



**Report on non-financial
information of FABRYKI
MEBLI "FORTE" S.A.
FABRYKI MEBLI "FORTE"
S.A. Capital Group**
for the period
from 01.01.2021 to 31.12.2021



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Introduction

This Report (hereinafter referred to as the Report) contains non-financial information regarding FABRYKI MEBLI "FORTE" S.A. and FABRYKI MEBLI "FORTE" S.A. Capital Group for the period from 1 January 2021 to 31 December 2021 and constitutes an integral part of the Directors' Report on the operations of the FABRYKI MEBLI "FORTE" S.A. Capital Group for the period ended 31 December 2021 (hereinafter: the Capital Group, the FORTE Group or the Group).

The obligation to prepare a report on non-financial information results directly from the amendment of the Accounting Act of 29 September 1994 (Journal of Laws 2018.395, consolidated text of 20 February 2018, hereinafter: the Accounting Act), introduced pursuant to Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU of 26 June 2013 as regards disclosure of non-financial and diversity information by certain large undertakings and groups (hereinafter: the Directive).

The report was prepared using the Group's internally developed reporting model.

The process of examining the materiality of non-financial information enabling a comprehensive presentation of key non-financial issues was performed taking into account the analysis of the Group's impact on the environment and stakeholders and the impact of the environment and stakeholders on the Group.

Non-financial issues addressed in the report were identified on the basis of:

- an analysis of the supply chain,
- a review of the ISO 9 001:2015 and 14 000 Integrated Management System: 2015
- a review of the Business Strategy being implemented,

- a review of the Risk Management System
- a regulatory analysis covering common law provisions, other sets of guidelines relating to the industry,
- an analysis of the findings and recommendations of the reports of the Control and Internal Audit Office,
- an analysis of expectations formulated by stakeholders, e.g. during external audits, meetings with contractors, banks, investors
- in-depth interviews with representatives of the Group's key management and employees in each area,
- an analysis of the recommendations contained in Annex 2 to the Non-Financial Information Standard regarding the materiality of non-financial indicators in the area of industrial enterprises. The development of this Standard was coordinated by the Polish Association of Listed Companies and the Reporting Standards Foundation.

Among the employee, social and environmental areas defined in the Directive and the Accounting Act, the following non-financial issues are considered material in the Group and in the parent company FABRYKI MEBLI "FORTE" S.A.:

Employee, social and human rights issues:

- employment, equality and diversity,
- occupational health and safety,
- development and education,
- human rights,
- commitment to local communities.

Environmental issues:

- responsible management of raw materials and consumables,
- reduction in fuel and energy consumption,
- reduction of air emissions,
- waste reduction,
- biodiversity.

Relations with stakeholders

The dynamic growth of the Capital Group would not be possible if it were not for the collaboration with various stakeholder groups that have an impact on FORTE's business and on whom FORTE has an impact through its decisions, operations and their effects.

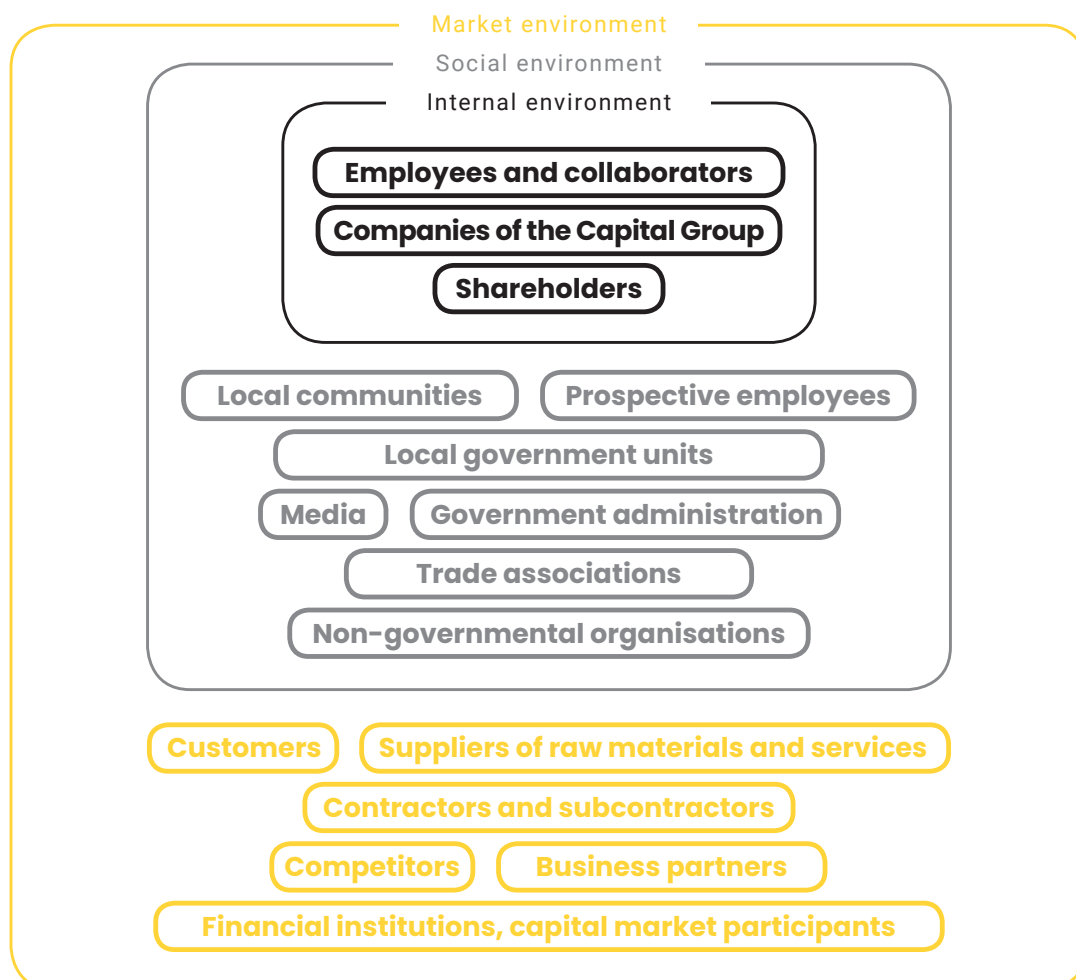
The key stakeholders were identified based on the criterion of their influence on the overall operation of the company, including the implementation of the strategy, products delivered and services provided.

Stakeholder relations are managed through:

- identification of stakeholders and their expectations,
- building relations with them,
- managing their expectations and the issues they raise,
- regular communication,
- responding to all key issues raised by stakeholders

When making its business decisions, the FORTE Group consults its stakeholders that are essential for its development, treats them as equal partners and examines their needs and expectations on a regular basis.

The FABRYKI MEBLI "FORTE" S.A. Capital Group identifies the following key stakeholder groups:



Integrated Management System

The FABRYKI MEBLI „FORTE” S.A. Capital Group operates in line with high standards of process management, taking into account a broadly understood quality, environmental aspects and aspects related to the origin of wood material. The implementation of this policy is confirmed by the ISO 9001 and ISO 14001 certified Integrated Quality and Environmental Management System and the FSC® COC certified chain of custody system (FSC® C118178). It is an important element that increases the competitiveness of the company and boosts the customers' confidence in FORTE as a reliable partner.

The scope of the system in the part concerning ISO 9001 (quality) and ISO 14001 (environment) is „Design, production and sale of furniture” and „Production and sale of particle board.”

The system implemented and maintained covers the operations of the Central Offices (including design, technology, purchasing, sales and logistics) and the plants in Ostrów Mazowiecka, Suwałki, Białystok and Hajnówka, as well as Dystri-Forte Sp. z o.o. and TANNE Sp. z o.o.

The implemented and improved Integrated Management System uses a process-based approach, which identifies:

- main processes related to the manufacture of the product,
- management processes, related to strategy and resource planning,
- measurement, analysis and improvement processes,

- ancillary processes, such as those related to document and record administration, infrastructure maintenance and monitoring of unconformable products.

Our commitment to the FSC® promotion policy is also part of our concern for the environment. The FSC® system is the first and now probably the most globally recognised certification system for forests and wood products. FSC® certification ensures a sourcing system that guarantees that only wood raw materials of known and documented origin are used. The system excludes entirely the use of raw materials obtained through theft or from unknown sources, as a result of predatory and irresponsible logging policies, from areas of special natural value or from other sources that raise legal, social and environmental concerns. By introducing this system, we guarantee the traceability of the raw material supply chain, from the place of its acquisition to the finished product in which it is used. One of the distinguishing features of the FSC® certification system is that it brings together all stakeholder groups on an equal basis. This includes social, economic and environmental aspects.

Since 2013, we have held an FSC® chain of custody certification for furniture production, which we extended in 2018 to include particle board production at TANNE Sp. z o.o. In June 2020, a supervisory audit was carried out by the accredited certification body, Preferred by Nature (formerly: NEPCo), which confirmed that our operations comply with the requirements of the relevant FSC® standards and, consequently, extended the validity of our certificate number NC-COC-013500 until 2023 to the full extent of its application, i.e. furniture production and particle board production.

Risk management

The FORTE Group risk management system operates on the basis of the document adopted by the Management Board entitled „Strategy, Policy and Methodology of Risk Management of FABRYKI MEBLI „FORTE” S.A.”.

Risk is defined as the possibility of an event occurring that will have a negative impact on the achievement of objectives set out in the strategy.

The risk management system is intended to assist the Company's authorities and management in: increasing the likelihood of achieving objectives, ensuring the security and continuity of statutory tasks, minimising adverse internal and external impacts that threaten the stable, safe and rational operation, ensuring the effective functioning of the internal control system.

Risk management is an ongoing, recurring process of identifying, analysing and assessing risks and taking mitigating measures to prevent the possibility of any adverse consequences occurring.

The goal is to keep risk at a level acceptable to the risk owner in a way that minimises threats and maximises opportunities to achieve the objectives.

Risks are managed at three levels: the strategic level, the operational level and the project-specific level.

At the strategic level, risks are managed in relation to the goals and objectives set out in the Business Strategy. The Company's Management Board is directly responsible for strategic risk management.

At the operational level, risks are managed in relation to the objectives, tasks and processes implemented in organisational units.

At the project level, risks are managed at each stage of a specific project.

Risk management responsibilities have been defined. Full responsibility for risk management rests with the risk owner. This responsibility is exercised by: designing an integrated risk management system; appointing individuals to manage the risks of day-to-day operations on behalf of the owner; assessing the risks identified; determining the level of acceptable risk.

Those responsible for the implementation and application of the risk management system principles are: at the strategic level: the President of the Management Board or a Board Member or Director delegated by the President; at the operational level: directors, managers or other designated individuals; at the project level: the project manager.

Risk reviews are carried out as set out in the document „Risk Management Strategy, Policy and Methodology”. Management, economic, environmental and social risks are identified.

Main non-financial risks identified in the Group:

Personnel and occupational health and safety risks:

In 2021, the following risks were identified and measures were taken to address them:

- Risk of unavailability of candidates with the required competences

The FORTE GROUP's production plants are located in Podlaskie Province and on the outskirts of Mazowieckie Province. All the locations are characterised by strong competition from manufacturing companies, which significantly affects the sourcing of candidates from local markets. In addition, for several years, especially in the case of Hajnówka, migration of the population to larger urban areas can be observed.

Measures taken by the FORTE Group to address the risks:

- switching to a hybrid or remote working system for most specialist positions, which has significantly expanded the scope of the candidate search
- implementation of the image campaign indicating that the FORTE Group is an employer focused on people
- admission of 18 trainees to the traineeship programme – in 2020

- Risk of inability to perform tasks due to absenteeism of employees caused by illness and quarantine. Since the outbreak of the pandemic, the FORTE Group has had a COVID team responsible for analysing the situation on an ongoing basis, developing possible action scenarios as well as standards and procedures to minimise the risk of the virus spreading within the plants in order to ensure the highest possible level of safety for employees.

In 2021, the following measures have been taken to address the aforementioned risks:

- rules on reporting of contact with a person infected with COVID-19 have been implemented
- all mass meetings have been cancelled
- internal meetings and recruitment meetings were held online
- a policy was introduced to report the number of infections in the FORTE Group by location
- COVID-19 vaccination points were made available for employees and their families on the premises of our plants

- restrictions have been introduced on the number of people staying in offices, along with regular disinfection of both office and production premises.

- Risk of accident at work, loss of life or health.

Failure to comply with fire safety and occupational health and safety requirements may be the cause of accidents. The risk is mitigated by constant training of the personnel, raising awareness of the potential consequences of non-compliance with occupational health and safety rules. FORTE builds a safety culture by running the following programmes: SUSA behavioural talks, occupational health and safety audits, reporting of near misses, training sessions, weekly factory management meetings dedicated to occupational health and safety, activities of the Occupational Health and Safety Committee, thematic lessons on occupational health and safety.

Occupational health and safety objectives, key indicators and methods of monitoring them have been set out. Occupational health and safety functions carry out safety audits and monitor the implementation of post-audit recommendations.

- Risk of fire, risk of fire in the dust extraction system, risk of explosion of the dust atmosphere. This risk is mitigated through constant inspection and upgrade of safety systems and installations: spark detection and extinguishing system, hydrant system, emergency lighting. The FORTE Group continuously invests in the upgrade of its fire protection infrastructure, internal reviews, audits, performance tests and evacuation drills are carried out.

Risks in the social area:

- Risk of loss of reputation or credibility as a result of failure of the FORTE Capital Group, employees or cooperating entities to comply with laws, market practices, internal regulations. FORTE's reputation risk is managed primarily by:

- preventing FORTE from engaging in unlawful activities,

- ensuring the protection of information/ business secrets and equal access to information for our stakeholders.
 - promoting ethical standards, implementing a code of ethics,
 - managing conflicts of interest and preventing situations where FORTE employees' conduct in business matters would give the impression of self-interest,
 - formulating product offerings as well as advertising and marketing communications in a professional, reliable and transparent manner.
- Risk of malpractice by employees, counterparties. This risk is addressed through the application of the provisions of the anti-fraud policy, implementation of the Code of Ethics in the organisation, implementation of the compliance policy, operation of ethics officers, staff training, establishment of whistleblowing channels, and reviews of specific areas of the Company with respect to the risk of malpractice. In 2021, key employees of the organisation submitted representations regarding potential conflicts of interest.

Environmental risks:

- Risk of uncontrolled air emissions due to failure of equipment to reduce process and fuel combustion emissions. This risk is mitigated by ongoing maintenance and inspection of facilities and raising employees' awareness of the possible consequences of potential incidents. All equipment and systems in the plants are inspected on a regular basis. Owing to regular monitoring of the level of pollutants emitted, tracking of indicators and gradual upgrades of the facilities, the Group is able to comply with the permissible level of pollutant emissions, as confirmed by third-party audits.

- Risk of groundwater pollution due to improper storage of substances or waste. The Group has implemented solutions dedicated to preventing environmental pollution, such as: storing hazardous waste in sealed containers placed on hardened ground with catch basins in separate storage areas, using equipment to treat rainwater before it is released into the environment, and applying procedures allowing for a rapid response in the event of an accident affecting the environment.

Sustainable development

For years, the development of the „FORTE“ S.A. Capital Group has been based on the same fundamental values: Cooperation, Responsibility, Development and Sensitivity.

The FABRYKI MEBLI „FORTE“ S.A. Capital Group bears responsibility for its actions and their impact on the environment in three dimensions: social dimension, environmental dimension and business dimension.

The main areas of focus for the Group's operations have been defined. These are:

- Internal environment: employees and organisation,
- Social environment: local community, prospective employees,
- Market environment: customers, suppliers, business partners, counterparties, capital market participants,
- Environment.

Strategic objectives and measures have been identified in each area.

Measures in the area of the internal environment aim to foster a culture of co-creation and shared responsibility for the development of the entire Group among employees.

Responsibility towards employees is defined by the following strategic directions:

- Promoting the values of: Cooperation, Responsibility, Development, Sensitivity,
- Building commitment and motivation,
- Recruiting the best talent for the organisation,
- Inspiring development, creativity,
- Creating a work environment that is free of discrimination,,
- Developing active citizenship with freedom of expression and association,
- Strengthening the health and safety area, promoting active lifestyles.

