

# Remuneration Policy

of Colt CZ Group SE having its registered office at Opletalova 1284/37, Nové Město, 110 00 Prague 1, Identification No. (IČO): 291 51 961, registered in the Commercial Register kept by the Municipal Court in Prague, section H, file 962 (the “**Company**”)

The Company hereby issues this Remuneration Policy for Members of the Board of Directors, the Supervisory Board and the Audit Committee of the Company (the “Remuneration Policy”) in relation to the provisions of Section 121k et seq. of Act No. 256/2004 Sb., on capital market business, as amended (the “**CMBA**”).

The Remuneration Policy summarizes the principles, rules and criteria for determining the remuneration of members of the Board of Directors, the Supervisory Board and the Audit Committee of the Company. In addition, the Remuneration Policy contributes to the fulfillment of the Company’s business strategy, defending its long-term interests and promoting its sustainability, and at the same time serves to secure, retain and motivate members of the Board of Directors, the Audit Committee and the Supervisory Board of the Company to fill these positions in accordance with the Company’s needs, with regard to the qualifications, capabilities, experience, commitment and roles of these individuals within the Company.

In the event that the Board of Directors delegates the day-to-day business management of the Company to the CEO who is not a member of the Company’s Board of Directors, the remuneration rules for members of the Board of Directors under this Remuneration Policy shall apply mutatis mutandis to such appointed CEO and his/her deputy, if any.

Unless the Supervisory Board decides otherwise in relation to a member of the Company’s Board of Directors, the remuneration of members of the Board of Directors is agreed in the board member’s service contract, which is subject to approval by the Company’s Supervisory Board. The remuneration of the members of the Supervisory Board and the Audit Committee is also agreed in the service contract subject to approval by the General Meeting of the Company, unless otherwise specified in a particular case.

## 1. Board of Directors

### 1.1 Types of fixed and variable components

#### 1.1.1 Basic monthly remuneration

Each member of the Board of Directors is entitled to a basic monthly remuneration for the service in their office. The basic remuneration is a fixed component of the remuneration. The amount of the monthly basic remuneration is decided by the Supervisory Board and is the subject of the board member’s service contract.

The Company provides a member of the Board of Directors with 25 days off for recovery and leave on public holidays and Saturdays/Sundays each calendar year. During the period of taking this leave, the basic monthly remuneration of a member of the Board of Directors is not reduced.

The basic monthly remuneration of a member of the Board of Directors is also not reduced in the event that a member of the Board of Directors is unable to serve in his/her office due to poor health, provided that the member of the Board of Directors duly notifies the Company of an obstacle to the service in his/her office consisting in poor health and this obstacle does not exceed 10 business days per calendar year.

## 1.1.2 Benefits and perquisites under Section 121(2)(a) CMBA

According to a decision of the Company's Supervisory Board, the service contract of a member of the Board of Directors may also include the following benefits provided by the Company in addition to the basic monthly remuneration as benefits and perquisites pursuant to Section 121(2)(a) of the CMBA::

- (a) liability insurance covering damage caused by a breach of duty in the course of the service in the office as a member of the Board of Directors (D&O insurance) and accident insurance covering the risks of death as a result of an accident, lasting consequences of an accident and permanent disability as a result of an accident ("**Insurance**");

In this context, the Supervisory Board may approve compensatory remuneration for members of the Board of Directors in an amount such that the remuneration paid to a member of the Board of Directors after withholding taxes and other mandatory levies is at all times equal to what it would be if Insurance as income in kind was not provided to the member of the Board of Directors..

- (b) other (non-cash) benefits which are primarily intended for the purpose of fulfilling the obligations associated with the service in the office and may also be used for private purposes:
  - ▷ use of a car, including insurance covering all risks and reimbursement of repair and maintenance costs
  - ▷ use of technical equipment – laptop, tablet, mobile phone, printer, voice and data services
  - ▷ travel insurance taken out for short-term business trips abroad related to the service in the office
  - ▷ accommodation during business trips
  - ▷ costs of training and other courses related to the service in the office as a member of the Board of Directors and costs of training for the fulfillment of qualification requirements laid down for the office which the member of the Board of Directors is authorized to perform
  - ▷ other expenses effectively incurred in connection with the service in the office of a member of the Board of Directors to the extent approved by the Supervisory Board
  - ▷ automobile with a driver for business purposes

- ▷ other benefits and perquisites approved by a decision of the Company's Supervisory Board.

