

CORPORATE SOCIAL RESPONSIBILITY REPORT 2019

CZG – Česká zbrojovka Group SE

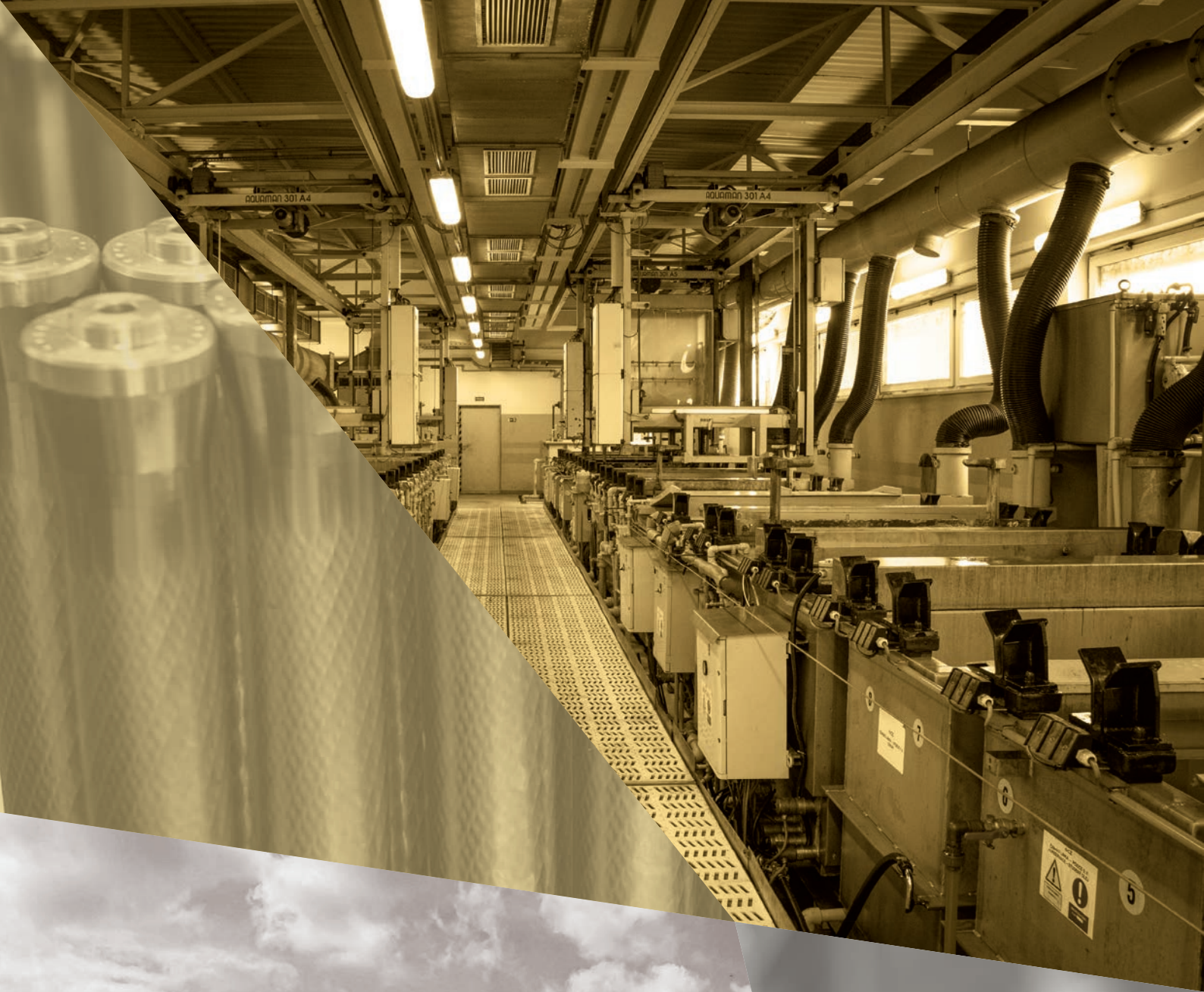
For CZG, corporate social responsibility ties in with responsible business practice, encompasses economic, environmental and social responsibility, and includes a commitment to contribute to sustainable development.

We perceive our corporate social responsibility as a voluntary commitment to pursue our business in a way that is heedful of both the environment and the society in which we operate.



TABLE OF CONTENTS

1. Introduction to the Company	4
2. Overview of basic activities	6
3. Key sustainability topics	8
4. ECONOMIC RESPONSIBILITY	10
4.1. Stability and prosperity	10
4.2. Product sustainability and innovation	10
4.3. Marketing and customer satisfaction	11
4.4. Supply chain and resources management	12
4.5. Product quality and safety	12
4.6. Corporate governance	13
5. SOCIAL RESPONSIBILITY	18
5.1. Human resources	18
5.2. Occupational safety and health	20
5.3. Human rights, equal opportunities	20
5.4. Relationships with shareholders and stakeholders	21
5.5. Data security and privacy protection	21
5.6. Social area	22
5.7. Education and science	22
5.8. Culture, sport and religion	23
6. ENVIRONMENTAL RESPONSIBILITY	25
6.1. Environmental impacts	25
6.2. Emissions	26
6.3. Water management	26
6.4. Waste management	26



1. INTRODUCTION TO THE COMPANY

CZG – Česká zbrojovka Group SE (“CZG”, the “Company” or “Group”) is one of the leading European manufacturers of firearms and accessories for military and law enforcement, personal defence, hunting, sport shooting and other civilian uses marketed under the Česká zbrojovka, CZ-USA, Dan Wesson, Zbrojovka Brno and 4M Systems brands.