The objectives in the internal area are pursued through the following measures:

- Building open relationships between employees at different levels,
- Promoting intergenerational dialogue, valuing diversity,
- Fostering attitudes aimed at employees' identification with the Group's values,
- Supporting internal promotions,
- Respecting intellectual capital and diversity,

- Enabling flexible forms of employment,
- Providing training and development for employees at all levels of the organisation,
- Allocating appropriate financial, technical and technological resources to ensure safe working conditions,
- Prioritising tasks arising from the Occupational Health and Safety Policy.

The goal of FORTE Group in the social area is to integrate local communities around important goals.

Measures in the social area are mainly focused on:

- Promoting initiatives aimed at bridging social gaps in line with the Charity Policy,
- Supporting education, collaborating with universities and secondary schools, arranging apprenticeships, traineeships, teaching aids for schools and educational institutions,
- Cooperation with the AMF "OUR WAY" Foundation, with the aim of shaping long-term attitudes among young people,
- Support local cultural events: conferences, festivals, concerts, exhibitions in accordance with the Charity's Policy,
- Employee volunteering programmes,
- Dialogue with local authorities.

The FORTE Group wants to be a leader in responsible business and therefore it improves its management system by ensuring the transparency of its business processes. This approach underpins the manner in which it seeks to make a profit in the business and drive value growth. The Group's aim is to build long-term relationships with its business partners, based on trust and clear rules of cooperation. Business partners are selected following transparent criteria

that guarantee equal access to information.

Measures in the market area are primarily focused on:

- Offering terms of cooperation based on clear and understandable criteria,
- Engaging in dialogue with the Group's stakeholders, i.e.: customers, suppliers, counterparties, business partners and capital market participants,
- Consulting on plans and activities, as well as communicating financial performance,
- Requiring suppliers to meet specific criteria in terms of quality and ethics,
- Carrying out training workshops and supplier audits,
- Continuously expanding the commercial offering based on customer expectations,
- Observing the internal code of marketing activities,
- Formulating commercial offerings, marketing communications and promotional activities in a fair and understandable manner,
- Competing in the market in an active, efficient and ethical manner.

The strategic objective in the environmental area is to take care of every element of the environment and to ensure that it is properly protected. This objective is pursued by consciously operating in such a way as to make rational use of the resources and advantages of the natural environment.

Measures in the environmental area are primarily focused on:

- Minimising environmental impact in the process of sourcing raw materials, production, packaging and distribution of products,
- Implementing new technologies and upgrading facilities to minimise the impact on the atmosphere, climate and other elements of the environment,
- Application of the principle of reduction at source already in the design of products and packaging. This principle enables materials to be used sparingly in the production process,
- Optimising production processes to minimise the consumption of basic raw materials, fuels and energy,
- Responsible management of waste generated, separating waste at source,
- Environmental education for employees, collaborators and contractors.

Social and environmental due diligence procedures

Internal regulations that set out the framework for the operation of the social area in the FABRYKI MEBLI „FORTE” S.A. Capital Group.

- The Code of Ethics implemented throughout the FABRYKI MEBLI “FORTE” S.A. Capital Group.
- Charity Policy focusing on initiatives that aim to bridge social gaps and tackle social exclusion
- Fraud prevention procedure introducing a zero tolerance policy for any fraudulent activity

- Conflict of Interest Procedure aimed at defining FORTE's rules for preventing the occurrence of conflicts of interest
- Whistleblowing Procedure for Employees of the FABRYKI MEBLI „FORTE” S.A. CAPITAL GROUP
- An anti-discrimination and anti-bullying procedure that aims to counteract incidents of unequal treatment in the workplace, to intervene and to mitigate the effects of any mobbing or discrimination identified.

These procedures are described in the social chapter of this report.

Internal regulations that set out the framework for the operation of the environmental area in the FABRYKI MEBLI „FORTE” S.A. Capital Group are as follows:

- Due Diligence System Manual implemented, used and improved in the FABRYKI MEBLI „FORTE” S.A. Capital Group.

It is a manual for controlling the origin of wood products and materials at each stage of the supply chain in selected Group companies. When purchasing wood-based materials from outside the EU, the Group applies the principles set out in the European Parliament Regulation No 995/2010 of 20 October 2010 concerning due diligence in the purchase of timber and timber containing products (EUTR), which aims to prevent trade in illegally harvested timber and timber products. In 2021, 100% of the timber-based materials purchased outside the EU were purchased in accordance with the EUTR Regulation.

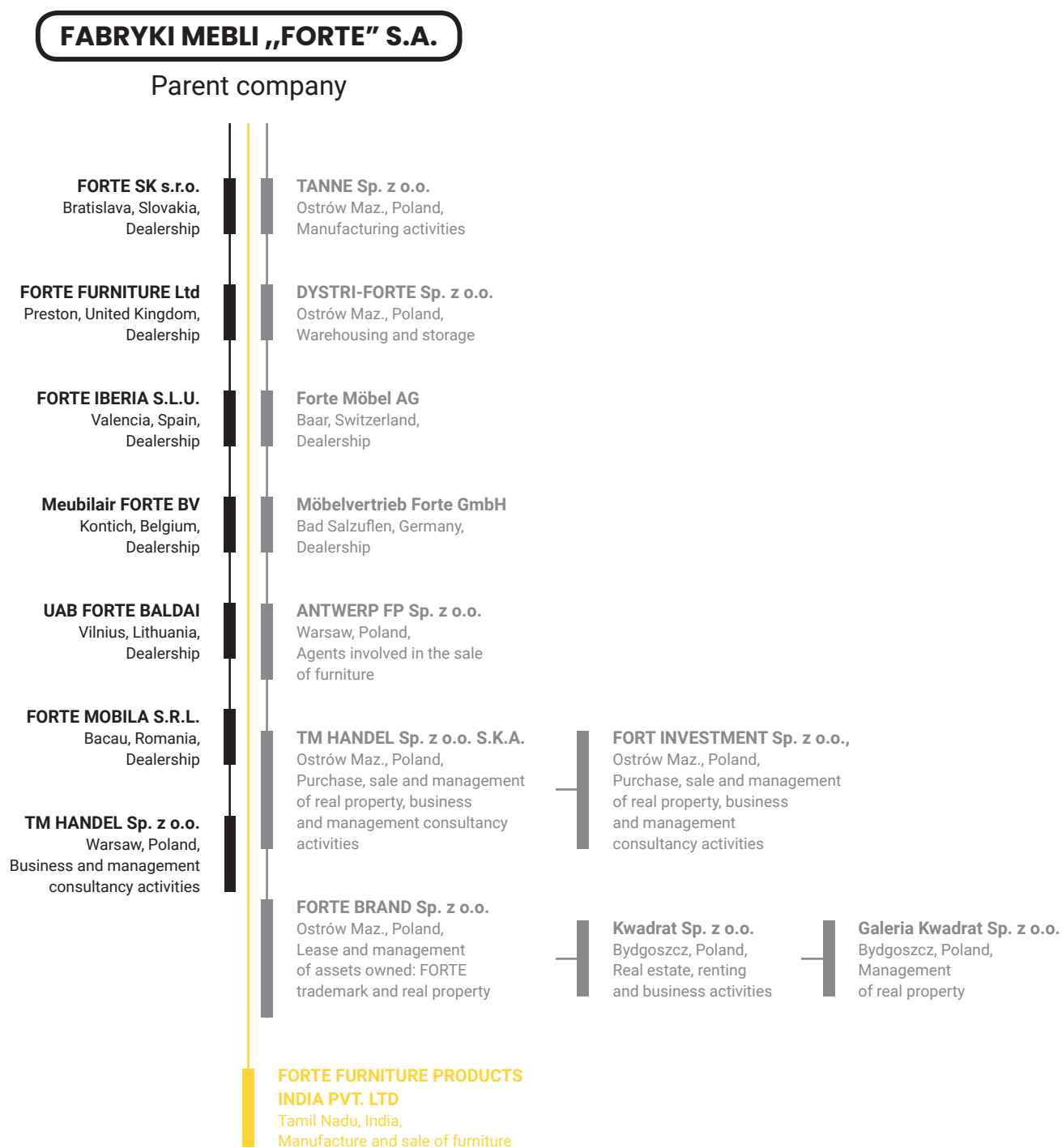
- Sustainability Criteria Manual KZR – the Manual describes how compliance with the sustainability criteria for biomass waste and residues used for heat production processes at TANNE Sp. z o.o. is assessed and monitored.
- FSC® Controlled Wood Due Diligence System Manual
- FSC® COC chain of custody Manual
- Integrated Quality, Environmental and FSC® Management System Manual.

Description of the business model

The FABRYKI MEBLI „FORTE” S.A. Capital Group is one of the largest European manufacturers of self-assembly furniture. The four furniture manufacturing plants are located in Ostrów Mazowiecka, Suwałki, Białystok and Hajnówka. The total manufacturing area of the furniture plants is about 120,000 m², while the storage area is about 70,000 m².

The fifth plant is a state-of-the-art board factory located near Suwałki. As part of the vertical integration, this plant satisfies 100% of Fabryka Mebli „FORTE” S.A.'s demand for the basic material for furniture production, namely boards.

The FABRYKI MEBLI „FORTE” S.A. Capital Group comprises the following companies:



Unconsolidated entities

Fully consolidated entities

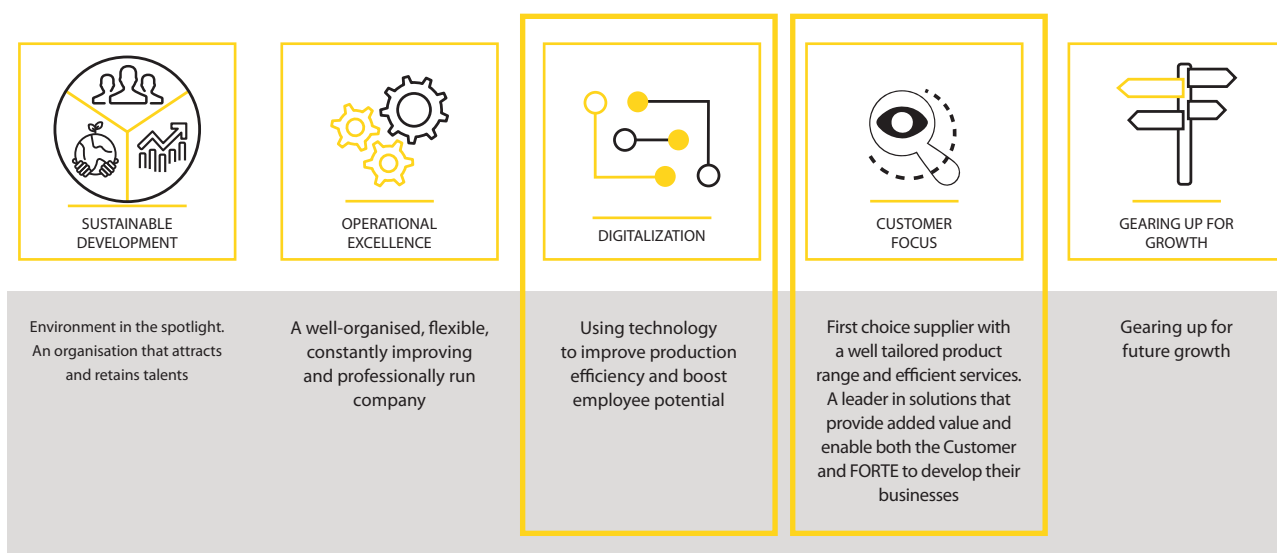
Equity-accounted consolidated entity

The FABRYKI MEBLI „FORTE” S.A. Capital Group sells its products to the largest furniture retail chains in Europe. FORTE relies on its own designs tailored to the expectations of different customers and markets.

The Group's product range comprises almost three thousand models and is constantly evolving. Several hundred new designs are introduced each year. Product and logistics development is moving towards meeting the service requirements of large

distributors. The company offers self-assembly furniture that is functional, of high quality and competitively priced. The strategic objective in the product area is to react quickly to changing market trends and thus to innovate production, using cutting edge technologies and materials.

The Fabryki Mebli „FORTE” S.A. Capital Group has set the following operating priorities for 2021:



When developing its annual objectives, the Company relied on one of the LEAN methods – Hoshin Kanri. The focus was on making the strategic objectives the driving element for growth and action in every area of the company. The company's objectives (Strategy) were aligned with middle management's plans (Tactics) and the work performed by all employees (Operations). This initiated the process of eliminating unnecessary waste, which arises as a result of a lack of communication and inconsistency in the implementation of the objectives established.

In 2021, export sales of the FORTE Group reached PLN 1,028,940 thousand and accounted for 77.5% of total sales (in 2020 – PLN 934,304 thousand – 80.5%). Germany, France

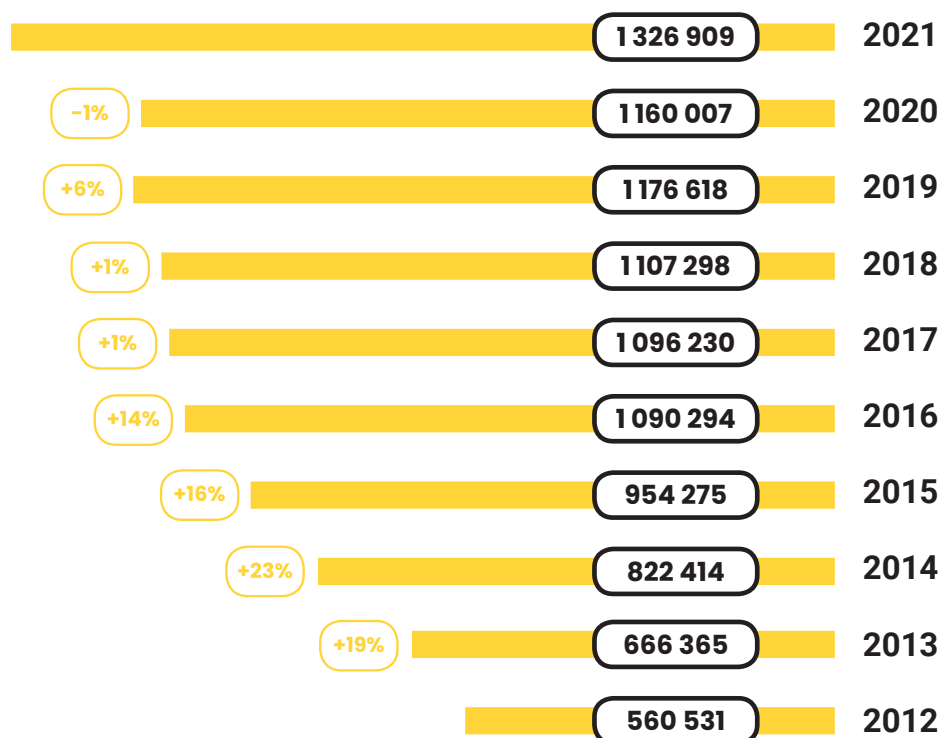
and Spain are the leaders in export markets, with a combined turnover accounting for around 55% of total sales. Sales in the Polish market stood at PLN 297,969 thousand (22.5%) up from PLN 225,702 thousand (19.5%) in 2020.

The largest customer of the Group's products is the Giga Lutz purchasing group, accounting for more than 10% of the Group's sales revenue.

FORTE is an entity with a recognizable and prominent role among the European leaders in the segment of self-assembly furniture. The Group has been implementing a growth plan aimed at gaining strength in its current markets and expanding into new markets outside Europe. FORTE's business focuses

Chart 1.

FABRYKI MEBLI „FORTE” S.A. Capital Group's sales revenue from 2012 to 2021 in PLN thousand.



on serving as a supplier to the largest furniture retail chains and maintaining close relationships with its customers. Customer growth opens up new markets, and large order volumes enable optimum capacity utilisation. A key driver for the successful implementation of the sales plan is to leverage the effect of consolidation of the European furniture market. At the same time, FORTE wants to maintain the diversity of its product range in each market.

The Company optimises costs by using innovative technologies, such as: automated board cutting lines, modern drilling machines, robots, fitting packing systems. With state-of-the-art and flexible solutions, FORTE can implement one of the pillars of its policy, i.e. strong orientation towards the customer.

In order to ensure that all of its plants have full availability of raw material and, at the same time, retain flexibility in the choice of film and board size, the Group launched its own factory for the basic raw material for furniture production in 2018. The plant produces particle boards of the latest generation,

meeting both quality and environmental standards (e.g. with regard to emissions), as well as strict, above-standard requirements of environmental protection. This decision makes FABRYKI MEBLI „FORTE” S.A. independent from the challenging raw material market. The competitive advantages gained by the Group include, in particular, autonomy, flexibility in terms of sizes and décors, cost stability, and the ability to regulate the volume of stock. The plant's output ensures full coverage of its own furniture production needs and any surplus, above internal demand, is resold on the open market to third parties.

