

POLICY ON THE PROVISION OF AUDIT AND NON-AUDIT SERVICES

A. STATUTORY AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

GENERAL PROVISIONS

This policy on the provision of audit and non-audit services sets out the principles of audit of financial statements (provision of audit services) and audit for other purposes (provision of non-audit services), the requirements to the audit firm, the way of conducting the relationship with the audit firm, the way of communication and documentation between IAR SA and the audit firm.

Terms used in this policy have the following meanings:

- *statutory audit - an audit of the individual annual financial statements or consolidated annual financial statements conducted in accordance with international auditing standards within the meaning of Law No 162/2017 on the statutory audit of annual financial statements and consolidated annual financial statements and amending some normative acts*
- *financial auditor - an individual, authorized in accordance with the provisions of this Law by the Authority for Public Oversight of the Statutory Audit Activity to conduct financial audit*
- *financial audit includes statutory audit as defined in item 1, as well as the work performed for the purpose of expressing an opinion on the financial statements or parts thereof, as well as the performance of other assurance and professional services in accordance with international auditing standards and other relevant regulations*
- *management - the executive management of an entity, which is usually a management body other than the board of directors or the supervisory board*
- *audit firm - a legal person or any other entity, irrespective of its legal form, which is authorized in accordance with the specific legal provisions in force to carry out financial audits*
- *non-executive member means a member of the board of directors or of a committee set up within the board who does not exercise an executive management function in the Company*
- *audit report means the document drawn up by the financial auditor containing the elements required by the specific legislation in force*
- *international accounting standards means International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations, and future standards and related interpretations issued or adopted by the International Accounting Standards Board (IASB).*

REQUIREMENTS FOR THE FINANCIAL AUDITOR / AUDIT COMPANY

The statutory audit is performed by financial auditors or audit firms that are authorized/authorized in Romania under the conditions stipulated by the specific legislation in force, that are registered as members of the Chamber of Financial Auditors of Romania and that are registered in the electronic public register provided by the specific legislative regulations in force.

The audit firm performing the statutory audit of the annual financial statements is appointed by the general meeting of shareholders of IAR SA.

The Audit Committee of the Board of Directors of IAR SA shall be responsible for the selection procedure of the financial auditor or audit firm and shall recommend to the Board of Directors and the General Meeting of Shareholders the financial auditor or audit firm to be appointed for statutory audits.

The statutory audit shall be carried out on the basis of the statutory audit contract concluded in written form, after the date of appointment of the financial auditor or audit firm by the general meeting of shareholders of IAR SA.

The financial auditor or audit firm with which the Company concludes a contract for the provision of statutory audit services must carry out the statutory audit in accordance with the international auditing standards adopted by the European Commission in accordance with the provisions of Article 26, para. (3) of Directive 2006/43/EC of the European Parliament and of the Council of May 17, 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC, as amended and supplemented.

IAR SA approves the conclusion of the contract for the provision of statutory audit services with the audit firm which, cumulatively, meets the following criteria:

- *is authorized by the Authority for Public Supervision of Statutory Audit Activity*
- *has experience in the field of auditing the financial statements of public interest entities and is familiar with the specifics of the Company's field of activity*
- *it has a team of auditors who meet the necessary conditions to carry out an effective audit assignment.*
 - *the audit contract shall be concluded in writing and shall contain at least the following:*
 - *the subject matter of the contract*
 - *the description of the audit and the obligations of the service provider, including the audit firm's obligation to prepare the auditor's report in accordance with International Standards on Auditing*
 - *the provider's fee*
 - *the use of the audit opinion/audit report*
 - *the manner of contractual communication*
 - *contract duration and manner of performance*
 - *the obligations of the contracting parties*
 - *limitation of the provider's liability*
 - *other obligations; other services*
 - *intellectual property rights*
 - *confidentiality; independence*
 - *protection of personal data*
 - *modification or termination of the contract*
 - *force majeure and acts of God*
 - *contract law, dispute resolution*
 - *final provisions.*

STATUTORY AUDIT OF ANNUAL FINANCIAL STATEMENTS

The financial auditor or audit firm shall present the results of the statutory audit in an audit report, which shall be drawn up in accordance with the requirements of the applicable auditing standards.

The audit report shall be drawn up in writing and shall include:

- *identification of the entity whose annual or consolidated financial statements are the subject of the statutory audit by name, registered office and unique identification code*
- *identification of the annual or consolidated financial statements and the date or period for which they were prepared and identification of the financial reporting framework applied in their preparation*

- *a description of the scope of the statutory audit which identifies at least the auditing standards in accordance with which the statutory audit was conducted*
- *the auditor's opinion, which is either unqualified, qualified, or adverse and clearly expresses the auditor's or audit firm's opinion as to: whether the annual financial statements give a true and fair view in accordance with the relevant financial reporting framework; and, where appropriate, whether the annual financial statements comply with applicable legal requirements. If the auditor or audit firm is unable to express an audit opinion, the report shall state the inability to express such an opinion*
- *any other matter to which the financial auditor or audit firm draws particular attention without qualifying the audit opinion*
- *the auditor's opinion on: the consistency of the directors' report with the financial statements for the same financial year; and the preparation of the directors' report in accordance with applicable legal requirements*
- *a statement identifying any material misstatements disclosed in the directors' report, indicating the nature of the misstatements*
- *a statement of any material uncertainties associated with events or conditions that may cast significant doubt about the entity's ability to continue as a going concern*
- *a reference to the location of the financial auditor or audit firm.*

The audit report shall be signed and dated by the financial auditor. If the statutory audit is carried out by an audit firm, the audit report shall be signed at least by the financial auditor who carried out the statutory audit on behalf of the audit firm. Where several financial auditors or audit firms have jointly carried out the audit of an entity, the audit report shall be signed by all the financial auditors or at least by the financial auditors carrying out the statutory audit on behalf of each audit firm.