CZG - Česká zbrojovka Group SE was founded in 2013 yet its history stretches all the way back to 1936 when a firearms factory was established in the Czech town of Uherský Brod. The factory was founded by the Czechoslovak state with the strategic aim of moving arms production further inland, away from the country's border with Germany in the period preceding the outbreak of World War Two. The facility originally operated as a branch of the Československá zbrojovka armoury based in Prague. The new factory was established as one of the biggest and most modern armouries in Europe. After WWII, the factory gradually developed the manufacture of a wide range of firearms and consolidated its position in key segments of the firearms market.

CZG - Česká zbrojovka Group SE employs some 1,600 people in the Czech Republic, USA and Germany. The Company is based in the Czech Republic and operates manufacturing facilities in the Czech Republic and the USA. As of 31 December 2019, the Company's sole owner was Česká zbrojovka Partners SE. The Company's shares were listed on the Prague Stock Exchange in June 2020.

This report was created at the level of the holding company CZG - Česká zbrojovka Group SE. As a holding company, CZG manages its shareholdings in individual subsidiaries and provides them professional consulting and services, however it does not perform any manufacturing activity. Therefore, sustainability activities are reported primarily for the holding's subsidiaries, chief among which is Česká zbrojovka, a. s., based in Uherský Brod (“Česká zbrojovka” or “CZUB”).

Basic information about the Company

Name:	CZG – Česká zbrojovka Group SE
Legal form:	European public company (Societas Europaea)
Seat:	Opletalova 1284/37, Nové Město, 110 00 Prague 1
Register of companies:	Municipal Court in Prague, Section H, Entry 962
Reg. No.:	29151961
VAT ID No.:	CZ29151961



2. OVERVIEW OF BASIC ACTIVITIES

Research and development

The Group possesses research and development capacities employed in the development of products and the management of products' lifecycles.

Innovation plays a key role within CZG, including in the digitisation of the document management system and manufacturing, reducing the time-to-market for new products, and increasing the utility value of products.

Number of employees in R&D: 102 (as of 31 December 2019)

Investment in R&D: CZK 97.5m (2019)

Manufacturing

The Group's manufacturing focuses primarily on the production of parts with a high added value and a high proportion of the Group's own knowhow.

Modern manufacturing processes and robotisation contribute to improved working conditions for our employees while continuous investments in infrastructure reduce our environmental footprint.

Number of manufacturing facilities: 5 (in the Czech Republic and USA)

Number of employees in manufacturing: 978

Suppliers

A sustainable supply chain is of key importance to the Company's future.

Turnover: CZK 2,742,250,249

Number of suppliers: more than 2,000

Sales and servicing

The professional quality of our sales and marketing teams and of our system of warranty and post-warranty servicing are the stepping stones to achieving the highest possible customer satisfaction. In 1997, subsidiary company CZ-USA was established in order to improve our service on the USA market. Based in Kansas City, KS, the company currently employs more than 100 people. Starting in 2020, all the Group's activities on foreign markets other than the USA were taken over by CZ Export Praha with the objective of consolidating the Group's position on these markets.

Number of firearms sold in 2019: 374,276

Number of sales employees: up to 100



3. KEY SUSTAINABILITY TOPICS

The Group has defined the following key sustainability topics for further development to underpin the Group's strategy. The individual areas of focus are based on key sustainability topics formulated by the Company management.

Economic responsibility

- Stability and prosperity
- Product sustainability and innovation
- Marketing and customer satisfaction
- Supply chain and resources management
- Product quality and safety
- Corporate governance

Social responsibility

- Human resources
- Continued education
- Social responsibility
- Occupational safety and health protection
- Human rights and equal opportunities
- Relationships with shareholders and stakeholders
- Being a sought-after employer

Environmental responsibility

- Environmental impacts
- Waste management
- Water management
- Air protection
- Noise reduction
- Handling of chemicals



4. ECONOMIC RESPONSIBILITY

The Company strongly believes that economic success can be sustained only by following the rules.

The Company has established a Compliance management system in order to ensure compliance with moral and ethical principles and processes in accordance with the law. In all our activities we strictly adhere to the Company's Code of Conduct.

We focus our attention and energies on areas where quality is created and where it can be influenced without needless increases in inputs.

Satisfied customers are a major condition of our continued business success. That is why we place such a high emphasis on the quality of our products and the reliability of our supply.

4.1. STABILITY AND PROSPERITY

Our objective is to ensure continuous improvement of productivity while increasing prosperity.

