

Independent Auditor’s Report on the Assurance Engagement To the General Meeting of CZG – Česká zbrojovka Group SE

Having its registered office at: Opletalova 1284/37, Nové Město, 110 00 Prague 1

Introduction

In accordance with the agreement to conduct an assurance engagement regarding the Remuneration Report pursuant to the requirements of Section 121q of Act No. 256/2004 Coll., on Capital Market Business, as amended (hereinafter the “Capital Market Business Act”), we have been engaged by the Board of Directors of CZG – Česká zbrojovka Group SE (the “Company”) to conduct an assurance engagement regarding the attached Remuneration Report for the year ended 31 December 2020 (the “Remuneration Report”) prepared by the Company’s Board of Directors and containing the information required by Section 121p (1) of the Capital Market Business Act.

Subject matter of the assurance engagement and applicable criteria

The subject matter of our engagement was the assessment required by Section 121q of the Capital Market Business Act regarding the assurance whether the Remuneration Report contains the information required by Section 121p (1) of the Capital Market Business Act.

The Auditor’s task is not to verify the factual correctness of the Remuneration Report and the information contained therein.

Purpose of the report

This independent auditor’s report is intended solely to satisfy the requirements of the Capital Market Business Act and for your information. It may not be used for any other purpose or distributed to any other recipients. The report concerns only the Remuneration Report and cannot be linked to the Company’s financial statements as a whole.

Responsibility of the Board of Directors

The Company’s Board of Directors is responsible for the preparation of the Remuneration Report in accordance with the applicable requirements of the Capital Market Business Act. The Board of Directors is responsible for the publication of the Remuneration Report on the Company’s website and for ensuring access to it free of charge for at least 10 years from the date of the General Meeting where the Remuneration Report was presented.

The Board of Directors is also responsible for the preparation of financial data and non-financial information as well as for the design, implementation and maintenance of internal control systems and processes and accounting records that are necessary for the preparation of a Remuneration Report that is free of material misstatements and compliant with applicable legal requirements.

Independent auditor's responsibility

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) – "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". In line with these regulations, we are required to comply with ethical standards and plan and perform procedures to obtain limited assurance about the Remuneration Report.

We comply with the International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control, including internal policies and procedures regarding compliance with ethical and professional standards and applicable legal regulations.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which defines the fundamental principles of professional ethics, i.e. integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

The procedures are selected depending on the auditor's judgment. The performed procedures predominantly include interviewing relevant persons and other procedures the aim of which is obtaining evidence on the Remuneration Report.

The performed assurance constitutes a limited assurance engagement. The nature, timing and scope of procedures performed in a limited assurance engagement are less in extent than for a reasonable assurance engagement, and therefore the resulting level of assurance is lower.

Our procedures included:

- identifying persons under Section 121m (1) of the Capital Market Business Act, for whom there is a requirement to include information in the Remuneration Report; and
- assessing whether the Remuneration Report contains all information required by Section 121p (1) of the Capital Market Business Act regarding each of the above-identified persons.

We draw your attention to the fact that the Remuneration Report was not subject to the audit of the financial statements and the examination of the annual report in terms of Act No. 563/1991 Coll., on accounting, as amended. In the course of performing the assurance procedures, we have not conducted an audit or review of the financial and non-financial information used in the preparation of the Remuneration Report.

As part of our procedures, however, we assessed whether there were no material inconsistencies between the information presented in the Remuneration Report and the knowledge and understanding we obtained in the course of the audit of the Company's financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion expressed below.

Conclusion

Based on the assurance procedures performed and the evidence obtained, we did not find any facts indicating that the Remuneration Report does not contain, in all material respects, the information required by Section 121p (1) of the Capital Market Business Act.

In Prague on 27 May 2021

Audit firm:

Deloitte Audit s.r.o.
registration no. 079



Represented by:

Martin Tesař
registration no. 2030



REMUNERATION REPORT

For the reporting period from 1 January 2020 to 31 December 2020

CZG-Česká zbrojovka Group SE

(Issuer)

prepared by the Board of Directors of the Company in accordance with Section 121o,p of Act No. 256/2004 Coll., on Capital Market Business, as amended

This report provides a complete overview of remuneration, including all benefits in any form provided or payable during the last completed reporting period to Persons with a Significant Relationship to the Issuer.

Definition:

A Person with a Significant Relationship to the Issuer:

Member of the Issuer's Board of Directors

Member of the Issuer's Supervisory Board

I.

Information on all forms of remuneration

Information on all forms of remuneration that have been provided to a Person with a Significant Relationship to the Issuer or are due in the relevant reporting period:

Board of Directors:

Component:	Board of Directors				Total
	CZG-Česká zbrojovka Group SE	Česká zbrojovka a.s.	CZ USA	VIBROM spol. s.r.o.	
Base remuneration	11 152 174	5 281 902	4 155 264	480 000	21 069 340
Annual bonus		2 635 207	7 513 301		10 148 508
Benefits		36 600			
Extraordinary reward	500 000				500 000
Other benefits		27 419	298 488		325 907
Benefits - car	324 000	708 756	74 822		1 107 578
Employee Stock Ownership Plan					0
Social and health insurance	2 733 973	1 949 782	649 967	52 800	5 386 522
Total	14 710 147	10 639 666	12 691 842	532 800	38 574 455

Company Supervisory Board:

Component:	Supervisory Board				Total
	CZG-Česká zbrojovka Group SE	Česká zbrojovka a.s.	CZ USA	VIBROM spol. s.r.o.	
Base remuneration					
Annual bonus	5 772 608	435 000			6 207 608
Benefits		136 840			136 840
Extraordinary reward					0
Other benefits					0
Benefits - car		133 392			133 392
Employee Stock Ownership Plan					0
Social and health insurance	1 532 537	238 363			1 770 900
Total	7 305 145	943 595	0	0	8 248 740

* Remunerations paid in foreign currencies are converted at the CNB exchange rate as of 31 December 2020

The amount of remuneration is in accordance with the approved executive service agreements or employment contracts. The extraordinary reward paid was approved in accordance with the Company's Articles of Association. Annual bonuses were paid in accordance with the Company's approved internal directive for 2019 and approved by the General Meeting of the Companies.

