

COLT CZ GROUP SE SUSTAINABILITY REPORT

2022

June, 2023

COLT
CZGROUP

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The report is published in Czech and English language. In case of text inconsistencies, the Czech version of the document prevails.



1. CEO FOREWORD

Colt CZ Group SE builds on the foundations established by the companies that form today's group. We respect the contributions of those who came before us, proudly building on the traditional craft that has been passed down from generation to generation. Our companies have always been at the center of innovation in the industry, deploying modern technologies and designing successful products that are copied worldwide. Our commitment to provide innovative and high-quality products that our customers can rely on in any situation stands even stronger as we actively address their constantly evolving expectations and security environment.

We continue to play an important role in national security, supplying the necessary tools to countries to ensure national security and defense of their citizens. The Group's vision of becoming the undisputed leader of the small arms industry also means responsibility. It is therefore important that we operate in a transparent and accountable manner, balancing the Group's growth with environmental and social duties, while contributing to the growth of local economies.

Following the acquisition of Colt in 2021, we have started our journey as a truly global company. We are stronger together as a Group – financially, product-wise and from the perspective of talent – but there is a lot of work ahead of us to deliver on our vision. In our quest to create long-term value for our shareholders, as well as for

our employees, customers, and other stakeholders, we are helping to build a more resilient company and equitable future.

To become an impactful and truly sustainable Company, we believe that the concept of sustainability needs to be embedded in our business strategy and that we must integrate sustainable practices into all aspects of our thinking and operations. We see engagement with sustainability as an opportunity to transform our business operations by promoting change, accelerating innovation, and encouraging cooperation, while building the trust of our people, customers, and the wider society.

We are committed to lowering our impact on the planet by making continuous investments in new technologies and the modernization of our operating and manufacturing capabilities, with the goal of reducing consumption of energy and other natural resources, utilizing renewable energy, minimizing the waste we generate, preserving water, and reducing the use of hazardous materials. We ensure that their use and disposal would minimize the risk of contamination to the water and soil.

Our long-term success depends on the buy-in of our people, including those who work with us and those we work for. By actively engaging with our employees, listening to their expectations and needs, and striving to meet those needs in our actions and

investments, we aim to create conditions for a positive and rewarding working environment that contributes to equality and fairness, while ensuring their health and well-being. Attracting the best talent, embracing diverse perspectives and promoting collaboration to drive innovation are among our top priorities.

The cornerstone of our work is the customer. To stay relevant and competitive on the world market necessitates an ability to anticipate our customers' expectations and adapt quickly to new trends and regulatory changes, as well as integrate modern materials and new technologies in our products, manufacturing, and internal processes. We will continue to invest in research and development, fostering a culture that will help us achieve operational excellence, while adhering to the highest standards of quality and integrity.

We are well aware of the responsibility we have to communities where our companies operate. We will work towards improving the lives of those who are less fortunate or in need of aid, through employee volunteerism, charitable contributions, and sponsorships.

To enhance the trust of our stakeholders, we aim to further advance the Group's policies and standards, and strengthen internal controls and competencies for ethical business conduct to support transparent customer relationships, supplier partnerships, and workplace integrity. All with the goal of ensuring that we uphold our

CEO Foreword

business ethics to the highest standards, which are in accordance with applicable laws and regulations, and build a business culture based on integrity.

In our effort to increase transparency, we are proud to present Colt CZ Group's first comprehensive Sustainability Report for the year 2022. This report introduces the new Group's ESG Strategy, which was adopted by the Board of Directors in February 2023.

The report summarizes the progress we have made so far and communicates the direction for our sustainable journey. We recognize that we are still at the beginning and need to step up our efforts. Among our priorities is to calculate the entire Group's carbon footprint for Scope 1 and 2 type emissions, and prepare a decarbonization plan that includes setting targets for their reduction. Additional areas that are fundamental to our efforts include improving data collection and tracking to introduce meaningful metrics in other areas, such as waste and recycling, as well as ensuring our employees' education and well-being.

We will continue to work on delivering our other key sustainability commitments. I am confident that we have established a solid foundation for our sustainability strategy that addresses key priorities and main objectives. I understand the challenges we face but have full confidence in our action plan and the support our employees, customers, investors, and other stakeholders.



Jan Drahota
CEO and Chairman of the Board of Directors



Foto: Matej Slávik/Economia

2. ESSENCE OF COLT CZ

2.1 WHO WE ARE

Colt CZ Group SE (“Colt CZ” or “the Company”) and subsidiaries (“the Group”) is one of the world’s leading producers of firearms and tactical accessories. We serve a wide range of customers, from the military and law enforcement to customers that require commercial firearms for hunting, sport shooting and personal defense. The Group includes several well-known brands with long histories, such as Colt, CZ, Colt Canada, Dan Wesson, Spuhr and 4M Tactical.

Colt CZ is headquartered in Prague, Czech Republic and has production facilities in the Czech Republic, the United States, Canada, and Sweden. Their products are available in more than 90 markets.

We produce a wide range of firearms that include pistols, revolvers, rimfire rifles, centerfire rifles, sub guns, fire rifles and grenade launchers. We also produce optical mounts, accessories and upgrade kits for firearms that are used by many military and law enforcement units around the world. Our portfolio of tactical accessories includes tactical and ballistic equipment, such as ballistic vests, helmets and other protection, combat uniforms and backpacks, as well as firearm accessories, such as handgun holsters, magazine pouches and slings.

Our military and law enforcement customers include members of army units and special forces, state and municipal police agencies, border guards, prison guards, and units that protect constitutional officials. The Group’s commercial customers include hunters, outdoor enthusiasts and hobby shooters, as well as competitive sport shooters who participate in various competitions and those who purchase weapons for self-defense.

Our short guns can be split into pistols and revolvers, with pistols being further split into steel-framed pistols and polymer-framed pistols.

The Group’s long guns are comprised of products for military and law enforcement use (rifles and sub guns), as well as commercial use (especially rimfire and centerfire rifles, shotguns, or combos), which means the Group covers all main markets for long guns up to a certain caliber.

The most popular, top selling product series’ are the CZ Shadow 2 pistol, CZ P-10 pistol, Colt 1911 pistol, CZ 457 rimfire rifle, CZ Scorpion EVO 3 sub gun and CZ BREN 2 rifle, as well as the COLT Python and Anaconda revolvers.





MILITARY & LAW ENFORCEMENT

- ▶ Pistols
- ▶ Rifles
- ▶ Sub-machines guns
- ▶ Ballistic & tactical accessories
- ▶ Optical mounting solutions
- ▶ Defense materiel trade



HUNTING

- ▶ Rimfire rifles
- ▶ Centerfire rifles
- ▶ Accessories



SPORT SHOOTING

- ▶ Pistols
- ▶ Rimfire rifles
- ▶ Accessories
- ▶ Revolvers



PERSONAL DEFENSE

- ▶ Pistols
- ▶ Semi-automatic rifles
- ▶ Revolvers

OUR CUSTOMERS

2.1 Who we are



CZ Shadow 2

The CZ Shadow 2 is the second generation of full size, all-steel competition pistols developed in collaboration with the CZ Shooting Team, whose elite members take part in International Practical Shooting Confederation (IPSC) competitions.



CZ P-10 family

The CZ P-10 series is comprised of striker-fired pistols that are suitable for self-defense and for use by the armed forces. Models within the series are available in different frame sizes to satisfy the needs of a wide range of shooters.



CZ BREN 2

The CZ BREN 2 is a multi-caliber, select fire rifle and successor to the CZ 805 BREN. The CZ BREN 2 is primarily marketed to military and law enforcement agencies.



CZ 457

The CZ 457 is a magazine-fed, bolt-action rimfire rifle and is the successor to the popular CZ 455 model.

Olympic medalists Katerina and Matt Emmons are ambassadors for the CZ 457.



Colt 1911

The iconic Colt 1911 pistols are still extremely popular more than a century after their introduction. The series features both traditional and updated models.



Colt Snake Series

Colt helped to establish and popularize single and double action revolvers. Given their renewed popularity, Colt recently updated and relaunched many of its timeless designs with significant commercial success. The most popular models in their snake line of revolvers are the Python, Anaconda and Cobra.



Colt M4

Proven in military operations all over the world, the Colt M4 Carbine is a first-rate rifle platform that's in a class by itself.

Designed specifically for lightweight mobility, quick target acquisition and effective striking power, the field-proven M4 Carbine delivers the reliability, accuracy, and potent performance required in the most extreme situations.



Colt C8

Since their introduction to the Canadian Armed Forces in 1984, the C7 rifle and C8 carbine fleets have seen many changes from their original design to what they are today.

These firearms continue to evolve, meeting the ever-changing operational requirements of the armed forces. The C8 A4 and Modular Rail Rifle represent the latest generation of this popular series.

2.1 Who we are

The main accessories produced by the Group include the CZ 4M SPIRIT ballistic t-shirt, CZ 4M RAPTOR 2.0 plate carrier and modular protection system, and CZ 4M OMEGA tactical trousers.



CZ 4M SPIRIT

The CZ 4M SPIRIT is a ballistic t-shirt for concealed wear. It's design is geared towards achieving the maximum stealth required by secret operations for personal protection. The CZ 4M SPIRIT is primarily marketed to the military and law enforcement agencies.



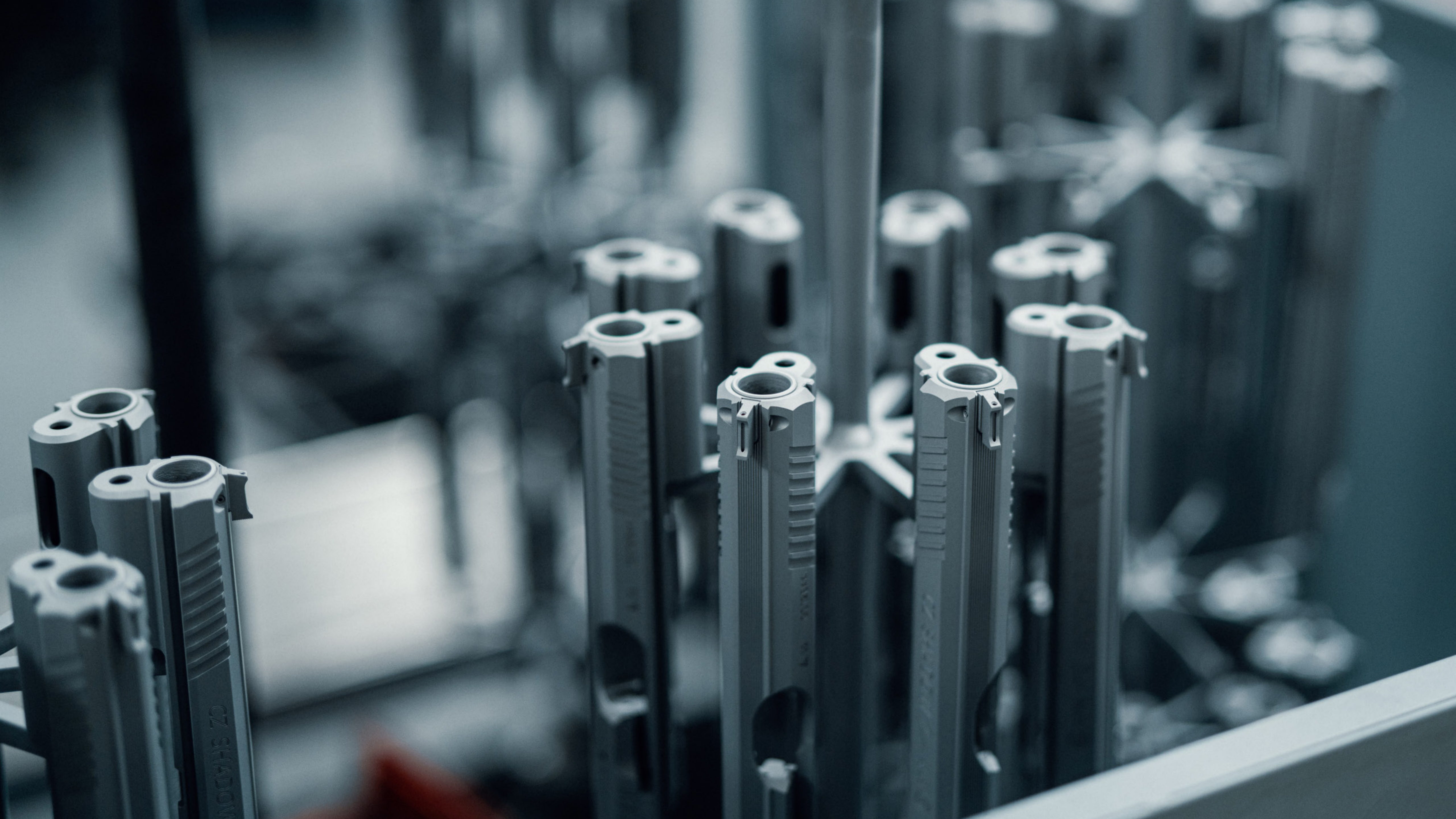
CZ 4M RAPTOR 2.0 Modular Protection System

The CZ 4M RAPTOR 2.0 is a lightweight, mobile plate carrier and compact modular system specifically designed for special units. It is the result of continued development of Raptor type plate carriers, which members of the Czech Army's 601st Special Forces Group use as their standard means of ballistic protection.



CZ 4M OMEGA

The CZ 4M OMEGA tactical trousers are made of breathable, tear-resistant material designed for a wide range of special military and security operations.



CZ SHADOW

2.1 Who we are

OVERVIEW OF THE FIREARM UNITS SOLD BY TYPE:

In units	FY 2022	FY 2021	Change in %
Long firearms	289,479	246,777	17.3%
Handguns	403,912	380,695	6.1%
Total firearms	693,391	627,472	10.5%

Source: Annual Financial Report 2022, Company data

The Group employed 2,205 (2022 FTE) people in the Czech Republic, the USA, Canada, Sweden, and Germany.

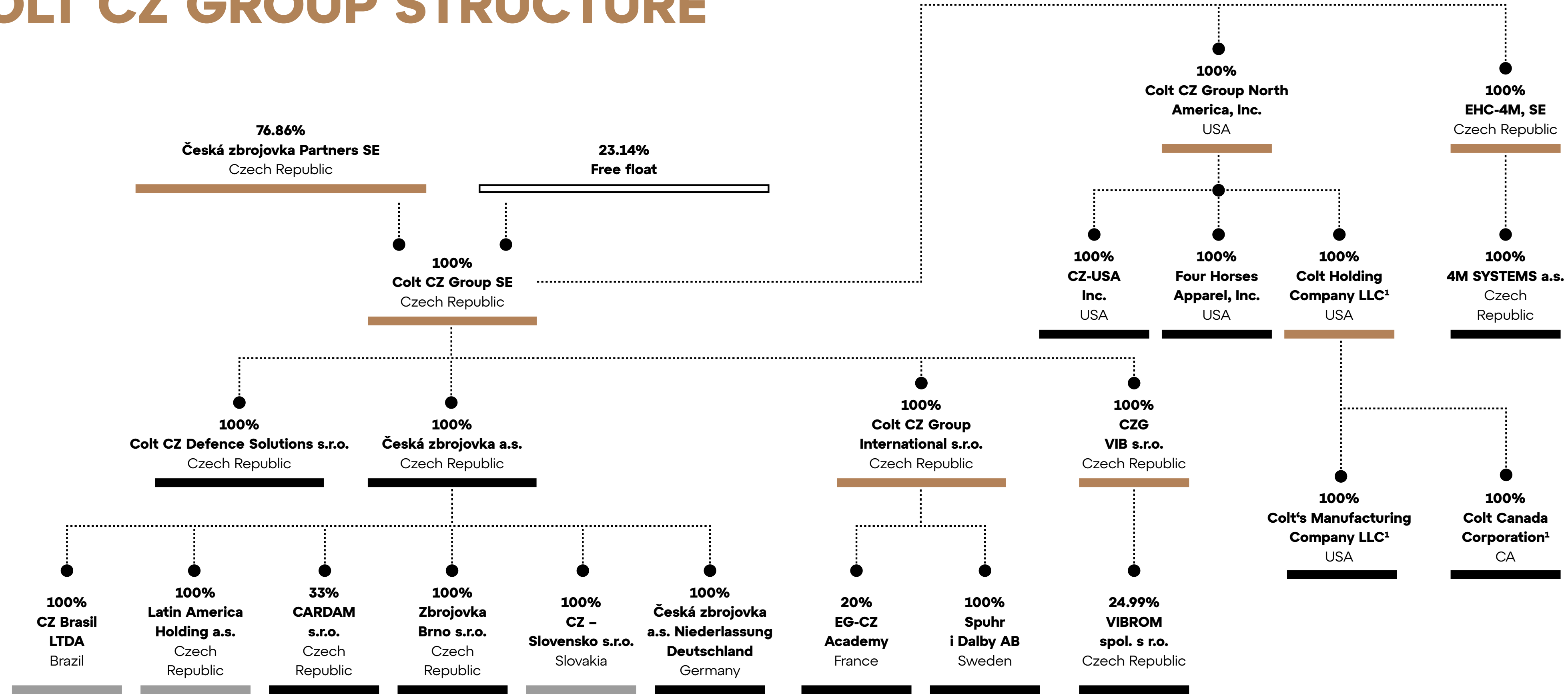
The Company is a joint stock company publicly listed on the Prague Stock Exchange since October 2020. As of 31 December 2022, Colt CZ was 76.9% owned by Česká zbrojovka Partners SE, with the remaining 23.1% being a free float.

OVERVIEW OF THE GROUP'S EMPLOYEES AS OF 31 DECEMBER 2022 AND 2021:

	As of 31 December 2022	As of 31 December 2021	Change in %
	(Average number of FTE employees)	(Average number of FTE employees)	
Czech Republic	1,627	1,623	0.2%
USA	431	433	(0.5)%
Canada	123	134	(8.2)%
Sweden	17	-	n/a
Other	7	6	16.7%
Total	2,205	2,196	0.4%

Source: Annual Financial Report 2022, Company data

COLT CZ GROUP STRUCTURE



Notes: Group structure as of 31/12/2022
 1 – Simplified illustration of selected Group entities (related only to entities under the Colt Holding Company LLC)

■ HOLDING COMPANIES ■ OPERATING COMPANIES ■ NO ASSET COMPANIES

Source: Annual Financial Report 2022, Company data, as of Dec.31, 2022

2.1 Who we are

The table below lists the most significant entities in terms of turnover contribution that we included in this year's materiality analysis and are referred to in this report. Česká zbrojovka a.s. (CZUB), Colt Canada Corporation (Colt Canada) and Colt's Manufacturing Company LLC (Colt US) are the most significant entities in the Group. These entities are responsible for the production, purchase and sale of firearms, and where the most significant impacts are likely to originate.

Company name	Principal activity	Place of foundation and business operation	Consolidation method	Share of voting rights held by the Group	
				31 Dec 2022	31 Dec 2021
Česká zbrojovka a.s.	Production, purchase and sale of firearms and ammunition	Uhersky Brod, Czech Republic	Full	100%	100%
Colt CZ Group North America, Inc.	Holding company	Kansas City, Missouri, USA	Full	100%	100%
CZ-USA, LLC	Purchase and sale of firearms and ammunition	Kansas City, Missouri, USA	Full	100%	100%
Colt Holding Company LLC	Production, purchase and sale of firearms	West Hartford, Connecticut, USA	Full	100%	100%
Colt's Manufacturing Company LLC	Production, purchase and sale of firearms	West Hartford, Connecticut, USA	Full	100%	100%
Colt Canada Corporation	Production, purchase and sale of firearms	Kitchener, Ontario, Canada	Full	100%	100%

Source: Annual Financial Report 2022, Company data

2.1 Who we are

The full list of consolidated companies over which the Company exercises control can be found in our 2022 Annual Financial Report¹.

Some of the entities included in the Company's financial reporting are not included in the sustainability reporting. In the Czech Republic, it is 4M SYSTEMS a.s., a fully owned subsidiary based in Prague that focuses on the design, production and sale of tactical equipment. 4M SYSTEMS a.s. does not have its own production facilities. It relies on sales and outsources manufacturing to the third parties. Its share of total consolidated revenues within the Group in 2022 was less than 2%. In the future, we plan to include 4M SYSTEMS in sustainability of the supply chain.

Spuhr I Dalby, the Swedish manufacturer of optical mounting solutions, is not included in the sustainability reporting, as Colt CZ Group only gained full control of the company in October 2022. Prior to this, Spuhr was a minority financial investment. In the future, we plan to include Spuhr in the sustainability reporting.

Other companies included in the financial reporting and not included in the sustainability reporting are holding companies, companies holding IP, licenses and trademarks, no assets companies or minority investments consolidated on equity basis.

Czech Republic

▶ Česká zbrojovka is the main European production facility for the Group, which is located in Uherský Brod, Czech Republic. It produces firearms for commercial, military and law enforcement customers worldwide. The company exports products to more than 90 countries. Currently, CZ firearms are widely used by the military and law enforcement agencies in more than 40 countries worldwide.

▶ 4M Systems is a fully owned subsidiary, based in Prague, Czech Republic. Operations of 4M Systems include the design, production and sale of tactical equipment. Their customers include the military, police agencies, customs, prison services and border guards.

USA

▶ Colt Manufacturing Company (Colt) is one of the world's leading designers, developers, and manufacturers of firearms. It has supplied commercial customers, the military and law enforcement agencies in the U.S. and throughout the world for over 185 years. Colt is a supplier to the U.S. military, and also supplies its products to other military and law enforcement agencies around the world. Colt is located in West Hartford, Connecticut.

▶ Production of the Kansas City facility focuses on the assembly of a wide variety of pistols and rifles in the United States, as it mainly imports its products from the Group's manufacturing plant in the Czech Republic. In addition, the Kansas City facility functions as a distribution center for the North American markets.

▶ The Norwich, New York facility produces premium revolvers and 1911 pistols under the Dan Wesson brand. Thanks to its long history and specialization in revolvers, Dan Wesson is considered an upmarket brand in the United States.

Canada

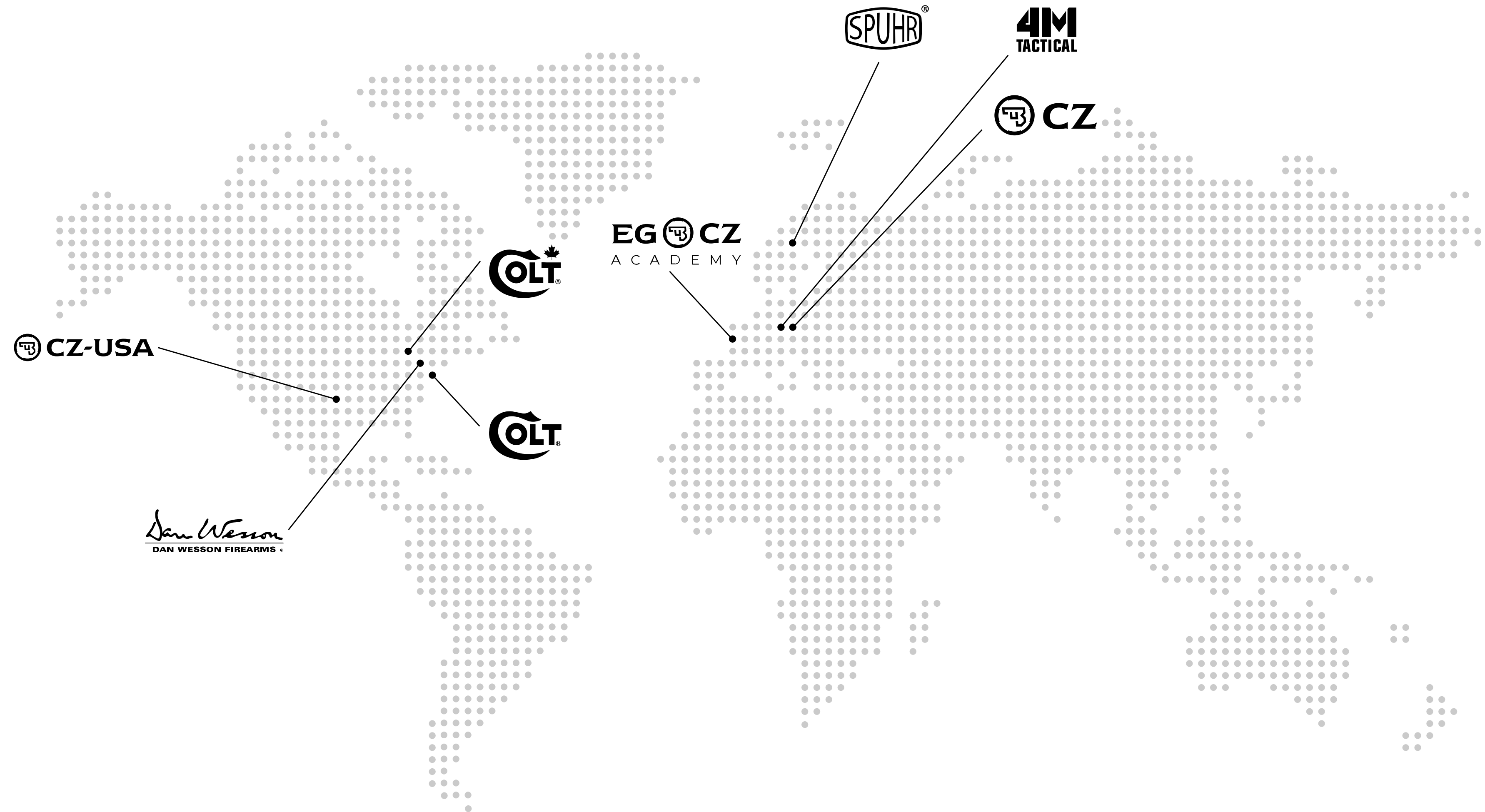
▶ Colt Canada is located in Kitchener, Ontario, Canada. It has supplied firearms to the Military and Law Enforcement customers in Canada and throughout the world for over 45 years. As the Canadian Small Arms Centre of Excellence, Colt Canada is the exclusive supplier to the Canadian military.

