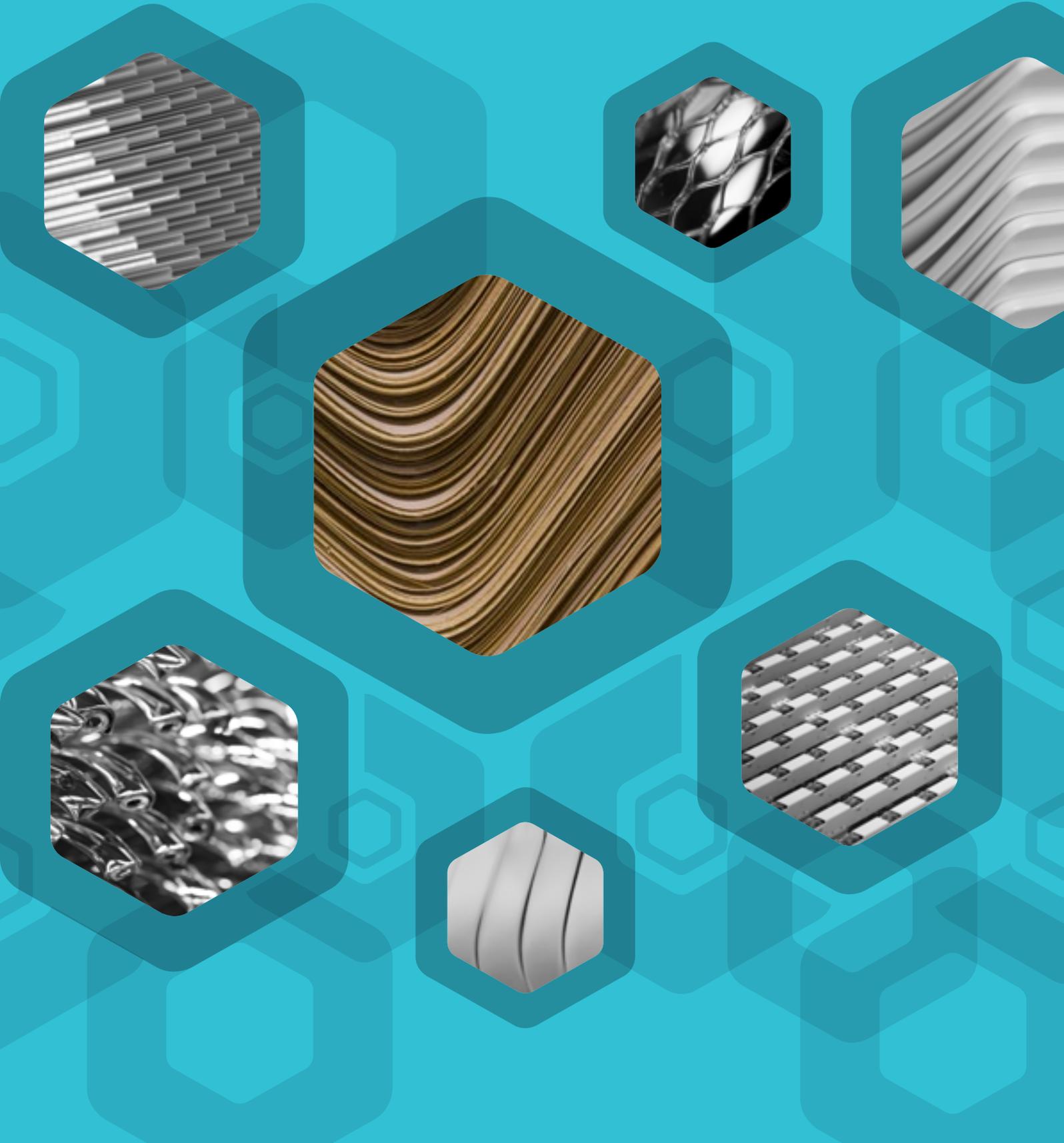


CSR Code

2012/2013





CSR Code

*Sustainable Development Report
Nowy Styl Group*

2012/2013

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Dear readers,

*associates, friends, customers
and business partners,*

We are very pleased to give you the first Sustainable Development Report compiled by Nowy Styl Group, which covers 2012 and 2013. It has been written in accordance with the international Global Reporting Initiative (GRI) G4 Guidelines. This report crowns several months of hard work and effort made by an interdisciplinary project team consisting of a great number of people, so it is very important to us.

We are proud to give you this document, not only as a summary of our business activities concerning sustainable development, but also, most importantly, as our obligation. It is an obligation to go on and develop further; an obligation to take responsibility and try our utmost to minimise the impact we make on the natural environment; an obligation to create total value added for all of our stakeholders.

Sustainable development – the focus of the whole report – means a lot to us and shapes the way we think about running the business. We observe the globalising world intently, spotting both the advantages and disadvantages of the processes that happen every day. We are aware of the fact that the future is determined by the actions we take and the attitude we adopt today. This is the conviction we have based our market success on, so we know what we're talking about.

Both our business aims and the vision of our company are based on three pillars – People, Product and Environment – and these coincide with the sustainable development policy. By strengthening the harmony between these pillars, we gain a competitive advantage.

People are Nowy Styl Group's greatest capital; if it hadn't been for their courage, creativity, motivation, experience and qualifications, we wouldn't be so successful now. Their hard work results in high quality products that meet the needs of our customers all over the world. To produce these we use both renewable and non-renewable resources, becoming indebted to the natural environment and local community. This is a kind of debt we feel obliged to pay off. All these elements are mutually connected, creating a chain of values. By implementing the sustainable development guidelines, we are able to manage this chain skilfully.

Over the last few months we have been inspired to make some changes and we treat the current report as the beginning of this process. We are well prepared to do this. We have pinpointed not only our strengths and weaknesses but also the challenges and threats we will have to face. We know that we must work hard to achieve our aims. But at the same time, we are strongly motivated to fulfil our promises and to present the results we desire from our work in the next report covering 2014 and 2015.

In the meantime we would like to encourage you to read this report carefully and hold us to our promises. We hope you will find our experiences inspiring.

**With kind regards,
Management Board of
Nowy Styl Group**

Adam Krzanowski
Jerzy Krzanowski
Rafał Chwast
Dariusz Frydrych
Roman Przybylski

Nowy Styl Group in numbers

2013

The **4th** biggest
chair and office
furniture
manufacturer
in Europe

Presence in
more than

100
countries

14
factories in Poland,
Germany, Ukraine
and Russia

Energy consumption

38 206 486
kWh

19 departments
in 13 countries

3435
employees

Revenue
172^m
EUR

15 showrooms
in 13 countries

Water consumption
134 185
m³





Who are we?



The story of Nowy Styl Group starts in 1992, when brothers Adam and Jerzy Krzanowski make a very brave decision to establish their own company. This is a story of a success achieved by a company that, within 20 years, has evolved from a small family business into an international enterprise: the 4th biggest office solutions supplier in Europe.

This success is the result of a constant search for new possibilities, close observation of the changing world, quick and precise response to changes and, finally, successful dialogue with customers.

Nowy Styl Group, its history, achievements and the way it functions, are described by special values that create our unique code – the DNA of our company. This is a set of values that has determined our market success and helped us earn the trust of thousands of customers all over the world. This success is built on the confidence our partners have in our company.

This success is a **talent** for discovering and making use of different opportunities; a talent for understanding the market and running our dynamically developing business; an ability to make thorough changes and brave decisions.

This success is the **courage** to take up new challenges, discover new opportunities, make difficult decisions and shoulder the responsibility.

This success is a **motivation** to develop further, look for inspiration and optimal solutions, take up challenges that for others

create obstacles impossible to overcome. Ours is a motivation to do more and develop together with our customers.

This success is an **autonomy**, which makes us independent of business fluctuations and external destabilising factors; autonomy achieved by territorial diversification. It is our production and financial autonomy, which we possess thanks to our own production plants that have made us independent of our sub-suppliers.

Finally, this success is an **alternative** that can be perceived in giving our customers a wide range of options to choose from, and in our offer of unconventional furniture solutions; this is flexibility in adjusting to our customers' needs and the changing world.

This success is also a determination to pursue our aims, commitment and dedication. This is a patchwork of stories about the achievements of the customers, partners, companies and institutions we cooperate with every day. These are the people for whom **we would like to develop further elements of our unique DNA code**. These are the people we would like to help achieve more, and to whom we dedicate our success.

What do we do?

We offer our customers **comprehensive furniture solutions designed for office spaces, public places and home interiors**. However, our business activity is not limited to manufacturing furniture. We aim to provide a comprehensive service, so we also use our qualifications to support our customers in space arrangement. We think alternatively and, thanks to our ability to recognise market trends, we adjust to our customers' needs in a flexible way. That is why the spectrum of our business activities involves the efficiency analysis of the company, planning support, removal services and old furniture utilisation.

One of the strong aspects of our company is **the variety** that meets our customers' individual expectations all over the world.

Our portfolio comprises **six product brands: Nowy Styl, BN Office Solution, Grammer Office, Rohde & Grahl, Forum Seating and Baltic Wood**. These brands offer office chairs and furniture, armchairs, sofas, sports seats, cinema and theatre seats, auditorium seats, as well as excellent quality parquet floors.

We deliver **comprehensive solutions for public places**, such as offices, conference and training rooms and sports arenas. **We equipped all Polish stadiums for the UEFA European Championship 2012**, as well as **the stadiums in the RSA and Romania**; it was our chairs that heads of government were sitting on during the NATO Lisbon Summit; our chairs can be found in the most prestigious concert halls both in Poland and Europe.



Furniture is our passion. Every day we try our utmost to create solutions perfectly adjusted to the changing needs and expectations of our customers. Following our precise development strategy we have become the fourth biggest office furniture manufacturer in Europe.

ADAM KRZANOWSKI
President of the
Nowy Styl Group's
Management Board

NOWY STYL GROUP'S SALES DEPARTMENTS:



BELGIUM



CZECH REPUBLIC



FRANCE



THE NETHERLANDS



KAZAKHSTAN



GERMANY



POLAND



RUSSIA



SLOVAKIA

Being awarded and appreciated all over the world, Nowy Styl Group's products have excellent ergonomic properties, ensure great acoustics and improve comfort at any workstation. We also offer furniture designed for eating-places – restaurants, cafés, and food courts – as well as for home interiors – dining rooms and kitchens. Our collections of excellent parquet floors have already won international recognition, and perfectly complement our product portfolio.

We deliver our furniture solutions to over 100 countries around the world. We have marked our international presence in Taiwan, the RSA, Kenya, the United Arab Emirates and Chile, and of course in Europe. Thanks to our great logistics net-

work we can supply our furniture to virtually any place in the world. Our own international distribution network comprises **19 sales departments all over the world** (existing in the most important European markets, the USA and the United Arab Emirates), and features local sales structures. Employing local managers and workers who distribute Nowy Styl Group products to local markets enables us to observe trends in each of these countries. The range of office solutions offered by Nowy Styl Group is presented in 15 showrooms located in Warsaw, London, Paris, Dusseldorf, Munich, Prague, Bratislava and Moscow. We also have more than **a dozen production plants with cutting-edge technologies**, located in Poland, Germany, Ukraine and Russia.



US THE UNITED STATES

HU HUNGARY

UA UKRAINE

AE THE UNITED ARAB EMIRATES

UK UNITED KINGDOM

Our brands and solutions



Nowy Styl

The first and the oldest brand that offers the widest in Europe range of chairs designed for any interior.



BN Office Solution

A comprehensive offer of office and managerial furniture designed by world-class designers.



Grammer Office

A collection of office chairs with the worldwide patented GLIDE-TEC mechanism, designed by German experts.





Rohde & Grahl

A wide range of technologically advanced German furniture and office armchairs.

Forum Seating

Seating solutions for auditoriums, cinemas, stadiums and telescopic tribunes.

Baltic Wood

A choice of excellent 3-layer and solid parquet floors inspired by fashion.



Our strategy

Mission

Our mission is to deliver comprehensive furniture solutions, and care about ergonomics and comfort at work. We listen carefully to our customers and respond to their individual needs, intending to improve the quality of their lives.

Vision

Our vision is based on three pillars:

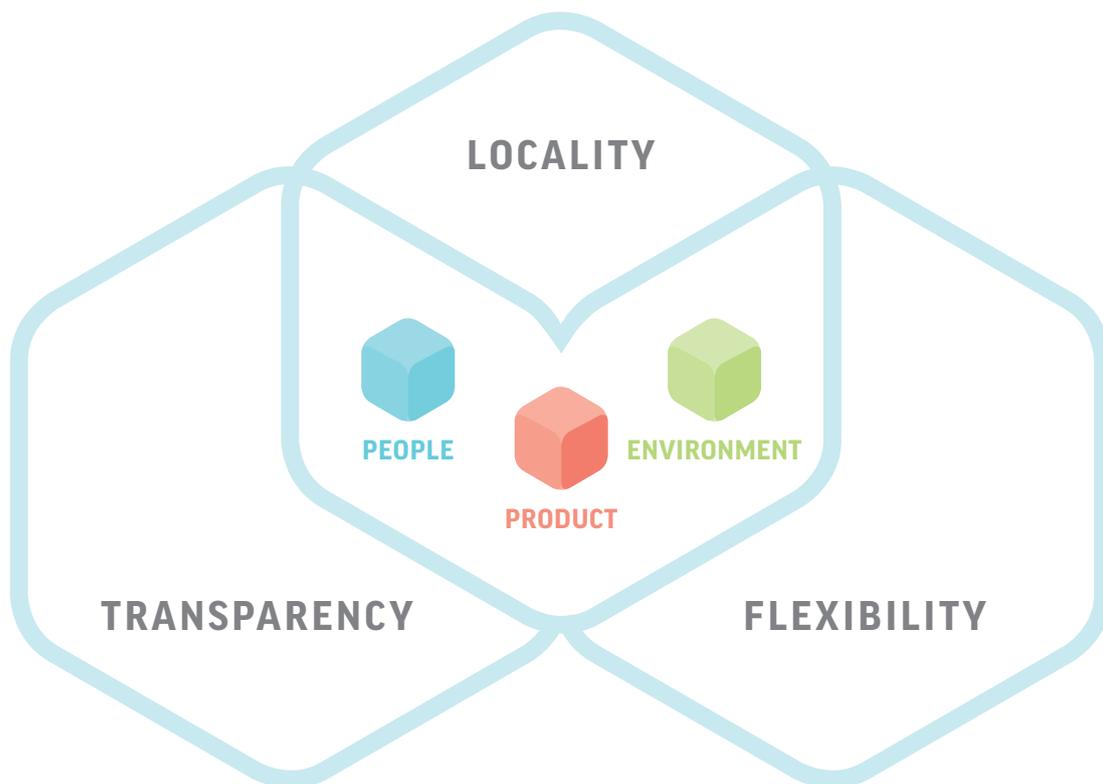
People: We build good and long-lasting relationships within the business and social environment. We develop further through a constant dialogue with the local community, our customers and contractors.

Product: The motto “Delivering variety” determines the direction of our business activities. We offer a wide range of products

and services, available around the world. Thanks to innovative technologies, we accompany our customers and create expectations designed to meet their needs.

Environment: The sense of responsibility for our environment motivates us to monitor the impact we make on our surroundings. We choose active technologies that help us increase the productivity and energy efficiency of our manufacturing processes.

There are three basic values that we remain faithful to in all our activities: locality, transparency and flexibility. While building relationships both inside and outside the company and planning our development, we always try to obey these rules. It means that we act openly, take care of the environment, and do our best to follow the needs of the people and institutions connected with us.



Operating strategy

The priority in all our business activities is to create new furniture solutions and provide comprehensive services. When we started our business 22 years ago, we did not expect to be competing with foreign companies and dealing with cheaper products from emerging markets flooding the market, economic crises and currency fluctuations. Back then, nobody even dared to think that Nowy Styl would evolve into Nowy Styl Group; that it would establish foreign branches and tender hand in hand with the biggest international enterprises. Back then,

nobody even imagined that personal contact with customers would turn into such elaborate electronic communication using a wide variety of computer tools.

Within the 22 years of our business presence, we have always tried to take up new challenges courageously, observe social changes and trends carefully, and respond quickly to our customers' needs. Almost since the beginning, we have invested our revenue in further development, manufacturing technologies and our products themselves.

In 1997 when there was an economic crisis in the eastern markets, we decided quickly to redirect our sales to the West. During the industry crisis on western markets in 2001 – we focused on intensifying our distribution network. When there was an economic slowdown in 2009, we made a quick decision to adjust the expense ratio and reorganise our company.

Now we act as one company in many different countries; we manufacture and sell similar products that are very often adjusted to the needs and tastes of local customers.

The parent company is located in Poland, while the subsidiary companies are located abroad. In this way we have reduced the risk resulting from a possible economic or political crisis that may occur in foreign markets. Particular subsidiaries function as local enterprises that employ local staff, follow local rules, etc. The divisions that have remained joined are marketing, human resources, salaries and the IT and accounting departments. Besides the notable financial benefits, joining these areas has allowed us to standardise sales and distribution processes.

Looking for new business opportunities is a natural consequence of the adopted development strategy. We constantly explore our potential and search for new possibilities of expanding our company in further markets.

The strategy of Nowy Styl Group also aims to strengthen the company's position in the contract market, by enriching its portfolio with products that would satisfy the needs of customers all over the world. By purchasing products of worldwide brands and adding them to our portfolio, we are able to offer our customers an even greater range of alternatives concerning comprehensive office and public places equipment.

At the same time, we continue to expand the portfolio of our own brands, by cooperating with the world's best designers and creating new chair and furniture solutions. We become more knowledgeable about acoustics and the ergonomics of a workstation, fulfilling the current market requirements.

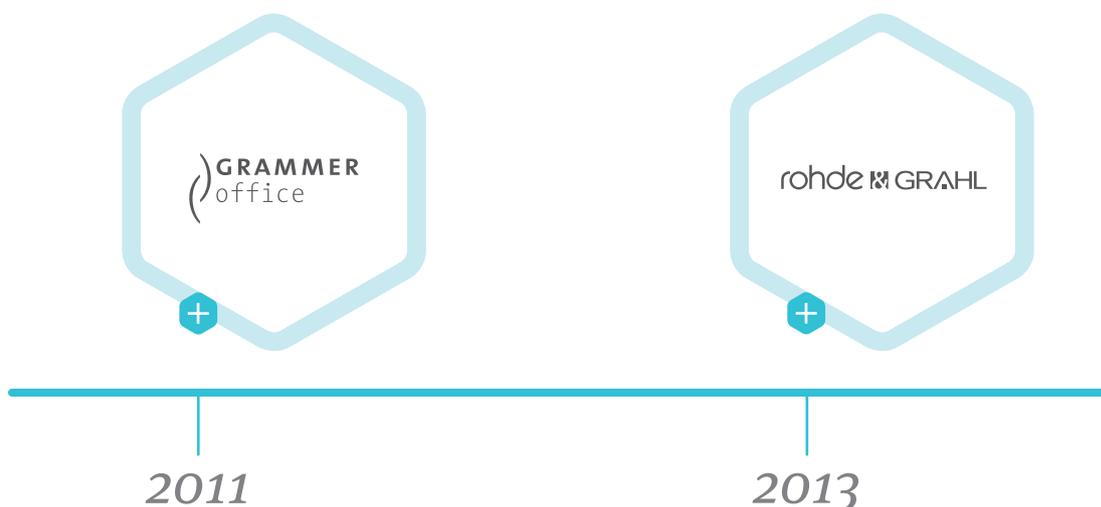
To meet the needs of our customers, we extend the range of comprehensive services we provide. In close cooperation with research centres, we conduct surveys on the efficiency of employees working in our customers' offices. The spectrum of our services is constantly expanding. Depending on the customers' needs, we can help them with their move to new interiors, and with old furniture utilisation. Our company collaborates with business partners who supply complementary office equipment products, such as carpets, lighting and partition walls.

We know that customers and companies differ from one another. Everyone possesses the unique DNA code of their own business. Our strategy aims to recognise particular genes in the code, and create a unique offer of solutions and services for every single customer.

We like to look at our customers' needs and compare them to the way a string of DNA code functions: the elements are the same, but the arrangement is **unique**. One of our key skills is the ability to define specific needs and make every effort to meet them.

Owing to our history, we have specific features in our genetic makeup that make us a partner capable of recognising the unique DNA code of our customers and, most importantly, adapting to meet the needs of their code.

NOWY STYL GROUP'S FOREIGN ACQUISITIONS



1.2 *Company's leadership*

Since 1992 Nowy Styl Group has been run by its founders – brothers Adam and Jerzy Krzanowski. They have transformed their small family business into a company that functions on a global scale: Nowy Styl Group. While they were preparing for the company's reorganisation in 2008, the brothers

decided to share their authority with experienced managers. Since then, Nowy Styl Group and all its subsidiaries have been managed by a Management Board, consisting of five people who are each responsible for a particular division of the company.



Adam Krzanowski

Co-founder of Nowy Styl and President of its Management Board since 2009. He has been running the company since the very beginning. Being an experienced entrepreneur and strategist, he has been awarded many times for his business competencies, as well as for community involvement and his entrepreneurship-supporting attitude.



Jerzy Krzanowski

Co-founder of Nowy Styl and Director since 1993. The company's Vice President since 2009, he previously ran the investment and purchasing departments. He is responsible for controlling the sub-suppliers and strengthening the company's innovation potential. He established the Janusz Korczak Foundation, which provides support to talented young people. He is also committed to social contribution activities.



Rafał Chwast

Vice President of Nowy Styl Group since 2008. He is responsible for the finance, IT, acquisitions and organisational strategy of Nowy Styl Group. Before joining Nowy Styl Group, he worked for the company Comarch. He is an economist and financier both by profession and by avocation. He was previously President of SEG – Association of Stock Exchange Issuers.



