

## II CORPORATE GOVERNANCE

In accordance with § 29(5) of the Rules of Giełda Papierów Wartościowych w Warszawie S.A. [Warsaw Stock Exchange] (hereinafter: "Exchange" or the "WSE") on the basis of Regulation No 1013/2007 of 11 December 2007 of the Exchange Management Board and in accordance with § 91(5)(4) of the Regulation of the Minister of Finance of 19 February 2009 concerning current and periodic information provided by securities Issuers and conditions of recognising as equivalent information required under the regulations of a state not being a member state (Journal of Laws No 33, item 259, as amended), the Management Board of Fabryki Mebli "FORTE" S.A. with its registered seat in Ostrów Mazowiecka ( hereinafter: the "Company" of "FORTE") submits the statement regarding the Company's application of the principles of corporate governance in 2013, included in the document "Code of Best Practice for WSE Listed Companies". Declaration concerning Corporate Governance principles applied by the Company in 2014 constitutes a separate part of the report of activities of FORTE and is published on the internet website of the Company.

### 1. **Set of corporate governance principles observed by the Issuer and the place where their content is available for the public, and provisions waived by the Issuer with the explanation of the reasons for the waiver.**

The Management Board of the Company represents that in 2014 the Company observed corporate governance principles included in the document "Code of Best Practice for WSE Listed Companies" constituting an appendix to Resolution No 12/1170/2007 of the Exchange Supervisory Board of 4 July 2007 amended by Resolution No 17/1249/2010 of 19 May 2010, Resolution No 20/1287/2011 of 19 October 2011 and Resolution No 19/1304/2012 of 21 November 2012, which is available to the public on the following website: <http://www.corp-gov.gpw.pl/publications.asp>, with the exclusion of the below indicated principles of corporate governance:

#### **Part I principle No 5**

"The company should have a remuneration policy in place, as well as rules for defining the policy. The remuneration policy should in particular define the form, structure and level of remuneration of members of supervisory and management bodies. In determining the remuneration policy for members of supervisory and management bodies, the European Commission Recommendation of 14 December 2004 should apply, fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC), supplemented by the European Commission Recommendation of 30 April 2009 (2009/385/EC)."

The Company does not apply the above-mentioned principle in the part regarding the remuneration policy and the rules of its defining in relation to supervisory and management bodies. The Company applies Remuneration Regulations determining the principles of remuneration and granting cash benefits to the employees of FORTE. In accordance with the valid provisions of law and the Company's Articles of Association, the principles of granting remuneration and the amount of remuneration for Members of the Supervisory Board are determined by the General Meeting, and the decision on the amount of remuneration for the Company's Management Board is made by the Supervisory Board.

The amount of remuneration of members of the Company's bodies and other benefits granted to these individuals during a given financial year are presented in the annual financial statements of the Company.

#### **Part I principle No 9**

"The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in the management and supervisory functions in their enterprises, thus reinforcing the creativity and innovation of the companies' economic activity."

The Company pursues a policy of appointing competent, creative persons with adequate education and working experience as members of supervisory and management bodies. Other factors, including gender, may not be a factor in the above-mentioned scope. FORTE does not consider it legitimate to introduce regulations based on predetermined parity with regards to gender, and the decisions regarding the choice of individuals supervising and managing the Company are made by the Company's eligible bodies.

#### **Part I principle No 12**

"The Company should enable its shareholders to exercise the voting rights during general meeting either in person or by proxy, outside the venue of the general meeting, with the use of electronic means of communication."

According to the Company, the manner of holding previous General Meetings adequately enables shareholders to participate in the General Meeting and to exercise their rights in this scope. Taking into consideration the costs related to ensuring the participation of shareholders in the General Meeting with the use of means of electronic communication as well

as the risks and scarce experience of the market in the scope, the Company decided in 2013 not to enable its shareholders to participate in the general meeting with the use of electronic means of communication. As the use of modern technology becomes more widespread and adequate safety level of their application is ensured, the Company will consider applying this principle in practice.