Sweden

▶ Spuhr I Dalby is located in Löddeköpinge, Sweden. The Löddeköpinge facility focuses on the manufacturing, repair and maintenance of advanced optical mounting solutions and low weight upgrade kits for firearms.

¹ available at <https://www.coltczgroup.com/file/864>

2.1 Who we are



2.1 Who we are

The Group's simplified value chain includes:

(a) Purchasing of raw materials and other supplies

By the end of 2022, the Group had, via a combination of short-term and medium-term contracts, over 2,000 suppliers of materials, firearm component machining, MIM components for handguns and rifles, and complete products.

When managing our relationship with suppliers, we emphasize transparency, ethical behavior and compliance with legal requirements and regulations, and most of all, quality and reliability. As we supply our products to governments, we must comply with strict rules and requirements, and must ensure that our suppliers fulfil the same expectations and standards. We therefore have strict policies² and protocols in place, as well as regularly evaluate our suppliers and audit new and selected key suppliers.

We ask our suppliers to follow our Code of Conduct³. In the US, we incorporated responsible sourcing of minerals into policies for rifle component suppliers.

(b) Design, engineering, manufacturing, and testing

We place a strong emphasis on the design and engineering of firearms to drive innovation, quality, and the safety of our products and manufacturing processes. This helps us to determine the best specifications, materials, components, and manufacturing and testing methods.

Our plants are located across Europe, the United States and Canada. All differ significantly in terms of complexity and production output.

Rigorous testing of finished products is not only a legal requirement, but also a prerequisite to delivering safe and reliable products to our customers.

(c) Distribution and customers

We work closely with our representatives and distribution partners. As we operate in a highly regulated industry, where breaches can

have serious consequences for our reputation and the Company, we place the utmost importance on compliance with all applicable laws and regulations, including adherence to the Group's anti-bribery and anti-corruption rules and policies.

Our diverse customer base is characterized by a wide range of needs and priorities:

Military and law enforcement market

We sell by way of tenders to the military and law enforcement agencies. These include members of regular army units and special armed forces, state and municipal police, border guards, prison guards, and units in charge of the protection of constitutional officials.

Commercial market

The Group accesses the commercial market via wholesalers and distributors. It also owns an online platform (CZ Configurator), which sells customized firearms and accessories, and two retail stores in the Czech Republic that showcase its products.

² Group Compliance program available at <https://www.coltczgroup.com/en/about-us-compliance-program/>

³ Group Code of Conduct available at <https://www.coltczgroup.com/file/926>

HISTORY



2.2 KEY MOMENTS IN THE GROUP'S HISTORY

The Group's foundations date to centuries ago and stand on a long tradition of well-recognized and trusted brands associated with high quality and safety, which stem from precise manufacturing processes and continuous investments in product development.

ČESKÁ ZBROJOVKA

1919

1919

1919 – 1922

Karel Bubla, a builder and firearm enthusiast, founds a company called K. Bubla a.s. to produce firearms in the city of Strakonice, located in the southern part of then Czechoslovakia. He later changes the name of his company to Jihočeská zbrojovka. After a merger in 1922 with Prague-based firearms manufacturer Hubertus, Česká zbrojovka a.s. in Prague, with manufacturing in Strakonice, is formed.

Česká zbrojovka initially produces pocket pistols called Fox, which soon become well-known for their sophisticated design and production quality. These pistols contribute to the company signing a contract with the Czechoslovak army for manufacturing the 9mm ČZ vz. 22 pistol, which is also supplied to the police.



1922

1922 – 1936

In 1924, the company successfully designs its own aerial machine gun, which competes against products from foreign firearm manufacturers, and starts production of the LK 28, and later, the universal LK 30. Due to the precise construction and advanced design of its products, the company establishes a good reputation, which contributes to them receiving further orders, such as for the vz. 28 rocket pistols.

In 1927, the factory already has 600 employees and branches outside the firearm industry, with products such as bicycles, motor-driven bicycles and motorcycles. At this time, their products are exported to Europe, Asia, Africa, and South America.

1936

1936

In an effort by the Czechoslovak state to transfer strategically important production capacities as far as possible from its western borders threatened by Nazi Germany, a brand-new arms factory is built in the city of Uherský Brod, which is located in the southeast part of today's Czechia. Česká zbrojovka a.s. in Uherský Brod is one of the most advanced and efficient factories in Europe at the time, primarily engaging in the highly demanding production of aircraft machine guns. The factory's production of a full range of firearms starts to gradually develop after WWII, resulting in strong product positioning in major segments of the firearm market.

2.2 Key moments in the Group's history

1959

1949

1949

After World War II, the joint-stock company Česká zbrojovka is nationalized and its branch factory in Uherský Brod, which gains independence in 1950, gradually becomes the main Czechoslovak manufacturer of small arms. Its most famous products from the immediate postwar period are model 48 submachine guns (renamed in 1950 to 23/25 submachine guns) firing 9 mm Parabellum rounds. These models, which feature a magazine in the pistol grip and a slide partially surrounding the barrel, are the most advanced guns in their category at the time. By 1953, 545,000 units are produced in Uherský Brod, 345,000 of which are chambered in 7.62 mm Tokarev (24/26 submachine gun).



1959

1959

Production of the model 58 submachine gun starts. The 7,62×39 mm caliber model 58 submachine gun, now classified as an assault rifle, is an original Czechoslovak design and alternative to the Soviet Avtomat Kalashnikova. This exceptionally well-designed firearm is produced in Uherský Brod for the national armed forces, as well as for export until 1984. Almost 1,000,000 units are produced.

1962

1962

Start of model 61 Škorpion submachine gun production. The legendary model 61 Škorpion compact submachine gun is an ingenious, and very successful, attempt to fill the gap between classic submachine guns and service pistols. More than 207,000 pieces of this 7,65 mm Browning caliber submachine gun are produced in Uherský Brod until the year 2000, and small volumes of the 9 mm Browning version are produced during the 1990s.



1975

1975

Start of CZ 75 pistol production. The CZ 75 pistol, revolutionary in several aspects, is the work of legendary designer Frantisek Koucky. Koucky's work on its development is based on an assignment in 1969 from today's Česká zbrojovka a.s. With advanced ergonomics and a unique double-action trigger mechanism, it helps to establish the "Wonder Nines" category, i.e., large capacity SA/DA pistols chambered in 9 mm Luger, and is still considered one of its most popular models today.

2.2 Key moments in the Group's history

1992

1992

1992
Privatization of the state enterprise Česká zbrojovka results in founding of the incorporated company owned by Czech shareholders.

1997

1997
In 1997, CZ-USA is established in the United States to handle local distribution, sales, and service of firearms.



2001
Mr. René Holeček and Mr. Rudolf Ovčaří became the key shareholders of the Group



2004

2004 – 2005
In 2004, the Group acquires the firearm division of Zbrojovka Brno, and in the following year, acquires Dan Wesson through its subsidiary CZ-USA. Dan Wesson, originally a revolver maker founded in 1968 by a grandson of the well-known Daniel B. Wesson and now with Czech-American management, soon becomes one of the most distinguished manufacturers of modern clones of the famous M1911 pistol.



2006

2006
Production of the CZ 75 SP-01 SHADOW pistol starts. An important milestone in the development of Česká zbrojovka a.s. should also include the start of production on (primarily) the SHADOW, a sport version of the successful CZ 75 SP-01 pistol. The customization of selected elements on this excellent all-steel pistol, which becomes a successful firearm for self-defense and military / law enforcement use, are subsequently used in other CZ pistols. Until the launch of the CZ SHADOW 2 in 2016, the original Shadow dominates the Production division of the IPSC.

2.2 Key moments in the Group's history

2011



2011

2011
Mass production of a new generation of CZ select fire rifles, sub guns and grenade launchers starts. The first major success is a complete rearmament of the Czech Armed Forces, which are supplied with CZ 805 BREN A1/A2 select fire rifles, CZ 805 BREN G1 grenade launchers, CZ SCORPION EVO 3 A1 sub guns and CZ 75 SP-01 PHANTOM pistols.

2014

2014
Mr. Rene Holecek becomes the majority shareholder of the company.

2015
Acquisition of a majority stake in 4M Systems, a tactical equipment manufacturer.



2016

2016
Start of CZ BREN 2 select fire rifle production. The second generation of the new CZ select fire rifle is created with the use of modern development procedures and in cooperation with members of elite special units, who are highly experienced with the use of CZ 805 BREN rifles in the field. The first customer is the Czech Armed Forces.

2020

2020
The Group completes a public offering of its shares on the Prague Stock Exchange and becomes a publicly listed company.

COLT

1836



1836

1836 – 1850s

Samuel Colt obtains a patent on February 25, 1836, in the United States, England and France, for the revolver, which is later known as the Colt Paterson revolver. Its name is derived from where it is produced - Paterson, New Jersey. The revolver is the first commercial repeating firearm, employing a revolving cylinder with multiple chambers that align with a single, stationary barrel.

The first factory is built in 1848 beside the Connecticut River Hartford, Connecticut. A larger factory follows in 1855. Rapid growth in the 1850s can be contributed to the company's ability to commercialize the complete use of interchangeable parts throughout the product,

together with taking leadership in assembly line practice and maintaining a focus on innovating manufacturing technologies. Although Colt runs his plants with a military-like discipline, he establishes a ten-hour day for employees, installs washing stations in the factory, mandates a one-hour lunch break, and builds the Charter Oak Hall, a club for employees.

International expansion starts with the opening of a plant in London, England in 1853, which sets an example for modern industrial production (mass-produced interchangeable parts that could be easily and cheaply put together on assembly lines using standardized patterns), was noticed for example by famous writer Charles Dickens, who writes about his visit to the plant in his magazine.

1860

1860 – 1890

During the American Civil War, Colt has 1,500 employees who produce 150,000 muskets and pistols a year. In 1861 and 1863, the company sells 107,000 of the Colt Army Model 1860 alone, with production reaching 200,500 by the end of the war in 1865.

In 1873 the US Army receives a first order of the new .45 Colt, known as the Colt Single Action Army or "Peacemaker". This revolver is one of the most prevalent firearms in the American West during the end of the 19th century and Colt still produces it in six different calibers, two finishes and three barrel lengths

Colt releases its first large-frame, double-action revolver- the Colt M1878 Frontier. It combined the front end of the Single Action Army revolver with a double-action, 6-shot frame mechanism.

Under contract with the U.S. Army, Colt Arms builds the Model 1895 Colt-Browning machine gun, or "Potato Digger", which is one of the first gas-operated machine guns and the first automatic machine gun used by the United States Army.



2.2 Key moments in the Group's history

1900

1900

1900 – 1945

Launch of the Browning-designed M1911 semi-automatic pistol, which is widely used in WW1 by the Canadian, UK and US armies. Colt produces 151,700 revolvers during the war, as well as 13,000 Maxim-Vickers machine guns and 10,000 Browning machine guns, with an additional 100,000 pieces under subcontract to other companies.

During WW2, Colt manufactures over 629,000 M1911A1 pistols, as well as a large number of M1917 water-cooled machine guns. The company has a workforce of 15,000 men and women in three factories. Production runs on three shifts, 24 hours a day, and wins the Army-Navy rating of "E" for excellence. Colt is ranked 99th among United States corporations, regarding value of World War II military production contracts.

1945

1945 – 2021

In 1955, Colt releases one of the most famous revolvers in history - the Colt Python.

Colt is focused on the military market, and especially on production of the M16 rifle, for which Colt holds production rights. However, the period is also branded by issues with innovation, quality, and execution, accompanied by changes in ownership and restructuring.

After a final restructuring in 2016, a reinvigorated Colt introduces several new versions of its 1911



pistols, which includes stainless-steel competition and target models. It also returns to producing double-action revolvers with the .38 Colt Cobra, followed in 2019 by an improved version of the 1999 .357 Magnum King Cobra Carry. In 2020, Colt reintroduces a modernized Colt Python in stainless steel, followed by the reintroduction of 6- and 8-inch stainless steel versions of the Colt Anaconda in 2021.



COLT CZGROUP

2021 – 2022

In 2021, the Company successfully completes the acquisition of a 100% share in Colt, the parent company of the US firearms manufacturer Colt and its Canadian subsidiary Colt Canada.

In August 2021, the Colt single-action revolver that Sheriff Pat Garrett used to take down Billy the Kid in 1881 is sold for more than \$6 million at an auction in Los Angeles. The auction house describes the gun as "the most iconic treasure of early Western history". The \$6.03 million price is a world record for any firearm.

In April 2022, the Group changes its name from CZG - Česká zbrojovka Group SE to Colt CZ Group SE to reflect the expansion and integration of the Group and to emphasize the importance of both key brands, Colt and CZ.

Colt CZ Group completes acquisition of Swedish company Spuhr I Dalby.

2021



3. COLT CZ SUSTAINABILITY STRATEGY

3.1 SUSTAINABILITY IS INTEGRAL TO COLT CZ'S STRATEGY

At Colt CZ, we believe that integrating sustainability into our business strategy is important for ensuring long-term business success and contributing to a more sustainable future. Climate change, resource depletion, and social inequality are some of the most significant challenges that society faces today, and we believe we should do all we can to help mitigate them.

At the same time, sustainable practices, such as energy efficiency, waste reduction, and sustainable sourcing, can help to reduce costs and enhance efficiencies of our operations, as well as allow for us to better anticipate and mitigate environmental and social risks that could negatively impact our business. We approach sustainability with a view to identify and create new business opportunities, access new markets, and attract responsible investors who will support us on our journey.

Our sustainability strategy is interwoven into the foundation and core values of the Group's strategy, and goes hand in hand with Our Vision, Mission and Values.

OUR VISION

Our vision is to become the recognized undisputed leader of the small arms industry.

OUR MISSION

We are committed to providing **innovative** and **high-quality products** that our customers can rely on in any situation.

Our Values

Team spirit

- ▶ We realize **our people** are the key for our future success. We promote **team spirit** among people and organizations in our Group.
- ▶ We encourage **openness**, candor, and self-confidence.
- ▶ We promote competitive spirit among our employees. We realize that every **team is as strong as its weakest link**. It is up to every employee to act as she/he would do in any team sport – push herself/himself to the limit and ask the same from her/his teammates.
- ▶ We believe that **cultural and other differences make a stronger** and more resilient organization.

Integrity

- ▶ We do the right thing every time. We make sure that everything we do meets the highest expectations in terms of **ethical behavior from our people**, but also from **our suppliers and business partners**. We do not tolerate, without any exception, any failure to respect our ethical standards and the law.
- ▶ We make sure that **our internal processes and procedures**, ranging from R&D to production and all the way to sales, **are well defined and respected**. Thus, we can stand behind our commitment to provide the **most innovative, high-quality, and reliable products** to our customers.
- ▶ We treat our people with **respect**, and we evaluate them based on **merit** and contribution to the overall success of our Group.

3.1 Sustainability is integral to Colt CZ's Strategy

Responsibility

- ▶ We are responsible members of our **communities**.
- ▶ We realize the **long heritage** of our **key brands** and we make sure to deliver upon our customers' expectations.
- ▶ We strive to be a reliable partner with **the best service to our customers**.
- ▶ We promote, distribute, and sell our products in cooperation with **proven business partners** and to customers who intend to use them solely for **legal and ethical purposes**.
- ▶ We are responsible to provide **a safe environment** for our employees at all times.
- ▶ We are responsible to **provide safe and reliable products** at all times.

Innovation

- ▶ We are committed to building **a company for future generations** through a **culture of innovation**.
- ▶ We strongly believe that **innovation** is what has, and what will, set us apart from our competition.
- ▶ We promote **the permanent effort of our people to reinvent** what and how we do to deliver **the most reliable and innovative products** for our customers.



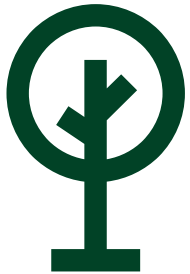


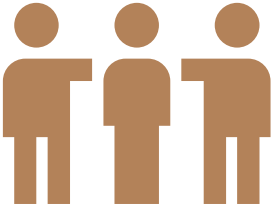
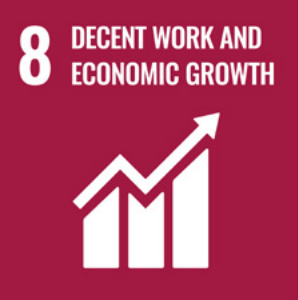

3.2 HOW WE APPROACH SUSTAINABILITY




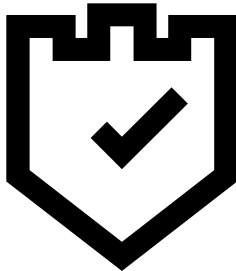

We see engagement with sustainability as an opportunity to transition our business, promote change, accelerate innovation, and encourage cooperation, while addressing climate change and building the trust of our people, customers, and wider society. We aim to balance company growth with environmental responsibility and ensuring social well-being of our people, including those who work with us or can be impacted by our activities.



3.2 How we approach Sustainability

Our sustainability strategy is built on four pillars:

	Our Objective	Our Ambition	Our Goal	SDGs
<p>Environment</p> 	<p>Promoting operational eco-efficiency</p>	<p>Minimize the environmental impact of our operations by preventing pollution, reducing waste, saving energy, and limiting water consumption</p>	<p>Energy and Emissions Reduce energy consumption and emissions of climate-altering gases in all areas of the company to combat climate change</p> <p>Water and Pollution Prevent contamination in various industrial processes</p> <p>Waste & The Circular Economy Reduce and recycle the waste we generate, while leveraging our engineering and manufacturing know-how to deliver long-lasting products</p>	 
<p>People</p> 	<p>Being the employer of choice and an active participant in the community.</p>	<p>Attract and nurture talent in an inclusive environment, while ensuring the health and well-being of our people and strengthening communities where we operate.</p>	<p>Occupational Health & Safety Prevent work-related accidents and occupational diseases to ensure the health and well-being of all employees.</p> <p>Employment Practices Support our employees in their personal and professional development. Foster an inclusive workplace culture that engages employees and creates rewarding career paths.</p> <p>Social Responsibility Improve the lives of those who are less fortunate or in need of aid, through employee volunteerism, charitable contributions, or sponsorships</p>	 

	Our Objective	Our Ambition	Our Goal	SDGs
<p>Product</p> 	<p>Embedding innovation, reliability, and responsibility into the DNA of our products and processes</p>	<p>Promote innovative technologies to produce reliable, resilient, and durable products. Foster enduring relationships with our customers.</p>	<p>Product Quality, Safety & Innovation Through investments in innovation, including design and manufacturing processes, and rigorous testing. To deliver products that are technological and functional class leaders in their respective categories, in terms of safety, reliability, performance, quality and durability.</p>	 
<p>Governance</p> 	<p>Promoting responsible business practices</p>	<p>Operate ethically, encouraging our partners to adhere to the same high ethical standards as we do.</p>	<p>Business ethics and transparency Further advance the Group's policies and standards, including ESG. Strengthen internal controls and competences for ethical business conduct to support transparent customer relationships, supplier partnerships, and workplace integrity, with the ultimate goal of ensuring that we conduct our operations ethically, fairly, and sustainably in accordance with all applicable laws and regulations.</p> <p>Cybersecurity & Customer Privacy Protect business-sensitive and personal information by minimizing the likelihood and impact of cybersecurity incidents on our business operations and customers.</p> <p>Sustainable Supply Chain Establish sustainable supply chain programs to enhance environmental stewardship and social responsibility.</p>	



Environment

As part of our efforts to protect the planet, we will continue to invest in new technologies and the modernization of our operating and manufacturing capabilities, with the aim of reducing consumption of natural resources, including energy and water, production of CO₂ emissions, and other pollutants, such as waste and hazardous substances that are not only used in our production, but through the entire product life cycle.



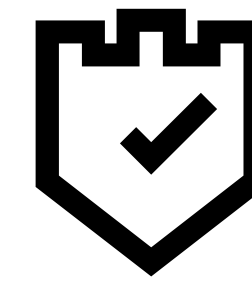
People

Our success has always been primarily based on our people, including those who work with us, such as our suppliers, those we work for, such as our customers, and those we are impacting, such as communities where we carry out our operations. We aim to create conditions that contribute to equality, fairness, and trust in society, including our response to social trends by improving inclusion, diversity, mobility, and welfare, and creation of a positive, motivating, and rewarding work environment. We are aware of the responsibility we have to communities where our companies operate. We will work towards improving the lives of those who are less fortunate or in need of aid, through employee volunteerism, charitable contributions, and sponsorships.



Product

The cornerstone of our work is the customer. The Group's ability to stay relevant and compete effectively also depends on the ability to anticipate our customers' expectations and quickly adapt to new trends and regulatory changes, as well as integrate modern materials and new technologies into our products, manufacturing, and internal processes. Thus, we intend to continue investing in research, development, and innovations to remain relevant and competitive in the eyes of our customers.



Governance

We aim to build a business culture based on integrity by advancing the Group's policies and standards, together with strengthening internal controls and competency to support transparent customer relationships, supplier partnerships, and workplace integrity. All with the goal to uphold business ethics to the highest standards, and in accordance with applicable laws and regulations. As a global exporter, we are responsible for putting a sales policy in place that is aligned with the UN guiding principle on business and human rights.

3.3 MATERIALITY: IDENTIFYING ACTIVITIES WITH THE GREATEST IMPACT

At Colt CZ, we recognize that we must direct our attention and efforts to the environmental, social and governance topics that are of concern to our stakeholders and have the greatest impact on not only the environment, people, and society, but also on our business.

Assessing these topics enables us to prioritize and focus upon the most material topics, set meaningful targets, and put in place programs and policies that will enable delivery of our goals.

When carrying out our assessment, we were guided by the GRI standards (2021), although GRI has not yet published a sector standard for the defense industry. To obtain input for our materiality analysis, we have explored trends in our industry, took into consideration applicable regulations and other mandatory requirements and industry best practice, conducted a peer analysis, run media searches, and had discussions with our key stakeholders (e.g., customers, suppliers, investors and employees). We estimated our impacts and their significance along the value chain.

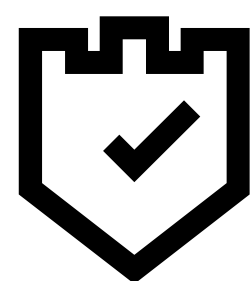
Topics were prioritized through extensive discussions with a diverse set of internal and external experts, including our management, as we believe that sustainability needs to be an integral part of our strategic business planning.

In preparation for the upcoming requirements of the EU Corporate Sustainability Reporting Directive (CSRD), we have completed a preliminary, high level financial materiality analysis, using e.g., corporate reports and the Aerospace & Defense Sustainability Accounting Standards Board (SASB) standard, along with regulatory and legal requirements.



3.3 Materiality: Identifying activities with the greatest impact

In our 2022 materiality analysis, we identified a list of the following topics that are the most important to our businesses because they have a substantial impact on the environment, society and/or value of the Group. We understand that they are closely related to our business model and must therefore be included in the Group's strategy and targets. The topics below were approved by the Group's Governing Body:



1. Business Ethics and Transparency

– Conduct our operations ethically, fairly, and in accordance with applicable laws and regulations.

2. Cybersecurity and customer privacy

– Protect business-sensitive and personal information.

