

RISK MANAGEMENT POLICY

IAR SA

In order to successfully achieve its general and specific objectives, IAR SA Company systematically identifies and evaluates the risks and opportunities generated by the organization's internal and external context and implements actions to maintain the level of these risks within the approved tolerance limits.

IAR SA's risk management complies with applicable legal and regulatory requirements, as well as the requirements of international standards for management systems, adopted in Romania and implemented within the organization.

All risk management requirements specified in the Order of the General Secretariat of the Government No. 600/2018 on the approval of internal managerial control of public entities and in the standards for quality, environment, occupational health and safety and energy management systems are taken into account.

At the same time, corruption risk management is aligned with the requirements of the Anti-Corruption Strategy in force, with the Integrity Plan being developed and approved at the Company level (in order to implement in IAR S.A. the provisions of art. 581 paragraph 1 of GEO 109/2011 with subsequent amendments and supplements and art. 6, paragraph 1 of GD 1269/2021 regarding the approval of the National Anti-Corruption Strategy 2021-2025 and its related documents).

Within IAR SA, the risk management process is an integral part of all documented organizational processes, facilitating reasoned decision-making and prioritization based on identified and assessed risks.

Risk management within IAR SA is transparent and participatory, being adapted to the external and internal context of the organization and its own risk profile.

The entire risk management process is based on current information, as well as future expectations, taking into account the uncertainties associated with this information and expectations.

When changes are planned within the organization, analyses of the associated risks are performed and their control measures are established by the functions involved.

Action plans are established and continuously improved, including to ensure the continuity of the organization's activity.

The risk profile and the risk tolerance limit are approved annually by the general manager, based on the documents prepared by the monitoring committee of the internal managerial control system and the conclusions drawn during the annual risk management analysis.

Both the number and level of identified risks are taken into account, as well as their evolution over time and, when applicable, the identified opportunities and their exploitation capacity.

The risk management policy is described in the procedure Risk and Opportunity Management in Management System Processes, which is set out as an annex to this risk management policy.

This procedure adopted in the company for the processes within the quality management system/compliance monitoring (SMQ), the safety management system (SMS) and the internal management control system (SCIM) provides an operational framework for process owners to apply

an appropriate system to meet the objectives of risk and opportunity management: identifying, assessing, treating, managing, monitoring and reporting risk or opportunity events.

The objectives of the risk and opportunity management policy are:

- *ensuring high-quality, relevant and usable risk analyses;*
- *promoting common risk management practices in IAR S.A., through continuous training and communication activities;*
- *clearly defining roles and responsibilities regarding risk management activities at the company level;*
- *supporting the decision-making process at the company level on risk reports and analyses;*
- *generating added value either from the perspective of resilience and continuity of current activity or from the perspective of performance.*

The purpose of the risk management policy, from a safety point of view, is to provide IAR SA management with early information about the formation and perpetuation of dangerous practices and behaviors during the performance of activities. The information comes from the periodic analyses of the Safety Action Group (SAG) and is submitted to the attention of management (Safety Review Board) whenever necessary, as well as in the risk management analysis meeting.

The executive management of IAR SA is committed to:

- ***developing a culture of risk-based approach in all its processes and decisions and encouraging the immediate reporting of any new risks identified by any employee***

For the annual general objectives and the specific objectives arising from them, indicators and target values are established, defining the method of calculation and evaluation of the degree of fulfillment of the respective indicators.

The general and specific objectives are updated whenever changes occur in the internal and external context of the organization, either as a result of the identification of new objectives or as a result of the identification of objectives that are no longer relevant.

The risks associated with the general and specific objectives, the process objectives, those associated with significant environmental aspects, those associated with compliance obligations, are identified and analyzed within the risk management committees that exist at the Company level, being registered in the Risk Register.

Corruption risks are identified and assessed at least annually, taking into account the threats and vulnerabilities that could lead to corruption.

Consultation and communication with stakeholders are important links in the risk management process.

- ***establish, maintain and document appropriate risk assessment methods, planning and monitoring control measures for significant risks***

Procedures are established, maintained and continuously improved for the management of risks associated with the organization's objectives and for the management of corruption risks.

The Risk Register specifies the results of the risk assessment and the measures to keep them under control, as well as the target values for the residual risk.

The Monitoring Committee of the Internal Management Control System prepares and monitors the management of risks associated with the organization's objectives.

The systematic evaluation of the effectiveness of risk control measures and the identification of opportunities to improve applicable procedures are also ensured through the internal audit of the integrated management system and through the internal public audit.

- ***allocate the necessary resources for risk management, targeting both those for employee training/instruction/awareness, and those necessary for the implementation of the measures established for dealing with risks***

The prioritization of the allocation of material, financial and human resources is done following the identification and ranking of risks.

All personnel of IAR SA are trained on aspects related to risk management and the procedures applied by the Company in this field.

- ***establish clear responsibilities for personnel involved in risk management***

The risk management teams, risk officers, the internal management control system monitoring committee, the safety action group and the working group for the management of corruption-specific risks and vulnerabilities have clearly defined responsibilities regarding risk management, documented in procedures, decisions of the General Director of IAR SA and job descriptions.

- ***systematically report relevant risk management data to stakeholders***

The Monitoring Committee annually analyzes the performance of the internal management control system and the way in which risks were managed within the Company.

The results of the analysis made by the Monitoring Committee are included in the Summary Report for the Analysis Performed by the Management. This information is also made available to the Board, through the risk management committee.

The monitoring of corruption risks is carried out by preparing a report on the status of the implementation of prevention / control measures, which is transmitted for analysis to the members of the working group for the management of corruption-specific risks and vulnerabilities, being approved by the coordinator of this group and then approved by the General Director of the Company.

The Risk Management Committee within the Board ensures the consistency of control activities with the risks generated by the activities and processes that are the subject of control, identifies, analyzes, evaluates and monitors both the identified risks and the plan of measures to mitigate or anticipate them.

Also, the risk management committee annually evaluates the efficiency of the risk management system and advises the Board on the current and future risk strategy of IAR SA.