

ANNUAL REPORT 2023
OF THE NOMINATION AND REMUNERATION COMMITTEE OF THE BOARD OF
DIRECTORS OF IAR S.A.

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 2023.

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 2023, 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 2023, 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, 02/30.01.2018 and 07/26.06.2023, 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 established through the GMS Decisions numbers 02/14.03.2016 and 06/27.04.2018, he should have benefits both a fixed monthly allowance and a variable component, the amount of which is determined annually on the basis of the degree of fulfillment of the key performance indicators stipulated by the contract of mandate of general director for the ended year, calculated after approval of the financial statements at the end of that year.

In accordance with the remuneration policy of the General Director established by the GMS Resolution no. 07/26.06.2023, the variable component that could have been granted to him on the basis of Resolution 06/27.04.2018 has been cancelled.

2. REMUNERATION POLICY

The remuneration policy of the administrative and executive management of the IAR SA Company, approved by OGSM Decision no. 07/26.06.20232, 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 general director is not granted the annual variable component of the gross remuneration established by the AGM Decision no. 06/27.04.2018.

6. 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 2023

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 Decisions no 11/2017, 02/2018 and 07/2023.

This was within the ceiling established by BVC 2023, 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 2023 to the company's directors (fixed remuneration) are the following:

	2021	2022	2023 LEI
<i>Claudia BENCHESCU</i>	10.564	8.766	
<i>Ruxandra-Rodica ANGHEL</i>	26.904	47.874	28.472
<i>Horațiu Cătălin BARBU</i>	10.564	8.766	28.168
<i>Iulia-Gabriela TĂNASE</i>	10.564	8.766	
<i>Mihai Aurel DONȚU</i>	37.468	56.640	56.640
<i>Liviu COCOȘ</i>	10.564	56.640	56.640
<i>Tiberiu ȚICLEA</i>		47.265	
<i>Răzvan POPA</i>		47.265	
<i>Cristian MĂRIȘTEANU</i>		609	56.640
<i>Haralambie VOICILAȘ</i>		609	28.472
<i>Lucian-Ioan RUS</i>			10.343
<i>Dragos Florin David</i>	26.904		
<i>Cristian Alin Baci</i>	26.904		
<i>Iuliana Musat</i>	19.172		
<i>Andreea Mladin</i>	19.172		
<i>Elena Calin</i>	19.172		
<i>Alexandru Rosu</i>	19.172		
<i>Octavian Thor Pleter</i>	13.680		
TOTAL	250.804	283.200	265.375

- The structure of expenses incurred by the company, in connection 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 is as follows:

Nr crt	BENEFICIARIES OF AMOUNTS PAID BY THE COMPANY	THE AMOUNT PAID BY THE COMPANY (LEI)		
		2021	2022	2023
1	INTERIM ADMINISTRATORS	198	0	3.016

- The structure of the expenses incurred by the company for the conclusion of notarial declarations and other expenses of the same nature is as follows:

No	BENEFICIARIES OF AMOUNTS PAID BY THE COMPANY	THE AMOUNT PAID BY THE COMPANY (LEI)		
		2021	2022	2023
1	INTERIM ADMINISTRATORS	140	338	214

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 2023), in Chapter c4, letter “Expenditure for the mandate contract”.

- *Based on the provisions of the OGSM Decision No 07/2023 which approves the Remuneration Policy for the administrative and executive management of IAR SA, the Director General of IAR SA will not be granted the annual variable component of the gross remuneration that would have been due to him for the achievement of the key indicators for the year 2023.*
- *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 2023, the general director of IAR SA received, based on the provisions of the Remuneration Policy valid until the date of 26.06.2023, the total gross amount of 319.225 lei (equivalent to 64.760 euros) as a variable component of his remuneration. This amount was calculated based on the value of 99,63% of the total degree of fulfillment of the following key performance indicators established by the mandate contract for the year 2023:*
 1. *ANNUAL OPERATING PROFIT - WEIGHTED DEGREE = 50% of max 50%*
 2. *OUTSTANDING PAYMENTS - WEIGHTED DEGREE = 30% of max 30%*
 3. *ANNUAL TURNOVER - WEIGHTED DEGREE = 30% of max 30%*
 4. *ROTATE SPEED OF FIXED ASSETS - WEIGHTED PERFORMANCE 4,63% of max 5%*
 5. *IMPLEMENTATION OF AN OBJECTIVE-BASED PERSONNEL EVALUATION SYSTEM - WEIGHTED PERFORMANCE DEGREE 5% of max 5%.*
- *The total remuneration granted in 2023 to the executive management of IAR SA, compared to that granted in 2021 and 2022, is presented below:*

