

ANNUAL REMUNERATION REPORT FOR 2022

1. GENERAL INFORMATION

This report is prepared in accordance with the provisions of Article 107 of Law no. 24/2017 on issuers of financial instruments and market operations, as subsequently amended and supplemented, and of Article II, paragraph (2) of Law no. 158/2020 for the modification, completion and repeal of some normative acts, as well as for the establishment of measures to implement the Regulation 2017 / 2.402 of the European Parliament and of the Council of 12 December 2017 establishing a general framework for securitization and creating a specific framework for simple, transparent and standardized securitization and amending Directives 2009 / 65 / EC, 2009/138 / EC and 2011/61 / EU, as well as Regulations (EC) no. 1,060 / 2009 and (EU) no. 648/2012,

In the conditions in which Societatea IAR SA is an open commercial company, with majority state capital, its obligation to comply with the provisions of Ordinance no. 26/2013 on strengthening financial discipline at the level of economic operators in which the state or administrative-territorial units are sole or majority shareholders or directly or indirectly hold a majority stake (as stipulated in Article 1 of the respective legislative act).

The members of the Nomination and Remuneration Committee set up within the Board of Directors of IAR SA did not carry out activities in terms of elaborating the remuneration policy of the directors and the general director, in the context in which, although by GMS Decision no 07 / 28.09.2017 the initiation of the selection procedure of the members of the Board of Directors of IAR SA was approved, with the application of the provisions of art. 3, point 7 of the Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, approved with amendments and completions by Law no. 111/2016, this selection procedure has not been completed as yet.

The Nomination and Remuneration Committee set up within the Board of Directors of IAR SA had an important role in monitoring the company's executive management during 2022.

This:

- proposed the extension of the mandate contract based on which Mr. Laurian ANASTASOF ensures the management of IAR SA,*
- established the key performance indicators for 2022, which are an integral part of the mandate contract signed by IAR SA with its general manager*

The principles regarding the remuneration of the Board of Directors of IAR SA during 2022, which were established by applying the provisions of GO no. 26/2013 and GEO 109/2011, are the subject of the GMS decisions numbers 11 / 28.11.2017 and 02 / 30.01.2018, published in the Official Gazette of Romania, sent to ASF and BVB and posted on the website of IAR SA.

In accordance with the remuneration policy of the General Director in 2022, which is the subject of the GMS Decisions numbers 02/14.03.2016 and 06/27.04.2018, he benefits both from a fixed monthly allowance and from a variable component whose value will be determined by the degree of fulfillment of the key performance indicators stipulated by the contract of mandate of general director for the year 2022, the calculation to be performed after the approval of the financial statements on 31.12.2022.

2. REMUNERATION POLICY

The remuneration policy of the administrative and executive management of the IAR SA Company, approved by OGSM Decision no. 06/28.04.2022, provides the following:

- 1. The maximum gross fixed monthly indemnity due to the non-executive provisional members of the board of directors of IAR S.A. represents the average of the average gross monthly salaries for the last 12 months prior to the appointment, communicated by the National Institute of Statistics for the machine building branch, NACE code 3030 "Manufacture of aircraft and spacecraft" (corresponding to the main activity of IAR SA).*

It must fall within the ceilings set out in the annual budgets of revenue and expenditure, in Chapter c4, point (b) "expenditure on the Board of Directors".

- 2. Until the establishment, through the management mandate contract, of some objectives and performance criteria, the non-executive provisional members of the board of directors of IAR S.A. they will not receive a variable component of gross remuneration.*
- 3. The upper limit of the fixed remuneration due to the general director of IAR SA is 6 times the average of the average gross monthly salaries for the last 12 months prior to the appointment, communicated by the National Institute of Statistics for the machine construction branch, NACE code 3030 "Aircraft manufacturing and spacecraft" (corresponding to the main object of activity of IAR SA).*
- 4. The Board of Directors of IAR S.A. establishes the effective value of the fixed monthly remuneration of the general director of the company in relation both to his attributions, tasks and responsibilities provided by the mandate contract, and to the economic-financial results of the commercial company.*

This must fall within the ceilings set by the annual revenue and expenditure budgets, in Chapter C4, letter "Expenditure incurred by the mandate contract".

