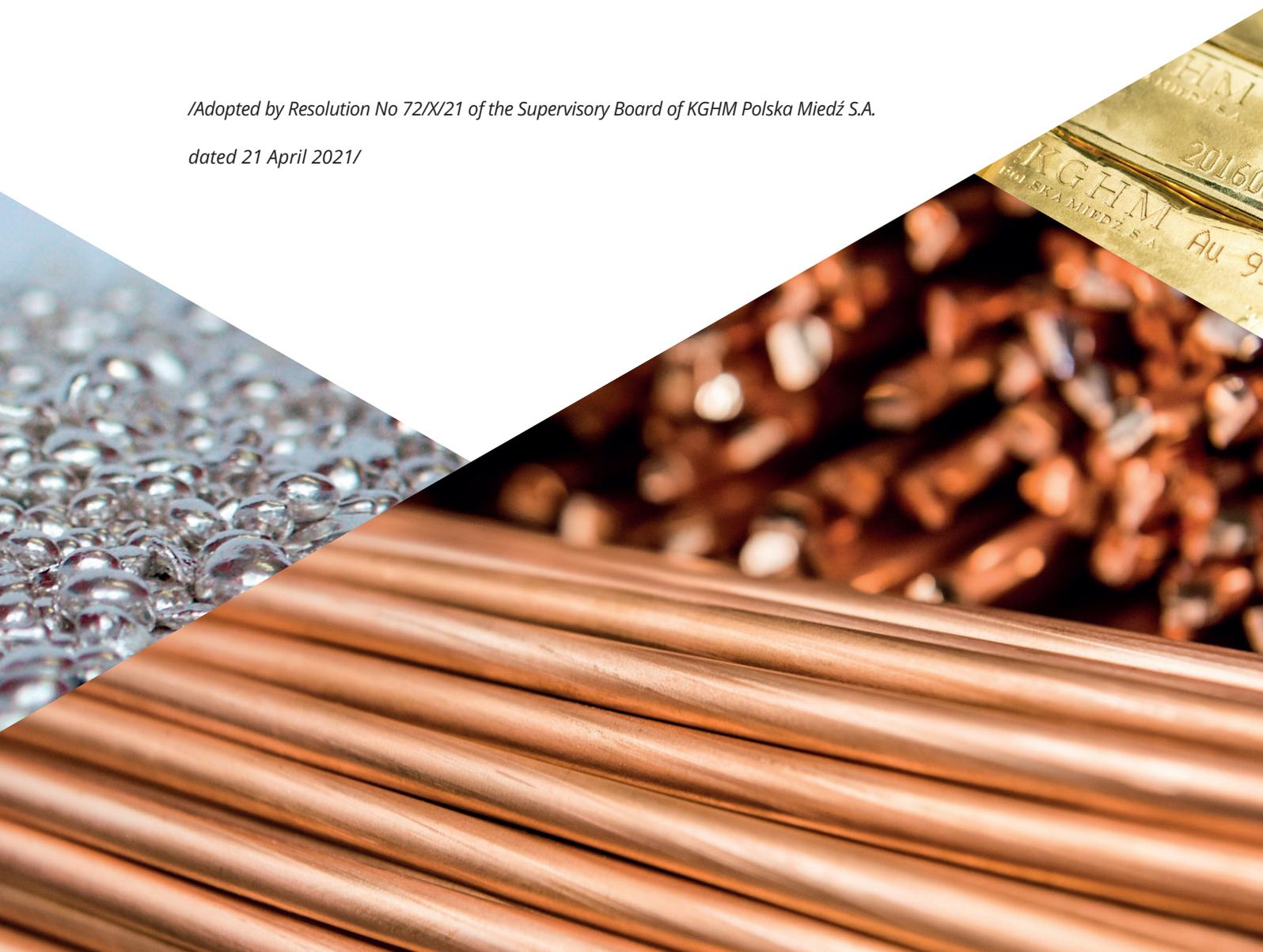

REPORT ON THE REMUNERATION

Report on the remuneration
of the Management Board and Supervisory Board
of KGHM Polska Miedź S.A.
for the years 2019 – 2020

*/Adopted by Resolution No 72/X/21 of the Supervisory Board of KGHM Polska Miedź S.A.
dated 21 April 2021/*



I. DEFINITIONS

The capitalised abbreviations used in this Report have the following meanings:

1. **Report** – the report on the remuneration of the Management Board and Supervisory Board of KGHM Polska Miedź S.A. prepared in compliance with art. 90g of the Act;
2. **Remuneration Policy/Policy** – remuneration policy adopted by the Company by resolution no. 23/2020 of the General Meeting dated 19 June 2020;
3. **KGHM or Company** – KGHM Polska Miedź S.A. with its registered head office in Lubin;
4. **Act** – the Act of 29 July 2005 on public offerings and conditions governing the introduction of financial instruments to organised trading, and on public companies;
5. **Act on the principles of setting remuneration** – act dated 9 June 2016 on the principles of setting the remuneration of individuals managing certain companies;
6. **Member of the Management Board** – member of the management board of KGHM Polska Miedź S.A. with its registered head office in Lubin;
7. **Management Board** – zarząd KGHM Polska Miedź S.A. with its registered head office in Lubin;
8. **Member of the Supervisory Board** – member of the supervisory board of KGHM Polska Miedź S.A. with its registered head office in Lubin;
9. **Supervisory Board** – Supervisory Board of KGHM Polska Miedź S.A. with its registered head office in Lubin;
10. **Statutes** – statutes of KGHM Polska Miedź S.A. with its registered head office in Lubin;
11. **General Meeting** – ordinary or extraordinary general meeting of KGHM Polska Miedź S.A. with its registered head office in Lubin.

II. INTRODUCTION

The obligation to prepare the following report arises from art. 90g of the Act introduced on 30 November 2019 based on the act dated 16 October 2019 *on amending the act on public offerings and conditions governing the introduction of financial instruments to organised trading, and on public companies as well as certain other acts* (Journal of laws, item 2217).

The following document, prepared on the basis of art. 90g of the Act, represents a report on the remuneration of Members of the Management Board and Supervisory Board of KGHM Polska Miedź S.A. presenting a comprehensive review of remuneration, including all of the benefits, regardless of their form, received by individual Members of the Management Board and Members of the Supervisory Board, or to which individual Members of the Management Board and Supervisory Board are entitled for the financial year ended 31 December 2020, pursuant to the Remuneration Policy.

Taking into consideration the wording of art. 36 sec. 2 of the act dated 16 October 2019 on amending the act on public offerings and conditions governing the introduction of financial instruments to organised trading, and on public companies as well as certain other acts, the report also contains information for the financial year ended 31 December 2019 despite the adoption of the Remuneration Policy by the Ordinary General Meeting of KGHM Polska Miedź S.A. by resolution no. 23/2020 dated 19 June 2020.

Events having an impact on the shaping of the remuneration of Members of the Management Board and Supervisory Board in the years 2019 – 2020

In the years 2019 – 2020 to the date of adoption by the General Meeting of the Remuneration Policy, the remuneration of Members of the Management Board and Supervisory Board was formulated based on the following resolutions of the General Meeting:

1. resolution no. 8/2016 dated 7 December 2016 regarding setting the principles of remuneration of Members of the Management Board and resolution no. 44/2017 of the Ordinary General Meeting of KGHM Polska Miedź Spółka Akcyjna with its registered head office in Lubin dated 21 June 2017 regarding changes to resolution no. 8/2016 of the Extraordinary General Meeting of KGHM Polska Miedź Spółka Akcyjna with its registered head office in Lubin dated 7 December 2016 regarding setting the principles of remuneration of Members of the Management Board, and subsequently, resolution no. 33/2019 dated 7 June 2019 regarding setting the principles of remuneration of Members of the Management Board;
2. resolution no. 9/2016 dated 7 December 2016 regarding setting the principles of remuneration of Members of the Supervisory Board and resolution no. 45/2017 of the Ordinary General Meeting of KGHM Polska Miedź Spółka Akcyjna with its registered head office in Lubin dated 21 June 2017 regarding changes to resolution no. 9/2016 of the Extraordinary General Meeting of KGHM Polska Miedź Spółka Akcyjna with its registered head office in Lubin dated 7 December 2016 regarding setting the principles of remuneration of Members of the Supervisory Board, and subsequently, resolution no. 34/2019 dated 7 June 2019 regarding setting the principles of remuneration of Members of the Supervisory Board.