Continuous improvement of both productivity and the quality of all our processes is a fundamental condition for our long-term success, even more so at the time of the fourth industrial revolution. We therefore regularly invest in modern technologies and improvements at all levels. Our goal is to eliminate strenuous and repetitive manual work that can be performed by machines.

However, our ambition in this respect does not stop with the acquisition of new, more modern equipment. We also support our employees in modern thinking and seek better and more efficient ways of doing our work.

4.2. PRODUCT SUSTAINABILITY AND INNOVATION

In its commitment to sustainability, the Company aims to become a pioneer of new solutions and developer of sustainable innovations while continuing to develop its responsible business and grow its economic success.

The Company operates its own research and development facility, CARDAM, that forms an essential component of the Company's future and further development. In 2019, the Company invested CZK 97.5m in R&D and other closely related divisions, such as Česká zbrojovka, a. s. As of 31 December 2019, the Group employed 102 full-time employees in the research and development of new products and technologies. Additional dozens of employees contributed to R&D by performing associated tasks in other segments of the Group (manufacturing, quality assurance, purchasing, finance, etc.). Another significant aspect is the continued support and collaboration with technical universities, research institutions, third-party testing facilities, businesses possessing unique expertise (such as metal-injection-moulding

(MIM) and plastic parts manufacturing technologies) and other suppliers. Following the successful completion of development tasks, new and innovated products and technologies are thoroughly tested before the start of mass production and introduction to the market.

In 2019, the Company successfully reduced the proportion of conventional machines in favour of computer numerical control (CNC) machines. The manufacture of pistol breechblocks was transferred completely to CNC. The Company either relocated the outdated manufacturing of small parts or shifted it to CNC machines.

The use of CNC machines comes with several fundamental advantages, key among which are automation and the guaranteed accuracy of every part, ensuring an increased quality of production. Automation minimises the operator's impact on the manufacturing process with ensuing benefits of reduced error incidence, improved reliability of the working cycle and shortened manufacturing time.

Investments in new machinery and building modifications resulted in the adjusted layout and rearranged process of the manufacturing of barrels with the aim of shortening the logistics flow. The capacity of surface treatments was doubled by implementing gas nitriding with subsequent oxidation, thus eliminating the dependence on external cooperation. Employee engagement resulted in the realisation of around 700 suggestions for improvements, resulting in benefits worth some CZK 33m.

The Company plans further investment with the aim of eliminating manual adjustments and replacing outdated technologies. The greatest proportion of investment in 2020 will be directed into the building of a new logistics centre and the commencement of building a new foundry. The new foundry will provide capacity for increased production, help to reduce wastage (inner defects of casts), improve casting quality and enable the use of environmentally friendly materials in the manufacturing of foundry shells (water-based manufacture).

4.3. MARKETING AND CUSTOMER SATISFACTION

The Company's products are marketed in their respective segments under several different brands: CZ (Česká zbrojovka), CZ-USA, Dan Wesson, Brno Rifles and 4M SYSTEMS.

Military customers include armed forces units and various special military units. Customers from other security spheres include, among others, federal and local lawenforcement, border forces, prison officers and VIP protection operatives. Civilian customers include hunters, gamekeepers and sport shooters. The final category in the civilian segment includes hobby, household protection and self-defence.

The Company's marketing campaigns and initiatives are based on careful analyses of individual markets, customer segments and applicable regulatory frameworks. The Company's marketing analysts regularly assess the potentials of different markets and conduct in-depth surveys subsequently utilised by marketing specialists and third-party agencies in the creation of effective marketing materials for specified target groups of customers. The key objective of the

Company's marketing activities is to support the growth of revenue and increase awareness of the brand at a global level.

The Group sells its products mainly through the following distribution channels: wholesale, tenders, direct sales and online. The Company relies on wholesale and distributors in sales to the civilian segment and participates in tenders for supplies to armed forces and law enforcement. Retail sales are also conducted via two stores in the Czech Republic and the Company's e-shop.

4. 4. SUPPLY CHAIN AND RESOURCES MANAGEMENT

The Company applies strict monitoring in both the selection and subsequent cooperation with suppliers. Suppliers are asked to accept and adhere to the Company's Code of Conduct (available at <https://www.czub.cz/en/compliance-program/>). Compliance with the Code of Conduct is monitored and assessed regularly and non-compliance results in the severing of cooperation with the non-compliant supplier/customer.

The Group and its subsidiaries apply strict verification procedures to suppliers as well as wholesale and retail customers.

4. 5. PRODUCT QUALITY AND SAFETY

An important component of the Company's business success is the ability to maintain a steady flow of new and innovated products. In 2019, the Company introduced a brand-new line of rimfire rifles, the 457 series, and the P-10 pistol in Full, Semicompact and Subcompact sizes. The Company maintains its strategy of presenting its products in as realistic conditions as possible. In 2019, the Company thus conducted more than 200 product presentations and test shootings all over the world.

