

**REPORT OF THE SUPERVISORY BOARD OF
FABRYKI MEBLI "FORTE" SPÓŁKA AKCYJNA
FOR THE FINANCIAL YEAR 2021**

The report of the Supervisory Board of FABRYKI MEBLI "FORTE" S.A. for the financial year 2021 includes:

- I.** Report on the activities of the Supervisory Board in the financial year 2021.
- II.** Assessment of the Company's standing on a consolidated basis, including assessment of internal control, risk management and compliance systems and the internal audit function, in accordance with principle 2.11.3 of Best Practice for GPW Listed Companies 2021 (hereinafter: Best Practice 2021).
- III.** Assessment of the Company's compliance with the corporate governance principles and the manner of compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities, in accordance with principle 2.11.4 of Best Practice 2021.
- IV.** Assessment of the rationality of expenses incurred by the Company and the Group, referred to in principle 1.5, in accordance with principle 2.11.5 of Best Practice 2021.

**I REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD IN THE
FINANCIAL YEAR 2021**

The Supervisory Board of FABRYKI MEBLI "FORTE" S.A. based in Ostrów Mazowiecka (the Company or FORTE) operates on the basis of generally applicable laws, in particular the Code of Commercial Companies, the Company's Articles of Association, the Regulations of the Supervisory Board and in accordance with the "Best Practice for GPW Listed Companies 2016" (until 30 June 2021) and the "Best Practice for GPW Listed Companies 2021" adopted by the Company. The Company has declared compliance with the corporate governance principles included in Best Practice 2021 as of 1 July 2021.

Pursuant to the Company's Articles of Association and the Regulations of the Supervisory Board, the Supervisory Board exercises permanent supervision over all areas of the Company's operations. Its tasks include, in particular, evaluating the Company's financial

statements and Management reports on the Company's operations in terms of their compliance with the books of account, documents and facts, and Management Board's proposals for distribution of profit or coverage of loss, as well as presenting an annual written report on the results of such assessment to the General Meeting.

The Supervisory Board and the Management Board of FABRYKI MEBLI "FORTE" S.A. work together especially at meetings of the Supervisory Board, following generally applicable laws and internal regulations.

The Supervisory Board of FABRYKI MEBLI "FORTE" S.A. consists of Members appointed for a joint four-year term of office for the years 2018-2022. In 2021, the Supervisory Board was composed of the following persons:

- Stanisław Krauz – until 9 October 2021,
- Zbigniew Mieczysław Sebastian,
- Jerzy Smardzewski,
- Paweł Szczepiórkowski,
- Jacek Tucharz,
- Bernard Woźniak.

Mr Zbigniew Sebastian acts as Chairman of the Supervisory Board and Mr Bernard Woźniak as Vice-Chairman of the Supervisory Board.

The independence criteria defined in principle 2.11.1 of Best Practice 2021 were met in 2020 by the following Members: Jerzy Smardzewski, Piotr Szczepiórkowski, Jacek Tucharz and Bernard Woźniak.

In the reporting period, i.e. from 1 January to 31 December 2021, the Supervisory Board held nine meetings, including five meetings by videoconference and four meetings by written procedure, at which it adopted 33 resolutions regarding, inter alia:

1. selection of an audit firm to audit the statutory financial statements of FABRYKI MEBLI "FORTE" S.A. and of the FABRYKI MEBLI "FORTE" S.A. Group,
2. approval of the FABRYKI MEBLI "FORTE" S.A. Internal Audit Activity Report for 2020,
3. approval of the FABRYKI MEBLI "FORTE" S.A. Internal Audit Plan for 2021,
4. approval of the FABRYKI MEBLI "FORTE" S.A. Group Plan for 2021,