The financial auditor signing the statutory audit report on his own behalf or on behalf of an audit firm shall have the status of active financial auditor.

B. NON-AUDIT SERVICES

This policy also sets out the principles underlying IAR SA's engagement of non-audit services and the potential impact on auditor independence.

The principle of objectivity is imposed on all auditors and for all their services, i.e. the obligation not to compromise their professional judgment due to conflicts of interest or influence exercised by others. The concept of independence is the objective approach in a regulated, practical and measurable manner.

Non-audit services are approached by IAR SA as if they were identical, except for audit, and as if they would have the same impact on the auditor's independence, and to the extent that they should or should not be prohibited.

IAR SA does not contract the provision of non-audit services that could compromise the auditor's independence.

Non-audit services can be categorized as:

- *generally prohibited*
- *allowed only as a result of a rigorous analysis, the application of appropriate security measures, aimed at reducing to an acceptable level or even eliminating the threat to the auditor's independence*
- *generally allowed*

The audit committee within the board of directors of IAR SA has a decisive role in procuring significant non-audit services from the auditor.

It analyzes on a case-by-case basis the permission or prohibition of the practice of non-audit services by the auditor.

Prohibited non-audit services

According to this policy for the provision of audit and non-audit services, the IAR SA Company considers that certain non-audit services represent such a high risk to the auditor's independence that the only solution is to prohibit their provision, if they have an impact on the financial statements to be audited.

The prohibited non-audit services for the auditors of the IAR SA Company are:

- assuming a management responsibility*
- the role of general advisor and negotiator for the audit client*
- the promotion, involvement in or underwriting of the audit client's actions*
- accounting and accounting records services; drawing up statements and other financial information calculation of current taxes*
- evaluation services*
- financial consultancy for corporations that depend on a certain type of accounting treatment*
- appearing as a witness in favor of the audit client, before a court or tribunal*
- payroll services*
- internal audit services related to internal controls of systems or financial reporting*
- design and implementation of financial reporting IT systems.*

Allowed non-audit services

Certain non-audit services are related to auditing, assurance or consulting. The provision of such services by the auditor may be provided for by legal, regulatory or purely contractual requirements, or the auditor may be best placed to provide them to the audit client because the service is closely related to the audit activity.

Some such services are:

- revision of the interim financial statements*
- assurance provided to lenders regarding the compliance of certain loans*
- due diligence services related to possible mergers and acquisitions*
- insurance related to corporate governance situations*
- offering letters of assurance to investors in the context of issuing shares*
- assurance on a company's financial information anticipating an outcome of a planned transaction such as a merger, acquisition or sale*
- insurance on social responsibility aspects*
- tax compliance activity, such as assistance in the preparation of tax payments.*

PRINCIPLES OF CONTRACTING NON-AUDIT SERVICES

Non-audit services are provided by financial auditors or audit firms that are authorized/authorized in Romania under the conditions stipulated by the specific legislation in force, who are registered as members of the Chamber of Financial Auditors in Romania and who are registered in the electronic public register provided by the specific legislative regulations in force.

The audit firm that provides the non-audit services is appointed by the general meeting of the shareholders of the IAR SA Company. This can be the one that performs the statutory audit of the annual financial statements.

The audit committee within the board of directors of the IAR SA Company is responsible for the selection procedure of the financial auditor or the audit firm and recommends to the board of directors and the general meeting of shareholders the financial auditor or firm to be appointed to provide non-audit services.

The non-audit services are provided under the contract with the audit firm, which is concluded in writing, after the date of the appointment of the financial auditor or the audit firm by the general meeting of the shareholders of the IAR SA Company.

The IAR SA company approves the conclusion of the contract for the provision of non-audit services with the audit firm, which, cumulatively, meets the following criteria:

- is authorized by the Authority for Public Supervision of the Statutory Audit Activity*
- has experience in the field of auditing the financial statements of public interest entities and is familiar with the specifics of the Company's field of activity*
- has a team of auditors who meet the necessary conditions to carry out a high-performance audit mission.*

The contract for the provision of non-audit services is concluded in written form and contains the same general clauses as the contract concluded for the statutory audit of the annual financial statements:

- the object of the contract*
- description of the services provided and the provider's obligations*
- the provider's fee*
- the use of the auditor's opinion*
- the method of contractual communication*
- the duration of the contract and the manner of execution*
- the obligations of the contracting parties*
- limitation of the provider's liability*
- other obligations; other services*
- intellectual property rights*
- confidentiality; independence*
- protection of personal data*
- modification or termination of the contract*
- force majeure and fortuitous cases*
- contract law, dispute resolution*
- final provisions.*

In the annex to this policy, you can find a contract model that can be used both in the case of contracting statutory audit services and in the case of contracting non-audit services. The model is informative and not mandatory.