**Part II principle No 1 item 9a**

"The Company operates a corporate website and, apart from information required by law, places on it (...) the record of the proceedings of the general meeting, in the form of audio or video."

According to the Management Board, the history of the previous General Meetings of FABRYKI MEBLI "FORTE" S.A. does not require making and placing on the website of the record in the form of audio or video. The General Meetings take place in the registered seat of the Company, and therefore participation in them is not hindered in any manner for Shareholders interested in the proceedings. Moreover, in accordance with binding provisions, the Company places on its website the notice of the General Meeting together with the agenda, draft resolutions and any required documentation and announces it to the public in the form of a current report. The proceedings of the General Meeting are recorded in detail in the form of notarial minutes. Additionally, the publication of required current reports and posting relevant information on the Company's website enables the Shareholders to review all material information regarding the General Meetings. Such principles guarantee transparency of the proceedings of the General Meetings, and will ensure their full and actual record. The Company does not exclude the possibility of applying the above-mentioned principle in the future.

**Part IV principle No 10**

"The Company should enable its shareholders to participate in the General Meeting using electronic means of communication in the following manner:

- 1) real-time transmission of the general meeting,
- 2) real-time bilateral communication where shareholders may take the floor during the general meeting from a location other than the location of the general meeting."

In accordance with binding provisions, the Company places on its website the notice of the General Meeting together with the agenda, draft resolutions and any required documentation and announces it to the public in the form of a current report. The proceedings of the General Meeting are recorded in detail in the form of notarial minutes. Additionally, the publication of required current reports and posting relevant information on the Company's website enables the Shareholders to review all material information regarding the General Meetings.

Taking into consideration the lack of a developed market practice, organising the General Meeting with the use of electronic means of communication bears significant risks of both legal and technical nature. The applicable provisions of law do not determine the status of a shareholder participating in the General Meeting with the use of electronic means of communication, despite not taking part in the voting, which gives rise to additional doubts and may expose both the Company and the shareholders to unnecessary legal risk.

**2. Description of the basic characteristics of internal control and risk management systems applied by the Issuer with respect to the process of preparing financial statements and consolidated financial statements.**

The Company's Management Board is responsible for the Company's bookkeeping in accordance with the Accounting Act of 29 September 1994 (Journal of Laws of 2013, item 330, as amended) and for the internal control system and its efficiency in the process of preparing financial statements.

A Member of the Management Board responsible for financial matters supervises the process of preparing the Company's financial statements and interim reports. Both separate and consolidated statements are prepared by the employees of the Finance Office controlled by the Chief Accountant and the Member of the Management Board responsible for the Company's finances.

The process of preparing financial data for the purpose of reporting is automated, and subject to formalised operational and acceptance procedures.

The Company possesses relevant procedures for preparing financial statements which payment ensuring the complete and correct recognition of all business transactions in a given scope. These procedures include in particular:

- adequate internal communication in the scope of preparing the process of preparing financial statements,
- detailed planning of all activities related to the preparation of the financial statements and determining a detailed activity scheduled together with assigning responsibility of individual persons for given actions.

The monitoring of the completeness of economic events is additionally supported by the V-desk electronic document circulation system. This system records in particular all incoming invoices, as well as all agreements concluded by the

Issuer. Access to electronic circulation of documents is grounded in the scope of their competence to authorised Company staff.

The V-desk system covers the registration, factual description, boasting and acceptance of invoices – in accordance with competences assigned by the Management Board.

Accepted invoices are imported to the SAP R3 operating system after prior verification of the correctness of accounting descriptions by the Accounting Office employees.

Each month after closing the accounting books, Members of the Management Board and senior executives receive reports with information which allows to analyse key financial data and operational indicators. Meetings of the Management Board with senior executives are held cyclically in order to discuss the situation of the Company divided into individual departments and areas of activity.

FABRYKI MEBLI "FORTE" S.A. keeps accounting books in the integrated SAP R/3 system, in accordance with the accounting policy of the Company approved by the Management Board, based on the International Accounting Standards.