5. assessment of the Management Report on the operations of the FABRYKI MEBLI "FORTE" S.A. Group in the financial year 2020, including the Management Report on the operations of FABRYKI MEBLI "FORTE" S.A. in the financial year 2020, and the financial statements of FABRYKI MEBLI "FORTE" S.A. for the financial year 2020 and the consolidated financial statements of the FABRYKI MEBLI "FORTE" S.A. Group for the financial year 2020,
6. approval of the Report on the activities of the Supervisory Board of FABRYKI MEBLI "FORTE" S.A. in the financial year 2020,
7. assessment of the Management Board's proposal for the distribution of net profit of FABRYKI MEBLI "FORTE" S.A. for the financial year 2020 and allocation of part of capital reserves for payment of dividend,
8. submission of a report on the results of the assessment of the following documents to the Annual General Meeting of FABRYKI MEBLI "FORTE" S.A. for approval: the financial statements of FABRYKI MEBLI "FORTE" S.A. for the financial year 2020 and the consolidated financial statements of the FABRYKI MEBLI "FORTE" S.A. Group for the financial year 2020 and the Management Report on the operations of the FABRYKI MEBLI "FORTE" S.A. Group in the financial year 2020, including the Management Report on the operations of FABRYKI MEBLI "FORTE" S.A. in the financial year 2020 and the Management Board's proposal for the distribution of net profit of FABRYKI MEBLI "FORTE" S.A. for the financial year 2020,
9. approval of the Report on remuneration of Members of the Management Board and of the Supervisory Board of FABRYKI MEBLI "FORTE" S.A. for financial years 2019-2020,
10. assessment of matters included in the agenda of the Annual General Meeting of FABRYKI MEBLI "FORTE" S.A.,
11. approval of the Procedure for periodic assessment of significant transactions made within the ordinary course of business of FABRYKI MEBLI "FORTE" S.A., with related entities,
12. approval of the Report on periodic assessment of significant transactions made within the ordinary course of business from 1 December 2019 to 31 December 2020,
13. consent for FABRYKI MEBLI "FORTE" S.A. to conclude loan agreements with FORTE BRAND Sp. z. o.o,
14. consent for FABRYKI MEBLI "FORTE" S.A. to conclude a lease agreement with HE2 Janki 2 Sp. z o.o,

15. consent for a Member of the Management Board of FABRYKI MEBLI "FORTE" S.A. to act as a Member of the Supervisory Board at YESTERSEN Sp. z o.o,
16. consent to sell real property located in Hajnówka,
17. consent for FABRYKI MEBLI "FORTE" S.A. to establish a transmission easement in favour of Przedsiębiorstwo Energetyki Ciepłej w Suwałkach Sp. z o.o,
18. adoption of the uniform text of the Articles of Association of the Company,
19. amendments to the Internal Audit Charter of FABRYKI MEBLI "FORTE" S.A.,
20. opinion on draft resolutions to be discussed at the Extraordinary General Meeting of FABRYKI MEBLI "FORTE" S.A.,
21. payment of advances on bonuses for Members of the Management Board for 2020 and 2021,
22. compensation of remuneration for Members of the Management Board of FABRYKI MEBLI "FORTE" S.A. for the period from 1 April to 15 June 2020,
23. changes to the rules for calculating remuneration of Members of the Management Board.

In 2021, the work of the Supervisory Board focused on issues of significant importance to the Company's business. The Supervisory Board looked at the key aspects of the Company's operations and the work of the Management Board. The scope of works subject to supervision, consultation and opinion of the Supervisory Board included significant areas of activity, such as assessment of the financial statements and Management reports on the Company's operations, as well as approval and consent for the Management Board to take certain actions reserved for the Supervisory Board. The Supervisory Board was regularly informed by the Management Board about ongoing activities, regularly reviewed financial performance and received up-to-date information on the situation of the Company and of the Group with respect to the SARS-CoV-2 coronavirus pandemic and on significant measures taken to prevent its negative effects.

Pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (consolidated text of 15 July 2020, Journal of Laws Dz. U. of 2020, item 1415), the Supervisory Board of the Company appointed an Audit Committee. The Audit Committee is composed of:

- Zbigniew Mieczysław Sebastian,
- Jerzy Smardzewski,
- Bernard Woźniak.