The ratio of benefits and perquisites to basic monthly remuneration shall not exceed 50% per month.

### 1.1.3 Annual bonus

Annual bonus is a variable component of the remuneration of a member of the Board of Directors and is tied to the fulfillment of goals set to be fulfilled by the Board of Directors and/or an individual member of the Board of Directors for a period of a calendar year. The annual bonus serves to motivate members of the Board of Directors to actively serve in the office in order to develop the Company and effectively manage resources.

The amount of the annual bonus is the subject of the service contract and is determined as the product of (i) up to twelve times the amount of the basic monthly remuneration, (ii) the level of performance of individual goals as percentage, and (iii) the level of performance of collective goals as percentage. The Company's Supervisory Board evaluates the fulfillment of the set individual and collective goals.

### 1.1.4 Extra bonus

Extra bonus is a non-claimable (performance-based) variable component of the remuneration of a member of the Board of Directors, which the Company's Supervisory Board may, in justified cases, award to a member of the Board of Directors in excess of the basic monthly remuneration and annual bonus in connection with extraordinary performance beyond the activities related to the service in the office as a member of the Board of Directors or of particular significance for the Company. The maximum amount of extra bonus may be twelve times the amount of the basic monthly remuneration of the relevant member of the Board of Directors.

### 1.1.5 Royalties

The General Meeting may grant members of the Board of Directors of the Company a right to royalties as a variable component of remuneration, provided that the Company makes a profit in the financial period and other preconditions laid down by the applicable laws and regulations and the Company's Articles of Association have been met.

### 1.1.6 Remuneration in the form of shares

This remuneration is a variable component of remuneration. Based on a decision of the Company's Supervisory Board, the Company may provide remuneration to a member of the Board of Directors in the form of the Company's shares. The total volume of the Company's shares designated by the General Meeting of the Company to be allocated to employees of the Company or companies within the consolidated group, members of statutory or other bodies of the Company or companies within the consolidated group, or to persons in a similar position in relation to the Company or companies within the consolidated group ("**Authorized Person**") is 3,373,660 book-entry shares in registered form and with a par value of CZK 0.10 per share. The period during which the Company's shares will be provided to the Authorized Persons is 5 years from the date on which the General Meeting of the Company approved the authorization of the

Board of Directors to increase the share capital of the Company by 3,373,660 book-entry shares, or from the date of approval of the acquisition of own shares in connection with the subsequent sale to the Authorized Persons.

The specific conditions for the provision of remuneration in the form of shares are set out in the "Stock Plan of Colt CZ Group SE", which is approved by the Company's Supervisory Board.

This part of the variable component of remuneration serves to motivate the Authorized Persons to achieve long-term and stable economic results of the Company and to achieve the consistence of the Authorized Persons' interests with the interests of the Company's shareholders.

### 1.1.7 Retirement benefits

According to a decision of the Company's Supervisory Board, the service contract of a member of the Board of Directors may include a monthly contribution of the Company to the supplementary pension scheme or, as appropriate, supplementary pension insurance up to 3% of the basic monthly remuneration.

## 1.2 Criteria for awarding a variable component of remuneration to members of the Board of Directors

The Supervisory Board usually approves key financial and non-financial indicators by the end of the first calendar quarter of the relevant year, which are a condition for the entitlement to annual bonus, remuneration in the form of shares, or extra bonus, and which relate to the Board of Directors' activities, its priorities in the relevant calendar year and, as the case may be, to annual goals of individual members of the Board of Directors.

The evaluation of the approved indicators is performed by the Company's Supervisory Board once a year upon the issuance of an independent auditor's report on the Company's annual report. In evaluating the set financial and non-financial indicators, the Company's Supervisory Board determines the degree of fulfillment of the relevant indicator as percentage.