The company's objective in 2021 as in the previous year was to achieve consolidation in both costs and margins, as well as in terms of financial performance, i.e. to increase the return on business and to improve the financial position by reducing the debt-to-EBIDTA ratio. FORTE improved its profitability despite the recorded increase in material, energy and labour costs and the constantly changing situation on its sales markets



Employee area

HR Policy

Issues related to the recruitment of employees, their development and the creation of a proper work environment are of key importance to the long-term sustainable development of the FABRYKI MEBLI „FORTE” S.A. Capital Group. (hereinafter: the Capital Group, the FORTE Group or the Group).

The HR Policy of FABRYKI MEBLI „FORTE” S.A. is followed in all Capital Group companies and sets out the basic rules applied in relations with employees as well as the objectives to be achieved in this area in view of the current development strategy.

The aim set by the HR Policy for the whole management team of FORTE is to attract and retain top employees, ensure their continuous development and build their commitment and motivation. The main principles of the HR Policy include transparency, equal treatment in employment, respect for diversity and continuous employee development.

Measures implemented in the framework of the HR Policy

I. Recruitment area:

The aim of recruitment activities is to secure candidates with matching competences in a way that ensures effective execution of tasks on a given position. The recruitment process is based on the principles of equal opportunities for all and uses recruitment tools that support the verification of candidates' competences. The starting point for planning personnel needs is the company's strategy.

At FORTE Group, recruitment processes are carried out both inside and outside the organisation.

In 2021, FORTE continued its internal recruitment programme „Change the job, but not the employer”. This programme guarantees priority access to

vacancies to all employees of the FORTE Group, on a transparent basis. It enables professional development, increases motivation and commitment, and retains people with key competencies. Thanks to face-to-face meetings FORTE can learn more about the employee's expectations and indicate new development paths within the company.

The external recruitment process is carried out through, among others, job ad websites (local and nationwide), sourcing of passive candidates as well as the option for employees to recommend candidates as part of the „Recommend and Earn with FORTE” programme.

In the recruitment process, FORTE is supported by the state-of-the-art Applicant Tracking System (ATS) that assists in the efficient management of recruitment processes, is GDPR-compliant and ensures full security of candidates' data as well as the building of *candidate experience*.

FORTE complies with regulations regarding the prohibition of youth and child labour.

II. Remuneration and benefits area:

- the remuneration system in place at the Group takes into account the quality of work performed and the level of expertise, skills and competences required to perform the duties entrusted to the employee,
- job evaluation
- fair remuneration scheme
- life and health insurance
- in-house kindergarten with crèche
- Company Social Benefits Fund

III. Motivation and commitment building area:

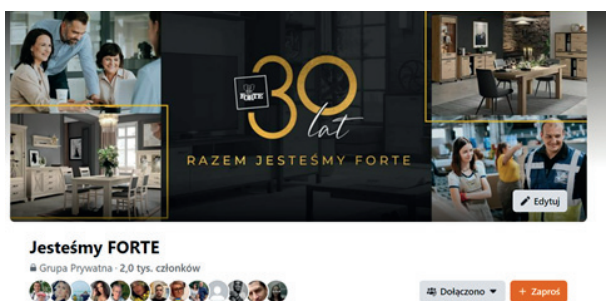
- Conducting, every two years, a Job Satisfaction Survey and implementing measures to improve job satisfaction
- In 2020, a performance-based award was granted

IV. The area of building the company's image as a responsible employer:

Employer branding activities carried out by FORTE are aimed at communicating an image of a trustworthy employer both outside and inside the organisation in order to build the best possible experience for employees and candidates.

Measures implemented:

1. Internal Facebook group



2. Maintaining a company profile on LinkedIn



3. In 2021, competitions were held to increase employee engagement

„Bees and other critters” - employees and employees' children were invited to write a fairy tale around the theme of biodiversity. Journalist and playwright, Remigiusz Grzela, was invited to chair the panel of judges. The most interesting works will be published as an illustrated book in Polish and English.

„FORTE Gardens” - a competition aimed at establishing home gardens (on terraces, balconies, gardens). The activity supported the development of the ecosystem and the promotion of biodiversity.



4. Collaboration with universities:

FORTE continues its collaboration with the Białystok University of Technology and the State Higher Vocational School in Suwałki by supporting:

- the faculty of furniture engineering (extramural studies) at the Białystok University of Technology,
- dual degree programs – Faculty of Technology of the State Higher Vocational School in Suwałki, as well as with the Faculty of Wood Technology of the Warsaw University of Life Sciences, the University of Ecology and Management and the Warsaw School of Banking.

The „Your strong start” internship programme was launched at FORTE in 2013. Graduates are offered internships in production, technical areas or in other offices. Trainees are provided with expert supervision, participation in specific projects and independence in carrying out their tasks. Internships are paid. The Company provides food and accommodation during the internship.

In 2021, 8 students participated in the internship programme and gained experience in the following areas:

In addition, in collaboration with the Białystok University of Technology and the Faculty of Wood Technology of Warsaw University of Life Sciences, internships were provided as part of the EU PO WER (OP Knowledge Education Development) project.

In 2021, FORTE was a strategic partner of the „Amazing Machine” competition organized by the Białystok University of Technology and addressed to secondary school students.

Also in 2021, FORTE took part in a Job Fair hosted by the Białystok University of Technology, during which three training courses for students were also held:

- How to surprise a recruiter, or how to prepare for a job interview?

- Build inspiring, personalised public presentations with us.
- Build an effective organisational structure with us.

As an employer, FORTE also supported the „Recruitment Day” initiative, during which students could simulate a job interview in English.

5. Collaboration with secondary schools:

Currently there are 336 students enrolled in patronage classes in Suwałki, Ostrów Mazowiecka and Białystok

Bearing in mind the needs of vocational education, FORTE is involved in the creation and support of „FORTE WITH CLASS” patronage classes, providing education for wood processing technicians, mechatronic and automation specialists and woodworking machine operators. Education in the above-mentioned professions is provided in four secondary schools in Ostrów Mazowiecka, Białystok and Suwałki. Pupils of patronage classes complete vocational internships in factories, participate in classes held at universities cooperating with FORTE and take part in vocational competitions sponsored by FORTE. The best students are offered a scholarship programme.

In 2021, students from secondary schools in the patronage classes took part in student internships (45 people) in the plants in Suwałki, Ostrów Mazowiecka and Białystok, participated in study trips to the Faculty of Wood Technology of Warsaw University of Life Sciences and took part in online meetings with FORTE specialists to learn more about the following topics:

Four webinars were also held:

- “Particle board production”
- “From timber to furniture”
- “Why is quality so important and how do we care about it?”

- „Wood Processing Technician” - what does she/he do and what are the possibilities of development in FORTE?
- In 2021, career guidance classes continued for grades 7 and 8 in primary schools and in senior secondary school classes.
- In 2021, a trade dual class was set up where young people are trained in the professions of mechatronics, CNC operator and locksmith. The new educational initiative is driven by the local market demand for the aforementioned professions. The idea behind dual education is to engage in vocational education from the first year of school by providing hands-on training on site by qualified practical training instructors. FORTE trains 6 students in the mechatronics profession, who spend two days each week at the plant in Ostrow Mazowiecka as apprentices.

Diversity Policy

The principles of the „Diversity Policy of FABRYKI MEBLI „FORTE” S.A.” (hereinafter: the Diversity Policy) have been implemented in all companies of the FABRYKI MEBLI „FORTE” S.A. Capital Group. The objective set out in the Diversity Policy is to create workplaces where everyone, regardless of age, gender, race, nationality, ethnic origin, political views, health status, disability, family status, religion, lifestyle, sexual orientation or any other criterion, feels valued, appreciated and empowered to develop to their full potential, and to find satisfaction and fulfillment in their work.

Another objective of the Diversity Policy is to build awareness and an organisational culture of the Company that is open to diversity, which contributes to the success of the organisation, leads to increased

work efficiency, prevents discrimination and mobbing and drives the FORTE Group’s performance.

FORTE Group’s Diversity Policy covers, among others, the following areas:

- managing diversity in the workplace – diversity of employees in terms of gender, age, education, competence, cultural and national origin,
- education, training and personal development – every employee, regardless of position, age or gender, has equal access to education. FORTE meets its employees’ expectations by running cyclical development programmes as part of the so-called FORTE Academy, consistent with the company’s strategy and goals,
- breaking down barriers in the workplace – diversity of employees by country of origin, collaboration with foreign partners,
- efforts to prevent discrimination and mobbing in the workplace through the implementation of an anti-discrimination policy,
- In accordance with the Recruitment Procedure in place, the key criterion during the recruitment process is the candidate’s experience and skills,
- intergenerational dialogue – sports activities and cultural events are organised for employees, aimed at people from different generations,
- ensuring, through the Code of Ethics, equal standards and rules for all employees of the FORTE Group with the possibility of resolving conflicts in accordance with the procedure set forth in the document.

Non-wage benefits

The Companies of the FABRYKI MEBLI „FORTE” S.A. Capital Group provide additional non-wage benefits for all employees. The most significant ones include:

- operation of an e-learning platform for learning English and German for all employees of the FORTE Group and their two accompanying persons (currently the platform is used by 474 users in English and 49 users in German)
- private medical care packages,
- two employer co-financed bilingual nursery schools with a crèche section,
- the ‚Welcome Mums’ project for women returning from maternity leave,
- a programme to recognise the work of retiring employees, „Farewell to pensioners”,
- preventive health care measures financed by the employer,
- subsidising the cost of renting flats for employees who moved after being hired and who had previously lived a long distance from the Company’s headquarters,
- holding cultural events and meetings,
- organisation of Christmas meetings for all employees,
- Company Social Benefit Funds adapted for employees of individual branches and companies.
- Fixed 30% discount on furniture, without limits on the number of orders

In 2021, FORTE organised a health prevention campaign under the slogan #TogetherWeAreFORTE for Health. It aimed to raise awareness among employees about health prevention and care, including on prostate cancer and breast cancer. Together with the medical partner, a campaign of preventive examinations was conducted in mobile clinics, during which employees could undergo such examinations as breast screening, thyroid screening, prostate screening and blood tests (lipidogram, glucose and blood pressure measurement)



FORTE DLA ZDROWIA

Around 600 employees took part in the 6-day campaign.

In addition, in 2021 FORTE prepared a flu vaccination prevention campaign attended by 150 employees. Employees and their family members were also offered preventive vaccination against COVID-19 at all FORTE sites.

Training and development

For many years, the FORTE Capital Group has been allocating considerable funds to the development of its staff. Thanks to investments in human capital, employees have the opportunity to improve their skills and make the best use of their talents. They participate in internal training and development programmes, as well as external specialised training and conferences.

Throughout 2021, despite the pandemic, the Group has continued to implement its own training plans, but the scope and format of these have changed. Workshop-based classes have been replaced by much shorter but safe forms of remote learning and e-learning courses. These changes, once again, have resulted in a slight reduction in the amount of time spent by employees on development. This is reflected in the levels of key indicators monitoring the training activities of staff.

FORTE Academy

FORTE Academy comprises development programmes, based on the diagnosis of the Company's development needs. They cover all groups of employees. In 2021, the Academy aimed the main part of its offering at managers of the production and peripheral areas. Thus, it covered more than 80% of the Company's managers.

FORTE Academy programmes are implemented in collaboration with the best instructors, specialists and content partners.

All employees, regardless of their position, age or gender, have equal access to development, consistent with the company's strategic objectives.

Between 2016 and 2021, the following development programmes were implemented as part of the FORTE Academy:

- Comprehensive Leadership programme – addressed to senior executives (33 graduates of the programme),
- first edition of postgraduate studies – addressed to middle management and employees with high development potential (21 graduates),
- FORTE Academy for Managers and Foremen – a programme addressed to mid-level managers (103 graduates),

- FORTE Academy for line employees (114 graduates),
- second edition of postgraduate studies – addressed to mid-level management and employees with high development potential (20 graduates),
- FORTE Academy for Production Managers - addressed to managers at all levels in production and related areas (180 participants),
- In-house Trainer Academy – addressed to the first group of FORTE professional trainers (10 participants).

It should be noted that as of 2018 the FORTE Academy covers the entire training system in the „FORTE“ S.A. Capital Group.

Continuous improvement of skills and competences was delivered in 2021 by means of the following measures:

- onboarding training, i.e. introducing new employees to their responsibilities, organisation and work culture in the company;
- a job training system launched in 2020, covering not only the compulsory part but also improving qualifications depending on the employee's development path;
- workshops to support company-wide projects;
- Lean Management workshops;
- In-house Trainer Academy, focused on building a trainer's toolkit and standards for in-house trainers.

Individual areas and Companies of the FORTE Capital Group experience additional needs for participation in training courses and specialist conferences. The newly established Personnel and Organisational Development Office, together with the directors of individual offices and plants, diagnoses employee development needs and proposes development programmes to support the achievement of the organisation's business objectives.

Talent management

Development is one of the FORTE's values. Every employee has opportunities to develop their competences and skills. The company enables its employees to achieve more and more of their potential. Talent management covers participants and graduates of FORTE Academy development programmes, i.e. line employees, managers, foremen and graduates of FORTE Academy postgraduate studies.

The purpose of talent management at FORTE is to ensure that the Company and the Capital Group retain employees with great potential, ready to participate in building and strengthening the market position of the FORTE Capital Group in the new business reality.

Employee representation and respect for the right to freedom of association

There are trade unions in the FABRYKI MEBLI „FORTE” S.A. Capital Group. They have full access to information, the right to carry out agreements and consultations. The Company is engaged in constructive dialogue with trade unions. Both parties discuss, exchange information, conclusions and make joint arrangements. Meetings are held to discuss the issues that are most important to employees, organisational changes and other problems and requests that have been raised.

Trade unions take an active part in FORTE's welfare activities.

Key non-financial indicators in the personnel area

Table 1.

Employment in FABRYKI MEBLI „FORTE” S.A. and the FABRYKI MEBLI „FORTE” S.A. Capital Group as at 31 December 2021 and 2020



| | FABRYKI MEBLI „FORTE” S.A. | | FABRYK MEBLI „FORTE” S.A. Capital Group | |
|---------------------------------------|----------------------------|-------|---|-------|
| | 2021 | 2020 | 2021 | 2020 |
| Number of employees as at 31 December | 3 011 | 3 135 | 3 429 | 3 560 |
| Number of FTEs as at 31 December | 3 004 | 3 129 | 3 418 | 3 549 |

Table 2.

Employment in FABRYKI MEBLI „FORTE” S.A. and the FABRYKI MEBLI „FORTE” S.A. Capital Group by sex and age as at 31 December 2021 and 2020



| | FABRYKI MEBLI „FORTE” S.A. | | FABRYK MEBLI „FORTE” S.A. Capital Group | |
|--------------------|----------------------------|--------------|---|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Women | 1 142 | 1 137 | 1 202 | 1 198 |
| less than 30 years | 222 | 244 | 230 | 253 |
| 30-50 years | 649 | 626 | 692 | 671 |
| more than 50 years | 271 | 267 | 280 | 274 |
| Men | 1 869 | 1 998 | 2 227 | 2 362 |
| less than 30 years | 441 | 534 | 524 | 639 |
| 30-50 years | 892 | 923 | 1 077 | 1 096 |
| more than 50 years | 536 | 541 | 626 | 627 |
| Total | 3 011 | 3 135 | 3 429 | 3 560 |

Table 3.

Employment in FABRYKI MEBLI „FORTE” S.A. and the FABRYKI MEBLI „FORTE” S.A. Capital Group by type of employment contract as at 31 December 2021 and 2020



| | FABRYKI MEBLI „FORTE” S.A. | | FABRYK MEBLI „FORTE” S.A. Capital Group | |
|-------------------------------------|----------------------------|--------------|---|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Employees with fixed-term contracts | 550 | 748 | 620 | 849 |
| Employees with permanent contracts | 2 461 | 2 387 | 2 809 | 2 711 |
| Total | 3 011 | 3 135 | 3 429 | 3 560 |

Table 4.

