



**Non-financial Report of  
FABRYKI MEBLI „FORTE” S.A. and  
FABRYKI MEBLI „FORTE” S.A. Capital Group  
for the period 01.01.2017-31.12.2017**

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## Introduction

This Report (hereafter: Report) comprises non-financial information concerning FABRYKI MEBLI "FORTE" S.A. and FABRYKI MEBLI "FORTE" S.A. Capital Group in the period 01.01.2017–31.12.2017 and forms part of the Management Board's Consolidated Report on the operations of FABRYKI MEBLI "FORTE" S.A. Capital Group (hereafter: Capital Group, FORTE Group or Group).

This Report is the first account of non-financial information published by the Capital Group of FABRYKI MEBLI "FORTE" S.A.

The obligation to draw up a report on non-financial information is explicitly stated in the amended Accounting Act of 29 September 1994 (Journal of Laws Dz. U. of 2018 Item 395, of 20.02.2018, hereafter: Accounting Act), which was implemented on the basis of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (hereafter: Directive).

This Report has been drawn up in accordance with the Capital Group's internal reporting model.

While assessing the relevance of non-financial information which enables a comprehensive presentation of the non-financial issues of key importance, the authors of the Report have also analysed the Company's impact on its environment and stakeholders, as well as the influence of the environment and stakeholders on the Company.

The following elements formed the basis for determining the scope of non-financial information:

- supply chain analysis,
- review of Responsible Business Strategy implemented in the Group,
- analysis of regulations comprising mandatory provisions of general application and other sector-specific guidelines,
- analysis of stakeholders' expectations expressed e.g. during meetings and social audits,
- in-depth interviews with representatives of the Group's key management and employees working in various areas of operation,
- analysis of recommendations listed in Annex 2 to the Non-Financial Information Standard pertaining to the relevance of non-financial performance indicators in industrial enterprises. The creation of this Standard was coordinated by the Polish Association of Listed Companies and the Reporting Standards Foundation.

With regard to social and environmental policies, the following non-financial information was considered relevant in the Capital Group and the holding company:

Issues relating to the natural environment:

- raw materials and other materials,
- fuel and energy consumption,



- air emissions,
- waste,
- biodiversity.
- Issues relating to employment and employees, social and human rights issues:
  - employment, equality and diversity,
  - occupational health and safety,
  - education and development,
  - human rights,
  - local community engagement.

## Key non-financial performance indicators

The Management Board has drawn up a list of key non-financial performance indicators which are monitored in the Capital Group and taken into consideration in strategic and operational decision-making.

Key non-financial performance indicators are related to the following:

- timeliness of order fulfilment,
- expanding the range of products and services offered,
- employee turnover rate,
- accident rate,
- number and quality of social initiatives,
- employee satisfaction level,
- use of materials and energy,
- timeliness of completion of production-related tasks,
- timeliness of customer deliveries,
- customer complaints rate,
- machine efficiency and workload.

## Stakeholder relations

The Capital Group's dynamic development would be impossible without cooperation with various stakeholder groups, who all have an impact on FORTE's operations and who are themselves also influenced by FORTE through the Company's decisions, activities and their consequences.

FORTE's Stakeholder policy has been laid down in the "Stakeholder Dialogue Strategy".

Key stakeholders have been identified based on their impact on the totality of business operations, including the impact on strategy implementation, as well as services and products provided.

Stakeholder management involves:

- identifying stakeholders and their expectations,
- building stakeholder relations,
- managing stakeholders' expectations and issues raised by them,
- responding to all issues of key importance signalled by stakeholders.

In making business decisions, the FORTE Group canvasses the opinion of stakeholders of key importance to the development of the Group, approaches them as equal partners and verifies their needs and expectations on a regular basis.

The Capital Group of FABRYKI MEBLI "FORTE" S.A. has identified the following main stakeholder groups:

- Internal environment:
  - Employees and co-workers,
  - Companies of the Capital Group.
- Social environment:
  - Local communities,
  - Potential employees,



- Local government entities,
- The media,
- Market environment:
  - Customers,
  - Suppliers,
  - Contractors and Sub-contractors,
  - Business partners,
  - Capital market participants.

## Responsible Business Strategy

The "Responsible Business Strategy of FABRYKI MEBLI "FORTE" S.A. Capital Group" (hereafter: CSR strategy) forms an integral part of the business strategy pursued by the enterprise.

The following values are the cornerstone of the Capital Group's activities and CSR strategy: Cooperation, Responsibility, Development and Sensitivity.

FABRYKI MEBLI "FORTE" S.A. (hereafter: Capital Group, Group or FORTE Group) bears social, environmental and business responsibility for its actions and impact on the environment.

The main areas of the Capital Group's activity have been identified as follows:

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

Strategic goals and actions have been defined for each of these areas.

The strategic goal in the area of internal environment is to establish a culture of co-creation and co-responsibility for the development of the entire Capital Group among its employees.

Responsibility towards employees is defined in the following strategic goals:

- to promote the following values: co-operation, responsibility, development, sensitivity,
- to establish involvement and to build motivation,
- to acquire the best employees,
- to inspire employees to develop and to be creative,
- to create a working environment free of discrimination,
- to shape civil attitudes while preserving the freedom of speech and association,
- to improve health and safety and to promote a healthy lifestyle.

The goals within the area of internal environment are attained through the following actions:

- Establishing open relations between employees at different levels,
- Supporting the intergenerational dialogue, putting an emphasis on diversity,
- Shaping attitudes aiming to identify employees who share the Group's values,
- Supporting internal promotion schemes,
- Respecting employees' intellectual capital and diversity,
- Enabling flexible forms of employment,
- Providing training and development opportunities to employees at all levels,
- Allocating adequate financial, technical and technological means for ensuring safe working conditions,
- Prioritising tasks relating to Occupational Health and Safety Policy.

The strategic goal of the FORTE Group within the area of social environment is to unite the local communities around important objectives.



Activities in the area of social environment involve:

- Supporting initiatives aiming to reduce social inequalities in line with the Charity Policy (Sponsorship Policy),
- Supporting education, co-operation with institutions of higher education and secondary schools, organizing traineeships, didactic aid programmes for schools and educational institutions,
- Co-operating with the AMF Foundation "NASZA DROGA" to shape and influence young people's attitudes,
- Supporting local cultural events, such as conferences, festivals, concerts, exhibitions, in line with the Sponsorship Policy,
- Employee voluntary work schemes,
- Dialogue with local government representatives.

The FORTE Group intends to be a responsible business leader, which is why it constantly seeks to improve its management model, ensuring the transparency of the business processes. This approach influences the manner in which it strives to generate business profit and increase its enterprise value. The Group's goal is to build long-term relations with its business partners, based on mutual trust and clear principles of co-operation. The choice of business partners is made on the basis of transparent criteria which ensure equal access to information.

Activities in the area of market environment involve:

- Ensuring that the terms of co-operation are based on clear and comprehensible criteria,
- Maintaining a dialogue with the Group's stakeholders: customers, suppliers, counterparties, business partners and capital market participants,
- Consulting plans of actions and activities, making information on financial results readily available,
- Requiring suppliers to fulfil strict quality-related and ethical criteria,
- Holding training sessions and supplier audits,
- Continuing to expand the range of products and services offered based on customers' expectations,
- Complying with the internal Marketing Code,
- Phrasing trade offers, marketing materials and promotional activities in a truthful and comprehensible way,
- Active, effective and ethical market competition.

The strategic goal within the area of the natural environment is to take care of every element of the natural environment and to protect it in an appropriate way. This goal is attained by conducting business activities in a way that ensures a rational and sustainable use of natural resources and assets.

Activities in the area of natural environment protection involve:

- Minimising environmental impacts in the process of obtaining raw materials, production, packaging and product distribution,
- Implementing new technologies and modernising installations with a view to reducing damaging impacts on the atmosphere, climate and other elements of the natural environment,
- Complying with the principle of source reduction already at the stage of product design and packaging. This principle ensures a cost-efficient use of materials in the production process,
- Optimising production processes with a view to minimising the use of basic raw materials, fuels and energy,
- Responsible waste management, sorting out waste at source,
- Raising the level of employees', co-workers' and counterparties' ecological knowledge and awareness.



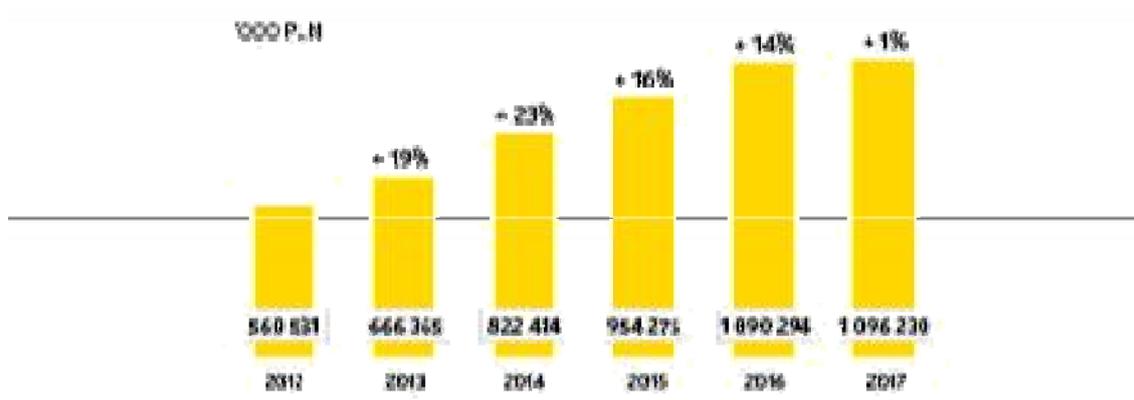
## Business model and strategic development directions: an overview

FABRYKI MEBLI "FORTE" S.A. Capital Group is one of the largest manufacturers of ready-to-assemble furniture in Europe. Our four furniture manufacturing sites are located in Ostrów Mazowiecka, Suwałki, Białystok and Hajnówka. The total production area covers 120.000 square metres, while our warehouse space is approx. 70.000 square metres.

