



Altus

Towarzystwo Funduszy Inwestycyjnych S.A.

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REPORT
of
Supervisory Board of
ALTUS Towarzystwo Funduszy Inwestycyjnych S.A. with
its registered office in Warsaw
for the period between 1 January 2016 and 31 December
2016

Warsaw, 30 May 2017

In fulfilment of its obligations arising out of the Code of Commercial Companies and Partnerships (hereinafter: "KSH"), Corporate Governance Principles for Supervised Entities (hereinafter: "CGP"), Good Practices of the Companies Listed on the WSE 2016 (hereinafter: "DPSN") and the Regulations of the Supervisory Board of ALTUS Towarzystwo Funduszy Inwestycyjnych S.A., the Supervisory Board of ALTUS Towarzystwo Funduszy Inwestycyjnych S.A. (hereinafter: "ALTUS TFI S.A.", "Company") submits a Report of Supervisory Board for the period between 1 January 2016 and 31 December 2016 to the Ordinary General Meeting of the Company. The report covers:

- I. Annual report on the operations of the Supervisory Board in 2016 (II.Z.10.2 DPSN) along with
 - a) Assessment of the relations or circumstances that could prevent a given member of the Supervisory Board from satisfying the criteria of independency (II.Z.6 DPSN),
 - b) Assessment of the standing of the Company, including the evaluation of internal control systems, risk management systems, compliance and internal audit functions; the assessment covers all essential control mechanisms, specifically those concerning financial reporting and operating activities (II.Z.10.1. DPSN and § 46 clause CGP),
 - c) Assessment of the fulfilment of notification duties by the Company concerning the compliance with the principles of corporate governance set forth in the Regulations of Giełda Papierów Wartościowych S.A. (Warsaw Stock Exchange, WSE) and the regulations on information provided by the issuers of securities on an ongoing or periodical basis (II.Z.10.3 DPSN),
 - d) Information on the policy of the Company on sponsoring, charitable and other related activities (II.Z.10.4. DPSN),
 - e) Assessment of the compliance with the rules set forth in CGP (§ 27 CGP),
 - f) Report on the effectiveness of the remuneration policy of the Company (§ 28 clause 3 CGP),
- II. Report on the assessment of the report of the Management Board on the operations of the Company in 2016 and 2016 financial statement of the Company (Art. 382 § 3 KSH).

I. Annual report on the operations of the Supervisory Board in 2016

Company

ALTUS Towarzystwo Funduszy Inwestycyjnych S.A. with its registered office in Warsaw at Pankiewicza 3 Street, entered into the register of entrepreneurs held by the Regional Court for the capital city of Warsaw in Warsaw, XII Commercial Division of the National Court Register, under KRS no.: 0000290831.

In accordance with applicable provisions of law, the Supervisory Board of ALTUS TFI S.A. exercised constant supervision over the operations of the Company in the reporting period. The work organisation and mode adopted by the Board comply with the provisions of the Bylaws and the Regulations of the Supervisory Board of the Company.

The Supervisory Board submits a report on the operations of the Company for the period between 1 January 2016 and 31 December 2016.

Members of the Supervisory Board

Between 1 January 2016 and 31 December 2016 the Supervisory Board was composed of:

1. Mr. Rafał Mania,
2. Mr. Michał Kowalczewski,
3. Mr. Tomasz Bieske,
4. Mr. Piotr Kamiński,
5. Mr. Håkan Källåker
6. Mr. Grzegorz Buczkowski,

Art. 13 clause 4 of the Company's Bylaws states that the term of the members of the Supervisory Board expires after 2 (say: two) years. The members of the Supervisory Board are appointed for a concurrent term.

On 10 June 2016 the Ordinary General Meeting of the Company adopted resolutions on appointment of Mr. Rafał Mania, Mr. Michał Kowalczewski, Mr. Piotr Kamiński, Mr. Håkan Källåker, Mr. Tomasz Bieske and Mr. Grzegorz Buczkowski to perform the function of Member of the Supervisory Board.

Between 1st January 2016 and 31st December 2016 Mr. Rafał Mania performed the function of the Chairman of the Supervisory Board. With reference to the appointment of the members of the Supervisory Board for the new term, on 13th October 2016 the appointment of the Deputy Chairman and the Secretary of the Supervisory Board had been made. Between 13th October 2016 and 31st December 2016, Mr. Håkan Källåker performed the function of Deputy Chairman and the function of the Secretary of the Supervisory Board was performed by Mr. Piotr Kamiński.