The structure of the system ensures clear division of competences, consistency of accounting entries and control between the general ledger and sub-ledgers. High flexibility of the system allows for its ongoing adjustment to the changing accounting principles and other legal regulations.

Access to information resources of the IT system is restricted by appropriate rights of authorised employees solely in the scope of their duties.

The company has implemented a new investment procedure the key objective of which is to enable full supervision over every stage of planning and realization of an investment. The ongoing analysis of investment processes ensures reliable financial, material and tangible information of an investment. It allows to identify potential errors, deviations or any irregularities within the realization of individual stages of an investment immediately. Thanks to this it is possible to implement necessary corrections related to the investment processes on an ongoing basis and, in particular, to perform correct and reliable calculations.

The company manages risk in relation to the process of preparing financial statements also through current monitoring of changes in external provisions and regulations regarding reporting requirements and through preparing for their implementation significantly in advance.

A certified auditor is appointed by the Supervisory Board after consulting the Company's Management Board. A certified auditor is appointed by the Supervisory Board after consulting the Company's Management Board. The results of the audit are presented by the auditor to the management of the Company at closing meetings.

### **3. Shareholders holding directly or indirectly significant stakes of shares.**

In accordance with the most current information as held by the Company, the shareholding structure as at 31 December 2014 was as follows:

<b>No.</b>	<b>Shareholder</b>	<b>Number of held shares and votes</b>	<b>% stake in share capital</b>	<b>% share in the overall number of votes</b>
1.	MaForm SARL	7,763,889	32.69%	32.69%
2.	MetLife Otworthy Fundusz Emerytalny (MetLife OFE)	2,975,474	12.53%	12.53%
3.	Aviva Otworthy Fundusz Emerytalny Aviva BZ WBK	1,324,480	5.58%	5.58%
4.	ING Otworthy Fundusz Emerytalny	1,200,000	5.05%	5.05%

### **4. Holders of any securities which provide special control rights.**

The Company did not issue securities which provide special control rights.

### **5. Restrictions on voting rights, such as restrictions on the execution of voting rights by a shareholder of a defined part or amount of votes, time-related restrictions on the execution of voting rights or subscriptions, in accordance with which, in cooperation with the company, equity rights related to securities are separate from the ownership of securities.**

The Company does not provide for any restrictions regarding exercising the right to vote.

**6. Limitations in transferring the ownership right to the Issuer's securities**

There are no limitations in transferring the ownership right to the Company's securities.

**7. Description of principles concerning the appointment and dismissal of managers and their entitlements, in particular the right to decide on the issuance or redemption of shares.**

In accordance with the Company's Articles of Association, the Management Board consists of between one and five members appointed for a joint term of office. The number of the Management Board Members is determined by the Supervisory Board, which also appoints the President of the Management Board and other Members of the Management Board. The Management Board is appointed for a joint three-year term of office. In accordance with the Code of Commercial Companies, Members of the Management Board may be dismissed by the Supervisory Board at any moment. The Supervisory Board determines the terms and conditions of remunerating Members of that Management Board, including the provisions of agreements and appointment letters binding Members of the Management Board with the Company. In accordance with the Articles of Association of the Company, the Management Board directs the activities of the Company and represents it before third parties. The work of the Management Board is managed by the President of the Management Board. The scope of activities of the Management Board includes all matters related to managing the Company not restricted to the competencies of the Company's other bodies.

The powers of the Management Board of the Company related to the right to decide on redeeming shares do not deviate from the regulations contained in the Code of Commercial Companies.

**8. Principles of introducing amendments to the articles of association or memorandum of association of the Issuer.**

Articles of Association of the Company are amended in accordance with mandatory provisions of the Code of Commercial Companies, i.e. Art. 430 et seq., by way of a resolution of the General Meeting of the Company.