The Capital Group of FABRYKI MEBLI "FORTE" S.A. is comprised of the following companies (as at 31 December 2017):

Forte Sk S.r.o., Bratislava, Slovakia Authorised seller	FABRYKI MEBLI "FORTE" Spółka Akcyjna [a Polish joint-stock company] Holding company	
Forte Ibaria S.Lu, Valencia, Spain Authorised seller		
Forte Furniture Ltd Preston, UK Authorised seller	FORTE FURNITURE PRODUCTS INDIA PVT. LTD. Furniture manufacture and sales	Entities consolidated using full method
Forte Meblar S.a.r.l., Lyon, France Authorised seller	TANNE Sp. z o.o., Suwałki Manufacturing operations	Entities consolidated using full method
Forte Baldal UAB, Vilnius, Lithuania Authorised seller	Dystri Forte Sp. z o.o., Ostrów Mazowiecka Warehousing and storage	
TM Handel Sp. z o.o., Warsaw, Poland Operations and management consulting	TERCEIRA Sp. z o.o., Warszawa, Poland Central companies and holdings, Real property rentals and management	
ANTWERP Sp. z o.o. w likwidacji [a Polish limited liability company in the process of liquidation], Warsaw, Poland Central companies and holdings	Möbelvertrieb Forte GmbH, Erkelenz, Germany Authorised seller	
FORESTIVO Sp. z o.o., Suwałki, Poland Provision of raw material for particle board production	Forte Möbel A/G, Baar, Switzerland Authorised seller	
ANTWERP FP Sp. z o.o., Warsaw, Poland Furniture sales agents	TM Handel Sp. z o.o. S.K.A. [a Polish limited joint-stock partnership with a limited liability company as the general partner] Ostrów Mazowiecka, Poland Real property purchases, sale and management; operations and management consulting	Fort Investment Sp. z o.o., Ostrów Mazowiecka, Poland Real property purchases, sale and management; operations and management consulting
	KWadrat Sp. z o.o., Bydgoszcz, Poland Real property rentals and management	Galeria KWadrat Sp. z o.o., Bydgoszcz, Poland Real property management

GRAPH 1. SALES REVENUES OF FABRYKI MEBLI "FORTE" S.A. CAPITAL GROUP IN 2012-2017 (THOUSAND PLN)





FORTE's strength lies in its own unique design, tailored to different customer and market needs. We offer more than 3,500 models and launch more than 1000 new designs each year. Our product development and logistics are increasingly oriented towards fulfilling the service requirements of large distributors.

Exports make up 82.5% of all sales in FABRYKI MEBLI "FORTE" S.A. The Group boasts a network of authorised seller outlets on the main markets. Germany, France and Spain are our key export countries, with an aggregate turnover amounting to 63.4% of total sales. The Polish market figures constitute 14.8% of total sales, up from 15.3% in 2016.

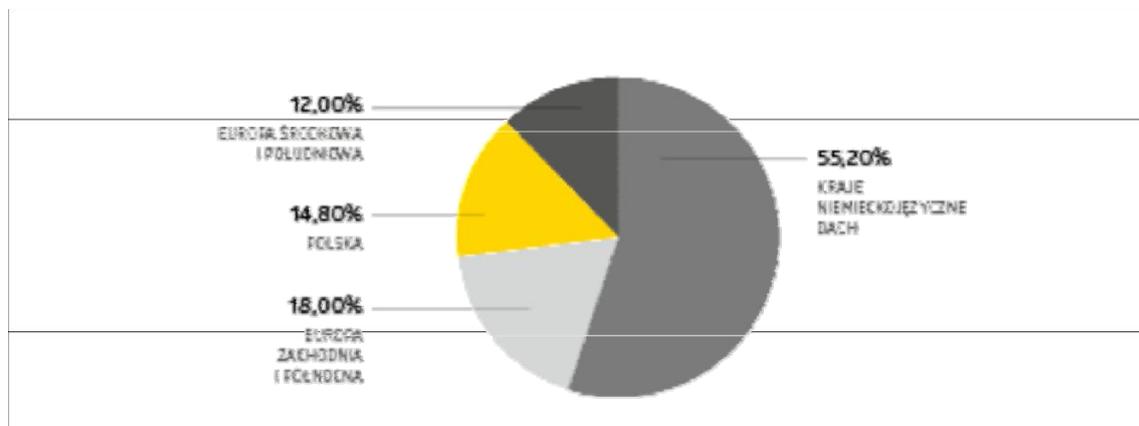
Roller GmbH, based in Germany, and the Steinhoff International Group, based in South Africa, are FORTE's largest recipients.

12.00% - Central and Southern Europe

14.80% - Poland

18.00% - Western and Northern Europe

55.20% - German-speaking countries (Germany, Austria, Switzerland)



## Furniture markets integration in Europe

The integration of furniture markets in Europe has been taking place for some years now. The main furniture recipients in Western Europe continue merging into larger retail sales networks. FORTE's clients include international networks, large nation-wide chains and purchasing associations. These recipients need suppliers who operate globally, manufacture and supply large product volumes and whose enterprises are highly innovative and rely on advanced technologies. Customer development enables the FORTE Group to enter new markets, while the large order volumes allow FORTE to make the most of the available production capacity. FORTE's business model is centred on partnership, that is, optimisation of the common value chain.

FORTE's strategic goals for 2016-2021 are: to increase the turnover to EUR 400 million by 2021, to ensure resources and production capacity to meet the demands of such increased turnover, to gradually increase EBITDA and to complete day-to-day tasks in accordance with the Company's values.

The key elements of success have been identified as follows: the customer, a competent and devoted team, operational excellence, the CSR policy and innovations.

The Group's strategic goals for 2016-2021 are:

- **to increase FORTE's turnover to EUR 400 million**

FORTE aims to be a recognizable global leader among ready-to-assemble furniture manufacturers. To this end, a detailed plan for increasing sales by 2021 has been drawn up which will help strengthen FORTE's position on the old markets and increase its participation in the new markets, beyond Europe. FORTE will concentrate on performing its role of a supplier to the largest furniture sale networks and will maintain close relations with its customers. Customer development enables the Group to enter new markets, while the large order volumes allow FORTE to make the most of the available production capacity. The success of this plan depends mainly on the ability to use the effect of furniture market consolidation in Europe. At the same time, FORTE intends to maintain a diverse range of products offered on each of the markets.



- **to increase the annual production capacity to 6.5 million items**

FORTE's strategic goal is to reach a production capacity which clearly marks the Company out as the market leader, which ensures flexibility and adjustment of production processes to the needs of individual markets and which allows FORTE to shape those needs and to set trends. An annual production capacity of 6.5 million items will be attained through sustainable investments in technology and infrastructure. The investment plan assumes the construction of a fifth manufacturing site and a significant expansion of the available warehouse space. Cost optimisation will be achieved by relying on innovative technologies which include, among others: the use of automated particle board cutting machines, state-of-the-art drills, robots and furniture fittings packaging. The Company adjusts its production capacity to the fulfilment of both large and small customer-tailored orders. Thanks to these modern and flexible solutions, FORTE may pursue one of its policy directions: the strong customer focus.

- **to ensure raw material availability to satisfy growing demand through vertical integration**

FORTE's strategic goal is to ensure full availability of the raw material to all its factories, while preserving a wide range of available foils and particle board sizes.

To this end, FORTE is currently implementing a vertical integration process. In the first half of 2018, FORTE is going to launch its own factory of the basic raw material for furniture production. The factory will produce cutting-edge particle boards that comply with high quality and environmental standards (with regard to air emissions, etc.), as well as with the strictest norms of environmental protection. On 15 February 2018, FORTE launched its test particle board production line. This decision makes FABRYKI MEBLI "FORTE" S.A. independent of the difficult raw material market. The competitive advantage gained by the Group involves, first and foremost: autonomy, flexibility with respect to decorative elements and particle board sizes, cost stability and the possibility to regulate stock volumes.

## List of certified Management Systems

FORTE constantly seeks to improve its management systems. This increases the organisation's competitiveness and enhances customer trust. FORTE has implemented an Integrated Quality Management and FSC System (Chain of Custody Control System linked to forestry), attested by appropriate certificates. The system is based on the following norms: EN ISO 9001:2009 Quality management systems – Requirements, and FSC-STD-40-004 V3-0 FSC Chain of Custody Certification; FSC-STD-40-003 V2-1 Chain of Custody Certification of Multiple Sites; FSC-STD-50-001 V1-2 Requirements for use of the FSC trademarks by certificate holders. FORTE holds FSC certificate no. NC-COC-013500, valid from 20.09.2013, issued by the accredited certification provider NEPCo.

The management system covers furniture design, production and sales. The Integrated Quality Management and FSC System implemented in the Group applies to the operations of the Central Offices (design, technology, purchases, sales and logistics) and Factories in Ostrów Mazowiecka, Białystok and Hajnówka. In 2018, FORTE plans to extend the scope of application of the Integrated Management System to the TANNE Sp. z o.o. Factory in Suwałki.

The Integrated Quality Management and FSC System is based on a process-oriented approach which comprises the following elements:

- main processes linked to product manufacturing,
- management processes linked to strategy and resource planning
- measurement, analysis and performance improvement processes,
- auxiliary processes linked, among others, to document and data entry administration, infrastructure maintenance and non-compliant product supervision.

The FSC system is the first and most widely recognizable forest and forest products certification system in the world. It is based on a series of requirements established by FSC members which set out the rules for good forestry practices and for the verification of those practices in the field. In addition, the system sets out the rules for controlling the flow of the raw material from forest to store. These rules are a guarantee that the materials used in the products really come from FSC certified forests.



The main idea behind implementing the Chain of Custody Control System was to ensure a timber-based product supply system which guaranteed the use of material of known and documented origin only. The system prevents the use of material obtained through theft, material of unknown origin, obtained through over-exploitation and irresponsible timber extraction practices, from natural sites and from other sources which may raise legal, social and ecological concerns. The implementation of the System ensures that the Company can trace all steps in the custody chain from the place of the raw material origin to the finished product in which it has been used.

One of the distinctive features of the FSC certification system is the fact that it brings all interested parties together on an equal footing. This pertains to the social, economic and environmental aspects of quality management.

The FSC certificate provides the Company with a global quality brand, which endorses the Company's responsible business model and effort to protect global forest resources.

For many years, FORTE has improved its certified management systems. The first ISO 9001 certification was obtained in 1997, while the first FSC certification process took place in 2013. FORTE plans to expand its management system to include an environment management system in 2018, and an occupational health and safety system in 2019.

## Ethics management

FORTE conducts its business in a way that complies with the highest ethical standards. In July 2017, a newly-formed team was entrusted with the task of drawing up a Code of Ethics for the Group. The team was comprised of 19 members from various areas of the Company's operations. A draft version of the Code was completed before the end of 2017. In 2018, we intend to implement the Code of Ethics and to hold training sessions for all employees.

FORTE strives to shape its supplier relations by adhering to the principles of honesty and partnership. To this end, the general contracts made with our suppliers are supplemented with the General Terms and Conditions for Supplies, which set out the rules and expectations in supplier relations with regard to ethical practices, counteracting corruption, etc.

## Risk management

FORTE's Risk Management System is based on the document "Strategy, Policy and Methods of Risk Management in FABRYKI MEBLI "FORTE" S.A." (hereafter: Risk Management Strategy, Policy and Methods), which has been approved by the Management Board.