Dariusz Frydrych

Operational Director and member of the Nowy Styl Group's Management Board since 2010. He is responsible for the Technical, Logistic and Quality Divisions, as well as HR. He also oversees teams at seven production plants. Before that, he worked for Delphi Automotive Systems Poland occupying the positions of the Quality Director, Logistics Director and Operational Director. He successfully applies the experience he gained in the automotive industry to the furniture industry.



Roman Przybylski

Director of the Sales Division and member of the Nowy Styl Group's Management Board since the beginning of 2009, and associated with Nowy Styl Group since 2003. Initially, he was involved in building overseas distribution networks in western countries and exercising owner's supervision over those networks. His daily work includes supervising Sales Divisions both in Poland and abroad. He is also a board member of the Group's foreign subsidiaries.

Nowy Styl Group's Structure

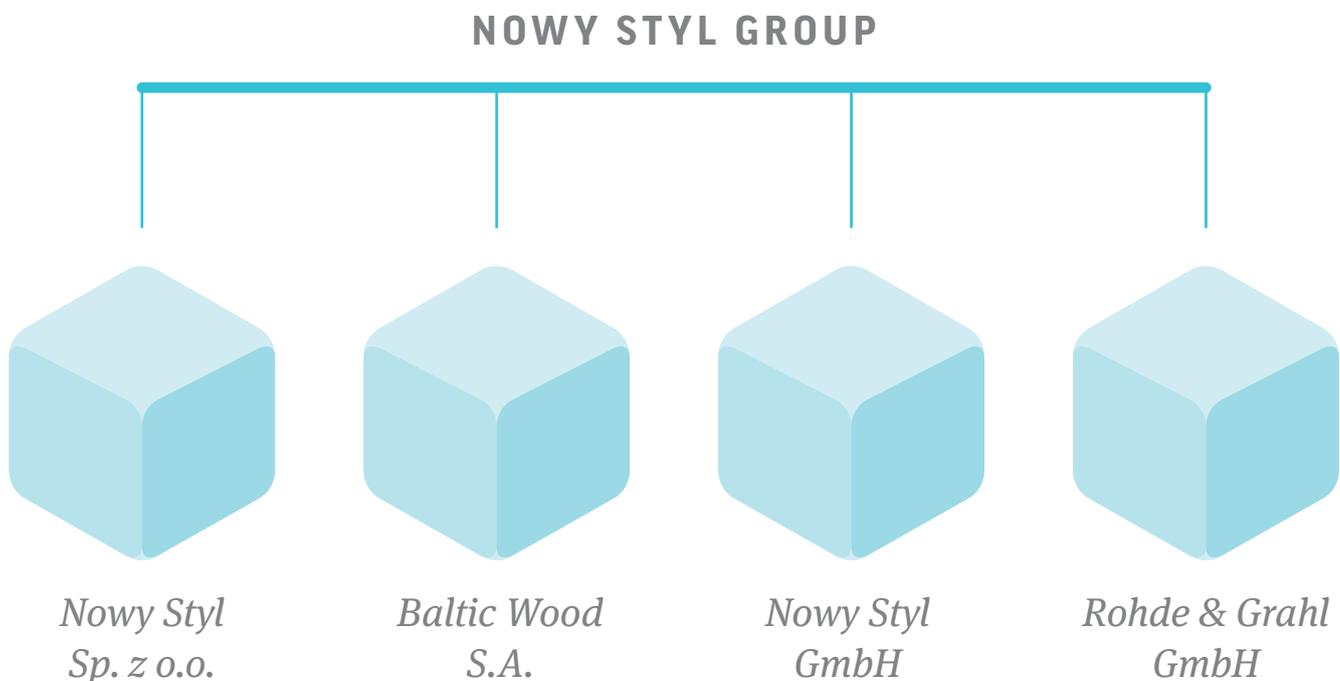
Nowy Styl Group is a corporate group that consists of Nowy Styl Sp. z o.o. and all its subsidiaries responsible for foreign departments in particular countries. The detailed information presented in this report concerns only the following companies that have been chosen according to the materiality principle:

- › **Nowy Styl Sp. z o.o.** – the “parent” company.
- › **Baltic Wood S.A.** – the subsidiary responsible for manufacturing and distributing Baltic Wood products – parquet floors.

› **Nowy Styl GmbH** – the subsidiary responsible for manufacturing and distributing Nowy Styl Group products on the German market.

› **Rohde & Grahl GmbH*** – the subsidiary since 2013, when it was purchased and placed under the umbrella of Nowy Styl Group. It is responsible for manufacturing and distributing Rohde & Grahl products on the German market.

* Rohde & Grahl company has been part of Nowy Styl Group's portfolio since June 2013, therefore the data presented in the report covers only the period from June to December 2013.



In the report, the name Nowy Styl Sp. z o.o. is used to present all the data concerning Timber Manufacturing Plant in Rzepedź, Office Furniture Factory in Krosno, Production Plant in Besko and Korczyn (no longer open; production was transferred to Jasło in 2013), Metal Component Production Plant, Armchair and Chair Production Plant and Plastic Processing Plant in Jasło.

Our products are manufactured not only in Poland but also in Ebermannsdorf in Germany, and in Voigtei and Steyerberg,

where the Rohde & Grahl GmbH factories are located. In 2013 the total production area covered 225 500 m³.

While talking about Nowy Styl GmbH, it is necessary to mention that the production of component parts that external entities had previously been commissioned to do, was transferred to the production plants of Nowy Styl Sp. z o.o. in 2011 during the company's acquisition. Only product assembly still takes place in Germany. This has enabled us to optimise costs and shorten transport distances.

1.3 Financial results



The dynamic development of Nowy Styl Group provides great obligations. We are aware of the responsibility we have to all of our stakeholders. Our company is built on solid foundations: financial security, efficient organisational structure and decision-making processes and a group of trusted professionals. The stability of our company gives our employees, customers, contractors and the local community, being the recipient and beneficiary of our business activities, a sense of security. Being one of the biggest employers in the region, and a strong partner of non-governmental organisations, we know that the role we play is a crucial one. Therefore, one of the basic values we maintain every day is transparency. We keep the accounts in a meticulous and transparent way; we account for our financial results on time and report them to proper institutions. We are eager to cooperate with experts conducting external audits.

Our financial results are presented according to the consolidated data for all of the departments of Nowy Styl Group. Our unique achievement, in terms of the organisation of the company is that although the group operates on various markets, we are able to function as a one virtual body. This allows us to share the experience between our employees located in different countries. We are also able to measure in the scale of the Group what value is generated for the customer. Therefore, the indicators shown in the report are presented on the basis of consolidated data, that is, in a consistent manner how we report our financial results to the financial institutions, as well as how we analyse our financial situation within the company – says Rafał Chwast, Vice President of Nowy Styl Group and Chief Financial Officer.

The consolidated presentation of our financial results is also due to the changes that were made in the ownership structure of our subsidiaries within the time covered by this report – we purchased the German company Rohde & Grahl and we were assimilating Sato Office company into our structures. However, in the future we will do our utmost to widen the range of data we present, so that it includes detailed information about particular companies belonging to Nowy Styl Group.

GRI
EC1

NOWY STYL GROUP FINANCIAL RESULTS (EUR* × 1000 / PLN × 1000)

| NOWY STYL GROUP | 2012 | | 2013 | |
|--|-------------------|-------------------|-------------------|-------------------|
| | EUR* | PLN | EUR* | PLN |
| Direct economic value generated | 153 074,25 | 638 870,68 | 172 419,06 | 726 056,68 |
| a) Revenues | 153 074,25 | 638 870,68 | 172 419,06 | 726 056,68 |
| Economic value distributed | 146 137,21 | 609 918,25 | 164 429,15 | 692 411,15 |
| b) Operating costs | 104 769,50 | 437 265,98 | 119 904,70 | 504 918,69 |
| c) Employee wages and benefits | 36 137,76 | 150 824,57 | 40 609,02 | 171 004,59 |
| d) Payments to providers of capital | 5 059,19 | 21 115,04 | 2 616,69 | 11 018,88 |
| e) Payments to government | 42,13 | 175,84 | 1 171,62 | 4 933,70 |
| f) Community investments | 125,86 | 525,31 | 115,32 | 485,60 |
| ECONOMIC VALUE RETAINED | 6 939,80 | 28 963,95 | 8 001,72 | 33 695,23 |

* Annual average exchange rate used in this report: 2012 – EUR 4,1736, 2013 – EUR 4,2110

Investments

 During the financial crisis in 2009, the vast majority of companies decided to suspend their investments in production or new technologies. Our company, however, acted against the general trend and adopted the so-called "Escape Forward" strategy. *Thanks to this approach, now that the market is stabilising, our company is in a much better situation than our competitors – says Roman Przybylski, Board Member of Nowy Styl Group and Director of the Sales Division. – Our decision to build a new Office Furniture Factory in Jasło resulted from our further development plans. We have been changing our production profile successively. Only a few years ago we were focused mainly on manufacturing chairs. Nowadays we provide a wide range of services concerning office areas and public interiors furnishing. We are currently carrying out several important projects. Our company has been fitting office*

spaces of huge companies with a few hundred workstations. We can see that our production capacities are not enough for such a great number of orders. Therefore, we treat our further investments as a necessity. The floor area of our new factory, equipped with modern and innovative production lines, covers 24 000 m². The factory has been co-funded by the European Union under the European Regional Development Fund. We have been awarded EUR 9,5m.

In 2012 we were allocated another fund for a project involving the production of chairs made of composite panels. More detailed information on this project is on page 60.

The following table shows the amount of financial help we received from the Polish Government in 2012 and 2013 to build our office furniture factory.

| FUNDS ALLOCATED BY POLISH AGENCY FOR ENTERPRISE DEVELOPMENT (EUR*/PLN) | GRI EC4 | | | |
|--|---------------------|---------------------|---------------------|----------------------|
| | 2012 | | 2013 | |
| | EUR* | PLN | EUR* | PLN |
| European Regional Development Fund (ERDF) | 1 620 421,55 | 6 762 991,40 | 4 556 172,79 | 19 186 043,62 |
| The State Treasury | 285 956,74 | 1 193 469,06 | 804 030,49 | 3 385 772,40 |
| TOTAL | 1 906 378,30 | 7 956 460,46 | 5 360 203,28 | 22 571 816,02 |

* Yearly average exchange rate used in this report:
2012 - EUR 4,1736,
2013 - EUR 4,2110

OUR PROMISES:

- ▶ In 2014 we will finish building our new office furniture factory. It will be a completely automated production plant, thanks to which we will significantly increase our production capacities.
- ▶ Our project completion time will be decreased thanks to the introduction of innovative solutions. More flexible manufacturing systems will enable us to increase our productivity regardless of the number or size of orders.
- ▶ We will improve the quality and durability of our furniture by improving the binding of boards and edges to an even greater extent. This will be achieved by introducing laser technology for veneering curvilinear elements.

1.4 Operating principles

Honesty – without double standards



Everyone appreciates cooperation with frank people and organisations. So do we; therefore we set certain clear borders that none of Nowy Styl Group's employees, partners, suppliers or customers may ever cross. We aim to surpass our competitors, yet we treat them with respect. We use only the quality of our products and services to create the competitive advantage. Any dishonest attempts to gain personal benefits or suit our company's interests are strictly forbidden.

How do we do this?

- ▶ We all are responsible for the good reputation of our company. That is why every new employee is obliged to familiarise themselves with and accept the obligations contained in "Code of Conduct" and "Nowy Styl Group's Employee Principle Card". These documents pinpoint precisely all our obligations, both ethical and legal. We have not yet organised training courses for our employees regarding anti-bribery procedures.
- ▶ It is widely believed that "the example always comes from the top", therefore our company's leadership, as well as the managers responsible for direct sales, participate in professional training courses to dispel all their doubts and help them cope with possible threats.
- ▶ We act in a transparent way and obey the current regulations of law. None of our subsidiaries has ever been imposed significant economic penalties or other non-financial sanctions for violation of law.



Violation of free competition principles



Since the very beginning, we have done our best to obey the principles of free market competition, both in Poland and abroad. We constantly talk to and organise training courses for our Polish distributors, to make sure they observe these rules. In 2011 we decided to dedicate one of our product training blocks to the discussion of legal matters. We invited lawyers working in Andrzej Gotfryd Barrister's Office to run this block. They told our distributors about the prohibition of vertical and horizontal agreements that clearly violate free competition principles. They also described all the Polish market rules and pinpointed the most common mistakes made by entrepreneurs. During these training courses, our distributors had a chance to take free legal advice. This series of training courses was provided not only to sales specialists – our distributors' employees – but also to their bosses, who were trained during Gold and Silver Partners meeting in May 2011.

The same opportunity was given to our sales specialists. Since 2011 a thematic block dedicated to anti-bribery policy has been an integral element of our training courses for distributors.



Thanks to being consistent in upholding our company's policy concerning this area, we have not noted any instances of violation of free competition principles or corrupt behaviours.



OUR PROMISES:

- ▶ We will compile a Code of Conduct, with which we will improve the standards of our activities and communication by systemising them and creating supervisory tools.
- ▶ We will organise training courses concerning our anti-bribery policy that will be available to our employees on the e-learning platform.

1.4

Quality

Our products' durability is tested at the very first stage of production – when the prototype is constructed. The whole manufacturing process meets the requirements of the International Organisation for Standardisation ISO 9001:2008.

To guarantee the highest European quality, our products are tested not only in the company's research laboratory with the use of modern technologies but also in independent research institutions both in Poland and abroad, where special certificates confirming their quality are issued.

Thanks to the high quality of our products and precise delivery control, our customers made complaints about only 0,73% of all the products manufactured in 2012. In the last year, the index of complaints was even lower (0,72%). This means that no fewer than 99 in 100 customers were satisfied with chairs or furniture they had bought from us. We try to investigate the complaints of those who are dissatisfied with our product within a maximum of 10 days (97,23% of complaints investigated out of all complaints received in 2012, and 97,11% in 2013). Since there are significant differences in data gathering methodology, this information concerns only the products manufactured in Polish factories. Standardisation is the aim of our activities, so in the future we will also be able to monitor this index for the products manufactured in our German factories.

We aim to depart from the traditional way of ensuring product quality, moving from quality based on its control to improving the manufacturing and delivering processes.

To achieve this, we ensure the proper quality of work at each stage of these processes, so that the final product is of great quality.

WIOLETTA KRAJEWSKA

Quality Director of
Nowy Styl Group

Prizes and awards

Everyone likes being appreciated: So do we. We value every single prize or award we receive, since each one shows us that our decisions are good and our effort bears fruit. Our company continues to develop and when our customers and leadership notice that, we are extremely pleased.

Making brave business decisions means taking a risk. In this context, business success is the best prize for us. Every single award we receive in prestigious business rankings makes us believe that our decisions are the right ones. The National Public Champion Poland title we won in the European Business Awards competition and our Pillar of Polish Economy title confirm our belief that we are moving in the right direction. We consider our company to be one that is still learning and we observe that all our efforts are having the desired effect. Year on year we receive more prizes and awards and our company

is increasingly placed in various business rankings. This is what really matters to us.

We especially value the prizes that are connected with our employees. The title of “Reliable Employer”, for instance, is a perfect motivation to create even better working conditions across the whole company. Even though we treat taking care of our employees as an obvious and natural thing, it is nice to know that experts also appreciate this.

Another category of prizes includes those our products are awarded – for their quality and design. The successes we achieve in such competitions are very important to us; however, it is our customers’ satisfaction that counts the most. We create our products with our customers in mind. While designing particular piece of furniture we think about the needs and expectations of its users. Their decisions to buy our products are the most precious prizes we can ever receive.

*Pillar of
Polish
Economy*

*Responsible
Business.
Good practices.*

*National
Public
Champion
Poland*

*“Reliable
Employer”*

*“Sustainable
Development
Leader”*

*“Product of
the Year 2011”*

eRange
in the *Office* category

When we start a new and difficult project, we believe strongly that we will succeed. We do the same when approaching projects concerning Corporate Social Responsibility. Starting work on the improvement of the company's activities in this area, we were sure that if we put our hearts and souls into it, we would achieve the desired results. And, in fact, this is happening right now – we are still developing within the CSR area, learning new things, and all our efforts are being noticed and appreciated by the public. Among others, we received an award in the “Sustainable Development Leader” competition organised by Forbes Magazine and PwC.

In 2013, our company appeared for the first time in the Ranking of Responsible Companies, ranked in 43rd place. One year later, our company was in 9th place in the same ranking – we went up 34 places! Since 2013 our company has also been a member of Coalition for Responsible Business. We took a very important step in 2012 when we decided to join the UN Global

Compact. *I think this membership has become a milestone in sustainable development of our company – says Adam Krzanowski, the President of the Nowy Styl Group's Management Board. – Joining the Global Compact community was an official confirmation of what we had known for a long time: developing efficient business is possible only in accordance with the rules the community follows. Our intention is to continue moving in this direction, because we are sure we will achieve the success that will be of benefit both to our customers and business partners.*

Our efforts concerning the implementation of eco-friendly technologies have also been noticed by the authors of the Responsible Business Forum Report *Responsible Business. Good practices*. Over 400 responsible enterprises are mentioned in the issue, including our company and its technique of using post-industrial waste to manufacture composite boards.

iF Product Design Award

for the Sail chair
by Grammer Office

“Quality Office” Certificate

2012

Ranking of Responsible Companies

2013: 43rd place

Member of Global Compact initiative

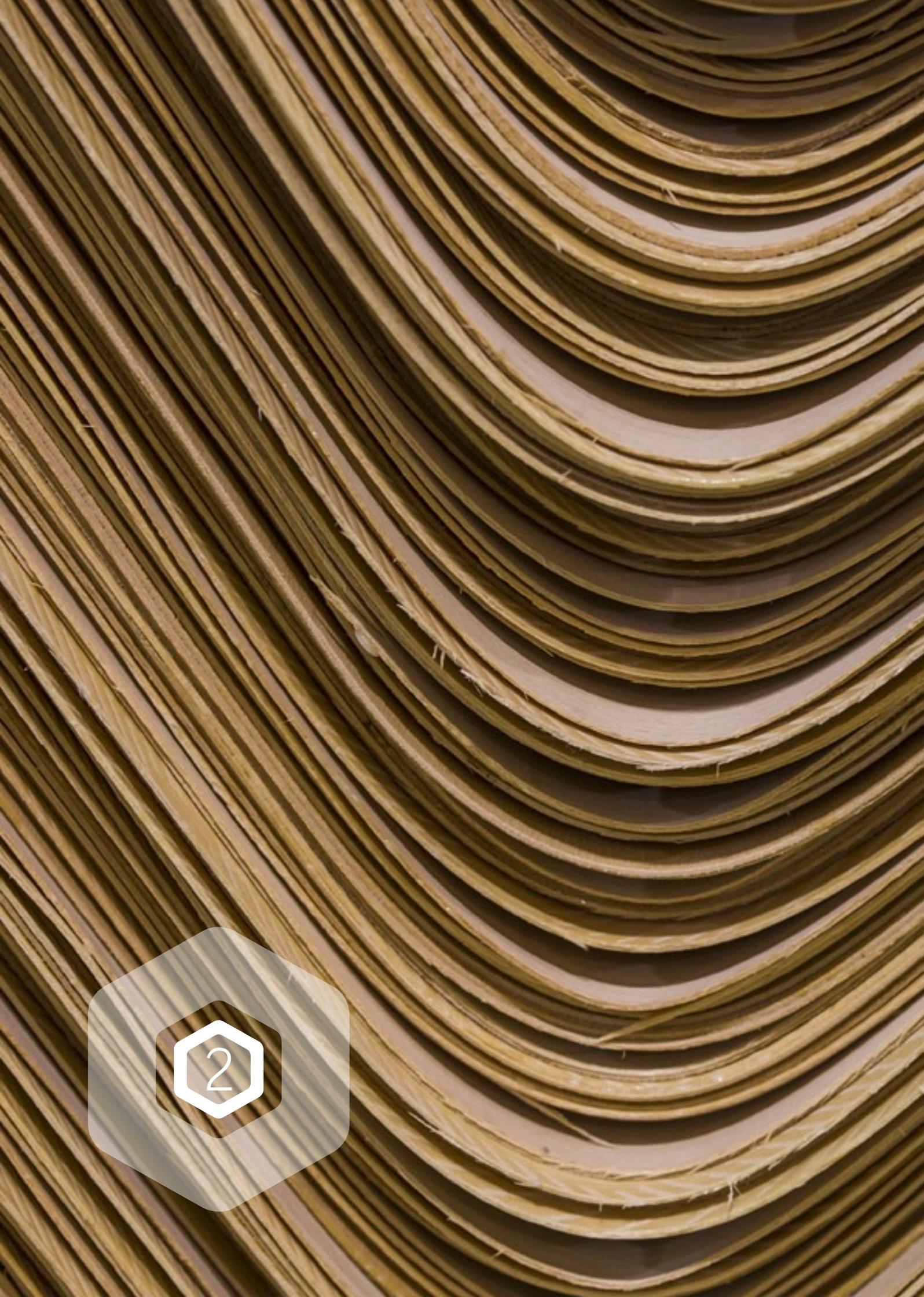
since 2012

Member of Coalition for Responsible Business

since 2013

Diamond of the Furniture Industry

2011: eRange





*Our
responsibility*



We know that the dynamic development of Nowy Styl Group would not be possible without our employees and business partners; without their talents and potential. We also make every effort to use the natural resources we are supposed to share with future generations in a reasonable way.

The business success we have achieved has enabled us to change some elements of the world we live in. At the very beginning, all our company could do was to support local community initiatives and donate our chairs. Subsequently, we managed to implement ISO standards and modern technologies that have made our production processes more eco-friendly.