Success with customers depends very closely on our products meeting specified quality criteria. Česká zbrojovka, a. s., is a holder of the ISO 9001:2015 compliance certificate, Production Organisation Approval for the production of aviation units as per Part 21, Subpart G, and Maintenance Organisation Approval for the maintenance of aviation units as per Part 145. Česká zbrojovka, a. s., also holds the Certificate of Quality Management System compliant with Czech Defence Standard ČOS 051672 (NATO standard AQAP 2110).

Similar to previous years, 2019 was dedicated to focusing on further improvements to our quality management system. Our customers conducted several audits in a range of areas. The Company was also subject to a supervisory audit as per ISO 9001:2015. The Czech Civil Aviation Authority conducted two audits in the areas of production and maintenance of aviation units. Compliance with the requirements of ČOS 051672 (AQAP 2110) was audited by the Office for Defence Standardisation, Cataloguing and State Quality Assurance (Úř OSK SOJ). None of the audits identified any significant instances of non-compliance.

Where finished products are concerned, the Company focused on digitisation

of the checks and testing results in order to improve our ability to quickly and more reliably analyse opportunities for improvements in both mass production and the development of new products. The Company invested in workplace equipment in order to further improve working conditions, reduce physical strain and ensure the desired reliability of activities through the elimination of the risk of human error. Production flows were also optimised. Investments realised in 2019 included for example the installation of an automated preservation line, checking and packaging station utilising a Poka Yoke solution as part of the Pick to Light / Put to Light technology, adjustments to the production IT system, and the expansion of paperless operations to additional workplaces. In 2020, the Company focuses its efforts on automation in the area of testing.

The Company also extended its activities in the area of monitoring final products and their condition to include product audits at assembly. The Company implemented the PFMEA risk analysis for new products in order to eliminate errors in both manufacturing processes and processing of design and technological documentation. The Company maintains its focus on process stability in implementing new technologies and machinery by applying statistical process control (SPC). Further progress was achieved in the area of implementation of quality tools as well as in continuing digitisation. Examples include digital process regulation applied to selected products and digitisation of process auditing. The Company also invested in its inspection and metrology laboratories, specifically by acquiring multi-sensor coordinate measuring machine Werth ScopeCheck S 3D-CNC used for measuring of all rotary parts made in the tools workshop, and coordinate measuring machine 3D SMS Global S that expands our mass production measuring capacities.

The Company's commitment to the highest industry standards and technological craftsmanship is supported by the successes of its products in various shooting competitions. For example, in October 2019, Mr David Miller and the US-based team of Česká zbrojovka achieved a Guinness World Record of 14,167 clay pigeons shot by a team of five people in 12 hours. According to NRA's Shooting Sports USA, the CZ Shadow 2 pistol was the most popular firearm at the 2018 USPSA National Championships where it was used by 48% of participants, while the nearest competitor was used by 20% of participants.

4. 6. CORPORATE GOVERNANCE

4. 6. 1. Compliance Management

In order to promote moral and ethical principles and procedures in accordance with the law, the Company has also implemented a compliance management system and committed to adhering to its principles and developing its instruments. The compliance management system informs corporate governance by means of activities and procedures designed to prevent, detect and respond to behaviours that would be contrary to internal regulations and legislation and that would result in criminal culpability of the legal entity.

The compliance management system applied in CZG includes the Company's Code of Conduct, mandatory for Company employees. The system also includes the position of a Compliance Officer, an employee appointed by the Company's board of directors who is responsible for the application and supervision of the compliance management system. The system also includes and provides for whistleblowing by means of a set of rules that enable the identification of undesirable behaviour and the reporting thereof to persons or bodies that are in a position to investigate and intervene if necessary.

4. 6. 2. Regulatory risks

It is expected that amendments to the legal framework governing firearms in the Czech Republic will come into force in 2022 introducing new categories of firearms and firearm permits. The updated framework will limit accessibility of R2-category firearms (i.e. CZ 858, Scorpion 61S, and Bren 2Ms) as well as possession of excessive-capacity magazines. The new framework will also permit the use of silencers on hunting and sports firearms but not for self-defence. The Company expects the new legislation to have no more than a marginal impact on its revenues.

Implementation of the EU's Common Security and Defence Policy in the product sales system

The system of firearm sales is governed by the EU's Common Security and Defence Policy that lays down the fundamental rules of arms trade, which in turn are implemented in the national legislation of member states.

In the Czech Republic, the implementation of the Policy is the responsibility of the country's Ministry of Foreign Affairs which defines the basic direction of the Czech foreign policy, and the Ministry of Industry and Trade that oversees the Policy's implementation in the national legislation.

In practice, the above means that every product intended for sale abroad is subject to approval as follows:

Based on the End User Certificate (a document certifying the final recipient of the product), an exporter applies to the Ministry of Industry and Trade for an export permit.

The trade ministry submits the application, along with all relevant documentation, to the Ministry of Foreign Affairs to verify that firearms export to the intended destination country is not contrary to the Common Security and Defence Policy, the foreign policy of the Czech Republic and/or the security interests of the Czech Republic.

Pursuant to an affirmative response from the foreign ministry, the trade ministry then issues an export permit for the particular transaction.