SALARIES PAID TO DIRECTORS

	<u>2021</u>	<u>2022</u>	<u>2023</u>
	LEI		
GENERAL DIRECTOR – TOTAL RON, from which	563.384	763.926	819.167
- the fixed remuneration	432.000	433.059	453.942
- the variable component	92.463	293.754	319.225
- other salary rights - the collective labor contract	38.921	37.113	46.000

- *Based on the provisions of the mandate contract, in 2023 IAR SA granted the following rights to the general manager:*
 - o *A fixed gross monthly salary* *453.942 lei, value which includes also different salary rights regarding holidays*
 - o *The variable component* *319.225 lei*
 - o *Other salary rights - the collective labor contract* *46.000 lei*
 - o *A Liability Insurance, rate for 2023:* *4.525 lei/an*
 - o *A Mobile subscription:* *equivalent to invoices 1.408 lei/an*
 - o *Expenses with service housing* *63.717 lei/an*
 - o *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:

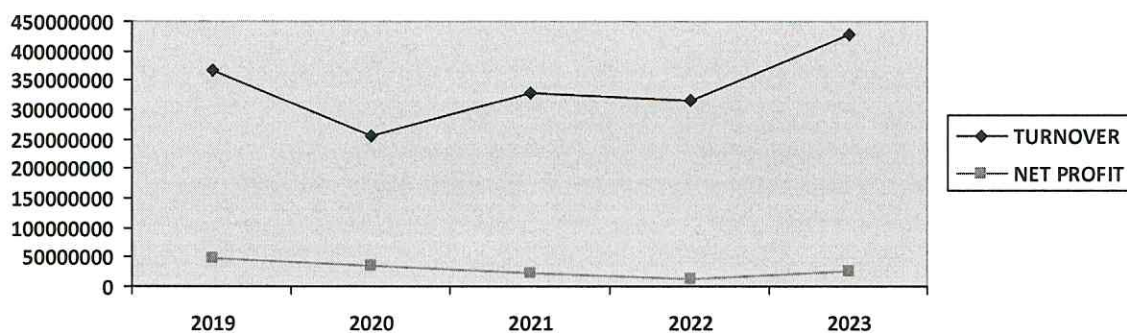
<i>PERIOD</i>	<i>CHANGE IN AVERAGE REMUNERATION OF COMPANY EMPLOYEES (WITHOUT DIRECTOR GENERAL</i>	<i>CHANGE IN REMUNERATION OF GENERAL DIRECTOR</i>	<i>CHANGE IN REMUNERATION OF BOARD OF DIRECTORS MEMBERS</i>	<i>TURNOVER VARIATION</i>	<i>PROFIT VARIATION</i>
<i>2018 vs 2017</i>	<i>40,90</i>	<i>51,01</i>	<i>88,20</i>	<i>34,53</i>	<i>22,52</i>
<i>2019 vs 2018</i>	<i>23,41</i>	<i>11,89</i>	<i>1,62</i>	<i>41,09</i>	<i>52,00</i>
<i>2020 vs 2019</i>	<i>17,83</i>	<i>3,13</i>	<i>-12,78</i>	<i>-29,93</i>	<i>-34,47</i>
<i>2021 vs 2020</i>	<i>11,45</i>	<i>7,49</i>	<i>-3,21</i>	<i>28,57</i>	<i>-28,15</i>
<i>2022 vs 2021</i>	<i>9,70</i>	<i>-3,32</i>	<i>12,92</i>	<i>-4,27</i>	<i>-32,35</i>
<i>2023 vs 2022</i>	<i>17,84</i>	<i>7,23</i>	<i>-6,30</i>	<i>35,52</i>	<i>95,72</i>