Our employees have been always very important to us. We organise a great number of training and development programs for them. Our corporate social responsibility (CSR) strategy as well as our vision of the way our company functions are based on three solid pillars: **People, Product and Environment** – we create integrated programs that are advantageous to everyone.



Selected CSR activities



People

- › We make children's dreams come true: Our company organises big charity New Year balls for children, supporting their development and education.
- › We cooperate with the Janusz Korczak Foundation that responds to the needs of non-governmental organisations.
- › We hold Open Days for our employees and their families in our production plants.
- › We conduct a large number of training courses for our employees and partners.



Product

- › We support our sub-suppliers, who respect our CSR rules.
- › We train our customers and partners in ergonomics and healthy workstations.
- › We use renewable resources and certified materials (FSC-certified wood, fabrics).
- › We use recycled materials (e.g. plastic, foam) in the manufacture of our products.



Environment

- › We have built our own wastewater treatment plant.
- › We educate our employees via the "Be eco-friendly" program.
- › We generate our own "green energy" from biomass.
- › We have worked out and implemented our production project concerning the use of timber waste to manufacture composite boards.



Certificates

The high standards of manufacturing processes that take place in our production plants, the quality of our chairs, furniture and eco-friendly activities are best validated by certificates issued by independent institutions:

- › ISO 14001
- › ISO 9001
- › PN-N18001
- › GS certificate
- › Quality Office certificate
- › FSC certificate
- › Hygienic certificate

FSC

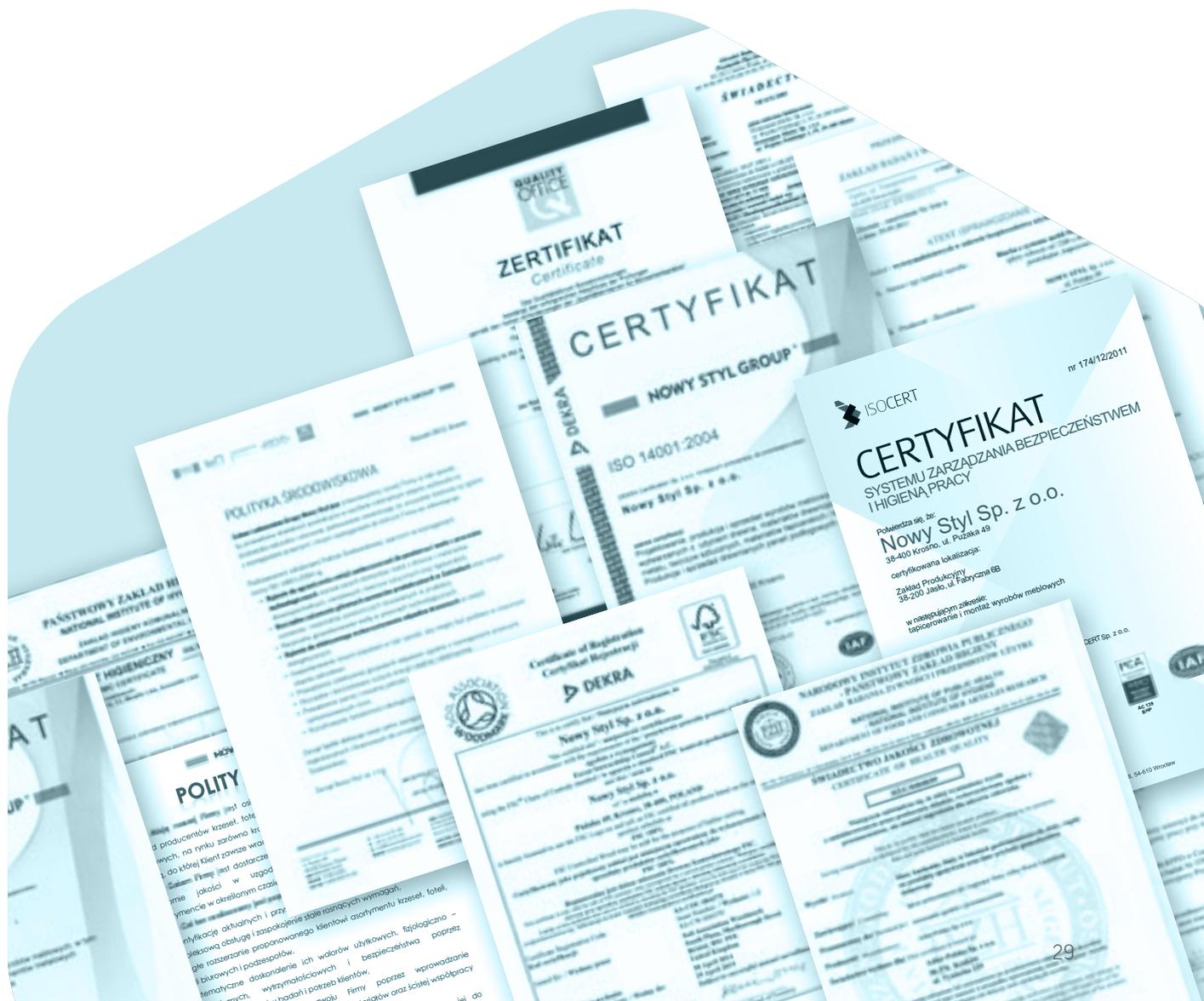
Wood is one of the basic materials used in the furniture industry. It gives our furniture and chairs a unique character. Just as we pay attention to every detail in our products, we take care of the reliability of the source of the wood we use in manufacturing processes. We give our customers an opportunity to choose products made of FSC-certified wood (Forest Stewardship Council). This international certificate guarantees that the wood life cycle, from sowing the seed to cutting down the tree, was in accordance with regulations.

While this report was being compiled, the ratio of certified to non-certified wood used in the manufacturing processes was 40% to 60%. In the case of non-certified wood used by our company, there are special internal procedures for managing the suppliers who ensure the wood sources are appropriate.

Global Compact



In 2012 we joined the UN Global Compact – an international platform for those companies and institutions that obey the universal UN regulations concerning human rights, employment standards, environmental protection and anti-bribery policy. We treat our membership as an obligation to be even more involved in public matters and make all our activities even more transparent. In joining the initiative, we promised to follow 10 UN regulations concerning the international standards of business ethics. The *Communication on Progress* document that we issue every year proves that we never waste words.



Dialogue with stakeholders



Communication channels



2.1 Dialogue with stakeholders



Nowy Styl Group takes care in maintaining good relationships with its stakeholders. Before writing this report, we compiled a list of people and groups whose impact on our business activities is the most significant, as well as those who are influenced by our economic, environmental and social activities.

We used a simple tool to choose our key stakeholders, to whom we sent our questionnaire form. Architects, distributors, employees and representatives of the local community filled in the questionnaires. Selected suppliers also answered the questions.

We carefully analysed the research results and used them to select the subjects to cover in this report. The natural environment and relationships with our customers and suppliers were the aspects our stakeholders considered the most important to discuss in this report.

According to our stakeholders, the most identifiable aspects of our business activities are those connected with customers

and the natural environment. They considered activities that concern local communities and employment practices to be the least identifiable aspects of our company. This means that we have to focus on these areas in the next few years.

The way we deal with our stakeholders and the frequency of such contacts will depend on Nowy Styl Group's current business activities. So far we have used standard tools, such as meetings, training courses, surveys and workshops. In 2014 and 2015 we will intensify the dialogue process with stakeholders by opening our new Office Furniture Factory, holding Open Days in all our factories, running a series of training courses in ergonomics, participating in furniture fairs (100% Design in London, Designblok in Prague, Orgatec in Cologne) and by continuing both the Supplier of the Year and the Gold and Silver Partners programs.

We will maintain complete and honest relationships with our stakeholders.



OUR PROMISES:

- › We will facilitate the internal channels of communication with our employees through the "Spinacz" magazine issued three times a year.
- › We will improve the dialogue with our customers through an updated version of our website, our corporate Up^Stream quarterly, and cyclical newsletters informing customers about our innovations and product changes.
- › We plan to increase our active presence at events and conferences organised for architects, office facility managers, developers and other groups by at least 50% (compared to 2013). This direct contact will ensure a more effective and reliable exchange of information as well as enabling research into customers' needs.



The stakeholder map was created according to the GRI Guidelines. We carefully analysed the forms of our commitment and our methods of communication with stakeholders. The choice was determined not only by their influence on our company but also by the impact we have on them.

JERZY KRZANOWSKI

Vice President of the Management Board,
Investment and Purchasing Director of
Nowy Styl Group



The background consists of a series of overlapping, wavy horizontal lines. The top portion of the image is dominated by light gray and white waves, while the bottom portion transitions into a vibrant green. The overall effect is a sense of motion and depth.

Our employees





The success of our company is attributed to our employees' courage, determination and qualifications. We know that we would not have become the fourth biggest office furniture manufacturer in Europe without them. Having greater and greater ambitions, we pay particular attention to the development of our most precious capital – people. We organise special training courses for our employees and encourage them to share their knowledge and ideas with others.



3.1 Employment

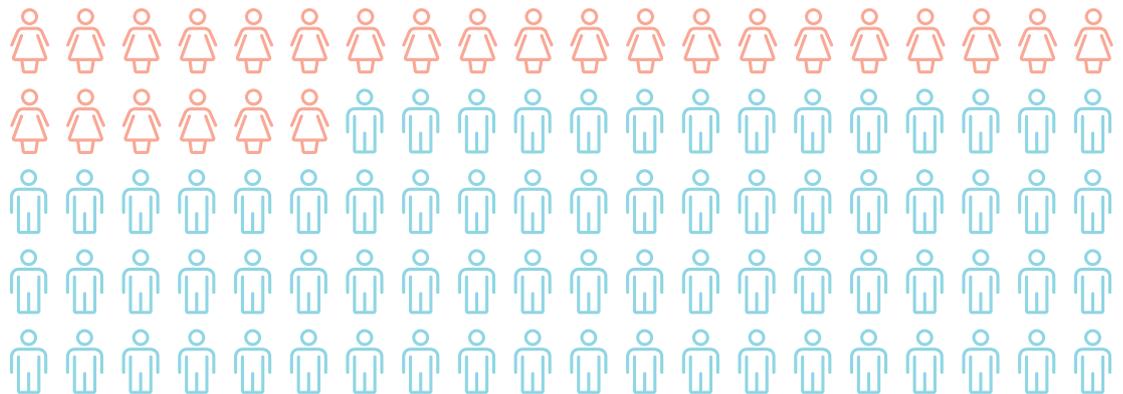
 The aspect of locality can also be seen in the Nowy Styl Group's employment policy. In our registered office in Poland, which is treated as the main site of our company, 100% of the executives have been recruited from the local market, i.e. the Sub-Carpathian region. For our employees, this index was 98,99% in 2012 and 98,97% in 2013. Such indexes are possible thanks to the Nowy Styl Group's strengthened market position as well as the availability of well-qualified managers in the Sub-Carpathian region. The local activities of our company attracted talented employees who want to develop their skills with us.

Nowy Styl Group's employment structure

  There is some disproportion between women and men in our company's employment structure. It is caused by the manufacturing specification – a vast majority of our employees are directly involved in the production of chairs and furniture.

Employment structure according to gender

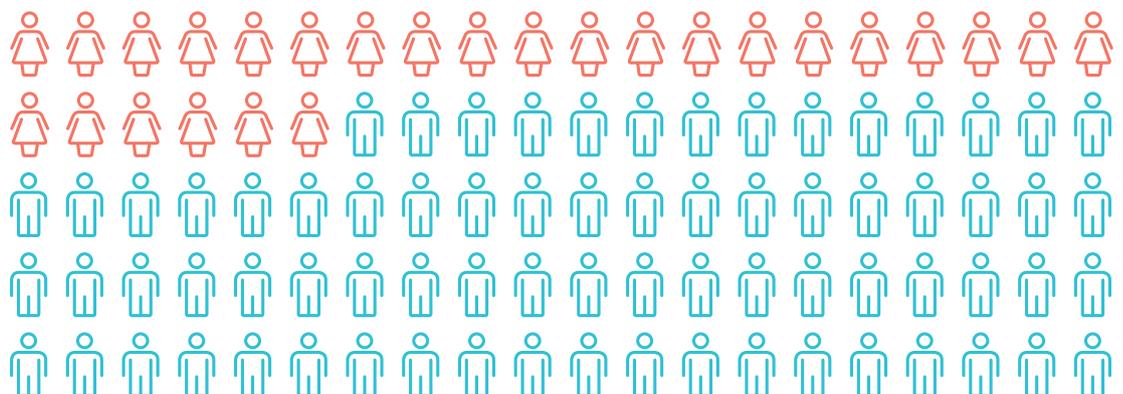
2012



 26%
Women

 74%
Men

2013

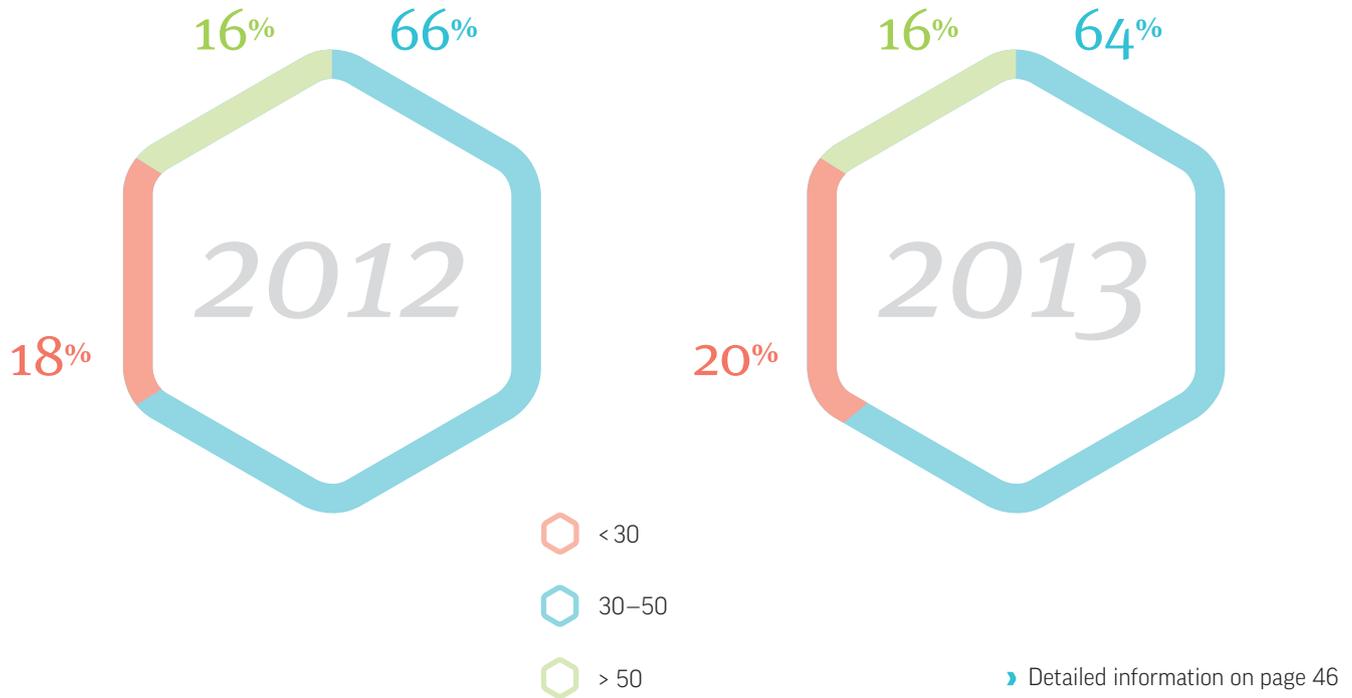


 26%
Women

 74%
Men

► Detailed information on page 46

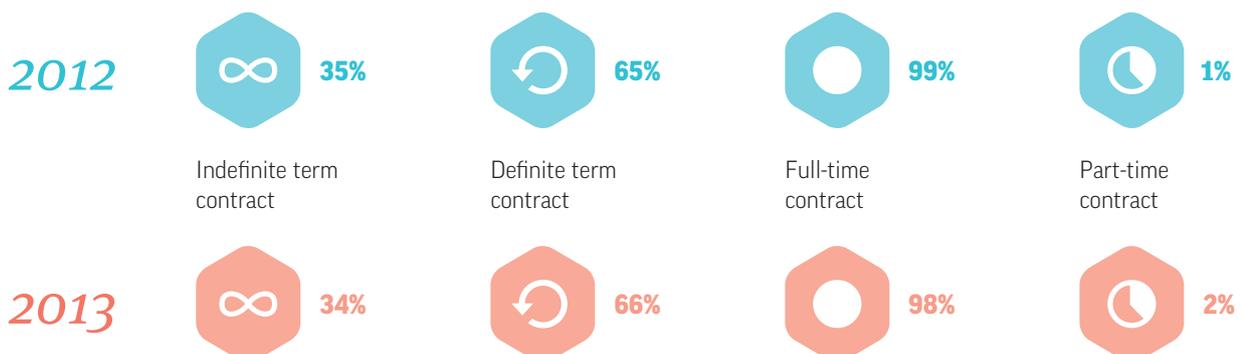
Employment structure according to age



Employment structure according to the type of contract

G4-10 26,49% of all the people employed by Nowy Styl Group are women, while 74,73% are men. 65,71% of the employees have an indefinite term contract. No less than 98% of all employees have a full-time contract.

Employment structure according to the type of contract



▶ Detailed information on pages 46, 47

Employment structure of the managerial staff



The management board of Nowy Styl Group consists of five men aged between 30–50. In the management board of the Baltic Wood S.A. there are two men and one woman (two people are aged between 30–50, one is over 50). The management board of Nowy Styl GmbH is comprised of five men (four are aged between 30–50, one is over 50), while the Rohde & Grahl GmbH's board is made up of three men (two are aged between 30–50, one is over 50).

Employee turnover according to gender and age



Nowy Styl Group gives young people an opportunity to get their first job and offers them stable employment. This company's policy is clearly reflected in the statistics regarding employment structure according to age. Meanwhile, the data concerning people leaving Nowy Styl Group indicates the process of natural generational shifts. The largest group of people leaving our company consists of the oldest employees, while people aged under 30 make up the biggest group of newly employed workers.

Employee turnover according to gender and age

New employees

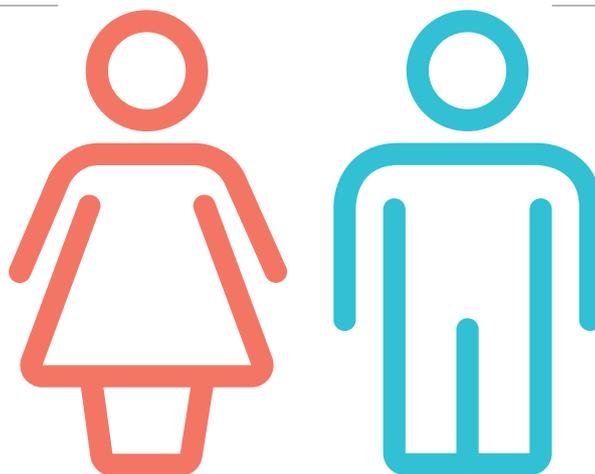


| | |
|------|-----|
| 2012 | 86 |
| 2013 | 117 |

New employees



| | |
|------|-----|
| 2012 | 253 |
| 2013 | 318 |



Ended contracts



| | |
|------|----|
| 2012 | 69 |
| 2013 | 86 |

Ended contracts



| | |
|------|-----|
| 2012 | 270 |
| 2013 | 254 |



Women



Men

► Detailed information on page 46

Return to work and the retention rate after parental leave



Job security and the proper balance between private and professional life are very important for our employees. Therefore we do our best to support them within these areas.

G4-LA3

THE NUMBER OF EMPLOYEES WHO TOOK PARENTAL LEAVE

| | | Women | Men |
|-------------|--------------|---------|-------|
| 2012 | 57 employees | 100,00% | 0,00% |
| 2013 | 68 employees | 95,60% | 4,60% |

G4-LA3

THE NUMBER OF EMPLOYEES WHO RETURNED TO WORK AFTER PARENTAL LEAVE

| | | Women | Men |
|-------------|--------------|---------|-------|
| 2012 | 49 employees | 100,00% | 0,00% |
| 2013 | 66 employees | 95,50% | 4,50% |

G4-LA3

THE NUMBER OF EMPLOYEES WHO RETURNED TO WORK AND WERE STILL EMPLOYED FOR 12 MONTHS

| | | Women | Men |
|-------------|--------------|--------|-------|
| 2012 | 44 employees | 97,70% | 2,30% |
| 2013 | 63 employees | 96,80% | 3,20% |

G4-LA3

THE RETENTION RATE

| | |
|-------------|------|
| 2012 | 0,90 |
| 2013 | 0,95 |

3.2 Wages



The wages of Nowy Styl Group's employees are determined by their qualifications and the type, amount and quality of work they perform.