- 5. The upper limit of the annual variable component of the gross remuneration that can be granted to the General Director of IAR SA has the value of 65,000 euros.*
- 6. The Board of Directors of the company establishes annually the effective value of the variable component of the gross remuneration due to the general director of the company depending on the degree of achievement of the key performance indicators established by the mandate contract.*

In order to determine the amount of the annual variable component of remuneration, the Global Degree of Performance of Key Performance Indicators is determined annually taking into account the share of each key performance indicator in the mandate contract and the variation from the set target level, according to the following formula:

$$ICP^t \text{ global } (\%) = \sum_{i=1}^n ICP^t_i (\%) \times W_i$$

Global ICP^t (%) - represents the global degree of fulfillment of the Key Performance Indicators in year "t" expressed as a percentage

ICP^t_i represents the target level in the current year "t" set by the board of directors for the Key Performance Indicator "i"

W_i - the weighting coefficient of each Key Performance Indicator "i" approved by the board of directors.

n - represents the number of key performance indicators established for the general manager by the board of directors.

The individual fulfillment of the Key Performance Indicators (ICP_i (%)) cannot exceed the level of 100% nor can it be lower than 0%.

For qualitative indicators, the individual degree of fulfillment of the Key Performance Indicators (ICP_i (%)) may be 100% if it is considered met or 0% if the indicator is considered unfulfilled.

In the case of quantitative indicators, the degree of individual fulfillment of the Key Performance Indicators “i” (ICP_i (%)) is determined for each year “i” according to the following formula as follows:

i) in the institution where both ICP^t_i and ICP^{t-1}_i are positive values and at the same time ICP^t_i is higher than ICP^{t-1}_i

$$ICP_i(\%) = \frac{ICP_i^{realizat}}{ICP_i^t} \times 100$$

ii) In the situation where ICP^{t-1}_i is negative, and at the same time ICP^t_i is higher than ICP^{t-1}_i

$$ICP_i(\%) = \frac{1}{ICP_i^t - ICP_i^{t-1}} \times (ICP_i^{realizat} - ICP_i^{t-1}) \times 100$$

ii) In the case of quantitative indicators aimed at maintaining below a certain maximum level or above a minimum value set by the board of directors, the individual degree of fulfillment of the respective Key Performance Indicators will be either 100% if the achieved level respects the limit set by the board of directors or 0% if the level achieved does not comply with the limit set by the board of directors, where:

The achieved ICP^t_i represents the actual level recorded in the current year “t” for the Key Performance Indicator “i”.

ICP^t_i represents the target level in the current year “t” set by the board of directors for the Key Performance Indicator “i”

ICP^{t-1}_i represents the target level in the year prior to the current year “t” established by the board of directors for the Key Performance Indicator “i”.

a) for a global degree of fulfillment of the key performance indicators greater than or equal to 80%, a variable component is paid according to the formula:

RV = Maximum amount of the variable remuneration component of the General Directorx Global ICP^t (%), where

RV represents the amount of variable remuneration due to the general director expressed in number of gross monthly fixed remuneration

Global ICP^t (%) represents the global degree of fulfillment of the key performance indicators expressed as a percentage, determined according to the formula in letter a) above.

b) for a global degree of fulfillment of key performance indicators of less than 80%, the variable component is not granted.

7. In case of revocation of the director before the expiration of the term of the mandate contract, without just cause, IAR S.A. pays him damages in the amount of 12 (twelve) gross fixed monthly remunerations valid at the date of termination.

3. HOW THE PRINCIPLES REGARDING THE REMUNERATION OF THE BOARD OF DIRECTORS AND THE GENERAL DIRECTOR OF THE COMPANY IAR SA WERE APPLIED IN 2022

A. REMUNERATION OF THE INTERIM ADMINISTRATORS OF IAR S.A.

- The gross fixed monthly allowance granted to the non-executive provisional members of the Board of directors of IAR S.A. was 4720 lei, value not exceeding the maximum value which represents the average of the average gross monthly salaries for the last 12 months prior to the appointment, communicated by the National Institute of Statistics for the machine building branch, NACE code 3030 “Manufacture of aircraft and spacecraft” (corresponding to the main activity of IAR SA), as provided by the GMS Decision 11/2017 in conjunction with GMS Decision 02/2018

This was within the ceiling established by BVC 2022, in chapter c4, letter b “expenses with the board of directors”.