3. Sustainable Supply Chain

– Responsible and sustainable procurement programs, including material sourcing, to enhance environmental stewardship and social responsibility.



4. Energy and emissions

– Reduce energy consumption and emissions of climate-altering gases.

5. Water, Waste and Pollutants

– Prevent contamination in various industrial processes, along with reducing and recycling waste.



6. Occupational Health and Safety

– Prevent work-related accidents and occupational diseases to ensure the health and well-being of our employees.

7. Employment practices

– Foster an inclusive workplace culture that engages employees and creates rewarding career paths.

8. Social Responsibility

– Support communities and improve the lives of those who are less fortunate or in need of aid.



9. Product Quality, Safety, and Innovation

– Deliver products that are technological and functional class leaders in their respective categories in terms of safety and reliability, performance, quality, and durability.

We aim to regularly review topics, impacts, risks, and opportunities, as new topics can emerge and gain significance over time.

3.4 UN'S SUSTAINABLE DEVELOPMENT GOALS

The United Nations' 17 Sustainable Development Goals (SDGs) provide a roadmap for creating a more sustainable world. These goals cover a range of areas, including improvement of health and well-being, sustainable energy, and climate action. Colt CZ Group contributes through its actions to achieve the following goals:



Goal 4: Quality Education: Ensuring inclusive and equitable quality education and promoting lifelong learning and opportunities for all
By closely cooperating with research and educational institutions, we hope to help people gain or improve the relevant skills, including engineering and construction, that are required for fulfillment of their vocations.



Goal 8: Decent work and economic growth: Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all
By promoting a safe and secure working environment, including cooperation with our suppliers, we hope to protect human rights and well-being.



Goal 9: Industry, Innovation and Infrastructure: Innovation and technology are key to finding lasting solutions to both economic and environmental challenges
By investing in research and development, and deploying innovative technologies and processes, including advanced computerized design and simulations, Colt CZ Group generates operational efficiencies to reduce energy and material consumption, and minimizes harm to people.



Goal 12: Responsible Consumption and Production: Ensure sustainable consumption and production patterns
By promoting sustainable management and efficient use of natural resources through our production, including usage of non-hazardous chemicals, where possible, to lower the overall impact on human health and the environment.



Goal 13: Climate Action: Take urgent action to combat climate change and its impact
By stepping up our efforts to reduce energy consumption by improving efficiencies and increasing the use of renewable energy, we should be able to lower our emissions and carbon footprint.



Goal 16: Peace, justice, and strong institutions:
By operating ethically, and encouraging our partners to adhere to the same high ethical standards, we hope to create transparent customer relationships, supplier partnerships, and workplace integrity with the goal to ensure that we always conduct our operations in accordance with applicable laws and regulations. Our products also play an integral role when defending safety and protecting individuals, states, and state organizations.

3.5 STAKEHOLDER ENGAGEMENT

At Colt CZ, we are committed to generating value for all of our stakeholders. This concept is built on credible business ethics, sound corporate governance and commitment.

We are aware of the growing importance of reporting sustainability information to our stakeholders. There is not only a growing demand from regulators, but also from our investors, employees, customers, and society.

The Group constantly engages in a range of activities and interactions with key stakeholders to increase transparency and effective dialogue to identify which topics are considered the most significant by our stakeholders (customers, employees, strategic partners and suppliers, shareholders and analysts, government bodies and regulators, the media and communication services, and society).

We strive to provide our stakeholders with reliable and concise information on our performance, values, and strategy at regular intervals, so that our various stakeholders can incorporate it into their decision-making process, as we believe that informed stakeholder engagement is a cornerstone to achieving the Company's commitment to doing business responsibly and sustainably.

In order to identify priority issues, we assess expectations from our stakeholders through the various engagement channels we have with them. Based on the relationship model, we distinguish the following key stakeholders' groups:

Stakeholder	Engagement Activity
Employees	<ul style="list-style-type: none"> ▶ Engagement Surveys ▶ Internal newsletter and quarterly magazine ▶ Digital channels, incl. social media ▶ Face-to-face meetings, regular CEO round table meetings
Customers	<ul style="list-style-type: none"> ▶ Satisfaction Surveys ▶ Digital channels, incl. social media ▶ Face-to-face meetings, over the phone interactions
Partners/Suppliers	<ul style="list-style-type: none"> ▶ Surveys ▶ Audits ▶ Digital channels, incl. social media ▶ Face-to-face meetings, over the phone interactions
Shareholders	<ul style="list-style-type: none"> ▶ General Shareholders' meetings ▶ Annual / Quarterly reports, financial filings ▶ Earnings conference calls
Investors (Equity and Debt)	<ul style="list-style-type: none"> ▶ Roadshows ▶ Investor Conferences ▶ Digital channels, incl. social media (LinkedIn) ▶ Annual / Quarterly reports, financial filings/ earnings conference calls
Academia	<ul style="list-style-type: none"> ▶ Project collaborations, industry research sharing feedback and information
Governments and regulators	<ul style="list-style-type: none"> ▶ Meetings with state institutions, round table discussions, conferences
Media	<ul style="list-style-type: none"> ▶ Press releases, press conferences, interviews
Local communities	<ul style="list-style-type: none"> ▶ Digital channels, incl. social media ▶ Face-to-face meetings ▶ Event partnerships

3.5 Stakeholder engagement

When we engage with our stakeholders, we aim to:

- ▶ Facilitate a workplace that respects diversity and allows for personal and professional development.
- ▶ Strengthen our customer relations through responsible and active engagement, listening and incorporating feedback, while protecting privacy. Our products are mainly sold through distributors to the commercial segment, with a significantly smaller portion executed via direct sales and online. We participate directly in tenders for supplies to the armed forces and law enforcement. It is important for us to collect feedback from our customers and incorporate it in our products and processes. We carry out regular surveys, especially with our B2B customers, focusing on quality, price, technical parameters and other expectations, and track the customer satisfaction index to drive continuous improvement.
- ▶ Engage our suppliers to commit to the same ethical principles as we do, creating a more sustainable environment.
- ▶ Generate long-term value for our shareholders.
- ▶ Build investor confidence by meeting their key demands and delivering on our commitments.
- ▶ Communicate openly and transparently with our investors and shareholders when delivering both good and bad news.
- ▶ Collaborate with our partners on innovative projects to share knowledge and support new approaches.
- ▶ Build transparent relationships with key institutions and bodies.

- ▶ Contribute to the economic and social development of the communities where we operate.

In 2021, Colt CZ won the European Small and Mid-Cap Awards⁴ jointly organized by EuropeanIssuers, the Federation of European Securities Exchanges (FESE), and the European Commission. Announced at a ceremony on 16 November 2021 in Portorož, Slovenia, Colt CZ was ranked as one of the top three companies in the International Star category out of a total of 27 nominated companies from 17 countries.

The International Star Award goes **to a well-managed company** that demonstrates **a sound strategy** for taking advantage of opportunities outside its own country.

Colt CZ Group has committed, along with 18,700+ companies, to furthering transparency by disclosing environmental impacts and risks through @CDP. This is a step in the right direction to prepare for environmental risks and manage them.

⁴ <https://www.europeansmallandmidcapawards.eu/>



3.5.1 External Associations

Association of Defence and Security Industry of the Czech Republic

- Activity: The Defence and Security Industry Association of the Czech Republic (DSIA) associates Czech companies engaged in research, development, production, trade and marketing of military and security equipment, material and services. It was founded in 1997 as a non-governmental, independent, apolitical, non-profit organization. Since its foundation, it has been a respected partner of the Czech Government.

Czech Shooting Foundation/Česká střelecká nadace

- Activity: The Czech Shooting Foundation was founded in 2010, as the first of its kind in the Czech Republic, with the aim of supporting shooting sport disciplines and enabling the general public to participate in the form of sponsorship for support of shooting sports. The sole founder is Česká zbrojovka a.s.

Chamber of Commerce of the Czech Republic

- Activity: The Chamber of Commerce of the Czech Republic is an entity representing the entrepreneurial public and is an integral part of economic life in the Czech Republic. It protects the interests of its members – small, medium, and large enterprises – which are associated in a network of regional chambers and trade associations. The Czech Chamber of Commerce is a unique institution, where its members advocate adherence to the principles of ethical behavior towards their respective partners and customers.

Jagello 2000

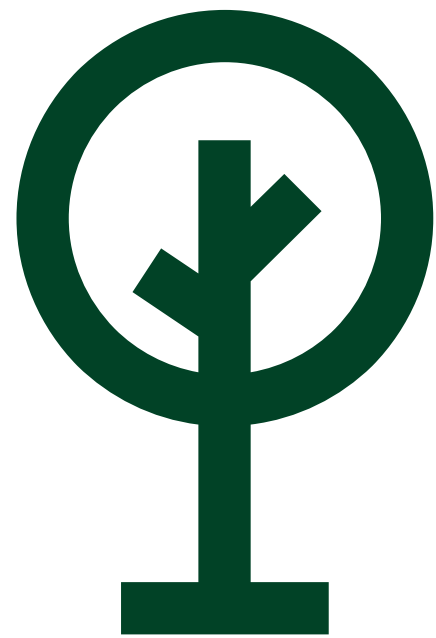
- Long term partner of “NATO Days”.
- The Jagello 2000 Association is the main Czech subject of public diplomacy in the field of security policy and membership of the Czech Republic in the North Atlantic Treaty Organization, but it also participates in projects focused on the European Union. The main goal of the association is to raise awareness among the general and professional public about security policy and transatlantic relations.

The MidwayUSA Foundation

- The MidwayUSA Foundation is a US public charity working to sustain and grow shooting sports by providing long-term funding to youth shooting teams. The Group is a long-term supporter.






4. ENVIRONMENT: PROMOTE OPERATIONAL ECO-EFFICIENCY



Our Ambition

To minimize the environmental impact of our operations by preventing pollution, reducing waste, saving energy, and limiting water consumption. We aim to achieve reduction of GHG emissions, and other hazardous substances used in production, by investing into improvements of energy, water, and waste management.

Topic	Goal	Actions
 Energy & Emissions	Reduction of GHG emissions	Increase usage of renewable energy Energy saving measures
 Water & Pollution	Reduction of chemical and hazardous substance consumption	Reduce or replace usage of hazardous chemicals or materials
 Waste and Circular	Reduction of waste	Analysis of waste management and identifying areas for potential improvements

We will be training our employees on ESG to increase their awareness of environmental topics and the Group's commitments.

4.1 COMING TOGETHER AS A GROUP TO START OUR ENVIRONMENTAL JOURNEY

At Colt CZ, we recognize that sustainability needs to be interlinked with the ways we operate and that we need to minimize our environmental footprint where possible, but without compromising the quality and safety of our products and people.

Following the acquisition of Colt in 2021, we have primarily focused on the consolidation and integration of our operations to enhance scale, efficiency, and customer satisfaction. However, being a sustainable company is very important for us, and we have also dedicated resources to develop our group-wide environmental sustainability strategy.

We have gathered all available data across the Group, and after preliminary analysis, have concluded that steps must be taken to ensure better consistency among our subsidiaries in the way they measure and collect data, so that we can set meaningful environmental targets and centrally supervise the delivery of associated projects. As we all need to pull together to deliver on our ambition, we will **be training our employees on ESG to increase their awareness of environmental topics and the Group's commitments.**

The Group owns versatile 'multi-modality' manufacturing sites that produce multiple product categories and are located near the regions they serve. We currently operate three major manufacturing sites - in Uhersky Brod in the Czech Republic, in West Hartford in the US, and in Kitchener, Ontario, Canada. Although we produce firearms at all sites, the manufacturing practices at each differ significantly, and so does their environmental impact. In the Czech Republic, we have the most complex production within the Group, as it encompasses the complete cycle of casting, machining, metal treatments, assembly, and testing. This means that the environmental impact will be greater here than in our US or Canadian operations, where the primary focus is on assembly and testing.

Illustration of the gun manufacturing process

- ▶ Forging, casting, molding - Making most of the iron and steel components, or smaller parts.
- ▶ Machining – Using machines and tools to finish components that were made in the casting process.
- ▶ Metal treatment – Applying protective coatings to various components, rust-proofing, hardening certain components with heat treatments.
- ▶ Assembling – Putting pre-manufactured components together to build the firearm.
- ▶ Testing – To withstand usage.



4.2 ENVIRONMENTAL MANAGEMENT SYSTEM AND REGULATORY COMPLIANCE

The Group's operations are subject to, and must comply with, a variety of national and international laws and regulations regarding the protection of the environment, health, and safety. These laws and regulations address, among other things, the identification, acceptance, treatment, storage, handling, transportation and disposal of hazardous materials and waste, as well as air and water emissions, soil and water contamination, noise, the prevention or minimization of climate change, and exposure of employees and others to hazardous materials and waste.

To implement an effective Environmental Management System (EMS), CZUB sites are ISO 14001 certified (Environmental Management Systems), which is complemented by policies and systems in place above the legal requirements. Our **aspiration is to obtain ISO 50001 certification** to improve energy efficiency management. Our safety, health and the environment (SHE) policy includes commitments to continuously improve the integrated SHE system, maintain active leadership in the area of employees' environmental impact awareness, and act in a way that motivates

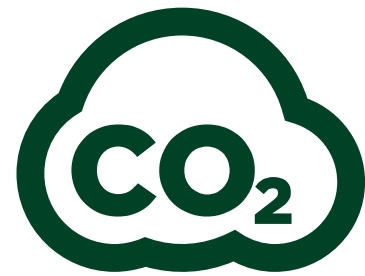
everyone to remain attentive to the risks of environmental impacts. All operations and departments are subject to environmental impact assessments every two years, or sooner, if a change is implemented. An environmental impact assessment is part of any purchase of machinery or equipment. By implementing the latest industrial methods of manufacturing and energy efficient technologies, together with improving equipment efficiency, we aim to reduce the environmental impact of our manufacturing. We have dedicated employees responsible for environmental management. In addition, our management has environmental responsibilities included in their job description and is incentivized to achieve certain targets e.g. energy savings. The ultimate environmental responsibility sits with our CEO and the Board of Directors.

Our facilities in the US and Canada are not ISO 14001, 45000 and 50001 certified, but we are preparing a plan to implement environmental policies in the future. In the US, we have two dedicated full-time employees who are responsible for environmental management. We also contract with an outside firm to review, coach, and lead us towards responsible environmental improvements. We follow the Environmental Protection Agency's regulations and its effluent guidelines on discharge into the environment. In Canada, we follow the Canadian Environmental Protection Act (CEPA) and industry standards for environmental guidelines. Colt Canada has one employee who supports

environmental activities to ensure we are compliant. We are working to align both internal and external resources that will better support Colt Canada to setup a comprehensive environmental management system.

At our production facility in Uhersky Brod, we are taking measures to reduce noise that is produced by our machinery. Due to historical reasons dating back to second world war, the facility is centrally located and the noise it produces impacts the local population. Since 2021, a noise cancelling solution has been installed in our compressor rooms, factory exhausts and foundry, which eliminated noise from areas that manufacture our main components. In 2023, we are planning to continue with more projects that will lower noise pollution.

4.3 ENERGY AND EMISSIONS



Goal: Reduce energy consumption and emissions of climate-altering gases in all areas of the company to combat climate change.

Action Plan:

Prepare an actionable plan for the Group to progressively decrease energy consumption by adopting suitable technologies and take actions to reduce Scope 1 and Scope 2 emissions, including increased renewable energy use where possible.

How we will do it:

To minimize impacts on climate change where possible, we are continually assessing options to lower our greenhouse gas emissions (GHG). The GHG emissions from our operations are due to energy consumption during production, as well as upstream and downstream supply chain activities.

Total electricity consumption for the Group in 2022 was about 58 GWh, which was mainly obtained from non-renewable sources. Our energy consumption increased slightly y-o-y, reflecting ramped up production in the North American facilities.

Energy use (GWh)*	2022	2021
Total	58.001	56.254

Source: Colt CZ:

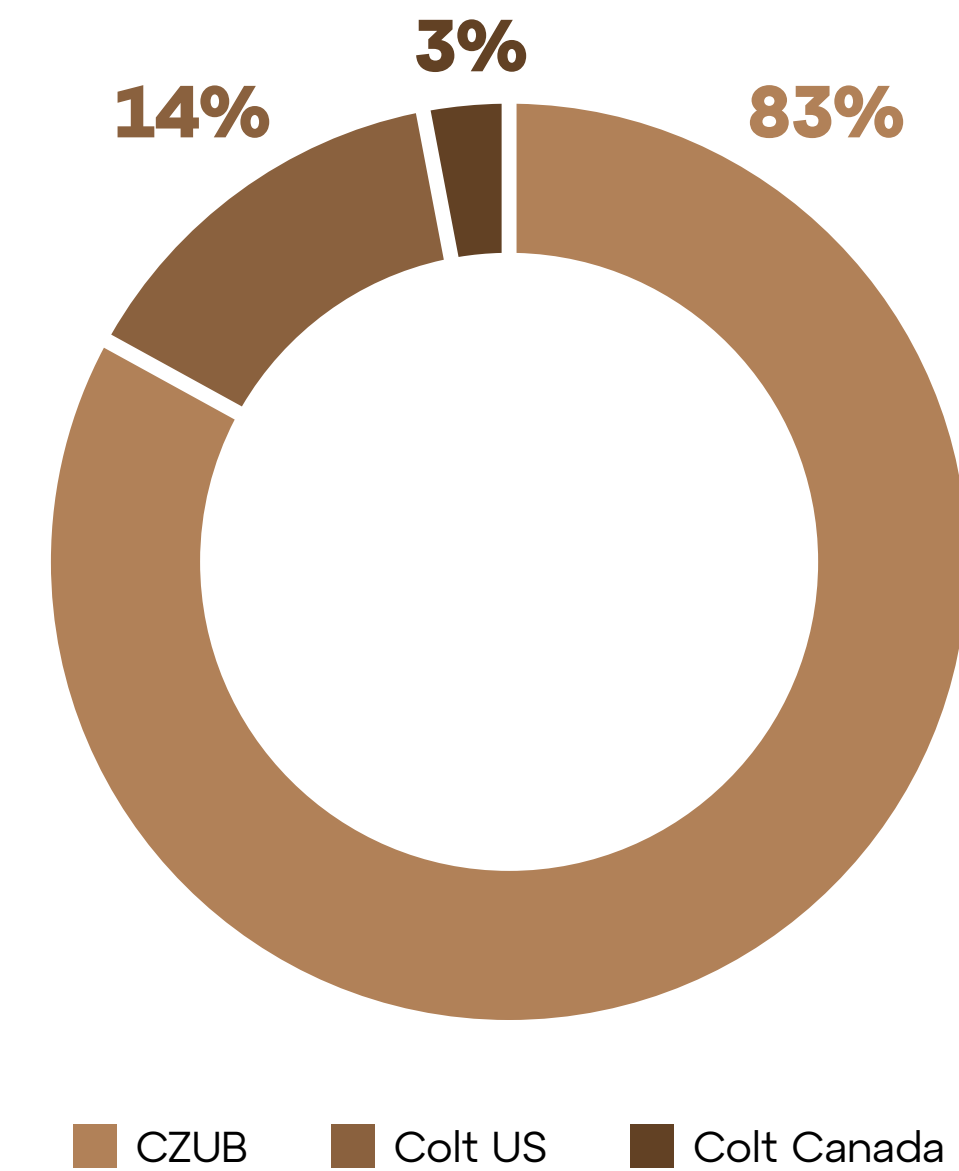
*The table shows the total electricity use for the following Group's subsidiaries: CZUB, Colt US and Colt Canada

The majority of Group energy consumption is by CZUB, where the manufacturing process is more complex, and therefore, the impact is greater.

We need to prioritize activities where we believe we can have the biggest impact. Therefore, a carbon footprint assessment was first undertaken in our most complex manufacturing facility in CZUB. The assessment was based on the Greenhouse Gas Protocol (GHG Protocol) methodology for activities under the Scope 1 classification, which are direct emissions produced by the organization, and in our case, include combustion of natural gas, fuels, consumption and leakage of refrigerants; and Scope 2 classification, which are indirect emissions and, in our case, include consumption of purchased energy. We did not calculate Scope 3 emissions associated with e.g., the purchase of materials and goods, waste and water management, business trips, transport and logistics.

To calculate Scope 1 and Scope 2 emissions, we collected the following data for the 2020 – 2022 period (only CZUB).

The Group's energy consumption: Share of individual subsidiaries, 2022



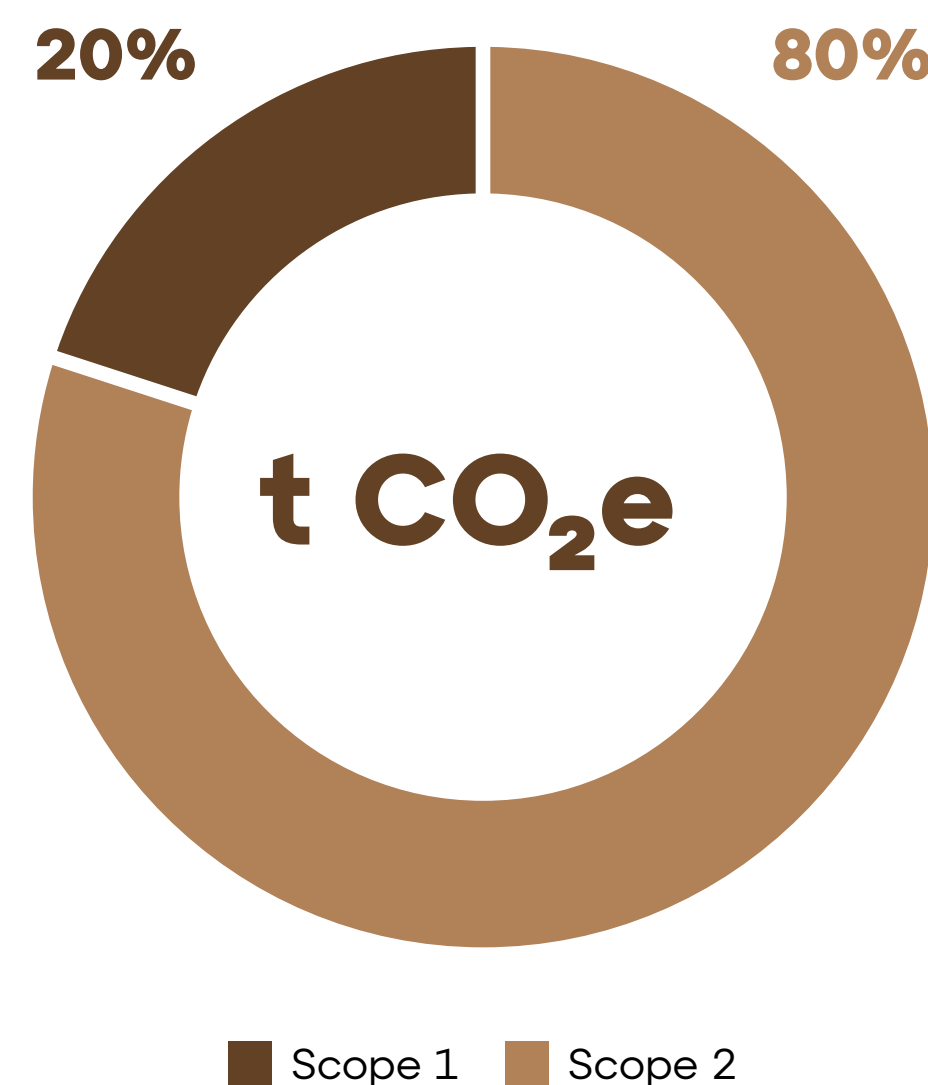
Source: Colt CZ, * total electricity use for the following Group's subsidiaries: CZUB, Colt US and Colt Canada



Sources of emissions	2022	2021	2020
Electricity consumption [MWh]	29,864	30,709	29,199
Natural gas consumption [MWh]	16,573	19,686	18,636
Propane C ₃ H ₈ [kg]	5,660	1,401	1,450
Refrigerant R410A [kg]	4	6	0
LPG [l]	7,623	0	0
CNG [l]	650	847	0
Petrol [l]	19,170	16,607	4,199
Diesel [l]	89,165	56,949	79,779

Source: CZUB

GHG Emissions by Scope (%), 2022



Source: CZUB

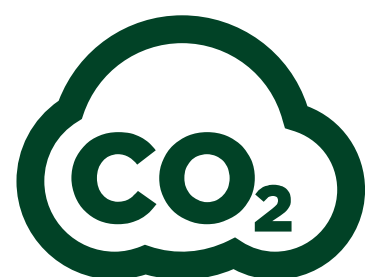
18,576 t CO₂e in 2022 for CZUB, down 13% y-o-y

The carbon footprint (Scope 1 and 2) of **CZUB in 2022 reached 18,576 t CO₂e** compared to 21,006 t CO₂e in 2021, which represents a decrease of about 13%. The decrease was mainly driven by our lower consumption of gas, due to investments for the modernization of our heating systems, including installation of more efficient boilers and improvements to insulation, as well as renewal of our manufacturing facilities, including new, more efficient machinery. We achieved this reduction despite a higher volume of manufacturing and expect the trend to continue. Our efforts will also benefit from the current project that's underway for the installation of solar panels on the roof of our parking space, which is expected to be completed in 2023.