Key performance indicators of the Company include operating income, EBITDA, net profit before tax, free cash flows, and net debt-to-EBITDA ratio.

The aim of setting key indicators for members of the Board of Directors is to direct their activities and motivate them to achieve the planned economic results, strategic goals and changes in the management of the Company.

## 1.3 Postponement of entitlement to variable component of remuneration

The variable component of the remuneration is paid with a delay after the evaluation of the fulfillment of the set goals, and the entitlement of a member of the Board of Directors to the variable component arises first upon its award by the Supervisory Board.

## 1.4 Refund of the variable component of remuneration

The Company does not reserve the right to retroactively review the evaluation of the variable component of the remuneration of a member of the Board of Directors and subsequently demand refund of the variable component of remuneration or any part thereof, except in cases where the payment of the variable component of remuneration was based on proven criminal conduct of a member of the Board of Directors consisting of the distortion of data on the financial situation and assets. In such case, the Company reserves the right to claim damages, which would also include such unjustifiably paid variable components.

## 1.5 Conditions of the term of office

The length of the term of office of the members of the Board of Directors is determined by the Articles of Association (Article 14 par. 14.2). The conditions for termination of office are set out in Article 14 of the Articles of Association.

## 1.6 Bonus in case of removal from the position of a member of the Board of Directors

According to a decision of the Company's Supervisory Board, the service contract of a member of the Board of Directors may include an agreement on a bonus in the amount of up to six times the basic monthly remuneration to which the member of the Board of Directors will become entitled if his/her service in the office is terminated by removal. The Supervisory Board may decide to award a bonus in the amount of up to six times the basic monthly remuneration even if a member of the Board of Directors resigns as a member of the Board of Directors.

## 1.7 Termination of the entitlement to payment of variable component of remuneration

The Supervisory Board may decide not to award the entitlement to the payment of outstanding variable components of remuneration in case a member of the Board of Directors while performing their office apparently contributed to unfavorable economic performance of the Company.

## 1.8 Relationship of the Remuneration Policy to employee remuneration

In creating the Remuneration Policy, the Company has taken into account the wage and working conditions of the Company's employees as follows:

- (a) The amount of remuneration of the members of the Board of Directors follows the remuneration of the top management of the Company or other Authorized Persons and reflects the degree of responsibility of the statutory body of the Company.
- (b) Key financial and non-financial indicators set by the Supervisory Board for members of the Board of Directors are reflected in the goals for other Authorized Persons and employees of the Company. The degree of fulfillment of individual indicators by employees thus has a direct influence on the degree of fulfillment of the set

indicators by members of the Board of Directors. The evaluation of the bonus components of the salaries of the Company's employees and members of the Board of Directors is thus closely linked and interrelated. The evaluation and payment of bonus components of salaries and remuneration of the Authorized Persons is subject to the review authority of the Supervisory Board.

## 2. Supervisory Board

### 2.1 Types of fixed and variable components

#### 2.1.1 Basic monthly remuneration

Each member of the Supervisory Board is entitled to a basic monthly remuneration for the service in their office. The basic remuneration is a fixed component of the remuneration. The amount of the monthly basic remuneration is decided by the General Meeting and is the subject of the board member's service contract.

#### 2.1.2 Benefits and perquisites under Section 121l(2)(a) CMBA

According to a decision of the General Meeting of the Company, the board member's service contract of a member of the Supervisory Board may also include the following benefits provided by the Company in addition to the basic monthly remuneration as benefits and perquisites pursuant to Section 121l (2) (a) of the CMBA:

(a) Insurance

In this context, the General Meeting may approve compensatory remuneration for members of the Supervisory Board in an amount such that the remuneration paid to a member of the Supervisory Board after withholding taxes and other mandatory levies is at all times equal to what it would be if Insurance as income in kind was not provided to the member of the Supervisory Board.

(b) other (non-cash) benefits which are primarily intended for the purpose of fulfilling the obligations associated with the service in the office and may also be used for private purposes:

- ▷ use of a car, including insurance covering all risks and reimbursement of repair and maintenance costs
- ▷ use of technical equipment – laptop, tablet, mobile phone, printer, voice and data services
- ▷ travel insurance taken out for short-term business trips abroad related to the service in the office
- ▷ accommodation during business trips
- ▷ costs of training and other courses related to the service in the office as a member of the Supervisory Board
- ▷ automobile with a driver for business purposes
- ▷ other benefits and perquisites approved by a resolution of the Company's General Meeting.