Acting on the basis of art. 90d of the Act, on 19 June 2020, by resolution no. 23/2020 the General Meeting adopted a Remuneration Policy which defines the remuneration of Members of the Management Board and Supervisory Board. The wording of the Remuneration Policy took into account the existing practices of KGHM

Polska Miedź S.A. as regards application of the principles for setting the remuneration of Members of the Management Board and Members of the Supervisory Board.

The means of remunerating the Members of the Supervisory Board and of the Management Board set forth in resolutions No. 33/2019 and No. 34/2019 and in the Remuneration Policy reflect the principles set forth in the Act on the principles of setting remuneration.

In accordance with § 20 sec. 1 point 9) of the Statutes of KGHM, setting the remuneration of members of the Management Board as well as other terms of agreements/contracts for the providing of management services remains within the mandate of the Supervisory Board, which enters into management services contracts with the Members of the Management Board based on the principles set forth in the Remuneration Policy. The template for the aforementioned agreement is set by a resolution of the Supervisory Board separately for the President of the Management Board and for the Vice Presidents of the Management Board.

Changes in the composition of the Management Board of the Company in the years 2019 – 2020

In the years 2019 – 2020 the composition of the Management Board did not change. During this period the Members of the Management Board fulfilled their functions without interruption from their appointment to the 10th (tenth), mutual term by the Supervisory Board in 2018. The composition of the Management Board in the financial years 2019 and 2020 comprised the following persons:

- | | |
|--------------------------------|---|
| 1. Marcin Chludziński | – President of the Management Board |
| 2. Radosław Stach | – Vice President of the Management Board (Production) |
| 3. Katarzyna Kreczmańska-Gigol | – Vice President of the Management Board (Finance) |
| 4. Adam Bugajczuk | – Vice President of the Management Board (Development) |
| 5. Paweł Gruza | – Vice President of the Management Board (International assets) |

Changes in the composition of the Supervisory Board of the Company in the years 2019 – 2020

The Supervisory Board of the current, 10th (tenth), mutual term was appointed by the General Meeting on 6 July 2018 comprised of 10 persons, including 3 members of the Supervisory Board elected by the Employees of the KGHM Group.

In the years 2019 – 2020 the following changes occurred in the composition of the Supervisory Board:

1. on 23 October 2019 the Company received a statement from Janusz Kowalski on his resignation from the function of Member of the Supervisory Board of KGHM Polska Miedź S.A. with effect as at 11 November 2019;
2. the General Meeting on 19 June 2020 dismissed Leszek Banaszak from the Supervisory Board and appointed Katarzyna Lewandowska to serve as a member of the Supervisory Board;
3. on 3 August 2020 the mandate of the employee-elected member of the Supervisory Board Ireneusz Pasis expired due to his death;

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4. as a result of supplementary elections held in the KGHM Group, the Extraordinary General Meeting, by resolution 2/2020 dated 26 November 2020, appointed Przemysław Darowski to the current, 10th-term Supervisory Board.

Currently the Supervisory Board is comprised of the following persons:

- | | |
|-----------------------------|-----------------------------------|
| 1. Andrzej Kisielewicz | - chairman Supervisory Board |
| 2. Katarzyna Lewandowska | - member of the Supervisory Board |
| 3. Jarosław Janas | - member of the Supervisory Board |
| 4. Józef Czyczerski | - member of the Supervisory Board |
| 5. Przemysław Darowski | - member of the Supervisory Board |
| 6. Bartosz Piechota | - member of the Supervisory Board |
| 7. Marek Pietrzak | - member of the Supervisory Board |
| 8. Bogusław Szarek | - member of the Supervisory Board |
| 9. Agnieszka Winnik-Kalemba | - member of the Supervisory Board |



III. REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD IN THE YEARS 2019 – 2020

Data on the remuneration of Members of the Management Board

Detailed data on the total amount of remuneration of Members of the Management Board for the years 2019-2020, broken down into the components referred to in art. 90d sec. 3 point 1 of the Act, are presented in **table no. 1**.

Table no. 1

Remuneration of the Management Board's Members in 2019-2020

Remuneration of the Management Board's Members in 2020			Remuneration			Non-monetary benefits and compensation **	Total remuneration and non-monetary benefits [3+4]	Ratios		
First, last name	Position	Period of serving the function	Fixed remuneration	Variable remuneration*	Total remuneration (fixed+ variable) [1+2]			Share of fixed remuneration in total value of remuneration and benefits [1/5]	Share of variable remuneration in total value of remuneration and benefits [2/5]	Share of the value of benefits in total value of remuneration and benefits [4/5]
			1	2	3	4	5	6	7	8
Marcin Chłudzinski	President of the Management Board	01.01.2020 - 31.12.2020	966 187,80	792 680,40	1 758 868,20	48 753,21	1 807 621,41	53%	44%	3%
Adam Bugajczuk	Vice President of the Management Board (Development)	01.01.2020 - 31.12.2020	901 775,28	739 835,04	1 641 610,32	39 300,00	1 680 910,32	54%	44%	2%
Paweł Gruza	Vice President of the Management Board (International Assets)	01.01.2020 - 31.12.2020	901 775,28	739 835,04	1 641 610,32	203 947,21	1 845 557,53	49%	40%	11%
Katarzyna Kreczmańska-Gigol	Vice President of the Management Board (Finance)	01.01.2020 - 31.12.2020	901 775,28	739 835,04	1 641 610,32	51 349,21	1 692 959,53	53%	44%	3%
Radosław Stach	Vice President of the Management Board (Production)	01.01.2020 - 31.12.2020	901 775,28	739 835,04	1 641 610,32	39 001,76	1 680 612,08	54%	44%	2%
TOTAL			4 573 288,92	3 752 020,56	8 325 309,48	382 351,39	8 707 660,87	53%	43%	4%
Remuneration of the Management Board's Members in 2019			Remuneration			Non-monetary benefits and compensation **	Total remuneration and non-monetary benefits [3+4]	Ratios		
First, last name	Position	Period of serving the function	Fixed remuneration	Variable remuneration*	Total remuneration (fixed+ variable) [1+2]			Share of fixed remuneration in total value of remuneration and benefits [1/5]	Share of variable remuneration in total value of remuneration and benefits [2/5]	Share of the value of benefits in total value of remuneration and benefits [4/5]
			1	2	3	4	5	6	7	8
Marcin Chłudzinski	President of the Management Board	01.01.2019 - 31.12.2019	792 680,40	387 532,64	1 180 213,04	38 872,75	1 219 085,79	65%	32%	3%
Adam Bugajczuk	Vice President of the Management Board (Development)	01.01.2019 - 31.12.2019	739 835,04	263 052,46	1 002 887,50	17 201,40	1 020 088,90	73%	26%	2%
Paweł Gruza	Vice President of the Management Board (International Assets)	01.01.2019 - 31.12.2019	739 835,04	228 115,80	967 950,84	15 691,35	983 642,19	75%	23%	2%
Katarzyna Kreczmańska-Gigol	Vice President of the Management Board (Finance)	01.01.2019 - 31.12.2019	739 835,04	361 697,13	1 101 532,17	31 598,50	1 133 130,67	65%	32%	3%
Radosław Stach	Vice President of the Management Board (Production)	01.01.2019 - 31.12.2019	739 835,04	361 697,13	1 101 532,17	4 439,00	1 105 971,17	67%	33%	0%
Rafał Pawełczak	Acting President of the Management Board	01.01.2018 - 06.07.2018	0,00	0,00	0,00	5 924,39	5 924,39	0%	0%	100%
Stefan Świętkowski	Vice President of the Management Board (Finance) and Vice President of the Management Board (Development)	01.01.2018 - 06.07.2018	0,00	0,00	0,00	5 924,39	5 924,39	0%	0%	100%
TOTAL			3 752 020,56	1 602 095,16	5 354 115,72	119 651,78	5 473 767,50	69%	29%	2%

* variable remuneration disbursed in a given year, related to the achievement of goals for the prior year

** subsidized training, coverage of room and board cost, coverage of cost of miner's uniform, life insurance, compensation disbursed to former Management Board members to refrain from engaging in competing activities

Information on potentially due remuneration to which Members of the Management Board are entitled for 2020

Based on the agreements entered into with the Members of the Management Board of KGHM Polska Miedź S.A. to provide management services to KGHM Polska Miedź S.A., the Supervisory Board set management goals for the Members of the Management Board for 2020, in respect of which the payment of variable remuneration depends.