Risk has been defined as a possibility of an event which will have a negative impact on achieving the goals set out in the strategy.

The purpose of the risk management system is to assist the Company's officers and managers in achieving the following objectives: to increase the likelihood of achieving goals, to ensure security and continuity of attaining statutory objectives, to minimise negative impacts, both internal and external, which pose a threat to the stable, safe and rational functioning of the Company, and to ensure an effective functioning of the internal control system.

Risk management is a continual process which involves risk identification, analysis and assessment, as well as implementation of remedy measures that prevent negative consequences from occurring.

The purpose is to maintain risk at a level acceptable to the owner in a way that makes it possible to minimise threats and maximise the chances of achieving goals.



Risk management operates on three levels which comprise: strategic risk, operational risk and project-specific risk.

On the strategic level, risk management pertains to the goals and tasks which follow from the Business Strategy. Strategic risk management falls directly within the remit of the Company's Management Board.

On the operational level, risk management pertains to the goals, tasks and processes fulfilled in the organisational units.

Project-specific risk management is performed at every stage of a specific project.

The scope of responsibility for risk management has been defined for individual organisational units. The risk owner bears full responsibility for risk management. This responsibility involves: designing an integrated risk management system, appointing persons who manage the day-to-day operational risk on behalf of the owner, conducting assessments of identified risks, determining the level of acceptable risk.

The following persons are responsible for implementing and complying with risk management rules: on the strategic level – the President of the Management Board or a Member of the Management Board or Director designated by the President of the Management Board; on the operational level: directors, managers or other designated persons; on the project-specific level – project managers.

Risk assessment is performed in line with the Risk Management Strategy, Policy and Methods. This involves risk identification on the managerial, economic, environmental and social level.

The main non-financial risks in the Group have been identified as follows:

- Risk of an uncontrolled air emission due to failure of appliances which control process and fuel emissions. This risk is mitigated through regular installation checks and by raising employees' awareness of the possible consequences of such incidents. All factory appliances and systems are inspected on a regular basis. The regular measurement of emission levels, indicator control and gradual modernisation of the emission treatment facilities are measures which enable the Company to maintain an acceptable level of emissions, which is confirmed by external audits.
- Risk of polluting the soil and water environment due to improper substance and water storage. The Group has adopted solutions aimed at preventing pollution, such as: storing hazardous waste in airtight containers placed on solid ground in designated warehouse areas, using rainwater treatment facilities to treat rainwater before it is released into the environment.
- Risk to life and health due to non-compliance with fire safety and occupational health and safety requirements. This risk is mitigated through regular staff training and raising awareness of the potential consequences of non-compliance with occupational health and safety requirements. The Group companies continuously invest in modernising the fire safety infrastructure, while internal inspections and audits are conducted on a regular basis.
- Risk of impossibility of fulfilling current tasks due to difficulties in acquiring qualified personnel. On the one hand, this risk is linked to the impossibility of acquiring specialists with relevant skills, knowledge and experience; on the other, it relates to the impossibility of maintaining sufficient staff numbers. This risk is mitigated by implementing numerous training schemes, active recruitment, cooperation with institutions of higher education, employee development schemes (e.g. FORTE Academy), creating incentives such as the workplace kindergarten, and it is lowered through an ongoing dialogue with employees and the Company's business environment.
- Risk of abuse on the part of employees and counterparties. It is eliminated by applying the provisions of the anti-abuse policy and by examining individual areas of the Company's operations for abuse risk.



## Personal Data Protection Policy

There is a Personal Data Protection Policy currently in operation at FABRYKI MEBLI "FORTE" S.A. This policy specifies the ways in which personal data is processed and sets out technical and organisational measures to ensure the confidentiality, integrity and accountability of such data, as well as the role and scope of responsibility of Personal Data Administrators, Information Security Administrators and other persons who process personal data in the Company.

The purpose of all actions within the area of personal data security in the Company is to attain such an organisational and technical level that ensures the following: compliance of actions taken with the generally applicable legal provisions on personal data protection, protection of interests of personal data holders, attaining and maintaining an appropriate level of personal data security within the Company and the Capital Group, continuity of the Company's operations, protection of the Company's interests and image. The extent to which the tasks specified in the Policy are fulfilled is monitored through internal audits and other measures.

In the period covered by this Report, there were no instances of improper use of personal data and no data leaks. There is no administrative proceeding pending against the Company in this regard.



# Employment policy

## Personnel policy

Issues relating to employee acquisition and development and to the creation of a positive work environment are of key importance to the long-term sustainable development of the Capital Group of FABRYKI MEBLI "FORTE" S.A. (hereafter: Capital Group, FORTE Group or Group).

FORTE's "Personnel Policy" specifies the basic rules which govern employee relations and sets out the goals to be attained under the current development strategy.

The goal set by the Personnel Policy is to acquire the best available employees, to enable their continuous development and to build involvement and motivation. The main principles of our Personnel Policy are: transparency, equal treatment under employment rights, respect for diversity and continuous development.

Activities undertaken as part of the Personnel Policy are based on the following principles:

- with regard to recruitment:
  - planning the demand for personnel is conducted as part of the Company's strategy,
  - internal candidates are given priority when applying for vacancies,
  - external candidates are given equal access to the application process,
  - recruitment is governed by objective criteria, methods and tools, in accordance with the applicable Recruitment Procedure,
  - employment of children is prohibited in all the companies of the Group,
- with regard to training and development:
  - the development schemes of FORTE Academy are intended for all employee groups,
  - increasing the employees' competences promotes partnership and participation in building the Company's future and contributing to the success of the Company and the Capital Group,
- with regard to remuneration:
  - the remuneration system implemented in the Group is designed to reflect the quality of the work performed and the level of knowledge, skills and competences necessary to complete the tasks entrusted to employees,
- with regard to building involvement and motivation:
  - the FORTE Group offers several non-financial incentives, including educational support, participation in cultural and artistic events,
- with regard to shaping the Company's image as a responsible employer:
  - supporting vocational training (patronage of wood technology class profiles in local schools)
  - cooperation with institutions of higher education (traineeships, participation in career fairs)
  - cooperation with local government entities.

## Diversity policy

The "Diversity Policy of FABRYKI MEBLI "FORTE" S.A." (hereafter: Diversity Policy) is applied in all the companies of the Capital Group. The goal set in the Diversity Policy is to create a workplace where everyone feels valued and appreciated and is able to fully develop and derive satisfaction from work, regardless of age, sex, race, nationality, ethnicity, political beliefs, health, disability, family status, religion, lifestyle, sexual orientation or any other criterion.

A further purpose of the Diversity Policy is to build an organisational culture and awareness of our Company as an enterprise open to diversity as a principal value which contributes to the organisation's success, leads to increased effectiveness, counteracts discrimination and mobbing and which improves the results achieved by the FORTE Group.

FORTE's Diversity Policy covers the following areas in particular:

- workplace diversity management – employee diversity with respect to age, sex, education, competences, nationality and cultural background,
- education, training sessions and personal development – every employee, regardless of his position, age or sex, has equal access to education. FORTE meets the employees' expectations by organising regular development schemes run by the FORTE Academy, which is in line with the Company's strategy and goals,
- overcoming barriers at the workplace – employee diversity with respect to ethnic origin; cooperation with partners from other countries,
- taking steps to prevent discrimination and mobbing at the workplace – as set out in the current Recruitment Procedure, the candidate's experience and skills are the key criteria assessed in the recruitment process,
- intergenerational dialogue – sporting and cultural events organised for employees and intended for persons of different ages.

TABLE 2. NUMBER OF EMPLOYEES IN FABRYKI MEBLI "FORTE" S.A. AND FABRYKI MEBLI  
"FORTE" S.A. CAPITAL GROUP AS AT 31 DECEMBER 2017 & 2016

	FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group	
	2017	2016	2017	2016
Number of employees as at 31 December	3 213	3 082	3 559	3 296
Number of full-time employees as at 31 December	3 206	3 077	3 551	3 290

TABLE 3. NUMBER OF EMPLOYEES IN FABRYKI MEBLI "FORTE" S.A. AND FABRYKI MEBLI "FORTE" S.A. CAPITAL GROUP  
AT 31 DECEMBER 2017 & 2016 BY SEX AND AGE GROUP

	FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group	
	2017	2016	2017	2016
<b>Women</b>	<b>1 065</b>	<b>1 002</b>	<b>1 123</b>	<b>1 038</b>
younger than 30	257	232	269	239
30-50	586	555	622	580
older than 50	222	215	232	219
<b>Men</b>	<b>2 148</b>	<b>2 080</b>	<b>2 436</b>	<b>2 258</b>
younger than 30	722	702	819	771
30-50	932	893	1 078	971
older than 50	494	485	539	516
<b>Total</b>	<b>3 213</b>	<b>3 082</b>	<b>3 559</b>	<b>3 296</b>



TABLE 4. NUMBER OF EMPLOYEES IN FABRYKI MEBLI "FORTE" S.A. AND FABRYKI MEBLI "FORTE" S.A. CAPITAL GROUP

AS AT 31 DECEMBER 2017 & 2016 BY TYPE OF EMPLOYMENT CONTRACT

	FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group	
	2017	2016	2017	2016
Employees on fixed-term employment contracts	1 611	1 559	1 771	1 646
Employees on open-ended employment contracts	1 602	1 523	1 788	1 650
<b>Total</b>	<b>3 213</b>	<b>3 082</b>	<b>3 559</b>	<b>3 296</b>

TABELA 5. NUMBER OF NEW EMPLOYEES IN FABRYKI MEBLI "FORTE" S.A. AND FABRYKI MEBLI "FORTE"

S.A. CAPITAL GROUP IN 2017 & 2016 BY SEX AND AGE GROUP

	FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group	
	2017	2016	2017	2016
<b>Women</b>	<b>244</b>	<b>204</b>	<b>264</b>	<b>211</b>
younger than 30	111	84	118	86
30-50	106	103	117	108
older than 50	27	17	29	17
<b>Men</b>	<b>666</b>	<b>533</b>	<b>803</b>	<b>571</b>
younger than 30	405	336	461	357
30-50	221	169	292	182
older than 50	40	28	50	32
<b>Total</b>	<b>910</b>	<b>737</b>	<b>1 067</b>	<b>782</b>

\* Data excludes employees who changed their employer as part of transfers within the FABRYKI MEBLI "FORTE" S.A. Capital Group.