The ratio of benefits and perquisites to basic monthly remuneration shall not exceed 50% per month.

### 2.1.3 Annual bonus

The annual bonus is a variable component of the remuneration of a member of the Supervisory Board and is tied to the fulfillment of the criteria for granting the variable component for a period of a calendar year. Its amount is the subject of a board member's service contract and can be up to twelve times the amount of the basic monthly remuneration for the chairman of the Supervisory Board and six times the amount of the basic monthly remuneration for other members of the Supervisory Board. The evaluation of the fulfillment of the criteria for the award of the annual bonus in the range of 0 to 100% is performed by the General Meeting of the Company once a year, after evaluating the degree of fulfillment of this criterion. The annual bonus serves to motivate the Supervisory Board to actively serve in the office in order to develop the Company and effectively manage resources.

### 2.1.4 Extra bonus

The extra bonus is a non-claimable (performance-based) variable component of the remuneration of a member of the Supervisory Board, which the General Meeting of the Company may, in justified cases, award to a member of the Supervisory Board in excess of the basic monthly remuneration in connection with extraordinary performance beyond the activities related to the service in the office as a member of the Supervisory Board or of particular significance for the Company. The maximum amount of extra bonus may be twelve times the amount of the basic monthly remuneration of the relevant member of the Supervisory Board.

### 2.1.5 Royalties

The General Meeting may grant members of the Supervisory Board of the Company a right to an attendance fee, as a variable component of remuneration, provided that the Company makes a profit for the financial period and other preconditions laid down by the applicable laws and regulations and the Company's Articles of Association have been met.

## 2.2 Criteria for awarding a variable component of remuneration to members of the Supervisory Board

The criterion for granting a variable component of the remuneration of members of the Supervisory Board is participation in a meeting of the Supervisory Board.

## 2.3 Postponement of entitlement to variable component of remuneration

The entitlement of a member of the Supervisory Board to the variable component arises first upon its award by the General Meeting of the Company.

## 2.4 Conditions of the term of office

The length of the term of office of the members of the Supervisory Board is determined by the Articles of Association of the Company (Article 20, par. 20.2). The conditions for termination of office are set out in Article 20 of the Articles of Association.

## 2.5 Bonus in case of removal from the position of a member of the Supervisory Board

According to a decision of the General Meeting of the Company, the service contract of a member of the Supervisory Board may include an agreement on a bonus in the amount of up to six times the basic monthly remuneration to which the member of the Supervisory Board is entitled if his/her service in the office is terminated by removal. The General Meeting of the Company may decide to award a bonus in the amount of up to six times the basic monthly remuneration even if a member of the Supervisory Board resigns as a member of the Supervisory Board.

## 2.6 Termination of the entitlement to payment of variable component of remuneration

The General Meeting may decide not to award the entitlement to the payment of outstanding variable components of remuneration in case a member of the Supervisory Board while performing their office apparently contributed to unfavorable economic performance of the Company.

## 3. Audit Committee

### 3.1 Types of fixed and variable components

#### 3.1.1 Basic monthly remuneration

Each member of the Audit Committee is entitled to a basic monthly remuneration for the service in their office. CZK 10,000 for the chairperson of the Audit Committee and CZK 5,000 for other committee members.

#### 3.1.2 Benefits and perquisites under Section 121l(2)(a) CMBA

According to a decision of the Company's Audit Committee, the board member's service contract of a member of the Board of Directors may also include the following benefits provided by the Company in addition to the basic monthly remuneration as benefits and perquisites pursuant to Section 121l (2) (a) of the CMBA:

##### (a) Insurance

In this context, the General Meeting may approve compensatory remuneration for members of the Audit Committee in an amount such that the remuneration paid to a member of the Audit Committee after withholding taxes and other mandatory levies is at all times equal to what it would be if Insurance as income in kind was not provided to the member of the Audit Committee.