Mr Bernard Woźniak acts as Chairman of the Audit Committee.

Pursuant to Article 129 of the Act on Statutory Auditors, Audit Firms and Public Oversight (the Act):

- Zbigniew Sebastian and Jerzy Smardzewski have knowledge and skills in the industry in which the Company operates, as defined in Article 129(5) of the Act,
- Bernard Woźniak has knowledge and skills in accounting or auditing as defined in Article 129(1) of the Act and meets the independence criteria of Article 129(3) of the Act.

In the reporting period, the Audit Committee held remote meetings, i.e. videoconferences, convened by the Chairman of the Audit Committee. The Audit Committee held its meetings via Microsoft Teams. Four Audit Committee meetings were held in 2021. In 2021, the Audit Committee adopted resolutions on:

- recommendation regarding the selection of an audit firm to audit the statutory financial statements of FABRYKI MEBLI "FORTE" S.A. and of the FABRYKI MEBLI "FORTE" S.A. Group;
- approval of the Report on the activities of the Audit Committee from 1 January to 31 December 2020,
- recommendation for the Supervisory Board of FABRYKI MEBLI "FORTE" S.A. regarding amendments to the Internal Audit Charter of FABRYKI MEBLI "FORTE" S.A.,

The Audit Committee discussed at its meetings in particular the following issues:

- recommendation for the Supervisory Board regarding the selection of an audit firm,
- results of a review of the most important risks for FORTE and the FORTE Group, in particular the risks that may affect the financial statements of the Company and of the Group,
- internal control and audit as a broadly understood process of preparing the financial statements of the Company and of the Group,
- information on the progress of work on the preparation of semi-annual and annual financial statements of FORTE and of the Group,
- Internal Audit plans for the given year and the report on the activities of Internal Audit of FABRYKI MEBLI "FORTE" S.A.,
- recommendations regarding amendment to the Company's Internal Audit Charter.

In 2021, the Audit Committee held one meeting with the auditor auditing the Company's and Group's financial statements for 2020, i.e. KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k., and three meetings with the new auditor authorised to audit the

Company's and Group's statutory financial statements starting from the financial year 2021, i.e. MAZARS AUDYT Sp. z o. o. based in Warsaw. During the meetings with the auditors, members of the Audit Committee were provided with extensive information, including information on the auditors' work on the reports being prepared. The auditors informed members of the Audit Committee with the independence policy, the Global Independence Monitoring System and the auditor's independence culture and the international requirements of the IFAC Code of Ethics, presented the key areas of the audit and the methodology of the audit work. The auditors prepared and provided the Audit Committee with the following documents:

- "Additional report for the Audit Committee. Summary of the audit of the financial statements for the year ended 31 December 2020",
- "Summary of the review of the interim financial statements as of 30 June 2021",
- "Pre-audit conclusions. Audit plan for the financial statements prepared as of 31 December 2021".

The auditors discussed and presented the progress of work on the Company's and the Group's financial statements and the auditors' approach to the audit, including risk and materiality assessment.

The Audit Committee meetings were attended by persons responsible for preparing the Company's and Group's financial statements, i.e. Management Board Member responsible for the Company's finances and Director of the Finance Department – Chief Accountant, as well as Director of the Internal Control and Audit Department. Members of the Audit Committee were informed about the most significant risks occurring in the Company that may affect the Company's and the Group's financial statements and about the progress of work on preparing the financial statements. The Internal Control and Audit Department worked together with the Audit Committee by, among others, providing information about the internal control system, the risk management system and the ongoing activities of the Control and Internal Audit Department as well as on internal audits carried out in 2021 and on the results of the 2021 Internal Audit Quality Assurance and Improvement Programme. Director of the Internal Control and Audit Department of the Company presented a report on the activities of the Audit Department in 2021 and presented the issues that she plans to include in the internal audit in 2022 and also presented the proposed amendments to the Company's Internal Audit Charter.