The members of the Board of Directors and the Supervisory Board have set annual bonuses for 2020 in the amount of a maximum of 100% of the base remuneration. The amount of the annual bonuses depends on the fulfilment of the Company's consolidated plan for 2020 and the fulfilment of the Company's strategy. Remuneration for 2020 will be paid in 2021 after the approval of the audited consolidated results of the Company by the General Meeting. Fulfilment of the criteria will be evaluated and the entitlement to the annual bonus will be confirmed by the Company's Supervisory Board.

The annual bonus mentioned above represents the bonuses paid out for 2019. The amount and conditions of entitlement were always set and approved by the shareholder of the subsidiary already in 2018. Confirmation of entitlement to this annual bonus and its amount was approved by the General Meeting of the subsidiary in 2020.

Based on extraordinary performance, extraordinary reward was paid to members of the Board of Directors in 2020, in accordance with the decision of the Issuer's Supervisory Board in the total amount of CZK 500,000.

Other performance:

- Pension insurance contribution offered by the Issuer's subsidiary. As of 31 December 2020, no member of the statutory bodies used this benefit anymore;
- Catering allowance.

Information on non-cash income:

In addition to cash income, persons with management authority are entitled to non-cash income, which includes:

1. the right to use a company car also for private purposes;
2. accommodation costs, any relocation costs in accordance with the companies' internal directives;
3. ticket expenses in accordance with the companies' internal directives;
4. the right to use mobile phones for private purposes;
5. the possibility of using the subsidiary's medical facility and using various bonus programmes (location-specific);
6. use of the subsidiary's own catering facilities (location-specific).

This non-cash income is regulated by internal directives and depends on the level of the managerial position.

II. Remuneration rules in 2020

In addition to the base remuneration, the amount of which results from the employment contract or from the executive service agreement, persons with management authority may also receive various forms of bonuses, the amount of which depends on the consolidated results of the Company. Remuneration for activities on the Board of Directors, the Supervisory Board and in the Audit Committee is paid only to persons who are not also executives of the companies. The level of remuneration is determined by a resolution of the General Meeting. Members of the administrative, management or supervisory bodies of the Company or its subsidiaries have not entered into any service agreements with the Company or the relevant subsidiary, on the basis of which they would be entitled to certain benefits upon termination of their contractual relationship with the Company or its subsidiary.

All members of the administrative, management or supervisory bodies of the Company or its subsidiaries work for the Company or one of its subsidiaries on the basis of standard executive service agreements, employment contracts and the relationship between members of these bodies of the Company or its subsidiaries is governed by applicable national law. All members of the administrative, management or supervisory bodies of the Company therefore have a valid contract concluded with the Company in accordance with Czech law.

III. Overview of changes in the total amount of remuneration

The Issuer's shares were admitted to trading on the European regulated market in October 2020, for this reason 2020 is the first period when the Issuer evaluates the amount of remuneration paid and the data are given only for 2020.

Period	2019	2020
The total amount of all provided remuneration	N/A	46 823 195

IV. Number of shares granted or offered and share options

At the first Annual General Meeting of the Company held in 2021, the Issuer will submit to the shareholders for approval the Remuneration Policy of Persons with a Significant Relationship to the Issuer, which addresses, among other things, the Employee Stock Ownership Plan (ESOP). For these reasons, in 2020 the Company has not yet offered any shares or stock options to Persons with a Significant Relationship to the Issuer.

V.

Information on the use of the Issuer's right to demand the refund of the annual bonus or its part

No annual bonus was paid for 2020, except for the 2019 remuneration paid in 2020. The rules for the refund of the annual bonus or its part is addressed in the draft Remuneration Policy, which will be submitted to shareholders at the Annual General Meeting for approval.

VI.

Information on deviations from the remuneration procedure regulated by the Remuneration Policy

Due to the fact that the Company's shares were admitted to trading on a regulated market in October 2020, it is not possible to present a comparison of key performance indicators and changes in remuneration for the previous reporting period. As mentioned above, the approval of the Remuneration Policy will be included on the agenda of the Issuer's Annual General Meeting in 2021, thus there can be no question of a deviation from the Remuneration Policy.

All remuneration paid to members of the statutory bodies was paid in accordance with duly approved executive service agreements in accordance with the rules set out in the Company's Articles of Association and in compliance with the prepared Remuneration Policy.

VII.

Other information

The tenure of the members of the Issuer's statutory bodies is set at 5 years. The members of the Board of Directors are elected and removed by the Supervisory Board. In the event of dismissal of a member of the Company's Board of Directors, this member is entitled to the payment of six times the base remuneration stipulated in the executive service agreement. A member of the Supervisory Board is removed by the General Meeting and the removed member is entitled to the payment of six times the base remuneration stipulated in the executive service agreement.

The Remuneration Committee monitors the process followed in determining, reviewing, and evaluating the remuneration claims of statutory bodies, and additionally assesses and proposes measures to prevent conflicts of interest and suggests ways to resolve them.

The draft Remuneration Policy will be submitted for approval to the Annual General Meeting of the Company held before 30 June 2021.