CZG, has implemented its Code of Conduct that, among other things, defines the Company's stance on fundamental firm's values and ethical standards. These values represent code of conduct which is binding for employees and management when conducting its business and dealing among each other.

The Company's internal regulations create a sophisticated system of partner verification with special emphasis on financial stability and security. Cooperation with partners includes the partners' commitment to the Company's Code of Conduct as the foundational principle of adherence to ethical norms.

4. 6. 3. Principles governing statutory bodies

The Company employs a dual decision-making system based on the existence of a separate board of directors and supervisory board.

The board of directors represents the Company in all matters that are not specifically reserved for the supervisory board or the general meeting. The board of directors bears responsibility for the day-to-day management and for outward representation of the Company.

The supervisory board is entitled to nominate its members to various committees to which the supervisory board can delegate specific powers in accordance with the law. The supervisory board has created the remuneration, acquisitions, and regulatory and ethical committees. Pursuant to the Company's Articles, an auditing committee was created whose members are elected by the general meeting, as well as an employees' committee comprising of the Company's employees or their representatives.

The Company's Articles stipulate that the board of directors has seven members appointed and dismissed by the general meeting. Members of the board of directors are appointed for a period of five years and may be appointed repeatedly. The supervisory board is authorised to dismiss a member of the board of directors at any time. The board of directors appoints a chairperson and deputy chairs from among its members.

The board of directors has a quorum of a simple majority of members present or otherwise participating in its meeting. Decisions of the board of directors are passed if approved by a majority of its members. In the case of a tied vote, the vote of the chairperson decides the outcome. Members of the board of directors may participate in board meetings via telephone or by other remote means. A decision may occasionally be made without summoning a meeting of the board of directors if circumstances dictate.

In accordance with the Company's Articles, a meeting of the board of directors is summoned by the chair or any of the deputy chairs of the board of directors, or by any other member should any of the above be absent. Meetings of the board of directors take place at least once a month. A board of directors meeting may also be summoned upon request from a member of the board of directors or the chair of the supervisory board.

The supervisory board is an independent statutory body of the Company entrusted primarily with supervising the actions of the Company's board of directors. According to Czech law, the supervisory board cannot make management decisions, however, it still holds some key decision-making powers.

The Company's Articles stipulate that the supervisory board has three members

appointed and dismissed by the general meeting. Members of the supervisory board are appointed for a period of five years and may be appointed repeatedly. The supervisory board appoints its chairperson from among its members.

The supervisory board has a quorum of a simple majority of its members present or otherwise participating in its meeting. Decisions of the supervisory board are passed if approved by a simple majority of its members. Members of the supervisory board may participate in board meetings via telephone or by other remote means. A decision may occasionally be made without summoning a meeting of the supervisory board if circumstances dictate.

In accordance with the Company's Articles, a meeting of the supervisory board is summoned by the chair of the supervisory board. Members of the supervisory board are obliged to take part in general meetings.



DELIVERING STATE
OF THE ART PRODUCTS



5. SOCIAL RESPONSIBILITY

As a Group, we are aware of our key role for the development and life quality of all citizens in Uherský Brod area, where we are by far the biggest employer.

We focus on developing our employees' career growth based on an education plan.

Employees are motivated in their work by a range of motivational tools and a broad selection of benefits.

The Company in cooperation with the majority shareholder has established a healthcare facility Můj lékař [My Physician] that provides healthcare services to current and former employees and their family members. Nevertheless, the facility's team is of course ready to help anyone in need of a healthcare intervention.

The Company organises Open days for employees' family members and the general public. Visitors have an opportunity to take a tour-with-commentary of the manufacturing process.

5.1. HUMAN RESOURCES

Employee turnover was at 3.9% in 2019, mainly due to terminations, retirement, maternity leave, and so forth. The turnover value is extremely low compared to the average for the Czech Republic (around 15%) given the low levels of unemployment in the country in the reporting period (below 3%). As the Group's main manufacturing entity, Česká zbrojovka, a. s., targets a rate of unintended turnover of 4.5%, defined for both 2019 and 2020. The target was met in 2019.

In order to keep employee turnover low, the Company regularly increases salaries, and offers prepaid services of the healthcare facility along with a host of other benefits. The Company also pays out extra bonuses when annual financial results are good. The Company also strives to reduce turnover by offering open internal training options in the areas of healthcare, OSH, benefits and healthy lifestyles as well as retraining courses that open the door to more demanding and better paid positions.

Pursuant to the collective agreement, the Company offers to its employees the following benefits above the statutory requirements:

- Subsidised meals at the Company cafeteria, a financial bonus upon the birth of a child, a financial bonus upon reaching 50 years of age,
- Severance pay upon termination of employment as per Section 52, letters a), b), c) or d) of the Labour Code,
- Severance pay above the Labour Code requirement, pension insurance contribution, days off above the Labour Code requirement – sick day,
- Paid days off above the Labour Code requirement and unpaid days off above the Labour Code requirement,
- Financial contribution towards a child's study expenses, extra compensation for afternoon shifts above the Labour Code requirement,

- Extra compensation for night shifts above the Labour Code requirement, overtime compensation above the Labour Code requirement,
- Extra compensation for weekend shifts above the Labour Code requirement, extra compensation for difficult working conditions above the Labour Code requirement.