Within the Supervisory Board there are three Committees operating: the Audit Committee, the Risk Management Committee and the Remuneration Committee.

Between 1st January 2016 and 31st December 2016 the Audit Committee was composed of:

- Mr. Tomasz Bieske – Chair of the Audit Committee
- Mr. Piotr Kamiński – Member of the Audit Committee
- Mr. Grzegorz Buczkowski - Member of the Audit Committee

Between 1st January 2016 and 3rd March 2016 the Remuneration Committee was composed of:

- Mr. Piotr Kamiński – Chair of the Remuneration Committee,
- Mr. Michał Kowalczewski – Member of the Remuneration Committee.

Between 4th March 2016 and 31st December 2016 the Remuneration Committee was composed of:

- Mr. Piotr Kamiński – Chair of the Remuneration Committee,
- Mr. Michał Kowalczewski – Member of the Remuneration Committee,
- Mr. Grzegorz Buczkowski – Member of the Remuneration Committee.

Between 1st January 2016 and 31st December 2016 the Risk Management Committee was composed of:

- Mr. Tomasz Bieske – Chair of the Risk Management Committee,
- Mr. Håkan Källåker – Member of the Risk Management Committee,
- Mr. Rafał Mania – Member of the Risk Management Committee.

The operations of the Supervisory Board

In the course of the reporting period there were held 4 meetings of the Supervisory Board of the Company. All the meetings of the Board were recorded in minutes and the minutes along with resolutions of the Board were handed over to the Management Board on an ongoing basis, and they are stored at the registered office of the Company. In addition, in the course of the reporting period there were 4 meetings of the Audit Committee and the Risk Management Committee and 2 meetings of the Remuneration Committee.

The meetings of the Supervisory Board were attended by the members of the Management Board who presented issues associated with current affairs of the Company and its organisational and legal matters.

The Supervisory Board exercised regular supervision over the operations of the Management Board. The Supervisory Board fulfilled its obligations by giving recommendations and opinions aimed at the members of the Management Board, and through day-to-day consultation.

All the meetings of the Board were held at the registered office of the Company.

The Management Board of ALTUS TFI S.A. closed the reporting period in the following line-up:

1. Mr. Piotr Osiecki – President of the Management Board,
2. Mr. Jakub Ryba – Member of the Management Board,
3. Mr. Andrzej Zydorowicz – Member of the Management Board,
4. Mr. Andrzej Ladko – Member of the Management Board,
5. Mr. Ryszard Czerwonka – Member of the Management Board,

6. Mr. Krzysztof Mazurek – Member of the Management Board,

Ownership structure

Pursuant to notifications submitted in accordance with art. 69 of Act of Public Offering, on 31st December 2016 the following shareholders had at least 5% share in the total number of votes during a General Meeting of the Company:

Shareholder	No. of shares	Percentage of share capital	No. of votes during general meeting	Percentage of votes during general meeting
Piotr Osiecki through Osiecki Inwestycje Sp. z o.o.	16 453 170	27,92%	23 953 170	36,06%
ALTUS TFI S.A. – own shares*	13 410 000	22,76%	13 410 000	20,19%
NN Otwarty Fundusz Emerytalny	4,075,000	6.75%	4,075,000	6,00%
Investment funds managed by Quercus TFI**	3,295,589	5.71%	3,295,589	5,06%

Assessment of the relations or circumstances that could prevent a given member of the Supervisory Board from satisfying the criteria of independency

Based on the available information the Company determined that independent members of the Supervisory Board include:

- Mr. Piotr Kamiński,
- Mr. Tomasz Bieske,
- Mr. Grzegorz Buczkowski.

Based on the declarations made by the members of the Supervisory Board, the Supervisory Board states that there are no relations or circumstances that could prevent the above-mentioned members from satisfying the criteria of independency, specified in Annex No. 2 to the European Commission Recommendation, 2005/162/EC, dated 15th February 2005 referring to the role of non-executive directors or directors who are members of a Supervisory Board of a listed company and the committees of the (supervisory) board.

Assessment of the standing of the Company, including the evaluation of internal control systems, risk management systems, compliance and internal audit functions;

The Supervisory Board made an assessment of the standing of the Company, including the assessment of internal control systems, risk management systems, compliance and internal audit functions.