Scope	2022		2021		2020	
	[t CO ₂ e]	[%]	[t CO ₂ e]	[%]	[t CO ₂ e]	[%]
Scope 1	3,644.2	19.6	4,146.8	19.7	3,952.8	20.3
Scope 2	14,932.2	80.4	16,859.2	80.3	15,533.8	79.7
Total	18,576.4	100	21,006.1	100	19,486.6	100

Source: CZUB

4.3 Energy and emissions



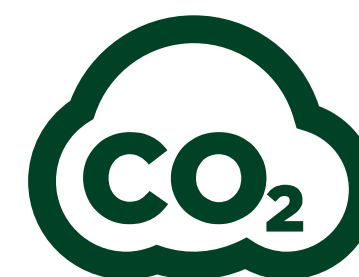
Scope 1: 3,644 t CO₂e, down 62% y-o-y

Direct greenhouse gas emissions of CZUB within Scope 1 include the consumption of natural gas, fuel and the replenishment of coolants for the needs of machine cooling. The natural gas emission factor that was used is based on Decree No. 140/2021 Coll., as amended, on the energy audit, while the emission factor for fuel that was used is according to the standard values given in the IPCC Guidelines for National Greenhouse Gas Inventories. The emission factor for refrigerants is based on the indicators of the Kyoto Protocol for standard refrigerants and their mixtures.

Most of the carbon footprint in Scope 1 at the level in 2022 (over 91%) was created by burning natural gas, primarily for technological processes and heating. Scope 1 emissions decreased from 5,928.9 in 2021 to 3,644.2 t CO₂e in 2022, reflecting lower natural gas consumption because of investments in modernization of the heating system.

Scope 1	2022 [t CO ₂ e]	%	2021 [t CO ₂ e]	%
Natural gas	3,314.7	91	3,937.3	94.9
Refrigerants	24.7	0.7	18	0.5
Fuel	304.8	8.3	191.6	4.6
Total	3,644.2	100	5,928.9	100

Source: CZUB



Scope 2: 14,932 t CO₂e, down 12% y-o-y

Scope 2 emissions consist exclusively of electricity consumption, and clearly prevail with a share of more than 80% within the monitored scope. The relevant emission factors were calculated separately for each year based on Methodology for the creation and evaluation of policies and measures for reducing greenhouse gas emissions. Input data for the calculation then included data from Eurostat⁵ and the Czech Hydrometeorological Institute⁶, taking into consideration the real energy mix of the Czech Republic. The decrease in electricity consumption led to a lower production of greenhouse gas emissions from 16,859 in 2021 to 14,932 t CO₂e in 2022. The primary reason for these savings was the installation of more efficient machinery and new manufacturing equipment.

Scope 2	2022 [t CO ₂ e]	2021 [t CO ₂ e]
Electricity	14,932.0	16,859.2
Total	14,932.0	16,859.2

Source: CZUB

⁵ energy balance data available at <http://ec.europa.eu/eurostat/web/energy/data/database>

⁶ greenhouse gas emission balance available at <http://www.chmi.cz>

4.3 Energy and emissions

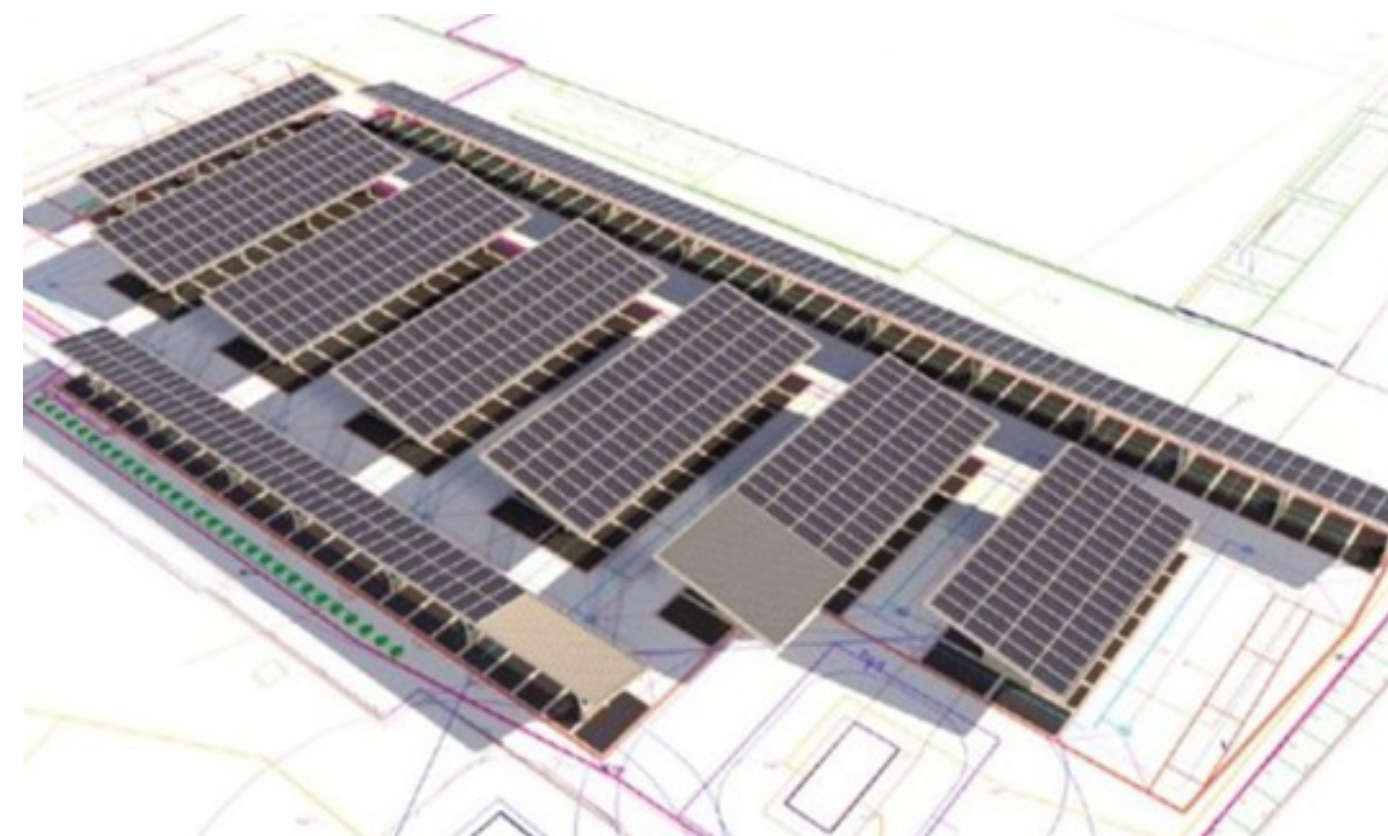
We use the outcome of this assessment to determine the areas where we can improve in terms of reducing emissions and identifying any future offsetting and mitigation interventions. **As electricity and natural gas are the most significant CO₂ equivalent emitters, this is where we need to focus our efforts and channel investments.** The consumption of electricity by the manufacturing site accounts for approximately 80.4% of the overall calculated carbon footprint of the total industrial area in Uhersky Brod. CZUB purchases electricity from the public energy network, which is a mix of conventional energy sources, such as fossil fuels and nuclear, that are supplemented by sources producing electricity from renewable sources. Natural gas is also supplied from the public distribution network.

In-line with the legislative framework of the Czech Republic, we also have **an energy audit** for the CZUB site, including a proposal for saving measures, such as insulation of buildings, more efficient lighting systems, exchange of transformers, and installation of new boilers. As part of our decarbonization strategy, we are also looking at options to increase renewable energy in our energy mix.

In the US, Colt has already started to track data related to energy, waste, and hazardous waste. We now have a baseline of our process waste and energy consumption, and will be setting goals to support achievements once Colt CZ targets are set. As our program is still in its infancy, we have focused on low-hanging fruit and installed LED

lights in our manufacturing facility. We also cooperate with the local energy company to reduce energy usage during peak hours and send energy back to the grid in off-peak times. In Colt Canada, we have completed a similar project where all plant and office lighting were updated to LED to reduce energy.

As Colt CZ, we will continue our efforts to reduce emissions. **We will measure the carbon footprint of the whole Group over the next 12 months and subsequently set specific emission reduction targets.**



Case Study: Solar panels installation at CZUB

*In 2022, we commissioned a photovoltaic power plant to be installed on the roof for our newly constructed parking lot. The expected performance is 473.5 kWp, which will produce approximately 450 MWh of electricity annually and will be fully utilized by our facilities at CZUB. Alongside projects concerning industrial systems, there are also activities in progress that are of lesser impact but equally useful, such as **the reduction of share of internal combustion engines in the company car fleet. We expect to start generating solar-powered electricity by mid-2023.***

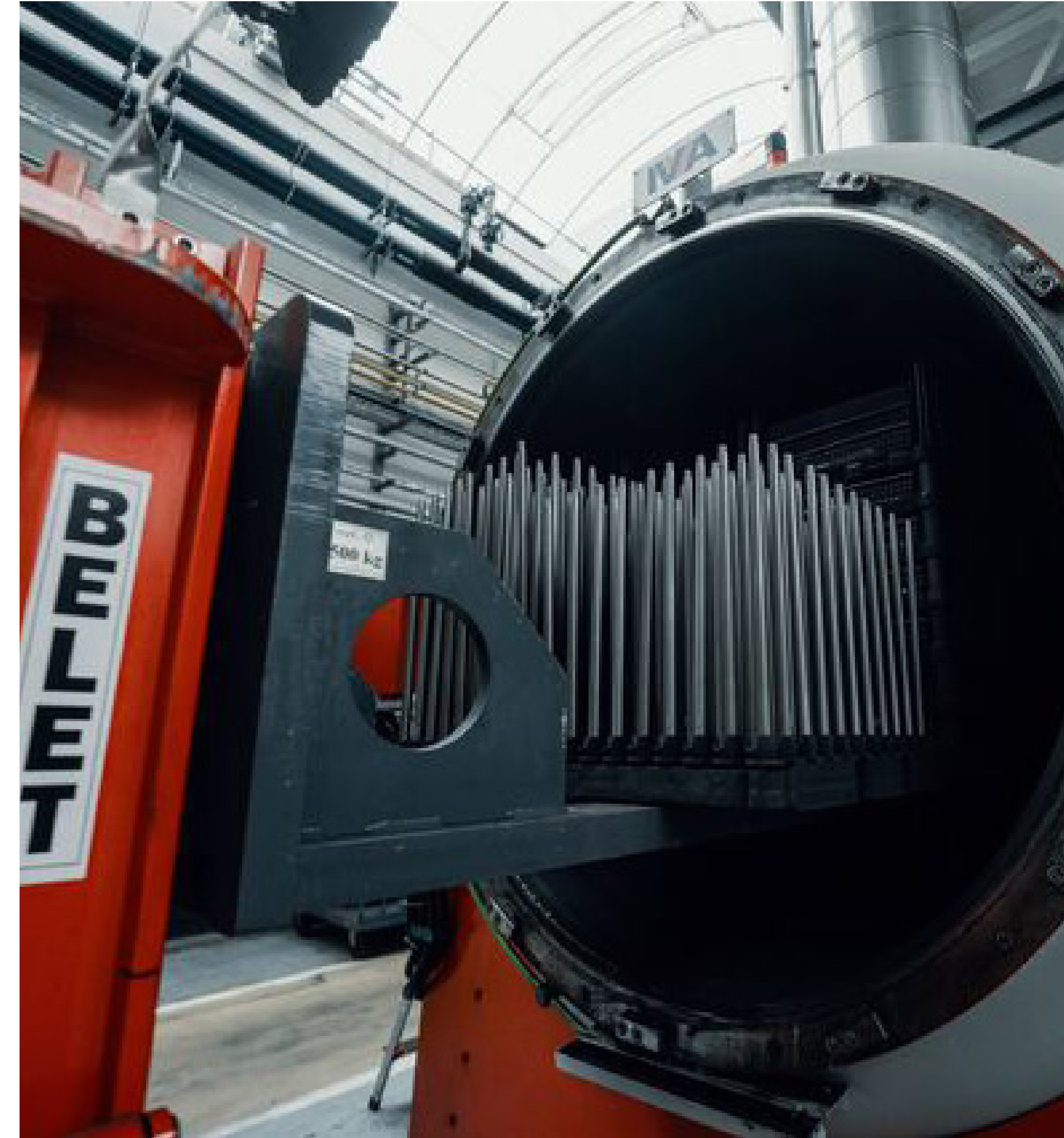
**Case Study:
Lowering CO₂ Emissions by Virtual Testing**

Together with the Center of Applied Research and Development for Additive Manufacturing, we have conducted a study focused on virtual testing of firearms and its potential impact on lowering CO₂ emissions. If results of the study are implemented, the carbon footprint could be reduced by approximately 1050 kg of CO₂ annually. This amount is made up of gases created by burning gunpowder (7.5%) and heavy metal particles (82.5%), which show that the critical factor for increasing the carbon footprint of shots is the production of heavy metal particles. In practice, this would mean about a 50% reduction in the carbon footprint of firearm testing that's carried out during their development.

**Case study:
CZUB Energy Efficiency project 2020-2025**

In order to secure production stability and continuity, improve health and safety, and save energy, we have embarked on an Energy efficiency project that's focused on the modernization of our infrastructure, which consists of:

- ▶ Heating decentralization: Cancellation of the steam boiler room and steam pipeline, implementation of heating solutions for selected buildings, and reduction of energy consumption
- ▶ Replacement of transformers: Installation of low-loss Ekodesign II transformers, reduction of potential fires, increase of transformer efficiency
- ▶ Use of waste heat: Heat exchangers in compressors, use of waste heat from furnace cooling
- ▶ Lighting replacements: Reduced energy consumption, elimination of fires, better working conditions, concentration on large units
- ▶ Improving insulation of selected buildings and temperature optimization
- ▶ Solar panels: Installation on larger roofs, preferably with new projects on a customized roof (shooting range, catering building, new gun barrel production site)

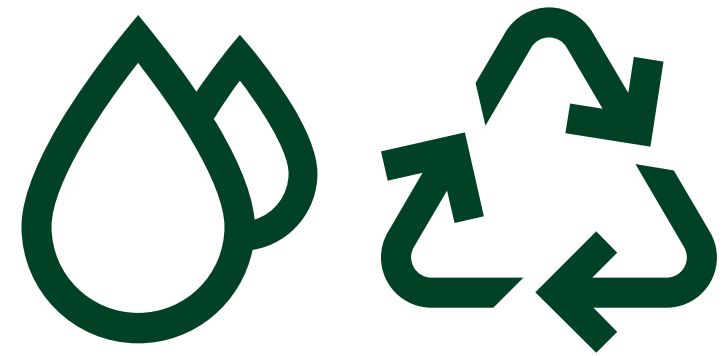


**Case study:
Modernization of Foundry at CZUB**

The Foundry Modernization project started in 2018 and consists of six stages with expected completion in 2024, which is when serial production of 12,000 frames per month should begin. Through modernization, we want to increase capacity, repeatability of production and productivity of the foundry, improve the quality of castings and eliminate the use of ethanol. The project also includes building a new, modern smelter and premises for finishing castings, as well as minimizing the distance and time required for moving parts within the foundry.



4.4 WATER, POLLUTION AND WASTE



Goal: Prevent contamination in various industrial processes.

Action Plan:

Analyze our waste management practices in order to identify areas for potential improvements and set concrete reduction targets. When possible, reduce the consumption of chemicals and hazardous substances and set clear targets.

How we will do it:

We limit the impact of our operations on the environment by preventing pollution of soil and water through the reduced consumption of raw materials and water, and by lowering production of waste, with a focus on producing waste that is less hazardous. We recycle materials where possible to minimize the amount of waste going to landfills. **Colt CZ is in the process of setting concrete targets to reduce the consumption of waste and hazardous waste.**

In 2022, the Group produced approximately 3605 t of waste and 1,137.1 t of hazardous waste.

Waste generation*	2022	2021
Waste generation per year (tonnes)	3,626	3,265
From which is recycled (tonnes)	1,892	1,777
Total annual waste generation (tonnes)	3,626	3,265

Waste generation*	2022	2021
Total hazardous waste generation (tonnes)	1,137.1	1,040.4

Source: Colt CZ

*The table shows data for the following Group’s subsidiaries: CZUB, Colt US and Colt Canada



4.4 Water, pollution and waste



Most of our water consumption stems from manufacturing, specifically from washing the surfaces of parts. We use groundwater for our technological processes and follow strict guidelines, especially during discharge. At CZUB, 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 metallurgy operations passes through a preliminary neutralization treatment. In the US, water and waste results are closely monitored and evaluated each week by our environmental team and made publicly available.

Water consumption*	2022	2021
Total annual water consumption (megaliter)	120	99

Source: Colt CZ

* The table shows data for the following Group’s subsidiaries: CZUB, Colt US and Colt Canada

In 2019, CZUB replaced the carcinogenic chemical agent trichloroethylene, used in the cleaning of firearms, with a cleaning agent derived from modified alcohol. All changes introduced into manufacturing processes place significant emphasis on the replacement of hazardous chemical substances and compounds with less hazardous alternatives. The introduction of a comprehensive solution for the management of operating liquids, oils and lubricants has reduced their usage and production of waste, while lowering the need for repairs and maintenance of machinery and equipment. Despite increases in production, the volume of hazardous waste remains stable.

Produced waste goes through an extensive sorting process. For example, the amount of sorted wastepaper and plastic has exceeded the volume of solid municipal waste produced by CZUB. The volume of scrap metal is proportionate to production volumes.



All of CZUB’s metal waste is forwarded to recycling. Other types of waste, such as oils, paper and plastics, are also handled by our waste management program and are either sent to recycling or energy recovery. Biological waste is composted.




Case study:

“Small things matter”:

At CZUB, we think about preservation of the planet and try to motivate our employees to do their part. Our cafeteria has introduced reusable lunch boxes for takeaway. Apart from reducing the amount of plastic going to landfills, it also keeps the food fresh and secure. ”

5. PEOPLE: BE THE EMPLOYER OF CHOICE AND AN ACTIVE PARTICIPANT IN THE COMMUNITY



Topic	Goal	Actions
 Occupational Health & Safety	Prevention of occupational diseases and accidents at work	To reduce the number of work-related injuries and illnesses Set targets:
 Employment Practices	Support personal and professional development of our employees, foster an inclusive workplace culture	Set a target for training hours each year per employee
 Social Responsibility	Support communities through employee volunteerism, charitable contributions, and sponsorships	Investments in projects Provide support for relevant charities and local communities

We will be training our employees on ESG to increase their awareness of social topics and the Group's commitments.

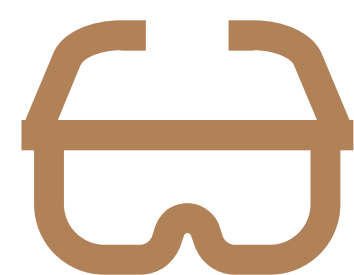
Our Ambition

To attract and nurture talent in an inclusive environment, while ensuring the health and well-being of our people, and strengthening the communities where we operate.

Building on Colt CZ's globally recognized brand, loyal customer base and dedicated employees.

Although our companies are steeped in history, a lot has happened over the past 2 years as we came together to form Colt CZ Group. We are in the process of transforming our organization and workforce for the future, investing in skills and capabilities that

will help us to successfully deliver on our strategic imperative to become the world's leading small arms company. Our employees are embracing this change and driving improvements in performance that allow us to meet our goals. We foster a culture that will help us achieve operational excellence to deliver upon our customers' expectations, adhering to highest standards of quality and integrity, while protecting the health, safety and well-being of our employees.



5.1 OCCUPATIONAL HEALTH, SAFETY AND WELL-BEING

Goal: Prevent accidents at work and occupational diseases to ensure the health and well-being of all employees.

Action Plan:

Implement innovative technologies and solutions to minimize harm to employees and promote awareness among the entire workforce of the importance of health and safety, including management of work-related stress.

How we will do it:

Caring for the safety, health, and well-being of our employees are at the top of our priorities. We strive for a work environment that is free of injuries and illnesses. **Our records show that we had no work-related fatalities in 2022, although 20 employees in CZUB** were injured (mostly hands, with a total of 946 lost workdays). Subsequent analysis shows that most of the accidents happen around lunch breaks and at the end of work shift. We are implementing a more robust prevention plan to improve concentration during work hours.

We have complex policies in place to reduce risks to the health and safety of our employees. In the Czech Republic, we have **implemented policies, codes, procedures, and guidelines with respect to health and safety, the environment (SHE)** and stakeholder relationships that are applicable to the Uherský Brod site. All are in line with requirements set out in ISO **9001, 14001** and **45001** (<https://www.czub.cz/en/certification/>). We conduct third party, bi-annual audits of our health and safety procedures, including inspections by representatives of labor unions (ZO OS KOVO)⁷. The SHE policy is publicly available to all interested parties on our website⁸. We conduct regular educational campaigns using electronic media (intranet), as well as the physical distribution of leaflets and hanging of posters at our sites. Every employee must undergo certification upon joining our organization and they are regularly re-certified on our health and safety procedures.

In North America, we follow **Occupational Safety and Health Administration (OSHA)** standards and regulations for industrial companies. We have a set of policies in place and our **sites are**

ISO 9001 certified. Regular internal audits are carried out, as well as third party audits to check our polices and KPIs, including physical inspections on the premises. As a government contractor, we are subject to specific checks carried out by representatives from the government. In addition, we have ergonomic teams, comprised of engineers, union representatives and members of our human resources department, who work together to prevent injuries and ensure ergonomic principles are followed at the workplace.

Operational health and safety guidelines are clearly communicated via internal mails, posters and signs that are accessible to all employees, with frequent trainings in place. Employees are continuously trained as frequently as needed for the following topics – prior to starting work as a new hire, to address newly identified hazards, after any injury or incident, and when new equipment or procedures are introduced.

⁷ OS KOVO –is the largest trade union organization in the Czech Republic comprising of more than 80 thousand members mainly from metal working industry. ZO OS KOVO Česká zbrojovka a.s. Uherský Brod is one of its units.

⁸ SHE policy at <https://www.czub.cz/file/2832>

Case study:

Prevention of long-term injuries:

At CZUB, we want to prevent long-term and stress-related injuries. We cooperate closely with the local medical center Můj lékař ("My doctor") and CZUB employees are awarded free benefits each year to be spent on medical treatments, such as physiotherapy, nutrition consultations, various spa therapies, massages and health & fitness exercise, including therapeutic exercises for Carpal Tunnel Syndrome. In addition, CZUB regularly informs its employees via internal communication channels about discounts and special offers for services provided by the medical center.

Employees working at a shooting range are obliged to undergo specialized training, including first aid and wound management. Close monitoring of work-related injuries and illnesses is in place, with KPIs reviewed monthly. We invest in new technologies to prevent work-related injuries, especially those involving firearm testing or other repetitive tasks.

Lost time to injury frequency (LTIFR) is a metric that we would like to consistently monitor across the Group. We define this metric as a Key Performance Indicator (KPI) under our ESG strategy. An LTI is a case when an injured employee is unable to work for one or more days after an injury, undergoes medical treatment, or sustains an occupational illness. **We aim to set yearly LTIFR targets for the Group that are applicable for all sites, with the aim of reducing the overall number of work-related injuries.**

We continuously monitor health and safety procedures, as well as performance, against a set of thresholds. We recognize that there's an issue with noise limits at our site in Uherský Brod (due to the proximity of the factory to the city center), and are actively looking for solutions to eliminate the impact they have on the local population.





5.2 EMPLOYMENT PRACTICES

Goal: Support our current and future employees in their personal and professional development, foster an inclusive workplace culture that engages employees and creates rewarding career paths.

Action Plan:

Invest in training and personal development programs, so they cover the entire workforce and all age groups, and encourage participation. Build a pipeline of future talent by strengthening cooperation with science, technology, and engineering- focused schools, universities and external research organizations.