New hires in FABRYKI MEBLI „FORTE” S.A. and the FABRYKI MEBLI „FORTE” S.A. Capital Group by sex and age in 2021 and 2020*


| | FABRYKI MEBLI „FORTE” S.A. | | FABRYKI MEBLI „FORTE” S.A. Capital Group | |
|--------------------|----------------------------|------------|--|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Women | 169 | 248 | 173 | 259 |
| less than 30 years | 93 | 116 | 94 | 119 |
| 30-50 years | 70 | 118 | 72 | 126 |
| more than 50 years | 6 | 14 | 7 | 14 |
| Men | 225 | 416 | 268 | 481 |
| less than 30 years | 134 | 227 | 155 | 262 |
| 30-50 years | 77 | 158 | 95 | 182 |
| more than 50 years | 14 | 31 | 18 | 37 |
| Total | 394 | 664 | 441 | 740 |

* The figures do not include employees who changed their employer as part of transfers within the FABRYKI MEBLI „FORTE” S.A. Capital Group.

Table 5.

Employee departures in FABRYKI MEBLI „FORTE” S.A. and the FABRYKI MEBLI „FORTE” S.A. Capital Group by sex and age in 2021 and 2020*


| | FABRYKI MEBLI „FORTE” S.A. | | FABRYKI MEBLI „FORTE” S.A. Capital Group | |
|--------------------|----------------------------|------------|--|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Women | 180 | 173 | 184 | 179 |
| less than 30 years | 77 | 71 | 78 | 74 |
| 30-50 years | 80 | 65 | 82 | 67 |
| more than 50 years | 23 | 37 | 24 | 38 |
| Men | 350 | 430 | 393 | 487 |
| less than 30 years | 183 | 201 | 205 | 223 |
| 30-50 years | 113 | 160 | 127 | 185 |
| more than 50 years | 54 | 69 | 61 | 79 |
| Total | 530 | 603 | 577 | 666 |

* The figures do not include employees who changed their employer as part of transfers within the FABRYKI MEBLI „FORTE” S.A. Capital Group.

Table 6.

Composition of the Management Board of FABRYKI MEBLI „FORTE” S.A. by sex and age as at 31 December 2021 and 2020

| | FABRYKI MEBLI „FORTE” S.A. | |
|--------------------|----------------------------|----------|
| | 2021 | 2020 |
| Women | 1 | 1 |
| less than 30 years | — | — |
| 30-50 years | 1 | 1 |
| more than 50 years | — | — |
| Men | 4 | 4 |
| less than 30 years | — | — |
| 30-50 years | — | — |
| more than 50 years | 4 | 4 |
| Total | 5 | 5 |

Table 7.

Average number of training hours per employee in FABRYKI MEBLI „FORTE” S.A. and the FABRYKI MEBLI „FORTE” S.A. Capital Group by position in 2021–2020*

| | FABRYKI MEBLI „FORTE” S.A. | | FABRYKI MEBLI „FORTE” S.A. Capital Group | |
|----------------|----------------------------|-------------|--|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Line employees | 7,0 | 8,0 | 7,0 | 7,0 |
| Specialists | 15,5 | 16,0 | 15,0 | 15,0 |
| Managers | 34,0 | 39,0 | 32,5 | 32,0 |
| Directors | 36,0 | 39,0 | 36,5 | 38,0 |
| Total | 10,0 | 10,5 | 9,5 | 9,5 |

* The above summary does not include compulsory training related to occupational health and safety, fire-fighting, and workplace instruction.

Table 8.

Average number of training hours per employee in FABRYKI MEBLI „FORTE” S.A. and the FABRYKI MEBLI „FORTE” S.A. Capital Group by sex in 2019–2020*

| | FABRYKI MEBLI „FORTE” S.A. | | FABRYKI MEBLI „FORTE” S.A. Capital Group | |
|--------------|----------------------------|-------------|--|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Women | 10,5 | 11,0 | 10,0 | 10,0 |
| Men | 10,0 | 10,0 | 9,5 | 9,5 |
| Total | 10,0 | 10,5 | 9,5 | 9,5 |

* The above summary does not include compulsory training related to occupational health and safety, fire-fighting, and workplace instruction.

Occupational health and safety (OHS)

The FORTE Group gives priority to ensuring that its employees and collaborators staying at its production facilities enjoy an appropriate level of occupational health and safety.

The Occupational Health and Safety Policy of the FABRYKI MEBLI „FORTE” S.A. Capital Group. (hereinafter: OHS Policy).

As an employer, FORTE takes continuous measures to protect the life and health of its employees. The aim is to eliminate accidents at work and occupational diseases, to ensure safe and hygienic conditions in the working environment, to eliminate near misses and to minimise risks. In order to achieve this goal, the FORTE Group companies introduce procedures that involve the management and all employees in the continuous improvement of safety at every workstation and in every production process, as well as in the elimination of threats occurring in their processes.

The tasks indicated in the OHS Policy:

- ensuring that appropriate financial, technological, technical and organisational resources are available to achieve the OSH objectives and tasks,
- identifying threats to the safety and health of employees and taking necessary preventive measures,
- ensuring that the level of competence and awareness of all employees regarding occupational safety and health is raised through, among other things, regular training,

- strict compliance with legal regulations, laws, rules and other requirements relating to occupational health and safety,
- preventing accidents at work and occupational diseases, as well as near misses and dangerous incidents by promoting a culture of occupational health and safety among employees and mutual responsibility for life and health.
- The overriding goal is to reduce the number of occupational accidents and diseases occurring in plants to zero.

The OHS Policy is complemented by a series of procedures indicating the rules of conduct

1. Identification of accident hazards and occupational risk assessment. The procedure sets out the rules of conduct for managing occupational risks.
2. Monitoring of chemical substances. The procedure lays down strict rules of conduct from the planning of a purchase to the disposal of a hazardous substance, preparation or material.
3. The handling and reporting of accidents. The procedure describes the types of occupational accidents and sets out the rules of conduct when an accident occurs.
4. Admission of the contractor to work on the site of the FORTE S.A Group. The document sets out the procedures and responsibilities for those who commission services, contractors, employees of third-party companies and visitors.
5. Procedure for dealing with suspected SARS-Cov-2 coronavirus infection.

The structure of responsibility in the OHS area is as follows:

- The Plant/Factory Director is responsible for ensuring that the necessary resources are in place to implement, operate, monitor and improve OHS rules,
- Managers are responsible for complying with established OHS procedures, ensuring that their employees comply with OHS rules,
- OHS inspectors and specialists are responsible for complying with established OHS procedures, monitoring working conditions, preparing quarterly/annual reports, coordinating and acting as advisors on the application and implementation of the OHS Policy.
- In order to better coordinate occupational safety activities between FORTE Group plants, in 2021 a decision was made to establish and separate a new department within the Group's organisational structures – the Occupational Safety Department. The Head of the Occupational Safety Department reports directly to the Director of the Production Assurance Department and is responsible for coordinating all activities related to occupational safety within the FORTE Group and ensuring proper communication in the OHS area within the organisation.

Ensuring that the level of competence and awareness of all employees is raised is reflected in educational activities carried out among employees.

The specific objectives set by the Fabryki Mebli „FORTE” S.A. Group for 2021 in the area of occupational health and safety were as follows:

- Continuation of GEMBA WALK audits and CLOSE CALL reporting – throughout 2021, a total of more than 48 GEMBA WALK audits were carried out at each plant, bringing the total to more than 192 audits in the FORTE Group. In the second half of the year, the nomenclature changed from GEMBA WALK to OHS Audit, but the purpose,

scope of the reviews and principles for addressing improvement measures remained the same.

The focus continued to be on inspecting the organisation of work processes, the technical condition of work premises, machinery and other technical equipment, the use of individual and collective protective equipment, forklift safety, the organisation of manual transport work, the storage of materials, the use of chemical substances and the maintenance of employee OHS records. Each audit resulted in a report and the planning of corrective measures. The supervisors of the area in question, in collaboration with the OHS department, were responsible for the implementation of these measures, and the results of the inspections and progress in implementation were communicated to employees on departmental boards.

- Increasing employee involvement in occupational safety through near miss reporting (CLOSE CALL) – continuation of the programme. Each site has been equipped with points for reporting near misses and/or suggestions for improving work processes. At mid-year, there was a name change (from CLOSE CALL to Near Miss Incident – NMI), but the reporting principles remained the same. In 2021, 128 near misses were reported and appropriate preventive measures were put in place, including: spherical mirrors, road lighting, barriers and gates at potential pedestrian-truck collisions, saw blade guards, reorganisation of work and goods traffic areas, new non-slip emergency crossings, designation of pedestrian crossings, replacement of work shirts with shirts made of 100% cotton, a change to the safety footwear standard and much more.
- SUSAs (Safe and Unsafe Acts) training and workshops - in 2021, the implementation of a behavioural observation programme was launched, involving observing the behaviour of employees in their work environment, assessing their compliance with safety standards and possibly correcting inappropriate behaviour, as well as safety talks. The programme began with training provided by a professional company, addressed to the SUSAs interviewers (Directors, Managers, Foremen) in each plant. In September 2021, scheduled

talks have commenced. The percentage of completion of the talks schedule in each plant was monitored on a monthly basis. The completion of SUSA talks is one of the new OHS KPIs.

- Replacement of the forklift truck fleet with more advanced ones with additional warning lights - the old-type forklift trucks have been gradually replaced with upgraded ones equipped with appropriate safety features in the form of „blue spot” warning lights, marker lights, flashing lights, etc. In addition, large forklift trucks are supplied with reversing cameras to significantly improve visibility in the rear of the trucks. The new fleet of trucks also offers the possibility of electronic confirmation of daily machine health checks and even a systemic speed limit depending on the number of crashes

Each of the plants has a number of Company Volunteer Fire Brigades, with a total of over 80 volunteer firefighters.

These units hold regular drills and once a year there is a firefighting competition combined with a company picnic. This way, FORTE promotes the idea of safety and brings employees together around a shared goal. In 2021, the company picnic was not held due to the COVID-19 pandemic.

In 2021, as in previous years, there were no fatal accidents among employees or among employees of subcontractors working on the sites, and no case of occupational disease was identified.

Key non-financial performance indicators in the OHS area

Table 9.

| | FABRYKI MEBLI „FORTE” S.A. | | FABRYK MEBLI „FORTE” S.A. Capital Group | |
|---|----------------------------|------|--|------|
| | 2021 | 2020 | 2021 | 2020 |
| Number of workplace accidents involving employees working within the facility | 38 | 29 | 43 | 31 |
| Accident frequency rate – accidents resulting in incapacity to work per hours worked x 1,000,000 | 6,78 | 5,58 | 6,81 | 5,29 |
| Accident absence rate – number of sick days due to accident in relation to number of hours worked x 1,000 | 0,42 | 0,35 | 0,39 | 0,25 |
| Number of days of employees' incapacity for work caused by accidents | 2204 | 1801 | 2324 | 1876 |

Incidents related to moving around on worksites (slipping, hitting, falling) accounted for the largest share of accidents, representing 30% of all accidents in 2021. The causes of accidents in 2021 also include incidents related to the operation of saws, drills and squeezes – 21% of incidents, and accidents occurring in the area of roller conveyors and rollers – 16%. FORTE intends to focus on these three areas in terms of measures to improve safety in 2022.

The specific objectives for 2022 are as follows:

- Continuation of OHS Audits – a programme with a new format. The audits will be carried out according to an audit schedule drawn up for each plant. The main assumption is the frequency of audits – once per week in a given area. The audit is initiated and conducted by the Director or Deputy Director of the Plant with the participation of the OHS function and people responsible for the area. The main objective of OHS audits is to control and improve safety and the working environment. The delivery of OSH audits in relation to the audit schedule is an OSH KPI and constitutes a bonus target.
- Near Miss Incident Reporting (NMI) – an expansion of the programme in 2022 involving increased reporting from employees. Promotion of the programme and implementation of IT solutions to facilitate reporting (Sherlock Waste application). The aim of the programme is to encourage employees to report safety problems in their working environment and to promote good practice in improving OHS. A target of 10 NMI reports/month per plant has also been introduced. This target is also a bonus indicator and the number of reports represents an OHS KPI monitored and presented on a monthly basis.
- SUSA Behavioural Talks Programme – a continuation of the talks and behavioural observation programme. Refresher and improvement training for people who conduct SUSA talks. The delivery of talks in relation to the plan for a particular month is an OHS KPI, monitored and presented on a monthly basis.
- Safety culture audit – measures involving the diagnosis of the current safety culture in plants by collecting information from employees in the form of questionnaires, information, interviews, etc. Identification, on the basis of the diagnosis, of areas for improvement and determination of steps towards further development of the corporate safety culture.
- Controlling traffic routes and increasing safety of movement – analysis of pedestrian, vehicle and forklift movement processes in workplaces. Identification of areas presenting a risk of collisions and accidents. Drawing up internal traffic maps (traffic assessment) and identifying measures to increase safety in the most risky areas (installation of traffic lights, barriers, gates, marking of crossings and collision risk areas, installation of mirrors, etc.).



Social area

Charity Policy

The FABRYKI MEBLI „FORTE” S.A. Capital Group is an active participant in social life. Engaging in dialogue and partnership with its environment represents one of the pillars of FORTE’s social responsibility.

The social mission of FORTE is to raise, educate and shape attitudes, especially of young people, willing to act for personal and social development, perceiving the needs of another human being. FORTE did not stop its social activities even during the coronavirus pandemic.

As part of its Charity Policy, FORTE focuses primarily on supporting initiatives aimed at levelling social differences and preventing social exclusion.

FORTE undertakes numerous initiatives and activities that aim to support broadly understood education and comprehensive development of the young generation. The Company’s commitment to the development of culture and arts manifests itself in supporting initiatives related to the development of culture, preservation of cultural heritage and national heritage as well as cultural institutions and events which are primarily located in places where it operates.

The charity and sponsorship activity of the FABRYKI MEBLI „FORTE” S.A. Capital Group is guided by two priorities (activities for education and upbringing as well as activities for the development of culture and arts); however, in 2021 a decision has been made to also support activities aimed at health and safety.

Activities to promote education and upbringing:

- cooperation with the AMF “Nasza Droga” Foundation operating at the Company,
- cooperation with universities and secondary schools educating future participants in the labour market, e.g. internships and apprenticeships, organisation of patronages, competitions, teaching and in-kind assistance, organisation of lectures and scientific conferences);
- cooperation and in-kind assistance in equipping educational and training institutions;
- supporting research and teaching and scientific activities in the area of wood and furniture industry development;
- individual in-kind assistance to people in a difficult life situation

Activities to promote the development of culture and arts:

- supporting local cultural events, e.g. concerts, exhibitions, festivals;
- supporting local projects in the area of physical culture and sport;
- supporting the implementation of cultural projects aimed at activating local communities in the area of arts and broadly understood cultural education.

Activities to promote health and safety:

- organisation of COVID-19 vaccination points in FORTE Group’s plants;

Examples of implementation of the Charity Policy at FABRYKI MEBLI „FORTE” S.A:

AMF “Nasza Droga” (“Our Way”) Foundation

The Foundation brings together talented, but needy secondary school pupils and students from the Ostrów Mazowiecka County. Meetings, lectures, online workshops with experts in various fields, as well as cultural trips are organised for the foundation’s charges. The foundation also offers scholarships to young people

Employee volunteering initiatives



The programme „FORMS – Factory of Initiatives” was established with a view to the places where FORTE employees live, their neighbours, local communities and the employees themselves who want to change the world around them. The programme offers the opportunity to receive financial or non-financial support for the implementation of one’s own projects. The initiatives carried out usually focus on issues such as: education of children and young people, culture and arts, sports and recreation, health protection and promotion, environment and its protection, levelling social differences.

A total of 87 projects have been implemented as part of the seven editions of the project. Classrooms, day care centres and school canteens have been renovated, spaces have been created for farmer’s wives’ associations, a ski run has been laid out and many other friendly facilities have been created. The total amount allocated for the implementation of the FORMS programme between 2016 and 2021 was approximately PLN 553 thousand.

Support for education

FORTE collaborates with universities, secondary schools and local authorities to promote the development of education and vocational training. The Company supports research, teaching and scientific activities in the development of the wood and furniture industry. FORTE’s representatives participate in conferences and industry meetings, where they share their expertise and experience. Additionally, FORTE holds patronage classes for future woodworking technicians in selected secondary schools located in cities where the Group’s plants operate.