There is some disproportion between the wages of male employees working in direct production and those of female employees in terms of the minimum wage, in favour of men (partially resulting from the type of duties and the way they account for them). It needs to be mentioned that the lack of the minimum wage in Germany prevents us from measuring

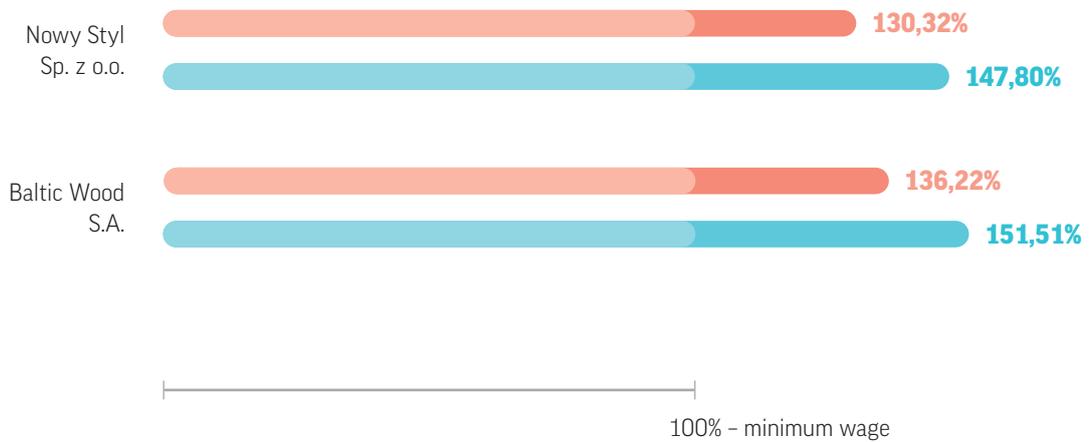
this rate in our Nowy Styl GmbH and Rohde & Grahl GmbH subsidiaries. In both of these companies the basic salary is equal for women and men occupying the same positions. Employees' wages are only dependent on professional factors, such as qualifications, education and work experience.

In Baltic Wood S.A. and other subsidiaries belonging to Nowy Styl Sp. z o.o. there is some disproportion between female basic salary and male basic salary. However, nowadays this situation is changing; this is especially visible in the case of production positions (detailed information on page 49).



Wages of employees occupying lower-level positions in the company according to gender and in comparison with the minimum wage

2012



2013



Women



Men

► Detailed information on page 49

3.3

Education and training courses



At Nowy Styl Group special attention is paid to the employees' development. We give our people a chance to self-develop and improve their professional skills. We organise training courses not only to have a properly qualified staff, but also to support their personal development.

That is why we follow the rules of equal and universal access to training courses – to give our employees a possibility to improve their personal and managerial skills, as well as expand their professional knowledge necessary to occupy particular positions in the company. The most important categories of training courses organised in 2012 and 2013 were:

- › all-development courses (e.g. staff management, project management, public speaking);
- › specialist courses (e.g. knowledge concerning production, logistics, quality, trade, finances);
- › sales courses (e.g. trade negotiations, sales techniques);
- › product courses;
- › national and international 'know-how' workshops (during which employees from different departments and working in

different counties were able to share their sales experience with each other);

- › language courses.

Almost all the training courses are organised by our internal training department. In the case of specialist courses, our employees take part actively in international conferences as well as product and technology fairs.

We treat these development activities as a continuous process that bears fruit only when all its stages are ordered in the right way. Therefore, every year, before organising our training courses, we carefully analyse our employees' needs and compile our Annual Training Plan. We also pay particular attention to the choice of methods used to measure the effectiveness of our activities. In 2013 we implemented the special Training Course Evaluation Form. At the same time we support employees who want to improve their skills individually by subsidising their courses or allowing them to take training leave.



THE AVERAGE NUMBER OF TRAINING HOURS PER ONE EMPLOYEE

| | | Women | Men | Directors | Managers | Specialists | Indirect production employees | Direct production employees |
|---|-------------|-------|-------|-----------|----------|-------------|-------------------------------|-----------------------------|
| NOWY STYL SP. Z O.O. | | | | | | | | |
| The number of training hours per one employee | 2012 | 6,57 | 4,80 | 22,93 | 23,62 | 13,49 | 1,01 | 0,82 |
| | 2013 | 7,26 | 5,98 | 44,72 | 28,26 | 14,09 | 1,59 | 1,30 |
| BALTIC WOOD S.A. | | | | | | | | |
| The number of training hours per one employee | 2012 | 1,84 | 1,59 | 14,00 | 4,18 | 0,86 | 0,41 | 1,52 |
| | 2013 | 4,29 | 1,82 | 37,33 | 17,13 | 3,36 | 1,40 | 0,24 |
| NOWY STYL GMBH | | | | | | | | |
| The number of training hours per one employee | 2012 | n/a | n/a | 8,00 | 16,00 | 0,00 | 11,2 | 0,00 |
| | 2013 | n/a | n/a | 5,00 | 57,50 | 40,00 | 6,00 | 0,00 |
| ROHDE & GRAHL GMBH | | | | | | | | |
| The number of training hours per one employee | 2013 | 41,60 | 44,80 | 48,00 | 32,00 | 48,00 | 48,00 | 27,43 |

Talent program

Education and sound knowledge are definitely not enough. Other crucial aspects are talent and skills. Having noticed the importance of our employees' "soft skills" development in terms of the positions they occupy in our company, we have decided to create a special Talent Program. Within this program we offer the most talented employees some attractive forms of personal development, which have a huge influence on their satisfaction and job commitment.

We started the Talent Program in 2012 and continued it in 2013. Its rules were very simple. After a few selection stages we chose a group of employees for whom special development activities were designed. All the participants of this program possess skills that meet the needs and development plans of the organisation. Moreover, these people are involved in the most important projects, very often being of the utmost importance to our company.

Skill development program

 Managers and directors are the most important people in our company; therefore, we have designed a special skill development program for them. In 2012 and 2013 we carried out a training and development project, within which we held a series of courses for our management staff. They were able to improve their skills concerning communication, team management and change management.

People from different divisions of our company – directors, managers, production managers and masters – took part in these training courses. The managers were divided into two teams: one consisted of those responsible for employees within the production area, while the other consisted of those responsible for employees beyond the production area. This division enabled us to adjust workshops properly to the problems each particular group may encounter, and the type of work they do. Training courses designed in this way ensured free exchange of experience and knowledge sharing between various organisational units.



OUR PROMISES:

› We will continue and develop our activities concerning communication, team and change management within the Skill Development Program.

Suggestion program

 Our company's success is the sum of the successes achieved by our employees. They have proved many times over that their ideas can facilitate the way our organisation functions. We believe strongly that each of us can come up with an excellent idea – not only a Director or Manager – therefore we attach a lot of weight to the management of employees' ideas. Our employees are allowed to put forward their suggestions, which in turn provide our company with easy access to the innovative ideas coming from different parts of our organisation.

For the time being, there are two huge programs in our company. The first one, called the Cost Optimisation Program, is addressed to white-collar workers. They are given a chance to come up with ideas concerning the introduction of improvements and innovations. In this way we make our employees aware of the great influence they can have on our company. We show them that their commitment is necessary to achieve our common success. Our employees are allowed to suggest changes that are, in their opinions, needed and would be of benefit to the company within logistics, production, technology and construction. This program ensures the innovation development and supports employees' creativity.

The other program, called the Suggestion Program, is addressed to production employees and is currently being tested. Within this program, blue-collar workers are allowed to put forward their suggestions concerning occupational health and safety, product quality, productivity and cost reduction. This program aims to develop and support our production employees' innovative ideas.



Employee Individual Business Plan



Nowy Styl Group, just like any other company that exists in the market, acts according to special strategy and operational plans that are mirrored in the way particular employees work. **By carrying out the “Employee Individual Business Plan” project, we have moved a step forward.** Within the periodic performance assessment, managers do not only discuss with employees the results of their work, but also establish their skill development and improvement plans for the next six months. It helps employees determine the key abilities they would need to deal with current and future tasks. Moreover, managers set the most important aims to be achieved and duties to be performed together with their employees. All the key development areas and assigned tasks make up the “Employee Individual Business Plan”. By the end of 2013, we had implemented this project in the Logistics and Quality Divisions, and it was applied to all employees, both white- and blue-collar workers.

So far the following activities have been taken as a part of this project:

- › individual sales coaching;
- › training courses in trade negotiations for the Domestic Sales Department and Export Sales Department;
- › training course in sales techniques for the Export Sales Department;
- › training course in preparing and conducting presentations for customers and partners;
- › know-how workshop that ensured free exchange of experience between employees from the Domestic Sales Department and Export Sales Department;
- › sessions during which employees’ survey forms were discussed, resulting in the introduction of new motivating systems in these departments;
- › “Motivating employees” training course for managers.

The project will finish with a new periodic performance assessment based on the above-mentioned criteria in order to measure the effectiveness of all the activities undertaken.



OUR PROMISES:

- › In 2014 we plan to implement the periodic performance assessment in further sales departments, including the Customer Service Department and Project Management Department.

Traineeship program



Besides taking care of our employees’ development, we also think about our company’s future staff. We cooperate with local institutions to organise internships. These enable students, graduates and unemployed people to gain their first professional experience as well as qualifications and skills that will improve their position on the labour market.

We organise internships as well as student, graduate and post-graduate internships within the following areas: production, logistics, quality, finance, marketing, sales and trading, HR. In 2013 we signed an agreement concerning a constant cooperation with Rzeszow University of Technology, Warsaw University of Life Sciences – SGGW and State Higher Vocational School in Krosno. We also cooperate with other universities and schools located in the counties of Krosno and Jasło, where a great number of students start their professional careers. At the same time we cooperate with governmental institutions of the labour market to organise internships for people seeking employment.

We guarantee all our trainees access to our knowledge base and modern solutions. The most talented probationers are offered a job in the department where they had their internship.

As a part of the dialogue with our stakeholders, we take part in local job fairs. Thanks to our participation in these events, we are able to define needs and expectations of future trainees. Talking with students and lecturers, we inform them about the qualifications and skills we look for. Such conversations have notable effects.



3.4 Fringe benefits



We know that the proper balance between professional and family life is of utmost importance to everyone.

That is why we also try to support our employees in this area.

Every year, as a fringe benefit, we give our employees' children St. Nicholas Day gift packages. During Easter and Christmas all our employees receive cash benefits.

Being aware of the different misfortunes that may happen to anyone, we offer financial support to our employees who are in a difficult situation. Our company has also negotiated good

corporate life insurance that both our employees and their families may use.

We take special care of our employees' health, therefore every year we organise flu vaccination days. Thinking about our employees' well-being we have created the "Employee Purchasing Group" program. Together with the Sub-Carpathian Business Club, we give our employees a special discount card that allows them to favourably buy products at special distribution points (shops and service outlets).

3.5 Anti-discrimination practices

We are all equal



In our company diversity is treated as a great value, which enables all employees to develop their skills.

Even though we function in various parts of Europe, we are one big team, in which everyone is important and contributes to its successes. **Our record proves this: over the last few years we have not noted any discrimination in our company.**

How do we do this?

- › We obey the rules inserted in the Universal Declaration of Human Rights and European Convention on Human Rights.
- › All our employees are given an equal opportunity of professional development regardless of their sex, background, faith, race, sexual orientation, political views, social origins, age or employment type.



OUR PROMISES:

- › We will create a special post for Ethics Officer in our company to give our employees a chance to report any possible instances of discrimination.
- › The Ethics Officer, as a trustworthy person, will monitor our employees' compliance with ethical principles and promote ethical attitudes in our company.

3.6 Occupational health and safety



Every day thousands of people enter our production plants and offices to work with passion and pursue our common goals. We try to create relationships based on mutual respect and trust. **The safety of our employees is the highest priority for us, so we do not accept any compromises at all.**

In the Group's companies there are health and safety committees with different structures and representatives:

- › in the subsidiaries located in Poland, the committees consist of six representatives (three of them are chosen by the employees via democratic election, while three represent the employers);

› in our companies located in Germany, the committees consist of five employees from different divisions.

Health and safety committees represent all employees of the Group (there are no trade unions in Nowy Styl Group). The committees take care of employees' safety and help them when accidents occur.

The following aspects are discussed with the representatives of employees:

- › making changes in work organisation and workstation equipment;
- › assessing occupational hazards concerning particular tasks and informing employees about them;
- › creating health and safety services and appointing employees responsible for giving first aid;
- › allotting employees personal protective equipment, work clothes and shoes.

Injury and occupational diseases rate

 Thanks to special procedures and implemented safety systems, no instances of fatal or serious accidents have been recorded in our production plants in the last two years.

Every year a team of our specialists prepares incident analyses that help us draw conclusions and improve our employees' safety to an even greater extent.

In 2012 Baltic Wood S.A. recorded eight accidents (two women, six men) that resulted in 478 days of absenteeism. In 2012 there were 16 accidents in the Nowy Styl company, during which 18 employees (four women and 14 men) were injured. The accidents resulted in 795 days of absenteeism. In the same year Nowy Styl GmbH noted two accidents, in which three people (two men and one woman) were hurt.

In 2013 there were five accidents (one woman and four men) in the Baltic Wood S.A. that resulted in 264 days of absenteeism. In 2013 Nowy Styl Sp. z o.o. recorded 23 accidents (two women, 21 men). The total number of absenteeism days amounted to 1 062. In the Nowy Styl GmbH subsidiary, there were four accidents, during which four men and four women were injured.

Exposure to danger

 Due to the character of the furniture industry, employees occupying certain production positions in our company are exposed to danger resulting from exceeded threshold limit values of work environment factors, such as noise, vibrations, dust and magnetic field. External institutions measure all these factors.

Our employees are properly prepared for the tasks they perform while occupying certain positions in the company. We provide them with safe workstations and cyclical training courses – we undertake all these activities with their safety in mind.

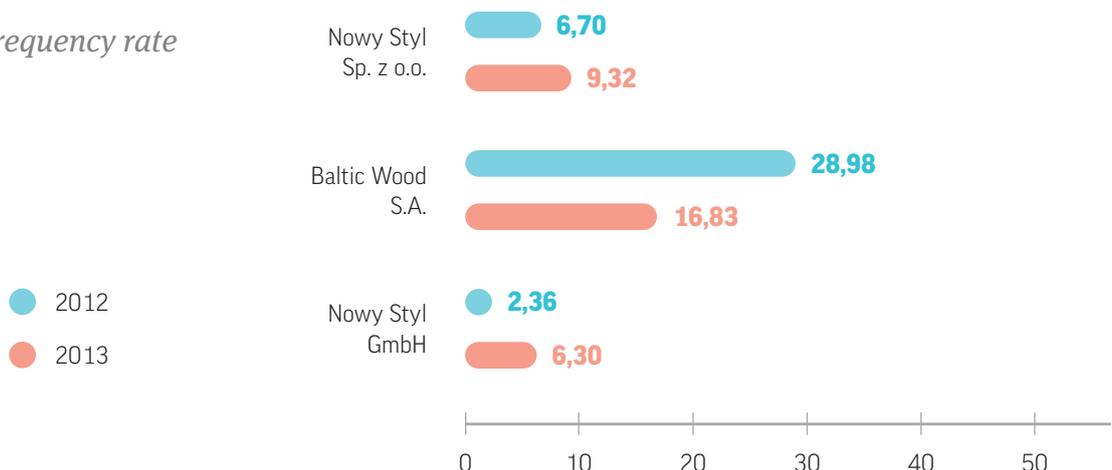
In Baltic Wood S.A. there are some positions exposed to exceeded threshold limit values (TLV) of work environment factors, such as noise and hard wood dust. In 2012 the total number of employees exposed to exceeded TLV amounted to 97 (including those employees exposed to both noise and hard wood dust). In 2013 we managed to reduce the amount of dust to below the threshold limit value. The number of positions exposed to exceeded TLV of hard wood was reduced from 12 to 0.

In 2012 the total number of employees exposed to exceeded TLV in the Nowy Styl company was 205 (including those employees exposed to two or more work environment factors). In 2013 the number amounted to 239.

In other subsidiaries such positions have not been recorded.



Accident frequency rate



3.7 Complete tabular data showing indicators

G4-LA12

EMPLOYMENT STRUCTURE OF THE MANAGERIAL STAFF

| 2012 | According to gender | | According to age | | | Total |
|-----------------------------|---------------------|-------------|------------------|-------------|------------|-------------|
| | Women | Men | <30 | 30-50 | >50 | |
| Nowy Styl Sp. z o.o. | 660 | 2019 | 523 | 1749 | 407 | 2679 |
| Baltic Wood S.A. | 98 | 205 | 29 | 237 | 37 | 303 |
| Nowy Styl GmbH | 49 | 99 | 20 | 72 | 56 | 148 |
| TOTAL | 807 | 2323 | 572 | 2058 | 500 | 3130 |

| 2013 | According to gender | | According to age | | | Total |
|-------------------------------|---------------------|-------------|------------------|-------------|------------|-------------|
| | Women | Men | <30 | 30-50 | >50 | |
| Nowy Styl Sp. z o.o. | 700 | 2028 | 570 | 1778 | 380 | 2728 |
| Baltic Wood S.A. | 103 | 227 | 45 | 250 | 35 | 330 |
| Nowy Styl GmbH | 41 | 86 | 15 | 66 | 46 | 127 |
| Rohde & Grahl GmbH | 66 | 184 | 44 | 119 | 87 | 250 |
| TOTAL | 910 | 2525 | 674 | 2213 | 548 | 3435 |

G4-LA12

THE TOTAL NUMBER OF EMPLOYEES ACCORDING TO THE EMPLOYMENT TYPE, CONTRACT TYPE AND REGION (BY GENDER)

| 2012 | | Indefinite term contract | Definite term contract | Part-time contract | Full-time contract |
|-------------------------|-------|-----------------------------|------------------------|--------------------|--------------------|
| | | Nowy Styl Sp. z o.o. | Women | 440 | 220 |
| | Men | 1257 | 762 | 7 | 2012 |
| Baltic Wood S.A. | Women | 71 | 27 | 1 | 97 |
| | Men | 136 | 69 | 6 | 199 |
| Nowy Styl GmbH | Women | 43 | 6 | 16 | 33 |
| | Men | 94 | 5 | 0 | 99 |
| TOTAL | | 2041 | 1089 | 37 | 3093 |


THE TOTAL NUMBER OF EMPLOYEES ACCORDING TO THE EMPLOYMENT TYPE, CONTRACT TYPE AND REGION (BY GENDER)

| 2013 | | Indefinite term contract | Definite term contract | Part-time contract | Full-time contract |
|-------------------------------|-------|--------------------------|------------------------|--------------------|--------------------|
| Nowy Styl Sp. z o.o. | Women | 443 | 257 | 6 | 694 |
| | Men | 1277 | 751 | 6 | 2022 |
| Baltic Wood S.A. | Women | 71 | 32 | 1 | 102 |
| | Men | 137 | 90 | 4 | 223 |
| Nowy Styl GmbH | Women | 40 | 1 | 13 | 28 |
| | Men | 85 | 1 | 0 | 86 |
| Rohde & Grahl GmbH | Women | 47 | 19 | 17 | 49 |
| | Men | 157 | 27 | 5 | 179 |
| TOTAL | | 2257 | 1178 | 52 | 3383 |


NEW EMPLOYEES

| 2012 | According to gender | | According to age | | | Total |
|-----------------------------|---------------------|------------|------------------|------------|-----------|------------|
| | Women | Men | <30 | 30-50 | >50 | |
| Nowy Styl Sp. z o.o. | 80 | 237 | 154 | 134 | 29 | 317 |
| Baltic Wood S.A. | 6 | 12 | 2 | 15 | 1 | 18 |
| Nowy Styl GmbH | 0 | 4 | 0 | 4 | 0 | 4 |
| TOTAL | 86 | 253 | 156 | 153 | 30 | 339 |

| 2013 | According to gender | | According to age | | | Total |
|-------------------------------|---------------------|------------|------------------|------------|-----------|------------|
| | Women | Men | <30 | 30-50 | >50 | |
| Nowy Styl Sp. z o.o. | 98 | 252 | 166 | 171 | 13 | 350 |
| Baltic Wood S.A. | 14 | 45 | 21 | 37 | 1 | 59 |
| Nowy Styl GmbH | 1 | 0 | 0 | 1 | 0 | 1 |
| Rohde & Grahl GmbH | 4 | 21 | 9 | 8 | 8 | 25 |
| TOTAL | 117 | 318 | 196 | 217 | 22 | 435 |

ENDED CONTRACTS

| 2012 | According to gender | | According to age | | | Total |
|-----------------------------|---------------------|------------|------------------|------------|-----------|------------|
| | Women | Men | <30 | 30-50 | >50 | |
| Nowy Styl Sp. z o.o. | 58 | 243 | 119 | 142 | 40 | 301 |
| Baltic Wood S.A. | 9 | 23 | 5 | 24 | 3 | 32 |
| Nowy Styl GmbH | 2 | 4 | 1 | 5 | 0 | 6 |
| TOTAL | 69 | 270 | 125 | 171 | 43 | 339 |