(b) other (non-cash) benefits which are primarily intended for the purpose of fulfilling the obligations associated with the service in the office and may also be used for private purposes:

- ▷ use of technical equipment – laptop, tablet, mobile phone, printer, voice and data services
- ▷ travel insurance taken out for short-term business trips abroad related to the service in the office
- ▷ accommodation during business trips
- ▷ other benefits and perquisites approved by a resolution of the Company's General Meeting.

The ratio of benefits and perquisites to basic monthly remuneration shall not exceed 50% per month.

### 3.1.3 Extra bonus

Extra bonus is a non-claimable (performance-based) variable component of the remuneration of a member of the Audit Committee, which the General Meeting of the Company may, in justified cases, award to a member of the Audit Committee in excess of the basic monthly remuneration in connection with extraordinary performance beyond the activities related to the service in the office as a member of the Audit Committee or of particular significance for the Company. The maximum amount of extra bonus may be twenty-four times the amount of the basic monthly remuneration of the relevant member of the Audit Committee.

## 3.2 Conditions of the office term

The length of the term of office of the members of the Audit Committee is determined by the Articles of Association of the Company (Article 25, par. 25.4). The conditions for termination of office are set out in Article 25.7 of the Articles of Association.

## 4. **Decision-making process**

The Remuneration Policy is prepared and updated by the Board of Directors. In doing so, the Board of Directors takes into account in particular the Company's business strategy, its long-term interests and the wage and working conditions of the Company's employees.

The Board of Directors shall submit the Remuneration Policy to the General Meeting for approval in the event of each substantial amendment thereto or at least once every 4 years. An absolute majority of the votes of the shareholders present is required for the adoption of a decision approving the Remuneration Policy by the General Meeting.

If the General Meeting does not approve the submitted Remuneration Policy, the Board of Directors shall submit an amended Remuneration Policy to the next General Meeting for approval.

The Company shall, without undue delay after the General Meeting, publish the Remuneration Policy approved by the General Meeting (hereinafter referred to as the "Approved Remuneration Policy") together with the date of its approval and the

information pursuant to Section 120b(2) of the CMBA on its website free of charge and shall keep it published for the duration of its application.

Conflicts of interest are prevented as described above in the course of discussion, approval and review of Remuneration Policy.

The preparation of the service contract of a member of a body is based on the Approved Remuneration Policy.

In the event of a conflict between the member's service contract and the Approved Remuneration Policy, the Approved Remuneration Policy shall prevail and the provisions of the member's service contract that are in conflict with the Approved Remuneration Policy shall not be taken into account. Members of the bodies are only paid remuneration in accordance with the Approved Remuneration Policy. If there is a discrepancy between the member's service contract and the Approved Remuneration Policy, the Board of Directors will prepare an addendum or a new service contract in order to resolve the discrepancy.

The Board of Directors shall implement such measures as to avoid conflicts of interest between the interests of the Company and the interests of a member of the body when preparing the member's service contract, any addendum thereto, the Remuneration Policy or an update thereof. If such a conflict of interest arises, the member of the body is obliged to immediately inform the body of which he/she is a member. External consultants may be involved in the preparation of the member's service contract, any addendum thereto, the Remuneration Policy or an update thereof, provided that their independence is ensured.

## **5. Possibility to depart**

In specific and exceptional cases (e.g., severe economic crisis), it is possible to depart temporarily from this Remuneration Policy by providing other parts of remuneration, departing from the conditions set for individual parts of remuneration, or departing from the ratios of individual parts of remuneration to total remuneration, if necessary in view of the long-term interests and sustainability of the Company or in view of maintaining the Company's enterprise. A decision on such departure from the Remuneration Policy in relation to the remuneration of the members of the Board of Directors shall be made by the Supervisory Board and, in the case of members of the Audit Committee and the Supervisory Board, by the General Meeting.

## **6. Approving the Remuneration Policy**

This Remuneration Policy will be submitted by the Company's Board of Directors for approval to the General Meeting of the Company in per rollam manner in May 2022 and takes effect on the day of approval by the General Meeting of the Company.