Company nursery schools – „Yellow Elephant”

The Company’s nursery schools with crèche facilities known as “Yellow Elephants” are facilities with the highest educational standards in Poland. The FORTE Group operates two such facilities. One of the nursery schools is located in Ostrów Mazowiecka since 2015, and another in Suwałki since 2018. The in-house nursery school makes it easier to reconcile work and family life, provides some support for young parents and enables them to have a stress-free return to work after the birth of their child. The tutors conduct classes there using a bilingual (Polish-English) system based on an original curriculum.

Bee FORTE project



Bee FORTE is a project that brings together FORTE employees to protect bees and support biodiversity.

As part of Bee FORTE:

- sown flower meadows with a total area of 1.69 ha were sown at all the factories; the melliferous plants (including herbs in danger of extinction) that grow there are home to pollinating insects and other animals
- educational meetings with experts for beekeeping enthusiasts are held
- the company's beekeepers record an educational vlog, in which they talk about how to set up a first apiary and how to take care of bees
- blog is run on beekeeping and the benefits of honey in our internal media
- a mini apiary was set up at one of the Group's branches
- workshops and competitions promoting biodiversity were organised

Care for the health and safety of employees

The FABRYKI MEBLI „FORTE” S.A. Group has taken a number of preventive measures to stop the spread of COVID-19, a disease caused by the new SARS-Cov-2 coronavirus, as early as March 2020. In 2021, the preventive rules introduced in 2020 continued to apply and were updated on an ongoing basis.

Employees receive regular updates on how to prevent infection and are kept up-to-date on any changes or new recommendations. People who are ill or suspect that they have been infected with coronavirus have a duty to contact a physician and report it to their supervisor, and there is an appropriate procedure for people who discover symptoms of infection at work. An email address and telephone number has been set up specifically for employees for contact regarding coronavirus issues. Many people worked in the home office arrangement. All visits of visitors and customers (domestic and foreign) as well as journeys between FORTE plants have been reduced to the minimum necessary. Many company meetings and training sessions are held online.

Additionally, the FORTE Group has its own pulse oximeters and oxygen concentrator that can be lent to employees.

In 2021, COVID-19 vaccination points were set up on factory premises for employees and their families.

Product liability

One of FORTE's main goals is to ensure that the furniture it produces is safe to use. In order to achieve this, FORTE takes a number of measures, including analysis of legal and normative regulations of its customers' home countries. Applicable standards are one of the main aspects taken into account when designing products. The Company tests its products for compliance with relevant standards on a regular basis. Some testing is performed in the Company's in-house laboratory. The laboratory is suitable for testing cabinets, RTV cabinets, chests of drawers and display cases. The main tools used to verify furniture for safety are structural tests carried out by independent testing bodies. The Company collaborates with these bodies in the area of product testing and certification. The conformity of the design of products is confirmed on the basis of tests carried out by independent bodies by means of declarations of conformity issued by FORTE

Procedures and instructions have been developed to ensure the safety of products during transport, including the safe forming and unloading of transport packages. Rules for safe use are provided in the installation instructions.

At the customer's request, FORTE provides detailed information on products relating to their mechanical and chemical safety. Information related to the origin of the wood material – country of origin and species of wood used – is also provided.

Responsible marketing

The FABRYKI MEBLI "FORTE" S.A. Capital Group has an internal Code of Ethics in Advertising. The Code is a set of rules to be followed by FORTE's employees responsible for creating the corporate brand image and formulating the advertising message related to the product offering.

These rules include: the prohibition to include discriminatory content or elements that encourage acts of violence in advertising. FORTE's advertising may not create a negative image of other entities operating in the furniture market, nor may it be delivered in such a way as to endanger facilities of historical or artistic significance. Advertising may not mislead the customers and thereby influence their decision to purchase the good or service

FORTE's advertisements may not violate the public's trust in correctly implemented environmental protection measures and may not take advantage of the lack of knowledge of its recipients regarding environmental protection.

In the reported period, there were no cases of non-compliance of the Group's marketing activities with the applicable laws and the internal Code of Ethics for Advertising of the FORTE Group.

Respect for human rights

The FABRYKI MEBLI „FORTE” S.A. Capital Group observes the obligations arising from the Universal Declaration of Human Rights, namely such rights as the right to protection of health, education, just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, social assistance, work, freedom of thought, conscience and religion.

FORTE makes every effort to respect human rights by identifying, preventing or taking appropriate measures; both by the organisation and by the parties with whom the organisation maintains relations.

To this end, it continuously reviews the compliance of its agreements and arrangements relating to safety with human rights and international law enforcement rules and standards.

The Group's HR Policy contains a declaration of respect for and observance of all human rights and prohibition of discrimination, child labour and forced labour.

The Diversity Policy contains a declaration of respect and tolerance towards every human being. FORTE wants to create workplaces where everyone, regardless of age, gender, race and nationality, ethnic origin, political beliefs, health condition or sexual orientation, will feel valued, appreciated and empowered to develop to their full potential, and to find satisfaction and fulfillment in their work.

Respect for human rights is also an integral part of FORTE Group's ethical conduct and relevant provisions concerning this are contained in the Group's Code of Ethics.

Companies of the FORTE Group ensure that agreements signed with counterparties contain a clause concerning respect for and observance of human rights.

In the General Terms and Conditions of Supply – a document that applies to business relations with counterparties, FORTE represents that it does not knowingly enter into business relations with suppliers that use forced labour, employ people below the legal minimum age and apply any discriminatory practices with respect to employees.

FORTE's suppliers represent that they do not use forced labour and do not employ people below the legal minimum age and do not apply any discriminatory practices, bearing in mind in particular the respect of the provisions of the European Convention of Human Rights. If FORTE becomes aware of any signs of discrimination, in particular on the grounds of gender, race, ethnic origin, religious or political beliefs or any other personal characteristics, FORTE's Supplier is obliged to take decisive steps to eliminate the such practices.

By signing the General Terms and Conditions of Supply, the supplier of the FORTE Group undertakes to provide its employees with safe and hygienic working conditions, to pay remuneration for the work performed in a timely manner, and to ensure that its employees have the right to associate in trade unions.

In the reported period, no cases of human rights violations were reported or confirmed in the Group, nor did FORTE Group receive any information on human rights violations at subcontractors.

Prevention of corruption

FORTE, as a socially responsible company acting in a transparent and ethical manner, has introduced a zero tolerance policy towards any misconduct.

The FORTE Group has implemented a **Misconduct Prevention Procedure**.

Misconduct is construed as an intentional act or omission which constitutes a violation of generally applicable laws or a violation of the Company's values or FORTE's regulations, including the Code of Ethics, as a result of which the person committing the misconduct obtains an unlawful gain or which results in the Company suffering a loss. The gain or loss may financial, tangible or intangible.

Misconduct includes, but is not limited to: all forms of corrupt behaviour (promising, offering, giving, accepting, demanding a tangible benefit, whether financial or in kind, fraud or forgery, extortion, theft, misappropriation (including misappropriation of intellectual property), improper/illegal use or exploitation of confidential data, conspiracy, embezzlement, collusion or manipulation of data

Effective and efficient misconduct prevention relies on the attitude of the company's managers, whose primary duty is to have zero tolerance for any form of misconduct.

In particular, managers are responsible for:

- identifying potential risks and irregularities,
- effective prevention, detection and counteraction of all forms of misconduct,

- continuously raising awareness among employees and associates on how to identify and prevent misconduct,
- notifying the employer of any instances of misconduct,
- ensuring a training system

All employees and associates of the Company are obliged to act in accordance with the law and all internal regulations applicable in the Company

The Company systematically reviews categories of misconduct risk including the risk of corrupt behaviour. Directors, together with the Control and Internal Audit Office, carry out regular reviews of misconduct risks. The approach to analysis is the same as for any other risk identified across the Group.

Procedure for preventing conflicts of interest

The Procedure aims at defining FORTE's rules for preventing Conflicts of Interest from occurring in connection with the Group's operations, the prerequisites for liability for violating them and raising awareness that irregularities and misconduct (especially those of a corrupt nature) may arise from or be directly related to (potential) Conflicts of Interest.

A conflict of interest is a situation in which an Employee may have, directly or indirectly, a personal interest (family relations and contacts of a private nature) of a financial or economic nature that threatens or may threaten his or her impartiality or independence in the performance of his or her official duties, decision-making or other tasks assigned to him or her by the Company.

Avoiding conflicts of interest is the responsibility of each Director and Manager and their designated key Employees. This obligation also extends to avoiding situations that give rise to the suspicion

or appearance of a Conflict of Interest.

A conflict of interest is understood broadly and may involve, in particular, the existence of links of a personal nature, including family links, but also business, financial and/or ownership links with other market participants, including other Employees, Counterparties or competitors of the Group, to the extent that these links constitute or may constitute a direct motive for certain decisions or for the disbursement of funds by the Company or by such persons or entities.

All Directors and Managers and their designated Key Employees are required to submit a statement, on a regular basis, that they have no Conflicts of Interest in relation to their activities for the Group.

The Group has a register of conflicts of interest maintained by the Compliance Officer. This register is used to document all reports of the existence or suspicion of a conflict of interest on the part of Managers, Directors and obliged Employees and the steps taken as a result of such reports. Any report of a Conflict of Interest relating to such persons is entered in the register.

General anti-corruption principles



The Group's directors and managers have a duty to identify the risk of corrupt behaviour in their area of supervision – they pay attention to and react to any situation that may give rise to corrupt behaviour.



The Group's Directors and Managers educate their subordinates: they communicate their disapproval of certain behaviour to Employees and indicate the correct course of action.



Every Employee has a duty to react to corrupt behaviour.



When starting any collaboration with FORTE, each Employee or Counterparty is obliged to read and comply with the anti-corruption rules in force in the Company.



Every Employee is obliged to participate in onboarding and periodic refresher anti-corruption training, at least once every 2 years. Any additional training needs in this area should be reported to the Legal and Compliance Office.

An excerpt from the Anti-Corruption Guide of the FABRYKI MEBLI „FORTE” SA Capital Group

Relations with third parties



Decision to purchase goods and services

When deciding to purchase goods or services, **we do not give preference to any Contractor.** From among the bids submitted, we select the one that is most favourable to FORTE in terms of price, quality, capabilities and confidence in a given Counterparty. In our assessment, we are guided solely by the interests of Forte, not of individual persons



Verification of Counterparties

Before we start collaborating with a given Counterparty, we verify such Counterparty to exclude the risk of FORTE's unintentional involvement in irregularities and the resulting liability. We perform such activities as:

- **verification of the need** to establish cooperation;
- **assessment of Counterparty's reliability** based on the verification methods adopted by FORTE;
- obtaining assurance that the Counterparty will comply with the Group's internal rules and/or including appropriate **clauses** in our agreements requiring the Counterparties to comply with anti-corruption and compliance standards and ensuring that we have the right to audit the Counterparty throughout the duration of our relationship;
- **assessment of the credibility of their representatives.**

An excerpt from the Anti-Corruption Guide of the FABRYKI MEBLI „FORTE” SA Capital Group

Whistleblowing procedure

The Procedure is aimed at defining the rules of reporting Irregularities by the Employees of the FABRYKI MEBLI „FORTE” S.A. CAPITAL GROUP.

Each Employee who becomes aware of an occurrence or suspicion of an irregularity in relation to the performance of his/her official duties or an agreement concluded with FABRYKI MEBLI „FORTE” S.A. should report the irregularity.

An Employee who reports such irregularities in accordance with the procedure is entitled to receive protection.

Reports of irregularities are investigated by the Ethics Officers and, in more complex cases, referred to the Fact-Finding Committee.

The Whistleblower may make a report providing his/her details or submit an anonymous written report. The provision of personal data is at the discretion of the Whistleblower.

The primary method of Reporting Irregularities is through one of the following channels:

- to the immediate superior, in person, following the hierarchical chain of command,
- in person to the Ethics Officers,
- to the Ethics Officers by e-mail to one of the dedicated e-mail addresses:
 rzecznik.etyki@forte.com.pl
 rzecznik.ostrowi@forte.com.pl
 rzecznik.suwalki@forte.com.pl
 rzecznik.hajnowska@forte.com.pl
 rzecznik.bialystok@forte.com.
 plrzecznik.ukr@forte.com.pl
- to the Ethics Officer by letter to the Company's address: FABRYKI MEBLI FORTE S.A. ul. Biała nr 1, 07-300 Ostrów Mazowiecka marked „Ethics Officer' on the envelope, using the form

available at: <http://ww2.FABRYK MEBLI „FORTE” S.A..com.pl/pl/contact#formularzZglosNaruszenie> via the “Zgłoś naruszenie” link.

Additional whistleblowing channels for **exceptional situations** are also established:

- where there is a risk of lack of impartiality or the Report concerns the Officer; or where there is a risk of lack of impartiality of a member of the Fact-Finding Committee or the Report concerns a member of the Fact-Finding Committee:
 - to the Member of the Management Board using the form <https://forms.office.com/r/bQ5wTYKMgL> or by letter to the Company's address: FABRYKI MEBLI FORTE S.A., ul. Biała nr 1, 07-300 Ostrów Mazowiecka marked „Report – for the attention of Maria Florczuk, Member of the Management Board” on the envelope,
- where there is a risk of lack of impartiality on the part of a Member of the Management Board or the Report concerns a Member of the Management Board:
- to the Chairperson of the Supervisory Board using the form <https://forms.office.com/r/VuXMM0ZszJ> or by letter to the Company's address: FABRYKI MEBLI FORTE S.A., ul. Biała nr 1, 07-300 Ostrów Mazowiecka marked „Report – for the attention of the Chairperson of the Supervisory Board” on the envelope.

FABRYKI MEBLI “FORTE” S.A. ensures that whistleblowing channels:

- are independent of the means of communication used in the ordinary course of business of FABRYKIMEBLI „FORTE” S.A,
- ensure the confidentiality, integrity and availability of the information contained in the Reports, including protecting it from being read/listened to by unauthorised persons,

- provide for the possibility of storing Reports in such a way as to allow appropriate investigations and follow-up by the competent persons.

Any employee who has made a Whistleblower Report **in good faith** in accordance with this Procedure will be provided with: the whistleblower status and protection

- **protection of identity** (i.e. keeping the name and position of the Whistleblower confidential) and, in the case of anonymous submissions, anonymity at every stage of the review and investigation process,
- **protection against retaliation** in connection with the Report,
- **up-to-date information** on the progress and completion of handling the Report or individual steps thereof, unless the Report has been submitted anonymously.

In 2021, no cases of misconduct were identified in the organisation.

Fair rules in relations with counterparties

FABRYKI MEBLI „FORTE” S.A. strive to develop relationships with suppliers and subcontractors in a fair and partnership manner. Agreements with material suppliers are normally accompanied by the appendix “General terms of delivery of FABRYKI MEBLI FORTE S.A. with headquarters in Ostrów Mazowiecka”. This document defines the supplier’s obligations in the field of: ethical behaviour, reliable information, product safety, respect for the environment, confidentiality. By signing this document, the supplier undertakes not to offer any benefits to employees and representatives of the Company.

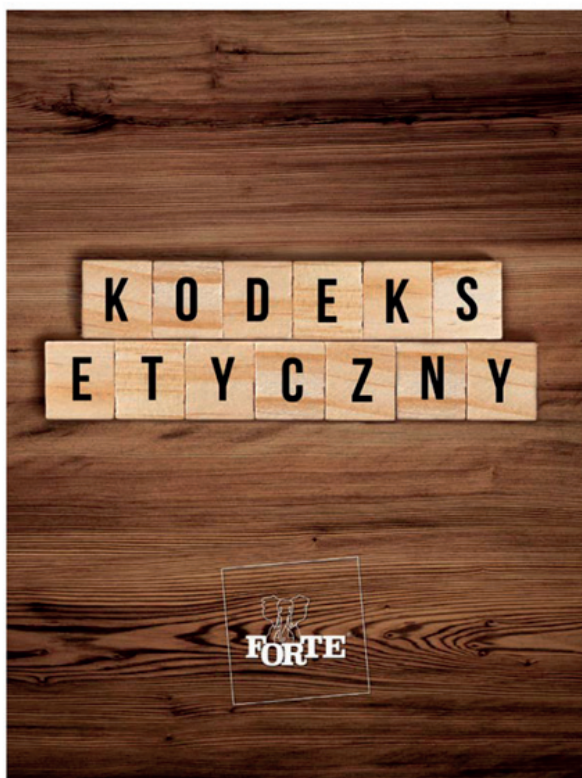
1. In relations with our suppliers, we are committed to building and maintaining the reputation of a reliable, responsible and credible partner. We value long-term, professional cooperation based on transparent relations bringing value both to the Company and our suppliers.
2. We select suppliers according to transparent internal procedures for contractors selection and verification. We conduct supplier assessment in a fair manner on the basis of clear and objective criteria. When selecting suppliers, we focus particularly on
3. avoiding conflict of interests.
3. At the stage of supplier search, we inform contractors of our requirements and adopted standards of conduct. When selecting suppliers, we verify the credibility, fairness and reputation of the potential supplier, among others identifying situations which could lead to conflicts of interests. We follow the rules of fair competition. We do not participate in actions which could be interpreted as corrupt, unfair or unlawful
4. We strongly oppose any corrupt practices. We neither accept from
5. nor give to our business partners money and other material benefits with the intention to obtain benefits for the Company or to exert influence on their decisions.
5. We prefer cooperation with partners who care about the environment, follow applicable regulations and norms in respect of the environmental protection and constantly reduce their impact on the environment.