How we will do it:

We want our employees to see our company as the best place to work, where opportunities for learning and development are offered, and company culture embraces diversity and inclusion. Our operations require the right mix of traditional craft and know-how, while utilizing the latest technology.

5.2.1 Training and Education

At CZUB, we have a training and development program in place that's tailored to our employees' positions and required skill set. Educational methods range from e-learning and on-the-job training to internal and external seminars. Apart from the legally required curriculum (about 10% of the program), we offer a wide range of trainings to promote development of skills and competencies, including courses on soft-skills, technology, languages, and well-being. We also support our employees furthering their education, such as their pursuit of MBAs. We also cooperate with the University of Ostrava in regards to gaining a bachelor's degree in the fields of small arms design, ballistics, measurements, and quality management.

In the US, we provide financial assistance to employees who wish to further their education under our educational assistance policy. In Canada, we are developing coaching programs for all positions, with a focus on core-competencies, such as communication and conflict resolution. We also offer reimbursement of tuition and professional designation program fees.

To unify the Group, we will be setting targets for the average number of hours per employee, per annum, that should help our staff gain the sufficient knowledge and skills they need to have meaningful careers with us.

To support recruitment, CZUB launched a new interactive career website (<https://kariera.czub.cz/en/>) showcasing open positions, which are accompanied by job descriptions, requirements and benefits. Each position features an attractive design that combines CZUB products and attributes of the position. Information about open positions is also available internally, so our employees have the opportunity to apply as well.

5.2 Employment Practices

5.2.2 Attracting young talent

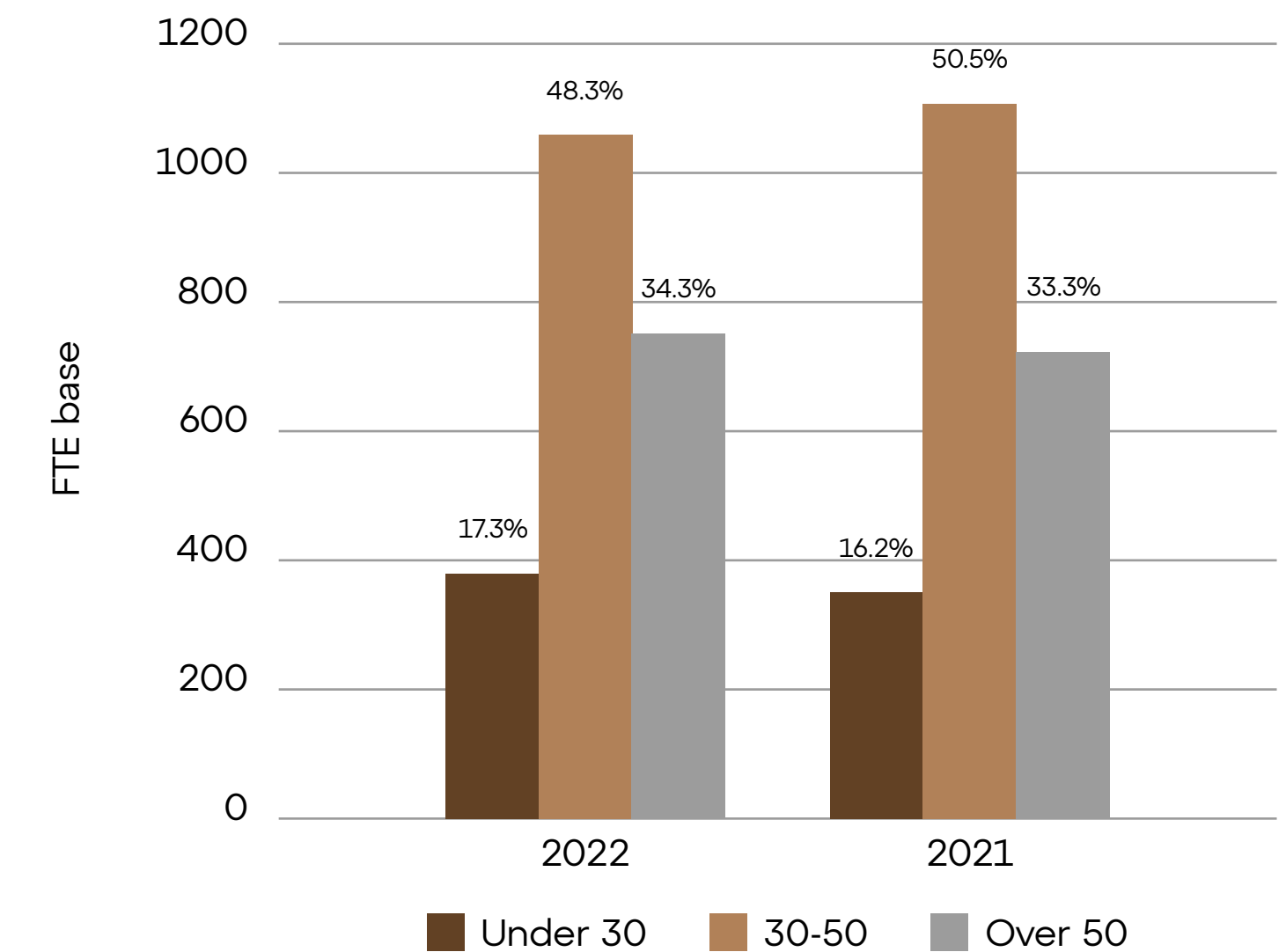
We want to attract, onboard, and retain the best talent to accelerate transformation of our business⁹. The transfer of skills to our younger generation is as important as mastering new, innovative technologies and approaches to design and manufacturing. At CZUB, we have long-term cooperation with the local secondary technical school, offering graduates comprehensive learning and development opportunities, including technical and engineering skills. Our goal is to employ 5-10 graduates by end of 2023.

After more than a one-year break due to COVID, CZUB once again participated at the Career Days fairs in 2022 at the Technical Universities in the Czech cities of Brno and Zlin, presenting students with opportunities for cooperation and future employment. Our booth generated a great amount of interest, and we are looking forward to seeing some of the students in our company. We also secured second place in the category "Most wanted employer among students" in the region, with more than 3,000 students casting their votes.

In Canada, we partner with Conestoga College by way of advising on the curriculum necessary to meet the real needs of our industry. We are members of its Program Advisory Committees (PACs) and meet regularly with school board representatives, government officials and industry experts to assist college staff and faculty in understanding industry needs to ensure their students are equipped with the necessary qualifications and skills to successfully join the workforce. We also cooperate with the Royal Military Colleges in Canada, providing classes with facility tours and first-hand experience with our product support engineering and business development teams.



Age Structure of Group Employees*



Source: Colt CZ, * data for the following Group's subsidiaries: CZUB, Colt US and Colt Canada

⁹ The CZUB transformation program implemented in 2020 aimed to improve existing processes and working methods in production. Main goals of the program by 2025 are: improvement of on-time delivery, improvement of production efficiency, shorten R&D time and accelerate the innovation cycle, and enhance cooperation with external partners.

Case study:

“Česká zbrojovka's ambition is to be the best possible employer for our current and future employees”.

We were recognized as the 3rd best-known employer, and the 5th most attractive employer in the Czech Republic in the manufacturing category, according to a Randstad survey. More than 40 % of respondents considered CZUB an attractive employer. And for the second time in a row, we came in 2nd as the best employer in the region. The award recognizes excellence in 10 different areas: internal documentation, personnel conditions, forms of labor organization, keeping in touch with employees, healthcare, social care, personal development and education, caring for loved ones, family-friendly activities, and social responsibility.

Iva Svetikova, HR Director

5.2.3 Listening to our employees

At CZUB, we conduct biennial employee satisfaction surveys, looking closely at the results and incorporating the feedback we receive. The last survey took place in December 2022, with 57% participation and results that confirmed employee satisfaction increased from 52% in 2020 to 54% in 2022. 89% of employees had a positive view of collegial relationships, support and friendships, while dissatisfaction was highlighted with pay levels, benefits and departmental interoperation.

To support internal communication at CZUB, we send out a weekly newsletter informing employees about benefits, including health and well-being, learning opportunities, events and other important information. We also run an internal Facebook group called “CZ Zbrojovák”, with more than 300 posts last year.



5.2.4 Inclusion, Diversity and Equality

We attach great importance to creating an environment of inclusion and belonging. We are a diverse team made up of some 2,205 individuals (FTE 2022), all with different backgrounds, perspectives, and experiences. Because of the nature of our work, where the required skills are learned over many years, we are proud to report that more than 34% of our employees (2022) are over the age of 50.

We fully value and leverage these differences to ensure that creativity and innovation can flourish. Our commitment to inclusion and diversity is described in the Group's Code of Conduct, which is subject to approval by the Company's governing body. The diversity policy is also part of the Remuneration Committee agenda. The activities of the Remuneration Committee include, inter alia, ensuring and regularly reviewing the structure and composition of the managing bodies in order to reflect professional experience, technical knowledge, managerial skills, and other requirements.

As of 31 December 2022, Colt CZ employed 698 women, which translates to 31.7% of the total workforce. The Company generally seeks to fill vacancies by considering candidates that bring a diversity of (amongst others) gender, and it is noted that the selection of candidates is based on merit. There have been, and may be, pragmatic (industry-related) reasons – such as other relevant selection criteria and the availability of suitable candidates – that have impacted the achievement of greater gender diversity, especially at the senior management and board level. As of 31 December 2022, women were not represented on Colt CZ's Board of Directors, however, they did make up 33% of the Supervisory Board.

Case study:

We value experience:

“General George W. Casey, Jr (Ret.) has been member of the Board of Directors of CZ-US Holding, a Colt CZ subsidiary, since 2021. He served 41 years in the U.S. Army, including as the 36th Army Chief of Staff from 2007-2011. From 2001 to 2007, he commanded the Multi-National Force – Iraq. He is widely credited with restoring balance to a war-weary Army and leading the transformation to keep it relevant in the 21st Century. He is a stalwart advocate for military families, wounded soldiers, and survivors of the fallen. He also serves as a member of several advisory boards for companies engaged in robotics, resilience, and supporting veterans. Gen. Casey is a member of the Compliance and Ethics Committee of the Group, which supervises ethical and anti-corruption matters, together with CSR and philanthropy activities.”

5.2 Employment Practices

Employee structure by gender and country	2022	2021
Czech Republic	1,627	1,623
Male	1,109	1,086
Female	518	537
US	431	433
Male	319	316
Female	112	117
Canada	123	134
Male	81	90
Female	42	44
Sweden	17	0
Male	11	0
Female	6	0
Other	7	6
Male	7	6
Female	0	0

Source: Colt CZ Group consolidated data

The Company’s managing body includes representatives of different nationalities and countries, reflecting the Group’s global focus. At the end of 2022, the youngest member on the Board of Directors was 29 and the most senior member was 67 years old. The members of the Board of Directors have a variety of professional experience and expertise ranging from defense, industry, arms and accessories, and manufacturing to finance, business, law, administration, and politics.

Many senior management positions in the Group are taken by women. Below are examples of women in senior leadership roles across the Group:



Case study:

Women in leadership

“The CFO Club, Czech Republic, brings together more than a hundred financial directors of important companies in the country. It has been organizing the Financial Director of the Year since 2005. CZ Financial Director Tereza Kohlerova was among the four best CFOs recognized by the Club for creating economically sustainable value for shareholders, increasing internal productivity, and preparation and implementation of the Company’s 2025 transformation plan.”

5.2 Employment Practices



“JoAnne McCormick serves as President and CEO of Colt Canada. She has over 23 years of experience managing businesses. JoAnne joined Colt Canada in 2019, and since then, has been integral to the continued modernization of Colt Canada, setting it up for future growth. She works with the Canadian Leadership Team developing Colt’s future strategy, while working on optimizing its current operations.”



“Jillair Kubish is the Executive Vice President of global Military & Law Enforcement Business Operations at Colt’s Manufacturing Company LLC/Colt Defence and also acted as the global Chief Compliance Officer for Colt CZ Group. She is a member of the Group’s Compliance and Ethics Committee, which supervises ethical and anti-corruption matters, as well as CSR and philanthropy activities, inter alia.”



“Jana Matouskova is the Head of Group Finance at Colt CZ Group SE. She is responsible for managing and supervising finance at the Group level. After being an external auditor for more than 20 years at one of the Big Four accounting firms, Jana joined Colt CZ in 2021 and has played a crucial role in setting up processes and consolidating Group accounts after the acquisition of Colt companies. For sustainability reporting, she is responsible for the environment pillar with reporting and planning, budgeting and managing sustainability related to CAPEX.”

On 20 October 2022, International Arbor Day, Jana Matouskova joined the planting of a descendant of the famous St Wenceslas Oak at the pilgrimage church of St. John of Nepomuk at Zelena Hora, which has been a UNESCO World heritage monument since 1994. She and other participants helped to renew a parkway and planted thirty-eight trees that included oak, linden, apple, cherry and maple.

5.2 Employment Practices

We continue to support various initiatives that revolve around health and well-being, inclusion and development of talent. Although we try to support people with disabilities, it is not always possible to fill vacancies because of increasing emphasis on safety and risks associated with our business activities. As a result, we were not able to fulfil the required quota of employing 4% of people with disabilities at CZUB in 2022. Instead, we supported companies that do.

In our Canadian operation, the Accessibility for Ontarians with Disabilities Act and other Human Rights legislation requires that reasonable accommodation be made when the reason for said accommodation is due to protected grounds (e.g., disability, family status, etc.). Related processes and expectations are outlined in our disability management policy & procedure.





5.2.5 Fair and equal pay

Our remuneration policy is designed to encourage employees to deliver on our purpose and strategy, as well as to create stakeholder value, and to motivate and retain them. We are committed to ensuring equal pay for equal work. In the Czech Republic, we are following the stats closely and undertaking regular reviews, including benchmarking against external data, and implementing a corresponding grading system with limited leeway for deviations. If possible, we allow for part-time contracts, with 25 employees who took advantage of this offer in 2022.

In the US, we use internally developed benchmarks, while in Canada we conduct pay equity reviews and assess all positions based on standard criteria and set wage bands. All new hires are assessed using the same criteria and must be paid within the established bands.

Voluntary employee turnover in our largest Czech operations, CZUB, traditionally remains in the low single digits, although some redundancies in 2022 were related to implementation of our long-term transformation plan. At the same time, however, we have recruited 34 new employees to support other areas, such as sales. At the moment, we do not use agency workers in the Czech Republic.

We pride ourselves in being a family-oriented company. At CZUB, we support and celebrate our employees' important milestones.

We offer paid leave on special occasions, such as for the birth of child or a wedding, and make financial contributions for care of a newborn or a funeral when one of our employees passes away. We provide support for our employees above the minimal legal requirements. For example, we offer a range of benefits in CZUB, including 25 days of annual leave and contributions towards medical treatments, meal vouchers and mobile phone bills.

In the US, we pay above minimum wage, and benefits include 14 days of paid leave each year, fully-funded health insurance plans, HSA contributions, dental insurance, life insurance, AD&D, short- and long-term disability insurance, telemedicine services and an employee assistance program (<https://czusa.millercares.com/>).

Total number of employees	2022	2021
Full-time	1,960	1,954
Part-time	242	235
Contractors	3	7
Total	2,205	2,196

Source: Colt CZ Group consolidated data

Case study:

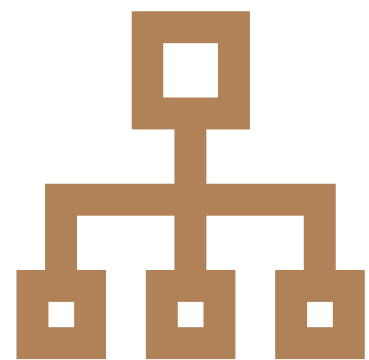
CZUB Benefits:

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

- Subsidized 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 Labor Code*
- Severance pay above Labor Code requirements, contribution to pension insurance, additional days off above the Labor Code requirement – sick days*
- Paid days off above the Labor Code requirement and unpaid days off above the Labor Code requirement*
- Financial contribution towards a child's educational expenses and additional compensation for afternoon shifts above the Labor Code requirement*
- Additional compensation for night shifts above the Labor Code requirement and overtime compensation above the Labor Code requirement*
- Additional compensation for weekend shifts above the Labor Code requirement and additional compensation for demanding work conditions above the Labor Code requirement*



5.3 SOCIAL RESPONSIBILITY



Goal: Improving the lives of those who are less fortunate or in need of aid and supporting communities that we impact through employee volunteerism, charitable contributions, and sponsorships.

Action Plan:

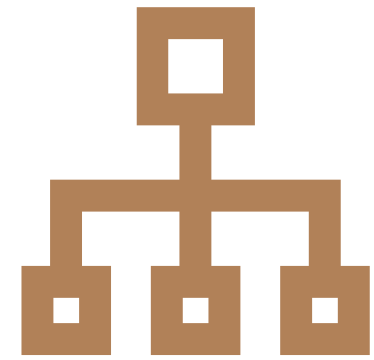
Support active members of the armed forces and veterans, together with their families, to improve their mental and economic well-being. Engage with local governments and non-profit organizations to improve the standing of their communities and seek to employ local suppliers and sub-contractors.

How we will do it:

We will actively engage with communities where we operate and provide support through volunteering, internships, and donations. We will also lend a helping hand to beneficial charitable projects, non-profit organizations, foundations, interest groups, sport clubs, gamekeeping, members of the armed forces, the police and the fire brigade.



5.3 Social responsibility



In 2022, the Group contributed a total of **CZK 11.8 million** to charitable activities. Some of the key projects supported by Colt CZ include:

Auctioning limited-edition firearms for charities

We support selected charities by providing limited-edition pistols for auction. In 2022, we collected over CZK 7.5 million, which was distributed, among others, to the Military Solidarity Fund, the Police and Firefighters Foundation and the collection account of the Embassy of Ukraine in the Czech Republic for support of the Ukrainian army.

In April 2022, the Company donated a limited-edition CZ 75 TOBRUK pistol to a charity auction to help Ukraine. The auction was organized by the Freedom to Ukraine initiative, in cooperation with Forbes magazine. The proceeds of CZK 5 million (EUR 204,000) went to the collection account of the Embassy of Ukraine in the Czech Republic. The limited-edition CZ 75 TOBRUK pistol was created to mark the occasion of the 80th anniversary of the fighting of

Czechoslovak soldiers in Tobruk (21 October 1941 – 10 December 1941). This unique edition commemorates the 739 members of the Czechoslovak Infantry Battalion 11 - East, who in the autumn of 1941, under the command of Lt. Col. Karel Klapalek, along with other Allied troops, joined in the defense of the Libyan port city of Tobruk besieged by German-Italian troops.

In October 2022, to commemorate the centennial of the Order of the White Lion, the Office of the President of the Republic commissioned a limited hand-engraved, 100-piece edition of the legendary CZ 75 pistol from Česká zbrojovka as a proud, long-term partner of the Czech Armed Forces. Due to the high-demand for limited, hand-engraved special editions pistols by CZ, the Group gave its worldwide customer base an opportunity to obtain the CZ 75 Order of the White Lion by making it available for purchase through an NFT (non-fungible token) auction for the first time in the history of the company. The proceeds of CZK 850,000 went to the endowment fund of the President of the Czech Republic Milos Zeman and will contribute to the operation of non-state facilities that provide children with temporary family care, instead of institutional care.

In November 2022, a set of two hand-engraved pistols from the Tribute to Legends limited edition that commemorates the merger of Česká zbrojovka and American Colt – a CZ 75 and Colt 1911 -

was auctioned through the Kodl Gallery in Prague. The proceeds of CZK 1.7 million were donated to the Military Solidarity Fund, the Police and Firefighters Foundation and to the collection account of the Embassy of Ukraine in the Czech Republic for support of the Ukrainian army.





Scholarships to spouses and children of America's fallen and disabled service members

In the US, Colt's Manufacturing Company LLC supports Folds of Honor, a nonprofit organization dedicated to providing scholarships to spouses and children of America's fallen and disabled service members. It also supports Habitat for Humanity North Central Connecticut by providing funding and voluntary work. This is a nonprofit organization dedicated to eliminating substandard housing locally and worldwide through constructing, rehabilitating, and preserving homes; by advocating for fair and just housing policies; and by providing training and access to resources to help families improve their conditions for shelter.

5.3 Social responsibility

Back-to-school with Waterloo Regional Police

In Canada, we cooperate with Waterloo Regional Police, which hosts annual Backpack Challenges that help assist and prepare youth organizations and children in the Waterloo Region for the back-to-school season. Colt Canada has supported this initiative for the past few years by collecting and donating new school supplies, including backpacks, lunch bags, and other school supplies. Overall, Colt Canada has donated over 80 backpacks and multiple school supplies. Our participation in the Backpack Challenge helps contribute to building strong community ties and furthering our professional relationship with the Waterloo Regional Police. We also support The Food Bank of Waterloo Region, which provides food and other vital support to people in need in the Waterloo Region. Colt Canada has supported this organization and its initiative for the past few years with its donations of non-perishable food. Our participation helps advance our mission of building strong community ties.

Blood Donations

CZUB has been a long-standing supporter of blood donations, rewarding our staff with vouchers. In 2022, two of our employees were recognized by the Red Cross for making more than 250 donations, as well as by the local hospital for donating blood more than 100 times. CZUB was a general partner of regional sports and the music festival “Slovácké léto”, which includes philanthropic activities, such as encouraging registrations for the donation of plasma.

Improving the local environment

We actively engage in activities that aim to improve the local environment. Employees in CZUB participated in the Czech Republic-wide initiative “Let’s clean Czechia”, where they collected waste and contributed to keeping the town clean.

CZ-USA supports the following wildlife conservation organizations by providing funding, products, public seminars and more: Costal Conservation Association; Pheasant Forever & Quail Forever; Missouri Conservation Federation; and National Wild Turkey Federation.

We also support the “A Girl & A Gun” Shooting League, which is a ladies-only organization established by women shooters for female pistol, rifle, and shotgun shooters. The league is designed to help novice shooters reach whatever skill level they wish to achieve and provide experienced shooters with more shooting opportunities. CZ-USA donates guns and provides funding each year to support this cause. CZ-USA also supports the Scholastic Shooting Sport’s Foundation. CZ-USA has been a partner of the SSSF, which is an educational-athletic organization dedicated to providing shooting sports education and opportunities to school-age youths around the USA, encouraging personal development and growth through shooting sports.

Supporting Sport shooting excellence

Colt CZ has been a long-standing supporter of shooting sports and their associated competitions, international championships, IPSC and USPSA organizations, and its own shooting teams. We produce firearms specifically designed for sport shooting competitions, with the highest performing sport firearms from our range being semi-automatic pistols designed for competing in IPSC events.

Link to Instagram and FB

<https://www.instagram.com/czshootingteam/>,
<https://www.facebook.com/czshootingteam/>

Our shooting teams in Europe and North America champion CZ firearms. The CZ Shooting Team is a very successful team made up of elite sports shooters, who compete under the wings of CZUB:

Four Gold and one Silver:

In December 2022, the 19th IPSC Handgun World Shoot Championship was held in Pattaya, Thailand and featured 1,600 of the world’s best shooters from 50 countries around the globe. The CZ Shooting Team recorded the greatest success in its history by dominating two of the three main divisions. Members of the CZ Shooting Team took home a total of five medals in the individual competitions - four gold and one silver – and placed second and third in the team competition.

5.3 Social responsibility

Three Gold and one Silver:

In July, the 2022 World Police & Fire Games (WPFG) was held in Rotterdam, the Netherlands. Personnel from police, fire, customs and corrections services from all over the world competed in a total of 62 disciplines. Two members of the CZ Shooting Team took part in the Police Action Pistol (PAP) discipline, which is similar to sport shooting according to IPSC rules. The result? Three gold medals and one silver.

Four Gold and one Bronze:

In July 2022, the 14th edition of the European Championship Combined Game Shooting Final (FITAC) took place at the TAV Piancardato sports club shooting range in the Italian village of Collazzone, which is located within the province of Perugia in the Umbria region. The Czech national team took home a total of five medals - four gold and one bronze. All Czech competitors used CZ 527 Varmint centerfire rifles.

Five Gold, two Silver and three Bronze:

In June 2022, members of the CZ Shooting Team won 10 medals at the Extreme Euro Open, held at the IPSC Znojmo shooting range in the Czech city of Hodonice. The Extreme Euro Open is a practical shooting competition that's in accordance with IPSC Level III matches. It is one of the biggest and most difficult competitions of the shooting season.