Both the Supervisory Board and the Audit Committee performed the tasks of a body controlling the management of the Company. The Supervisory Board was composed of

persons with extensive experience and professionalism, who had the potential to thoroughly analyse information received from the Company. Independent Members of the Supervisory Board participating in its work made it possible to apply objective criteria for assessing the issues submitted for analysis by the Supervisory Board.

The Supervisory Board, as a group of experts, also performed advisory functions to the Management Board, by contributing its expertise and experience and offering support in the decisions taken.

The Supervisory Board reliably and effectively supervised the activities of the Management Board and therefore has a positive view of its activities in the financial year 2020.

II. ASSESSMENT OF THE COMPANY'S STANDING ON A CONSOLIDATED BASIS, INCLUDING ASSESSMENT OF INTERNAL CONTROL, RISK MANAGEMENT AND COMPLIANCE SYSTEMS AND THE INTERNAL AUDIT FUNCTION

The Management Board of the Company is responsible for keeping accounts in accordance with the International Financial Reporting Standards (IFRS) approved by the International Accounting Standards Board (IASB) and for the internal control system and its effectiveness in the process of preparing financial statements. Substantive supervision over the process of preparing financial statements and periodic reports of the Company is performed by Member of the Management Board responsible for financial matters. In its day-to-day management of the Company and during preparation of periodic reports, the Management Board performs a periodic review of risk factors relevant to the Company on an ongoing basis throughout the financial year. In order to ensure reliability and correctness of the process of preparing and drawing up financial statements, a number of control mechanisms have been designed and implemented, which are an integral part of the reporting system. These mechanisms include, in particular, continuous verification of reporting data against books of account, analytical data and other documents as the basis for preparing financial statements as well as the applicable laws on accounting and preparation of financial statements.

The Company has in place appropriate procedures for preparing financial statements to ensure complete and correct accounting for all business transactions.

Monitoring of the completeness of business transactions is supported by the V-desk document management system. Access to the document management system is provided to authorised employees of the Company within their competence.

The Company has implemented an investment procedure which makes it possible to fully supervise investments at each stage of their planning and implementation.

The Company also manages risk associated with financial reporting by regularly monitoring changes in applicable laws and regulations relating to reporting requirements and by preparing for their implementation well in advance. The finance and accounting team reporting to the Management Board Member responsible for finances of the Company and of the Group keeps abreast of changes required by applicable laws and regulations relating to stock market reporting requirements (including the International Financial Reporting Standards and the European Single Electronic Format).

In addition, the Company has in place a system of controlling the implementation of budget assumptions, which are prepared on many levels of operational activities, starting from planning and implementing budgets of individual departments and organisational units of the Company and of the Group and operating costs by cost centre and ending with consolidated financial statements for the entire Group.

Annual and semi-annual financial statements are independently audited and reviewed by the Company's auditor. The auditor presents audit results to the Company's management at summary meetings.

The Supervisory Board assesses the Company's internal control procedures and significant risk management system as coherent, stable and efficient tools, which make it possible to significantly reduce the risks associated with day-to-day operations. At the same time, the Supervisory Board is aware that the Company should continuously take steps to strengthen its internal control system and eliminate any emerging threats, in particular those relating to correct functioning of the systems used by the Company.

The Company has implemented an integrated risk management system to support the management process at the strategic and operational level. The Company is aware of the risks associated with its operations and has implemented control mechanisms to manage the risks and to maintain them at an acceptable level, both in the production area and in other areas of activity. The Supervisory Board has a positive view of the internal control system and the significant risk management system operating in the Company in 2021 and believes that they reduce the main risks associated with the Company's operations.

The Company's compliance functions are performed by the Legal and Compliance Department, which monitors and informs the Company about changes in laws, potential effects of non-compliance with laws, internal regulations and standards of conduct adopted by the Company. The Legal and Compliance Department drafts internal legal regulations, assists in their implementation and staff training. The Compliance Policy of the FABRYKI MEBLI “FORTE” S.A. Group was adopted on 29 September 2021 by way of a resolution of the Company's Management Board. Its main assumptions are:

- to ensure that actions taken by FORTE comply with laws, internal regulations and ethical principles;
- to detect and report, mitigate and counteract the risk of non-compliance of actions taken by FORTE with laws, internal regulations or ethical principles;
- to eliminate irregularities related to FORTE's activities, i.e. any events occurring in the course of FORTE's operations that violate generally applicable laws, internal procedures in place at FORTE, other rules of conduct or good business practice.

