the Management Board of KGHM Polska Miedź SA Ryszard Janeczek for the first quarter of 2010, and did not adopt a resolution on the payment of an advance for the first quarter of 2010 to President of the Management Board of KGHM Polska Miedź SA Herbert Wirth and I Vice President of the Management Board of KGHM Polska Miedź SA Maciej Tybura.

Meeting of the Supervisory Board of KGHM Polska Miedź SA on 27 July 2010 in Warsaw

The Supervisory Board reviewed information presented by the Management Board:

- quarterly information on the exposure of KGHM to commodity prices and exchange rate risk applied in KGHM and information on transactions in derivative instruments;
- on the current situation respecting the equity investment by KGHM in Bipromet SA.
- on the equity investment in Tauron Polska Energia SA;
- on the current situation in KGHM Ecoren SA

With respect to the request of the Management Board on increasing the share capital of KGHM HMS Bergbau AG, the Supervisory Board discussed questions related to this investment and decided that it will again review this request after the Management Board has supplemented it with additional documentation.

The Supervisory Board heard information from the Audit Committee on the meeting with the Company Auditor and decisions made therein, related to the review of financial statements for the first half of 2010.

Meeting of the Supervisory Board of KGHM Polska Miedź SA on 6 September 2010 in Lubin

After reviewing presented documents, the Supervisory Board positively considered the request of the Management Board on adjustment of the Company Budget for 2010.

The Supervisory Board, taking into consideration the recommendation of the Remuneration Committee, adopted resolutions on the payment to members of the Management Board of KGHM Polska Miedź SA of advances on variable remuneration for the second quarter of 2010.

The Supervisory Board reviewed:

- information from the Management Board of KGHM Polska Miedź SA on the acceptance of equity investments realised by KGHM I FIZAN under the investment plan of KGHM Polska Miedź SA for 2010;

- information from the Management Board on the proposed scenario for optimising taxation for the investment planned by KGHM Polska Miedź SA in Canada;
- information from the Management Board on the situation in the companies Bipromet SA and KGHM Cuprum SA;
- information from the Management Board of KGHM Polska Miedź SA and the Management Board of KGHM Ecoren SA on the current situation in KGHM Ecoren SA;
- supplementary information from the Management Board to that presented at the previous meeting of the Supervisory Board on the exposure of KGHM to commodity prices and exchange rate risk;
- the report of the Management Board on the realisation of donations, sponsoring, representation, marketing and advertising in KGHM Polska Miedź SA and in the remaining companies of the KGHM Group in 2009;
- information from the Management Board on the remuneration of the management and supervisory boards of selected State Treasury companies.

**Meeting of the Supervisory Board of KGHM Polska Miedź SA
on 15 October 2010 in Lubin**

The Supervisory Board, with the participation of the Company Auditor, PwC, summarised its review of the half-year financial statements of the Company (the Financial Statements of KGHM Polska Miedź SA for the first half of 2010, the Report of the Management Board on the Activities of KGHM Polska Miedź SA in the first half of 2010, the Consolidated Financial Statements of KGHM Polska Miedź SA Group for the first half of 2010 and the Report of the Management Board on the Activities of the KGHM Polska Miedź SA Group in the first half of 2010). The Supervisory Board also reviewed the report of the Audit Committee on its cooperation with the Auditor, with respect to the review of the half-year financial statements.

The Supervisory Board positively evaluated the requests of the Management Board with respect to:

- expressing consent for the acquisition of shares of NITROERG SA with its registered head office in Bieruń;
- expressing consent for the acquisition by KGHM Polska Miedź SA of shares of ZANAM – LEGMET Sp. z o.o. and INOVA Spółka z o.o.;
- the disposal of property by KGHM Polska Miedź SA of the COPI Division in Polkowice;
- an exchange of property between the Polkowice-Sieroszowice Division of KGHM Polska Miedź SA in Kaźmierzów and the Gmina of Lubin.

The Supervisory Board reviewed the following information from the Management Board:

- on the company KGHM HMS Bergbau AG;
- with explanations and supplementary information to materials reviewed at a previous meeting of the Supervisory Board.

Due to the submission by member of the Management Board Ryszard Janeczek of his resignation from the function of Vice President of the Management Board of KGHM Polska Miedź SA, the Supervisory Board adopted resolutions on taking cognizance of the resignation of the member of the Management Board – Vice President from this function, and on confirmation of the expiry of his mandate, and a resolution on setting the number of members of the 7th-term Management Board of KGHM Polska Miedź SA.