Division PRODUCTION Overall

1. Eric Grauffel (FRA), CZ Shooting Team	100%
2. German Romitelli (ARG), CZ Shooting Team	95.32%
3. Aeron Jhon Lanuza (PHL)	93.43%
4. Michal Štěpán (CZE), CZ Shooting Team	93.28%
8. Ljubiša Momčilović (SER), CZ Shooting Team	90.88%
11. Miguel Ramos (PRT), CZ Shooting Team	88.61%





Case study: Colt Shooting Team:

Justine Williams: Member of the Colt Shooting Team, 28-time National Champion

*I began shooting competitively with my family at the age of nine and quickly grew to love the sport of competition shooting. For the past nine years, I have been lucky enough to make my dreams come true. I compete in a variety of shooting sports, some of which include USPSA, IPSC, IDPA, PCSL, and Steel Challenge. I have 28 National Champion titles, but my greatest accomplishment is placing **second overall at the 2022 USPSA PCC Nationals**. Competing with men, and placing well, has always been a dream of mine and now that has become a reality.*

For the past three years, I have been fortunate enough to call Colt my shooting family. I chose to join and compete with Colt because not only do they produce quality products, but the legacy they have created for well over a hundred years gives me inspiration to continue making history with that legacy.

Justine Williams recorded an impressive eleven major wins for Team Colt at action shooting sports competitions in 2022.

Jalise Williams: Member of the Colt Shooting Team, 18-time National Champion:

I joined the Colt team back in 2020 and found a family there that I didn't know I was missing. They have supported me so much in the last three years in chasing my dream of being a pro shooter. Colt is a legendary company that pursues the balance of preserving history and still making history. It's important for me to be part of a company that safeguards its roots, while still innovating. I mainly dedicate myself to USPSA, but I have been expanding my horizons to other shooting sports, including IPSC, IDPA, UHRC, and Multigun. With Colt's ever-expanding list of firearms, there are more competitions for me to shoot and dominate.



5.3 Social responsibility

EG-CZ Academy to develop the sport of shooting and promote gun safety:

In December 2022, a brand new multifunctional indoor shooting range, the EG-CZ Academy, had its grand opening in the picturesque town of Quimper in the French province of Brittany. One of the world's most sophisticated facilities of its kind, its design and construction was a joint effort between CZUB and Eric Grauffel, a sport shooting icon and nine-time IPSC World Champion. The EG-CZ Academy is the first officially approved, professional sport shooting center in France. It offers a multifunctional shooting area, where visitors can choose from five shooting ranges, which together offer an area of 1,740 m². Visitors can try shooting at reactive and steel targets or shooting according to the international IPSC rules. Part of its educational activities is an online course for recreational and competitive shooters, with Eric Grauffel as the instructor. The main goal of the academy is to not only help develop the sport of shooting and its introduction to the general public, but also to spread awareness of gun safety.



6. PRODUCT: EMBED INNOVATION, RELIABILITY, AND DURABILITY INTO THE DNA OF OUR PRODUCTS AND PROCESSES



Our Ambition

Using innovative technologies to produce reliable, resilient, and durable products, and fostering enduring relationships with our customers.


6.1 PRODUCE INNOVATIVE AND HIGH-QUALITY PRODUCTS THAT OUR CUSTOMERS CAN RELY ON IN ANY SITUATION

Goal: Through investments into innovation, including design and manufacturing processes, and rigorous testing. To deliver products that are technological and functional class leaders in their respective categories in terms of safety and reliability, performance, quality and durability.

Action Plan:

Dedicated investments to improve product quality and processing, including design, manufacturing, and testing. Specifically, we aim to:

- ▶ Continuously invest in strengthening the overall robustness of our testing process to prevent potential product failure and harm to users or employees
- ▶ Support the sharing of knowledge and best practices across the Group where possible and as necessary
- ▶ Strengthen collaborations with external partners, such as universities, to access and quickly utilize new technologies and solutions to improve the quality and safety of our processes and products
- ▶ Meeting and anticipating our customers' priorities through extensive communication and utilizing new digital technologies

Impact	Goal	Actions
 Product quality, safety & innovation	Improve the quality, safety and durability of our products Minimize harm to the environment, employees, customers, and users	Minimize harm to the environment, employees, customers, and users

We will be training our employees on ESG to increase their awareness of these topics and the Group's commitments.

6.1 Produce innovative and high-quality products that our customers can rely on in any situation

How we will do it:

Deploying innovation for an improved user experience and greater safety is at the center of everything we do. As we aspire to be the leading small arms manufacturer, we believe that we need to focus on execution, prioritizing safety and quality, supply chain reliability, and a more flexible operating model. All supported by a culture of accountability, empowerment and strengthened technology talent and capabilities. We are therefore planning significant future investments in our products, competences, production capacities, and people on both sides of the Atlantic. We are working towards strengthening data and informatics to enhance research and testing, as well as operational workflows through integrated technology infrastructure. We do this by leveraging our internal knowhow as well as obtaining additional knowledge through collaboration with technical universities, research institutions and third parties.

While improving customer satisfaction, our investments in innovative technologies will also optimize our processes, reduce inefficiencies, and generate cost savings and sustainability synergies, including environmental benefits.



6.1 Produce innovative and high-quality products that our customers can rely on in any situation

6.1.1 Focus on R&D

The Group's ability to innovate is crucial to its business, with technology leadership forming one of its key competitive advantages. Our research and development (R&D) teams consisted of 117 full-time employees in 2022. The teams were located at CZUB, Colt in West Hartford and CARDAM in Prague, with the latter facilitating systematic cooperation of the Group with academia and gaining access to cutting-edge scientific knowledge, especially in the field of material research.

We are investing in a new R&D development and testing facility at both CZUB and Colt WH, together with a significant investment planned in Colt Canada. Each of these centers will have a floor area of more than 1,000 sq.m. and will include prototype workshops, laboratories e.g., for climate and dust tests, as well as a shooting range to facilitate complex testing at early stages of the product development process. As a result, these new R&D centers will improve testing and guarantee that our products meet the highest level of safety standards. They will further protect the health and safety of employees who test and develop products by e.g., filtering corrosive gases, powders, and lead projectiles from the environment. Testing and ensuring that our products function with non-toxic munitions is an essential priority in our development process.

Our R&D focuses on improvements to the reliability, functionality, quality, safety, and durability of products. We also work to address the industry and technology trends towards a higher degree of product customization and personalization, shorter product life cycles, modularity of design, the use of new materials and new production technologies, such as metal injection molding (MIM) and additive manufacturing, and the integration of optical targeting systems and electronic systems. The core competencies of the Group's R&D include:

- (a) Product development, product development management with an emphasis on regular updates of the product portfolio, and modularity of design.
- (b) Applied research and development of new technologies and materials, such as metals, polymers, and composites, as well as coating systems and manufacturing processes associated with them e.g., additive manufacturing.
- (c) Development of procedures and algorithms for mathematical simulations to optimize their properties and shorten the new product development process.
- (d) Industry 4.0, which is built around the concept of cyber-physical systems and combining mechatronic systems and digital services, including robotics and automations, automated communication, digital design and production management, automated reporting, gradual smart connection of key production processes, digital tracing of product life and digitalization.

In 2022, the Group's research and development expenditure amounted to approximately CZK 226 million, which is the equivalent of about 1.5% of annual turnover. **We plan to increase annual investments to improve the quality, safety & durability of our products by deploying technologies that minimize harm to the environment and people, including our workers and those who use our products.**

6.1 Produce innovative and high-quality products that our customers can rely on in any situation

6.1.2 Investments in new technologies to improve efficiency, minimize errors and support sustainability goals

We continue to replace outdated technologies and machinery with new equipment that is more efficient, precise, and environmentally- and worker-friendly. At CZUB, we reduced the proportion of conventional machines to machines using computer numerical control (CNC) technology, in favor of CNC machines. The manufacturing process with CNC machines is considered to provide greater precision, complexity, speed, flexibility and repeatability. This ultimately results in fewer defects in the manufactured products and elimination of human error. Due to simulations and repeated optimizations of the manufacturing process, we use and waste less material, which make a positive contribution to our environmental goals.

Case study:

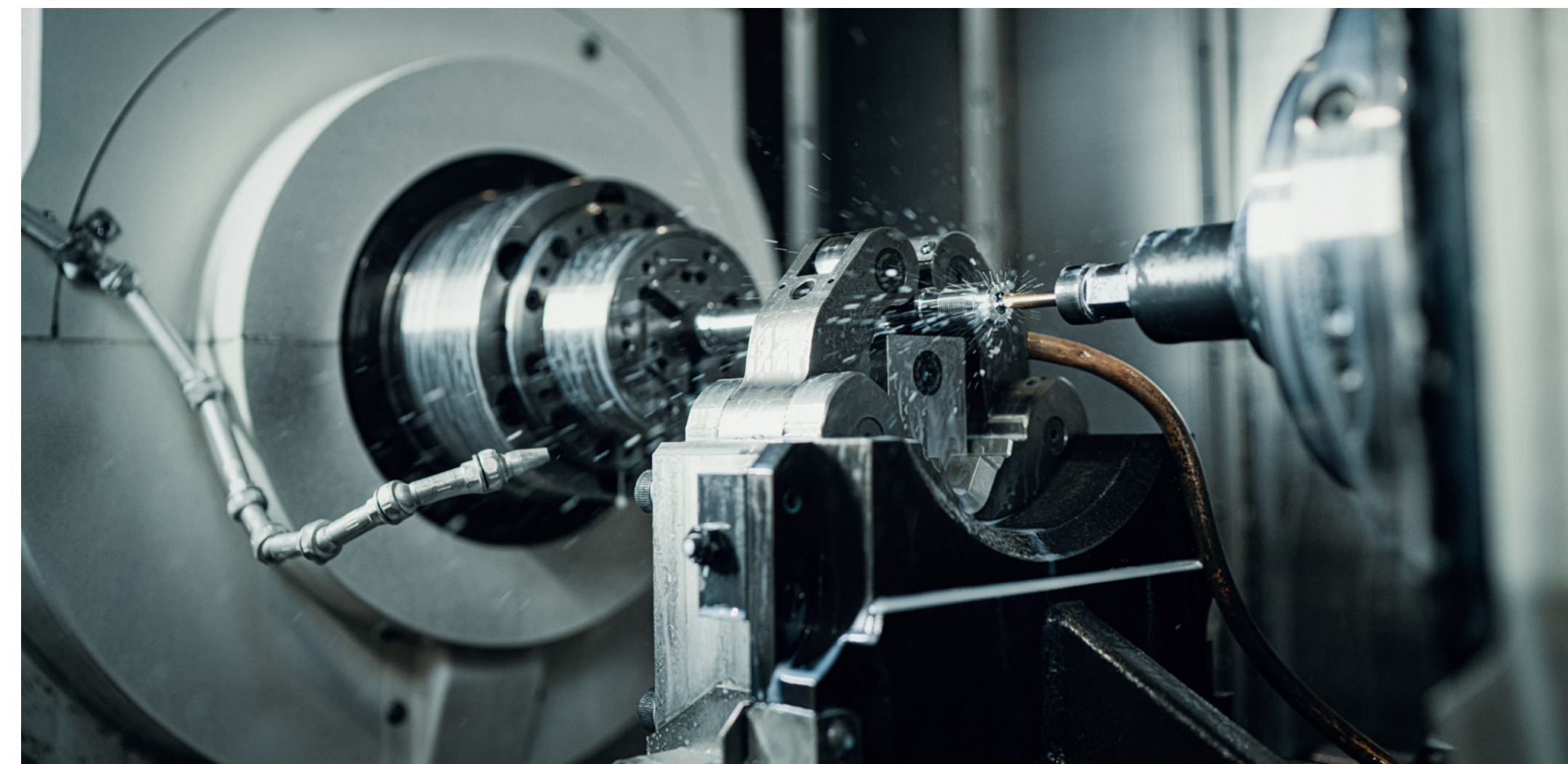
The barrel is the soul of every weapon

“Perhaps all engineering companies, whether they produce trams, water pumps or steam turbines, share an emphasis on one key factor – precision. CZUB places great emphasis on the high quality of machined parts. One of them is the gun barrel, which is among the most stressed components of all Colt CZ Group products. They directly affect key parameters of the firearms, such as accuracy, durability and muzzle velocity. A cylindrical chromium-molybdenum steel blank is the first to go to the cutting shop, where a central hole is drilled into its axis. It is then brought to a very important machine called a forger, where a mandrel is inserted into the hole and four hammers give blows to the exterior of the blank with 40 tons of force to form the barrel bore. Precise grooves in the bore, which are different for each caliber, spin the bullet after firing, which stabilize it during flight to the target. Without rotation of the bullet, it would not be very accurate. The barrel is the soul of every firearm. Top machines from the Austrian company GFM are used in the CZUB factory to forge up to an estimated 150 kilometers of barrels each year for short, long and military firearms, which are designed for hunting, sports, self-defense and professional use. The longest barrel produced in the Uhersky Brod factory is 660 mm long and is designed for the CZ TSR (Tactical Sniper Rifle) model, which is for users requiring maximum accuracy and the absence of compromises. The shortest barrel, with a length of 85 mm, is for the super-compact CZ P-10 M pistol, an ideal weapon for self-defense and concealed carry. By mastering the barrel manufacturing process, and employing the latest manufacturing technologies, we can ensure the highest level of safety for our users.”

6.1 Produce innovative and high-quality products that our customers can rely on in any situation



In 2022, we invested in inspection and metrology laboratories. We also acquired a Werth ScopeCheck S 3D-CNC multi-sensor coordinate measuring machine, which measures all rotary parts made in the tools workshop, and a 3D SMS Global S coordinate measuring machine, which expands the measuring accuracy of our mass production activities. In August, we further modernized our machinery portfolio with a CNC Walter grinder. Thanks to this machine, we can produce important tools in-house, better control quality and reduce dependence on external tool suppliers. Furthermore, we can reduce impacts associated with the provision of these tools from our supply chain.



Modernization of the CZUB foundry started in 2018, with completion planned for 2024. The project was divided into 6 stages. The construction of newest part of foundry – coating plant was finished in 2021. In 2022, the stage no. 3 commenced when we finished tuning of the whole coating process at the new production line and with the new casting.

With this project, we want to expand the foundry's productivity, increase the quality of castings, eliminate the use of alcohol/ethanol and improve its existing technologies. We also want to provide the option to manage temperature and humidity levels in the wax plant and coating plant, thereby improving our work environment.

In addition to significantly increasing our output capacity, we have also improved casting quality and are using environmentally-friendly (water-based) materials in the manufacturing of foundry shells. We are also producing less waste, as we have fewer defects and scraps.

6.1 Produce innovative and high-quality products that our customers can rely on in any situation

6.1.3 Quality Management Systems (QMS) - Ensuring the highest quality of our products

Our customers expect our products to adhere to the highest standards of quality. We are committed to ensuring product quality and safety, and have complex systems in place to make sure we deliver on our commitment. The main guiding documents are **our Security Strategy 2021-2024, Quality management policies (QMP) and quality manuals, accompanied by internal directives**, such as safe handling of firearms and ammunition, import and transport of firearms and ammunition, process capability analysis, monitoring and measurement of inputs, production and output controls, testing guidelines and management of non-conforming products.

Our QMPs and QMSs are reviewed at least once a year and information about the QMS, and its effectiveness, is disseminated to all employees through bulletin boards, company and departmental meetings, e-mail and other means of communication. As quality is the key objective of the Company, KPIs are set and continuously reviewed, and expectations are communicated through all levels of the Company. QMPs are approved by top management and local CEOs, with clearly defined roles and responsibilities, and KPIs are set for all relevant employees. We regularly monitor key product safety and quality statistics and share them with our employees, together with corrective or improvement actions and relevant trainings.

All of our quality and safety policies are communicated and always available to our employees for access and guidance. We inform the public and key stakeholders about any potential, significant safety issues that include, if required, voluntary product recalls.

All of our facilities are ISO 9001 certified for quality management, demonstrating that we are taking due care in maintaining high standards, reducing the chance of product faults, recalls or service shortcomings, and ensuring our customers can trust our products. We also hold industry specific certificates, such as Production Organization Approval to produce aviation units as per Part 21, Subpart G, Maintenance Organization Approval for the maintenance of aviation units as per Part 145, and Certificate of Quality Management System compliant with Czech Defense Standard ČOS 051672 (NATO standard AQAP 2110). We also subject our firearms to testing under the Permanent International Commission (C.I.P.) program for testing of firearms, and even those that are exported to countries outside C.I.P. Our customers and regulators conduct regular audits at our sites. None of the audits identified any significant instances of non-compliance in 2022.

6.1.4 Safety and reliability - Improving testing

We invest in the latest testing technologies to protect our employees and customers from harm. The more robust the testing process, the more likely it is that we will detect hidden defects and thus prevent the sale of a potentially defective product to the end user. We strive to adhere to the highest standards of safety of our products and we go well beyond the minimum legal requirements. Our goal is to carry out robust product safety controls above those required by law.

The proof testing of specified firearms is a process of determining whether a specified firearm meets the technical requirements. During the test, a deliberately over-pressured round is fired from a firearm in order to verify that the firearm is not defective and will not explode upon firing. The firearm is then inspected for any flaws or damages and receives a proof mark.

The standard proof test consists of firing a prescribed number of overloaded cartridges that produce at least 25% more chamber pressure than the C.I.P. specified maximum pressure limit for the same cartridge in its commercial version. Voluntarily testing beyond the current legally required standard test benchmark is often carried out for consumers who intend the use their firearms under extreme conditions, such as the army or police.

6.1 Produce innovative and high-quality products that our customers can rely on in any situation

In the main European markets (C.I.P. members), all guns must be proof fired and marked with the appropriate test mark.

Currently, we still shoot some so-called "hand-held" products, so in the event of a defect in the firearm, there is a possibility that the shooter's health will be at risk. At the same time, the physical effort and noise associated with shooting could be eliminated by investments in testing equipment. There are many ways to increase the safety of testing and we are exploring our options. For example, we use shooting stands when testing short arms produced in batches. These devices significantly reduce the transmission of mechanical loads to the shooter when a shot is fired. We plan to continue this activity by gradually introducing fully automatic shooting ranges.

Part of our "Virtual Testing" project in CZUB is aimed at understanding the properties of materials and how they behave under impact stress. We can then create models that describe and simulate the properties of various materials, depending on the type of loading put on individual parts and the structural characteristics of the firearm. The aim is to increase the accuracy of our predictions, regarding a firearm's service life and resistance to drops, thereby

making it possible to significantly reduce the number of tests required to practically verify the durability of a firearm prototype.

Case study:

Significant characteristics (SC) are product and process parameters that can affect fit, function, performance, durability, customer satisfaction and manufacturability. Critical characteristics (CC) are product and process parameters that can affect safety and violation of government regulations. Critical characteristics (CC) are subject to a more stringent testing procedure. At CZUB, we have introduced SC and CC as a mandatory part of the firearm assembly process, as well as in critical production operations, for the entire product portfolio.

6.1 Produce innovative and high-quality products that our customers can rely on in any situation

Case study:

“Firearm verification department at CZUB:

Wear analysis in 4K resolution. As part of the modernization of firearm testing systems, we have purchased a new Keyence digital microscope to identify even the smallest signs of wear and prevent future failure. We have also placed an order for a new ballistic radar and trigger resistance testing equipment. At the same time, we are conducting a feasibility study for the next phase of investments in new technologies that would include, for example, equipment for advanced climate tests.”

In order to protect the safety of our customers, and demonstrate our commitment to the highest standards of quality, we immediately initiated a voluntary product recall when a safety issue was identified. When a recall action is launched, customers can check the serial number of their product on our website to see if the recall concerns their product and how to proceed. We are making every effort fix the issue and quickly return the firearm to our customers.



6.1 Produce innovative and high-quality products that our customers can rely on in any situation

6.1.5 Deploying Digital Technology

Where finished products are concerned, we focused on digitization of the checks and testing results to improve our ability to quickly and more reliably analyze opportunities for improvements in both mass production and the development of new products.

The "Output control and packaging" department is the last workplace where we carry out our final activities before sending products over to the dispatch warehouse and then into the hands of our customers. We have a wide, continuously expanding product portfolio. In order to make the process more efficient and minimize errors, we have installed an automated conservation line at CZUB, featuring a checking and packaging station utilizing the Poka Yoke (error prevention) solution as part of the Pick to Light/Put to Light technology, including paperless operations, which benefit the environment as we reduce consumption of natural resources.

By reading the barcode affixed to each firearm, workers gain access through the InduStream system to the product's documentation and other necessary information, evidence work carried out, and if required, record flaws and send for repair and additional testing. Similarly, the system is also used at the firearm testing range, using programs for testing and archiving all results.

Pick to Light/Put to Light technology, which is a light signaling system that knows the complete list of parts and the order in which to pack them, is linked to InduStream, thereby ensuring compliance with the technological process during packaging. In practice, the bar code tells workers what parts to pick from the packing station. At the same time, it monitors whether the item has been removed from the packing rack. If a different item is removed, it immediately

signals an error. Replenishment of the packing table is monitored in the same way. Introduction of this line arrangement of workplaces allowed us to reduce physical stress and errors, increase efficiency, and speed up the entire process.

Product quality risk assessments: CZUB implemented FMEA (Failure Mode Effects Analysis) in order to eliminate weak points or errors. FMEA identifies and ranks each potential risk of failure for each processing step and helps engineering services and management determine how to allocate time and financial budgets to address potential failures.

Quality improvement project at CZUB: There are many causes of poor quality - ignorance, oversight, non-compliance with procedures and other rules, and lack of attention to detail. In today's difficult times, when all input costs have become more expensive, we have to systematically eliminate any reworks and their associated costs. In 2022, we started to measure all repair and correction activities associated with product re-works. In cooperation with IT, we created a methodology for entering corrections into production orders and the application in Power BI for quick analysis of workplaces and products with the highest incidence of repairs.

Transformation project at CZUB: The goal of the transformation project is to improve processes and systems, using innovative technologies to support our growth ambitions. By 2025, our goal is to shorten delivery time to our customers from 3-9 months to 1 month; increase participation in public tenders from 25% to 80%, increase Total Effective Equipment Performance (TEEP) from 40-70% today to 90%; shorten product development time from 2-4 years to 1.5 years; and increase cooperation with external partners.

Case study:

NFT: Connecting CZUB tradition with the digital world:

In December 2022, we launched an auction of NFT tokens that serve as a voucher for the purchase of CZ 75 pistols from the one-hundred piece Order of the White Lion limited edition and proof of their authenticity. Eight more NFTs will now be auctioned. The pistols, handcrafted by master engraver Rene Ondra, are decorated with Czech national symbols in the form of linden leaves and a double-tailed lion. They are the world's first firearm to be authenticated with blockchain technology.

6.1 Produce innovative and high-quality products that our customers can rely on in any situation

6.1.6 ESG impacts of our products

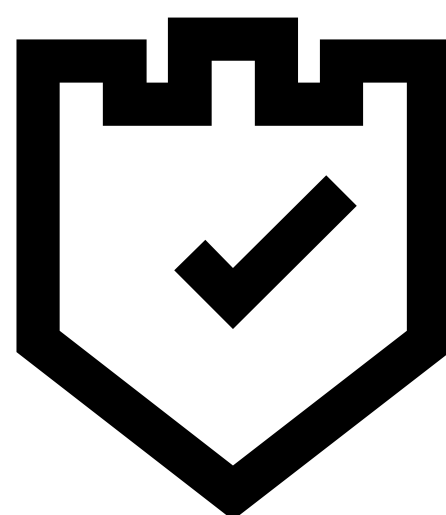
Although Colt CZ Group supplies its products to the armed forces, its portfolio primarily consists of small firearms and accessories. As such, most of the company's revenues are not earned from products that are fossil-fuel-powered equipment, such as combat vehicles, aircraft, or naval vessels. We therefore believe that much of the carbon footprint generated by our products is associated with sourcing of materials and our manufacturing processes. As a result, we focus our attention and resources on improving energy efficiency and reducing emissions.

We also offer upgrade kits for certain types of firearms and product categories, thereby prolonging their service life.

Colt CZ Group's production program is not associated with any controversial weapons or nuclear deterrence, which are excluded from ESG labelling in most countries. Our products are generally regarded as conventional weapons (source: UN Register of Conventional Arms) as opposed to weapons of mass destruction, which are often referred to as controversial weapons. A key point of focus regarding this class of weapon is the level of control on the impact of the weapon (in space, and in time) when used, and the risk of collateral damage. Controversial weapons include biological weapons, cluster munitions, antipersonnel landmines, nuclear weapons, incendiary weapons, blinding lasers, depleted uranium, and white phosphorus munitions.