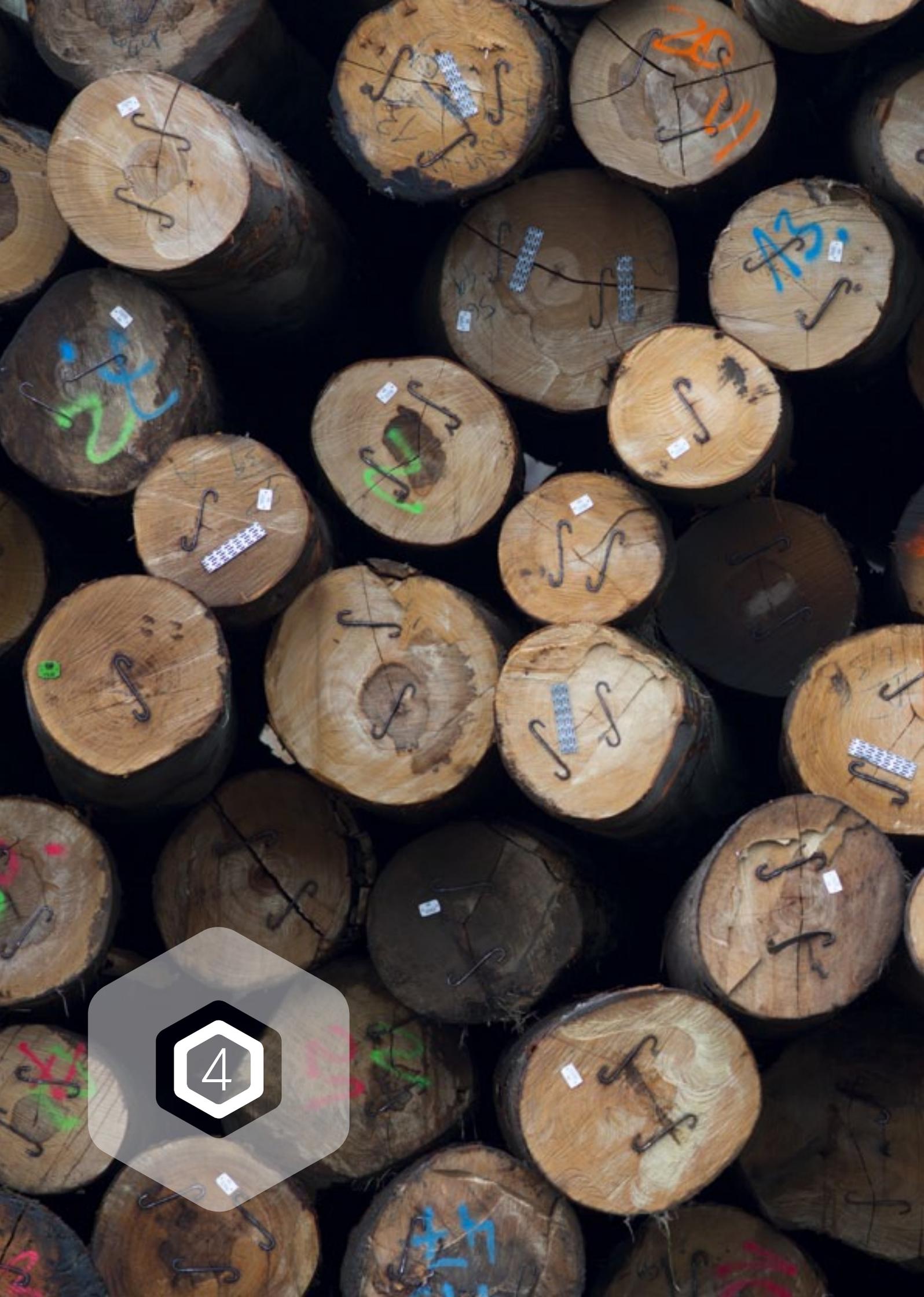
| 2013 | According to gender | | According to age | | | Total |
|-------------------------------|---------------------|------------|------------------|------------|-----------|------------|
| | Women | Men | <30 | 30-50 | >50 | |
| Nowy Styl Sp. z o.o. | 72 | 203 | 95 | 149 | 31 | 275 |
| Baltic Wood S.A. | 4 | 31 | 7 | 22 | 6 | 35 |
| Nowy Styl GmbH | 2 | 4 | 1 | 5 | 0 | 6 |
| Rohde & Grahl GmbH | 6 | 18 | 6 | 8 | 10 | 24 |
| TOTAL | 86 | 254 | 109 | 184 | 47 | 340 |


**WAGES OF THE LOWEST-RANKING EMPLOYEES IN COMPARISON
WITH THE MINIMUM WAGE ACCORDING TO GENDER**

| | 2012 | | 2013 | |
|-----------------------------|---------|---------|---------|---------|
| | Women | Men | Women | Men |
| Nowy Styl Sp. z o.o. | 130,32% | 147,80% | 130,32% | 145,47% |
| Baltic Wood S.A. | 136,22% | 151,51% | 134,30% | 138,66% |

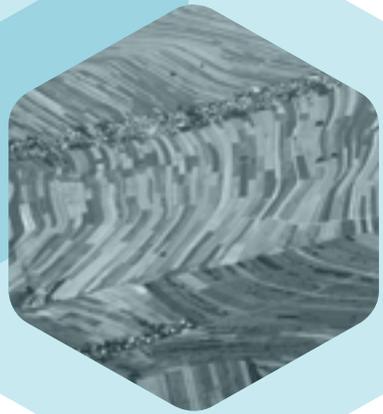
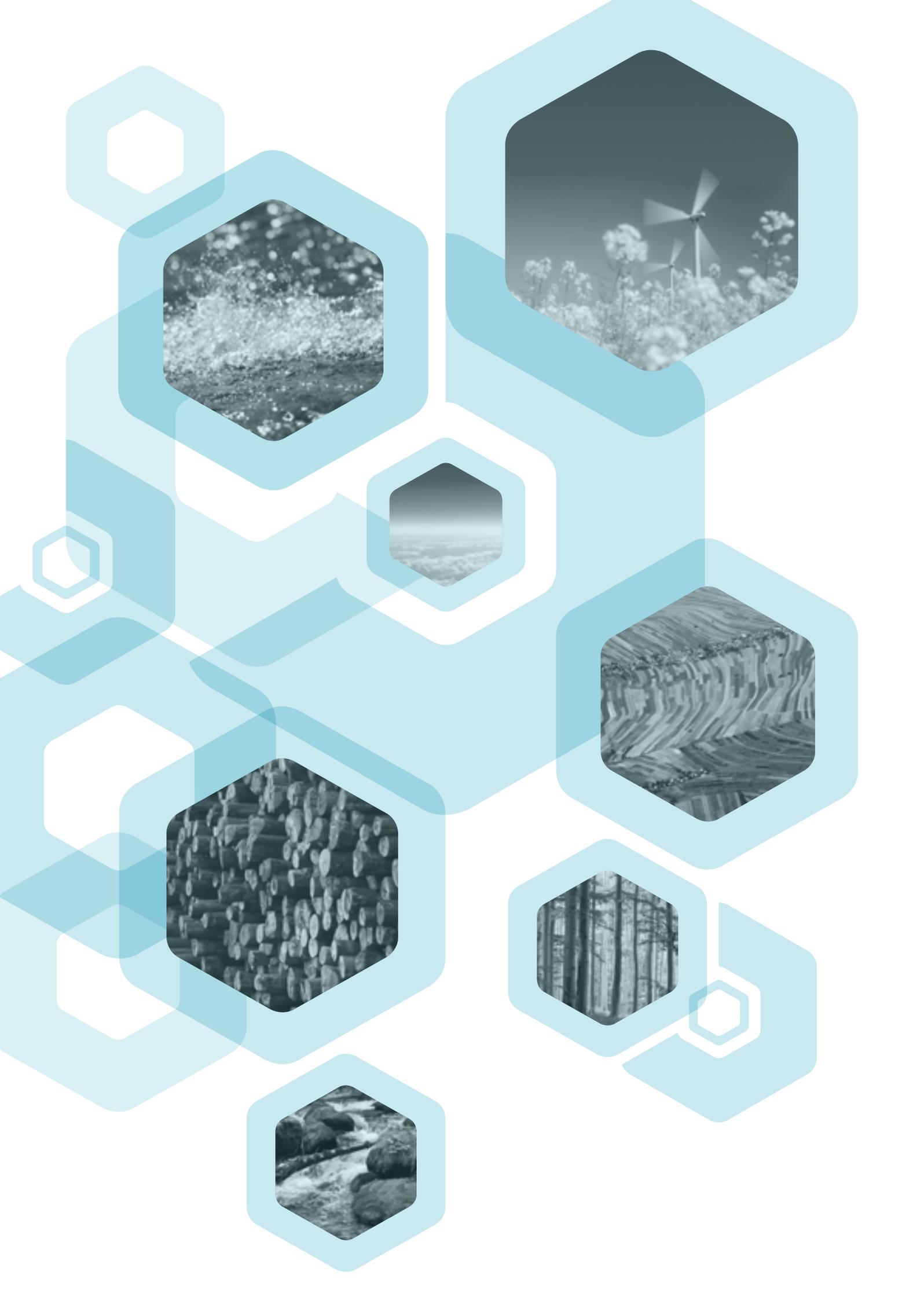

**THE RATIO OF FEMALE MINIMUM WAGE TO MALE MINIMUM WAGE
ACCORDING TO THE POSITION THEY OCCUPY**

| | Nowy Styl Sp. z o.o. | | Baltic Wood S.A. | |
|--------------------------------------|----------------------|-------|------------------|--------|
| | 2012 | 2013 | 2012 | 2013 |
| Directors | 89,30 | 91,33 | 74,17 | 66,42 |
| Managers | 86,35 | 84,74 | 130,33 | 120,74 |
| Specialists | 90,79 | 89,35 | 69,43 | 71,13 |
| Indirect production employees | 84,40 | 88,71 | 75,07 | 75,17 |
| Direct production employees | 88,17 | 89,58 | 89,91 | 96,85 |





*Our influence on
the environment*



We know that we are just neighbours of the natural environment who have appeared recently. We do our best to make our presence the least troublesome possible. We minimise our influence on the environment as well as the impact we make on people's and animals' lives. By implementing solutions that help us connect ecology with our manufacturing processes, we do much more than current standards and regulations of law oblige us to do. We just think (eco)logically!

Our manufacturing processes take place in production plants that are regulated by administrative decisions issued by special authorities and controlled by external audits.

As a result of manufacturing processes being in accordance with environmental protection principles, we have implemented a special system based on the standards presented in ISO 14001: 2004 "Environmental management systems". It was a few years ago when we started our preparations for the ISO 14001:2004 certificate, and we did a lot of preparatory work before it was implemented. We described the environmental policy of our company, pinpointed the activities undertaken in particular production plants that had had an influence on the natural environment and defined areas within which potential improvements could have been made. We also created a management program ensuring the achievement of common aims and made out a schedule of regular controls (internal

audits) providing constant supervision and improvement of all procedures. We held training courses in identifying and evaluating environmental aspects as well as training courses in internal audits. The following areas were certified: management, production planning and coordination, designing, production, purchase, sales, delivering of furniture and chairs.

The Nowy Styl Group's environmental management system starts at the very first stage of production – at the design phase, when particular elements used to make a product are chosen. Thanks to the policy, all our products, from the beginning to the end of their life cycles, have very little impact on the natural environment. The next stage is the purchase of materials and production of products in our factories, where the manufacturing processes are properly chosen so that they make the smallest possible impact on the natural environment.



Within the period of time covered in this report, no penalties or sanctions were imposed on Nowy Styl Group for violating environment protection principles, with the exception of the Timber Manufacturing Plant, where a procedural defect was found in 2012. The Voivodeship Environmental Protection Inspector did not accept two samples because there were some differences in their measurement

methodology. The plant was imposed an administrative fine of EUR 15 14,42.

In accordance with the regulation written in ISO 14001 Environmental Management System Book, Baltic Wood S.A. does not inform third parties about the environmental aspects the company supervises.

4.1 Energy



All our business activities are based on the moderation principle that is clearly visible in our relationship with the natural environment. We have decided to use various energy sources and use our creative potential to transform the weaknesses into green solutions.

Nowy Styl Group has two boiler houses that use wood waste (direct energy consumption) and produce energy that is sold within the subsidiaries.



Furniture and chair production is inseparably linked to huge energy consumption that has a great influence both on the natural environment and the expenses the company must incur. Therefore, we do our utmost to reduce energy consumption. The activities we have undertaken over the last few years include easy solutions connected with switching off production machines and lights during breaks. We have implemented compressed air system servicing to prevent any possible leaks. We have optimised production lines by consolidating production batches and reducing the time needed for retooling. We have also modernised the extraction fan control system. The use of power inverters has helped us greatly reduce energy consumption. We have also managed to reduce the temperature of moulding parquet floors by introducing special glues for wood that can be used at lower temperatures.

Group's production plants. The funds we received from the European Union have enabled us to create a waste storing, transporting and grinding system. This enables us to produce energy from wood waste which in turn leads to a reduction of CO₂ emissions.

- › We constantly modernise our production machines, helping us minimise energy consumption and optimise manufacturing processes. For instance, thanks to the use of sequential lighting, only the areas in our production plants where manufacturing processes actually take place are lit.
- › We recover heat from our production processes that is purified and used in the winter.
- › We implement special procedures. All new employees are trained in the economical management of energy.



The majority of the Nowy Styl Group's factories do not produce their own energy. The production plants are provided with the amount of energy they need by external suppliers. The Timber Manufacturing Plant in Rzepedź and the factory where Baltic Wood S.A. manufactures its parquet floors are the exceptions. They use a solid fuel in the form of wood biomass to produce energy. The biomass consists of small wood waste, such as sawdust and shavings, and big wood waste, such as woodchips, edgings and particles. It is produced by the production plants themselves, but it is also purchased from external companies. Baltic Wood S.A. sells its biomass to Nowy Styl Sp. z o.o., which owns the boiler houses, and then repurchases the heat that is produced.

The heat we need for technological purposes, central heating and water heating is produced by our own boiler houses and sold within the subsidiaries.

How do we do this? Examples:

- › We buy and use so-called rainbow energy (energy from different resources, including renewable).
- › We produce our own energy from biomass by using wood waste and timber dust as an additional energy source for the



We know that we are just neighbours of the natural environment who have appeared recently. This consciousness directs our responsible activities.

DARIUSZ FRYDRYCH
Member of the Management Board, Operational Director of Nowy Styl Group

G4-
EN6**ENERGY
CONSUMPTION
[kWh]**

| | 2012 | 2013 |
|----------------------|-------------------|-------------------|
| Nowy Styl Sp. z o.o. | 21 561 950 | 21 605 904 |
| Baltic Wood S.A. | 12 430 067 | 13 719 692 |
| Nowy Styl GmbH | 324 938 | 305 302 |
| Rohde & Grahl GmbH | n/a | 2 575 588 |
| TOTAL | 34 316 955 | 38 206 486 |

G4-
EN3**THE AMOUNT
OF HEAT
PRODUCED*
[G]
[m³]**

| TOTAL CONSUMPTION [G] | 2012 | 2013 |
|--|----------------|----------------|
| Purchase | 5 929 | 6 615 |
| Biomass | 212 101 | 208 096 |
| Coal | 1 205 | 1 723 |
| Fuel oil | 307 | 211 |
| TOTAL | 228 644 | 223 409 |
| TOTAL CONSUMPTION [m³] | 2012 | 2013 |
| Natural gas | 502 850 | 432 491 |

* The data concerns heat production in factories located in Poland and applies to both Nowy Styl Sp. z o.o. and Baltic Wood S.A.

4.2 Water management



Water is the most precious resource on earth, therefore we feel responsible for every single drop we use in our factories. We have come a long way since the day the very first chair left our production line. We have put a lot of effort into using water resources in a reasonable way.

Nowy Styl Group has its own water intake in Rzepedź, where the Timber Manufacturing Plant is located. This factory is equipped with a pumping station and water treatment station. The water needed for technological and living purposes is drawn from the Osława river in 34+800 km (a left-bank tributary of the San). The water for social and technological process purposes in other factories is provided by the Municipal Services Offices in Jasło and Krosno.

Baltic Wood S.A. uses a rainwater drainpipe as well as a rainfall and snowmelt discharge point that belongs to the Group. The water needed by Nowy Styl GmbH and Rohde & Grahl GmbH is supplied by municipal waterworks.

In our Metal Component Production Plant we use cascade rinsing. The clear water is used to fill the pot with the smallest number of pollutants. Between successive stages of the galvanised elements production process, we rinse chair components in the kettle with the dirtiest water and finish doing so in the one with the clearest water. In this way we reduce the consumption of water supplied by municipal waterworks.

G4-EN8

TOTAL WATER CONSUMPTION ACCORDING TO ITS SOURCE [m³]

| NOWY STYL SP. Z O.O. | 2012 | 2013 |
|-------------------------------|-------------------|-------------------|
| surface water | 58 605,00 | 64 296,00 |
| municipal water supplies | 57 049,00 | 57 418,40 |
| TOTAL | 115 654,00 | 121 714,40 |
| BALTIC WOOD S.A. | 2012 | 2013 |
| surface water | – | – |
| municipal water supplies | 9 654,00 | 9 913,60 |
| TOTAL | 9 654,00 | 9 913,60 |
| NOWY STYL GMBH | 2012 | 2013 |
| surface water | – | – |
| municipal water supplies | 484,00 | 482,00 |
| TOTAL | 484,00 | 482,00 |
| ROHDE & GRAHL GMBH | 2012 | 2013 |
| surface water | – | – |
| municipal water supplies | – | 1 195,00 |
| TOTAL | – | 1 195,00 |
| NOWY STYL GROUP | 2012 | 2013 |
| TOTAL | 125 792,00 | 133 305,00 |

4.3 Wastewater volume



Since it is not possible to eliminate wastewater during manufacturing processes, we do our best to manage and utilise it in a proper way. Domestic wastewater that comes from our production plants in Jasło is channelled through public drainage system to the municipal sewage treatment plant in Jasło.

Industrial wastewater that is produced only in the Metal Component Production Plant during the process of applying decorative coatings goes straight to its own industrial sewage treatment plant and then to the Jasiółka river. The Timber Manufacturing Plant located in Rzepedź has also its own domestic sewage treatment plant. Purified wastewater is channelled to the Oślawica river.

| WASTEWATER VOLUME [m ³] | G4-EN22 | | | |
|---|----------------------|--------|--------|------|
| | NOWY STYL SP. Z O.O. | 2012 | 2013 | |
| Sanitary wastewater discharged to Municipal Services Office systems | | 34 390 | 27 772 | |
| Sanitary wastewater discharged to the Jasiółka river after the purification processes in a sewage treatment plant | | 21 656 | 29 745 | |
| Industrial wastewater discharged to the Oślawica river after the purification processes in a sewage treatment plant | | 7 955 | 5 631 | |
| BALTIC WOOD S.A. | | | 2012 | 2013 |
| Sanitary wastewater discharged to Municipal Services Office systems | | 3 868 | 3 477 | |
| NOWY STYL GMBH | | | 2012 | 2013 |
| Sanitary wastewater discharged to Municipal Services Office systems | | 484 | 482 | |
| ROHDE & GRAHL GMBH | | | 2012 | 2013 |
| Sanitary wastewater discharged to Municipal Services Office systems | | n/a | 1 195 | |
| TOTAL | | 68 353 | 68 117 | |



**EMISSION
OF SULPHUR
DIOXIDES,
NITROGEN
OXIDES
AND OTHER
SIGNIFICANT
COMPOUNDS
INTO THE
ATMOSPHERE
[kg]**

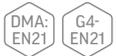
| NOWY STYL SP. Z O.O. | 2012 | 2013 |
|--|-------------|-------------|
| Nitrogen oxides (NO _x) | 26 119,10 | 27 945,90 |
| Sulphur dioxides (SO ₂) | 1 172,77 | 1 797,68 |
| Volatile organic compounds (VOCs) | 35 188,91 | 38 767,49 |
| Dust | 35 602,32 | 36 135,29 |
| Carbon monoxide (CO) | 21 225,89 | 36 135,29 |
| Carbon dioxide (CO ₂) [Mg] | 11 721,87 | 10 621,22 |

| BALTIC WOOD S.A. | 2012 | 2013 |
|--|-------------|-------------|
| Nitrogen oxides (NO _x) | 14 513,70 | 9 811,14 |
| Sulphur dioxides (SO ₂) | 1 092,12 | 738,26 |
| Volatile organic compounds (VOCs) | 110,11 | 137,76 |
| Dust | 7 673,58 | 5 187,28 |
| Carbon monoxide (CO) | 12 099,54 | 8 179,19 |
| Carbon dioxide (CO ₂) [Mg] | 8,18 | 12,10 |

| NOWY STYL GMBH | 2012 | 2013 |
|-------------------------------------|-------------|-------------|
| Nitrogen oxides (NO _x) | n/a | n/a |
| Sulphur dioxides (SO ₂) | n/a | n/a |
| Volatile organic compounds (VOCs) | n/a | n/a |
| Dust | n/a | n/a |
| Carbon monoxide (CO) | n/a | n/a |

| ROHDE & GRAHL GMBH | 2012 | 2013 |
|-------------------------------------|-------------|-------------|
| Nitrogen oxides (NO _x) | – | 525,00 |
| Sulphur dioxides (SO ₂) | – | 320,00 |
| Volatile organic compounds (VOCs) | – | 2 434,00 |
| Dust | – | n/a |
| Carbon monoxide (CO) | – | n/a |

4.4 Emissions to air



Being a production company means that our business activities are connected with air pollution emissions. All our production plants have special permissions issued by state authorities to emit gases and dust into the atmosphere. The maximum amount of pollutants emitted to air and the conditions for their emission to the natural environment are precisely described in the permissions. An accredited laboratory takes emissions measurements once a year. The regulations and law in the area of environmental protection motivate us to self-control and look for the best possible solutions that can help us reduce our influence on the natural environment to even greater extent than we are obliged to.

We pay special attention to the ecological safety of the component parts used to manufacture our products. Therefore, we periodically test the plywood produced in our factories in Rzepedź to control the amount of formaldehyde emitted into the air.

All our production plants aim at reducing the amount of volatile organic compounds emitted into the atmosphere by replacing solvent adhesives with aqueous adhesives and by extending the use of aqueous coatings.



INNOVATIVE SPRAY BOOTH

In 2012 special screens for catching and collecting excess Coolac® aqueous coating material were installed in the Timber Manufacturing Plant located in Rzepedź. This has enabled us to reduce the use of varnish by 30%. During the coating processes, some varnish settles on the elements, while some creates “paint mist”, or over spray. When standard solutions are applied, the over spray settles on filters (dry spray walls) or goes to water with

coagulant (water jacket walls) that leads to varnish waste. To prevent this, special screens collecting the over spray were installed between the booth filter and the elements that are varnished. The excess coating material flows down the screen to a container and after filtering it can be reused in the coating processes. This change has allowed us to reduce the amount of varnish, minimise the number of spray booth failures and increase their productivity.