An excerpt from the Code of Ethics of the FORTE Group describing some of our principles in relation to suppliers

Ethics management

Code of Ethics

In 2019, the FORTE Group implemented a Code of Ethics. Training courses for managers and employees are held at all the Company's Branches and subsidiaries.



A Fact-Finding Committee has been set up comprising people with the appropriate knowledge and life experience to assess specific incidents and make rulings on breaches of the Misconduct Prevention Procedure, Anti-discrimination and Anti-bullying Procedure and Whistleblowing Procedure.

The Code of Ethics is a tool that gives every employee of FORTE Group the possibility to influence the company reality.

FORTE Values

The Code of Ethics outlines the values of our organisation. We consider them as our declaration to all persons and companies associated with FORTE, by indicating what is essential, important for the Group, and what we keep in mind when building relationships with our employees and the external environment. The main purpose of the Code of Ethics is to recommend values, attitudes and rules of behaviour while performing our daily work. The Code should serve as a benchmark for our actions in relations with our colleagues, customers, suppliers, competitors, as well as social and natural environment. The purpose of the Code is to facilitate the right choices by indicating key ethical standards and norms pertaining to our organisation and professional activity.



Development



Cooperation



Responsibility



Sensitivity analysis

An excerpt from the Code of Ethics of the FORTE Group

The Company has established a policy of zero tolerance for any signs of discrimination and mobbing.

Anti-discrimination and Anti-mobbing procedure

The Company has implemented an **Anti-discrimination and Anti-mobbing Procedure**.

The anti-mobbing and anti-discrimination procedure aims to support activities that foster positive interpersonal relations between employees in the Group and to consolidate its organisational culture, where every employee feels respected and valued and the work environment is free from any

manifestations of discrimination or mobbing.

The procedure aims to counteract incidents of unequal treatment in the workplace, to intervene and to mitigate the effects of any mobbing or discrimination identified.

Mobbing is defined as actions or behaviour relating to an employee or directed against an employee, consisting in persistent and prolonged harassment or intimidation of that employee, when these actions or this behaviour causes the employee to underestimate his or her professional suitability and causes that employee to become subjected to humiliation or ridicule as well as to be isolated or excluded from a team of co-workers or is intended to do so.

Discrimination is understood as a situation in which an employee, on the grounds of sex, racial or ethnic origin, nationality, religion or belief, disability, age, sexual orientation or union membership, is treated less favourably than another employee would be treated in a comparable situation, as well as the fact that, for the abovementioned reasons, certain employees are granted fewer rights than those enjoyed by other employees in the same factual and legal situation.

Any employee of the Company who has a suspicion of mobbing or discrimination must notify his/her immediate supervisor, the Ethics Officer or a senior manager. Any employee who believes they have experienced any form of mobbing or discrimination has the right to report it to their employer.

The person making the report is guaranteed anonymity.

The reports are dealt with by the Fact-Finding Committee.

Social and ethical audits

Corporate social responsibility is a concept that concerns a growing number of companies. Monitoring what happens in the supply chain is becoming more common every year. In 2021, Fabryki Mebli „FORTE” S.A. underwent social audits in Ostrów Mazowiecka according to SMETA and ICS procedures. These were so-called third-party audits carried out by an external authorised certification body independent of the cooperating parties.

The audits were conducted based on the Ethical Trading Initiative Code [ETI Base Code], an ethical standard shared globally by auditors of companies in the supply chain.

- The SMETA methodology and its philosophy – this is how audits are carried out to check a company's compliance with codes of ethics and their commitment to environmental protection, care for their employees and the high quality of their products. SMETA's philosophy is to assess the existing situation and work to improve it, to encourage companies to make efforts and improvements in areas such as:
 - Occupational Health and Safety
 - Fire Protection;
 - Hiring rules;
 - and other.

The third party audits confirmed FORTE's compliance with all general requirements of the ETI Base Code. These requirements include, but are not limited to:

- Management System – the principles and criteria of the standard are to be implemented systemically and the company is to take action to improve this implementation. All employees of the company should be trained in the objectives and ideology of the ethical standard.
- Freedom of work and employment – the company must be free from forced labour. Any employee may leave the workplace at the end of the work and in other cases agreed with the employer.
- Freedom of association for employees – employees may establish a trade union, works council or other body to represent their interests vis-à-vis their employer. Members of employee representative bodies may not be discriminated against.
- Occupational Health and Safety – the company should provide a safe and hygienic working environment for all employees. Measures should be taken to prevent accidents at work. Employees must be provided with appropriate personal protective equipment and required to use such equipment. Employees should receive regular training in occupational health and safety and fire prevention.
- Compliance with working time and pay standards – overtime work is voluntary. The organisation respects the applicable working time standards. The employee must receive additional remuneration for overtime worked in accordance with the regulations.

The whole philosophy of both the ETI Base Code and the SMETA methodology is geared towards assessing the existing situation and working to improve it, to encourage companies to make an effort and improve.

The SMETA audit report for FORTE is available on the SEDEX platform.



Natural environment

Environmental policy

„For our planet – our commitments“

The FABRYKI MEBLI „FORTE“ S.A. Capital Group continues to improve its operations in the area of responsible business and the Environmental Policy is one of the pillars of management determining the development directions of FORTE. Its mission is to identify courses of action that will allow development in harmony with and respect for every element of the environment.

The development of environmental criteria and goals within the business model corresponds more and more strongly with the environment, supports sustainable development and even becomes a guideline for the planned development in the FORTE Group. The commitments are contained in the Environmental Policy of the FABRYKI MEBLI „FORTE“ S.A. Capital Group, published on the website at: www.forte.com.pl.

According to the Environmental Policy in place, all FORTE Group entities and all employees and associates are required to act in a professional and responsible manner. Thus, all of them are obliged to explicitly and conclusively comply with the sustainability values that define the FORTE Group.

The objectives of the Environmental Policy were set in 2016 for a period of five years, which was mainly due to the complex specificity of production activities and tasks planned, whose implementation is often determined by a long-term investment process, the need to implement new solutions and technologies in many areas, or results from a long-term process of building environmental awareness. In 2021, the five-year period set for the achievement of the objectives set was summed up and the degree to which they had been achieved was assessed. In view of the above and considering the changes that have taken place in the company's environment since the objectives were set, measures have been taken to update both the Environmental Policy and the environmental objectives.

The update is intended to reflect FORTE's significant commitment to actions for the climate, protection of biodiversity and building a sustainable business model.

The existing objectives, assessed as significant environmental aspects, will remain the guideline for the sustainability strategies and courses of action planned. These include, first and foremost:

- reducing consumption of materials, fuels, energy and water in order to conserve non-renewable natural resources,
- reducing emissions during production, storage and transport of products
- building a closed-loop waste management system to create smart, integrated and sustainable growth, by using resources in an efficient manner and minimising the carbon footprint of its operations.

The measures set out to achieve the objectives outlined in the Environmental Policy mainly involve implementing solutions to protect the environment in the following areas: planning, purchasing, storage and distribution, process design, production, packaging and use.

An equally important aspect of the Environmental Policy is cooperation with responsible partners in planning, purchasing, the logistics system and order fulfilment in the supply chain. FORTE sets out environmental requirements for strategic suppliers and implements sustainable development initiatives in the supply chain.

One of the core activities with regard to the supply chain is the optimisation of transport and the selection of environmentally responsible suppliers of materials and services. Loading and shipment is optimised in such a manner as to reduce transport routes and thus the burden on the environment caused by transport emissions.

The verification of third parties, both suppliers and contractors of the FORTE Group is of utmost importance from the point of view of environmental protection. The selection of suppliers of raw materials and consumables takes into account both sustainability (e.g. reduction of emissions, absence of harmful substances, sourcing of recycled materials or sustainable forest management) and consumer requirements regarding quality, safety and design.

Production processes are also planned to ensure the maximum use of carefully selected materials, which are assessed, among other things, for characteristics that may have an impact on the environment. In the case of paper, cardboard or wood packaging, the aim is to use only materials from sustainably managed forests that protect biodiversity. This prevents the use of wood and wood products originating from natural forests, forests that are in danger of extinction or are illegally logged, forest plantations resulting from the conversion of natural forests, or from habitats of endangered species.

The production process is carried out strictly in accordance with guidelines for optimising material consumption and based on technologies and solutions aimed at reducing energy and fuel consumption. Packaging of finished products is optimised in terms of weight and volume.

Effective materials management involves:

- optimisation of packaging processes,
- application of adhesive bonding process guidelines and optimisation of adhesive consumption,
- reduction of board consumption by planning board cuts in a way that minimises the quantity of rejects,
- implementation of productivity improvement

projects for selected material groups,

- reuse of residual material – board and cardboard – in processes

This allows us to manage our materials in a rational manner, thus reducing not only costs, but above all waste volumes. This has fundamental environmental consequences, in terms of reducing the negative impact on the environment by limiting the use of raw materials necessary for the production of the inputs used and reducing the amount of waste disposed of.

Moreover, FORTE educates and makes suppliers, customers, counterparties, consumers, employees and associates aware of the importance of taking care of the natural environment.

The measures listed form the basis of an integrated quality and environmental management system throughout the product life cycle, recertified in 2021 according to ISO 9 001: 2016 and 14 001: 2015 .

Biodiversity

The production activities of the FABRYKI MEBLI „FORTE” S.A. Capital Group mainly involve the manufacture of furniture from wood-based panels and, since 2018, also the production of particle board. Furniture is manufactured at the plant in Ostrów Mazowiecka and at FORTE branches in Suwałki, Białystok and Hajnówka. Particle board is manufactured by TANNE Sp. z o.o. at its particle board plant in Suwałki.

Distribution centres (FORTE warehouses) are located at furniture plants: the DYSTRI-FORTE Sp. z o.o. high-bay warehouse in Ostrów Mazowiecka, Suwałki, Białystok and Hajnówka, and additionally in Sokołów, Pruszków municipality.

Production activities are therefore concentrated in the Podlaskie province, characterised by the harsh climate of north-eastern Poland, and to a lesser extent in the Mazowieckie province where, as in most of the Central Polish Lowlands, an intermediate oceanic to continental climate prevails. These conditions shape the environment in the places where FORTE operates and determine the operational capabilities of the plants.

The location of the FORTE Group production plants has been planned and selected in such a way as not to interfere with environmentally valuable natural resources. This applies to both animate and inanimate nature. Each of the plants operates on the periphery of the cities in the surroundings of developed areas, where the influence of human activity is visible and the vegetation is mainly shaped through maintenance and greenery planting. Therefore, the studies (environmental analysis) on the impact on the natural environment are conducted at the stage of investment planning (during the EIA procedures) and in the cases of obtaining permissions and decisions regarding environmental protection. No comprehensive environmental impact analysis of the existing Plants was conducted in 2021. The focus was on carrying out the tests and measurements required by the

decisions and permits held. Based on their results, it can be concluded that the impacts do not exceed the standards and the established permissible thresholds, and in certain cases represent a small part thereof.

Plants are situated mainly in the vicinity of production, storage and service areas as well as areas of vehicular and rail transport infrastructure. The natural elements on the plant sites and in their immediate surroundings include mainly Scots pine, black alder, bearded and downy birch, hornbeam, lime, ash, aspen, black poplar, Norway maple, field elm, various types of willow and ornamental vegetation: thistles, boxwoods etc.

The areas of natural value in the closest vicinity of the furniture plants are as follows:

- in Suwałki – the buffer zone of the Wigry National Park, located to the north, approximately 0.89 km from the Suwałki Branch and approximately 3.3 km from the TANNE particleboard production plant in Suwałki. The Wigry National Park is approximately 4.5 km away. The protected area closest to the TANNE plant is situated at a distance of about 1.18 km and it is the Protected Landscape Area – Augustów Primeval Forest and Lakes included in the Natura 2000 network as the Special Protection Area „Augustów Primeval Forest”, code PLB 200002, and the Special Protection Area „Augustów Refuge”, code PLH200005.
- in Ostrów Mazowiecka – the NATURA 2000 area, i.e. the Special Protection Area OSO „Puszcza Biała”, code PLB140007 located to the north-east, surrounding the site at a distance of approx. 2.3 km and to the south-west, at a distance of approx. 2.9 km from the boundaries of the FORTE site in Ostrow Mazowiecka
- in Białystok – the NATURA 2000 area, i.e. the Special Protection Area SOO “Bagienna Dolina Narwi” with the code PLB200001 and the Special Protection Area for Birds „Puszcza Knyszyńska” with the code PLB 200003, more than 2.0 km away from the Białystok Branch. At a closer distance, there are only two small nature

reserves (Antoniuk reserve and Las Zwierzyniecki reserve) in the urban area of Białystok.

- in Hajnówka – the Special Bird Protection Area Natura 2000 OSO „Puszcza Białowieska”, which is, at the same time, considered to be the Special Protection Area SOO of the Habitats Directive (code PLC200004) constituting a large spatial element of the natural system of European significance and with ecological, bioclimatic, scientific and didactic, tourist and recreational, and economic functions – is located at a distance of about 800 m to the east from the Hajnówka Branch. These are the forests included in the protected landscape area „Puszcza Białowieska”. The Białowieża National Park, a World Heritage Site, is approximately 9.0 km to the east.

None of the factories are located in the vicinity of monuments listed on the „World Heritage List” or in the valley of a watercourse and other small-spatial natural system constituting a sequence of natural relations of local importance and with ecological, landscape and economic functions.

No plant operates in a manner that disturbs existing wildlife corridors or species included in the Red List of the International Union for the Conservation of Nature and Natural Resources and in national lists of protected species with habitats.

Also, the location of the particleboard production plant built in 2018 was selected so as not to interfere with environmentally valuable natural areas. The particle board plant in Suwałki is located in the Suwałki Special Economic Zone, approximately 6.5 km south of the Suwałki city centre.

The project does not affect any areas protected under the Nature Conservation Act of 16 April 2004. The Protected Landscape Area „Augustów Primeval Forest and Lakes”, located approximately 1.18 km from the plant, is the closest protected area, also covered by the NATURA 2000 programme.

Plants of the FORTE Group have no significant impact on the natural environment and natural ecosystems. Production is mainly based on materials and products manufactured in a manner that ensures the lowest possible burden on the environment, with an indication of their potential environmental impact.

The production of furniture does not require the direct significant consumption of natural resources. Until 2018, the only natural resource extracted directly from the environment at the site was water from the company’s own intake in Suwałki.

At present, natural raw materials are mainly used in the particleboard production process. Wood represents the largest material group used in production, sourced directly from the natural resources of the environment. Another significant natural resource used in this process is water, which is extracted from the company’s own intakes.

Although these natural resources have already been used under strictly verified and monitored conditions which have allowed this use of the environment without damaging existing resources (e.g. the use of wood is strictly controlled in accordance with the Group’s principles of materials management taking into account FSC and EUTR standards), these two significant environmental aspects are the focus of further efforts to reduce their environmental impact.

In view of the above, closed-loop economy solutions have already been implemented in the FORTE Group in 2020 with the aim of reusing wood waste in processes (circular economy) and returning process water for reuse. These measures have already brought about the first environmental effects in the form of a significant reduction in the consumption of biomass (energy chips) and a reduction in process effluents.

Furniture plants do not generate industrial effluents whose uncontrolled release into the environment could disrupt ecosystems. Rainwater, on the other hand, is discharged through sealed rainwater drainage systems, managed by local government units. The plants are committed to preserving natural retention and, where possible, rainwater is channelled into the ground after appropriate treatment.