Assessment of the standing of the Company

The Supervisory Board makes an assessment of the standing of the Company in financial year 2016 on the basis of day-to-day supervision over the Company, review of Company's affairs and debate with the members of the Management Board. The Supervisory Board also makes an assessment of the 2016 financial statement and the report of the Management Board on the operations of the Company in 2016, as well as an assessment of the internal control systems that is presented in the following sections of this document.

The core business of the Company was, as in previous years, creating and managing investment funds and managing portfolios containing one or more financial instruments. Within the period of one year the overall number of managed investment funds has not changed. However, the assets of

investment funds increased significantly, from approximately 7,5 billion PLN to 9,9 billion PLN, ie about 32%. During 2016, the value of assets in managed portfolios increased from 1,8 billion PLN to almost 5 billion PLN, ie 178%.

In 2016, the Company's net revenue from sales increased in comparison to previous year by 39,85%, from 239 592 thousand PLN to 335 077 thousand PLN. In 2016 the costs of external services increased by 45,39% in comparison to year 2015, due to extensive uptake of external distribution network.

The Company ended year 2016 with net profit of 78 351 thousands PLN. In comparison to previous year, in which the net profit amounted to 61 685 thousands PLN, the net profit increased by 27,02%.

The result of the assessment of the Company's standing in financial year 2016 is positive. In 2016 the Company was profitable and its liquidity position can be defined as safe.

Assessment of internal control systems, risk management systems, compliance and internal audit functions

In financial year 2016 the Management Board of the Company was responsible for the internal control system and its effectiveness in the formulation of financial statements and periodical reports drawn up and submitted by the Company.

The Company has adopted internal control system that meets the needs of the Company and enables effective and reliable financial information flow and sound protection of Company's resources.

The Company has set up a supervisory compliance unit, which in 2016 was composed of three members. The supervisory unit is composed of:

- Ms. Marlena Bożyk – Supervision Inspector,
- Mr. Krzysztof Chmura – Deputy Supervision Inspector,
- Mr. Grzegorz Zimodro – Senior Internal Control Specialist.

In the Company the audit responsibilities are realised by an internal auditor. Up to 10th September this position had been held by Mr. Krzysztof Razik, who died on that day in car accident. On 13th October 2016, the exercise of the function of internal auditor was entrusted to Mr. Andrzej Ladko.

In Company, the risk management system is functioning, which encompasses risk identification and analysis, as well as adequate standards and operational actions.

Financial statements of the Company are reviewed by an independent auditor. Independent auditor is appointed by the Supervisory Board upon an opinion of the Remuneration Committee.

The Supervisory Board did not identify any risks associated with the adopted internal control and risk management systems concerning internal control and risk management systems, compliance and internal audit functions. The Board also did not find any irregularities in financial statements that could arise from poor effectiveness of the systems.

Assessment of the fulfilment of notification duties by the Company concerning the compliance with the principles of corporate governance set forth in the Regulations of Giełda Papierów Wartościowych S.A. (Warsaw Stock Exchange, WSE) and the regulations on information provided by the issuers of securities on an ongoing or periodical basis (II.Z.10.3 DPSN)

The Supervisory Board made an assessment of the fulfilment of notification duties concerning the compliance with the principles of corporate governance set forth in the Regulations of Giełda Papierów Wartościowych S.A. and the regulations on information provided by the issuers of securities on an ongoing or periodical basis.

Pursuant to Art. 29 clause 3 of the Regulations of WSE, the Company published a current report in the EBI system (Electronic Database) that illustrates the Company's compliance with DPSN.

According to rule I.Z.1.13 DPSN, the Company published on its website the information on the compliance with recommendations and rules set forth in DPSN by the Company.

According to the assessment made by the Supervisory Board, the operations of the Company are aimed at accurate and solid fulfilment of notification duties concerning the compliance with corporate governance principles, defined in the Regulations of Giełda Papierów Wartościowych S.A. and regulations on information provided by the issuers of securities on an ongoing or periodical basis.

Information on the policy of the Company on sponsoring, charitable and other related activities (II.Z.10.4. DPSN)

The Company pursues a policy that supports charitable activities defined in Art. 20 clause 5 of the Bylaws of the Company, and pursuant to the Bylaws, having covered the loss and amounts of the profits that should be paid towards the supplementary or reserve capital pursuant to KSH or the Bylaws, the General Meeting will allot 10% of the profits from a given financial year for social purposes. The Management Board of the Company is entitled to select the entities that will receive the funds that the General Meeting intends to use for social purposes in a given financial year.