4.5

Waste management



Sawdust, shavings, snips, timber, chipboard and veneer that are produced during furniture manufacturing processes create the main group of waste in our factories. There is also leather, leather imitation and fabric waste from chair and armchair upholstery processes. By connecting these waste materials, we produce chairs of a standard quality. All other waste materials are handed over to units that have the special permissions required by Polish law. Moreover,

sawdust, shavings and wood snips are given to people who use these waste materials in their households as a fuel for their central heating systems.

No less than 100% of all the waste materials produced by the factories belonging to Nowy Styl Sp. z o.o. in 2012 and 2013 were handed over to external companies.

WASTE ACCORDING TO THE METHOD OF ITS RECYCLING [Mg]

G4-
EN23

| NOWY STYL SP. Z O.O. | 2012 | 2013 |
|---|-----------------|-----------------|
| Waste handed over to external companies | n/a | n/a |
| Recycling within own production plant | n/a | n/a |
| TOTAL | 5 372,81 | 3 808,28 |
| BALTIC WOOD S.A. | 2012 | 2013 |
| Waste handed over to external institutions including: | | |
| ▶ Recycling | 3 191,30 | 6 363,86 |
| ▶ Utilisation | 204,07 | 211,82 |
| TOTAL | 3 395,37 | 6 575,68 |
| NOWY STYL GMBH | 2012 | 2013 |
| TOTAL | n/a | n/a |
| ROHDE & GRAHL GMBH | 2012 | 2013 |
| TOTAL | – | n/a |



PRODUCTION BEING OF BENEFIT TO THE ENVIRONMENT - ECO-FRIENDLY COMPOSITE CHAIRS

To take care of our environment, we have decided to implement a new technology for producing composite panels made of post-industrial waste. This technology aims at replacing the traditional material-consuming production of wood-based panels with a modern one, based on post-industrial waste (wood and fabric waste that is produced in the Nowy Styl Group's factories). We use a special mould to produce the seats of our popular upholstered chairs (VENUS, VEGA and FOSCA) in which a ready, properly shaped element that does not need cutting or milling is created. Thanks to this process, we are able to eliminate additional waste. Moreover, the materials used to produce composite elements are properly ground

and dried wood waste and fabric waste. Such components are mixed in the right proportion and then glued together with the use of a binding agent. Having prepared the mixture, we put it into the moulds where the moulding process takes place at a high temperature. When the process is complete, we receive a ready-to-use element. Currently we use this method to manufacture 21 models of our chairs.

In 2013 we used 16 tons of waste (including fabric waste – 5% and wood waste – 95%) to produce these models. Currently we reuse 600 kg of fabric waste per month in our production plants. This is the amount of waste that does not have to be utilised.

THE USE OF RECYCLED PLASTICS



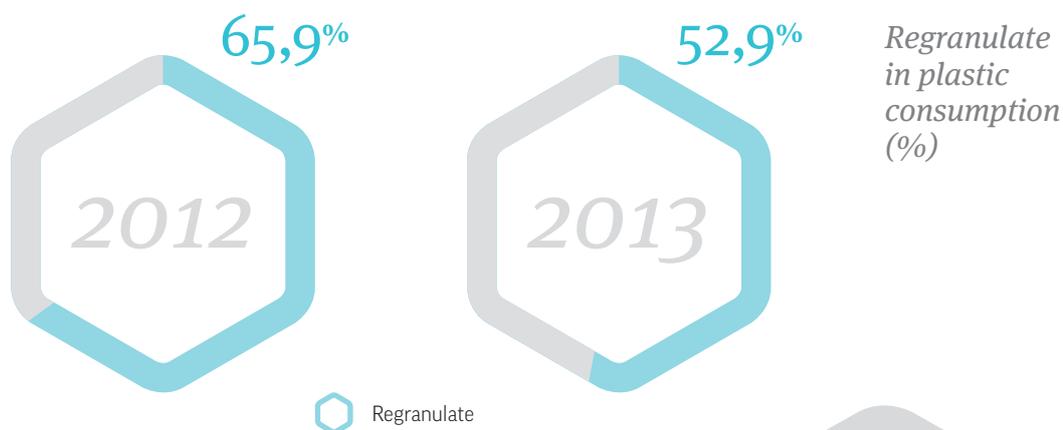
Our Plastic Processing Plant located in Jasło uses regranulate to produce plastic elements. It is a material made of ground car bumpers, yoghurt cups, margarine containers, buckets, boxes and many other materials. Thanks to this process, millions of plastic containers are not taken to landfill, where they would be lying for hundreds of years before degrading. The technology we used previously required a long technological line. First, silos provided us with the properly prepared material which we pushed through the plasticising system. The material was placed on filters and then went to special sieves. After it went through the old head, we received 25 threads 3mm thick that we put into a water tank in order to cool them down. Then they were moved forward with the use of a few brushes that removed the remains of dump. At the end of this process, the threads

were cut into small pieces 3–5mm long and transferred to injection moulding machine points. Because this technology was associated with huge waste production, we equipped our extrusion moulding machine with a new head in 2012. This has helped us eliminate technological waste and increase the productivity of the regranulate production line by 10%, since there is now no need to stop the machine to replace sieves. The quality of granulate remains the same even though the head has been replaced. It still allows us to manufacture ready-to-use elements without any faults.

Some of the regranulate we produce is sold outside, while the rest is used to produce black polypropylene elements in our factories. The total amount of recycled plastics used in manufacturing processes amounted to 65,9% in 2012 and 52,9% in 2013.

**PLASTICS
CONSUMPTION
[kg]**

| | 2012 | 2013 |
|-----------------------------|-----------|-----------|
| Total material consumption | 2 146 292 | 2 534 037 |
| Production of regranulate | 1 545 600 | 1 387 765 |
| Including this sold outside | 131 055 | 46 700 |



| NOWY STYL SP. Z O.O. | 2012 | 2013 |
|-------------------------------|-----------------|-----------------|
| Hazardous waste | 1 557,74 | 490,45 |
| Non-hazardous waste | 3 815,07 | 3 317,83 |
| TOTAL | 5 372,81 | 3 808,28 |
| BALTIC WOOD S.A. | 2012 | 2013 |
| Hazardous waste | 35,06 | 46,20 |
| Non-hazardous waste | 3 360,32 | 6 529,48 |
| TOTAL | 3 395,37 | 6 575,68 |
| NOWY STYL GMBH | 2012 | 2013 |
| Hazardous waste | n/a | n/a |
| Non-hazardous waste | n/a | n/a |
| TOTAL | n/a | n/a |
| ROHDE & GRAHL GMBH | 2012 | 2013 |
| Hazardous waste | – | 18,57 |
| Non-hazardous waste | – | 153,56 |
| TOTAL | – | 172,13 |

G4-EN23

**WASTE
ACCORDING
TO ITS TYPE
[Mg]**

4.6 Total expenses and investments in environmental protection



Being a production company, we aim to reduce, control and record our influence on the natural environment, as well as minimise the risk resulting from our business activities. This is inseparably connected with the expenses we incur. In both 2012 and 2013 we spent approximately EUR 0,25m on environmental protection.

As we have mentioned in this report, active involvement in the protection of the natural environment is one of our priorities. Within the Group we have created special teams responsible for monitoring and coordinating activities concerning this area.

How do we do this?

To increase our commitment to environmental protection we constantly invest in current monitoring (both internal and external), training courses and the development of eco-friendly technologies. The data presented below concerns only Polish subsidiaries, where it is gathered for ISO 14001 certificate purposes.

The sustainable development of Nowy Styl Group is our aim. We do our utmost to make sure that all our business activities have as little impact as possible on the natural environment and our surroundings.

JERZY KRZANOWSKI

Vice President of the Management Board, Investment and Purchasing Director of Nowy Styl Group



TOTAL ENVIRONMENTAL PROTECTION EXPENDITURES AND INVESTMENTS ACCORDING TO THEIR TYPE [EUR/PLN]**

| NOWY STYL GROUP* | 2012 | | 2013 | |
|---|-------------------|---------------------|-------------------|-------------------|
| | EUR** | PLN | EUR** | PLN |
| Certification audits | 16 189,43 | 67 568,20 | 15 805,44 | 66 556,70 |
| Environmental fee | 34 909,11 | 145 696,65 | 36 838,88 | 155 128,53 |
| Waste disposal | 178 177,35 | 743 641,00 | 164 379,29 | 692 201,20 |
| Emission measurement + report concerning emission standards | 4 264,90 | 17 800,00 | 3 476,61 | 14 640,00 |
| Noise emission measurement | 1 150,09 | 4 800,00 | – | – |
| Water and wastewater measurement | 1 835,11 | 7 659,00 | 2 160,77 | 9 099,00 |
| Maintenance costs | 3 739,79 | 15 608,38 | 1 730,59 | 7 287,53 |
| Training courses | 1 030,29 | 4 300,00 | 379,96 | 1 600,00 |
| Decision issues | 1 353,75 | 5 650,00 | 4 297,91 | 18 098,50 |
| TOTAL | 242 649,81 | 1 012 723,23 | 229 069,45 | 964 611,46 |

* Data concerning the Nowy Styl Sp. z o.o. and Baltic Wood S.A. companies.
 ** Annual average exchange rate used in this report:
 2012 - EUR 4,1736,
 2013 - EUR 4,2110

4.7 Transport



Being one of the leading furniture and chair manufacturers in Europe, we organise hundreds of thousands of product deliveries to our customers all over the world. We know that we are able to reduce our carbon footprint with good logistics and optimal distribution systems.

Our transport fleet consists of 101 motorcars and six lorries. The lorries we use for intercompany transport meet the European emission standards (EURO 1 – EURO 4). To deliver our products to customers, we use an external car fleet.

The Nowy Styl Group's transport policy aims to reduce the amount of space needed for delivering products and eliminating empty runs. By manufacturing the majority of component units in our factories, we optimise transport, and in this way we minimise our negative influence on the natural environment. Nowy Styl Group furniture is packed into flat boxes, which help to reduce the space needed for delivering. The production and distribution policy of the Rohde & Grahl company is focused on economising chair transport by using special containers with a double bottom and delivering products packed only in plastic bags.

While distributing our products, we cooperate with experienced logistics partners, such as: Schenker, Raben, DHL, FedEx, GLS, TNT, Dascher, Heppner and LKW WALTER.

Our total storage area in 13 locations in Europe covers over 55 000 m². We plan our deliveries so that all the products ordered by a few customers are transported together over long distances to our warehouse, from which they are distributed to customers and delivered to their final destination.

G4-EN30

**NOWY STYL
SP. Z O.O.
TRANSPORT
FLEET FUEL
CONSUMPTION
[Mg]**

| | 2012 | 2013 |
|-------------|--------|--------|
| Diesel fuel | 249,33 | 251,29 |
| Petrol | 16,73 | 22,08 |
| LP gas | 68,31 | 66,12 |



OUR PROMISES:

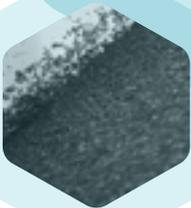
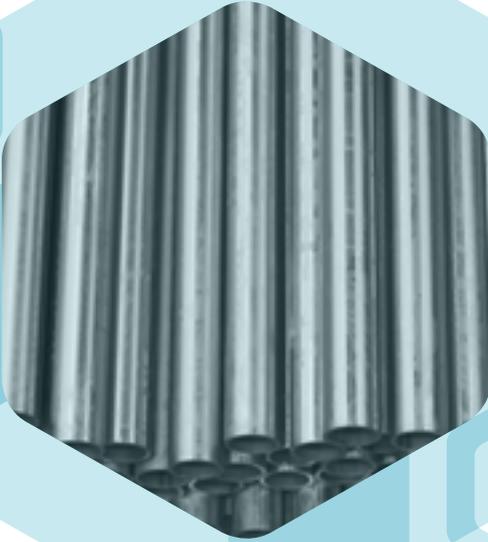
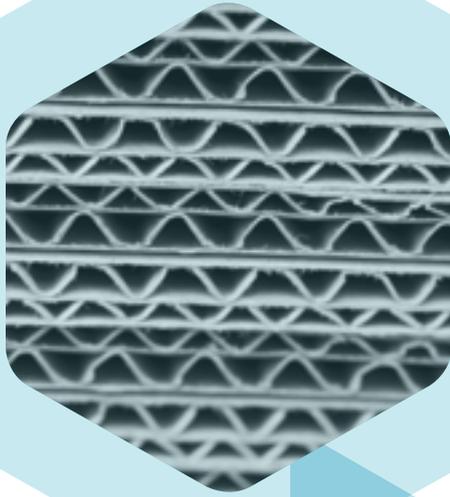
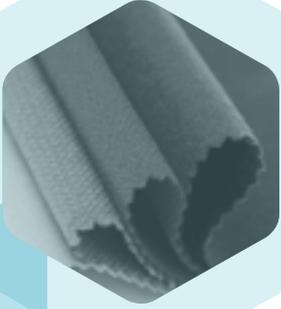
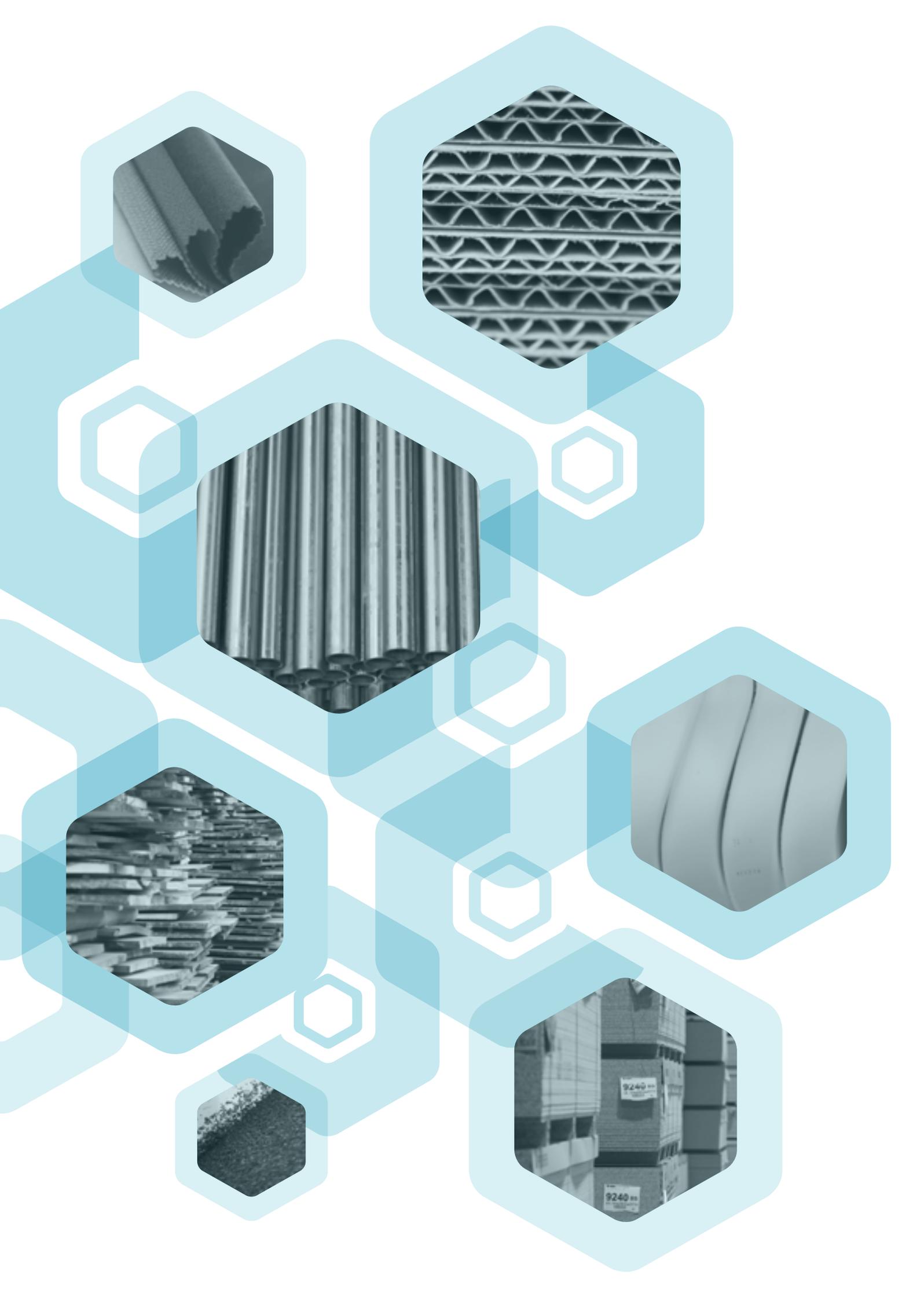
We will minimise our impact on the environment by:

- › implementing the "BDF-PL" project across the whole Group; it means that we will start distributing our products packed only in plastic bags;
- › transporting our chairs in special double-bottom containers that will allow us to make the best use of the transport space;
- › using the L-shape packaging method that will enable us to transport our products partly assembled; compared to the distribution of completely assembled products, this means we will be able to deliver twice as many chairs as before.

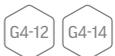




Our suppliers



Managing the supply chain is definitely one of the most difficult areas of business activity of every company. The longer the chain is, the more potential reasons it has to break. The supply chain does not only include the suppliers of materials we need for production processes; it also includes organisation, production planning, technological processes, internal transport and logistics.

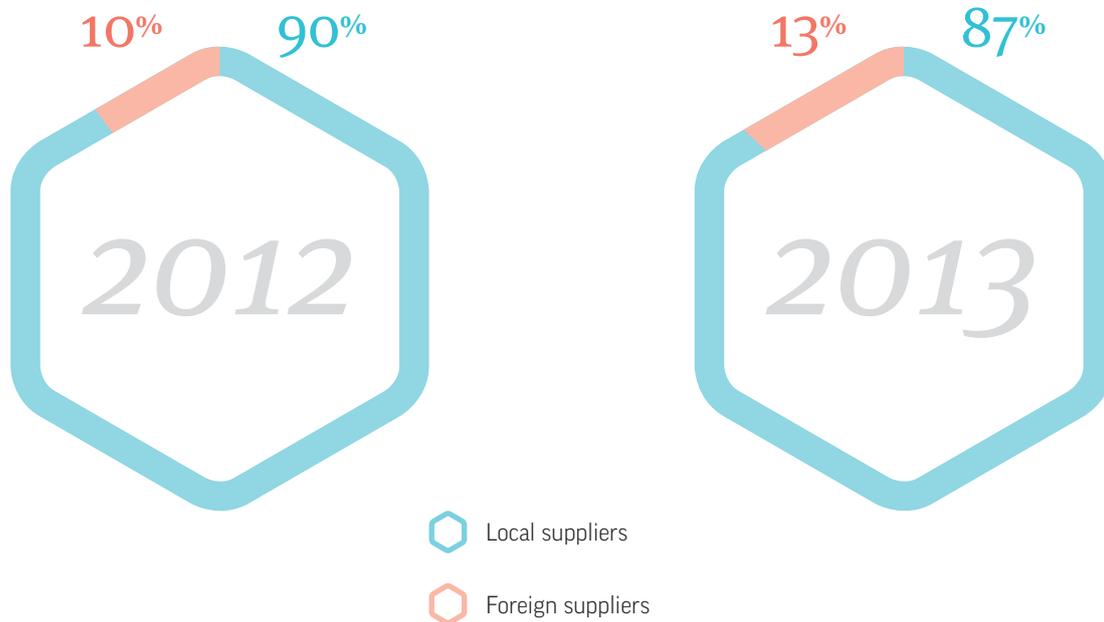


Following the precautionary principle, we do our best to prevent the supply chain from breaking by standardising our products and creating an alternative technology base. The Nowy Styl Group's production technologies are similar to those in the production plants located in other countries (Germany, Ukraine, Russia). Because of this, if we are in a critical situation we can easily transfer production to other locations and greatly minimise the risk of losing production flow. Yet another activity that minimises such risk is the standardisation of products through a close cooperation between R&D departments in the Group.

A close collaboration with our suppliers is another alternative to our own production. What does this mean? Despite having the technology in our factories, we often decide to transfer some production to our suppliers. In this way we protect our company against risk in case of a critical situation, or manufacturing process failures. The last link of the supply chain is the

transport of the final product to our customer. Diversification of transport types and haulage contractors is the solution we apply within the supply logistics. Cooperation with only one haulage contractor is connected with a risk of losing production flow. By creating a base of haulage contractors and working in close cooperation with them, we have a sense of security and flexibility. We know from our personal experience that the more cohesive the supply chain is, the easier it is to monitor and react in the event of any critical situation. According to our principle "We think globally – act locally", we try to obtain materials for our manufacturing processes from the local market. However, as it is clearly visible in the case of exotic wood used to produce our parquet floor, this is not always possible. When we cannot obtain the material we need from the local market, or when its amount is insufficient, we have to continue looking for it somewhere else. Because there is a growing demand for materials, we are forced to seek suppliers abroad.

The proportion of spending on local suppliers



We use the term “local market” to describe the market of a country where our factories are located. More than 66% of the Nowy Styl Group’s direct suppliers – that supply the Group with materials and intermediate products – are local suppliers. 93% of indirect suppliers – that provide the company with all other products and services – are local suppliers.

Good relationships and close collaboration are the crucial aspects of cooperating with suppliers. Logistics annexes that describe supply parameters, safety stock, response time in the case of disruptions in the delivery process (supply breaking, quality problems, etc.) are an inseparable part of our contracts. The process of compiling such documents together enables us to understand each other’s needs and ensure flexibility within the cooperation period. All our key suppliers are meticulously assessed in terms of their environmental impact as well as occupational health and safety.