After reviewing the recommendation of the Remuneration Committee, as well as following in-depth discussion, the Supervisory Board decided to change the wording of

the model labour contracts for the President of the Management Board and the Member-Vice Presidents of the Management Board of KGHM Polska Miedź SA.

Meeting of the Supervisory Board of KGHM Polska Miedź SA on 19 November 2010 in Lubin

At the request of the President of the Management Board, the Supervisory Board in secret voting adopted a resolution on the appointment of Wojciech Kędzia to the composition of the Management Board of KGHM Polska Miedź SA. The Supervisory Board also determined that the Management Board of KGHM Polska Miedź SA shall be composed of three members.

The Supervisory Board reviewed information presented by the Management Board:

- on work on the process of selling the companies Polkomtel SA and Dialog SA;
- on the investment by KGHM in Canada.

At the request of the Management Board, after reviewing presented documents, the Supervisory Board expressed its consent to the sale of shares of INTERFERIE SA belonging to KGHM Polska Miedź SA.

The Supervisory Board heard the report of the Remuneration Committee on the process of selecting a contractor for the „Development of a system for paying bonuses to the Management Board of KGHM Polska Miedź SA”.

Taking into consideration the recommendation of the Committee, the Supervisory Board decided to pay the Management Board of KGHM Polska SA an advance on variable remuneration for the third quarter of 2010.

The Management Board familiarised the Supervisory Board with the basic production assumptions of the Company Budget for 2011.

Meeting of the Supervisory Board of KGHM Polska Miedź SA on 17 December 2010 in Lubin

After reviewing presented documents and after a discussion at the meeting, the Supervisory Board positively considered the following requests of the Management Board:

- on increasing the share capital of Zagłębie Lubin SA;
- on expressing consent to the participation of Members of the Management Board of KGHM Polska Miedź SA on supervisory boards in which KGHM Polska Miedź SA owns shares;
- on the acquisition of property by the Hydrotechnical Division of KGHM Polska Miedź SA in Rudna.

The Supervisory Board reviewed and discussed the assumptions to the Company Budget for 2011 presented by the Management Board.

Another subject of the meeting was the following information from the Management Board:

- economic and financial information for the last reporting period (for the first ten months of 2010) from realisation of the Company Budget;
- explanations and supplementary information to materials reviewed at the previous Supervisory Board meeting.

III. Committees of the Supervisory Board of KGHM Polska Miedź SA

The reports on the activities of the Audit and Remuneration Committees represent, respectively, appendices nos. 1 and 2 to this report on the activities of the Supervisory Board of KGHM Polska Miedź SA for financial year 2010.

IV. Assessment of the work of the Supervisory Board of KGHM Polska Miedź SA

This report describes the main directions of the activities of the Supervisory Board in financial year 2010. All of the members of the Supervisory Board properly performed their duties on the Supervisory Board, applying their knowledge and experience in the operation and supervision of commercial law companies.

In submitting this report, the Supervisory Board requests that its members be acknowledged as having properly performed their duties in financial year 2010.

Lubin, 18 May 2011

Report on the activities of the Audit Committee of the Supervisory Board of KGHM Polska Miedź SA in 2010

During the period 1 January 2010 to 31 December 2010 the Audit Committee of the Supervisory Board of KGHM Polska Miedź SA functioned in the following composition:

1. Marcin Dyl,
2. Marek Panfil – Chairman,
3. Marzenna Weresa.

In 2010, the Audit Committee held a total of nine meetings, including eight at the Warsaw office of KGHM Polska Miedź SA and one (on 19 November 2010) at the Head Office of KGHM Polska Miedź SA in Lubin:

1. On **4 February 2010**, a meeting was held, during which questions were discussed, followed by the making of decisions, related to the process of selecting the Company Auditor for the years 2010–2012. After reviewing the „Audit Plan of KGHM Polska Miedź SA for 2010” the Audit Committee positively evaluated the aforementioned document presented by the Management Board.
2. On **24 February 2010**, the meeting of the Audit Committee was solely dedicated to opening and reviewing the contents and terms of offers received in response to an invitation to submit bids to perform financial review in KGHM Polska Miedź SA in the years 2010–2012. The Audit Committee qualified selected bids for the next stage of selection, and evaluated the merits of the bid documents.
3. On **11 March 2010**, the Audit Committee again held a meeting aimed at selecting through the tender process a Company Auditor for the years 2010–2012. The members of the Committee met with the representatives of two of the bidders, with whom negotiations were conducted over the wording of agreements for the performance of financial review in KGHM Polska Miedź SA. The Audit Committee summarised the course of the process of selecting a Company Auditor, and prepared a recommendation for the Supervisory Board in this matter.
4. The meeting on **22 March 2010**, was entirely dedicated to summarising the audit of the financial statements of KGHM Polska Miedź SA, the consolidated financial statements and the financial statements of subsidiaries at 31 December 2009. The Audit Committee did not voice any concerns in respect of the financial statements presented by the Management Board of KGHM, and recommended that the Supervisory Board evaluate them positively.
5. The meeting on **12 April 2010**, was held in connection with the decision made by the Supervisory Board at its meeting on 26 March 2010 to continue the process of selecting an auditor, and to engage in further negotiations with one of the bidders. The result of this meeting was the preparation of a recommendation on the selection of an auditing firm to evaluate the financial statements and their presentation by the Audit Committee to the Supervisory Board.
6. The meeting on **13 July 2010**, was convened in connection with the review by the Company Auditor of the financial statements for the first half of 2010, i.e. of the separate financial statements of KGHM Polska Miedź SA and the consolidated financial statements of the KGHM Polska Miedź SA Group. The