4. PERFORMANCE OF IAR S.A.

Evolution of turnover and net profit

LEI

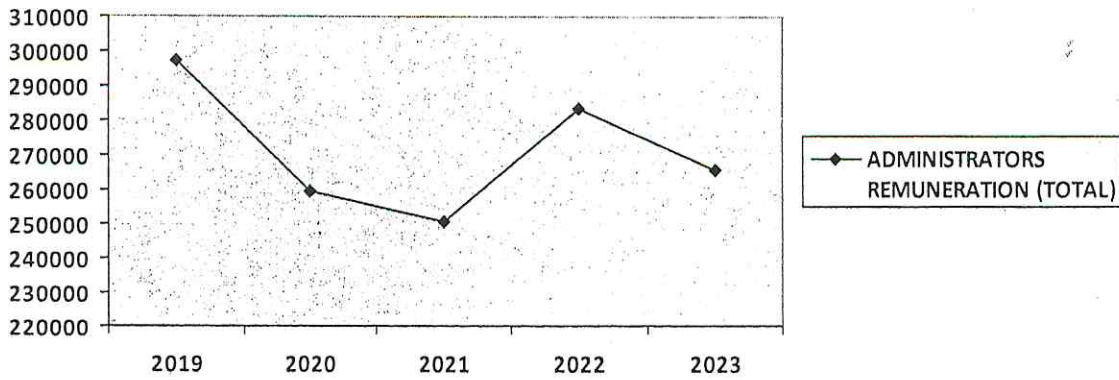
<i>YEAR</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
<i>TURNOVER</i>	<i>365.811.270</i>	<i>256.291.473</i>	<i>329.506.603</i>	<i>315.424.444</i>	<i>427.484.707</i>
<i>NET PROFIT</i>	<i>49.128.541</i>	<i>33.967.230</i>	<i>23.488.292</i>	<i>14.198.145</i>	<i>24.069.830</i>



Evolution of the administrators remuneration

LEI

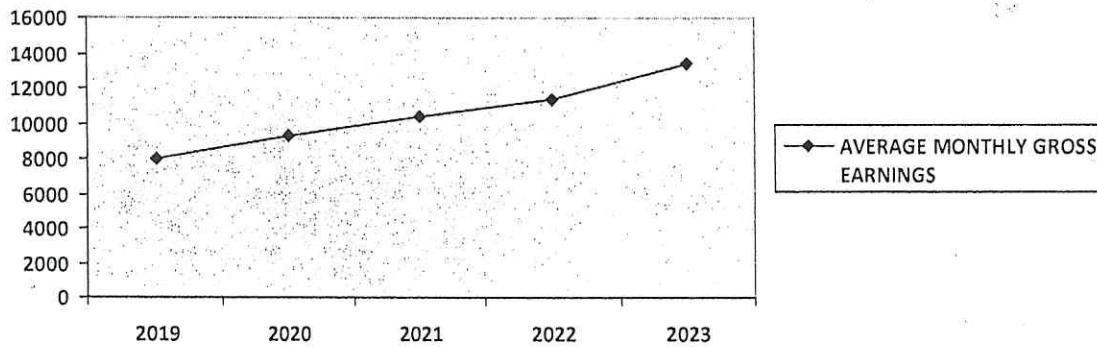
<i>YEAR</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
<i>ADMINISTRATORS REMUNERATION</i>	<i>297.360</i>	<i>259.343</i>	<i>250.804</i>	<i>283.200</i>	<i>265.375</i>



Evolution of average monthly gross earnings

LEI

YEAR	2019	2020	2021	2022	2023
AVERAGE MONTHLY GROSS EARNINGS	7.983	9.296	10.369	11.375	13.404



The Nomination and Remuneration Committee prepared and submitted to the Annual General Meeting of Shareholders held on 27.04.2023 the Remuneration Report for the year 2022. As stipulated in the OGMS Resolution no. 04/27.04.2023, the General Meeting of Shareholders of IAR SA took note of the above-mentioned Remuneration Report 2022.

NOMINATION AND REMUNERATION COMMITTEE:

Horățiu-Cătălin BARBU

Lucian-Ioan RUS

Liviu COCOS