TABLE 6. NUMBER OF EMPLOYEE DEPARTURES IN FABRYKI MEBLI "FORTE" S.A. AND FABRYKI MEBLI

"FORTE" S.A. CAPITAL GROUP IN 2017 & 2016 BY SEX AND AGE GROUP

	FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group	
	2017	2016	2017	2016
<b>Women</b>	<b>176</b>	<b>155</b>	<b>178</b>	<b>156</b>
younger than 30	62	56	63	56
30-50	73	72	74	73
older than 50	41	27	41	27
<b>Men</b>	<b>571</b>	<b>556</b>	<b>625</b>	<b>566</b>
younger than 30	318	352	350	358
30-50	191	170	211	174
older than 50	62	34	64	34
<b>Total</b>	<b>747</b>	<b>711</b>	<b>803</b>	<b>722</b>

\* Data excludes employees who changed their employer as part of transfers within the FABRYKI MEBLI "FORTE" S.A. Capital Group.



TABLE 7. COMPOSITION OF THE MANAGEMENT BOARD OF FABRYKI MEBLI "FORTE" S.A. AS AT 31 DECEMBER 2017 & 2016 BY SEX AND AGE GROUP

	FABRYKI MEBLI "FORTE" S.A.	
	2017	2016
<b>Women</b>	<b>1</b>	<b>1</b>
younger than 30		
30-50	1	1
older than 50		
<b>Men</b>	<b>4</b>	<b>4</b>
younger than 30		
30-50	1	1
older than 50	3	3
<b>Total</b>	<b>5</b>	<b>5</b>

## Non-salary benefits

There are several additional non-salary benefits for all employees of FABRYKI MEBLI "FORTE" S.A. The most important of these are:

- financing preventive health care for the employees of the Group,
- subsidising property rental costs for employees who have moved from their place of origin to their place of employment and used to live far away from their place of employment,
- subsidising sport teams,
- subsidising summer camps for the employees' children,
- language courses for the employees' children,
- organising cultural events and meetings as part of "Thursdays in Ruszczyca street" ["Czwartki na Ruszczyca"]
- subsidising employees' annual leave and sanatorium visits,
- Christmas gift packages for the employees' children,
- housing loans.

## Employee satisfaction survey

In 2017, FORTE conducted its first employee satisfaction survey. The purpose of the survey was to learn what each employee thought about the Company's functioning, as well as about communication, cooperation and development opportunities within the organisation.

2 495 employees filled out the survey form.

The Company appointed survey ambassadors who participated in employee meetings, promoting the survey and the idea of a dialogue between employer and employees. The average score on the 1-5 work satisfaction scale in the FORTE Group was 3.41.

The survey results enabled us to identify the areas which, according to our employees, have the greatest influence on work satisfaction levels.

These areas will be accorded special attention by the Management Board in the near future.



## Training and development

FORTE employees have an opportunity to engage in many schemes which help them develop and improve their qualifications. They participate in development schemes organised by the FORTE Academy, as well as in conferences and specialist training sessions. There are numerous internal training sessions held throughout the year which are run by specialists in their respective fields who cooperate with or who are employed by FORTE.

### FORTE Academy

The FORTE Academy is an employee development scheme designed specially to meet the Company's needs. It is aimed at all employee groups within the Company. The Academy programme is intended for senior and middle-rank managerial staff, as well as middle-rank and line employees. Since 2016, 291 employees have already completed various training programmes offered by the Academy.

FORTE's Management Board views the scheme as an invitation to partnership and participation in building the future of our Company.

Programmes offered by the FORTE Academy are run in cooperation with the best business schools, coaches and experts in their respective fields. In 2016 and 2017, FORTE Academy's partners included the Business School of the Warsaw University of Technology and the IBD Business School.

All employees, regardless of their position, sex or age, have equal access to education. FORTE strives to meet its employees' aspirations and ambitions which are in line with the strategy and goals of the Group.

In the years 2016-2017, the FORTE Academy conducted the following development programmes:

- Versatile Leadership programme – aimed at senior managerial staff (33 graduates to date),
- first round of non-degree postgraduate studies – aimed at middle-rank managerial staff and employees with high growth potential (21 graduates),
- FORTE Academy for Managers and Masters – aimed at middle-rank managerial staff (103 graduates),
- FORTE Academy for line employees (114 graduates),
- second round of non-degree postgraduate studies – aimed at middle-rank managerial staff and employees with high growth potential (20 graduates).

In the Companies of the Capital Group, as well as in individual operation areas, there is an additional demand for specialist training and conferences. Together with the department directors, the Personnel Department examines the employees' needs in individual areas of the Company's operations and recommends training programmes to support the achievement of the organisation's business goals.

TABLE 8. AVERAGE NUMBER OF TRAINING HOURS PER EMPLOYEE IN FABRYKI MEBLI "FORTE" S.A. AND IN FABRYKI MEBLI

"FORTE" S.A. CAPITAL GROUP IN 2017 & 2016 BY RANK

	FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group	
	2017	2016	2017	2016
Line employees	32	5	31	5
Specialists	19	14	18	16
Managers	61	30	55	29
Directors	13	101	13	95
<b>Total</b>	<b>31</b>	<b>8</b>	<b>29</b>	<b>8</b>

\* Data excludes the mandatory fire safety, occupational health and safety, and induction trainings.



TABLE 9. AVERAGE NUMBER OF TRAINING HOURS PER EMPLOYEE IN FABRYKI MEBLI "FORTE" S.A.

AND FABRYKI MEBLI "FORTE" S.A. CAPITAL GROUP IN 2017 & 2016 BY SEX

	FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group	
	2017	2016	2017	2016
Women	30	6	27	6
Men	32	9	30	9
<b>Total</b>	<b>31</b>	<b>8</b>	<b>29</b>	<b>8</b>

\* Data excludes the mandatory fire safety, occupational health and safety, and induction trainings.

## Talent management

FORTE's value lies in every employee who wants to fulfil his potential and who is able to contribute more to the Company than what his current position requires. The scope of talent management covers participants and graduates of the FORTE Academy, that is, line employees, managers, masters and graduates of the non-degree postgraduate studies offered by the FORTE Academy.

The purpose of talent management at FORTE is to retain employees with unique specialist competences in the Company and in the Capital Group. 45 graduates have already been promoted as a result of this policy.

Our Company makes an active effort to employ university graduates. To this end, we cooperate with the best technical and economic universities in Poland. FORTE cooperates with those institutions by taking an active part in career fairs, and by organising workshops for students and tours to our factories. The event "FORTE open days" ["Dni z FORTE"] provides an opportunity to learn about the Company's activities and possible career paths.

Since 2013, FORTE has offered a traineeship scheme for university graduates. Graduates have an opportunity to embark on a traineeship in the production, technical or other departments. Trainees may rely on expert guidance, participate in real-life projects and exercise a high degree of autonomy while working on tasks entrusted to them. FORTE offers paid traineeships and provides board and lodging for all the trainees.

In 2017, 50 people completed our traineeships, 29 of whom were invited to work for FORTE. In 2016, out of 48 trainees, 32 were offered a job with us.

In 2016, a wood technology profile class under FORTE's patronage was created in the School Complex no. 1 [Zespół Szkół nr 1] in Ostrów Mazowiecka.

## Employee representatives and the right of association

There are several trade unions operating in Capital Group of FABRYKI MEBLI "FORTE" S.A. They enjoy full access to information and have the right to conduct negotiations and consultations. The Company engages in a constructive dialogue with the trade unions – both parties discuss and exchange information, conclusions and make mutual arrangements. Meetings are held to discuss issues of key importance to the employees, as well as organisational changes and other issues and conclusions reported by the employees. Both parties have an opportunity to engage in discussion, to exchange views and experiences.

Trade unions take an active part in the implementation of FORTE's social policy.



## Occupational Health and Safety (OHS)

FORTE's main priority is to ensure an appropriate level of occupational health and safety standards to its employees and co-workers who are present at FORTE's manufacturing sites.

The Occupational Health and Safety Policy of FABRYKI MEBLI "FORTE" S.A. Capital Group (hereafter: OHS Policy).

As an employer, FORTE takes continuous actions to protect its employees' life and health. The purpose of those actions is to eliminate work accidents and work-related health conditions, to ensure a safe and hygienic workplace environment, to eliminate potential accidents and to minimise risks. To this end, the companies of the FORTE Group implement procedures which oblige managers and all other employees to constantly improve the safety level of every workplace and production process and to eliminate risks involved in all active processes.

The tasks set out in the OHS Policy involve:

- ensuring appropriate financial, technological, technical and organisational measures for the fulfilment of OHS goals and tasks,
- identifying risks which have an impact on the employees' health and safety; taking the necessary preventive steps,
- exercising diligence with respect to raising awareness and increasing employees' competences in the area of workplace safety and health protection through regular training and other measures,
- unconditional compliance with legal regulations, provisions, rules and other requirements relating to occupational health and safety,
- preventing work accidents and work-related health conditions, as well as potentially dangerous events by promoting a culture of occupational health and safety and mutual responsibility for life and health among employees,
- „ the main priority is to reduce the number of work accidents and work-related health conditions among factory employees to zero.

The OHS Policy is supplemented by nine procedures which set out the rules of conduct for specific situations:

1. Workplace Organisation. The procedure sets out the rules of conduct to be adhered to by the person who handles workplace organisation.
2. Occupational Risk Assessment. The procedure sets out the rules of conduct to be adhered to in occupational risk management.
3. Examination and measurement of health risk factors in the work environment. The procedure sets out the types of examinations and measurements to be performed and monitored on a continual basis.
4. Use of safety signs and signals. The procedure sets out the types of OHS signs and signals, as well as the detailed rules for their distribution on the premises.
5. Use of chemical preparations. The procedure sets out detailed rules of conduct from the moment of purchase planning to the disposal of substances, preparations or hazardous materials.
6. Employee training. The procedure sets out the types, ways and forms of mandatory OHS training. All employees of the FORTE Group are required to complete the obligatory induction and periodic training sessions, as well as specialised OHS training, as necessary. All training sessions are conducted in accordance with the established rules and programmes which comply with legal requirements.
7. What to do in the event of a work accident. The procedure sets out the types of work accidents and the actions to be taken in the event of an accident.
8. Unauthorised access to company premises. The procedure sets out the rules of conduct and the scope of responsibility of persons who commission services, to contractors, external companies' employees and visitors.
9. Safety improvement and accident prevention. The procedure sets out the rules for conducting inspections of the working conditions, for carrying out health and safety assessments, as well as for undertaking steps aimed at improving the current OHS level.



The respective scopes of responsibility for OHS have been determined as follows:

- Manufacturing Site / Factory Director is responsible for ensuring the necessary resources for the implementation, functioning and supervision of OHS regulations and for improvements to OHS regulations,
- Line managers are responsible for compliance with applicable OHS procedures and for ensuring that their team members adhere to them,
- OHS inspectors and specialists are responsible for compliance with applicable OHS procedures, for monitoring the working conditions, drawing up quarterly/annual reports, coordinating and advising with respect to compliance and fulfilment of OHS Policy.