representatives of the Auditor presented the members of the Audit Committee with the main goals and scope of the half-year review in the Company.

7. The meeting on **30 July 2010**, was dedicated to discussing two questions. The Audit Committee familiarised itself with the opinion of the representatives of the Company Auditor from review of the half-year financial statements of KGHM Polska Miedź SA. The major issues raised by the Auditor were discussed. The second part of the meeting, with the participation of the Director of the Audit Department, was dedicated to discussing the requests of this Department, prepared following an internal audit in the first half of 2010. Also discussed were the assumptions of the Integrated Audit Plan in the KGHM Polska Miedź SA Group.
8. During the meeting on **19 November 2010**, the members of the Audit Committee familiarised itself with information from the Director of the Audit Department on the course and preliminary results of an integrated internal audit in the companies of the KGHM Polska Miedź SA Group. Also discussed were the scope and course of control actions performed by the Audit Department, including the degree of realisation of post-control conclusions and proposals in respect of the Company audit plan for 2011.
9. On **21 December 2010**, a meeting was held with the audit firm, during which the members of the Committee reviewed the results of the integrated internal audit in the divisions and companies of the KGHM Polska Miedź SA Group. Key problems identified by the Auditor during the integrated internal audit process were discussed. With the participation of the Director of the Audit Department, also discussed were the major issues involving the actions of internal audit units in the Company.

The Audit Committee hereby submits this report to the Supervisory Board of KGHM Polska Miedź SA.

Lubin, 18 May 2011

**Report on the activities of the Remuneration Committee
of the Supervisory Board of KGHM Polska Miedź S.A. for 2010**

(approved by the Supervisory Board of KGHM Polska Miedź S.A. on 18 May 2011)

During the period 1 January to 31 December 2010 the 7th-term Remuneration Committee (the Committee) of the Supervisory Board of KGHM Polska Miedź S.A. functioned in the following composition:

<i>First name, surname</i>	<i>period of work on the Remuneration Committee in 2010</i>
Leszek Hajdacki	01.01.2010 – 31.12.2010
Jacek Kuciński	01.01.2010 – 31.12.2010
Arkadiusz Kawecki Chairman	01.01.2010 – 31.12.2010

During the reporting period the Remuneration Committee functioned on the basis of § 7 point 5 of the Regulations of the Supervisory Board, as well as the the Regulations of the Remuneration Committee (approved by Supervisory Board resolution No. 41/VII/08), which included the duties of the Remuneration Committee.

The work of the Remuneration Committee is on-going and, as needed, was based on the preparation of recommendations by the Committee for the Supervisory Board, within the scope of its duties, and with the consensus of the members of the Committee.

A permanent area of activities of the Remuneration Committee in 2010, as well as in the prior year, were questions related to supervision over realisation of the management staff remuneration system, in particular with respect to variable elements and the granting of bonuses to the Management Board.

From the initiative and under the supervision of the Remuneration Committee, work was commenced in the Company in 2010 on the preparation of a bonus-granting system for the Management Board. This process was initiated at a meeting of the Supervisory Board on 6 September 2010.

Taking into consideration the recommendation of the Remuneration Committee, the Supervisory Board at its meeting on 15 October 2010 made changes to the principles of remuneration and bonus-granting for the Management Board of KGHM Polska Miedź S.A., and adopted a resolution introducing changes to the wording of labour contracts with the President of the Management Board and the Members–Vice Presidents of the Management Board of KGHM Polska Miedź S.A., in that part involving the amount of remuneration.

The Remuneration Committee hereby submits this report to the Supervisory Board of KGHM Polska Miedź S.A.