

II CORPORATE GOVERNANCE

Acting in accordance with § 91(5)(4) of the Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state (Journal of Laws Dz.U. of 28.01.2014, item 133 as amended), the Management Board of FABRYKI MEBLI "FORTE" S.A. with its registered office in Ostrów Mazowiecka (hereinafter: "Company" or "FORTE") submits a statement on the Company's compliance with the principles of corporate governance in 2017. The statement concerning the Company's compliance with the principles of corporate governance in 2017 forms a separate part of the report on the operations of FORTE and is published on the Company's website.

1. Set of corporate governance principles observed by the Issuer and the place where their content is available for the public

As of 1 January 2016, the Company has applied the principles of corporate governance contained in the document "Best Practice for WSE Listed Companies 2016" attached to Resolution No. 26/1413/2015 of the WSE Council of 13 October 2015. The WSE Rules do not impose on the Company an absolute obligation to comply with the aforementioned set of principles, but they require submitting reports on the compliance therewith.

The above-mentioned document is publicly available on the WSE website at:
https://www.gpw.pl/pub/GPW/files/PDF/GPW_1015_17_DOBRE_PRAKTYKI_v2.pdf

2. Corporate governance principles which have been waived by the Issuer and the reasons therefor

In 2017, the Company did not comply with the following recommendations or detailed principles of corporate governance:

Part I

Detailed principle I. Z. 1.20.

„An audio or video recording of a general meeting“

The Company does not comply with this principle. In the opinion of the Management Board, the general meetings of FABRYKI MEBLI "FORTE" S.A. held so far have not created the need to make and post an audio or video recording on the website. General meetings are held at the registered office of the Company, therefore participation in them is not in any way difficult for shareholders interested therein. In addition, the Company, in accordance with the applicable laws, publishes on its website a notice of the general meeting along with the agenda, draft resolutions and all required documentation and provides the public with this information in the form of a current report. All proceedings of general meetings are recorded in detailed minutes by a notary. In addition, publishing the required current reports and providing relevant information on the Company's website provides shareholders with all relevant information regarding general meetings. These rules ensure transparency of general meetings and provide for full and real proceedings thereof. The Company does not exclude the possibility to comply with the above principle in the future.

Part IV

Recommendation IV R 2.

„If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

- 1) real-life broadcast of the general meeting;*
- 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;*
- 3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary“*

In view of the fact that it is not possible to meet the requirements allowing for proper verification of identity of a shareholder and ensuring an appropriate level of security of electronic communication at the General Meeting, in particular in the voting process at the General Meeting, the Company decided not to apply this recommendation in part. At the General Meeting, shareholders may exercise their voting rights in person or by proxy.

Detailed principle IV. Z. 2.

„If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings“.

The Company does not comply with this principle. In the opinion of the Management Board, the current concentrated shareholding structure of the Company does not justify bearing additional significant costs associated with the organisation of broadcasts. The rules of participation in general meetings, which are currently in use, are compliant with the applicable regulations of the Commercial Companies Code, the Company's Articles of Association and other laws. The proceedings of general meetings are organised in a way that the interests of all shareholders are adequately protected. The Company will consider the possibility and desirability of complying with the above principle in the future.

Part V

Detailed principle V. Z. 6.

„In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should among others provide for ways to prevent, identify and resolve conflicts of interest, as well as

rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.”

Currently, the Company partly complies with this principle. The Company's internal regulations (Regulations of the Management Board, Regulations of the Supervisory Board) provide for the rules of conduct in the event of a conflict of interest, however, they are not described in such detail as in the above principle.

Part IV Detailed principle VI. Z. 4.

"In this activity report, the company should report on the remuneration policy including at least the following:

- 1) general information about the company's remuneration system;*
- 2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group;*
- 3) information about non-financial remuneration components due to each management board member and key manager;*
- 4) significant amendments of the remuneration policy in the last financial year or information about their absence;*
- 5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability”*

The Company has adopted remuneration regulations defining the principles of remuneration and granting cash benefits to FORTE employees. In accordance with the applicable laws and the Company's Articles of Association, the principles of granting remuneration and the amount of remuneration for members of the Supervisory Board are determined by the General Meeting, while the amount of remuneration for the Management Board is determined by the Supervisory Board. The remuneration of members of the Company's governing bodies and other benefits granted to these persons in the financial year are presented in the annual financial statements of the Company.