The General Meeting of the Company may authorise the Supervisory Board to establish the consolidated text of the amended Articles of Association of the Company. The Company's Management Board, acting in accordance with the Regulation of the Minister of Finance of 19 February 2009 concerning current and periodic information provided by securities Issuers and conditions of recognising as equivalent information required under the regulations of a state not being a member state (Journal of Laws of 28 January 2014, item 133), informs shareholders of planned amendments to the Articles of Association of the Company made and of the preparation of the consolidated text of the Articles of Association which takes into consideration the amendments made, by publishing current reports and placing the current Articles of Association on the Company's website.

**9. The manner of functioning of the general meeting and its principle powers and a description of the rights of shareholders and the manner of their execution, in particular the principles arising from regulations of the general meeting, if such regulations have been adopted and are not a direct result of the existing law.**

The manner of functioning of the General Meeting of Fabryki Mebli "FORTE" S.A. and its powers as well as the rights of shareholders and the manner of their execution are determined by the following documents:

1. the Commercial Companies Code,
2. the Company's Articles of Association,
3. Regulations of General Meetings.

The schedule of works regarding organising General Meetings is planned in such a way as to duly perform obligations towards shareholders and allow them to execute their rights.

On 10 June 2014, the General Meeting was convened by the Company's Management Board through a notice published on the Company's website at least 26 days prior to the date of the General Meeting, and in a manner specified for transmitting current information according to the provisions on public offering and conditions governing the introduction of financial instruments to organised trading and on public companies. Resolutions adopted by the General Meeting were published on the Company's website.

Resolutions of the General Meeting are adopted by a simple majority of the votes cast, unless the provisions of law or the Company's Articles of Association provide otherwise. Votes in favour or against a resolution are considered votes cast.

The following matters were reserved in the Articles of Association to the exclusive decision of the General Meeting:

- terms and conditions and manner of redeeming shares of the Company,
- terms and conditions of issuing utility certificates in exchange for redeemed shares,
- creating reserve capital and earmarked funds,
- allocating reserve capital,

- allocating pure profit earned by the Company.

A resolution of the General Meeting is not required for the purchase and sale of real property, perpetual usufruct, and a share in real property, sale and transfer of property use rights, encumbrance of real estate, establishing of limited real rights on the Company assets (decisions on such matters are reserved for the Company's Supervisory Board).

Representatives of the media may be present during the General Meeting.

The participants of the Annual General Meeting of the Company always include Members of the Management Board and the Supervisory Board and the Company's certified auditor.

The course of the Annual General Meeting was compliant with the provisions of the Code of Commercial Companies and the Company's Regulations of General Meetings. Members of the Management Board, Supervisory Board and the certified auditor of the Company present during the Meeting, were ready to give any explanations and respond to the shareholders' questions in the scope of their competencies in accordance with the binding provisions of law.

Shareholders can participate in the General Meeting and exercise the voting right in person or through a proxy.

**10. Composition of issuer's managing, supervising and administering bodies, changes they underwent during the last financial year and description of their activities.**

**SUPERVISORY BOARD**

The Company's Supervisory Board acts on the basis of the provisions of the Code of Commercial Companies, the Company's Articles of Association and the Regulations of the Supervisory Board of Fabryki Mebli "FORTE" S.A. with its registered seat in Ostrów Mazowiecka. Supervisory Board consists of between five and seven members. The Chairman of the Supervisory Board is appointed by the General Meeting. From among its members, the Supervisory Board appoints the Vice Chairman and secretary, if necessary. If the number of members of the Supervisory Board falls below the minimum number set out in the Code of Commercial Companies, the General Meeting supplements /appoints/ the Supervisory Board for the remaining part of the term of office.