The Company systematically supports employees who donate blood. In 2019, the Company contributed CZK 100 for each unpaid donation. The Company also supported all long-term donors and paid the same compensation of CZK 100 for every confirmed donation prior to 2019. In 2019, the Company thus supported blood donors with a total amount of CZK 685,000.

As a firearms company, Česká zbrojovka, a. s., also offers benefits linked to its manufacturing program. To all its employees the Company offers, free of charge, a complete course required in order to obtain a firearms permit. Employees can also take advantage of discounts on personal, sports or hunting firearms manufactured by the Company. In addition, the Company provides financial support to those employees who are members of the Czech Army's active reserves.

In 2020, the Company plans to implement organisational changes conducive to the development of leadership. The ultimate objective is to attain as flat an organisational structure as possible with the help of targeted leaders coaching. In terms of internal processes, the Company focuses on improving standard performances and eliminating wastage throughout processes by applying the value-stream mapping method.

Upon commencing their employment with the Company, employees receive basic training in compliance, occupational safety, environmental safety and IT. The Company also provides relevant training and continuous education in line with individual employees' positions and job descriptions. These training options include in particular those required to obtain a driving licence and/or a firearms permit. Educational methods range from e-learning and on-the-job training to internal and external seminars teaching both soft and hard skills. Česká zbrojovka, a. s., specifically realised 12,406 man-hours of training in 2019 (compared to 7,775 man-hours in 2018), or 7.4 hours of training per person in 2019 (4.5 hours in 2018).

In 2019, Česká zbrojovka, a. s., received the Fair Employer of the Zlínský Region award. The award recognises excellence in 10 different areas: internal documentation, personnel conditions, forms of labour organisation, keeping in touch with employees, healthcare, social care, personal development and education, caring for close ones, family-friendly activities, and social responsibility. The regional demonstration bestows the award in four different categories: non-business entities, small businesses (up to 50 employees), medium-sized businesses (51 to 250 employees) and big businesses (more than 251 employees). Česká zbrojovka, a. s., was the victor in the big business category. The Company was specially recognised for its offer of flexible working hours and home office, its level of social care available to employees, and the range of family-friendly activities on offer. Another significant aspect was the Company's social responsibility since the Group financially supports numerous sports clubs, schools, healthcare facilities, foundations, etc.

5.2. OCCUPATIONAL SAFETY AND HEALTH

The Company has implemented a KPI concerned with the methodology and results of regular audits on adherence to OSH rules at workplaces. Going above and beyond the statutory duties, the Company introduced regular OSH audits by third-party independent bodies in order to obtain an unbiased view of the OSH landscape within Česká zbrojovka. OSH coordinators were appointed for individual manufacturing operations. They are charged with timely implementation of the conclusions and suggestions that arise from inspections and audits by the relevant authorities and OSH specialists. They are also motivated to actively identify opportunities for workplace improvements. Česká zbrojovka improved its workplaces last year by modernising sanitary facilities, replacing windows and installing air-conditioning in the manufacturing areas.

By implementing OSH measures, the Company is successful in reducing the incidence of occupational illnesses and injuries. Such measures include among other things the provision of washing pastes, creams and soaps free of the allergenic Kathon CG, performance of chill tests for all manual adjustments, clear marking of fire extinguishers and first-aid kits, provision of lists of emergency phone numbers near all telephones, etc.

All operations and departments are subject to OSH risk assessment every two years or sooner if a change is implemented. The risk assessments include measures to eliminate any potentially adverse influences.

In 2019, the number of injuries requiring more than three days' incapacitation was the lowest in the last seven years. Manufacturing operations also record injuries that do not cause incapacitation.

5.3. HUMAN RIGHTS, EQUAL OPPORTUNITIES

The Company is well-aware of its shared responsibility for positive developments in the society. The Company therefore implements a number of measures that uphold the country's legal system as well as society's moral and ethical principles.

The Company is successful in reducing annually the volume of overtime work asked of both manufacturing and non-manufacturing positions. Training is available to students of years 2 to 4 of the local technical school (COPT) for no more than three to five days in a calendar month during the school year between 7 am and 2 pm.

As of 31 December 2019, Česká zbrojovka employed 566 women among its total of 1,619 employees, translating to 34.5% of the CZUB workforce. More than 15% of Česká zbrojovka employees are aged 55 or above.

Česká zbrojovka, a. s., is subject to a statutory quota of employed people with disabilities. In 2019, the quota requirement was 67.2 (set calculated value), while the Company achieved a value of 76.1.

As of 31 December 2019, CZUB employed 77 people with disabilities of which five suffer a serious disability.

5. 4. RELATIONSHIPS WITH SHAREHOLDERS AND STAKEHOLDERS

The Group prides itself in its loyal management team possessing vast experience in the arms industry and a proven track record of high performance and ability to instigate growth. Management of the Company brings together a wide range of professional experience including past membership in the armed forces.