- The members of the advisory committees of the Board of Directors were not remunerated in addition for the work carried out in these committees.
- The non-executive interim members of the Board of directors did not benefit from a variable component of the gross allowance, not having set objectives and performance criteria through management mandate contracts.
- The allowances paid in 2022 to the company's directors (fixed remuneration) are the following:

	2021	2022	LEI
Claudia BENCHESCU	10.564	8.766	
Ruxandra-Rodica ANGHEL	26.904	47.874	
Iulia-Gabriela TĂNASE	10.564	8.766	
Horățiu Cătălin BARBU	10.564	8.766	
Mihai Aurel DONȚU	37.468	56.640	
Liviu COCOȘ	10.564	56.640	
Tiberiu ȚICLEA		47.265	
Răzvan POPA		47.265	
Cristian MĂRIȘTEANU		609	
Haralambie VOICILAȘ		609	
Dragos Florin David	26.904		
Cristian Alin Baci	26.904		
Iuliana Musat	19.172		
Andreea Mladin	19.172		
Elena Calin	19.172		
Alexandru Rosu	19.172		
Octavian Thor Pleter	13.680		
TOTAL	250.804	283.200	

- The company incurred the following expenses with the transport of the directors, occasioned by their travel from the domicile locality, to the headquarters of IAR SA in order to participate in the meetings of the board of directors and of the general meeting of shareholders:

Nr crt	BENEFICIARIES OF AMOUNTS PAID BY THE COMPANY	THE AMOUNT PAID BY THE COMPANY (LEI)	
		2021	2022
1	INTERIM ADMINISTRATORS	198	0

- The company incurred expenses occasioned by the conclusion of notarial declarations and other expenses:

No	NAME AND SURNAME OF ADMINISTRATOR	THE AMOUNT PAID BY THE COMPANY (LEI)	
		2021	2022
	INTERIMM ADMINISTRATORS	140	338

B. REMUNERATION OF THE GENERAL DIRECTOR OF IAR S.A.

- The fixed monthly remuneration granted to the general manager of IAR SA was within the range established by OGMS Decision no. 01 / 30.01.2018, corresponding to the value representing 6 times the average of the average gross monthly salaries for the last 12 months prior to his appointment, communicated by the National Institute of Statistics for the Machine Constructions branch to NACE code 3030 - Manufacture of Aircraft and Spaceships (corresponding to the main object of activity of IAR SA)

At the proposal of the Nomination and Remuneration Committee, the Board of Directors of IAR S.A. established the effective value of the fixed monthly remuneration of the general

director of the company in relation both to his attributions, tasks and responsibilities provided by the mandate contract, and to the economic-financial results of the commercial company.

This was in line with the ceilings set by the annual revenue and expenditure budgets (including the one for 2022), in Chapter c4, letter "Expenditure for the mandate contract".

- The upper limit of the annual variable component of the gross remuneration that can be granted to the general director of IAR SA, established by OGMS Decision no. 06 / 27.04.2018, is 65,000 euros, the effective value of the variable component for 2022 will be determined by the degree of fulfillment of the key performance indicators set for this year, which will be calculated after the approval of the 2022 annual financial statements.
- The general director of IAR SA did not receive special pension rights and / or benefits.
- IAR S.A. did not pay damages calculable on the basis of the mandate contract.
- During 2022, the general director of IAR SA received the total gross amount of 293.754 lei (equivalent to 59.397 euros) as a variable component of his remuneration. This value was calculated on the basis of total degree of fulfillment of the following key performance indicators established by the mandate contract for the year 2021:

FOR THE PERIOD 01.01.2021-31.08.2021:

1. **EBIT - WEIGHTED DEGREE = 42,8% of max 50%**
2. **OUTSTANDING PAYMENTS - WEIGHTED DEGREE = 30% of max 30%**
3. **ROTATE SPEED OF FIXED ASSETS - WEIGHTED PERFORMANCE 10% of max 10%**
4. **IMPLEMENTATION OF AN OBJECTIVE-BASED PERSONNEL EVALUATION SYSTEM - WEIGHTED PERFORMANCE DEGREE 10% of max 10%.**

FOR THE PERIOD 01.09.2021-31.12.2021:

1. **EBIT - WEIGHTED DEGREE = 43,03% of max 50%**
2. **OUTSTANDING PAYMENTS - WEIGHTED DEGREE = 20% of max 30%**
3. **ROTATE SPEED OF FIXED ASSETS - WEIGHTED PERFORMANCE 10% of max 10%**
4. **PROPOSAL OF A SUCCESSION PLAN FOR IAR MANAGEMENT- WEIGHTED PERFORMANCE DEGREE 10% of max 10%.**

By summation, it is obtained the total degree of fulfillment of the key performance indicators established for 2021 as follows: $(42,87\%+30\%+10\%+10\%)*9/12+(43,03+20+3,9+10+10)*3/12 = 69,65\% + 21,73\% = 91,38\%$

- The total remuneration granted in 2022 to the executive management of IAR SA, compared to that granted in 2021, is presented below:

SALARIES PAID TO DIRECTORS

	<u>2021</u>	<u>2022</u>
GENERAL DIRECTOR – TOTAL RON, from which	563.384	763.926
- the fixed remuneration	432.000	433.059
- the variable component	92.463	293.754
- other salary rights - the collective labor contract	38.921	37.113

- Based on the provisions of the mandate contract, in 2022 IAR SA granted the following rights to the general manager:

- A fixed gross monthly salary 36.000 lei x 12 months = 432.000 lei + 1.059 different salary rights regarding holidays
- The variable component 293.754 lei
- Other salary rights - the collective labor contract 37.113 lei
- A Liability Insurance, rate for 2022: 4.196 lei/ an
- A Mobile subscription: equivalent to invoices 5.696 lei/an

- Expenses with service housing 67.168 lei/an
- Amortization of the car: 23.357 lei/an

- The IAR SA company did not grant shares to the administrative and executive management

- The information on the basis of which a comparative analysis can be made of the remuneration granted to the administrative and executive management of IAR SA, including all benefits, regardless of form, is presented below:

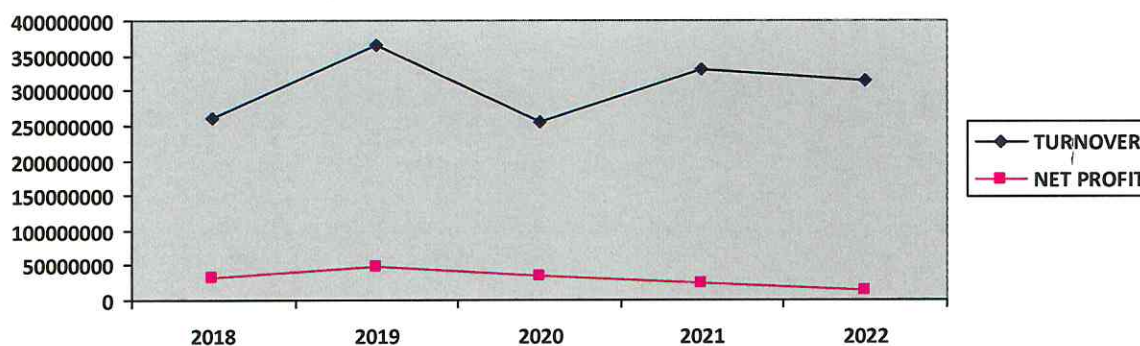
PERIOD	CHANGE IN AVERAGE REMUNERATION OF COMPANY EMPLOYEES (WITHOUT DIRECTOR GENERAL	CHANGE IN REMUNERATION OF GENERAL DIRECTOR	CHANGE IN REMUNERATION OF BOARD OF DIRECTORS MEMBERS	TURNOVER VARIATION	PROFIT VARIATION
2018 vs 2017	40,90	51,01	88,20	34,53	22,52
2019 vs 2018	23,41	11,89	1,62	41,09	52,00
2020 vs 2019	17,83	3,13	-12,78	-29,93	-34,47
2021 vs 2020	11,45	7,49	-3,21	28,57	-28,15
2022 vs 2021	9,70	-3,32	12,92	-4,27	-32,35