The water and sewage management solutions in place at the board factory were planned and executed after an analysis of all possible impacts on the environment and after obtaining the required decisions and approvals from environmental protection authorities. The innovative technological solutions implemented were used to ensure safety for people and the environment. The particle board production technology is a technology that:

- allows for a quiet and stable production process
- minimises air emissions by using a series of filters, cyclone filters and, above all, 2 state-of-the-art WESP electrostatic precipitators
- uses a closed process water circuit
- enables material and thermal recovery processes
- eliminates odour nuisance, thereby meeting the most stringent legal standards and enabling the plant to be a good neighbour without compromising the inhabitants' sense of security.

Another sign of a responsible approach to animate and inanimate nature is the frequent adoption of solutions that go beyond legal requirements. This can be demonstrated, for example, by the technology

used in the new plant or by the waste management system, where waste is segregated to a much greater extent than required by the waste catalogue. The waste listed in the waste catalogue as a single type of waste is further segregated to enable the recovery and recycling of as much of the waste as possible. This ensures that only a small percentage of non-recyclable waste ends up in landfill, which is one of the most common causes of disruption to local ecosystems and reduction of biodiversity.

The raw board production concept, which was developed to meet the needs of furniture production, is also one of the main sustainability measures in the FORTE Group. We produce tailor-made chipboard, i.e. chipboard that is specifically tailored to our furniture designs, which significantly reduces the amount of wood waste generated and the waste that could not be avoided is returned to the board production process.

In addition, in 2021 we completed a number of important projects related to environmental protection in the broadest sense of the word which made it possible to:

- recertify the integrated management system ISO 9,000 and ISO 14,000 for both furniture production and board production processes, which integrates quality with environmental criteria into its business model, thus FORTE supports sustainable development and protects the environment in which it operates
- cover the products manufactured with the FSC certificate, which promotes responsible management of forest resources. It starts with purchasing controlled wood from certified or qualified suppliers, through responsible use of the raw material in production processes, and ends with manufacturing furniture from certified components.

- obtain the KZR INiG certificate in 2021 – which is a confirmation that fuels in the entire supply chain meet the sustainability criteria defined by the scheme, and their combustion under specific conditions meets the requirements of the European Commission in terms of greenhouse gas reduction. The KZR certificate is an internationally recognised certification system for biomass fuels used to produce thermal energy. The KZR INiG scheme has been approved by the European Commission for demonstrating compliance with the sustainability criteria under Directives 98/70/EC and 2009/28/EC of the European Parliament and of the Council. The KZR INiG scheme is included in the list of certification schemes recognised by the European Commission.

The scheme meets the requirements of Directive 2018/2001 (RED II) and the current scheme documents meet the requirements of this Directive.

By obtaining the KZR INiG Certificate, companies participating in the biofuel production chain can confirm that they meet sustainability criteria (SC) as required by the European Commission in terms of reducing greenhouse gas emissions.

In addition, as of 2019, we invariably comply with the German formaldehyde emission standards set out in the ordinance issued by the Federal Ministry for the Environment, Nature Conservation and Safety dated 20 January 2017 (BGBl. I p. 94; 2018 I p. 1389) on the prohibition of certain chemicals (ChemVerbotsV), and the requirements contained in IOS MAT-0181 (AA-2183046-1) of 29 May 2019.

In 2021, no significant accidents or other serious incidents were recorded at FORTE Group Companies. Furthermore, in order to eliminate the risk of failure to meet current standards, measures have been taken to replace the equipment affected by the failure (fire) at the board production facility in 2020. In addition, additional precautions have been put in

place, as well as detailed preventive procedures and fire safety instructions outlining responsibilities and procedures to be followed in the event of accidents with potential environmental consequences.

The FORTE Group companies continue to improve their processes so that their impact on the environment is as small as possible, especially with regard to climate change. Our carbon footprint study for the full scope (scope 1, scope 2 and scope 3) started in 2021 and covered 2019 / 2020. Nevertheless, given the external conditions (i.e. pandemic, factory shutdowns, closure of sales markets, unstable market environment, etc.) the study performed is now being thoroughly reviewed and updated for 2021.

Indicators in the environmental area

Consumption of basic raw materials and consumables

The consumption of consumables and raw materials is closely related to the volume of production in the four plants of FABRYKI MEBLI „FORTE” S.A. and the TANNE Sp. z o.o. plant. The primary materials for the board are wood and, from 2020, wood waste. The raw and refined particleboard produced is the main material for furniture production.

The following have been identified among the material groups whose consumption represents a significant environmental aspect in the Group:

- production materials
 - in the board production such as wood/biomass, adhesives, hardeners and resins – mainly used in the production and refining of the board,
 - in the furniture production such as particle board and adhesives – mainly used in furniture manufacturing processes,
- packaging materials:
 - such as cardboard, films or polystyrene – used in furniture manufacturing processes

Owing to the implementation of solutions enabling the recovery and recycling of wood waste as well as the use of cartons made of recycled materials, the Company significantly contributes to reducing the consumption of natural resources and limits its indirect impact on the environment.

When purchasing wood-based materials from outside the EU, the Group applies the principles set out in the European Parliament Regulation No 995/2010 of 20 October 2010 concerning due diligence in the purchase of timber and timber containing products (EUTR), which aims to prevent trade in illegally harvested timber and timber products. A set of procedures and measures, hereinafter referred to as a “due diligence system”, is in place.

The FORTE Group’s manufacturing plants produce products of above-standard quality. The plants produce and consume lightweight, low-formaldehyde emission particleboard (E0.5 and E1 board). The CARB II certification received by TANNE Sp. z o. o. in 2018 for manufactured wood plastics for compliance of formaldehyde emissions with the requirements of the California Air Resources Board (CARB II) was, among other things, a benchmark for the board, also in 2021. This demonstrates our responsibility and responds to the growing demands of the market

The board produced by TANNE met the requirements of the new German ordinance issued by the Federal

Ministry for the Environment, Nature Conservation and Safety of 20 January 2017 (BGBl. I p. 94; 2018 I p. 1389) on the prohibition of certain chemicals (ChemVerbotsV), and the requirements of IOS MAT-0181 (AA-2183046-1) of 29 May 2019. The standards were maintained throughout 2021.

The cardboard used to pack FORTE’s products is 100% recycled.

Energy consumption

Improving energy efficiency is a very important environmental aspect for FORTE with a global reach due to the scale and forms of environmental use by electricity generators across the country. The traditional production of energy used by FORTE derives inputs such as mineral resources, water and clean air from the environment, while producing waste, exhaust fumes, dust, sewage and greenhouse gases that change the climate.

In order to reduce the above impacts and carbon footprint, FORTE Group plants aim to reduce energy consumption and losses by:

- making energy-efficient machinery a priority when making investment purchases, using energy-efficient machinery and equipment,
- limiting the idle time of machines and equipment - employee self-monitoring,
- optimisation and shortening of internal traffic routes for slow-moving vehicles,
- thermomodernisation of facilities,
- saving energy by eliminating unnecessary operation of electrically powered machinery and equipment,
- purchasing certified energy-efficient equipment and appliances.

In 2021, the FORTE Group Companies did not use electricity from renewable sources. Nevertheless,

some investment projects have been implemented, i.e. the partial replacement of the lighting system, which will allow electricity savings of 121.715 toe/year.

Unfortunately, the effects of the measures taken are not visible on the energy consumption figures due to the unstable operation of the plant in 2020 – which was caused by the pandemic and a months-long shutdown of the plants. Also, the change in technology (switching to heat recovery from waste) in February 2020 means that 2020 should not be used as a benchmark to assess the performance of the installation in 2021, when the installation has operated over a full calendar year.

Table 10.

Consumption of thermal energy in FABRYKI MEBLI „FORTE” S.A. and the FABRYKI MEBLI „FORTE” S.A. Capital Group in 2021 and 2020 by main energy source [GJ]



| | FABRYKI MEBLI „FORTE” S.A. | | FABRYKI MEBLI „FORTE” S.A. Capital Group | |
|---|----------------------------|---------------|--|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Thermal energy from on-site boiler plants | 86 334 | 69 352 | 1 250 042 | 798 196 |
| Thermal energy purchased from a third party | 29 462 | 17 471 | 42 801 | 33 155 |
| Total | 115 796 | 86 823 | 1 292 844 | 831 351 |

Table 11.

Consumption of electricity in FABRYKI MEBLI „FORTE” S.A. and the FABRYKI MEBLI „FORTE” S.A. Capital Group in 2021 and 2020 [MWh]



| | FABRYKI MEBLI „FORTE” S.A. | | FABRYKI MEBLI „FORTE” S.A. Capital Group | |
|---|----------------------------|--------|--|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Thermal energy from on-site boiler plants | 41 993 | 40 260 | 91 040 | 82 923 |

Water consumption

Groundwater as a natural raw material with limited good quality (drinkable) deposits is an important aspect of FORTE Group's Environmental Policy even though water is not a raw material used in furniture manufacturing processes.

Water for furniture manufacturing plants is supplied mainly from local water supply networks and used mainly for personal and utility purposes, fire fighting and watering green areas. Only at one location, where water is abstracted from its own intake, negligible amounts of water are also used for

production purposes (preparation of glue mix).

In the FORTE Group, water is used mainly in auxiliary board production processes, therefore a number of measures are taken to build closed water circuits in order to ensure its rational use. The solutions implemented in 2019 and 2020 to return the used process water for reuse, after purification, have had a positive effect in 2021, even though the annual consumption is higher than in 2020 when the plants were temporarily shut down and operated for a much shorter period.

Table 12.

Consumption of water in FABRYKI MEBLI „FORTE” S.A. and the FABRYKI MEBLI „FORTE” S.A. Capital Group in 2020 and 2021 by source [m³]



| | FABRYKI MEBLI „FORTE” S.A. | | FABRYKI MEBLI „FORTE” S.A. Capital Group | |
|---|----------------------------|---------------|--|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Water taken from the municipal network – purchased from a third party | 18 935 | 20 238 | 27 405 | 24 422 |
| Water taken from own deep water well | 14 957 | 34 615 | 73 165 | 75 174 |
| Total | 33 892 | 54 853 | 100 570 | 99 596 |

The quality of the abstracted water is monitored and does not require complex treatment processes.

FORTE also monitors and implements solutions that minimise the impact of rainwater on the ground and water environment, thus fulfilling all the obligations contained in the applicable permits and laws. These measures are marked by a water and sewage management system that does not reduce the soil retention capacity of the site.

Air emissions

The demand for thermal energy, fuel consumption in own vehicles and emissions from technological processes as well as transport, both of production materials and products to the customer, are the main sources of air emissions, both in manufacturing processes and in the entire supply chain, i.e. throughout the product life cycle.

The main sources of organised emissions are technological and fuel combustion installations designed to provide thermal energy. Due to the nature of the activities, the sources of organised air emissions in 2020 and 2021 were as follows:

- Fuel combustion plants of FABRYKI MEBLI „FORTE” S.A. in Ostrów Mazowiecka, Suwałki Branch,
- Wood waste co-incineration plant operated by TANNE Sp. z o.o. in Suwałki,
- Technological plants of FABRYKI MEBLI „FORTE” S.A. in Ostrów Mazowiecka and Branches in Suwałki, Białystok and Hajnówka,
- Technological plants for board production
- and refining operated by TANNE Sp. z o.o. in Suwałki,

The analysis of impacts in terms of air emissions indicates that the following emissions could be significant in 2020 and 2021:

- greenhouse gas emissions: CO, CO² and VOCs from biomass and wood waste co-incineration plants,
- emissions of gases and substances other than SO_x, NO_x greenhouse gases and total dust from incineration plants,
- dust emissions from technological processes.

The increase in emissions in 2021 relative to 2020 is not due to the ineffectiveness of the measures taken, but is essentially attributable to longer plant operation times and higher heat production.

Table 13.

Air emissions of greenhouse gases in FABRYKI MEBLI „FORTE” S.A. and the FABRYKI MEBLI „FORTE” S.A. Capital Group in 2021 and 2020 [Mg]

| | FABRYKI MEBLI „FORTE” S.A. | | FABRYK MEBLI „FORTE” S.A. Capital Group | |
|-----------------------------------|----------------------------|--------|---|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Carbon dioxide (CO ₂) | 12 761 | 10 421 | 149 587 | 92 559 |

Table 14.

Emissions from incineration in plants in FABRYKI MEBLI „FORTE” S.A. and the FABRYKI MEBLI „FORTE” S.A. Capital Group in 2021 and 2020 [Mg]

| | FABRYKI MEBLI „FORTE” S.A. | | FABRYK MEBLI „FORTE” S.A. Capital Group | |
|---|----------------------------|-------|---|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Total dust | 4,07 | 3,14 | 16,70 | 16,88 |
| Nitrogen oxides (NO _x /NO ₂) | 14,18 | 13,85 | 111,69 | 85,68 |
| Sulphur oxides (SO _x /SO ₂) | 10,52 | 13,62 | 37,56 | 25,28 |
| VOCs | - | 0 | 301,33 | 244,13 |

Table 15.

Emissions of main substances (total dust) from technological processes in FABRYKI MEBLI „FORTE” S.A. and the FABRYKI MEBLI „FORTE” S.A. Capital Group in 2021 and 2020 [Mg]

| | FABRYKI MEBLI „FORTE” S.A. | | FABRYK MEBLI „FORTE” S.A. Capital Group | |
|----------------|----------------------------|-------|---|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Dust (general) | 10,08 | 10,35 | 17,50 | 16,11 |
| VOCs | — | 0 | 25,32 | 17,582 |

Waste emissions

The FORTE Group Companies have in place and regularly update internal regulations that set out the principles of waste management, in line with legal and organisational changes, and measures implemented as part of long-term strategies. Their main objective is to ensure compliance with the constantly changing laws and, above all, to minimise the amount of waste generated.

The FORTE Group has adopted an ambitious waste management policy that goes far beyond the legal requirements. Handling the waste produced in a manner that causes as little environmental nuisance as possible is now too little to expect in the light of ongoing changes in the environment. The process of building

a closed loop for wood waste, which is the primary waste from production processes, launched in 2020, was continuously monitored and improved during the year. The concept of a circular economy (CE) aims to rationalise the use of resources and reduce the negative environmental impact of products. This model aims to minimise the consumption of primary (natural) raw materials and the generation of waste, thereby reducing emissions and energy consumption levels, by creating a closed-loop of processes where the waste generated is treated as raw materials in subsequent production steps.

The plants generate the following types of waste:

- waste generated and stored selectively: wood waste (by fractions and type of waste material), waste paper, plastics (including: foamed polystyrene, high density plastics, low density plastics), scrap metal, glass, hazardous waste such as: electro-waste, oils and sorbents,
- mixed waste: post-production and municipal waste.

The plants segregate waste under one waste code, taking into account the separation of material fractions under one code. The aim is to generate as much clean waste as possible as a secondary raw material that can be recycled.

The solutions applied to reduce the volume of transferred waste (e.g. the volume of foamed polystyrene is reduced by approximately 40 times) also make it possible to limit the impact on the environment by significantly reducing the number of shipments and thus the amount of greenhouse gases from fuel combustion in vehicles. This measure has eliminated approximately 2,300 entries of vehicles on our premises.

The proper segregation of waste has enabled us not only to reduce the number of shipments, but also to prepare waste for recycling, thus saving a considerable amount of natural resources. The waste paper collected was sent to a paper mill, where it was processed into new paper packaging. Paper and cardboard recycling also translates into a large reduction in energy consumption during production (savings of 65% compared to production from virgin fibres) and a reduction in water (by 35%) and air pollution (by 74%).

By recycling our plastic waste (films, polystyrene), it is possible to save around 1 million tonnes of oil a year, which is the primary raw material for its production.

In the current market conditions with numerous legal restrictions on waste management, the recycling of plastics and cardboard is not justified by economics, but above all by environmental protection and awareness.

By separating scrap metal and recycling it in metal smelters, we have achieved energy savings

equivalent to burning 3.5 million litres of petrol. This is due to the fact that the efficiency of metal recycling is based on a significant reduction in energy consumption and in the amount of greenhouse gases released into the atmosphere, compared to the production process involving raw ore.

All these measures were implemented with the aim of reducing the amount of non-segregated waste in the overall waste stream by at least 10% and recovering as many raw materials as possible from waste (short-term objective for 2016-2020).