If 100% of the aforementioned management goals are achieved, potentially due remuneration for the Members of the Management Board for 2020 is as follows:

First name, surname	Position	Potentially due variable remuneration for 2020 based on management services agreements (in PLN)
Marcin Chludziński	Vice President of the Management Board	966 187.80
Katarzyna Kreczmańska-Gigol	Vice President of the Management Board (Finance)	901 775.28
Radosław Stach	Vice President of the Management Board (Production)	901 775.28
Adam Bugajczuk	Vice President of the Management Board (Development)	901 775.28
Paweł Gruza	Vice President of the Management Board (International assets)	901 775.28
Total		4 573 288.92

IV. DESCRIPTION OF THE MANNER IN WHICH THE TOTAL REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD LEADS TO ACHIEVEMENT OF THE COMPANY'S LONG-TERM GOALS

1. The management goals and the criteria to achieve these goals in terms of the financial and non-financial results representing the basis for setting the Variable Remuneration are defined by the Supervisory Board in such a way as to ensure their consistency with the short- and long-term strategic goals of KGHM and of the KGHM Group, under the strategic directions of development:
 - the Strategy of KGHM and of the KGHM Group consists of four strategic directions of development: flexibility, efficiency, ecology and e-industry;
 - the indicated strategic directions of development are reflected in individual strategic areas which comprise individualised main goals: production, development, innovation, organisational efficiency, sustainable development and safety as well as financial stability;
 - each of these main goals is composed of operational goals aimed at achieving the main goal, and each of the six strategic areas is composed of four selected development directions, creating thereby an initiatives matrix.

2. Moreover, the adopted criteria:
 - have a positive affect on the commitment of the Members of the Management Board in fulfilling their functions in the Company;
 - motivate the Members of the Management Board to advance the Company's business strategy and interests;
 - lead to an appropriate assessment of risk by the Members of the Management Board.

V. INFORMATION ON HOW THE CRITERIA FOR ASSESSING THE ACHIEVEMENT OF RESULTS IN TERMS OF VARIABLE REMUNERATION WERE APPLIED

The variable remuneration of Members of the Management Board depends on the level of achievement of the management goals specified for each financial year of the Company. The results criteria are re-assessed each time by the Supervisory Board when formulating each of the management goals. In the years 2019 and 2020 the Supervisory Board created management goals for the Members of the Management Board, including their weight and their manner of settlement in goals cards.

The goals cards specified for the entire Management Board and for individual Members of the Management Board are presented as **tables no. 2a to 2f**.

Table no. 2a
The Management Board scorecard for 2019 - shared by all Members of the Management Board
The Management Goals prerequisite to gaining the right to receive variable remuneration for the Company's financial year:

a) the application of remuneration principles of the Members of the Management Board and of the Supervisory Board in line with the Act of 9 June 2016 on the remuneration of individuals managing certain companies - 100% achieved
(Journal of Laws from 2016 item 1202 with subsequent amendments) in all companies of KGHM Group

b) fulfilment of the obligations set forth in art. 17 – 20, art. 22 and art. 23 of the Act of 16 December 2016 on the principles of state assets management - 100% achieved

Other management goals:

Indicator	Weight	Target	Payout Range		Calculation formula of values to the bonus system	% execution
Adjusted EBITDA of the KGHM Group	20%	compliant with assumed budget	95%	105%	Points for target execution: - execution <95% = 0 points - execution up to 100% = 95 + 1 pt for 1% - execution 100% = 100 points - execution >100% = 100 + 1 pt for 1% - maximum points to score 105	118,8%
Total unit cost of producing copper from own concentrate less the minerals extraction tax	20%	compliant with assumed budget	105%	95%	Points for target execution: - higher costs by over 5% = 0 points - higher costs by up to 5% = 100 - 1 pt for each 1% exceeded - cost reduction up to 5% = 100 + 1 pt for each 1% of reduction - cost reduction above 5% = 105 points	104,4%
Electrolytic copper production volume from own concentrate	20%	compliant with assumed budget	95%	105%	Points for target execution: - execution <95% = 0 points - execution up to 100% = 95 + 1 pt for 1% - execution 100% = 100 points - execution >100% = 100 + 1 pt for 1% - maximum points 105	103,1%
Administrative expenses in selected Group Companies - compliant with assumed budgets	5%	compliant with assumed budget	105%	95%	Points for target execution: - higher costs by over 5% = 0 points - higher costs by up to 5% = 100 - 1 pt for each 1% exceeded - cost reduction up to 5% = 100 + 1 pt for each 1% of reduction - cost reduction above 5% = 105 points	106,0%
LTIFR - Number of accidents per 1 million worked hours in KGHM Polska Miedź S.A.	5%	compliant with assumed budget	100%	0%	Points for target execution: - target value and below = 100 - above target value = 0	104,7%
Execution of key strategic projects, including:	30%	in line with the following description				100,0%
1. Development and implementation of mining efficiency advancement program	5%	settlement based on the substantive scope and schedule adopted in the Company's Strategy	0%	100%	Points for target execution: - above target value = 100 - target value = 100 - below target value = 0	100,0%
2. Commissioning of RTR furnace	5%	settlement based on the substantive scope and schedule adopted in the Company's Strategy	0%	100%		100,0%
3. Continued development of the Żelazny Most Tailings Storage facility in line with adopted schedule	5%	settlement based on the substantive scope and schedule adopted in the Company's Strategy	0%	100%		100,0%
4. Preparation of a divestiture procedure for a potential divestment/disposal of KGHM's international mining assets	5%	settlement based on the substantive scope and schedule adopted in the Company's Strategy	0%	100%		100,0%
5. Implementation of the employee safety improvement program - "Think about the consequences"	5%	settlement based on the substantive scope and schedule adopted in the Company's Strategy	0%	100%		100,0%
6. Implementation of a KGHM Group debt refinancing concept based on diversified and long-term financing sources	5%	settlement based on the substantive scope and schedule adopted in the Company's Strategy	0%	100%		100,0%

Nominal variable remuneration indicator (Wz) = 100%

$$\text{Achieved indicator } Wz = \frac{\text{total points}}{100} \times \text{nominal indicator } Wz \text{ where the achieved bonus indicator } \leq Wz$$

Table no. 2b

Scorecard of the President of the Management Board for 2020

Management Goals prerequisite to gaining the right to receive Variable Remuneration for the Company's financial year:

a) the shaping and application of remuneration principles of the Members of the Management Board and of the Supervisory Board in line with the Act of 9 June 2016 on the remuneration of individuals managing certain companies
(Journal of Laws from 2016 item 1202 with subsequent amendments) in all companies of the KGHM Group

b) fulfilment of the obligations set forth in art. 17 - 20, art. 22 and art. 23 of the Act of 16 December 2016 on the principles of state assets management

Other Management goals:

Indicator	Weight	Target	Payout Range		Calculation formula of values to the bonus system
Adjusted EBITDA of the KGHM Group	15%	compliant with assumed budget	95%	105%	Points for target execution: - execution <95% = 0 points - execution up to 100% = 95 + 1 pt for 1% - execution 100% = 100 points - execution >100% = 100 + 1 pt for 1% - maximum points 105
Electrolytic copper production volume from own concentrate	15%	compliant with assumed budget	95%	105%	Points for target execution: - execution <95% = 0 points - execution up to 100% = 95 + 1 pt for 1% - execution 100% = 100 points - execution >100% = 100 + 1 pt for 1% - maximum points 105
C1 cost of KGHM S.A. Cash cost of producing payable copper, reflecting ore extraction and processing costs, the minerals extraction tax, transport costs, administrative costs for the mining phase as well as concentrate treatment and refining costs (TC/RC), less the value of by-products. Elimination of the impact of macroeconomic factors: Expected indicator value = planning value adapted to achieved parameters as regards: - prices of copper and associated metals and the USD/PLN exchange rate - content of associated metals in concentrate.	15%	compliant with assumed budget	105%	95%	Points for target execution: - exceeding the costs over 5% = 0 points - exceeding the costs up to 5% = 100 - 1 pt for each 1% exceeded - cost reduction up to 5% = 100 + 1 pt for each 1% of reduction - cost reduction above 5% = 105 points
Strategic tasks					
Preparation of a restructuring concept for the Company in the event of deteriorating macroeconomic conditions	15%	settlement based on the substantive scope and schedule adopted in the Company's Strategy	0%	100%	Points for target execution: - above target value = 100 - target value = 100 - below target value = 0
Preparation and commencement of implementation of an energy independence strategy	20%	settlement based on the substantive scope and schedule adopted in the Company's Strategy	0%	100%	
Creation of a new specialized technology company, providing services in the field of data analytics and modeling, as well as innovative technologies in the scope of e-Industry	20%	settlement based on the substantive scope and schedule adopted in the Company's Strategy	0%	100%	

Nominal variable remuneration indicator (Wz) = 100%

$$\text{Achieved indicator } Wz = \frac{\text{total points}}{100} \times \text{nominal indicator } Wz \text{ where the achieved bonus indicator } \leq Wz$$

Table no. 2c

Scorecard of the Vice President of the Management Board (Finance) for 2020

Management Goals prerequisite to gaining the right to receive Variable Remuneration for the Company's financial year:

a) the shaping and application of remuneration principles of the Members of the Management Board and of the Supervisory Board in line with the Act of 9 June 2016 on the remuneration of individuals managing certain companies

b) fulfilment of the obligations set forth in art. 17-20, art. 22 and art. 23 of the Act of 16 December 2016 on the principles of state assets management

Other management goals:

Indicator	Weight	Target	Payout Range		Calculation formula of values to the bonus system
Adjusted EBITDA of the KGHM Group	15%	compliant with assumed budget	95%	105%	Points for target execution: - execution <95% = 0 points - execution up to 100% = 95 + 1 pt for 1% - execution 100% = 100 points - execution >100% = 100 + 1 pt for 1% - maximum points 105
Electrolytic copper production volume from own concentrate	15%	compliant with assumed budget	95%	105%	Points for target execution: - execution <95% = 0 points - execution up to 100% = 95 + 1 pt for 1% - execution 100% = 100 points - execution >100% = 100 + 1 pt for 1% - maximum points to score 105
C1 cost of KGHM S.A. Cash cost of producing payable copper, reflecting ore extraction and processing costs, the minerals extraction tax, transport costs, administrative costs for the mining phase as well as concentrate treatment and refining costs (TC/RC), less the value of by-products. Elimination of the impact of macroeconomic factors: Expected indicator value = planning value adapted to achieved parameters as regards: - prices of copper and associated metals and the USD/PLN exchange rate - content of associated metals in concentrate	15%	compliant with assumed budget	105%	95%	Points for target execution: - higher costs by over 5% = 0 points - higher costs by up to 5% = 100 - 1 pt for each 1% exceeded - cost reduction up to 5% = 100 + 1 pt for each 1% of reduction - cost reduction above 5% = 105 points
Net debt / EBITDA for the Group	15%	compliant with assumed budget	105%	95%	Points for target execution: - above target value = 0 points - from 1.8 do 1.99 = 100 points - below 1.8 = 105 points
Strategic tasks					
Preparation and implementation of an integrated controlling model for the Group	20%	settlement based on the substantive scope and schedule adopted in the Company's Strategy	0%	100%	Points for target execution: - above target value = 100 - target value = 100 - below target value = 0
Development of a Supporting Processes Efficiency Program	20%	settlement based on the substantive scope and schedule adopted in the Company's Strategy	0%	100%	

Nominal variable remuneration indicator (Wz) = 100%

$$\text{Achieved indicator } Wz = \frac{\text{total points}}{100} \times \text{nominal indicator } Wz \text{ where the achieved bonus indicator } \leq Wz$$

Table no. 2d

Scorecard of the Vice President of the Management Board (Development) for 2020

Management Goals prerequisite to gaining the right to receive Variable Remuneration for the Company's financial year:

a) the shaping and application of remuneration principles of the Members of the Management Board and of the Supervisory Board in line with the Act of 9 June 2016 on the remuneration of individuals managing certain companies

b) fulfilment of the obligations set forth in art. 17-20, art. 22 and art. 23 of the Act of 16 December 2016 on the principles of state assets management

Other management goals:

Indicator	Weight	Target	Payout Range		Calculation formula of values to the bonus system
Adjusted EBITDA of the KGHM Group	15%	compliant with assumed budget	95%	105%	Points for target execution: - execution <95% = 0 points - execution up to 100% = 95 + 1 pt for 1% - execution 100% = 100 points - execution >100% = 100 + 1 pt for 1% - maximum points 105
Electrolytic copper production volume from own concentrate	15%	compliant with assumed budget	95%	105%	Points for target execution: - execution <95% = 0 points - execution up to 100% = 95 + 1 pt for 1% - execution 100% = 100 points - execution >100% = 100 + 1 pt for 1% - maximum points to score 105
C1 cost of KGHM S.A. Cash cost of producing payable copper, reflecting ore extraction and processing costs, the minerals extraction tax, transport costs, administrative costs for the mining phase as well as concentrate treatment and refining costs (TC/RC), less the value of by-products. Elimination of the impact of macroeconomic factors: Expected indicator value = planning value adapted to achieved parameters as regards: - prices of copper and associated metals and the USD/PLN exchange rate - content of associated metals in concentrate.	15%	compliant with assumed budget	105%	95%	Points for target execution: - higher costs by over 5% = 0 points - higher costs by up to 5% = 100 - 1 pt for each 1% exceeded - cost reduction up to 5% = 100 + 1 pt for each 1% of reduction - cost reduction above 5% = 105 points
A reduction in the value of all procurement tenders by a min. 8% (excluding Group companies) compared to budget targets for CAPEX and OPEX	15%	compliant with assumed budget	100%	105%	Points for target execution: - reduction in the value of tenders below 8% = 0 points - reduction in the value of tenders by 8% = 100 points - reduction in the value of tenders above 8% = 100 + 1 points for 0.2 percentage points - reduction in the value of tenders below 9% = 105 points
Strategic tasks					
Preparation and implementation of a consistent model for the planning, conduct, settlement and measurement of the effectiveness of investments	20%	settlement based on the substantive scope and schedule adopted in the Company's Strategy	0%	100%	Points for target execution: - above target value = 100 - target value = 100 - below target value = 0
Preparation and implementation of a concept for the recovery of metals from the tailings storage facilities of KGHM	20%	settlement based on the substantive scope and schedule adopted in the Company's Strategy	0%	100%	

Nominal variable remuneration indicator (Wz) = 100%

$$\text{Achieved indicator } Wz = \frac{\text{total points}}{100} \times \text{nominal indicator } Wz \text{ where the achieved bonus indicator } \leq Wz$$

Table no. 2e

Scorecard of the Vice President of the Management Board (Production) for 2020

Management Goals prerequisite to gaining the right to receive Variable Remuneration for the Company's financial year:

a) the shaping and application of remuneration principles of the Members of the Management Board and of the Supervisory Board in line with the Act of 9 June 2016 on the remuneration of individuals managing certain companies (Journal of Laws from 2016 item 1202 with subsequent amendments) in all companies of KGHM Group

b) fulfilment of the obligations set forth in art. 17-20, art. 22 and art. 23 of the Act of 16 December 2016 on the principles of state assets management

Other management goals:

Indicator	Weight	Target	Payout Range		Calculation formula of values to the bonus system
Adjusted EBITDA of the KGHM Group	15%	compliant with assumed budget	95%	105%	Points for target execution: - execution <95% = 0 points - execution up to 100% = 95 + 1 pt for 1% - execution 100% = 100 points - execution >100% = 100 + 1 pt for 1% - maximum points to score 105
Electrolytic copper production volume from own concentrate	15%	compliant with assumed budget	95%	105%	Points for target execution: - execution <95% = 0 points - execution up to 100% = 95 + 1 pt for 1% - execution 100% = 100 points - execution >100% = 100 + 1 pt for 1% - maximum points 105
C1 cost of KGHM S.A.	15%	compliant with assumed budget	105%	95%	Points for target execution: - exceeding the costs over 5% = 0 points - exceeding the costs up to 5% = 100 - 1 pt for each 1% exceeded - cost reduction up to 5% = 100 + 1 pt for each 1% of reduction - cost reduction above 5% = 105 points
LTIFR	15%	compliant with assumed budget	100%	0%	Points for target execution: - target value and below = 100 - above target value = 0
Strategic tasks					
Implementation of the next stage of the strategy for supply chain management units. Generating savings through local tenders at the level of 8% in relation to the baseline value.	20%	settlement based on the substantive scope and schedule adopted in the Company's Strategy	0%	100%	Points for target execution: - above target value = 100 - target value = 100 - below target value = 0
Preparation and implementation of a renovation policy ensuring greater metallurgical processing capacity.	20%	settlement based on the substantive scope and schedule adopted in the Company's Strategy	0%	100%	

Nominal variable remuneration indicator (Wz) = 100%

$$\text{Achieved indicator } Wz = \frac{\text{total points}}{100} \times \text{nominal indicator } Wz \text{ where the achieved bonus indicator } \leq Wz$$

Table no. 2f

Scorecard of the Vice President of the Management Board (International Assets) for 2020

Management Goals prerequisite to gaining the right to receive Variable Remuneration for the Company's financial year:

a) the shaping and application of remuneration principles of the Members of the Management Board and of the Supervisory Board in line with the Act of 9 June 2016 on the remuneration of individuals managing certain companies (Journal of Laws from 2016 item 1202 with subsequent amendments) in all companies of KGHM Group

b) fulfilment of the obligations set forth in art. 17 - 20, art. 22 and art. 23 of the Act of 16 December 2016 on the principles of state assets management

Other management goals:

Indicator	Weight	Target	Payout Range		Calculation formula of values to the bonus system
Adjusted EBITDA of the KGHM Group	15%	compliant with assumed budget	95%	105%	Points for target execution: - execution <95% = 0 points - execution up to 100% = 95 + 1 pt for 1% - execution 100% = 100 points - execution >100% = 100 + 1 pt for 1% - maximum points to score 105
Electrolytic copper production volume from own concentrate	15%	compliant with assumed budget	95%	105%	Points for target execution: - execution <95% = 0 points - execution up to 100% = 95 + 1 pt for 1% - execution 100% = 100 points - execution >100% = 100 + 1 pt for 1% - maximum points to score 105
C1 cost of KGHM S.A. Cash cost of producing payable copper, reflecting ore extraction and processing costs, the minerals extraction tax, transport costs, administrative costs for the mining phase as well as concentrate treatment and refining costs (TC/RC), less the value of by-products. Elimination of the impact of macroeconomic factors: Expected indicator value = planning value adapted to achieved parameters as regards: - prices of copper and associated metals and the USD/PLN exchange rate - content of associated metals in concentrate.	15%	compliant with assumed budget	105%	95%	Points for target execution: - exceeding the costs over 5% = 0 points - exceeding the costs up to 5% = 100 - 1 pt for each 1% exceeded - cost reduction up to 5% = 100 + 1 pt for each 1% of reduction - cost reduction above 5% = 105 points
Targeted quantitative sales volume of KGHM's copper products	15%	compliant with assumed budget	95%	105%	Points for target execution: - execution <95% = 0 points - execution up to 100% = 95 + 1 pt for 1% - execution 100% = 100 points - execution >100% = 100 + 1 pt for 1% - maximum points 105
Achieving an average daily ore throughput in the Sierra Gorda mine	10%	compliant with assumed budget	95%	105%	Points for target execution: - execution <95% = 0 points - execution up to 100% = 95 + 1 pt for 1% - execution 100% = 100 points - execution >100% = 100 + 1 pt for 1% - maximum points 105
Strategic tasks					
Contracting the purchase of third-party concentrates to cover the metallurgical processing capacities available in 2021.	15%	settlement based on the substantive scope and schedule adopted in the Company's Strategy	0%	100%	Points for target execution: - above target value = 100 - target value = 100 - below target value = 0
Preparation and implementation of a concept for the restructuring of the structure and costs of KGHM International and KGHM Chile	15%	settlement based on the substantive scope and schedule adopted in the Company's Strategy	0%	100%	

Nominal variable remuneration indicator (Wz) = 100%

$$\text{Achieved indicator } Wz = \frac{\text{total points}}{100} \times \text{nominal indicator } Wz \text{ where the achieved bonus indicator } \leq Wz$$

VI. REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD IN THE YEARS 2019 – 2020

Detailed data on the total amount of remuneration of Members of the Supervisory Board broken down into the components referred to in art. 90d sec. 3 point 1 of the Act, as well as the mutual proportions between these components of the remuneration, are presented in **table no. 3**.

Table no. 3

Remuneration of Supervisory Board Members Remuneration in 2019-2020

Remuneration of Supervisory Board Members in 2020		Remuneration and benefits for serving the function in the Supervisory Board			Remuneration and employment benefits			Total	Ratios
First, last name	Period of serving the function	Fixed remuneration	Variable remuneration*	Total remuneration (fixed+ variable) [1+2]	Remuneration resulting from the employment contract	Employment benefits	Total remuneration and benefits [4+5]	Total remuneration for serving in the function on the Supervisory Board and non-monetary benefits [3+6]	Share of total remuneration and benefits in total value of remuneration and benefits [3/7]
		1	2	3	4	5	6	7	8
Leszek Banaszak	01.01.2020 - 19.06.2020	60 476,25	137,76	60 614,01			0,00	60 614,01	100,0%
Józef Czaczerki	01.01.2020 - 31.12.2020	128 825,04	118,08	128 943,12	131 896,47	11 731,34	143 627,81	272 570,93	47,3%
Przemysław Darowski	26.11.2020 - 31.12.2020	12 524,66	12,71	12 537,37			0,00	12 537,37	100,0%
Jarosław Janas	01.01.2020 - 31.12.2020	128 825,04	78,72	128 903,76			0,00	128 903,76	100,0%
Andrzej Kisielewicz	01.01.2020 - 31.12.2020	141 707,52	118,08	141 825,60			0,00	141 825,60	100,0%
Katarzyna Lewandowska	19.06.2020 - 31.12.2020	68 706,72	30,75	68 737,47			0,00	68 737,47	100,0%
Ireneusz Pasis	01.01.2020 - 03.08.2020	76 186,84	81,22	76 268,06			0,00	76 268,06	100,0%
Bartosz Piechota	01.01.2020 - 31.12.2020	128 825,04	247,89	129 072,93			0,00	129 072,93	100,0%
Marek Pietrzak	01.01.2020 - 31.12.2020	128 825,04	121,56	128 946,60			0,00	128 946,60	100,0%
Bogusław Szarek	01.01.2020 - 31.12.2020	128 825,04	59,04	128 884,08	214 594,75	16 584,78	231 179,53	360 063,61	35,8%
Agnieszka Winnik-Kalemba	01.01.2020 - 31.12.2020	128 825,04	438,46	129 263,50			0,00	129 263,50	100,0%
TOTAL		1 132 552,23	1 444,27	1 133 996,50	346 491,22	28 316,12	374 807,34	1 508 803,84	75,2%
Remuneration of Supervisory Board's Members in 2019		Remuneration and benefits for serving the function in the Supervisory Board			Remuneration and employment benefits			Total	Ratios
First, last name	Period of serving the function	Fixed remuneration	Variable remuneration*	Total remuneration (fixed+ variable) [1+2]	Remuneration resulting from the employment contract	Employment benefits	Total remuneration and benefits [4+5]	Total remuneration and non-monetary benefits [3+6]	Share of total remuneration and benefits in total value of remuneration and benefits [3/7]
		1	2	3	4	5	6	7	8
Andrzej Kisielewicz	01.01.2019 - 31.12.2019	133 881,00	108,24	133 989,24			0,00	133 989,24	100,0%
Leszek Banaszak	01.01.2019 - 31.12.2019	121 710,00	220,61	121 930,61			0,00	121 930,61	100,0%
Bogusław Szarek	01.01.2019 - 31.12.2019	121 710,00	1 457,90	123 167,90	203 550,03	18 636,11	222 186,14	345 354,04	35,7%
Jarosław Janas	01.01.2019 - 31.12.2019	121 710,00	108,24	121 818,24			0,00	121 818,24	100,0%
Marek Pietrzak	01.01.2019 - 31.12.2019	121 710,00	108,24	121 818,24			0,00	121 818,24	100,0%
Agnieszka Winnik-Kalemba	01.01.2019 - 31.12.2019	121 710,00	480,34	122 190,34			0,00	122 190,34	100,0%
Ireneusz Pasis	01.01.2019 - 31.12.2019	121 710,00	120,71	121 830,71			0,00	121 830,71	100,0%
Józef Czaczerki	01.01.2019 - 31.12.2019	121 710,00	108,24	121 818,24	163 089,15	10 683,22	173 772,37	295 590,61	41,2%
Bartosz Piechota	01.01.2019 - 31.12.2019	121 710,00	457,35	122 167,35			0,00	122 167,35	100,0%
Janusz Kowalski	01.01.2019 - 11.11.2019	104 805,83	98,40	104 904,23			0,00	104 904,23	100,0%
TOTAL		1 212 366,83	3 268,27	1 215 635,10	366 639,18	29 319,33	395 958,51	1 611 593,61	75,4%