7. GOVERNANCE: PROMOTE RESPONSIBLE BUSINESS PRACTICES



Our Ambition

Operating ethically and encouraging our partners to adhere to the same high ethical standards. Our company is fully aware of its responsibility for the positive development of society and conducts its activities in strict compliance with current laws and regulations in all territories where it operates. In addition, it meets its obligation to strictly comply with the principles and rules of moral conduct, ethics, fair competition, cooperation, social solidarity and, last but not least, environmental protection and sustainable development. “

Topic	Goal	Actions
 Business Ethics and Transparency	Conduct our operations ethically, fairly, and in accordance with applicable laws and regulations	Strengthening ethics-related business policies and governance for the Group
 Sustainable supply chain	Establish sustainable supply chain programs to enhance environmental stewardship and social responsibility	Obtain suppliers' commitments to the Group's Code of Conduct Implement a supplier program for key suppliers
 Cybersecurity & Customer Privacy	Protect business-sensitive and personal information by minimizing the likelihood and impact of cybersecurity incidents on our business operations and customers	Strengthening the cybersecurity strategy for the Group Train employees in cybersecurity

We will be training our employees on ESG to increase their awareness of the governance topics and the Group's commitments.

7.1 BUSINESS ETHICS AND TRANSPARENCY

Goal: To further advance the Group's policies and standards, strengthen internal controls and competencies for ethical business conduct, support transparent customer relationships, supplier partnerships, and workplace integrity with the goal to ensure that we conduct our operations ethically, fairly, and in accordance with applicable laws and regulations.

Action plan:

Update and approve ethics-related business policies and governance for the whole Group and introduce education campaigns to enforce the culture of zero-tolerance for bribery, corruption and other unlawful and unfair practices. **We aim to train our employees on the Code of Conduct.**

How we will do it:

We are committed to always upholding our values in doing business correctly, responsibly and transparently, together with making investments to strengthen our practices and supporting systems. All with the goal of having our people and those who work with us adhere to the same high ethical standards.

7.1.1 Colt CZ Compliance Program

In order to put these principles and rules in place, we have adopted our Compliance Program¹⁰, which ensures that the relevant rules are implemented throughout the Group. The Compliance Program also applies outside Colt CZ Group SE, as Colt CZ aims to comply with the relevant principles in all companies that Colt CZ brings into its family.

The rules stipulated in the Compliance Program are not only binding for employees or other persons in the Colt CZ family, but are also expected for all entities cooperating in any manner with Colt CZ. They should promote the same moral values and prove their good will by accepting the rules of the program.

The Code of Conduct is the cornerstone of the Compliance Program and a versatile guideline for defining the elementary standards of conduct. It sets out the fundamental ethical obligations for employees of the Group, which is the obligation to (i) act in line with applicable law, (ii) avoid any acts that may be related to bribery, (iii) avoid any conflicts of interest, and (iv) protect the good standing of Colt CZ. The rules set out in the Code of Conduct¹¹ must be kept in mind as the starting point, especially when facing moral dilemmas.

The basic ethical values in Colt CZ can be summarized as follows:

- (a) We respect the law
- (b) We have zero tolerance for corruption
- (c) We prevent conflicts of interest
- (d) We respect human rights and the freedom of our employees
- (e) We build good internal relationships
- (f) We ensure occupational safety and health, and protect the environment
- (g) We promote quality and encourage innovation
- (h) We respect the rules of competition
- (i) We protect the reputation and property of Colt CZ
- (j) We respect the interests of Colt CZ
- (k) We use “common sense” and follow general principles of moral conduct and good manners

Individual elements of the Code of Conduct are apparent in all subsequent instruments of the Compliance Program, such as specific policies (**anti-corruption, protection of personal data, competition compliance**), instructions and various communication.

To ensure implementation, Colt CZ has a **comprehensive compliance management system**, the aim of which is to respond to cases of non-compliance with legal regulations, requirements, rules, and organizational standards regulating the Group’s business, with standards of good governance and generally accepted practices and values declared by the company, and to respond adequately to identified risks and cases of non-compliance with preventive measures.

Under its compliance management system, Colt CZ’s Board of Directors appoints an employee of the Group as a Compliance Officer. The Compliance Officer is primarily obliged to oversee the proper functioning of the compliance system, (ii) review internal guidelines, (iii) conduct assessments of significant risks, and (iv) deliver measures to prevent instances of non-compliance or acceleration of identified risks to the Board of Directors for approval.

Colt CZ systematically monitors all changes in statutory obligations and compliance therewith. Measures are adopted, and changes are implemented, in the modified compliance rules in consideration of the monitoring results and in accordance with best practices. Colt CZ regularly conducts risk assessment, reviews the rules for the individual areas of compliance, reduces associated risks and assesses the effectiveness of the existing Compliance Program.

Awareness of the relevant persons of the principles, and rules set for the individual areas of compliance, is one of the fundamentals of the Compliance Program. For this purpose, Colt CZ will train all employees and relevant persons correspondingly in all the specific areas of compliance. The training is organized in accordance with the Colt CZ risk profile and is adequate to the level of responsibility of the relevant employee.

¹⁰ <https://www.coltczgroup.com/en/about-us-compliance-program/>

¹¹ <https://www.coltczgroup.com/file/926>

COMMERCIAL CODE OF CONDUCT GOVERNED AND LIMITED BY STRICT CONTROLS AND LICENSE REQUIREMENTS

ADHERENCE TO SAFETY POLICY OF EUROPEAN UNION AND CZECH REPUBLIC AND ETHICS CODE

Firearm or any defense equipment cannot be sold without:

1 LICENSE TO TRADE DEFENCE MATERIAL⁽¹⁾

- ✓ Compliant in material aspects with relevant regulatory framework and oversight
- ✓ Required systems in place
- ✓ Competencies secured
- ✓ Compliant in material aspects with security policy
- ✓ Statutory conditions for maintenance of registration

✓ **Guarantee that product will not be resold**

2 END USER CERTIFICATE FROM CLIENT ORDERING THE PRODUCT

MINISTRY OF INDUSTRY AND TRADE

✓ **Evaluate compliance with security policies**

MINISTRY OF FOREIGN AFFAIRS OF THE CZECH REPUBLIC

MINISTRY OF DEFENCE AND ARMED FORCES OF CZECH REPUBLIC

MINISTRY OF THE INTERIOR OF THE CZECH REPUBLIC

In case of firearms for military and law enforcement customers

3 EXPORT LICENSE

DESCRIPTION OF THE REGULATORY ENVIRONMENT

Colt CZ Group IS SUBJECT TO VARIOUS CZECH, EU AND U.S. LAWS AND REGULATIONS

...that are uncompromisingly followed and complemented by adherence to the ethics code and safety policies



European Union



Manufacturing and trade firearms

- 1 Firearms Directive
- 2 Trade Licensing Act
- 3 Firearms Authentication Act



Handling of firearms

- 1 Czech Weapons Act
- 2 Security Requirement Regulation
- 3 Implementation Decree



Export of non military firearms

- 1 Act on Control Trade
- 2 Control of Trade Regulation
- 3 EU Export Regulation



Export of military firearms

- 1 Act on Trade in Military Materiel
- 2 Regulation on Trade in Military Materiel



United States

THE U.S. MANUFACTURE, SALE AND PURCHASE OF FIREARMS ARE SUBJECT EXTENSIVE FEDERAL AND STATE REGULATION

Gun Control Act of 1968

National Firearms Act of 1934

Arms Export Control Act of 1976

International Traffic in Arms Regulations

Export Administration Regulations

● Legislation of Czech Republic

7.1 Business Ethics and Transparency

The Anti-Corruption Policy provides guidance and restrictions in dealing with the public and private sectors in regard to hospitality, corporate events, gifts and charity. Colt CZ's **Anti-Corruption Policy**¹² is motivated by the following purpose:

- ▶ To describe the Group's anti-bribery and anti-corruption rules in all business operations.
- ▶ To prevent any corruption on behalf of, as well as in, connection with the Group and its relevant persons; to ensure compliance with the requirements of applicable anti-corruption laws whenever the Company is involved in business activities.
- ▶ To enhance the Group's commitment to do business globally in accordance with the strictest requirements for honesty and integrity.
- ▶ To improve and develop the Group's corporate culture, apply best practices and standards of responsible business conduct, including compliance with the Anti-Corruption Policy.

The Anti-corruption policy of Colt CZ sets the main course of behavior of the Groups' employees in relation to corruption activities. Its fundamental principles include:

- ▶ The Group does not tolerate any acts related to providing, offering, promising, accepting or requesting unauthorized benefits in the form of money, gifts or other advantages in connection with business or work-related activities of the respective individual in order to obtain or keep benefits for oneself or a third party.

- ▶ The management of Colt CZ actively acts against any manner of corruption and prevents any suspicious activities that could be labelled as corruption.
- ▶ The Group's employees are obligated to avoid any conflicts of interest, in particular, such conflicts of interest that lie in the participation of the Group's employees in business relations of the Group on the side of the suppliers or purchasers that would result in unfair personal benefit.
- ▶ Accepting or offering gifts, or other similar advantages, exceeding relevant thresholds is forbidden (except for sponsorship and charity activities).

In compliance with the Anti-corruption Policy and other procedures in place, the Group does not finance, and is in no way involved with, any sponsorship that results in obtaining any unlawful privileges or advantages regarding its business activities. All sponsorship and charity-related financial activities of the Group are reflected in a detailed and trustworthy manner in the accounting records; thanks to its charitable contribution monitoring procedures, the Group is able to prove with a reasonable degree of certainty that any contributions made are not concealed bribes. The Group does not finance, or in any other manner support, political parties or their members, including candidates for political posts, election campaigns or political events, or any political organizations or movements.

Number of legal actions pending or completed regarding anti-competitive behavior or violations of anti-trust and monopoly legislation, where the organization has been identified as a participant	2022	2021
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Number of legal actions pending or completed regarding anti-competitive behavior or violations of anti-trust and monopoly legislation, where the organization has been identified as a participant	0	0
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Political contributions		
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Total monetary value of financial and in-kind political contributions made directly or indirectly by the organization	0	0
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Number of substantiated whistleblower cases		
--	--	--

Total number of substantiated whistleblower cases	0	0
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Number of substantiated cases of bribery (per year)		
--	--	--

Total number of substantiated cases of bribery (per year)	0	0
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Source: Colt CZ Group consolidated data

¹² <https://www.coltczgroup.com/file/379>

7.1 Business Ethics and Transparency

The relevant Persons or representatives of the Group, who identify (or find red flags indicating) a violation or a tendency to violate the provisions of this policy or applicable anti-corruption laws by a relevant Person or representative of the Group, or by third parties, must report it using one of the **whistleblowing** options.

The Compliance Officer (CO) is responsible for setting, defining and implementing effective measures to mitigate the risk of corrupt practices in relation to the negotiation of commissions (remuneration) and reimbursement of expenses for sales intermediaries in accordance with these guidelines, and revising and updating them in accordance with changes in legislation and in response to business activities and needs of the Group. Each senior employee shall be responsible for enforcing rules under these internal guidelines in connection with the performance of his/her activities. Each employee is obliged to comply with this internal guideline, report any violations of this internal guideline or any events of non-compliance in accordance with this internal guideline on CMS, and attend regular training sessions and assist the CO in investigation of events of non-compliance.

Competition laws promote, or are aimed at, protecting competition in the market by regulating behavior that distorts competition. **The Competition Compliance Policy¹³** provides guidance for dealing with competitors, suppliers, distributors and customers, and preventing abuse of market position. **The Competition Compliance Policy** is an integral part of the Compliance Program, and it is part of the commitment of Colt CZ to ensure that its business activities are carried out ethically and in compliance with all applicable laws and its own principles laid down in the Code of Conduct in all areas of Colt CZ's operations.

¹³ <https://www.coltczgroup.com/file/380>



7.1.2 Compliance Management System (CMS)

The Compliance Management System is a set of interrelated and interacting policies, rules and objectives, as well as processes to achieve compliance with them, which are based on procedures for the prevention and detection of, and reaction to, any Events of Non-Compliance.

Colt CZ emphasizes that all employees need to be clearly familiar with the contents of the rules, procedures and processes that make up the CMS. The Officer (CO), in collaboration with the Head of Human Resources, is required to ensure that all employees and members of Colt CZ governing bodies:

- ▶ Are kept informed of changes and updates to the internal guidelines
- ▶ Have received training related to the CMS and its individual components at least once every two years, either in person or electronically (e.g., e-learning or video training) or as part of other training. New employees must be familiarized with the CMS as part of their initial training. According to a systematic risk assessment, training can be differentiated in content by individual positions. The training may include a test to verify their knowledge.

Attendance at, and content of, the training must be properly documented, and the documentation must be archived. Each employee is required to attend all CMS training.

The risk management process is used to identify areas where Events of Non-Compliance may occur with varying degrees of intensity. As part of this process, a risk register is compiled, and measures are taken on its basis to reduce the likelihood or impact of an Event of Non-Compliance.

Risk assessment is actively carried out by, and is the responsibility of, the CO, who manages and determines the risk system within the CMS and recommends measures to the Colt CZ Board of Directors for their minimization.

7.1.3 Whistleblowing





Being aware of its obligation to monitor and promote compliance with laws, as well as moral and ethical principles, Colt CZ has implemented a uniform system (**Whistleblowing**) for reporting suspicions of unethical conduct that may be used by anyone (employee, customer, partner, etc.) to report any such conduct.

Conduct considered by Colt CZ to be unethical includes, but is not limited to:

- ▶ Violations of laws, regulations or compliance principles
- ▶ Fraudulent, improper or incorrect accounting books and reports, final statements, falsifying and influencing audits
- ▶ Violations of the rules of competition
- ▶ Conflicts of interest
- ▶ Misuse of trade secrets
- ▶ Conduct promoting or soliciting corruption, or corruption itself
- ▶ Embezzlement of theft of financial assets and/or property
- ▶ Improper conduct in terms of occupational safety, fire protection or environmental protection
- ▶ Falsifying contracts
- ▶ Misuse of information in trade
- ▶ Accepting working conditions that are in violation of the rules of ethical conduct (such as violations of human rights)
- ▶ Providing unethical and false information (in whistleblowing) with a view to cause harm to another person or company

To ensure confidentiality of the whistle-blower's identity, Colt CZ offers the following channels to file a report:

7.1 Business Ethics and Transparency

-  ONLINE PLATFORM:
[HTTPS://WWW.COLTCZGROUP.COM/EN/ABOUT-US-COMPLIANCE-PROGRAM](https://www.coltczgroup.com/en/about-us-compliance-program)
-  E-MAIL: WHISTLEBLOWING@COLTCZGROUP.COM
-  MAIL TO: COLT CZ GROUP SE, OPLETALOVA 1284/37, 110 00 PRAGUE 1, TO THE ATTENTION OF THE COMPLIANCE OFFICER
-  PHONE NUMBER OF THE CO: +420 602 552 479

Colt CZ commits to protect, within its powers, persons who reported unethical conduct in good faith, from any retaliation or any form of discrimination from the reported party. In addition, Colt CZ guarantees that no employee will be retaliated against (dismissal, transfer to an inferior job position, bonus reductions, etc.) for exercising ethical whistle-blower activities.

A similar whistle-blowing program and process has been established in CZUB. In addition, there are physical boxes on the premises of CZUB where employees may submit their reports.

In the US and Canada, employees and relevant persons may address their reports to local compliance officers.

Number of substantiated whistleblower cases	2022	2021
Total number of substantiated whistle-blower cases	0	0

Source: Colt CZ Group consolidated data

7.1.4 Governance Structure /Board Independence

The corporate governance structure of the Company complies with the applicable laws, including the Corporations Act. Under Czech law. The Company is not required to comply with any corporate governance code. Since its listing, Colt CZ has subscribed to the Corporate Governance Code CR 2018 (henceforth referred to as the “CG Code”)¹⁴ based on a comply-or-explain principle, which means that the Company either complies with the CG Code or explains why it does not comply with certain rules of the CG Code. In 2022, the Company complied with all provisions of the CG Code, with the exception stated in the Annual Financial Report for 2022.

The General Meeting is the highest corporate body of the Company. The Company has a dual management system consisting of the Board of Directors and the Supervisory Board. The Board of Directors is the executive body of the Company and represents the Company in all matters and is charged with its day-to-day business management. The Supervisory Board is responsible for

the supervision of the Company’s activities and of the Board of Directors, and resolves matters defined in the Corporations Act and the Articles of Association, particularly in matters with material impact on the value of the ownership interests in the Company. The Supervisory Board may set up committees and sub-committees as its advisory bodies and shall issue rules of procedure of each committee.

As of 2022, there were the following committees at the Company:

- ▶ **Audit Committee**
- ▶ **Remuneration Committee** (the key function of the Remuneration Committee is to ensure integrity and fairness of the remuneration system for senior management of the Group). The remuneration policy and the Annual Remuneration report are published on the corporate website¹⁵ and presented for approval to the General Meeting.
- ▶ **Committee for the Strategic Investments and Acquisitions** (The key task of the Committee for the Assessment of Strategic Investments is to approve and review proposals of the senior management for potential M&A transactions and/or joint venture initiatives, in order to ensure the industrial logic and desired financial benefits for the Group).
- ▶ **Compliance and Ethics Committee** (the Compliance and Ethics Committee oversees the Group’s compliance management and CSR policy).

¹⁴ https://www.mfcr.cz/assets/cs/media/2018_Kodex-spravy-a-rizeni-spolecnosti-CR.pdf

¹⁵ <https://www.coltczgroup.com/file/691>; <https://www.coltczgroup.com/file/692>

Board of Directors

The Board of Directors is in charge of the Company and acts on its behalf. The Board of Directors follows the principles and instructions approved by the General Meeting, if such principles and instructions comply with applicable laws and the Articles of Association. A detailed description of the Board of Directors' decision-making processes and principles can be found in the Articles of Association: <https://www.coltczgroup.com/en/investors-corporate-affairs/> and on page 22¹⁶ in the Annual Financial Report for 2022.

Members of the Board of Directors are appointed and recalled by the Supervisory Board. The Board of Directors elects and dismisses its chairperson and two deputy chairpersons from amongst its members. Currently, the Chairman of the Board of Directors is also the CEO of the Company. This is in line with the Company's laws and articles.

Members of the Board of Directors are subject to a non-competition clause pursuant to the relevant provisions of the Corporations Act. Companies in which members of the Board of Directors have been members of administrative, managing or supervisory bodies or shareholders in the past 5 years is regularly disclosed in the Annual Financial Report.

The Board of Directors shall obtain the prior opinion of the Supervisory Board on any of the following matters:

- (a) Approval of a medium-term consolidated business (financial) plan of the Company
- (b) Approval of the concept of the Company's business operations and any changes thereto (mission, vision, key areas, strategic goals)
- (c) Motions presented by the Board of Directors to the General Meeting for decision, including underlying materials
- (d) Adoption of compliance policies governing the rules of conduct within the Company, prevention of fraudulent conduct, prevention of criminal liability of legal entities, corrective measures, measures for improvement in the field of compliance, risk management, and the internal control system of the Company and the Subsidiaries
- (e) Decisions to engage in activities in the field of corporate social responsibility (CSR), sponsorship, donations and philanthropy in view of the business of the Company and the Subsidiaries, unless approved as part of the Company's annual financial plan

The Board of Directors convenes regularly twice a month. In the pressing interest of the Company, the chairperson of the Board of Directors may also convene an extraordinary meeting of the Board of Directors any time or upon a written request of any of its members. Board of Directors meetings can be attended by any member of the Supervisory Board.

¹⁶ <https://www.coltczgroup.com/file/863>

BOARD OF DIRECTORS

THE FOLLOWING TABLE SETS OUT THE NAME AND PRINCIPAL POSITION OF EACH MEMBER OF THE BOARD OF DIRECTORS.

Name	Position on the Board of Directors/Position in senior management	Commencement of Current Term of Office	Date of Expiration of Current Term of Office
Jan Drahota	Chairman of the Board of Directors/CEO	17 January 2020	17 January 2025
Josef Adam	Vice-Chairman of the Board of Directors/Legal, Compliance and Risk Management Director	1 November 2021	1 November 2026
David Aguilar	Member of the Board of Directors/independent	17 January 2020	17 January 2025
Jan Zajíc	Member of the Board of Directors/Managing Director of CZUB	24 November 2020	24 January 2025
Jan Holeček	Member of the Board of Directors/Group Sales Director	1 July 2021	1 July 2026
Dennis Veilleux	Member of the Board of Directors/Managing Director of Colt	1 July 2021	1 July 2026
Alice Poluchová	Vice-Chair of the Board of Directors	17 January 2020	11 August 2022

Source: Annual Financial Report 2022

Supervisory Board

The Supervisory Board is the control body of the Company and supervises how the Board of Directors exercises its powers and how the Company pursues its business. A detailed description of the decision-making processes and principles of the Supervisory Board can be found in the Articles of Association and on page 22 in the Annual Financial Report for 2022.

The Supervisory Board is the control body of the Company and supervises how the Board of Directors exercises its powers and how the Company pursues its business. The Supervisory Board elects and recalls members of the Board of Directors, decides on remuneration of the members of the Board of Directors and performance to be rendered to the members of the Board of Directors, and approves the manager agreements of members of the Board of Directors. The Supervisory Board shall convene on an ad hoc basis, but at least twice per calendar year.

Members of the Supervisory Board are subject to a non-competition clause pursuant to the relevant provisions of the Corporations Act. Companies in which members of the Supervisory Board have been members of administrative, managing or supervisory bodies or shareholders in the past 5 years is regularly disclosed in the Annual Financial Report

The Supervisory Board may access and view all documents and records concerning the Company's activities and inspect whether its accounting records are maintained properly in accordance with the facts, and whether the Company pursues its business and other activities in accordance with the law and with these Articles of Association.

Name	Position	Commencement of Current Term of Office	Date of Expiration of Current Term of Office
Lubomír Kovařík	Chair of the Supervisory Board	1 July 2021	1 July 2026
Vladimír Dlouhý	Member of the Supervisory Board	17 January 2020	17 January 2025
Jana Růžičková	Member of the Supervisory Board	1 November 2021	1 November 2026

Source: Annual Financial Report 2022

As of the day of this report, only Mr. Vladimír Dlouhý meets the definition of an independent member of the Supervisory Board. Mr. Kovarik and Ms. Ruzicková act on the elected bodies of companies owned by the Company's majority shareholder. Ms. Jana Ruzicková, who is a member of the Supervisory Board, acts as a member of elected bodies in more than four business corporations associated with the Company's majority owner. The Company does not consider such positions conflicting.

Employee involvement and collective agreements

The involvement of employees of the Company is governed by relevant provisions of the Council regulation, the Council Directive, and the SE Act. Within the scope set out by law, the employees of the Company have a right to information and a right to consultation. They exercise this right through a representative body of employees or in another way as may have been set forth in an agreement within the meaning of Sec. 54 (2) of the SE Act stipulating the manner and scope of employee involvement at the Company.

Colt CZ respects its **employees' rights to be members of unions**, and we do not tolerate any retaliation or hostile action towards employees who choose to do so. We respect the core standards of the International Labour Organization (ILO), especially regarding freedom of association and the right to collective bargaining.

Česká zbrojovka a.s.

The subsidiary company CZUB is subject to collective bargaining agreement. The Group provides its employees in the Czech Republic with social benefits, such as travel compensation at rates above those set forth in the applicable labor legislation, contribution to private pension insurance, and above-standard medical care. ZO OS KOVO ČESKÁ ZBROJOVKA a.s. operates as a workers' council within CZUB.

Colt USA

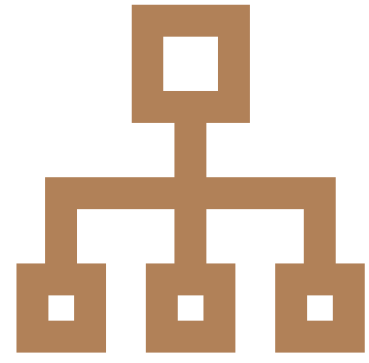
The interests of Colt employees in the US are defended by the United Auto Workers¹⁷, a US union representing workers in the automotive, aerospace, and agricultural industries. The collective bargaining agreement is in effect until 31 March 2022. As of 31 December 2021, the union represented approximately 60% of Colt's US employees. The collective bargaining agreement guarantees employees wage indexation. Colt USA also provides employees with health care benefits and contributions to a health insurance plan.

Colt USA has an incentive program for most of its non-unionized employees that makes the amount of their bonuses conditional on the accomplishment of their individual or collective goals and on the financial results achieved by Colt USA. Colt USA provides a pension plan for its employees.