At the same time, the Group also aimed to reduce the amount of waste generated per unit of production by 5%. It was assumed that the objective would be achieved over a 5-year period, with 2016 as the starting year. To date, the objective has been achieved with respect to: mixed post-production waste, for which there is no possibility of recovery, and plastic waste, which demonstrates the effectiveness of education in the field of waste segregation and efforts to eliminate the most environmentally burdensome waste.

In view of the changes that have taken place since the objectives were set, they are now being updated as part of the new Environmental Policy of the FORTE Group.

Reducing the amount of waste generated is not the only waste management objective. The highest priority is to develop a circular economy in the area of the largest waste stream generated, i.e. wood waste. With the solutions applied and state-of-the-art technologies, wood waste is a substitute for fuels and wood materials necessary for FORTE Group's core production processes. Ultimately, it is assumed that 100% of the wood waste generated will be recycled in the company's own operations.

Table 16.

Emission of waste in FABRYKI MEBLI „FORTE” S.A. and the FABRYKI MEBLI „FORTE” S.A. Capital Group in 2021 and 2020 [Mg]


| | FABRYKI MEBLI „FORTE” S.A. | | FABRYKI MEBLI „FORTE” S.A. Capital Group | |
|----------------------------|----------------------------|---------------|--|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Non-hazardous waste | 33 162 | 35 339 | 44 612 | 44 425 |
| Wood waste | 29 629 | 31 922 | 37 964 | 38 622 |
| Waste paper | 1 999 | 1 851 | 2 027 | 1 867 |
| Polystyrene foam | 63 | 72 | 64 | 72 |
| Packaging film | 123 | 134 | 127 | 137 |
| Scrap metal | 221 | 249 | 382 | 334 |
| Glass | 32 | 59 | 32 | 59 |
| Mixed production waste | 334 | 308 | 376 | 345 |
| Mixed municipal waste | 155 | 264 | 228 | 337 |
| Other miscellaneous waste | 608 | 481 | 3 427 | 2 653 |
| Hazardous waste | 9,3 | 8,7 | 151,7 | 77,8 |
| Electrical waste | 0,5 | 0,1 | 0,5 | 0,1 |
| Oils | 0,4 | 0,3 | 7,7 | 3,2 |
| Sorbents | 3,0 | 2,5 | 4,4 | 3,3 |
| Other miscellaneous waste | 5,4 | 5,8 | 139,1 | 71,3 |

Waste management in the FORTE Group involves optimising the use of materials in all production and storage processes in order to minimise the amount of waste generated. On the other hand, waste whose generation is unavoidable is first separated „at source”, prepared for transport and then transferred to entities holding the relevant permits in order to undergo recovery processes and, finally, disposal.

To ensure the proper performance of waste management tasks within the FORTE Group, waste is managed on a centralised basis and the task of the central waste management supervision unit is to ensure that waste is transferred to authorised recipients and that it is sent to recovery or recycling in the first place and transferred to disposal only in exceptional situations. The quantity of waste transferred to recipients, broken down by management method, is presented in the table.

Table 17.

Total weight of waste FABRYKI MEBLI „FORTE” S.A. and the FABRYKI MEBLI „FORTE” S.A. Capital Group in 2021 and 2020 by management method [Mg]


| | FABRYKI MEBLI „FORTE” S.A. | | FABRYKI MEBLI „FORTE” S.A. Capital Group | |
|-------------------------|----------------------------|--------|--|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Waste sent for recovery | 36 580 | 35 912 | 44 182 | 44 818 |
| Waste sent for disposal | 24 | 17 | 372 | 265 |

Table 18.

Waste recycled and recovered in TANNE Sp. z o.o.'s plant in 2021 and 2020 [Mg]

| | Energy recovery | | Material recovery | |
|----------------------------|-----------------|--------|-------------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Wood packaging 15 01 03 | 0 | 14 | 517 | 442 |
| Wood waste 03 01 05 | 34 882 | 20 917 | 15 141 | 12 221 |

Recipients hold valid, necessary permits for waste management activities. Failure to meet the legal requirements of the waste recipient eliminates the entrepreneur from the cooperation with the Fabryki Mebli FORTE Group.

Despite the increase in the weight of selected waste groups (Table No. ...), it must be taken into account that the plants did not operate for a full year in 2020 and, above all, that only less than 1% of the waste generated was sent for disposal. This means that the waste generated in the group does not represent a direct burden on the environment.

The constant efforts to apply new solutions in the area of waste management and the constant high quality of the services provided allow us to claim that together we care for our neighbourhood and the environment.

Effluent emissions

In 2020/2021, the manufacturing plants of the FORTE Group generated:

- from furniture manufacturing plants: domestic effluents – discharged into local sealed sewer systems
- from the board production plant: domestic and industrial effluents discharged into local sealed sewer systems

Due to the current legal nomenclature, all effluents generated in production plants (domestic and process ones) are currently referred to as industrial effluents (originating from an industrial plant).

Effluents from each plant in the FORTE Group are collected in sealed systems and directed to municipal sewage systems or facilities, and then treated at local sewage treatment plants. The operation of these solutions is regulated by appropriate agreements with network administrators and permits for the discharge of industrial effluents. The volume of effluents discharged is variable and depends closely on the volume of production and the number of employees, and is comparable to the volume of water abstracted.

The technological solutions implemented in 2021 to reduce the amount of effluents produced have had a measurable effect in relation to 2020, despite the fact that the plant operated for a much longer period in 2021

In order to ensure that the quality of the effluents discharged does not have negative effects on the environment, inspections and maintenance of the sewerage facilities and networks are carried out on a regular basis and any irregularities found are immediately rectified by specialised units.

In 2021, no major accidents or other serious incidents, resulting in significant water, ground or air pollution that would cause real environmental damage, were recorded.

Table 19.

Emission of industrial effluents in FABRYKI MEBLI „FORTE” S.A. and the FABRYKI MEBLI „FORTE” S.A. Capital Group in 2021 and 2020 [m³]

| | FABRYKI MEBLI „FORTE” S.A. | | FABRYKI MEBLI „FORTE” S.A. Capital Group | |
|---------------------------------|----------------------------|---------------|--|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Domestic and sanitary effluents | 33 346 | 51 453 | 43 004 | 57 086 |
| Process effluents | 0 | 0 | 6 184 | 4 164 |
| Industrial effluents | 33 346 | 51 453 | 49 188 | 61 249 |

Summary

FORTE Group is a strong, stable and responsible business organisation whose activities are based on four universal values: responsibility, sustainable development, cooperation and sensitivity. As we expand our business and make profits, we remain responsible to the environment, as well as to local communities and our employees.

2021 was a challenging year for us – maintaining our recycler status, sustainability criteria certification, unstable market conditions, the increasingly high bar for meeting sustainability objectives, demonstrated to us that as a team we are able to mobilise our strengths to meet our targets in the face of so many impediments and a changing environment.

In 2021, despite numerous obstacles, we developed our business towards sustainability by consistently improving the closed loop in wood waste management.

We have improved our processes while keeping in mind our greatest values: people and the environment.

Our efforts have been appreciated during a recertification audit conducted in March 2021, which confirmed the compliance of the integrated management system with ISO 9000, ISO 14000 standards and during the certification of the KZR INiG system

As wood is the basic raw material for furniture production, purchasing wood raw materials and wood-based materials is a particularly important aspect of our business. This is why it was so important for us to obtain, once again in 2020, confirmation during the surveillance audit of the FSC® system (FSC-C118178) that our participation in the voluntary FSC® Chain of Custody System is valid to the full extent, i.e. in furniture production and particleboard production – certificate number NC-COC-013500 valid until 2023 – licence number FSC-C118178. The FSC® system is implemented correctly and in accordance with all requirements.

Through the FSC® certification, we want to help our customers make ethical and responsible decisions (e.g. in a furniture outlet) that can minimise harmful effects on the environment.

The international forest management certification system, FSC®, which serves to monitor and certify that forests are managed and used in a proper manner, taking into account the needs of forest nature conservation on a global scale, is the most credible of the currently established forest certification systems worldwide and the only one endorsed by major environmental organisations.

Bearing in mind the following issues presented in this Report:

- environmental aspects
- measures in place to effectively implement the objectives adopted and to minimise the impact on the environment

- environmental considerations in planning, supervising or affecting the manner in which goods and services are designed, manufactured, distributed, consumed and disposed of, by adopting a life-cycle perspective
- determination of the carbon footprint of our products over the product life cycle, planned for 2021

It can be definitely concluded that FABRYKI MEBLI „FORTE” S.A. integrates the environmental protection aspects with the development policy of the FORTE Group, making every effort to ensure that the business operations are carried out with respect for the natural environment in a responsible and sustainable manner.

Taxonomy

The EU taxonomy is a classification system that establishes a list of environmentally sustainable economic activities.

The Taxonomy aims to steer business investment across the European Union towards more sustainable investments to support the EU's energy targets for 2030.

In this report, the FORTE Capital Group for the first time discloses information regarding the so-called EU Taxonomy of Environmentally Sustainable Activities. The obligations related to this were introduced by Regulation (EU) 2020/852 of the Parliament and of the Council of 18 June 2020. In the first year of application, according to the content of the Commission Delegated Regulation (EU) 2021/2178, the FORTE Group discloses the percentage of Taxonomy-eligible turnover, capital expenditures and operating expenses without having to verify the Technical Screening Criteria, i.e. to determine what percentage of these three values is related to environmentally sustainable activities.

The following rules were applied to calculate the percentage of Taxonomy-eligible turnover, capital expenditure (CapEx) and operating expenditure (OpEx):

With regard to turnover, the basis was the Group's total consolidated revenue for 2021, as disclosed in the consolidated financial statements under Revenue from sales of products, goods, materials and services.

The numerator includes revenue from eligible activities described in note 20 to the Consolidated financial statements.

With regard to capital expenditures (CapEx), the basis was the value of the increase in property, plant and equipment accounted for in the FORTE Group. The entire CapEx is included in the consolidated financial statements under Non-current assets and described in note 19.

The numerator includes those parts of the CapEx that relate to Taxonomy-eligible activities.

With regard to operating expenditure (OpEx), the basis comprised all expenses incurred to operate the company's assets on a day-to-day basis and keep them in proper condition. They include such expenses as: costs related to repairs and overhauls of machinery, equipment, plants and buildings, costs of fire protection. The numerator includes those parts of the CapEx that relate to Taxonomy-eligible activities.

The allocation of revenue, Capex and Opex to taxonomy was possible using the Group's controlling tools, which facilitate a multi-faceted analysis of financial performance.

In this report, the Group discloses for the first time the share of Taxonomy-eligible activities for the reported period, i.e. 1 January 2021-31 December 2021, so the disclosure does not include information about changes in data for previous periods.

As only the percentages of Taxonomy-eligible turnover, capital expenditures and operating expenditures are disclosed in the first year of reporting (and not taxonomy-aligned or non-taxonomy-aligned), activities contributing to more than one environmental objective

were not identified. There was therefore no need for special procedures to avoid double counting.

Having analysed all the activities described in the Taxonomy (based on the NACE codes), in the case of FORTE Group, Taxonomy-eligible revenue, capital expenditures and operating expenses are derived from the following activities:

Turnover

Table 20.

Percentage of Taxonomy-eligible turnover in the FABRYKI MEBLI "FORTE" S.A. Capital Group in 2021

| ECONOMIC ACTIVITIES | CODE | TURNOVER IN PLN '000 | PROPORTION OF TURNOVER (%) |
|--|--------------|-------------------------|-------------------------------|
| A. Taxonomy-eligible activities | | | |
| Acquisition and ownership of buildings | 68.20 | 4 520 | 0,34% |
| Total (A) | | 4 520 | 0,34% |
| B. Taxonomy-non-eligible activities | | | |
| Turnover of Taxonomy-non-eligible activities (B) | | 1 322 389 | 99,66% |
| Total (A+B) | | 1 326 909 | 100% |

The Group earns most of its revenue from the manufacture and sale of furniture. These activities are not included in the Taxonomy in terms of Annexes I and II to the Climate Delegated Act (Commission Delegated Regulation (EU) 2021/2139).

The main item of Taxonomy-eligible revenue in 2021 was revenue from the rental of production and warehouse space in buildings owned by the FORTE Group.

The share of Taxonomy-eligible turnover in total turnover was 0.34%.

Capital expenditure (CapEx)

Table 21.

Percentage of Taxonomy-eligible capital expenditure (CapEx) in the FABRYKI MEBLI "FORTE" S.A. Capital Group in 2021

| ECONOMIC ACTIVITIES | CODE | CAPITAL EXPENDITURE IN PLN '000 | PROPORTION OF CAPITAL EXPENDITURE (%) |
|---|----------------|---------------------------------|---------------------------------------|
| A. Taxonomy-eligible activities | | | |
| District heating/cooling distribution | 35.30 | 734 | 1,97% |
| Construction, extension and operation of water collection, treatment and supply systems | 36.00 42.99 | 36 | 0,10% |
| Renewal of waste water collection and treatment | 37.00 42.99 | 105 | 0,28% |
| Renovation of existing buildings | 43 | 10 496 | 28,23% |
| Installation, maintenance and repair of energy efficiency equipment | 43.21 | 1 575 | 4,24% |
| Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings | 43.21 | 163 | 0,44% |
| Total (A) | | 13 109 | 35,26% |
| B. Taxonomy-non-eligible activities | | | |
| Capital expenditure (CapEx) of Taxonomy-non-eligible activities (B) | | 24 071 | 64,74% |
| Total (A+B) | | 37 180 | 100% |

Most of the capital expenditure reported relates to projects aimed at improving the energy efficiency of buildings and machinery and equipment, which will make it possible to reduce energy consumption in subsequent years, thus indirectly contributing to a reduction in greenhouse gas emissions.

Projects were also carried out to upgrade the water supply system and to renew the sewage disposal system. A large proportion of investment expenditure was related to the construction or upgrade of fire-fighting infrastructure.

The investment projects included, among others:

- reconstruction and upgrade of the sanitary sewerage network,
- upgrade of lighting installations,
- upgrade of trolley loading facilities,
- upgrade the production hall infrastructure,
- investments related to fire protection,
- thermo-modernisation of building facades,
- upgrade of the heating system in the production hall,
- upgrade of the ventilation system.

The share of Taxonomy-eligible capital expenditure in the total capital expenditure was 35.26%.

Operating expenditure (OpEx)

Table 22.

Percentage of Taxonomy-eligible operating expenses (Opex) in the FABRYKI MEBLI "FORTE" S.A. Capital Group in 2021

| ECONOMIC ACTIVITIES | CODE | OPERATING EXPENDITURE IN PLN '000 | PROPORTION OF OPERATING EXPENDITURE (%) |
|---|----------------|-----------------------------------|---|
| A. Taxonomy-eligible activities | | | |
| Transmission and distribution of electricity | 35.12 35.13 | 363 | 0,72% |
| District heating/cooling distribution | 35.30 | 390 | 0,77% |
| Installation and operation of electric heat pumps | 35.30 43.22 | 10 | 0,02% |
| Production of heat/cool from renewable non-fossil gaseous and liquid fuels | 35.30 | 362 | 0,71% |
| Construction, extension and operation of waste water collection and treatment | 37.00 42.99 | 325 | 0,64% |
| Renovation of existing buildings | 41 F43 | 3 751 | 7,39% |
| Installation, maintenance and repair of energy efficiency equipment | 43.21 | 15 | 0,03% |
| Professional services related to energy performance of buildings | 71.20 | 40 | 0,08% |
| Total (A) | | 5 256 | 10,36% |
| B. Taxonomy-non-eligible activities | | | |
| Operating expenditure (Opex) of Taxonomy-non-eligible activities (B) | | 45 512 | 89,64% |
| Total (A+B) | | 50 768 | 100% |

Operating expenditure (OpEx) was related primarily with building renovation measures, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment necessary to ensure the continued and effective functioning of such assets.

Taxonomy-eligible operating expenditure (OpEx) concerned such measures as repair and renovation of buildings, control of utilities, fire protection activities, maintenance of sewage collection and treatment systems, day-to-day operation of the heat distribution network, day-to-day operation of the high, medium and low voltage distribution system.

The share of Taxonomy-eligible operating expenditure in the total operating expenditure was 10.36%.

Signatures of Members of the Management Board:

President of the Management Board
Maciej Formanowicz

Member of the Management Board
Maria Małgorzata Florczuk

Member of the Management Board
Walter Stevens

Member of the Management Board
Mariusz Jacek Gazda

Member of the Management Board
Andreas Disch



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