FORTE's emphasis on raising the awareness and competence level of all employees finds its expression in the educational activities organised for them.

In 2018, the Managerial Personnel and OHS inspectors will draw up and consolidate the occupational health and safety management system in all manufacturing sites. Guidelines for the standards to be implemented are provided by the norms OHSAS 18001:2007 and PN-N 18001:2004. In 2019, FORTE intends to expand the scope of certification to include the above-mentioned OHS norms.

TABLE 10. OHS INDICATORS IN FABRYKI MEBLI "FORTE" S.A. AND FABRYKI MEBLI "FORTE" S.A CAPITAL GROUP

	IN 2017 & 2016			
	FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group	
	2017	2016	2017	2016
Number of work accidents among persons working at FORTE manufacturing sites	29	16	31	17
Accident frequency (accidents per 1000 employees)	9,03	5,19	8,77	5,19
Number of days of unfitness for work due to accidents	1 527	1 407	1 557	1 434
Accident seriousness (number of days of unfitness for work / 1 accident)	52,66	87,94	50,23	84,35

In 2017 (as in 2016), there were no fatal accidents among our employees or our subcontractors' employees working at the manufacturing sites. There were no cases of work-related health conditions diagnosed in that period.

The Capital Group of FABRYKI MEBLI "FORTE" S.A. organises and finances auxiliary preventive healthcare measures for the benefit of its employees. In 2017, our employees were given an opportunity to undergo free blood pressure, cholesterol and triglycerides tests (using the strip method). In total, 204 employees were tested in all factories of the Capital Group. In addition, 60 women underwent optional mammographic tests. Preventive glucose level tests using the strip method were also performed for 211 employees. 292 employees decided to have free flu vaccinations.

Every FORTE manufacturing site has fully operational voluntary fire-fighting teams which are comprised of over 80 voluntary fire fighters. These units undergo regular training, while a fire-fighting competition combined with a company picnic is organised once a year. In this way, FORTE promotes safety and brings its employees together for a common purpose.



# Social policy

The Capital Group of FABRYKI MEBLI "FORTE" S.A. takes an active part in social interactions. Maintaining dialogue and partnership-based cooperation with the Company's environment is one of the pillars of FORTE's corporate social responsibility.

FORTE's objectives in the area of social policy are to bring up, educate and shape the attitudes of young people who are willing to engage in personal and social development activities and who respond to the needs of others.

## Charity Policy

Within the framework of its Charity Policy, FORTE focuses on initiatives which aim to reduce social inequalities and counteract social exclusion.

FORTE undertakes many initiatives and activities which support education and foster young people's development in many spheres of life. FORTE's engagement in promoting art and culture translates into supporting cultural growth, preserving cultural and national heritage, as well as supporting cultural events and institutions which are located primarily in areas where the Company conducts its business activities.

In its charity and sponsorship policy, the Capital Group of FABRYKI MEBLI "FORTE" S.A. focuses on two main areas:

Activities which support young people's education and upbringing:

- „ cooperation with the AMF Foundation "Nasza Droga", which operates in the Ostrów county;
- „ cooperation with secondary schools and institutions of higher education which educate our future employees by organising traineeships, apprenticeships, competitions, material and educational aids, lectures and conferences, and patronage of specialist class profiles;
- „ material assistance and co-financing the purchase of equipment for educational institutions;
- „ supporting research and scientific and educational activities related to the development of the wood and furniture industry;
- „ individual material aid for the disadvantaged and vulnerable.

Activities which support the development of culture and art:

- „ support for local cultural events, such as concerts, exhibitions, festivals;
- „ support for local physical education and sport projects, such as the regularly-held fire-fighting competitions;
- „ support for cultural projects aimed at activating local communities and stakeholders in the area of art and cultural education.

The Charity Policy is implemented in FABRYKI MEBLI "FORTE" S.A. in the following ways:

- „ **THE WORK OF THE AMF FOUNDATION "NASZA DROGA"**, which assists young talented people from the Ostrów county who need support. Grant holders benefit from meetings, lectures, workshops run by experts in different fields, they participate in cultural events, summer camps and excursions to various places in Poland and abroad. The Foundation also awards scholarships.



**EMPLOYEE VOLUNTARY WORK SCHEME** – the "FORMS" programme "Initiatives Factory" – was designed with a view to assist those employees who wish to change their environment; it takes into consideration the following elements: the location of the employees' homes, their neighbours and local environment. The programme enables employees to obtain financial or non-financial support for implementing their own projects. The initiatives undertaken as part of the scheme mainly pertain to the following aspects: children's and youth's education, culture and art, sport and recreation, health promotion and protection, the natural environment and ecology, reducing social inequalities. In total, 35 projects have been completed during the two rounds of the Programme. These included: renovating school classrooms, activity rooms and canteens, managing green spaces and constructing playgrounds, skiing and cycling routes, as well as creating many other inhabitant-friendly places. In 2016 and 2017, a total of PLN 226,215 was allocated to the "FORMS" programme.

#### **SUPPORT FOR THE DEVELOPMENT AND PROMOTION OF CULTURE AND LOCAL EVENTS**

FORTE supports undertakings which contribute to the promotion of the region, such as the Suwałki Blues Festival and the Orthodox Church Music Festival held in Hajnówka. Support is provided for social projects which enhance active participation of local communities, promote integration and improve the inhabitants' quality of life. Every year, FORTE takes part in the Town Days and the Harvest Festival. In addition, FORTE cooperates with the University of the Third Age and various NGOs with a view to promoting local culture and art.

#### **THE OSTRÓW DEVELOPMENT FORUM**

FORTE co-organises and hosts The Ostrów Development Forum – an event which brings together the leading entrepreneurs from the region and local government representatives to discuss growth opportunities for Ostrów. Discussion panels enable the entrepreneurs, managers and local government representatives to share their experience and ideas on how to attract investment to Ostrów, increase the town's attractiveness and fully realise its potential.

#### **SUPPORT FOR EDUCATION**

FORTE cooperates with institutions of higher education, secondary schools and municipal authorities with a view to developing education and vocational training programmes. The Company supports research as well as educational and teaching activities linked to the development of wood and furniture industry. FORTE representatives participate in conferences and sector-specific panels at which they share their knowledge and experience. In addition, a wood technology class profile has been created at a local school under FORTE's patronage. FORTE offers a wide range of paid apprenticeships and traineeships for students.

#### **1992–2017 FORTE'S 25 YEARS JUBILEE**

In 2017, 25 years had passed since the establishment of FABRYKI MEBLI "FORTE" S.A. The Company celebrated its jubilee together with the residents of the towns and cities where FORTE factories are located, that is: Ostrów Mazowiecka, Suwałki, Białystok and Hajnówka. Four jubilee picnics were organised at which FORTE employees, accompanied by their families and friends and other interested local residents could spend their free time together, enjoying special shows and concerts of big music stars.

#### **THE WORKPLACE KINDERGARTEN "ŻÓŁTY SŁONIK" ["THE YELLOW ELEPHANT"]**

The workplace kindergarten "Żółty Słonik", which provides a nursery ward for the smallest children, is an establishment which meets the highest standards in Poland. The kindergarten helps the employees to combine work with family life, supports young parents and guarantees a stress-free return to work after the birth of the child. Kindergarten activities are conducted both in Polish and English and are based on a specially designed curriculum. Our employees' children may also benefit from summer camps with special cultural workshop, as well as from language courses.

## Product liability

One of FORTE's principal goals is to ensure safety of the furniture manufactured at our sites. To achieve this goal, FORTE takes several actions which include analysing the legal and normative provisions applicable in the customers' respective countries. The applicable norms are also one of the aspects taken into consideration in product design. The Company holds regular product inspections and tests to ensure compliance with the applicable standards. Some tests take place in the Company's internal laboratory. This facility is fit for testing wardrobes, TV cupboards, chests of drawers and showcases. Construction tests carried out by independent testing units are the main tool used for ensuring furniture safety. Cooperation with those units is conducted as part of research activities and product certification procedures. Product construction compliance, as confirmed by independent units, is certified by means of declarations of conformity issued by FORTE.



FORTE has implemented procedures and instructions which help ensure product safety during transport. These include, among others, a procedure for safe formation and unloading of transport packages. The rules for the safe use of furniture are provided in the assembly instructions.

On the customer's request, FORTE provides detailed product information relating to mechanical and chemical safety of the respective products. FORTE also shares information on timber origin (the origin country and wood species used).

## Responsible marketing

The Capital Group of FABRYKI MEBLI "FORTE" S.A. has implemented an internal Code of Ethics for Advertising. The Code is a set of rules to be followed by FORTE employees who are responsible for shaping the corporate image and advertising message relating to the range of products offered.

These rules include a ban on using discriminatory content and violence-inciting elements in advertisements. FORTE's advertising activities must not create a negative image of other entities operating on the furniture market and must not be conducted in a way which could damage objects of historic or artistic significance. They must not mislead the customer into buying a given product or service.

FORTE's advertising activities must not breach public confidence in FORTE's properly conducted activities aimed at environmental protection and they must not take advantage of the recipients' ignorance about environmental protection measures.

In the period covered by this Report, there were no instances of non-compliance of marketing activities with the applicable legal provisions or the Group's internal Code of Ethics for Advertising.

## Respect for Human Rights

The Capital Group of FABRYKI MEBLI "FORTE" S.A. fulfils its obligations under the Universal Declaration of Human Rights, by guaranteeing the right to healthcare, education, to just and favourable remuneration ensuring for oneself and one's family an existence worthy of human dignity, to social protection, to work, to freedom of thought, conscience and religion.

FORTE strives to ensure respect for human rights through identification, prevention or implementation of appropriate actions, both by the organisation itself and by other parties with whom the organisation maintains relations.

To this end, FORTE continually verifies the compliance of its agreements and arrangements pertaining to safety with human rights and international norms and standards of law enforcement.

The current Personnel Policy of the Group contains a declaration of respect for and adherence to all human rights, as well as a ban on discrimination, employment of children and forced labour.

The Diversity Policy contains a declaration of respect and tolerance towards every human being. FORTE intends to create a workplace where everyone feels valued and appreciated and is able to fully develop and derive satisfaction from work, regardless of age, sex, race, nationality, ethnicity, political beliefs, health, disability, family status, religion, lifestyle, sexual orientation or any other criterion.

The companies of the FORTE Group strive to ensure that the agreements made between the Company and its counterparties contain provisions on the respect for and adherence to human rights.

In the General Terms and Conditions for Supplies (which govern the business relations with our counterparties), FORTE states that it refrains from knowingly establishing trade cooperation with suppliers who take advantage of forced labour and who employ persons who have not attained the minimum required legal age, as well as suppliers who use any practices whatsoever which discriminate against their employees.