Assessment of the compliance with the rules set forth in CGP (§ 27 CGP)

The Supervisory Board assessed whether the Company complies with the principles of corporate governance.

Pursuant to resolution no. 23 of 26 June 2015 on the implementation of the principles of corporate governance, the Ordinary General Meeting of the Company stated that the implementation of the CGP in the Company covers all principles, save for the requirements set forth in § 8 clause 4, § 25 clause 1 and § 51 clause 2 of the CGP, in view of the application of the proportionality principle.

For the purposes of full application of the corporate governance principles, there were made essential changes concerning internal regulations and organisational structure of the Company.

The assessment made by the Supervisory Board shows that the operations of the Company are aimed at accurate and solid application of the corporate governance principles.

Report on the effectiveness of the remuneration policy of the Company (§ 28 clause 3 CGP)

The Supervisory Board made an assessment of the effectiveness of the remuneration policy of the Company.

The remuneration policy concerning individuals on key positions in ALTUS Towarzystwo Funduszy Inwestycyjnych S.A. was adopted on 15 April 2015 and it was consistent with the corporate governance principles. On 13 October 2016, under resolution 12 of the Supervisory Board on approval of the remuneration policy, the remuneration policy was substituted by a new remuneration policy. The new remuneration policy has been adopted in order to adjust the principles of the remuneration policy to the requirements which stems from Resolution of the Ministry of Finance dated 30 August 2016, on detailed requirements for remuneration policy in the company managing investment funds.

The remuneration paid to the members of the Management Board and Supervisory Board is consistent with the adopted remuneration policy.

The Company awards the individuals who hold key positions in the Company variable remuneration components, including benefits arising out of motivation programmes. The role of the motivation programmes applied in the Company is to attract and retain highly qualified management staff in the Company. When developing solutions for the motivation programmes, the Company aims to encourage key employees of the Company to remain in its structures, making their construction dependent on objective criteria, quality of management, and in view of the fulfilment of strategic objectives, however, variable remuneration components should not serve as an incentive to take excessive risk on behalf of the Company, as expressed in the effective Remuneration Policy of the Company.

In view of the above, in the estimation of the Supervisory Board, the current remuneration policy of the Company favours development and stability of the operations of the Company.

Report on the assessment of the report of the Management Board on the operations of the Company in financial year 2016 and 2016 financial statement of the Company (Art. 382 § 3 KSH).

In fulfilment of the obligations arising out of the Code of Commercial Companies and Partnerships and the Bylaws of ALTUS TFI S.A., the Supervisory Board of the Company made an assessment of the report of the Management Board on the operations of the Company and the financial statement of the Company.

The Supervisory Board states that the information presented in the documents reflects in an accurate and solid manner the results of the operations of the Company and its financial condition. The Supervisory Board confirms that between 1 January 2016 and 31 December 2016 the business of the Company was transacted in an accurate manner.

According to the submitted financial statement, the financial results of the Company are the following:

- 1) balance sheet reflecting the results as of 31 December 2016, which shows that the total amount of assets and liabilities is equal to PLN 517 872 116,88,
- 2) profit and loss account for the period between 1 January 2016 and 31 December 2016, which shows that there is a net profit of PLN 78 350 842,69,
- 3) statement of changes in equity, which shows an increase in equity between 1 January 2016 and 31 December 2016 up to the amount of PLN 345 804 278,81,
- 4) cash flow statement of 1 January 2016 to 31 December 2016, which shows a decrease in the amount of cash of PLN 2 178 518,55.

The Supervisory Board makes the following recommendations to the General Meeting of the Company:

- a) approve the financial statement of the Company for the period between 1 January 2016 and 31 December 2016 and the report of the Management Board on the operations of the Company between 1 January 2016 and 31 December 2016,
- b) acknowledge the fulfilment of obligations by the members of the Management Board between 1 January 2016 and 31 December 2016.

Based on the above information the Supervisory Board of ALTUS TFI S.A. requests that the Ordinary General Meeting of the Company accept this report on the operations of the Board between 1 January 2016 and 31 December 2016 and acknowledge the fulfilment of obligations by the members of the Board in 2016.

Supervisory Board:

Rafał Mania

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Chair of the Supervisory Board

Michał Kowalczewski
Member of the Supervisory Board

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Tomasz Bieske
Member of the Supervisory Board

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Håkan Källåker
Member of the Supervisory Board

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Piotr Maciej Kamiński
Member of the Supervisory Board

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Grzegorz Buczkowski
Member of the Supervisory Board

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