* Subsidiary of telecommunications services, reimbursement of travel expenses

The remuneration policy does not foresee variable remuneration, bonuses or other monetary benefits for the Members of the Supervisory Board from serving in their functions on the Supervisory Board of KGHM Polska Miedź S.A.

VII. DESCRIPTION OF HOW THE TOTAL REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD FOR 2020 IS CONSISTENT WITH THE ADOPTED REMUNERATION POLICY

Information on how the total remuneration of Members of the Management Board is consistent with the Remuneration Policy is presented in **table no. 4**.



Table no. 4

Compliance of Management Board Members remuneration with the Remuneration Policy

Components		Description of components and relevant clauses of the Remuneration Policy in respect of Members of the Management Board and Supervisory Board of KGHM Polska Miedź S.A.
Fixed Remuneration		<p>Section V of Remuneration Policy - point 1 (subpoints 1,2 and 3) and point 2 (subpoints 1 and 2)</p> <p>1. General information</p> <p>1) The detailed principles which shape the remuneration of the Members of the Management Board are defined by the Supervisory Board in compliance with the Remuneration Policy.</p> <p>2) The Supervisory Board defines the detailed principles of remuneration of the Members of the Management Board by creating templates for the contracts entered into by the Company with the Members of the Management Board.</p> <p>3) The total remuneration of a Member of the Management Board is composed of a fixed part, comprised of monthly basic remuneration (Fixed Remuneration) and a variable part, comprised of supplementary remuneration for the Company's financial year (Variable Remuneration).</p> <p>2. Fixed components of the remuneration of Members of the Management Board</p> <p>1) The Fixed Monthly Remuneration for individual members of the Company's Management Board is within a range of seven- to fifteen times the assessment basis, as described in art. 1 sec. 3 point 11 of the Act on the principles of setting remuneration.</p> <p>2) The Supervisory Board sets the amount of the Fixed Remuneration within the range set forth in point 1) above.</p>
Variable Remuneration		<p>Section V of Remuneration Policy - point 1 (subpoints 1,2,3 and 4) and point 3 (subpoints 1,2 and 3)</p> <p>1. General information</p> <p>1) The detailed principles which shape the remuneration of the Members of the Management Board are defined by the Supervisory Board in compliance with the Remuneration Policy.</p> <p>2) The Supervisory Board defines the detailed principles of remuneration of the Members of the Management Board by creating templates for the contracts entered into by the Company with the Members of the Management Board.</p> <p>3) The total remuneration of a Member of the Management Board is composed of a fixed part, comprised of monthly basic remuneration (Fixed Remuneration) and a variable part, comprised of supplementary remuneration for the Company's financial year (Variable Remuneration).</p> <p>4) Variable Remuneration may not exceed 100% of the Fixed Remuneration due for the prior financial year.</p> <p>3. Variable components of the remuneration of Members of the Management Board</p> <p>1) Variable Remuneration depends on the level of achievement of the management goals set for each of the Company's financial years.</p> <p>2) In particular, the following may serve as management goals:</p> <ul style="list-style-type: none"> a) an increase in the Company's value; b) achievement of the tasks and initiatives described in the Company's Strategy; c) optimisation of the Company's operating costs; d) achievement of the EBITDA level set forth in the Budget for a given financial year; e) maintaining the ratios referred to in borrowing agreements (Net debt/EBITDA ratio); f) improvement of economic-financial ratios other than those indicated in letters d-e; g) an increase in profit for the period or EBITDA, or a positive change in the indicator growth rate of one of these results; h) achievement of or change in the volume of production or sales; i) achievement of or change in specified ratios, in particular profitability, financial liquidity, management efficiency or solvency; j) improvement in occupational health and safety; k) reduced environmental impact. <p>3) The management goals prerequisite to gaining the right to receive Variable Remuneration are as follows:</p> <ul style="list-style-type: none"> a) the shaping and application of the principles of remuneration of members of the management and supervisory bodies of subsidiaries in a manner which is consistent with the principles set forth in the Act on the principles of setting remuneration; b) execution of the obligations referred to in art. 17-20, art. 22 and art. 23 with due regard to art. 18a and art. 23a of the Act of 16 December 2016 on the principles of state assets management.
Other monetary and non-monetary benefits	Room and board	<p>Section V Remuneration Policy - point 7 (subpoints 3 and 6)</p> <p>7. Additional components of remuneration and other monetary and non-monetary benefits to which the Members of the Management Board are entitled; costs incurred by the Company related to serving in the function.</p> <p>3) The Company incurs or refinances costs associated with the fulfilment by a Member of the Management Board of their function and with the performance of the management services contract to the extent required to properly perform this function and fulfil the contract.</p> <p>6) A Member of the Management Board may also utilise other benefits, in particular such as those provided by the Company for Company management staff in relevant Company internal regulations or in resolutions of the Company's bodies - with the proviso that the Supervisory Board sets the principles for the granting or utilisation of such benefits by a Member of the Management Board by way of resolutions.</p>
	Subsidized training	<p>Section V Remuneration Policy - point 7 (subpoint 4)</p> <p>7. Additional components of remuneration and other monetary and non-monetary benefits to which the Members of the Management Board are entitled; costs incurred by the Company related to serving in the function.</p> <p>4) The Company incurs or refinances costs of individual training for a Member of the Management Board associated with the performance of the management services contract between the Member of the Management Board and the Company and the resulting obligations of the Member of the Management Board after prior consent in each instance of the Chairperson of the Supervisory Board.</p>
	Costs of civil insurance	<p>Section V Remuneration Policy - point 7 (subpoint 5)</p> <p>7. Additional components of remuneration and other monetary and non-monetary benefits to which the Members of the Management Board are entitled; costs incurred by the Company related to serving in the function.</p> <p>5) The Company, during the life of the management services contract between the Member of the Management Board and the Company, incurs the costs of civil insurance for those persons serving in management functions in the Company.</p>
	Life insurance	<p>Section V Remuneration Policy - point 7 (subpoint 6)</p> <p>7. Additional components of remuneration and other monetary and non-monetary benefits to which the Members of the Management Board are entitled; costs incurred by the Company related to serving in the function.</p> <p>6) A Member of the Management Board may also utilise other benefits, in particular such as those provided by the Company for Company management staff in relevant Company internal regulations or in resolutions of the Company's bodies - with the proviso that the Supervisory Board sets the principles for the granting or utilisation of such benefits by a Member of the Management Board by way of resolutions.</p>
	Miner's Uniform subsidizing	<p>Section V Remuneration Policy - point 7 (subpoint 7)</p> <p>7. Additional components of remuneration and other monetary and non-monetary benefits to which the Members of the Management Board are entitled; costs incurred by the Company related to serving in the function.</p>
	Employee Pension Program (EPP)	<p>Section V Remuneration Policy - point 7 (subpoint 7)</p> <p>7. Additional components of remuneration and other monetary and non-monetary benefits to which the Members of the Management Board are entitled; costs incurred by the Company related to serving in the function.</p> <p>7) The Members of the Management Board may participate in the Employee Pension Program (EPP) under the terms of the Collective Agreement entered into in Lubin on 27 June 2005 between KGHM Polska Miedź S.A. and Employee Representation involving the Employee Pension Program. The EPP is conducted in the form of employee contributions to an investment fund. The amount of the basic contribution financed by KGHM is 7% of remuneration. If a Member of the Management Board joins the EPP, the amount of Fixed Remuneration of such a Member of the Management Board is set together with the amount of the basic contribution to the EPP. The Member of the Management Board may also request that the Company deduct and transfer the amount of the additional contribution from his/her Fixed Remuneration.</p>
	Employment termination compensation	<p>Section V Remuneration Policy - point 8 (subpoint 8)</p> <p>8. Information on contracts entered into with Members of the Management Board</p> <p>8) In case of the termination with or without notice by the Company of the Contract due to causes other than those specified in point 3) above, the Member of the Management Board may be granted compensation, in an amount not higher than 3 (three)-times the Fixed Remuneration, contingent upon the member having served in the function on the Management Board for a period of at least 12 (twelve) months prior to the termination of the Contract.</p>
Compensation - non-competition clause	<p>Section V Remuneration Policy - point 8 (subpoint 10)</p> <p>8. Information on contracts entered into with Members of the Management Board</p> <p>10) The Supervisory Board may enter into a non-competition contract with a Member of the Management Board which would come into force upon termination of service, with the proviso that it may only be entered into if the Member of the Management Board serves in the function on the Management Board for a period of at least 6 (six) months.</p>	