FORTE's suppliers make a declaration that they do not take advantage of forced labour and do not employ persons who have not attained the minimum required legal age and that they do not use any discriminatory practices, especially bearing in mind the provisions of the European Convention on Human Rights. In the event that FORTE obtains information on any instances of discrimination whatsoever, in particular with regard to sex, race, ethnicity, religious or political beliefs, or any other personal traits, any FORTE supplier who engages in discriminatory practices shall be obliged to undertake decisive steps to eliminate such discriminatory practice.

When signing the General Terms and Conditions for Supplies, the supplier undertakes to ensure safe and hygienic working conditions for its employees, timely payments of remuneration for the work performed and to guarantee that its employees have the freedom of association in trade unions.

In the period covered by this Report, there were no instances of human rights infringement reported or confirmed in the Group; no instance of human rights infringement in the Counterparties' enterprises was reported to the Company.

## Counteracting corruption

### Anti-abuse policy

The large sums spent on Company's purchases and investments carry a potential risk of unethical conduct. Risk assessment, which is performed in the Company on a regular basis, identifies such abuse risks, while all business risks, including unethical practices, are strictly monitored. The consolidated management system set out in the document "Anti-abuse Policy of FABRYKI MEBLI "FORTE" S.A." (hereafter: Policy) specifies the rules of conduct in the event of suspected actions or omissions which bear the hallmarks of abuse. The purpose of the Policy is to eliminate unethical actions, to improve management systems and to effectively protect the Company's goodwill, assets and employees.

As defined in the Policy, abuse is a deliberate action or omission which constitutes a breach of law or an infringement of the values and principles applied in the FORTE Group which results in the perpetrator's obtaining unjust benefits or which generates losses for the Company. Examples of abuse include but are not limited to: all forms of corruption, fraud or forgery, extortion, theft (including intellectual property theft) or unauthorised use of resources, unlawful use of confidential data, conspiracy, collusion, data manipulation, actions or omissions which constitute a breach of mandatory legal provisions of general application.

The Anti-abuse Policy applies to every situation where there are grounds to suspect that the following parties have committed abuse: employees of FABRYKI MEBLI "FORTE" S.A. and employees of the Capital Group of FABRYKI MEBLI "FORTE" S.A., external counterparties: customers, suppliers, co-operators, subcontractors, advisory bodies and other entities with which the organisation maintains business relations.

Responsibility for detecting and preventing abuse and for building a working environment free of any signs of abuse whatsoever falls within the remit of the Management Board of FABRYKI MEBLI "FORTE" S.A. and of the managers of the organisational structures of the Company and Capital Group. Each member of the managerial personnel pays special attention to abuse risk and any violations of the rules whatsoever, not only in their specific area of responsibility, but also in the entire Capital Group of FABRYKI MEBLI "FORTE" S.A.

FORTE tolerates neither abuse nor concealing information about actions which may amount to abuse.

In particular, the Management Board and the managers are obliged to: identify abuse risks in their respective areas of responsibility, to ensure that an appropriate internal control system is in place, to ensure that all employees fully understand the currently operational internal control system and comply with the respective control procedures, to perform inspections of the internal control system on a regular basis with a view to guaranteeing compliance with those procedures, as well as to check whether those systems are still effective.



Within the scope of its tasks, the Internal Audit Department examines the abuse detection and prevention mechanisms which have already been implemented.

The Company's employees are obliged to immediately report all doubts and information about potential corruptive practices or instances of abuse committed by co-workers, managers, suppliers or other entities which maintain business relations with the Company.

The Company systematically revises abuse risk categories, including the risk of corruptive practices. Abuse risk is regularly reviewed by managers, who perform these tasks in cooperation with the Internal Audit Department. The method used is the same as the method used in assessing any other risks within the Group.

In 2017, a comprehensive revision in all the areas of the Company's operations was performed to assess abuse risk. The assessment procedure involved an examination of the risk registers developed by the supervisors of the organisational units in Q2 and Q3, which included risks characterised as abuse. The following elements were then determined by the supervisors of the organisational units: the likelihood of abuse risk, process relevance, control mechanisms aimed at reducing risk levels, control actions in accordance with internal control plans in particular operation areas. Notes from internal audit reports were also taken into consideration and interviews with employees at the different levels of the organisational structure were conducted as part of this process.

Areas at risk of abuse were identified. Based on the interviews and the material collected, possible abuse risks in every area of the Company's operations were identified; the suitability of the control mechanisms was also assessed.

The results of the assessment are presented in the document "Review of abuse risks in the Company's areas of operation October 2017".

In 2017, our internal auditors performed all controls (that is, audits specified in the annual audit schedule) as planned. Several controls were also performed at the Management Board's request.

## Honesty in relations with counterparties

FABRYKI MEBLI "FORTE" S.A. strives to shape its supplier and subcontractor relations based on the principles of honesty and partnership. The general contracts made with our suppliers are supplemented with the "General Terms and Conditions for Suppliers of FABRYKI MEBLI "FORTE" S.A. with its registered office in Ostrów Mazowiecka". This document specifies the suppliers' obligations concerning: ethical behaviour, providing reliable information, product safety, environment protection and maintaining confidentiality. By signing this document, each supplier undertakes to refrain from offering any unjust benefit to the Company's employees and representatives.

In 2017, there were no instances of abuse detected in the organisation.

## RESPECT Index

Since 2016, FABRYKI MEBLI "FORTE" S.A. has been a member of the elite group of companies listed on the Warsaw Stock Exchange which are quoted under the RESPECT Index. The RESPECT Index project aims to identify those companies which are managed in a responsible and sustainable way. The examination comprises multiple stages: the Index group comprises companies with good liquidity levels which comply with the principles of responsible corporate governance, maintain good relations with their business environment and stakeholders and implement environmental protection measures. FORTE successfully completed the three-stage review process by the WSE and the RESPECT Index audit twice, in 2016 and in 2017.

There are three main areas which are subject to review in this process:

- Social policy (social aspects) – this area covers issues relating to: OHS, human resources management, supplier relations, stakeholder dialogue, social reporting;
- Environmental policy – this area covers issues relating to: environmental management, reducing environmental impacts, biodiversity, environmental aspects of products/services;
- Governance – this area covers issues relating to: strategic management, corporate governance, risk management, internal audit and control system, customer relations

Responsible growth, compliance with the principles of corporate governance and good relations with the business environment, as well as environmental protection measures are FORTE's strengths which show that the Company deserves its place in this elite group.



# Environment

## Environmental policy

### Our responsibilities towards Earth

The Capital Group of FABRYKI MEBLI "FORTE" S.A. continuously improves its activities which foster the Company's responsible business model. FORTE's Environmental Policy is one of the pillars of the our corporate governance, which defines the directions of the future development. The purpose of the Policy is to point to activity areas which ensure environmentally sustainable growth, based on respect for every element of the natural environment.

By including environmental issues in its business model, FORTE fosters sustainable development and protects the environment in which it conducts its operations. These obligations form part of the Environmental Policy of FABRYKI MEBLI "FORTE" S.A. Capital Group, available at [www.forte.com.pl](http://www.forte.com.pl).

In line with the Environmental Policy, all entities of the FORTE Group, as well as all our employees and co-workers are obliged to act in a professional and responsible manner. Therefore, they are all obliged to unconditionally and unambiguously adhere to the principle of sustainable growth, which lies at the core of the FORTE Group's business model.

The goals of the Environmental Policy were set out for a period of five years starting from 2016, when the environmental aspects of the Company's operations and the scale of environmental impacts were identified. The five-year period for achieving our goals was determined by the complex nature of the production process and the planned task schedule, as the fulfilment of these tasks often depends on long-term investments and the necessity to implement new solutions and technologies in many areas of operation, or it results from a time-consuming process of raising environmental awareness.

The following principles determine the directions for sustainable growth:

- reduction of fuel, energy and water consumption with a view to protecting non-renewable resources;
- reduction of pollution from production, warehousing and transport of goods; construction of a closed-circuit waste management system with a view to fostering intelligent, inclusive and sustainable growth through efficient use of resources and minimising carbon dioxide emissions from the Company's activities.

FORTE's Environmental Policy sets out a plan for the implementation of environmental protection measures in the following areas: warehousing and distribution, process design, production, packaging and product use.

Product storage and supply chain logistics are important elements of FORTE's activities. To create an integrated supply chain system, FORTE cooperates with its partners in logistic processes, that is, in product planning and development, as well as in order fulfilment in the supply chain.



To minimise environmental risks, FORTE undertakes various initiatives to help ensure a sustainable supply chain. Our customers' requirements (e.g. certificates attesting to environmentally-friendly production processes) help us define similar requirements with respect to our suppliers.

Checking if the external entities, comprising both suppliers and contractors performing work for the FORTE Group, comply with those requirements is a key aspect of our environmental protection policy.

Our main actions aimed at improving the supply chain include transport optimisation and supplier & services selection. Under the Environmental Policy, we are obliged to assess our suppliers' environmental impacts, paying special attention to product impacts.

The choice of suppliers of materials and raw materials is influenced by the consumers' requirements pertaining e.g. to lower emissions, non-use of hazardous substances, manufacture of materials from recycled raw materials or sustainable forest management.

Our production processes are specifically designed to ensure the maximum use of materials that are carefully selected and tested for properties which may influence the environment. As far as paper and cardboard packaging or timber-based materials are concerned, our goal is to use materials originating only in forests managed in a sustainable way which fosters bio-diversity. This prevents the use of timber and timber-based products derived from natural forests or forests at risk of depletion, from illegally exploited forests, from forest plantations established as a result of the process of converting natural forests, initiated in 1994, or from natural habitats of endangered species.

The production process is conducted strictly in accordance with guidelines for the optimisation of the use of materials and it is based on technologies and solutions which reduce fuel and energy consumption. The finished product packaging is optimised for weight and volume.

FORTE engages in educational programmes and raises awareness of the importance of environmental protection among its suppliers, recipients, counterparties, consumers, employees and co-workers.

These main measures form the framework for a comprehensive and systematic environmental management system throughout the product life cycle.

## Biodiversity

The main production activity undertaken by the Capital Group of FABRYKI MEBLI "FORTE" S.A. is the manufacture of particle board furniture. The production and distribution activities take place at the manufacturing site in Ostrów Mazowiecka, in the high-bay warehouse DYSTRI – FORTE Sp. z o.o. in Ostrów Mazowiecka, as well as in FORTE branches in Suwałki, Białystok and Hajnówka.