4. PERFORMANCE OF IAR S.A.

Evolution of turnover and net profit

LEI

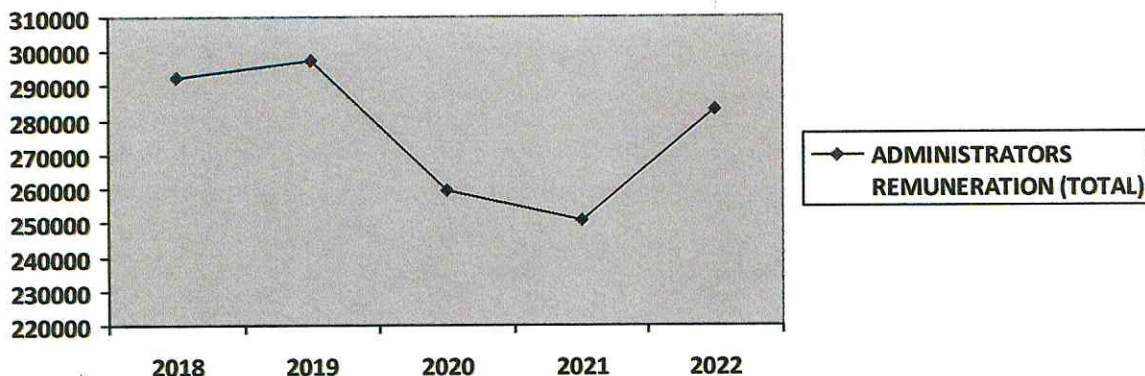
YEAR	2018	2019	2020	2021	2022
TURNOVER	259.274.208	365.811.270	256.291.473	329.506.603	315.424.444
NET PROFIT	31.184.158	49.128.541	33.967.230	23.488.292	14.198.145



Evolution of the administrators remuneration

LEI

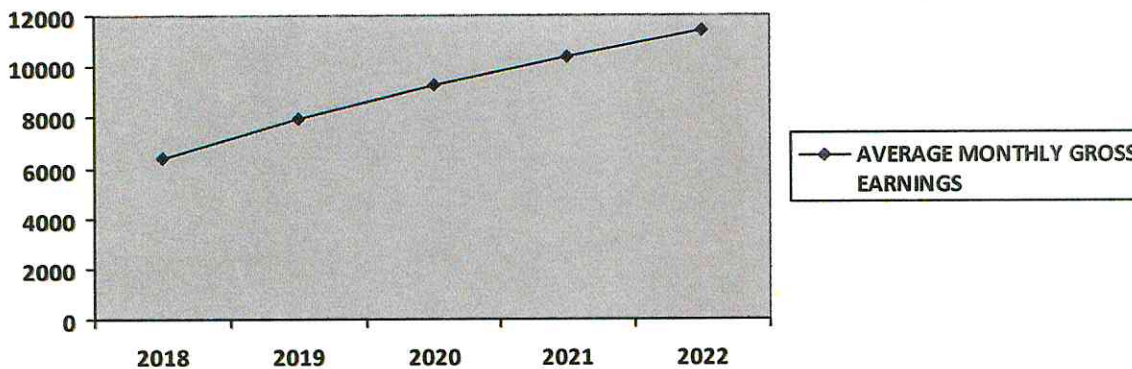
YEAR	2018	2019	2020	2021	2022
ADMINISTRATORS REMUNERATION	292.640	297.360	259.343	250.804	283.200



Evolution of average monthly gross earnings

LEI

YEAR	2018	2019	2020	2021	2022
AVERAGE MONTHLY GROSS EARNINGS	6.420	7.983	9.296	10.369	11.375



NOMINATION AND REMUNERATION COMMITTEE:

Ruxandra-Rodica ANGHEL

Liviu COCOȘ

Haralambie VOICILĂȘ