Information on how the total remuneration of Members of the Supervisory Board is consistent with the Remuneration Policy is presented in **table no. 5**.

Table no. 5

Compliance of Supervisory Board Members remuneration with the Remuneration Policy

Components	Description of components and relevant clauses of the Remuneration Policy in respect of Members of the Management Board and Supervisory Board of KGHM Polska Miedź S.A.
Remuneration for serving the function	<p>Section IV of Remuneration Policy - point 1 and point 2</p> <p>1. In accordance with § 29 sec. 1 point 14) of the Statutes, the principles of remuneration of the Members of the Supervisory Board are set by the General Meeting.</p> <p>The monthly remuneration of members of the Supervisory Board is hereby set as a multiple of the assessment basis as set forth in art. 1 sec. 3 point 11 of Act on the principles of setting remuneration, as well as the following multiples:</p> <p>1) for the Chairperson of the Supervisory Board – 2.2;</p> <p>2) for other Members of the Supervisory Board – 2.0.</p>
Benefits for serving the function	<p>Section IV of Remuneration Policy - point 8</p> <p>8. In accordance with art. 392 § 3 of the Commercial Partnerships and Companies Code, the Members of the Supervisory Board are refunded the costs related to their work on the Supervisory Board.</p>



VIII. INFORMATION ON CHANGES IN THE REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD RESULTING FROM CHANGES IN THE COMPANY'S RESULTS, AND THE AVERAGE REMUNERATION OF COMPANY EMPLOYEES WHO WERE NOT MEMBERS OF THE MANAGEMENT BOARD OR SUPERVISORY BOARD IN THE PERIOD 2014 – 2020

Detailed data on annual changes in the remuneration of Members of the Management Board and Supervisory Board, the Company's results and the average remuneration of employees who were not members of the management board or supervisory board in the period from 2014 to 2020 is presented in **table no. 6**.

Table no. 6 presents in addition changes in EBITDA for the Company and adjusted EBITDA for the KGHM Group due to the fact that the Management Board evaluates the results of the Company and of the KGHM Group, using among others EBITDA for the Company and adjusted EBITDA for the KGHM Group, which represent Alternative Performance Measures pursuant to the Guidelines of the European Securities and Markets Authority (ESMA) as regards Alternative Performance. EBITDA for the Company and adjusted EBITDA for the KGHM Group as presented in the Financial Statements are not calculated in accordance with International Financial Reporting Standards (IFRS).

EBITDA for the Company and EBITDA for the KGHM Group should be treated as supplementary information, expanding on the presentation of the results of the Company and the KGHM Group. EBITDA for the Company and EBITDA for the KGHM Group are not defined under IFRS, and therefore these measures should not be treated as alternative measures defined under IFRS, such as net profit/(loss), operating profit, net cash generated from operating activities, liquidity or other IFRS measures. Moreover, EBITDA for the Company and EBITDA for the KGHM Group do not have a uniform and set definition. The manner in which these indicators are calculated by other companies may differ significantly from those applied by the Company. Consequently, EBITDA for the Company and EBITDA for the KGHM Group may not be comparable with similar indicators calculated by other companies.

EBITDA for the Company and EBITDA for the KGHM Group have been included in the Financial Statements due to the fact that they are important in terms of determining the degree of achievement of the Management Goals described in tables 2a to 2f in the Financial Statements which were set for individual Members of the Management Board, and are connected with the level of variable remuneration granted to the Members of the Management Board.

EBITDA shown in the Financial Statements is presented consistently with the EBITDA which is presented in the Financial Statements of the Company.

Adjusted EBITDA for the KGHM Group presented in the Financial Statements is presented consistently with the adjusted EBITDA for the KGHM Group which is presented in the Consolidated Financial Statements of the Group.

Table no. 6

Changes in annual remuneration of Members of the Management Board, Supervisory Board, the Company's performance and average remuneration of employees of the company who were not members of the Management Board or Supervisory Board in the period from 2014 to 2020

Parameter	2015 vs 2014	2016 vs 2015	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019	Increase/ decrease 2020 vs 2014
	Increase/ decrease to 2014*	Increase/ decrease to 2015**	Increase/ decrease to 2016	Increase/ decrease to 2017***	Increase/ decrease to 2018****	Increase/ decrease to 2019*****	
Remuneration and benefits of the Management Board and Supervisory Board							
Total remuneration and benefits of Management Board Members	-4,8%	34,1%	-23,1%	-52,1%	4,1%	59,1%	-22,1%
Total remuneration and benefits of Supervisory Board Members	4,3%	13,0%	10,8%	-12,9%	0,6%	-6,4%	7,2%
Company Results							
Revenues from sales	-4,2%	-5,2%	6,0%	-1,7%	12,2%	9,3%	16,2%
Net Profit/Loss	-215,5%	-46,5%	132,4%	53,1%	-37,6%	40,7%	-26,3%
Net Profit/Loss in the given year [in mn PLN]	-2 788	-4 085	1 323	2 025	1 264	1 779	
EBITDA	-4,0%	-14,6%	17,2%	-17,9%	5,7%	23,4%	2,9%
Adjusted EBITDA for the Group	-3,7%	-0,9%	23,3%	-13,6%	5,2%	26,7%	35,4%
C1 for KGHM Polska Miedź S.A.	-19,2%	-11,6%	16,9%	21,7%	-5,9%	-6,9%	-11,0%
Production of electrolytic copper from own concentrate	0,0%	-10,6%	-4,5%	7,3%	8,6%	-1,2%	-1,7%
Average remuneration in total							
Average remuneration in total	1,0%	1,2%	4,0%	5,4%	2,3%	6,6%	22,1%
Average remuneration in total excl. MB and Supervisory Board	1,0%	1,1%	4,3%	5,7%	2,2%	6,6%	22,6%

Data for the number of members of the Management Board and Supervisory Board in individual years, respectively:

Number of MB Members:
2014- 5 pers.
2015- 5 pers.
2016- (January - September) 5 pers.
2016 (September - December) - 5 pers.; including an SB Member delegated to the MB
2017- 5 pers.
2018 (January - March)- 5 pers.
2018 (March - June) - 3 pers.
2018 (June - August) - 3 pers.
2018 (August - September) - 4 pers.
2018 (September - December) - 5 pers.
2019 - 5 pers.
2020- 5 pers.