In 2021, the Company developed and implemented numerous internal regulations and procedures to ensure that its operations comply with the applicable laws and FORTE's ethical standards. Among others, the following have been implemented: Procedure for reporting irregularities in the FABRYKI MEBLI “FORTE” S.A. Group, Procedure for dealing with reports of irregularities, Procedure for counteracting a conflict of interest, Procedure for protecting intellectual property in the FORTE Group, Anti-Corruption Guide and AML regulations i.e. Regulations on the procedure for counteracting money laundering and terrorist financing in place at FORTE. As part of the so-called cascade communication, all employees received information about the adopted internal regulations and were trained in the applicable procedures. At the end of 2021, a compliance risk analysis was carried out for the first time in individual areas of FORTE, in accordance with the compliance risk assessment methodology adopted by the Company.

At the same time, the Company's Management Board and management staff communicate to its employees, contractors, suppliers and other entities cooperating with FORTE that it complies with applicable laws and ethical standards described in laws or internal regulations, including the Code of Ethics.

The Company has an Internal Control and Audit Department, which, among other things, carries out audits aimed at reviewing the correctness of procedures and operating principles of the Company. The audit system operates in compliance with the International Standards for the Professional Practice of Internal Auditing (IIA), which is based on the

principle of independence and may cover all areas of activity of the Company and of the Group. The Internal Control and Audit Department systematically examines and monitors control mechanisms and identifies potential risks in individual processes, as well as detects irregularities and deficiencies in relation to the applicable procedures. Rules of cooperation between the Internal Control and Audit Department and the Supervisory Board of the Company have been developed and implemented. Audit activities were carried out on the basis of the “Internal Audit Plan for 2021”, which was approved by the Supervisory Board of the Company.

The Control and Internal Audit Department cooperates with the Audit Committee by, among others, providing information about the internal control system, risk management system, ongoing activities of the Internal Control and Audit Department and audit plans for a given calendar year.

In the opinion of the Supervisory Board, internal control, risk management, compliance and internal audit systems properly support the Company's operations.

III. ASSESSMENT OF THE COMPANY'S COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES AND THE MANNER OF COMPLIANCE WITH THE DISCLOSURE OBLIGATIONS CONCERNING COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES DEFINED IN THE EXCHANGE RULES AND THE REGULATIONS ON CURRENT AND PERIODIC REPORTS PUBLISHED BY ISSUERS OF SECURITIES

The Supervisory Board assessed the manner in which the Company fulfils its disclosure obligations concerning compliance with the corporate governance principles defined in the Warsaw Stock Exchange Rules and the regulations on current and periodic report published by issuers of securities.

FABRYKI MEBLI “FORTE” S.A. adheres to corporate governance principles and fulfils its disclosure obligations set out in regulations concerning current and periodic information provided by issuers of securities. The Company has published in the EBI system a report on the scope of application of Best Practice 2021, which clearly shows that a vast majority of detailed principles is applied by the Company. In its document „STATEMENT ON THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES BY FABRYKI MEBLI FORTE S.A. IN 2021” which is an integral part of the annual report for 2021, the

Management Board of the Company, acting in accordance with the requirements of corporate governance principles, has specified in detail principles of Best Practice 2021 are not applied.

The Company publishes on its website, under the “Corporate Governance” tab, information and documents listed in Best Practice 2021.

All current and periodic reports are transferred using the ESPI and EBI systems and are published on the website of FABRYKI MEBLI “FORTE” S.A.