3. Description of the main characteristics of internal control and risk management systems applied by the Issuer with respect to preparing financial statements and consolidated financial statements

The Management Board is responsible for keeping the Company's accounts in accordance with the International Financial Reporting Standards (IFRS) approved by the International Accounting Standards Board and for the internal control system and its effectiveness in the process of preparing financial statements.

Substantive supervision over the process of preparing financial statements and periodic reports of the Company is provided by the Member of the Management Board responsible for financial matters. Both separate and consolidated statements are prepared by employees of the Financial Department under the supervision of the Chief Accountant and the Member of the Management Board responsible for the Company's finance. The financial statements are then verified by an independent auditor - a statutory auditor appointed by the Company's Supervisory Board.

In order to ensure reliability and correctness of the process of preparing financial statements, a number of control mechanisms have been developed and implemented, which are an integral part of the reporting system. These mechanisms provide, in particular, for permanent verification of reporting data with accounting records, analytical data and other documents forming the basis for preparing financial statements as well as with all applicable laws related to accounting and preparing financial statements.

The process of preparing financial data for reporting purposes is automated, subject to formalised operating and acceptance procedures.

The Company has appropriate procedures for preparing financial statements to ensure the completeness and correctness of accounting for all business transactions. These procedures include in particular:

- proper internal communication with respect to planning the process of preparing financial statements,
- detailed planning of all activities related to the preparation of financial statements and producing a detailed schedule of activities along with assigning the responsibility for particular tasks to particular employees.

Monitoring the completeness of economic events is additionally supported by the V-desk electronic document circulation system. In particular, all invoices received by the Company, employee business trips, all contracts made by the Issuer are registered in this system. Authorised employees of the Company are granted access within their competencies to the electronic circulation of documents.

The V-desk system provides for registration, content description, assignment and acceptance of invoices - in line with the powers granted by the Board.

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

FABRYKI MEBLI „FORTE”S.A. maintains its accounting books in the integrated SAP R/3 system, in accordance with the Company's accounting policy approved by the Management Board, based on International Accounting Standards.

The structure of the system provides for a transparent division of competences, coherence of accounting records and control between the general ledger and subledgers. High flexibility of the system allows for its ongoing adaptation to changing accounting principles or other legal regulations.

The company has adopted an investment policy whose main purpose is to enable full supervision over each stage of investment planning and implementation. An ongoing analysis of investment processes provides for reliable financial, material and substantive information about an investment. It allows us to immediately identify any errors, deviations or irregularities detected while implementing individual investment stages. As a result, it is possible to make necessary corrections to investment processes on an ongoing basis, in particular to perform correct and reliable calculations.

The Company manages risk in relation to the process of preparing financial statements, also by ongoing monitoring of changes in external laws and regulations concerning reporting requirements and by preparing for their implementation well ahead of time.

A certified auditor is appointed by the Supervisory Board upon recommendation of the Management Board. Annual and semi-annual financial statements are subject to independent audit and review by the Company's auditor. The results of the audit are presented by the auditor to the management of the Company at the summary meetings.

4. Indication of significant direct and indirect shareholdings

According to the information available to the Company, the shareholding structure is as follows:

No.	Shareholder	Number of shares and votes held	% stake in share capital	% share in total number of votes
1.	MaForm SARL	7 763 889	32.44%	32.44%
2.	Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	2 300 000	9.61%	9.61%
3.	Skarbiec Towarzystwo Funduszy Inwestycyjnych S.A.*	2 149 448	8.98%	8.98%
4.	ING Otwarty Fundusz Emerytalny	1 200 000	5.01%	5.01%

* incl. Bentham Sp. z o. o. 2,050,000 shares, a 8.57% share in the share capital and in total number of votes

5. Indication of holders of any securities with special control rights and a description of those rights

The Company has not issued securities granting special control rights.