We cooperate with more than a thousand reliable suppliers whose product and service quality has been proven. Having such an extensive network of suppliers would not be possible without the implementation of purchasing processes. The Nowy Styl Group’s purchasing process is in accordance with a purchasing procedure being a part of an integrated quality assurance system based on the ISO 9001:2008 standards. The procedure describes the way potential suppliers should be chosen, approved and periodically assessed. The supplier

assessment is completed annually and it concerns the 12 months of the previous year. We assess only our key suppliers who differ from each other in terms of the industries and businesses they deal with.

Another significant element of our supply chain is the convertibility of suppliers and component standardisation. Purchasing materials only from one supplier without having other alternatives is connected with great risk. Therefore, we have been looking for alternatives to our suppliers and functional component substitutes for years. To achieve this, we have worked out a new purchasing strategy and redefined the role of our purchasing department, which consists of people responsible for cooperation with suppliers, and who know the character and requirements of the supply chain. We have also created a Supplier Development Department, with employees who are focused on cooperating with suppliers within the following areas: production quality improvement, flexibility and required manufacturing capacities.

It is easy to conclude from this that we treat suppliers as a key element of the whole supply chain. The variety of components and materials being purchased, location, the method of delivery, stock, financial liquidity and, on the other hand, close cooperation and good relationships with our suppliers, are the most important market challenges we will have to address in the next few years.



Supplier of the Year

We are happy and proud that we can cooperate with the best. To maintain and appreciate such relationships, we award the “Supplier of the Year” title to our best business partners. While choosing the laureates of our competition we take into consideration no fewer than 15 different criteria, including: effectiveness, time and manner of response, economic conditions, partner relationship, on-time delivery, reliability, flexible approach, introduction of new solutions, stable position on the market, certified quality systems.

In 2013 the “Supplier of the Year” title was won by:

- › **Donati SPA** – the producer of mechanisms, chair bases and components;
- › **Mentor S.A.** – the insurance broker;
- › **Pfleiderer** – the producer of wood-based materials, the supplier of furniture boards, HPL laminates and artificial plasters.

Our choice of recipients of the “Supplier of the Year” title depends on many factors. On one hand, we take into account suppliers’ international outreach, global know-how and comprehensiveness, and on the other hand their openness, understanding approach towards our needs and introduction of new, flexible solutions. Our customers’ satisfaction makes us sure that the suppliers we cooperate with are fully committed to providing services in a professional way.

MARIA LASEK

Purchasing Director of Nowy Styl Group



OUR PROMISES:

- › We will compile and implement the Code of Conduct for all suppliers cooperating with Nowy Styl Group. It will redefine the basic requirements concerning the following areas: environmental protection, working conditions, employment practices, adherence to human rights and social influence.



Our customers



For us, a customer is not a source of income. A customer is a person who has trusted us and accepted our promises. We know that our relationships with customers require a great deal of maturity and responsibility.

In this report we have presented many examples of our responsible attitude. All our business activities have an influence on the good relationships with our customers:

- ▶ while designing new furniture and chairs we think about our customers, about their needs that we wish to meet. It is their expectations that underlie the solutions we implement;
- ▶ when choosing materials, we take into consideration not only their economic efficiency but also their durability and eco-friendly properties to maximise the comfort of our products' users;
- ▶ at the production stage we pay special attention to the quality control of our products;

- ▶ we develop our skills in product packaging and logistic services;
- ▶ we also test the comprehensibility of our manuals and warranty documents.

The customer is at the centre of all our business activities. Therefore, this whole report can be treated as a collection of benefits we offer our customers at every single stage.

The facts presented on the following pages illustrate all our business activities that are addressed specifically to our customers.



6.1 Ergonomics



We not only offer our customers ergonomic products with patented mechanisms that ensure a healthy workstation, **but also undertake a lot of activities to educate them in ergonomics.**

Since 2012 we have been running a specialist Ergo-Zone portal (www.strefaergonomii.pl), where we familiarise our customers with the concept of ergonomics. We show them the practical aspects of scientific papers concerning the proper use of the items we are surrounded by, both in our professional and private lives. In addition to basic information, the portal provides our customers with instructions on how to adjust the parameters of our chairs and desks to their needs. Additionally, Ergo-Zone offers interesting interviews with ergonomists and instructional videos.

Sound knowledge of ergonomics is required to create furniture solutions and design chairs that support spine health. We strongly believe that we should not just keep this knowledge to ourselves and create the best product solutions, but also share it with others so that our customers can improve their skills in this area. We hope that the Ergo-Zone portal and understandable information that can be found there help our customers take care of their health and physical condition on their own.

We share the knowledge we possess not only with our customers in a direct way, but also indirectly with those who are in close contact with them. Some of our products are launched

by distributors who employ sales specialists; they also play a crucial role in promoting health-oriented solutions.

For many years our sales partners have been trained in ergonomic solutions. During training courses we not only show them the ways particular systems function but also draw their attention to the necessity of sharing information with customers concerning the rules of the ergonomic organisation of a workstation.

We organise our training courses based on the Experimental Learning Model by Kolb that ensures both knowledge acquisition and skills development. Our ambassadors who meet face to face with the customers should not only share the most important information with them; they also ought to be successful in encouraging them to take care of their health in both their professional and private lives. We intend to make all our efforts bear fruit. We want our customers to choose the products we offer consciously and use them in a proper way.

We do not allow manipulation in our offer. Our relationships with our customers are based on knowledge: we would like them to make a decision in a conscious way. We do our best to assure our customers that they have made a good choice in buying our products.



6.2

Product labelling



Openness and transparency are the key values we remain faithful to at every single stage of our

relationships with customers. We try to make our customers aware of what they are buying when they choose our products. That is why we spend a lot of time determining the best way to label and describe our products.

Product labelling is a very complex concept. All the labels and information attached to a product, which is also available on our websites, contain many important details, such as:

- › customer's data;
- › information about the order;
- › information about us, i.e. about the producer;
- › information about the product (its finishes, mechanisms, components);
- › information about the environmental standards.

We offer individual customers a number of delivery options. We not only deliver furniture and chairs but also often carry out the assembly. We also deliver products for the fulfilment of huge projects.

These are only selected instances of situations when we have to adjust the information on the labels attached to our products.

Product labelling is necessary for the product to:

- › be delivered on time to its final destination;
- › be assembled in a proper way;
- › be used for what it has been intended (taking into consideration all the possibilities offered by its mechanisms and components);
- › be safe for the user's health both during the assembly process and the product's usage;
- › be assessed in terms of its eco-friendly properties (taking into account the materials it has been made of and their recyclability);
- › be fixed or replaced (the whole product or only some parts of it) according to the warranty conditions.

There are the following forms of product labelling:

- › sticky labels on transit packaging;
- › sticky labels on the product components (e.g. below the chair seat);
- › manuals placed in the packaging or available on our website;
- › waybills;
- › product data sheets.

Because the ways of selling our products are dependent on the brand and market, they significantly differ from each other. Therefore, there are special procedures we have to follow. In the case of the products manufactured by the Nowy Styl Group's subsidiaries located in Poland, there are codified procedures whose implementation is cyclically controlled by audits. When it comes to our German companies, there are unwritten rules that are an integral part of training courses for employees, and are obeyed by everyone without exception.



All our products are also controlled by the Trading Standards Association. In 2013 four incidents of non-compliance with regulations and rules of voluntary codes concerning labelling and product information were registered. They were connected with safety and the proper labelling of Nowy Styl chairs designed for children and teenagers. In all these cases no legal intervention was needed; there was only an internal legal opinion compiled by a law firm for employees of the Nowy Styl brand. All the inaccuracies were immediately dealt with and the missing labelling was completed. No similar violation of rules has been recorded for any of the other brands.



OUR PROMISES:

We will systematise all the information on our products by:

- › gathering declarations from our suppliers concerning the materials that have been used to produce components and structural elements;
- › unifying the product labelling system in terms of the form and content;
- › providing our customers with an easy access to warranty conditions;
- › preparing an Environmental Product Declaration for new implementations (starting from 2014) and for selected product lines sold in the design channel.

6.3

Customer health and safety



We follow the regulations concerning customer health and safety at every stage of our product manufacturing process.

We start at the design stage, when we pay special attention not only to safe use of our product but also to the improvement of its user's health. We do this by applying ergonomic solutions as well as by choosing materials and components that are in accordance with environmental standards. When producing our products and preparing manuals, product labels and warranty conditions, we take the same things into consideration.

We want our efforts to be certified by the most demanding standards. Therefore our products are tested by us and by the most reliable institutions. All Nowy Styl and BN Office Solution products that we launch are tested in our own laboratory, paying special attention to their users' safety and their compliance with European durability requirements.

The vast majority of tests our products undergo in our own laboratory are confirmed by seals of approval (test reports) issued by external testing authorities and certificates, including: German quality mark GeprüfteSicherheit (GS), French certificate Office Excellence, Polish certificate of compliance issued by an accredited research centre Cobrabid. In addition, selected products are tested by external testing centres. The following furniture systems have hygienic approvals: Easy Space, SQart, Primo Space and Flib. This means that they meet the requirements necessary for them to be used in office areas and public spaces. Moreover, the Easy Space and SQart furniture systems have economic assessment protocols issued by the Nofer Institute of Occupational Medicine.

All Grammer Office products have the GS quality mark issued by LGA or TÜV Rheinland, Quality Office Certificate (issued by Q. FORUM), LGA anti-static certificates for a special upholstery (according to EN 61340-5-1) and LGA certificates concerning toxic emissions. Some products have also the LGA ergonomics approved certificate.

All Rohde & Grahl products have the GS quality mark issued by TÜV. Moreover, the majority of them have the ergonomics approved certificate according to NPR 1813 or PPP 51051A or PPP 51038B (issued by TÜV).

Forum Seating products have been designed in accordance with the strict standards concerning durability and product safe use. Sports stands meet the domestic market requirements – they have a hygienic approval, economic assessment protocol and the GS quality mark. They also meet the rigorous design market requirements concerning acoustics and reaction to fire.

The parquet floors offered by the Baltic Wood brand have numerous certificates issued by the Wood Technology Institute in Poznań, the Wood Technology Institute in Dresden and the Building Information Foundation RTS in Helsinki.

As previously mentioned, we pay special attention to the safety of the components that make up our products. Therefore:

- › we periodically test the plywood produced by our factories in Rzepedź to control the amount of formaldehyde emitted to air;
- › we obtain special furniture board certificates from the external suppliers;
- › we try to eliminate the emissions from adhesives;
- › we increase the amount of aqueous coatings we use;
- › the foam used in the seats and backrests of our chairs and sofas does not contain freon gases (CFC and HCFC), heavy metals or bromine substances;
- › the plastic elements produced in our factories are properly labelled for future recycling (according to ISO 11469), and the plastic is BPA and phthalate-free;
- › our suppliers provide us with special statements in which they assure us that their materials contain neither halogenated flame retardants nor dyes with heavy metals (Pb, Sn, Cd, Hg), and we are also given information about their recyclability.

Customer safety is our absolute priority.

Our concern for customers, their needs, comfort and safety while using our products is reflected in the way we approach the aspect of warranty.

All our products have at least a two-year warranty. In the case of swivel chairs, they have a warranty of three years, and there is a four-year warranty on the lift. We also provide products that have a five-year warranty. We attach the written warranty conditions to our products, and they are also available on our websites.



OUR PROMISES:

We will promote innovative solutions within the following areas:

- › acoustics concerning resistance and absorption – we will develop the skills of our project team and start cooperating with special academia;
- › low-emission technologies – we will select products and test their emission performance in accordance with the Indoor Air Quality certificate;
- › ergonomics (patented Glide-tec mechanism, chairs with duo-back system, S-MOVE system ensuring biodynamic sitting, furniture with a wide range of adjustment options, chairs designed for people with untypical disorders).

We will increase the number of products certified by accredited institutions (TÜV – German GS, FCBA – French Office Excellence, certificate of compliance issued by Polish Centre for Accreditation – COBRABiD-BBC Testing and Certification Office Co. Ltd.).



6.4 Marketing communications



When communicating with our customers, we make a clear distinction between the messages of a brand advertising nature and those of a commercial nature. We try to build a true relationship with our customers by familiarising them with the history of our company, its values and the activities we undertake, and by doing this in a transparent way. The presentation of our company on the Internet best shows this attitude:

- › the Group's website is used to convey messages concerning our business activities, new projects, initiatives and our employees' achievements; it also contains information about our products of a non-commercial nature;
- › the Nowy Styl brand's website is addressed to the end-customer, therefore it comprises primarily product information and other information of various types that supports customers in choosing the product that meets their needs;
- › we also run the Partner Portal for our partners who distribute Nowy Styl products – they treat this as a tool to make a purchase or an order, to find details of our offers and to get to know the product features;
- › we also have different websites designed for our product brands that support our sales activities.

We create a wide range of sales-supporting materials that enable our customers to make the right choice, such as catalogues featuring all our products, catalogues dedicated to a particular product and pricelists.

Customer Privacy



Honesty is the value we always remain faithful to, both in our relationships with customers and in all our business activities. Contact with recipients of our products is crucial for us; therefore we maintain it with an individual approach to each customer, and the high quality of the products we offer and the services we provide. We do not buy contacts – we form relationships. Our partners and customers always decide to stay in touch with us voluntarily and consciously.

Our customer databases are based on trade contracts. They are created during meetings with our customers and partners as well as during events we organise for them. All the databases we use on a daily basis are stored on secured servers according to GIODO (Inspector General for Personal Data Protection) requirements. They are not available to any third parties. We do not apply any illegal solutions to follow our customers' activities or to obtain information about them.

In 2012 and 2013 no complaints regarding breaches of customer privacy and losses of customer data were recorded.

We do our best to take equal care of the positive image of our company, its comprehensible offer and easy access to all the information our customers need. Thanks to Nowy Styl Group's policy, no incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, resulting in a warning, fine or penalty were recorded in 2012 or 2013.

MAGDALENA TOKARCZYK-CYRAN

Marketing Director of
Nowy Styl Group



6.5

Customer satisfaction survey



Nowy Styl Group has an extended sales structure that is divided into different countries and product brands – this also shapes the sales strategy.

In every single case, our business success in a particular market is determined by **our customers**. That is why getting to know customers' opinions on our company and the products and services we offer is a key action for us. One group of our product recipients is **our distributors**; for some time we have been cyclically measuring satisfaction of our business partners both in Poland and abroad. Due to our extended network of

distributors and markets, every year we only select distributors from our key markets when we conduct the satisfaction survey.

Since only direct contact with customers ensures reliable information about their needs and preferences, we value this the most. That is why employees from our marketing department conduct personal or telephone survey interviews. Every two to four years we try to repeat our survey among the same group of respondents. Within this period of time, we make changes suggested by the people surveyed concerning customer service and new products.

The summary of customer satisfaction survey conducted in 2012-2013:

JAN-APR 2013 we carried out a satisfaction survey among 93 selected distributors of Nowy Styl products from across Poland. The business partners we surveyed were chosen according to biggest turnover in 2012.

The main aim of this survey was to find out which activities undertaken by the Group are commended by the distributors and which should be abandoned. The survey also aimed to point us in the direction of further development in this area.

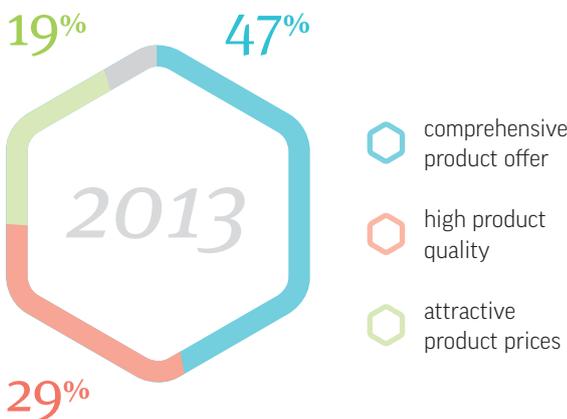
The survey questions covered the following subjects:

- › assessment of the Nowy Styl Group's offer in relation to our competitors and the market needs;
- › assessment of the cooperation with the Group (e.g. complaint investigation, on-time delivery, product quality);

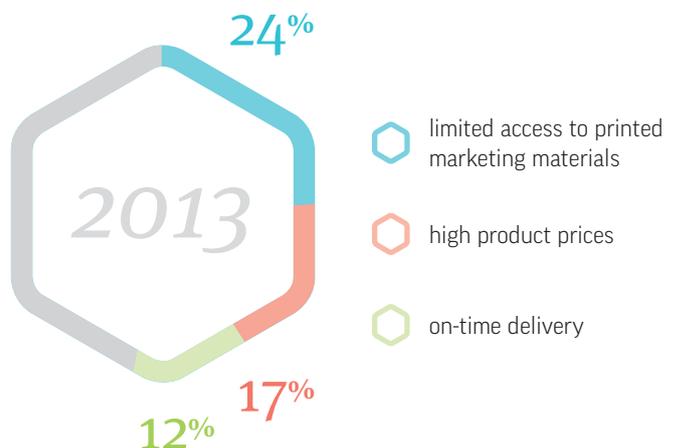
- › assessment of the cooperation with the Group's representatives responsible for business partner service (local representatives and sales specialists);
- › assessment of activities and the marketing support;
- › research into our business partners' needs concerning training courses.

The survey results showed us not only our distributors' satisfaction, but also helped us continue the good practices presented below. The survey pinpointed the areas in which the Group could improve the quality of services and increase distributors' satisfaction even more. Having gathered the results, we drew conclusions and prepared a plan of further activities our company should undertake.

Strengths of the Nowy Styl brand according to the people surveyed



Weaknesses of the Nowy Styl brand according to the people surveyed



APR–JUN 2013 we carried out a satisfaction survey among 19 selected distributors of Nowy Styl Group products from across France. The business partners we surveyed were chosen according to biggest turnover in 2012, and proportionally from the retail and professional sectors.

The main aim of this survey was to get to know the distributors' opinions on the strengths and weaknesses of the Nowy Styl Group's offer in comparison with our key competitors on the French market. The survey was also supposed to define the product needs of our distributors' end-customers.

The survey questions covered the following subjects:

- › assessment of the Nowy Styl Group's offer in relation to our competitors and the market needs;
- › perception of the Group's offer on the French market (a Polish supplier on the French market);
- › the customers' preferences concerning design, price and the quality of our office furniture and chairs.

The surveyed stressed the low recognisability of the Nowy Styl Group brand on the French market. Respondents defined the need to undertake advertising activities and implement the OCE and ISO certificates. At the same time they highlighted high product quality and a very positive relationship between product price and quality.

SEP–OCT 2012 we carried out a satisfaction survey among 24 selected distributors of Baltic Wood products from across Poland. The business partners we surveyed were chosen according to biggest turnover in 2011.

The survey questions covered the following subjects:

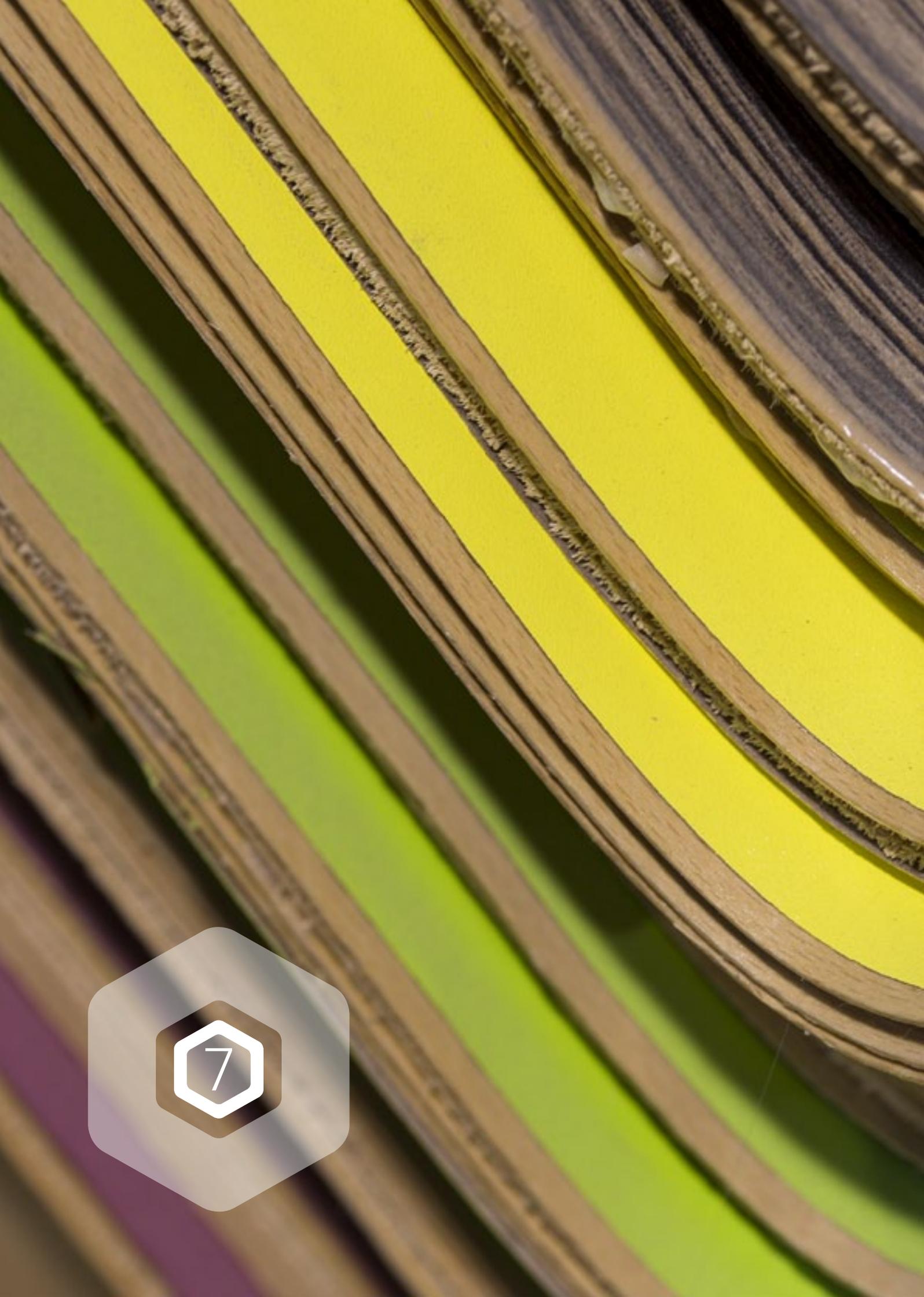
- › assessment of the new Baltic Wood product offer;
- › assessment of new materials and marketing tools;
- › assessment of the delivery, service and product quality as well as the speed of assembly of parquet floors;
- › the need for further extension of the offer.