FORTE's manufacturing activities are located mainly in the Podlasie Province, which is characterised by a harsh climate, typical of that geographical region, and, to a lesser extent, in the Masovian Province, characterised by a mixed maritime-continental climate, typical of the Lowland of Central Poland. These conditions shape the environment of FORTE's activities and enable the functioning of our factories.

The location of FORTE's manufacturing sites was carefully planned and selected so that the factories would not disrupt the balance of the valuable natural resources. This is true both for the animate and inanimate nature. All our factories are located on the peripheries of towns and cities, in areas with well-developed infrastructures and visible human influence, where vegetation is largely influenced by human maintenance and planting activities. For this reason, the assessment of environmental impacts (analysis of the natural environment) is only carried out at the investment planning stage (as part of the environmental impact assessment, EIA) and whenever environmental permits and decisions need to be obtained from the competent authorities.

Our manufacturing sites are mainly surrounded by production/warehousing/commercial areas, as well as by road and rail transport infrastructure. Elements of the natural environment at our sites and in their immediate vicinity include mainly the Scots pine (*Pinus sylvestris*), the black alder (*Alnus glutinosa*), the warty birch (*Betula pendula*), the downy birch (*Betula pubescens*), the hornbeam (*Carpinus*), the lime tree (*Tilia*), the ash (*Fraxinus*),



the common aspen (*Populus tremula*), the black poplar (*Populus nigra*), the Norway maple (*Acer platanoides*), the field elm (*Ulmus minor*), various species of willows (*Salix*), as well as decorative plants, such as the *Thuja* and the *Buxus*.

Areas of high natural value located in close proximity of FORTE's sites are:

- in Suwałki – the buffer zone of the Wigry National Park, located approx. 0.89 km to the north of the Suwałki branch and approx. 3.3 km away from the TANNE particle board factory in Suwałki. The Wigry National Park is located approx. 4.5 km away from the factory. The protection area located nearest to the TANNE factory (1.18 km) is the protected landscape site – the Augustów Forest and Lake District, which forms part of the Natura 2000 protected areas network as the Special Protection Area "Puszcza Augustowska" ("Augustów Primeval Forest", code: PLB 200002) and the Special Area of Conservation "Ostoja Augustowska" (code: PLH 200005).
- in Ostrów Mazowiecka – the NATURA 2000 Special Protection Area "Biała Puszcza" ("White Forest", code: PLB140007), surrounding the area of the production site, situated approx. 2.3 km to the north-east, and approx. 2.9 km to the south-west of the boundaries of the manufacturing site in Ostrów Mazowiecka.
- in Białystok – the NATURA 2000 Special Area of Conservation "Bagienna Dolina Narwi" ("Narew Bog Valley", code: PLB200001) and the Special Protection Area for birds "Puszcza Knyszyńska" ("Knyszyn Forest", code: PLB 200003), located approx. 2.0 km away from the Białystok branch. Only two small nature reserves are located nearer the site (the Antoniuk reserve and the Zwierzyniec Forest reserve), both of which are situated within the municipal boundaries of Białystok.
- in Hajnówka – the NATURA 2000 Special Protection Area for birds "Puszcza Białowieńska" ("Białowieża Forest"), which is also a Special Area of Conservation under the Habitats Directive (code: PLC200004). This site is a large-area element of a Europe-wide natural system which fulfils ecological, biological, climatic, educational, recreational and economic functions; it is situated approx. 800 m to the east of our Hajnówka branch. The area comprises forests which form part of the protected landscape area "Puszcza Białowieńska". The Białowieża National Park, listed as a World Heritage site, is located approx. 9.0 km to the east.

None of our factories is located near a World Heritage monument or in a watercourse valley or other small-space natural system comprising a network of natural links and fulfilling local ecological, landscape and economic functions.

None of the factory operations disrupts the functioning of the existing ecological corridors or species included in the Red List of the International Union for the Conservation of Nature, or in the national lists of protected species and habitats.

FORTE sites do not have a significant impact on the natural environment and ecosystems. Production mostly relies on the use of materials and goods which are manufactured with the least possible burden to the environment and which are provided with clear specifications of their possible environmental impacts.

FORTE's activities do not require significant levels of direct consumption of natural resources. The use of the natural resources at the site of the Company's activities only involves water extraction from FORTE's own well in Suwałki, primarily for domestic use. The exploitation of the water resources was allowed on the basis of a positive outcome of hydro-geological tests, which confirmed that this scope of exploitation did not deplete the existing groundwater reserves.

In our furniture factories, no industrial wastewater is generated which could disrupt the ecosystems in the event of an uncontrolled release to the environment. Rainwater, however, is discharged by means of a leak-proof rainwater drainage system managed by local government units. The factories strive to maintain natural flood retention – wherever possible, properly treated rainwater is re-released into the ground.

In practice, FORTE's responsible approach to the animate and inanimate nature means adopting solutions which go beyond what is legally required. One example of this policy is our waste management system which involves sorting waste into more categories than is normally the case. The types of waste listed in the waste catalogue under one group are sorted into more subcategories with a view to recycling as much generated waste as possible. This ensures that only a tiny portion of all waste is discharged to landfill sites, which contribute to disrupting the ecosystems and have a harmful effect on biodiversity.



The companies of the FORTE Group take actions aimed at minimising fossil fuel consumption of motor vehicles by implementing and using appliances and devices which reduce process emissions. The new multicyclones and air filter units installed in 2016 and 2017 have significantly reduced particulate matter emissions from installations.

In 2016 and 2017, there were no major accidents or other incidents in the FORTE Group companies which led to a significant contamination of soil and water and which, consequently, could pose a risk to plant or animal life.

Environmental impacts are also a key element taken into consideration while implementing investment projects.

In the case of undertakings which could have a significant influence on the environment, all aspects and possible impacts are analysed and consulted with the local community. In 2016/2017, holding a series of meetings and explaining the possible environmental impacts of our planned projects made it possible to obtain a permit for the largest investment project in the region – the particle board production plant and a further furniture factory in Suwałki.

## Environmental indicators

### Use of basic raw materials and other materials

The use of raw materials and other materials is closely linked to production volumes attained at FORTE's four manufacturing sites. The basic material used is the particle board, both in its raw and processed form. Since mid-October 2017, after the application for the launch of a new laminating installation had been accepted by the Provincial Inspectorate of Environmental Protection, the use of materials has been closely monitored in the newly launched TANNE Sp. z o.o. factory in Suwałki.

Categories of materials used in the Group which have significant environmental impacts have been identified as follows:

- production materials, such as particle board, glues, hardeners and resins, which are used mainly in board production and processing;
- packaging materials, such as cardboard, foil or Styrofoam.

100% of FORTE's packaging cardboard is made from recycled materials, which allows the Company to greatly decrease the use of natural resources and to reduce direct environmental impacts.

TABLE 11. TYPE AND QUANTITY OF RAW MATERIALS/OTHER MATERIALS USED IN FABRYKI MEBLI "FORTE" S.A.  
AND FABRYKI MEBLI "FORTE" S.A. CAPITAL GROUP IN 2017 & 2016

	Unit	Per 1,000 packages			
		FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group	
		2017	2016	2017	2016
Particle board	[m <sup>3</sup> ]	47.6	49.3	47.8	49.3
Glue	[kg]	90.4	98.3	90.4	98.3
Hardener	[kg]	11.4	17.2	14.5	17.2
Resin	[kg]	73.7	117.6	106.7	117.6
Cardboard	[1,000 m <sup>2</sup> ]	3.3	3.2	3.3	3.2
Styrofoam	[m <sup>3</sup> ]	10.1	10.6	10.1	10.6
Stretch foil	[kg]	34.6	36.5	34.6	36.5

## Due diligence

In the FORTE Group, the purchase of timber-based materials from outside the EU is governed by the principles set out in the EU Regulation No 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market (EU Timber Regulation; EUTR), which aims at counteracting trade in illegally obtained timber and timber-based products. To this end, FORTE operates a set of measures and procedures, hereafter referred to as the Due Diligence System. In 2016/2017, 100% of timber-based materials purchased outside of the EU were acquired in full compliance with the EUTR.

FABRYKI MEBLI "FORTE" S.A. achieves higher product quality standards than those required by applicable norms. The particle boards used in our factories are the low formaldehyde emission boards (E0.5 and E1).

## Energy consumption

In light of the environmental impacts generated by manufacturers of commercial energy carriers, one of FORTE's main environmental concerns of global significance is the improvement of the Company's energy efficiency. The traditional methods of energy production utilise natural resources, water and clean air, only to generate waste, exhaust fumes, wastewater and greenhouse gases, which all change our climate.

To reduce these harmful impacts and the carbon footprint, FORTE strives to decrease energy consumption and loss through:

- consideration of the machines' energy efficiency levels while making investment purchases; use of energy-saving machines and appliances;
- shortening of the idle run of machines and appliances – employee self-checks;
- optimisation and shortening of low-speed vehicle routes as part of the internal communication infrastructure;
- thermal upgrading of our facilities;
- saving energy by eliminating unnecessary use of machines and appliances which consume electricity;
- purchase of equipment and appliances with low energy intensity certificates.

In 2016 and 2017, the Companies of the FORTE Group did not use energy derived from renewable sources.

TABLE 12. THERMAL ENERGY CONSUMPTION IN FABRYKI MEBLI "FORTE" S.A. AND FABRYKI MEBLI "FORTE" S.A. CAPITAL GROUP

		IN 2017 & 2016 BY MAIN ENERGY SOURCE							
		FABRYKI MEBLI "FORTE" S.A.				FABRYKI MEBLI "FORTE" S.A. Capital Group			
		2017		2016		2017		2016	
						Per 1,000 packages		Per 1,000 packages	
	Unit	2017	2016	2017	2016	2017	2016	2017	2016
Thermal energy generated in on-site boiler rooms	[GJ]	86 602	165 263	86 602	165 263	12.4	25.5	12.4	25.5
Thermal energy purchased from external providers	[GJ]	10 190	12 929	23 562	27 789	1.5	2.0	3.4	4.3
<b>Total</b>	<b>[GJ]</b>	<b>96 792</b>	<b>178 192</b>	<b>110 164</b>	<b>193 052</b>	<b>13.9</b>	<b>27.5</b>	<b>15.8</b>	<b>29.8</b>

TABLE 13. ELECTRICITY CONSUMPTION IN FABRYKI MEBLI "FORTE" S.A.

AND FABRYKI MEBLI "FORTE" S.A. CAPITAL GROUP IN 2017 & 2016

		Per 1,000 packages							
		FABRYKI MEBLI "FORTE" S.A.				FABRYKI MEBLI "FORTE" S.A. Capital Group			
		2017		2016		2017		2016	
	Unit	2017	2016	2017	2016	2017	2016	2017	2016
Electricity	[MWh]	46 514	45 040	48 036	45 632	6.7	7.0	6.9	7.0



## Water consumption

The shortage of good-quality (drinking) groundwater – a natural resource of limited availability – poses a serious environmental issue. Although water is not used in our technological processes, taking care of water resources forms an important aspect of FORTE's Environmental Policy, the goal of which is to reduce water consumption by 5% as compared to 2016.