6. Indication of any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities

In the Company, there are no restrictions on voting rights.

7. Indication of any restrictions on the transfer of securities of the Issuer

There are no restrictions on the transfer of securities of the Company.

8. Description of rules regarding appointment or dismissal of managing persons and their powers, in particular the right to decide on the issue or redemption of shares

In accordance with the Company's Articles of Association, the Management Board consists of one to seven members appointed for a joint term of office. The number of Management Board Members is determined by the Supervisory Board, which elects the President of the Management Board and other Members of the Management Board. The Management Board is appointed for a joint five-year term. Pursuant to the Commercial Companies Code, Members of the Management Board may be dismissed by the Supervisory Board at any time. The Supervisory Board determines the terms and conditions for remunerating Members of the Management Board, including the provisions of contracts and appointment letters binding Members of the Management Board with the Company. In accordance with the Company's Articles of Association, the Management Board manages the Company's affairs and represents it. The work of the Management Board is managed by the President of the Management Board. The scope of activities of the Management Board includes all matters related to managing the Company's affairs which are not reserved for other governing bodies of Company. The powers of the Management Board regarding the right to decide on redemption of shares do not deviate from the regulations contained in the Commercial Companies Code.

9. Description of the rules for amending the Articles of Association of the Issuer

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

The General Meeting of the Company may authorise the Supervisory Board to agree upon the uniform text of the amended Articles of Association.

The Management Board, acting in accordance with the Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state (Journal of Laws Dz.U. 2014, item 133 as amended)) notifies the shareholders of intended amendments to the Articles of Association and of a uniform text of the Articles of Association taking account of the

amendments introduced thereto, by way of publishing current reports and the uniform text of the Articles of Association on the Company's website.

10. Rules of procedure of the General Meeting and fundamental powers thereof as well as rights of shareholders and the manner of exercising such rights, in particular rules arising from the regulations of the general meeting, if such rules have been adopted, unless such information is directly determined by applicable laws

The rules of procedure of the General Meeting of FABRYKI MEBLI "FORTE" SA, its powers and the rights of shareholders and the manner of exercising such rights are specified in the following documents:

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

The schedule of work on organising General Meetings is planned in such a way as to ensure that the obligations towards shareholders are properly met and to enable them to exercise their rights.

The General Meeting was convened on 12 April 2017 by the Management Board by way of an announcement made on the Company's website at least 26 days prior to the date of the General Meeting and in a manner specified for providing current and periodic information in accordance with the provisions on public offering and conditions governing the introduction of financial instruments to organized trading and on public companies. Resolutions adopted by the General Meeting were published on the Company's website.

Resolutions of the General Meeting are adopted by a simple majority of votes cast, unless otherwise provided for in the applicable laws or the Company's Articles of Association. Votes in favour or against a resolution are considered as votes cast.

The following matters have been reserved in the Articles of Association for the exclusive decision of the General Meeting:

- terms and manner of redeeming shares of the Company,
- terms of issuing utility certificates in exchange for redeemed shares,
- creating reserve capital and earmarked funds,
- allocating reserve capital,
- allocating pure profit earned by the Company.

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

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

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

In 2017, the Annual General Meeting was held in compliance with the provisions of the Commercial Companies Code and the Company's Regulations of General Meetings. Members of the Management Board, the Supervisory Board and the certified auditor of the Company present during the Meeting were ready to provide explanations and to respond to shareholders' questions within the limits of their competence and in accordance with the applicable laws.

Shareholders may participate in the General Meeting and exercise their voting rights in person or by proxy.

11. The Issuer's management, supervisory or administrative bodies and their committees, their composition and changes thereto in the last financial year and their rules of procedure

SUPERVISORY BOARD

The Supervisory Board operates in accordance with the provisions of the Commercial Companies Code, the Company's Articles of Association and the Regulations of the Supervisory Board of FABRYKI MEBLI "FORTE" S.A. based in Ostrów Mazowiecka. The Supervisory Board consists of five to seven members. The General Meeting determines the number of members of the Supervisory Board and appoints the Chairman of the Supervisory Board. The Board appoints from among themselves a Vice-Chairman and, if needed, a Secretary. If the composition of the Supervisory Board falls below the minimum number specified in the Commercial Companies Code, the General Meeting supplements /appoints/ the Supervisory Board for the remainder of the term of office.