The majority of the distributors' comments concerned marketing materials. The people surveyed suggested some changes that should be made. As a result of this survey, the offer has been complemented by a solid plank.



OUR PROMISES:

- › In 2015 we plan to conduct a customer satisfaction survey on the export market in order to get to know opinions on the Group's activities and find out the directions of our further development.





Our neighbours



All global successes and achievements have their beginning at a certain time and place and within a particular reality. We are fully aware of our origins, therefore the motto we have been following for years is “We think globally – act locally”.



This is the motto we have applied to our foreign markets and all other places where our sales departments, showrooms and production plants can be found. Our subsidiaries have become local enterprises employing local staff and following local customs and unwritten rules.

We treat Poland and the Sub-Carpathian region, where the main site of our company is located and where a lot of our business activities take place, in a special way. Since the very beginning, Nowy Styl Group and its leadership have been paying particular attention to the development of the Sub-Carpathian region where we come from. It was there where we started our business – a small firm based in Krosno. Even though today our branches can be found all over the world, the surroundings our first employees saw through their office

windows are still closest to our hearts. This is why **we invest in the development of this region and its inhabitants**. We help and support them in difficult situations and celebrate our common successes together. The Nowy Styl company – one of the four companies that feature in this report – only undertakes activities addressed to the local community in the Sub-Carpathian region. We strongly believe that every single one-zloty coin spent in this region is a good investment in our shared future. Just like the Nowy Styl Group's sustainable development policy, all of our activities concerning the local community are based on three pillars. We support children's education by awarding scholarships and we organise internships for students. We promote sport by giving local children and teenagers a chance to integrate. Moreover, together with the Magura National Park we educate people in environmental protection.



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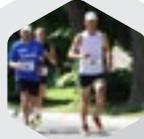
**COSTS INVOLVED
IN THE
ORGANISATION
OF A CHARITY
BALL
[EUR*/PLN]**

| NOWY STYL SP. Z O.O. | 2012 | | 2013 | |
|--|------------------|-------------------|------------------|-------------------|
| | EUR* | PLN | EUR* | PLN |
| The price of gifts | 3 964,21 | 16 545,01 | 2 367,99 | 9 971,60 |
| Financial support provided to institutions | 14 711,52 | 61 400,00 | 17 549,28 | 73 900,00 |
| Costs of the charity ball organisation | 27 859,64 | 116 275,00 | 23 400,09 | 98 537,79 |
| TOTAL | 46 533,37 | 194 220,01 | 43 317,36 | 182 409,39 |

The scope of our local activities is not limited only to the development of the local labour market, on which our company as one of the biggest employers in the region has a great influence. We also **cooperate with the local community and support various citizens' initiatives** concerning education, culture and sport.

Every year in January we organise **New Year balls for children from the Sub-Carpathian educational care centres**. We invited 150 children to the first ball, and this grew – in 2013 more than **1000 children**, including 250 disabled people, took part in this unique event. Such events give children a chance to have great fun as well as to learn and integrate with each other. Every year we prepare lots of attractions and **hundreds of gifts that we give to the children we invite**. All educational care facilities that take part in our New Year balls inform us in advance of the equipment and funds for rehabilitation camps or renovation works they need. We talk directly to the leaders of these

institutions to find out what they most care about. Because of this, we are able to offer the right help that meets the real needs of each institution. Since 2012 Nowy Styl Group has also been cooperating with the **Magura National Park**, one of the most beautiful conservation areas in the Sub-Carpathian region. We know and value this place, therefore we have decided to familiarise others with the “Magura” region using our position on the market. Our aim is to promote the responsible tourism. We provided financial support to the National Park by selling a special edition of chairs from the Sedia Natura line: **5% of each chair's price was allocated to the park**, which is situated in the heart of the Low Beskids on the boundary of the East and West Carpathians. Additionally, every year we support all the events organised by the leaders of the Magura National Park by endowing prizes given to the participants of different competitions, for example the “Przyrodnik na medal” trail running competition. These prizes are connected with our



OUR PROMISES:

- › In the incoming years we will increase the engagement in the local society aiming at supporting the education programmes.

* Annual average exchange rate used in this report:
2012 - EUR 4,1736,
2013 - EUR 4,2110

company – they are chairs from the Sedia Natura line, featuring pictures of animals being protected.

We also support sport – since 2007 we have been regularly subsidising the Association of the Krosno Development Sport. The financial support we provided to this organisation in 2012 and 2013 amounted to EUR 23 854; EUR 11 980 in 2012 and EUR 11 874 in 2013. Sport is particularly important to us since we treat it as a great opportunity to mobilise and integrate children and teenagers who live in the regions in which our company operates. The investment in young people, their personal development and the development of their skills is a priority both for the whole company and its owners – brothers Adam and Jerzy Krzanowski. In 2002 they established the Janusz Korczak Foundation, reflecting their willingness to share the success of their company with the local community. Nowy Styl Group supports the Foundation, which helps young people extend their knowledge and develop their skills by awarding

scholarships. The amount of financial support provided to the Foundation in 2012 amounted to EUR 44 326, while in 2013 the company allocated EUR 42 983 to the organisation for its statutory purposes.

We do our best to help those in need by engaging our employees in important projects, such as the “Noble Box” project. **We provide local institutions that need new equipment with our furniture and chairs.** In 2012 we furnished institutions that asked us for help with more than a dozen chairs and pieces of furniture. In 2013 we distributed almost 50 products and we continue to increase this number to support local institutions.

In total, we spent over EUR 125 791 in 2012 and EUR 101 164 in 2013 on investments in the local communities. Our aim is to define the needs of the local community in a more precise way by promoting the direct contact with our beneficiaries.



A close-up, low-angle shot of several stacked cardboard boxes. The boxes are arranged in a way that creates a strong sense of perspective, with the lines of the boxes converging towards the top right. A prominent white diagonal stripe runs across the image, separating the foreground boxes from the background. The lighting is soft and even, highlighting the texture of the cardboard.

About the report



This document is the first Sustainable Development Report compiled by Nowy Styl Group. It contains the overall data concerning the financial year that covers the calendar years 2012 and 2013. Our Sustainable Development Report is to be published biennially.



The report has been prepared in accordance with the basic option (Core) of the newest version of Global Reporting Initiative G4 (GRI G4) Guidelines.

This option includes the most important elements of the Sustainable Development Report and ensures the proper way of presenting the activities the company undertakes within the following areas: economy, environmental protection, society and management effectiveness. This report has been verified by an independent auditor (Deloitte Advisory Sp. z o.o.). The financial data presented in the report have been taken from our financial reports audited by independent expert auditors (PwC Sp. z o.o.).

This Sustainable Development Report crowns several months of hard work and effort made by a lot of people. It is also the result of a dialogue with our stakeholders. The indicators in this document have been chosen according to our customers', employees' and suppliers' expectations, as well as the competitor analysis and the Nowy Styl Group's policy. As a production company we have focused mostly on the comprehensive presentation of the environmental indicators. The following indicators have been classified as the most crucial ones: Indirect economic impact, Ordering procedures, Energy, Water, Emissions, Effluents and Waste, Products and services, Compliance with regulations, Transport, Overall (environmental protection expenditures and investments), Supplier evaluation, Employment, Occupational health and safety, Education and training courses, Diversity and equal opportunity, Equal remuneration for women and men, Supplier assessment concerning employment practices,

Local community, Violation of free competition principles, Compliance with regulations, Complaints concerning social influence, Customer health and safety, Marketing communication, Compliance with regulations. Indicators of lower importance: Anti-corruption policy, Violation of free competition principles, Compliance with regulations, Supplier assessment concerning social influence, Complaints concerning social influence, Product and service labelling, Customer privacy.

Since our company is constantly developing and acquiring new subsidiaries, we have not always been able to present the overall data for the whole Group. Therefore, in some parts of the report we have shown data concerning only selected companies. We aim to gather the overall information in the next few years. Our intention is also to unify the data between different subsidiaries so that our next Sustainable Development Report will be of even greater value to our stakeholders.

Contact:

Barbara Kokoszka-Bugla
Marketing & CSR Manager
+48 510 005 502
barbara.kokoszka@nowystylgroup.com

Przemysław Różowicz
Marketing & CSR Manager
+48 510 005 424
przemyslaw.rozowicz@nowystylgroup.com



Verification of the report



Deloitte Advisory Sp. z o.o.
z siedzibą w Warszawie
Al. Jana Pawła II 19
00-854 Warszawa
Polska

Tel.: +48 22 511 08 11
Fax: +48 22 511 08 13
www.deloitte.com/pl

Independent assurance report pertaining to the 2012-2013 Nowy Styl Group Sustainability Report

To the Management Board of Nowy Styl Group

We have reviewed the 2012-2013 Nowy Styl Group Sustainability Report ("CR Report" or "Report") developed by Nowy Styl Group Sp. z o.o. with the registered address in Krosno, at 49 Puzaka St. ("Company"), with respect to material aspects identified by the Company and indicators reported on the basis of G4 Sustainable Development Reporting Guidelines for "Core" level, as well as Construction & Real Estate Sector Supplement, issued by Global Reporting Initiative (GRI). The assurance works covered the period from 1 January 2012 to 31 December 2013 with relation to quantity and quality of available evidence.

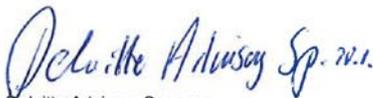
The Management Board of the Company is responsible for reliable, correct and fair information and for correct preparation of the documentation. Our task was to issue an independent assurance report based on the CR Report.

Our procedures did not include assessment of the fairness, correctness and completeness of documents provided by the Company, nor did they constitute an audit of the internal control system implemented therein. Therefore, we do not express an opinion regarding correctness of the system. Our procedures did not constitute an audit of financial statements as defined in the Accounting Act. Therefore, we do not express an opinion concerning the auditor's Report nor do we make statements regarding the financial statements of the Company as determined in regulations applicable to certified auditors.

Planning and performing our works had the nature of a limited assurance engagement performed in line with ISAE 3000 (Assurance Engagements Other than Audits or Reviews of Historical Financial Information), which requires us to plan and perform the engagement in a manner which allows for limited assurance that the CR Report does not include significant misstatements. The scope and methodology of a review of the CR Report significantly differ from those applied during an audit, which is aimed at expressing reasonable assurance. The purpose of the review is not to issue an opinion on correct, true and fair nature of the CR Report, and therefore no such opinion has been issued. The procedures followed during the review of the CR Report comprised:

- Identifying issues and results significant for the content of the Report from the viewpoint of the corporate social responsibility strategy followed by the Company and stakeholders' expectations.
- Comparing data included in the CR Report to those presented in the Financial Statements of Nowy Styl Group for 2012 and 2013.
- Interviewing individuals in charge of the implementation of the corporate social responsibility strategy in the Company and of the preparation of the Report.
- Verifying the information included in the Report for compliance with the internal documentation of the Company.
- Assessing the level of compliance with Sustainable Development Reporting Guidelines and GRI Reporting Framework.

Based on the review we obtained limited assurance that the information concerning identified material aspects and indicators reported by the Company included in the Report developed by the Nowy Styl Sp. z o.o. is free from material misstatements and it is compliant with G.4 Sustainable Development Reporting Guidelines for 'Core' level and Construction & Real Estate Sector Supplement issued by Global Reporting Initiative.



Deloitte Advisory Sp. z o.o.

Warsaw, 23rd January 2015

| Indicator number | Indicator name | Pages |
|-------------------------------|---|--------------------------|
| STRATEGY AND ANALYSIS | | |
| G4-1 | Statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability | 3 |
| G4-2 | Description of key impacts, opportunities and risks | 3 |
| ORGANISATIONAL PROFILE | | |
| G4-3 | Name of the organisation | 9 |
| G4-4 | Primary brands, products, and services | 12-13 |
| G4-5 | Location of the organisation's headquarters | 100 |
| G4-6 | Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report | 10-11 |
| G4-7 | Nature of ownership and legal form | 17 |
| G4-8 | Markets served including geographic breakdown, sectors served, and types of customers and beneficiaries | 10-11 |
| G4-9 | Scale of the organisation | 10-11 |
| G4-10 | Total number of employees by employment contract, region and gender | 37,46,47 |
| G4-11 | Percentage of total employees covered by collective bargaining agreements | no collective agreements |
| G4-12 | Description of the organisation's supply chain | 67 |
| G4-13 | Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain | 14-15 |
| G4-14 | Explanation whether and how the precautionary approach or principle is addressed by the organisation | 67 |
| G4-15 | Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses | 29 |
| G4-16 | Memberships of associations (such as industry associations) and national or international advocacy organisations | 29 |

| Indicator number | Indicator number | Pages |
|---|--|----------------|
| IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES | | |
| G4-17 | All entities included in the organisation's consolidated financial statements or equivalent documents | 17 |
| G4-18 | Process for defining the report content | 91 |
| G4-19 | Identified aspects of social and environmental impacts | 91 |
| G4-20 | Significance of the identified aspect of social and environmental impacts for particular entities | 91 |
| G4-21 | Limitations regarding the aspects of social and environmental impacts concerning the entities outside the organisation | 91 |
| G4-22 | Explanations of the effect of any restatements of information provided in previous reports, and the reasons for such restatements and their influence (e.g. mergers, acquisitions, the change of a year/the reference period, the type of organisation, measurement methods) | Not applicable |
| G4-23 | Significant changes from previous reporting period in the scope and aspect boundaries | Not applicable |
| STAKEHOLDER ENGAGEMENT | | |
| G4-24 | List of stakeholder groups engaged by the organisation | 30, 31 |
| G4-25 | Basis for identification and selection of stakeholders with whom to engage | 31 |
| G4-26 | Organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group | 31 |
| G4-27 | Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting | 31 |
| REPORT PROFILE | | |
| G4-28 | Reporting period (such as fiscal or calendar year) | 91 |
| G4-29 | Date of most recent previous report (if any) | Not applicable |
| G4-30 | Reporting cycle (such as annual, biennial) | 91 |
| G4-31 | Contact point | 91 |
| G4-32 | GRI Content Index | 94 |
| G4-33 | Organisation's policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, the explanation of the scope and basis of any external assurance provided and the relationship between the organisation and the assurance providers | 91 |

| Indicator number | Indicator name | Pages |
|--|---|--------|
| GOVERNANCE | | |
| G4-34 | Governance structure of the organisation including committees of the highest governance body responsible for particular tasks such as creating the strategy or supervising the organisation | 16 |
| ETHICS | | |
| G4-56 | Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics | 20 |
| <i>Category: Economic</i> | | |
| ASPECT: ECONOMIC PERFORMANCE | | |
| | DMA: Economic Performance | 18 |
| G4-EC1 | Direct economic value generated and distributed including revenues, operating costs, employee wages and benefits, subsidies and other community investments, economic value retained, payments to providers of capital and payments to government | 18, 87 |
| G4-EC4 | Significant financial assistance received from government | 19 |
| ASPECT: MARKET PRESENCE | | |
| | DMA: Market Presence | 40 |
| G4-EC5 | Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation | 40, 49 |
| G4-EC6 | Percentage of senior management at significant locations of operation that are hired from the local community | 38 |
| ASPECT: INDIRECT ECONOMIC IMPACTS | | |
| | DMA: Indirect Economic Impacts | 85 |
| G4-EC7 | Extent of development of significant infrastructure investments and services supported – commercial, in-kind, or pro bono engagements. The impact of these activities on the society | 85 |
| G4-EC8 | Identification and description of the significant indirect economic impacts, including the extent of impacts | 43, 85 |
| G4-EC9 | Proportion of spending on local suppliers | 68 |
| <i>Category: Environmental</i> | | |
| ASPECT: ENERGY | | |
| | DMA: Energy | 54 |
| G4-EN3 | Direct and indirect energy consumption within the organisation | 54 |
| G4-EN6 | Reduction of energy consumption | 54 |

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| ASPECT: WATER | | |
| | DMA: Water | 56 |
|  | Total water withdrawal by source | 56 |
| | DMA: Emissions | 58 |
|  | NO _x , SO _x and other significant air emissions by type and weight | 58 |
| ASPECT: EFFLUENTS AND WASTE | | |
| | DMA: Effluents and Waste | 57 |
|  | Total water discharge by quality and destination | 57 |
|  | Total water discharge by quality and destination | 59 |
| ASPECT: COMPLIANCE | | |
| | DMA: Compliance | 54 |
|  | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | 54 |
| ASPECT: TRANSPORT | | |
| | DMA: Transport | 63 |
|  | Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce | 63 |
| ASPECT: OVERALL | | |
| | DMA: Overall (environmental protection expenditures and investments) | 62 |
|  | Total environmental protection expenditures and investments by type | 62 |
| ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT | | |
| | DMA: Supplier Environmental Assessment | 68 |
|  | Percentage of suppliers that were screened using environmental criteria | 68 |

| Indicator number | Indicator name | Pages |
|--|--|----------------|
| <i>Category: Social</i> | | |
| WORKING CONDITIONS | | |
| ASPECT: EMPLOYMENT | | |
| | DMA: Employment | 35 |
| G4-LA1 | Total number and rates of new employee hires and employee turnover by age group, gender and region | 38, 47, 48 |
| G4-LA2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation | 44 |
| G4-LA3 | Return to work and retention rates after parental leave by gender | 39 |
| ASPECT: OCCUPATIONAL HEALTH AND SAFETY | | |
| | DMA: Occupational health and safety | 44 |
| G4-LA5 | Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs | 44 |
| G4-LA6 | Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region and by gender | 45 |
| G4-LA7 | Workers with high incidence or high risk of diseases related to their occupation | 45 |
| G4-LA8 | Health and safety topics covered in formal agreements with trade unions | 44 |
| ASPECT: EDUCATION AND TRAINING COURSES | | |
| | DMA: Education and training courses | 41 |
| G4-LA9 | Average number of training hours per year per employee by employee category and by gender | 41 |
| G4-LA10 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | 42 |
| G4-LA11 | Percentage of employees receiving regular performance and career development reviews by gender and by employee category | 43 |
| ASPECT: DIVERSITY AND EQUAL OPPORTUNITY | | |
| | DMA: Diversity and equal opportunity | 36 |
| G4-LA12 | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity | 36, 37, 46, 47 |

| Indicator number | Indicator name | Pages |
|---|---|--------|
| ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN | | |
| | DMA: Equal remuneration for women and men | 40 |
| G4-LA13 | Ratio of basic salary and remuneration of women to men by employee category | 40, 49 |
| ASPECT: SUPPLIER ASSESSMENT FOR EMPLOYMENT PRACTICES | | |
| | DMA: Supplier assessment for employment practices | 68 |
| G4-LA14 | Percentage of suppliers that were screened using employment practices criteria | 68 |
| HUMAN RIGHTS | | |
| ASPECT: NON-DISCRIMINATION | | |
| | DMA: Non-discrimination | 44 |
| G4-HR3 | Total number of incidents of discrimination and corrective actions taken | 44 |
| SOCIETY | | |
| ASPECT: LOCAL COMMUNITY | | |
| | DMA: Local community | 85 |
| G4-S01 | Percentage of operations with implemented local community engagement, impact assessments and development programs | 85 |
| ASPECT: ANTI-CORRUPTION | | |
| | DMA: Anti-corruption | 20 |
| G4-S04 | Communication and training courses on anti-corruption policies and procedures | 20 |
| G4-S05 | Confirmed incidents of corruption and actions taken | 20 |
| ASPECT: ANTI-COMPETITIVE BEHAVIOUR | | |
| | DMA: Anti-competitive behaviour | 20 |
| G4-S07 | Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes | 20 |
| ASPECT: COMPLIANCE | | |
| | DMA: Compliance | 20 |
| G4-S08 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations | 20 |

| Indicator number | Indicator name | Pages |
|--|--|-------|
| PRODUCT RESPONSIBILITY | | |
| ASPECT: CUSTOMER HEALTH AND SAFETY | | |
| | DMA: Customer health and safety | 76 |
| G4-PR1 | Percentage of significant product and service categories for which health and safety impacts are assessed for improvement | 76 |
| G4-PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle by type of outcomes | 76 |
| ASPECT: PRODUCT AND SERVICE LABELLING | | |
| | DMA: Product and service labelling | 75 |
| G4-PR3 | Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements | 75 |
| G4-PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling by type of outcomes | 75 |
| G4-PR5 | The results of surveys measuring customer satisfaction | 80 |
| ASPECT: MARKETING COMMUNICATIONS | | |
| | DMA: Marketing communications | 78 |
| G4-PR7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes | 78 |
| ASPECT: CUSTOMER PRIVACY | | |
| | DMA: Customer privacy | 78 |
| G4-PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data | 78 |

Nowy Styl Sp. z o.o.

ul. Pużaka 49
38-400 Krosno, Poland
Tel. +48 13 43 76 100
Fax +48 13 43 62 732
info@nowystylgroup.com