The Group's ownership structure is clearly defined, and the management enjoys the support of the group's owners. The Company also benefits from the long-term support of its main shareholder, Mr René Holeček, who in conjunction with the other owners and the Company management was instrumental in the modernisation of the Company. This support from the majority shareholders enables the Group to carry out its long-term strategy of achieving stable and sustainable growth.

As the Group is one of the leading businesses in the Czech Republic, the country's biggest firearms manufacturer and one of the biggest employers in the region, CZG considers as indispensable the need to establish and maintain transparent relationships with all stakeholders, including political entities, government bodies and public institutions. CZG places great emphasis on an open dialogue with government and public institutions. The Group also strongly cherishes its strictly apolitical stance. The Company does not partake in any political discussions and does not provide any contributions to any political parties. The Company expresses its acceptance of its responsibility through its membership in a range of industry associations and unions. In any activities related to political and public events, the Company acts strictly in accordance with the applicable legislation and internal regulations governing ethics Compliance.

The Company actively supports cultural and spiritual activities, especially at the regional level (folklore societies, theatre troupes, various public events, and parish and charity activities). The Company also supports sport among young people (sport clubs and organisations) and gamekeeping (protection of animals and their health). More information on the Company's relationships at the local and regional levels is available in a separate section of this report.

5. 5. DATA SECURITY AND PRIVACY PROTECTION

Cybersecurity is one the key priorities of CZG. Within the Group, cybersecurity comes under the remit of Česká zbrojovka, a. s. The Group's ICT strategy focuses on implementing shared solutions, the core objectives of which include data protection and support for the Group's business activities. The strategy also includes harmonisation of technologies across the Group, definition of shared best practices, implementation of a unified document management system, and monitoring and integration of data from machinery and equipment for purposes of increasing efficiency. CZG has also implemented a guideline governing the processing and protection of personal data. In 2019, the Company organised a cyber hygiene test that included testing of resistance to phishing and of the group's internal infrastructure.

5. 6. SOCIAL AREA

The social pillar of the Company's corporate social responsibility forms an integral part of everything the Company does. The Company lends a helping hand to beneficial charitable projects, and supports nonprofit organisations, foundations, interest groups, sport clubs, gamekeeping, members of the armed forces of the Czech Republic, the police and the fire brigade. The Group also supports education, culture and healthcare. This includes special attention paid to the needs of people with disabilities.

In 2019, the Company supported more than 60 nonprofit projects with a sum of more than CZK 8m.

The Company provides long-term support to charitable, healthcare and socially beneficial projects. In 2019, the Company thus, for example, donated CZK 2.5m to the endowment fund Nadační fond dětské onkologie KRTEK that cooperates with the Children's Oncology Clinic of the Brno Teaching Hospital. The donation supported the treatment of children suffering from cancer and included research into the use of the patient's own tissues in the development of a cancer-fighting vaccine.

In its role as general partner, the Company also supported the nationwide campaign "450 ml NADĚJE" [450 ml of HOPE] organised by the endowment fund Nadační fond NADĚJE. The campaign aims to recruit new blood donors for transfusion stations at hospitals across the country.

5. 7. EDUCATION AND SCIENCE

The Company is an active supporter of the school system, science and education including the promotion of the athletic and educational activities of pupils, students and young people in general.

Česká zbrojovka, a. s., is a long-term partner of the Secondary and technical school (COPT) based within the premises of Česká zbrojovka. Cooperation between the two entities sets an example not only within the region but nationally.

The Company also closely cooperates with the Czech Academy of Sciences as a contributor to the Centre of Applied Research and Development for Additive Manufacturing (CARDAM), a unique research and development facility focusing on the realisation of technically and technologically advanced solutions and products using the additive manufacturing of metals. CARDAM pursues applied research and development, provides complete engineering solutions for the development of new applications and manufacturing processes, and assists businesses in the development of necessary knowledge, skills and expertise in the young area of additive design and manufacture.

In 2019, the Company became a partner of Science Festival traditionally organised by the University of Chemistry and Technology in Prague (VŠCHT), the Czech Technical University in Prague (ČVUT), the Czech Academy of Sciences (AV ČR) and the Children and Youth House in Prague (DDM hl. m. Prahy). At more than

a hundred stands, secondary schools and universities displayed their presentations alongside those of the police, the fire brigade and the emergency services based in Prague. CZG presented itself as a desirable employer using the motto “From students to professionals”. Festival goers had an opportunity to try their hand at engraving, 3D printing and the use of metal injection moulding (MIM) in manufacturing.

5. 8. CULTURE, SPORT AND RELIGION

The Company actively supports cultural and spiritual activities, especially at the regional level (folklore societies, theatre troupes, various public events, and parish and charity activities). The Company also supports sport among young people (sport clubs and organisations) and gamekeeping (protection of animals and their health).

In 2019, Česká zbrojovka, a. s., once again partnered the Czech-Slovak theatre festival “Setkání Stretnutie” held in Zlín. The Company also supported the 54th Karlovy Vary International Film Festival.