The term of office of the Supervisory Board is four years. The Annual General Meeting of FABRYKI MEBLI "FORTE" SA held on 10 June 2014 appointed five members to the Company's Supervisory Board for the current term of office.

At the end of 2017, the Supervisory Board of FABRYKI MEBLI "FORTE" S.A. was composed of:

Zbigniew Sebastian – Chairman,
Bernard Woźniak – Vice-Chairman,
Tomasz Domagalski – Member,
Stanisław Krauz – Member,
Jerzy Smardzewski – Member.

Changes in the composition of the Company's Supervisory Board throughout 2017 were as follows:

- On 12 April 2017, Mr Stefan Golonka resigned from his position as a Member of the Supervisory Board, with effect from the day of the Annual General Meeting of FABRYKI MEBLI "FORTE" S.A. approving the financial statements and the Management Board's report on the operation of the Company in the financial year 2016, i.e. on 17 May 2017.
- On 17 May 2017, Mr Bernard Woźniak was appointed to the Supervisory Board.

The responsibilities of the Supervisory Board include, in particular, adopting resolutions with respect to:

- a. purchasing and selling real property, perpetual usufruct or a share in real property, selling and transferring rights to use real property, encumbering real property, or establishing limited property rights on the Company's assets,
- b. taking out loans exceeding the Company's financial plan,
- c. granting sureties to a total amount exceeding the equivalent of EUR 150,000,
- d. taking over the obligations of third parties,
- e. accepting and establishing pledges and other collaterals, except for a pledge and collaterals related to the ordinary business of the Company in a total amount not exceeding the equivalent of EUR 150,000,
- f. concluding, terminating and amending lease agreements and other agreements of this kind, if they are concluded for a period longer than 3 years and when the annual lease rent paid by the Company exceeds the equivalent of EUR 150,000,
- g. leasing the enterprise or part thereof,
- h. purchasing and selling establishments and branches of the Company,
- i. selling the Company's enterprise or part thereof,
- j. approving employee participation in profits and granting special pension rights,
- k. establishing an annual plan for the enterprise /in particular investment and financial plans/, as well as strategic plans,
- l. granting borrowings outside the ordinary course of trade to a total amount exceeding the equivalent of EUR 50,000.

Meetings of the Supervisory Board are held as needed, however, not less than three times in a financial year. Members of the Supervisory Board may cast their vote in writing through another Member of the Supervisory Board. The Supervisory Board may also adopt resolutions in writing or using means of direct remote communication. A resolution is valid if all Members of the Board have been notified of the content of the draft resolution.

With regard to Art. 128 of the Act of 11 May 2017 on statutory auditors, auditing firms and supervision of the public market (Journal of Laws Dz.U. 2017. 1089), the Supervisory Board of the Company decided to appoint an Audit Committee from among its members, which includes:

Bernard Woźniak – Chairman of the Audit Committee,
Zbigniew Sebastian – Member,
Jerzy Smardzewski – Member.

The basic tasks of the Audit Committee include monitoring, advising and supporting the Supervisory Board in the performance of its statutory control and supervisory functions, in particular with respect to:

- a. monitoring the financial reporting process of the Company and the Capital Group of FABRYKI MEBLI "FORTE" S.A. (hereinafter: FORTE Capital Group),
- b. monitoring the effectiveness of internal control systems and risk management systems as well as internal audit, including internal reporting,
- c. monitoring the performance of financial audit activities, in particular, the audit carried out by an auditing firm,
- d. controlling and monitoring the independence of the statutory auditor and the auditing firm,
- e. assessing the independence of the auditor and consenting to providing permitted non-audit services to the Company,
- f. developing the policy of selecting an auditing firm to conduct the audit,
- g. developing the policy of providing permitted non-audit services by the auditing firm conducting the audit, by entities related to this firm and by a member of the auditing firm's group;
- h. developing the procedure for selecting an auditing firm,
- i. presenting recommendations regarding the selection of an entity conducting the audit of the financial statements as well as the change thereof, evaluation of its work, in particular in terms of its independence,
- j. submitting recommendations aimed at ensuring the reliability of the financial reporting process in the Company and/or the FORTE Capital Group.