Colt Canada

Colt Canada is not subject to a collective bargaining agreement. Colt Canada has an incentive program for certain members of management that makes the amount of their bonuses conditional on the accomplishment of their individual or collective goals and on the financial results achieved by Colt Canada. Colt Canada has a defined contribution pension plan for its employees, whereby the employees may make voluntary contributions from a minimum of 1% up to 2.5% of their gross earnings and the employer provides a matching amount. Colt Canada also offers its employees a deferred profit-sharing program.

¹⁷ International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America ("UAW")



7.2 SUSTAINABLE SUPPLY CHAIN

Goal: To establish sustainable supply chain programs to enhance environmental stewardship and social responsibility.

Action Plan:

Establishment of a sustainability suppliers' program, including environmental, legal, human rights, and implementation for key suppliers subsequently.

How we will do it:

The Group and its subsidiaries apply strict verification procedures to suppliers, as well as wholesale and retail customers. Suppliers are asked to accept and adhere to our Code of Conduct. Compliance with the Code of Conduct is regularly monitored and assessed, and non-compliance results in the severing of cooperation with the non-compliant supplier.

In addition, we have public procurement and competition policies in place and supplier development directives. We carry out supplier audits before the start of the cooperation and then every two

years for key suppliers, according to our audit plan. Our focus is on transparency, supplier stability, quality, financial situation, and available references. Information resources are available on the website (US) for our supplier to help them comply with our conditions.

For specific contracts, we require AQAP 2110 –NATO quality requirements providing assurance of the organization's ability to deliver a product that meets the requirements as agreed in the contract with our customer. For military contracts, additional checks and supplier audits are carried out. In the US, responsible sourcing of minerals is a government requirement and is part of our internal supplier policy for our rifle component suppliers.

Responsibility for the safety, health and well-being of individuals is embraced at all stages of the Group's operations, including supply chains. The objective of sustainable supply chain management at Colt CZ is to ensure alignment of our supplier's social, ethical, environmental and safety and health responsibilities with our own sustainability commitments. We plan to proactively manage our supply chain to reduce carbon emissions, mitigate risk and safeguard valuable resources. **We plan to establish a sustainability supplier program and implement it for key suppliers.**





7.3 CYBERSECURITY AND DATA PRIVACY

Goal: To protect business-sensitive and personal information by minimizing the likelihood and impact of cybersecurity incidents on our business operations and customers.

Action plan:

Continuously improve our data and systems security measures and strengthen IT function with investments and trainings. We aim to have 50% of employees trained on cybersecurity by the end of 2023, and 100% of employees trained on cybersecurity by the end of 2024, with regular e-Learning.

How we will do it:

As a global business, we must ensure compliance with various, evolving regulations and standards. In the rapidly evolving environment, we also must closely follow trends and developments in areas of data privacy and cybersecurity. This involves increased levels of investment to meet the competitive demands and evolving regulatory compliance activities in such areas as secure electronic transmission and storage solutions for protected personal

information, financial information, intellectual property, and other sensitive information related to our customers, employees, and partners.

The defense industry is subject to strict privacy, security, and safety regulations about a wide range of information. At the same time, geopolitical conflicts and criminal activity continue to drive increases in the number, and sophistication, of cyberattacks globally. Breaches in the security of our systems could result in the misappropriation or unauthorized disclosure of confidential information, including intellectual property, and subsequently, in substantial costs, including loss of contracts. **We have not recorded any material cybersecurity incidents in 2022.**

Colt CZ continuously improves IT security measures. We are strengthening the IT function to assure IT systems are kept up to date. As part of our cybersecurity measures, we carry out regular testing and engage external auditors in the process to ensure the robustness of our systems. We have a governance structure in place for cybersecurity management, including IT specialists, with regular reporting to regional CFOs. As we are moving towards operating as one company, we are in the process of preparing a group-wide cybersecurity strategy, including key operational principles,

recommendations and rules, employee training, more proactive monitoring, and response system. We are aiming to obtain ISO 27001 in 2024.



Our ambition is to have 50% of employees trained on cybersecurity by the end of 2023 and 100% of employees trained on cybersecurity by the end of 2024, with regular e-Learning.

7.3.1 Data privacy

The Group proceeds to ensure that the personal data are secure and cannot be misused, prevent any harm to the data subject's rights, and prevent any unauthorized interference with the data subject's private and personal life. For this purpose, we have adopted measures to safeguard personal data, including, but not limited to, measures preventing any unauthorized or accidental access to personal data or their modification, destruction or loss, unauthorized transmission, unauthorized processing, and any other misuse of personal data.

The **Privacy Policy**¹⁸ provides guidance for major aspects of personal data protection, including data collection and processing, access to and retention of data, as well as the quality, confidentiality and security of data. All employees are trained on data privacy when joining the company.

Personal data are primarily processed by the relevant employees who need to have access to the personal data in order to fulfil their work duties. Such employees must have agreed to ensure confidentiality of all facts and data, of which they learn when fulfilling their work duties.

In addition, access to personal data is also granted to employees of processors on a need-to-know basis for the purposes of the activities they perform for Colt CZ. Colt CZ enters into written personal data processing agreements, which contain personal data security guarantees, with all processors.

7.4 ESG REPORTING

Sustainability and ESG forms an integral part of our everyday operations and business strategy, and we need to ensure full integration with our governance and reporting systems.

The highest decision-making body for the area of ESG at Colt CZ Group is the Board of Directors. Based on section 13.7 of the Articles of Association (<https://www.coltczgroup.com/file/733>), the Board of Directors shall obtain the prior opinion of the Supervisory Board on the following matters which relate to sustainability:

- ▶ Approval of the concept of the Company's business operations and any changes thereto (mission, vision, key areas, strategic goals)
- ▶ Adoption of compliance policies governing the rules of conduct within the Company, prevention of fraudulent conduct, prevention of criminal liability of legal entities, corrective measures, measures for improvement in the field of compliance, risk management, and the internal control system of the Company and its subsidiaries
- ▶ Decisions to engage in activities in the field of corporate social responsibility (CSR), sponsorship, donations and philanthropy

The diversity policy is part of the agenda of the Remuneration Committee established as a permanent advisory body of the Company's Supervisory Board.

The additional advisory body to the Supervisory Board is the Compliance and Ethics Committee, for matters in the following areas:

- ▶ Code of Conduct
- ▶ Anti-Corruption Policy
- ▶ Prevention of criminal liability of a legal entity
- ▶ Remedial actions and measures to improve compliance, risk management, internal control system, and building a responsible employee value system
- ▶ Ethics hotline and whistleblower protection
- ▶ Activities in CSR, sponsorship, donation, and philanthropy, with respect to the business areas of the Group companies

The ESG management and decision-making process is aligned with our strategy that is built on 4 pillars.

Each pillar has its management process, reporting line, and KPI targets and reports via C-level (Group Chief Officer level) to the Board of Directors as the highest authority for ESG decision-making.

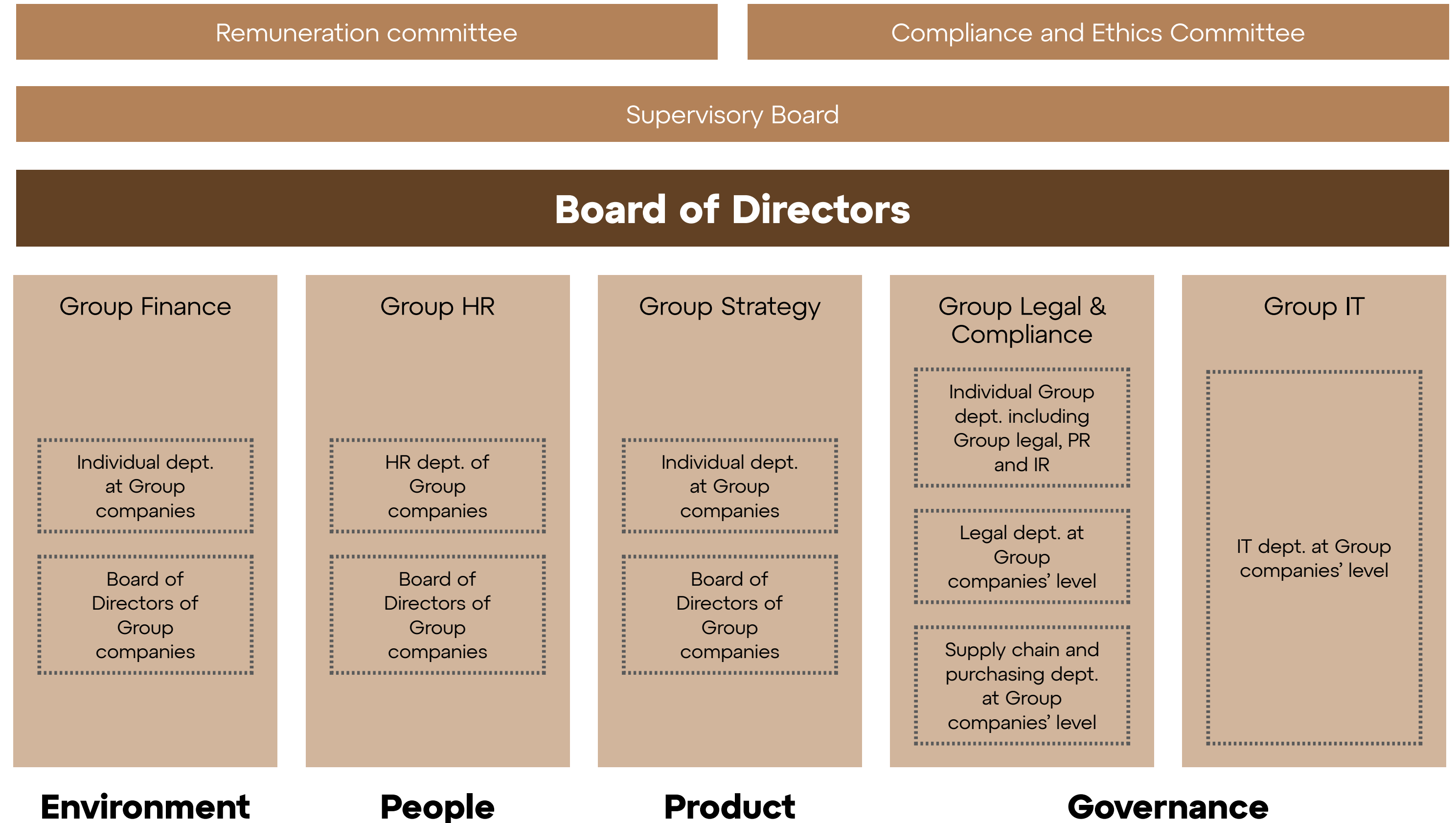
The **Environmental** pillar is led by Group Finance, as CAPEX planning and budgeting is a key requirement in this ESG branch. The **People** pillar is responsible for diversity, employment, HR issues and for OHS. The **Product** pillar governs sustainable supply chain matters related to the use of technologies and materials, product quality, safety and R&D matters. The **Governance** pillar is headed by Group Head

¹⁸ <https://www.coltczgroup.com/file/381>

7.4 ESG Reporting

of Legal and Compliance, and includes supply chain targets related to suppliers' due diligence and compliance matters. **Cybersecurity and data privacy** issues report via the Chief Group Information Technology line.

At the level of individual Group companies, responsible personnel/ process owners are assigned to each topic, and are responsible for coordination of ESG activities and data reporting in their respective business unit/ location.



Source: Colt CZ

8. EU TAXONOMY

8.1 FRAMEWORK

The EU Taxonomy is a classification system, that establishes a list of environmentally sustainable economic activities. The Taxonomy Regulation entered into force on 12 July 2020 and sets out criteria for whether an economic activity can be considered environmentally sustainable based on its substantial contribution to the following six objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

In 2021, the regulatory framework was supplemented by a series of Delegated Acts, which regulate mandatory disclosure regimes for companies. The first Delegated Act (Climate delegated act) focuses on activities that have the ability to contribute to the first two above-mentioned objectives. Delegated acts for the remaining four objectives, as well as respective economic activities, or criteria, were not yet published.

The scope of sustainable activities is expected to expand over time and Colt CZ Group monitors and analyses the progress to comply with the reporting requirements.

For the purpose of 2022 nonfinancial reporting, companies are required to disclose the value of their sustainable economic activities, so-called “eligibility” (see below) and “alignment”. Activity is considered aligned if based on criteria that substantially contributes to at least one of the environmental objectives, does not cause significant harm to any of the other objectives, and complies with both minimum social safeguards clauses and technical screening criteria.

8.2 EU TAXONOMY AND THE DEFENSE SECTOR

Based on the thorough conducted analysis, the Climate delegated act does not currently include sustainable activities in reference to Colt CZ Group’s primary NACE code C25.4 “Manufacture of weapons and ammunition”. Due to this absence, the turnover of the Colt CZ Group is not eligible.

Despite the company's existing environmental impact reduction objectives as described in more detail in this Non-Financial Report, the nature of Colt CZ Group's business limits its ability to commit capital and operational resources to the activities set out in the EU Taxonomy. This is due to the evolution of this regulatory framework to date and the unavailability of sector-specific sustainable activities or sustainability requirements.

8.3 COLT CZ GROUP REPORTING APPROACH

In compliance with the current regulatory framework and requirements, Colt CZ Group discloses the information for the fiscal year 2022, regarding the percentages of turnover, capital expenditures (CAPEX) and operating expenses (OPEX) relating to sustainable taxonomy eligible and non-eligible activities, as well as aligned and non-aligned activities.

The financial ratios were defined based on guidelines given in Annex I to the Delegated Act of July 6, 2021, for the definition of the denominators of turnover, CAPEX and OPEX.

1. Turnover calculation approach

In the absence of sustainable activities set out in the Climate delegated act for the defense sector, no turnover/net sales were considered as eligible or/and aligned.

2. Capex calculation approach

The denominator is taken directly from the audited Group's IFRS consolidated financial statements (after the elimination of intra-group transactions). The scope covered corresponds to the entire scope of the consolidated financial statements, excluding associates and joint ventures accounted for using the equity

method. Capital expenditure includes inflows of property, plant, and equipment, and intangible assets during the fiscal year under review, before depreciation, amortization, and revaluation, and inflows of property, plant, and equipment, and intangible assets from business combinations.

The numerator includes the share of capital expenditure related to the eligible and/or aligned activities identified.

3. OPEX calculation approach

The denominator is taken directly from the audited Group's IFRS consolidated financial statements (after the elimination of intra-group transactions). The scope covered corresponds to the entire scope of the consolidated financial statements, excluding associates and joint ventures accounted for using the equity method. The denominator covers direct non-capitalized costs that relate to research and development, building renovation, short-term leases, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of property, plant, and equipment that are necessary to ensure the continued and effective functioning of such assets.

For the numerator, and in the absence of a delegated act for the defense sector, the only eligible and potentially aligned

OPEX are expenditures on building renovation, short-term leases, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of property, plant, and equipment that are necessary to ensure the continued and effective functioning of such assets.

It should be underlined, that numerators are affected by the lack of coverage of the primary business of Colt CZ Group within the Climate Delegated Act.

8. EU Taxonomy

Turnover FY 2022

Substantial contribution criteria

DNSH criteria

Economic activities	Code (s)	Absolute value (CZK mln)	% Proportion in total	Substantial contribution criteria							DNSH criteria							
				Climate Change mitigation (%)	Climate Change adaptation (%)	Water & Marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	Climate change mitigation (y/n)	Climate change adaptation (y/n)	Water & Marine resources (y/n)	Circular economy(y/n)	Pollution (y/n)	Biodiversity and ecosystems (y/n)	Minimum safeguards	Taxonomy aligned proportion on total, year N	Category (enabling activity) E
A TAXONOMY-ELIGIBLE ACTIVITIES																		
A.1 Environmentally sustainable activities (Taxonomy-aligned)																		
Total of environmentally sustainable activities (Taxonomy-aligned) A.1		0	0%															
A.2 Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																		
Total of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		0	0%															
Total (A.1+A.2)		0	0%															
B TAXONOMY-NON-ELIGIBLE ACTIVITIES																		
Total of Taxonomy-non-eligible activities (B)		14 590	100%															
Total (A+B)		14 590	100%															

Economic activities	Code (s)	Absolute value (CZK mln)	% Proportion in total	Substantial contribution criteria							DNSH criteria						
				Climate Change mitigation (%)	Climate Change adaptation (%)	Water & Marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	Climate change mitigation (y/n)	Climate change adaptation (y/n)	Water & Marine resources (y/n)	Circular economy(y/n)	Pollution (y/n)	Biodiversity and ecosystems (y/n)	Minimum safeguards	Taxonomy aligned proportion on total, year N
A TAXONOMY-ELIGIBLE ACTIVITIES																	
A.1 Environmentally sustainable activities (Taxonomy-aligned)																	
Total of environmentally sustainable activities (Taxonomy-aligned) A.1		0	0%														
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																	
Installation, maintenance and repair of energy efficiency equipment		7.3	1.6%														
Installation, maintenance and repair of renewable energy technologies		7.6	3%														
Total of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		31	4.6%														
Total (A.1+A.2)																	
B TAXONOMY-NON-ELIGIBLE ACTIVITIES																	
Total of Taxonomy-non-eligible activities (B)		649	95.4%														
Total (A+B)		680	100%														

Economic activities	Code (s)	Absolute value (CZK mln)	% Proportion in total	Substantial contribution criteria						DNSH criteria							
				Climate Change mitigation (%)	Climate Change adaptation (%)	Water & Marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	Climate change mitigation (y/n)	Climate change adaptation (y/n)	Water & Marine resources (y/n)	Circular economy(y/n)	Pollution (y/n)	Biodiversity and ecosystems (y/n)	Minimum safeguards	Taxonomy aligned proportion on total, year N
A TAXONOMY-ELIGIBLE ACTIVITIES																	
A.1 Environmentally sustainable activities (Taxonomy-aligned)																	
Total of environmentally sustainable activities (Taxonomy-aligned) A.1		0	0%														
A.2 Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																	
Installation, maintenance and repair of energy efficiency equipment		7.3	2.6 1.2%														
Total of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		2.6	1.2%														
Total (A.1+A.2)		2.6	1.2%														
B TAXONOMY-NON-ELIGIBLE ACTIVITIES																	
Total of Taxonomy-non-eligible activities (B)		219.4	98.8%														
Total (A+B)		222	100%														

9. METHODOLOGY

The report has been prepared referencing recognized reporting frameworks, including the Global Reporting Initiative (GRI) 2021 standards, incorporating the Group's alignment with the relevant United Nations Sustainable Development Goals, and includes selected GRI. In accordance with Article 8 of the EU Taxonomy Regulation, Colt CZ Group also discloses in this reporting the proportion of taxonomically eligible and taxonomically ineligible activities that are related to climate change adaptation objectives or mitigation measures.

For the purpose of sustainability reporting, the following Group companies are included in this report and collected data: Colt CZ Group SE (holding company), Česká zbrojovka a.s. in the Czech Republic and manufacturing companies of Colt CZ Group North America, Inc. including Colt Canada. This report was drafted in English. Data for 2022 are reported as of 31 December 2022, unless indicated otherwise. This report was issued on 30 June 2023.

In accordance with the principals of the GRI Standards, this Report provides information on the material topics revealed by internal analysis conducted by the Company as having a strong influence on the assessments and decisions of stakeholders and being of significant relevance in terms of economic, social and environmental impact.

The process that led to the development of the Sustainability Report 2022 involved the company management and the main functions they coordinate. In order to ensure the quality of the information reported, the Report followed the GRI reporting principals on quality, accuracy, balance, clarity, comparability, reliability and timeliness.



GRI CONTENT INDEX

This Report was developed with reference to the GRI Standards. This index lists our standard and specific disclosures related to the GRI categories, information and indicators and refers to the pages where these issues are addressed in this report.

The organization and its reporting practices

Profile disclosure	Description	Reported in chapter	Reference page/Explanation
GRI 2-1-a	Name of the organization	Essence of Colt CZ	p. 06
GRI 2-1-b	Ownership and legal form	Essence of Colt CZ	p. 11
GRI 2-1-c	Location of headquarters	Essence of Colt CZ	p. 06
GRI 2-1-d	Countries of operation	Essence of Colt CZ	p. 06
GRI 2-2	Entities included in the organization's sustainability reporting	Essence of Colt CZ	p. 13
GRI 2-3	Reporting period, frequency and contact point	Colt CZ Group reporting approach	2022
GRI 2-4	Restatements of information		Not applicable, first report
GRI 2-5	External assurance		Not applicable

Activities and workers

Profile disclosure	Description		Reported in chapter	Reference page/Explanation
GRI 2-6	Activities, value chain and other business relationships		Essence of Colt CZ	p. 17
GRI 2-7	Employees	People: Be the employer of choice and an active participant in the community		p. 60
GRI 2-8	Workers who are not employees	People: Be the employer of choice and an active participant in the community		p. 60

Governance

Profile disclosure	Description	Reported in chapter	Reference page/Explanation
GRI 2-9	Governance structure and composition	Governance: Promote responsible business practices	p. 87
GRI 2-10	Nomination and selection of the highest governance body	Governance: Promote responsible business practices	p. 88
GRI 2-11	Chair of the highest governance body	Governance: Promote responsible business practices	p. 89
GRI 2-12	Role of the highest governance body in overseeing the management of impacts	Governance: Promote responsible business practices	p. 88
GRI 2-13	Delegation of responsibility for managing impacts	Governance: Promote responsible business practices	p. 87
GRI 2-14	Role of the highest governance body in sustainability reporting	Governance: Promote responsible business practices	p. 87
GRI 2-15	Conflicts of interest	Governance: Promote responsible business practices	p. 84
GRI 2-16	Communication of critical concerns	Governance: Promote responsible business practices	p. 84
GRI 2-17	Collective knowledge of the highest governance body	Governance: Promote responsible business practices	p. 87
GRI 2-18	Evaluation of the performance of the highest governance body	Governance: Promote responsible business practices	p. 90
GRI 2-19	Remuneration policies	People: Be the employer of choice and an active participant in the community	p. 60
GRI 2-20	Process to determine remuneration	People: Be the employer of choice and an active participant in the community	p. 60
GRI 205-3	Confirmed incidents of corruption and actions taken	Governance: Promote responsible business practices	p. 84
GRI 206-1	Legal action for anti-competitive behavior, anti-trust, and monopoly practices	Governance: Promote responsible business practices	p. 84
GRI 415-1	Political contributions	Governance: Promote responsible business practices	p. 84

Strategy, policies and practices

Profile disclosure	Description	Reported in chapter	Reference page/Explanation
GRI 2-22	Statement on sustainable development strategy	Colt CZ Sustainability Strategy	p. 31
GRI 2-23	Policy commitments	Governance: Promote responsible business practices	p. 80-85
GRI 2-24	Embedding policy commitments	Governance: Promote responsible business practices	p. 80-87
GRI 2-25	Processes to remediate negative impacts	Governance: Promote responsible business practices	p. 85-87
GRI 2-26	Mechanisms for seeking advice and raising concerns	Governance: Promote responsible business practices	p. 85-86
GRI 2-27	Compliance with laws and regulations	Governance: Promote responsible business practices	p. 85-86
GRI 2-28	Membership associations	Colt CZ Sustainability Strategy	p. 37

Stakeholder engagement

Profile disclosure	Description	Reported in chapter	Reference page/Explanation
GRI 2-29	Approach to stakeholder engagement	Colt CZ Sustainability Strategy	p. 35
GRI 2-30	Collective bargaining agreements	Governance: Promote responsible	p. 91

9. Methodology

Disclosure of material topics

Profile disclosure	Description	Reported in chapter	Reference page/Explanation
GRI 3-1	Process to determine material topics	Colt CZ Sustainability Strategy	p. 32
GRI 3-2	List of material topics	Colt CZ Sustainability Strategy	p. 33
GRI 3-3	Management of material topics	Colt CZ Sustainability Strategy	p. 33

Environmental

Profile disclosure	Description	Reported in chapter	Reference page/Explanation
GRI 302-1	Energy consumption within the organization	Environment: promote operational eco-efficiency	p. 42
GRI 303-3	Water withdrawal	Environment: promote operational eco-efficiency	p. 49
GRI 305-1	Direct (Scope 1) GHG emissions	Environment: promote operational eco-efficiency	p. 43
GRI 305-2	Energy indirect (Scope 2) GHG emissions	Environment: promote operational eco-efficiency	p. 43
GRI 306-3	Waste generated	Environment: promote operational eco-efficiency	p. 48

Social

Profile disclosure	Description	Reported in chapter	Reference page/Explanation
GRI 401-1	New employee hires and employee turnover	People: Be the employer of choice and active community participant	p. 60
GRI 405-1	Diversity of governance bodies and employees	People: Be the employer of choice and active community participant	p. 56