The term of office of the Supervisory Board is four years. In accordance with resolution No 25/2011 adopted on 10 June 2014, the Annual General Meeting of Fabryki Mebli "FORTE" S.A. established a five-person Supervisory Board of the Company in the current term of office. In 2014, the Supervisory Board of Fabryki Mebli "FORTE" S.A. was composed of:

- Zbigniew Sebastian – Chairman,
- Władysław Frasyniuk – Vice Chairman until 10 June 2014,  
Tomasz Domagalski,  
Stanisław Krauz,  
Marek Rocki (from 10 June 2014),  
Stefan Golonka (from 10 June 2014) – Vice Chairman from 10 June 2014,

The exclusive competence of the Supervisory Board includes in particular adopting resolutions on matters regarding:

- a) purchasing and selling real property, perpetual usufruct or a share in real property, selling and transferring rights to use real property, encumbrance on real property, establishing limited property rights on the property of the Company,
- b) taking out loans exceeding the Company's financial plan,
- c) granting sureties to the amount exceeding in total the equivalent of EUR 150,000,
- d) taking over the obligations of third parties,
- e) accepting and establishing pledges and other securities, except for a pledge and securities related to the ordinary business of the Company in the amount not exceeding in total the equivalent of EUR 150,000,
- f) concluding, terminating and amending lease agreements and other such agreements, if they are concluded for a period longer than three years and when the annual lease rent paid by the Company exceeds the equivalent of EUR 150,000,
- g) leasing the enterprise or its part,
- h) purchasing and selling establishments and branches of the Company,
- i) selling the Company's enterprise or its part,
- j) approving employee participation in profits and granting special pension rights,
- k) establishing the annual plan for the enterprise (in particular investment in financial plans), as well as strategic plans,
- l) granting borrowings outside the ordinary course of trade to a total amount exceeding the equivalent of EUR 50,000.

Meetings of the Supervisory Board are held when necessary, but at least three times in a financial year.

The Members of the Supervisory Board may cast their vote in writing via another Member of the Supervisory Board. The Supervisory Board may also adopt resolutions in writing or through direct remote communication means. A resolution is valid if all Members of the Supervisory Board have been notified of the content of the draft resolution.

Taking into consideration the fact that in the current term of office the Supervisory Board is composed of five persons, the functions of the Audit Committee are performed by the whole Supervisory Board.

No other committees were established in the Company.

**MANAGEMENT BOARD**

The Company's Management Board acts on the basis of the provisions of the Code of Commercial Companies, the Company's Articles of Association and the Regulations of the Management Board of Fabryki Mebli "FORTE" S.A. with its registered seat in Ostrów Mazowiecka. Pursuant to the amendments to the Company's Articles of Association established at the Ordinary Meeting of Shareholders of FABRYKI MEBLI „FORTE” S.A. on 10 June 2014, the Management Board consists of one to seven members appointed for a joint term of office. The Management Board of Fabryki Mebli "FORTE" S.A. was appointed for a new, five-year term of office for the years 2014-2019. In the period from 1 January to 31 December 2014, the Management Board was composed of:

- Maciej Formanowicz – President of the Management Board,  
Robert Rogowski – Vice President of the Management Board-performed his function from 10 January 2014,

Gert Coopmann – Member of the Management Board,

Klaus Dieter Dahlem – Member of the Management Board,

Mariusz Jacek Gazda – Member of the Management Board– performed his function from 1 March 2014

Maria Małgorzata Florczuk –Member of the Management Board– performed her function from 7 May 2014

Rafał Prendke – Member of the Management Board– performed his function from 1 August 2014 to 4 February 2015.

In accordance with the Articles of Association of the Company, the Management Board directs the activities of the Company and represents it before third parties. The work of the Management Board is managed by the President of the Management Board. The scope of activities of the Management Board includes all matters related to managing the Company not restricted to the competencies of the Company's other bodies. Resolutions of the Management Board are adopted by a simple majority of votes cast. In the event of equal split of votes, the Management Board President's vote prevails.

The following persons are authorised to make declarations of will and contract obligations on behalf of the Company: the President of the Management Board acting independently, two Members of the Management Board acting jointly, one Member of the Management Board acting jointly with a registered signatory.

**President of the Management Board**  
**Maciej Formanowicz**

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**Member of the Management Board**  
**Gert Coopmann**

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**Member of the Management Board**  
**Klaus Dieter Dahlem**

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**Member of the Management Board**  
**Maria Florczuk**

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**Member of the Management Board**  
**Mariusz Gazda**

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Ostrów Mazowiecka, 17 March 2015