Sport shooters of the CZ Shooting Team achieved an exceptional run of success in 2019 by winning four European championship titles and a total tally of 42 gold, 25 silver and 13 bronze medals across a range of IPSC disciplines. More information about the shooting team is available at <https://www.czub.cz/shooting-team>.

In 2019, the Company also provided financial support to gamekeeping organisations to help with the purchasing of feed and day-to-day operations.

In 2010, the Czech Shooting Foundation (Česká střelecká nadace) was founded and since then it has responded positively to scores of applications for financial support from shooting enthusiasts and in particular from youth shooting clubs with an amount exceeding CZK 10m.

Support of armed forces, police and emergency services

In 2019, the Company donated a limited-edition CZ 75 pistol from the commemorative Republika line to be auctioned off in a charity auction. The complete proceeds of CZK 650,000 were donated to the Vojenský fond solidarity [Military Solidarity Fund] and the Nadace policistů a hasičů [Police and Firefighters Foundation]. The Company also supported the project “Sparta vzdává hold” [Sparta pays tribute] of the Sparta Praha ice hockey team that supports members of the integrated emergency system (IZS) and the country’s armed forces in recognition of their work while also paying homage to those who have lost their lives in the line of duty.



6. ENVIRONMENTAL RESPONSIBILITY

The Company's approach to environmental protection includes, as its integral part, showing responsibility in manufacturing and pursuing sustainability. By implementing the latest industrial methods of manufacturing control and management and energy efficient technologies, together with improving equipment efficiency, the Company continues to reduce the environmental impact of its manufacturing activities.

The introduction of a comprehensive solution to the management of operating liquids, oils and lubricants has resulted in increased efficiency in the use of lubricants, reduced production of waste and an overall reduction of the costs of lubrication, repairs and maintenance of machinery and equipment.

6.1. ENVIRONMENTAL IMPACTS

In August 2018, Česká zbrojovka, a. s., acquired certifications in accordance with the standards ISO 14 001:2015 and ISO 18001:2007 OHSAS for all its activities and operations. The OHSAS 18001:2007 standard will be replaced no later than in 2021 with ISO EN 45001:2018. The Company's SHE (Safety, Health, Environment) policy contains a commitment not only to environmental protection but also to the detection of potential OSH risks, management of employees' environmental impacts, and open and transparent communication with stakeholders and employees alike. The policy also includes commitments to keep improving the integrated SHE system, maintain active leadership in the area of employees' environmental impacts awareness, and act in a way that motivates everyone to remain attentive to the risks of environmental impacts. Employees are expected by the Company management to assume personal responsibility for acting in the interests of environmental protection and their own and their colleagues' safety and health.

The correct functioning of the implemented SHE system was demonstrated in 2019, again, by the absence of any threats to any of the environmental constituents that would stem from the activities of Česká zbrojovka, a. s.

In another step taken in 2019 towards improving both the working and natural environments, the carcinogenic chemical agent trichloroethylene, used in the cleaning of firearms, was replaced with a cleaning agent derived from modified alcohol. All changes introduced into manufacturing processes place significant emphasis on the replacing of hazardous chemical substances and compounds with less hazardous alternatives.

Despite all the achievements in the areas of environmental protection and occupational safety, the Company strives to keep improving its record and identifying additional potential issues. All operations and departments are subject to environmental impact assessments every two years or sooner if a change is implemented. Such assessments include measures to eliminate any potentially

adverse influences. An environmental impact assessment forms part of any purchase of machinery or equipment as well as of other activities if relevant.

The Company exercises regular monitoring of the amounts of chemicals stored and used. The information so acquired is used in analyses aimed at preventing serious incidents.

6. 2. EMISSIONS

Pursuant to Section 10, paragraph 1, of Act No. 383/2012 of the Czech Legislative Code, Česká zbrojovka, a. s., received a free allocation of emission permits for the emission trading period from 2013 to 2020 (the allocated amount gradually decreases). The emission permit allocation covers the volume of greenhouse gas emissions produced by the Company's operations with approximately 1,000 permits remaining unused on the Company's account at the end of each year. The volume of emissions is proportionate to the consumption of natural gas in the Company's boiler room.

6. 3. WATER MANAGEMENT

In addition to drinking water, the Company also uses groundwater for its technological processes. Wastewater and rainwater are treated at the Company's biological treatment plant and are then released in accordance with the relevant permit into a specified watercourse. Wastewater from the Metallurgy operation pass through a preliminary neutralisation treatment.

6. 4. WASTE MANAGEMENT

Produced waste is sorted to a high degree that, for example, has ensured that for three years running, the amounts of sorted wastepaper and plastic have exceeded the volume of solid municipal waste produced by the Company. Despite the Company's increasing production, the volume of hazardous waste remains stable over the long term. The volume of scrap metal is proportionate to production volumes.

Česká zbrojovka, a. s., is involved in waste collection schemes EKO-KOM, REMA Systém and Ekolamp. This involvement makes the schemes accessible also to the Company's employees.