Number of SB Members:
2014- (January - June) - 8 pers.
2014 (June - December) - 9 pers.
2015 - 9 pers.
2016 - 9 pers.
2017 (January - June) - 9 pers.
2017 (June - December) - 10 pers.
2018 (January - March) - 10 pers.
2018 (April - June) - 9 pers.
2018 (July - December) - 10 pers.
2019 (January - November) - 10 pers.
2019 (November - December) - 9 pers.
2020 (January - June) - 9 pers.
2020 (August - November) - 8 pers.
2020 (November - December) - 9 pers.

Factors influencing the different levels of increase/decrease in the total remuneration of Management Board members in individual years:

* 2015 vs 2014 - remuneration for the year 2014 included non-competition compensation for three Members of the Management Board
 ** 2016 vs 2015 - in financial year 2016 a total of 14 persons served on the Management Board in individual periods; remuneration for this year also includes a 6-month severance pay for five Members of the Management Board and non-competition compensation for seven Members of the Management Board
 *** 2018 vs 2017 - no variable remuneration was disbursed for the year 2017
 **** 2019 vs 2018 - variable remuneration was only disbursed to the 10th-term Management Board members for the period of July - December 2018
 ***** 2020 vs 2019 - in the year 2020 variable remuneration was disbursed for the year 2019 in the full amount to all Members of the Management Board

IX. REMUNERATION FROM ENTITIES WITHIN THE SAME CAPITAL GROUP IN THE YEARS 2019 – 2020

The agreements entered into with the Members of the Management Board to provide management services to KGHM Polska Miedź S.A. state that if a Member of the Management Board serves in a body of one of the Company's subsidiaries within the KGHM Polska Miedź S.A. Group, the said Member of the Management Board may not receive additional remuneration from serving in this function.

The Members of the Management Board in the years 2019-2020 did not receive any remuneration from subsidiaries within the KGHM Polska Miedź S.A. Group.

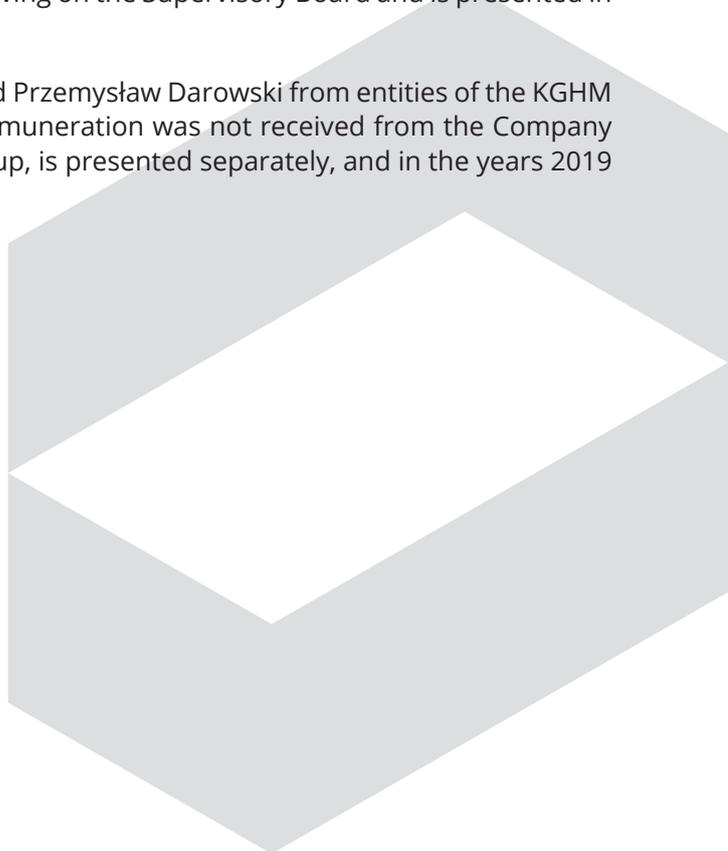
Amongst the Members of the Supervisory Board, additional remuneration from companies of the KGHM Polska Miedź S.A. Group in the years 2019 and 2020 was only received by employee-elected Members of the Supervisory Board. This was remuneration due to their employment.

The remuneration received by Bogusław Szarek and Józef Czyczerski due to their employment in the Company was combined with remuneration due to their serving on the Supervisory Board and is presented in **table no. 3**.

The amount of remuneration received by Ireneusz Pasis and Przemysław Darowski from entities of the KGHM Polska Miedź S.A. Group, in respect of whom additional remuneration was not received from the Company but from other entities of the KGHM Polska Miedź S.A. Group, is presented separately, and in the years 2019 and 2020 was as follows:

Remuneration in 2019	
First name, surname	Amount of remuneration
Ireneusz Pasis	PLN 191 165.77

Remuneration in 2020	
First name, surname	Amount of remuneration
Przemysław Darowski	PLN 87 725.17
Ireneusz Pasis	PLN 110 655.53





X. NUMBER OF FINANCIAL INSTRUMENTS GRANTED OR OFFERED TO MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD IN THE YEARS 2019 – 2020

The Remuneration Policy does not foresee the possibility of granting Members of the Management Board or Supervisory Board financial instruments, and therefore in the years 2019 – 2020 the Company did not grant any financial instruments to Members of the Management Board or Supervisory Board.



XI. INFORMATION ON UTILISATION OF THE POSSIBILITY TO DEMAND A RETURN OF VARIABLE COMPONENTS OF REMUNERATION IN THE YEARS 2019 – 2020

Pursuant to Chapter V, sec. 3, point 6 of the Remuneration Policy, the Company has the right to claims for a return of the variable remuneration if, subsequent to its payment, it is determined that it was paid to the Member of the Management Board based on data which turned out to be false.

The Company in the years 2019 – 2020 did not utilise the possibility to demand the return of variable components of remuneration due to the lack of any indications of a breach in these rules.

XII. INFORMATION ON DEVIATIONS FROM THE PROCEDURE OF IMPLEMENTATION OF THE REMUNERATION POLICY AND ON DEVIATIONS APPLIED PURSUANT TO ART. 90F OF THE ACT IN THE YEARS 2019 – 2020

Chapter XI of the Remuneration Policy states that the Company does not foresee the possibility of temporarily refraining from the application of the Remuneration Policy.

Since the date of adoption of the Remuneration Policy by the General Meeting, the Company has not refrained from application of the Remuneration Policy, nor from the procedure of implementing the Remuneration Policy, nor taken any actions aimed at such refrainment.



XIII. MONETARY OR NON-MONETARY BENEFITS GRANTED TO PERSONS CLOSELY RELATED TO MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD IN THE YEARS 2019 – 2020

The remuneration of Members of the Management Board and Supervisory Board does not include monetary or non-monetary benefits for persons closely related to Members of the Management Board and Supervisory Board as defined in art. 90g sec. 5 of the Act.

XIV. INFORMATION ON REFLECTING RESOLUTIONS OF THE GENERAL MEETING FOR THE PRIOR FINANCIAL YEAR

Given the fact that the Supervisory Board has prepared this first report on remuneration of the Members of the Management Board and Supervisory Board following the coming into force of the act dated 19 October 2019 on amending the act on public offerings and conditions governing the introduction of financial instruments to organised trading, and on public companies as well as certain other acts, which introduces the obligation for issuers to adopt a Remuneration Policy, and that this is the first report following the adoption by the General Meeting of the Remuneration Policy, this Report does not include clauses regarding explanations as to the manner in which a resolution presenting an opinion was incorporated as provided for under art. 90g sec. 6 of the Act.



XV. SUMMATION

The Supervisory Board has prepared this Report in accordance with art. 90g of the Act. It is subject to auditing by a certified accountant as regards its inclusion of information required by art. 90g sec. 1–5 and 8 of the Act.

The next General Meeting is required, pursuant to art. 90g sec. 6 in connection with art. 90g sec. 7 of the Act, to adopt an opinion-presenting resolution regarding this Report. The resolution is of an advisory nature.

The Report is required to be published on the Company's corporate website and shall be available free of charge for a period of 10 years from the completion of the General Meeting at which the opinion-presenting resolution regarding this Report was adopted.