FORTE implements solutions which minimise water consumption and which reduce the impact of rainwater on the soil and water environment. Thereby, the Company fulfils all its obligations contained in the applicable permits and provisions of the law.

At FORTE, water is used primarily for domestic and fire safety purposes, as well as for landscape maintenance. To date, water has been used in small amounts for production purposes in one of our four locations only (for the preparation of the glue mix at our Suwałki site). The production sites draw water mainly from the local water supply network. In addition, our Suwałki branch has its own water well.

TABLE 14. WATER CONSUMPTION IN FABRYKI MEBLI "FORTE" S.A. AND FABRYKI MEBLI "FORTE" S.A. CAPITAL GROUP

		IN 2017 & 2016 BY WATER SOURCE							
		FABRYKI MEBLI "FORTE" S.A.				FABRYKI MEBLI "FORTE" S.A. Capital Group			
		2017		2016		2017		2016	
						Per employee		Per employee	
		FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group		FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group	
	Unit	2017	2016	2017	2016	2017	2016	2017	2016
Water from municipal network – purchased from external provider	[m <sup>3</sup> ]	28 203	35 643	29 907	35 730	8.8	11.6	8.4	10.8
Water from own groundwater well	[m <sup>3</sup> ]	29 609	29 272	30 284	29 272	9.2	9.5	8.5	8.9
<b>Total</b>	<b>[m<sup>3</sup>]</b>	<b>57 812</b>	<b>64 915</b>	<b>60 191</b>	<b>65 002</b>	<b>18.0</b>	<b>21.1</b>	<b>16.9</b>	<b>19.7</b>

## Air emissions

Both in the production process and in the entire supply chain, the demand for thermal energy and the fuel consumption of motor vehicles are the main sources of air emissions.

The main sources of air emissions are the production and fuel combustion installations which provide thermal energy. Given the specificity of FORTE's activities, in 2017, the main sources of industrial air emissions were:

- the fuel combustion installations of FABRYKI MEBLI "FORTE" S.A. in Ostrów Mazowiecka, the Suwałki branch and the Białystok branch;
- the technological installations of FABRYKI MEBLI "FORTE" S.A. in Ostrów Mazowiecka, the Suwałki branch, the Białystok branch and the Hajnówka branch;
- from October 2017 – the particle board processing installation of TANNE Sp. z o.o.

The environmental impacts assessments of air emissions indicate that in 2016 and 2017, the following aspects could be of significance:

- greenhouse gases emissions (CO, CO<sub>2</sub>) from combustion installations;
- gas emissions and emissions of substances and gases other than greenhouse gases (SO<sub>x</sub>, NO<sub>x</sub>), as well as total particulate matter emissions from combustion installations;
- emissions of particulate matter from technological processes.

TABLE 15. GREENHOUSE GAS EMISSIONS IN FABRYKI MEBLI "FORTE" S.A.

AND FABRYKI MEBLI "FORTE" S.A. CAPITAL GROUP IN 2017 & 2016

Unit	Per 1,000 packages							
	FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group		FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group	
	2017	2016	2017	2016	2017	2016	2017	2016
Carbon dioxide (CO <sub>2</sub> ) [Mg]	13 586	17 619	13 586	17 619	1.9	2.7	1.9	2.7

TABLE 16. EMISSIONS FROM COMBUSTION PROCESSES AT INSTALLATIONS IN FABRYKI MEBLI "FORTE" S.A. AND FABRYKI MEBLI "FORTE" S.A. CAPITAL GROUP IN 2017 & 2016

Unit	Per 1,000 packages							
	FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group		FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group	
	2017	2016	2017	2016	2017	2016	2017	2016
Total particulate matter [Mg]	4.86	5.05	4.86	5.05	0.0007	0.0008	0.0007	0.0008
Nitrogen oxides (NO <sub>x</sub> /NO <sub>2</sub> ) [Mg]	13.58	18.26	13.58	18.26	0.0019	0.0028	0.0019	0.0028
Sulphur oxides (SO <sub>x</sub> /SO <sub>2</sub> ) [Mg]	11.70	19.37	11.70	19.37	0.0017	0.0030	0.0017	0.0030

TABLE 17. MAIN AIR POLLUTANTS EMISSIONS (TOTAL PARTICULATE MATTER) FROM PROCESSES

IN FABRYKI MEBLI "FORTE" S.A. AND FABRYKI MEBLI "FORTE" S.A. CAPITAL GROUP IN 2017 & 2016

Unit	Per 1,000 packages							
	FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group		FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group	
	2017	2016	2017	2016	2017	2016	2017	2016
Particulate matter (general) [Mg]	12.91	12.80	12.91	12.80	0.0018	0.0020	0.0018	0.0020

## Waste

In every Company of the FORTE Group, there are internal regulations in place which govern waste management. The purpose of these regulations is to minimise the amount of generated waste and to ensure a systematic waste management system.

The implementation of this system involves an optimisation of the use of materials in all areas of production and warehousing activities.

The main waste management method involves sorting out waste "at source" and, subsequently, handing it over for recycling and re-use to appropriate permit holders.

To ensure proper management of production process waste, FORTE has implemented a centralised waste management system and established cooperation with providers of waste disposal services. Under the current agreement, our providers dispose of all types of waste. They all hold the necessary permits which allow them to conduct waste disposal activities.

FORTE factories generate the following types of waste:

- separately collected waste: timber waste, used paper waste, plastics, scrap metal, glass, hazardous waste, such as electronic waste, oils and sorbents;
- mixed waste: production and municipal waste.



The FORTE Group has adopted an ambitious waste management policy which goes beyond the requirements set out in the applicable provisions of the law. This involves an additional sorting process whereby waste is divided into categories based on the type of material within the same waste group. The purpose is to reduce the share of unsorted waste in the total amount of generated waste by at least 10% and to recover as much of the raw materials as possible.

The Group aims to reduce the amount of generated waste by 5%, calculated for each production unit. The timeframe for achieving this goal is five years, starting from 2016.

TABLE 18. WASTE GENERATED IN FABRYKI MEBLI "FORTE" S.A.  
AND FABRYKI MEBLI "FORTE" S.A. CAPITAL GROUP IN 2017 & 2016

		Per 1,000 packages							
		FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group		FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group	
	Unit	2017	2016	2017	2016	2017	2016	2017	2016
Non-hazardous waste	[Mg]	43 970	42 865	44 199	42 909	6.2980	6.6185	6.3309	6.6254
• Timber	[Mg]	37 628	39 556	37 628	39 556	5.3896	6.1077	5.3896	6.1077
• Waste paper	[Mg]	1 901	996	1 903	996	0.2723	0.1538	0.2726	0.1538
• Styrofoam	[Mg]	95	76	95	76	0.0136	0.0117	0.0136	0.0117
• Packaging foil	[Mg]	166	149	166	149	0.0238	0.0230	0.0238	0.0230
• Scrap metal	[Mg]	95	69	105	69	0.0136	0.0106	0.0150	0.0106
• Glass	[Mg]	230	152	230	152	0.0329	0.0235	0.0329	0.0235
• Mixed production waste	[Mg]	1 238	943	1 392	970	0.1773	0.1456	0.1994	0.1498
• Mixed municipal waste	[Mg]	268	325	308	342	0.0385	0.0502	0.0441	0.0528
• Other remaining waste	[Mg]	2 349	599	2 373	599	0.3364	0.0924	0.3398	0.0924
Hazardous waste	[Mg]	36.1	10.4	36.1	10.4	0.0052	0.0016	0.0052	0.0016
• Electronic waste	[Mg]	26.8	9.8	26.8	9.8	0.0038	0.0015	0.0038	0.0015
• Oils	[Mg]	2.1	0.5	2.1	0.5	0.0003	0.0001	0.0003	0.0001
• Sorbents	[Mg]	0.7	0.0	0.7	0.0	0.0001	0.0000	0.0001	0.0000
• Other remaining waste	[Mg]	6.5	0.0	6.5	0.0	0.0009	0.0000	0.0009	0.0000

TABLE 19. TOTAL WASTE VOLUME IN FABRYKI MEBLI "FORTE" S.A. AND FABRYKI MEBLI "FORTE" S.A. CAPITAL GROUP IN 2017 & 2016 BY WASTE MANAGEMENT METHOD

		Per 1,000 packages							
		FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group		FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group	
	Unit	2017	2016	2017	2016	2017	2016	2017	2016
Waste collected for recovery	[Mg]	43 921	42 849	44 151	42 894	6.2911	6.6161	6.3239	6.6230
Waste collected for disposal	[Mg]	85	26	85	26	0.0121	0.0040	0.0121	0.0040



## Wastewater

In 2016/2017, the existing installations located at the FORTE Group's sites generated no other water waste than the domestic wastewater, which is collected in leak-proof sewage systems.

Domestic wastewater from each of the installations is discharged into municipal sewage networks and then treated in water treatment plants. The functioning of these solutions is governed by appropriate contracts with sewage system administrators. The amount of domestic wastewater is not constant and depends on the number of employees (and thereby on the amount of water consumed for domestic purposes).

To prevent negative environmental impacts of wastewater generated by FORTE, the Company carries out inspections and maintenance checks of the sewage networks on a regular basis; any irregularity is immediately remedied by specialised teams.

TABLE 20. DOMESTIC WASTEWATER EMISSIONS IN FABRYKI MEBLI "FORTE" S.A.

AND FABRYKI MEBLI "FORTE" S.A. CAPITAL GROUP IN 2017 & 2016

	Unit	FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group		Per employee			
						FABRYKI MEBLI "FORTE" S.A.		FABRYKI MEBLI "FORTE" S.A. Capital Group	
		2017	2016	2017	2016	2017	2016	2017	2016
Wastewater discharged to external provider's network	[m <sup>3</sup> ]	54 841	62 769	57 220	62 856	17.1	20.4	16.1	19.1

In 2016 and 2017, there were no major accidents or other incidents in the FORTE Group companies which led to a significant contamination of soil, water or air and which, consequently, resulted in substantial environmental damage.

Date: 05.04.2018

Scope of Report: Non-financial Report of FABRYKI MEBLI "FORTE" S.A. and FABRYKI MEBLI "FORTE" S.A. Capital Group for the period 1.1.2017 – 31.12.2017, which forms an integral part of the Consolidated Report of the Management Board of FABRYKI MEBLI "FORTE" S.A. Capital Group.