No other committees have been appointed in the Company.

MANAGEMENT BOARD

The Management Board operates in accordance with the provisions of the Commercial Companies Code, the Company's Articles of Association and the Regulations of the Management Board of FABRYKI MEBLI "FORTE" S.A. based in Ostrów Mazowiecka. The Management Board consists of one to seven members appointed for a joint term of office. The Management Board of FABRYKI MEBLI "FORTE" S.A. was appointed for a new five-year term, for the years 2014-2019. In the period from 1 January to 31 December 2017, the Management Board was composed of:

Maciej Formanowicz – President of the Management Board,
Gert Coopmann – Member of the Management Board,
Klaus Dieter Dahlem – Member of the Management Board,
Maria Małgorzata Florczuk – Member of the Management Board,
Mariusz Jacek Gazda – Member of the Management Board.

In accordance with the Company's Articles of Association, the Management Board manages the Company's affairs and represents it. The work of the Management Board is managed by the President of the Board. The responsibilities of the Management Board include all matters related to the management of the Company's affairs which are not reserved for other governing bodies of the Company. Resolutions of the Management Board are adopted by a simple majority of votes cast. In the event of an equal number of votes, the President of the Management Board has a casting vote.

The following persons are authorised to make declarations of will and incur obligations on behalf of the Company: President of the Management Board acting alone, two Members of the Management Board acting jointly, one of the Members of the Management Board acting jointly with a proxy.

12. Description of diversity policy applied to the Issuer's administrative, management and supervisory

bodies with regard to aspects such as age, gender or educational and professional backgrounds, the objectives of this policy, its implementation and results in the reporting period

On 16 March 2016, the Management Board adopted a resolution regarding the adoption of the Diversity Policy in FABRYKI MEBLI "FORTE" S.A. (hereinafter: Diversity Policy). The Diversity Policy defines the Company's strategy in the area of diversity management in relation to the Company's business activities and its employment policy. It is a commitment of the Company to apply universal principles of respect and tolerance for others and to effectively use the potential of each employee. Diversity Policy is to ensure the elimination of all forms of discrimination, whether on the grounds of age, gender, nationality, ethnic origin, political beliefs, health, disability, religion, lifestyle, sexual orientation or any other criterion or attitude prohibited by law.

The aim of the adopted Diversity Policy is to build the awareness and organisational culture of the Company open to diversity, which contributes to the success of the organisation, leads to increased work efficiency, counteracts any form of discrimination and mobbing, and improves the results achieved by the Company.

The Diversity Policy implemented in the Company covers the following areas of its activity:

1. diversity management in the workplace – diversification of employees in terms of sex, gender, education, competence, cultural and national origin,
2. education, training and personal development – every employee, regardless of their position, age or gender, has equal access to education and development of their competences and skills within the position held,
3. breaking down barriers in the workplace – we have a diversified environment of employees in terms of their country of origin, we conduct extensive cooperation with foreign partners,
4. efforts to prevent discrimination and mobbing in the workplace – in accordance with the adopted recruitment procedure, the key criterion in the recruitment process is the candidate's experience, skills and knowledge,
5. intergenerational dialogue,
6. creating the right atmosphere at the workplace,
7. monitoring and controlling the application of the adopted Diversity Policy.

The Management Board assumes that the implementation and monitoring of the application of the Diversity Policy can bring measurable benefits to the Company in the long term. The implementation of the Diversity Policy is constantly and continuously monitored by the Management Board.

President of the Management Board
Maciej Formanowicz

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Member of the Management Board
Gert Coopmann

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Member of the Management Board
Klaus Dieter Dahlem

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Member of the Management Board
Maria Florczuk

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Member of the Management Board
Mariusz Gazda

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Ostrów Mazowiecka, 5 April 2018