In the opinion of the Supervisory Board, the Company properly and reliably fulfils its disclosure obligations concerning compliance with the corporate governance principles defined in the Warsaw Stock Exchange Rules and the regulations on current and periodic report published by issuers of securities. The Management Board has properly fulfilled its obligation to keep shareholders informed about significant events that had an impact on the Company’s financial condition.

IV. ASSESSMENT OF THE RATIONALITY OF EXPENSES INCURRED BY THE COMPANY AND THE GROUP, REFERRED TO IN PRINCIPLE 1.5, IN ACCORDANCE WITH PRINCIPLE 2.11.5 OF BEST PRACTICE 2021

The Company has in place the “Policy of FABRYKI MEBLI “FORTE” S.A. relating to charity and sponsorship activities” (the Charity Policy) adopted by the Management Board. As part of its Charity Policy, the Company’s sponsorship and charity activities are primarily focused on initiatives aimed at levelling social differences and preventing social exclusion of children and young people who are particularly talented, in need of help and in a difficult life situation.

The Company undertakes numerous initiatives and activities that support the broadly understood education and comprehensive development of the young generation. Its commitment to the development of culture and art manifests itself in supporting initiatives related to the development of culture or preservation of cultural and national heritage as well as in supporting cultural institutions and events, which are primarily located in the places where the Company conducts its business.

FABRYKI MEBLI “FORTE” S.A. is active in the field of education and upbringing by cooperating with universities and secondary schools which educate future employees of the Company, as well as by providing financial assistance in equipping educational institutions or fostering research, teaching and scientific activities in the field of wood and furniture industry

development. FORTE has been cooperating for years with the Faculty of Wood Technology at the Warsaw University of Life Sciences, the Białystok University of Technology, the University of Management and Ecology and the WSB University in Warsaw. The “Your Strong Start” internship programme has been operating for years. Students have the opportunity to complete an internship in a selected area of the Company's operations (technical and technological production preparation, production, logistics, sales, purchasing and many others). Interns are provided with professional support, participate in specialist projects and enjoy independence in implementing tasks. The internships are paid. In 2021, 10 students participated in the internship programme.

Thanks to the Company's initiative and activity, cooperation with secondary schools has been established in order to support vocational education, particularly in the locations where FORTE runs its production activities. FORTE's patronage covers vocational classes in Ostrów Mazowiecka, Suwałki and Białystok, which currently have 336 pupils. In 2021, an industry dual class was established, in which young people are trained in the professions of mechatronics technician, CNC operator and locksmith. This new educational activity is related to the local market demand for the above-mentioned professions. FORTE has 6 pupils learning to work as mechatronics technicians, who spend two days each week at FORTE learning the profession in practice.

An important element of the Charity Policy is the “FORMY” cyclical project - employee initiatives programme. It is an employee volunteering programme which activates employees in local communities and integrates them in joint action. As part of the “FORMY” project, each employee may apply for financial or in-kind support for their own project addressed to local communities where FORTE conducts its business. In 2021, the “FORMY” programme has made it possible to carry out nine projects for the benefit of local communities with a total value of over PLN 62 thousand.

A permanent element of the Company's charity activities is its long-term cooperation with the AMF “NASZA DROGA” FOUNDATION, which focuses its activities on exceptionally talented young people from the Ostrów Mazowiecka district. Thanks to the Company's support, it is possible to implement the Foundation's scholarship programme for young talented secondary school and university students.

FORTE does not forget about helping those in need – the excluded, the sick, the disabled, those in difficult life situation, therefore, in line with its mission, it supports activities that help such people.

In 2021, the Company spent approx. PLN 64 thousand (PLN 63,876.74) on charity

activities and over PLN 50 thousand (PLN 50,050) on sponsorship activities.

In the opinion of the Supervisory Board, sponsorship and charity activities carried out by FABRYKI MEBLI "FORTE" S.A. are an important element of shaping a positive image of the Company as a socially responsible organisation, which is in particular involved in educating and shaping the young generation.

Signed by:

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Zbigniew Sebastian

Chairman of the Supervisory Board
of FABRYKI MEBLI "FORTE" S.A.