

RISK MANAGEMENT POLICY AND INTERNAL CONTROL

1. GENERAL PROVISIONS

1.1. This Policy on the Risk Management and Internal Control (the '**Policy**') adopted by Impact Developer & Contractor S.A. (hereinafter referred to as '**the Company**' or '**Impact**') was prepared in accordance with the provisions of the Corporate Governance Code of the Bucharest Stock Exchange ('**BVB**'), the edition of 11 September 2015 and in accordance with Regulation no. 2/2016 on the application of corporate governance principles by entities authorized, regulated and supervised by the Financial Supervisory Authority and is integral to the Regulations of the Board of Directors of Impact.

1.2. The aims of this Policy are:

- (i) to increase the efficiency of the risk management system and internal control;
- (ii) to establish the principles and modalities of approaching the risk management system and internal control at Impact;
- (iii) to ensure the independent and regular assessment of the level of efficiency and safety of the risk management and internal control system, as well as compliance with corporate governance practices;
- (iv) to ensure the organization of the internal audit in accordance with the law and the audit of the financial statements of the Impact by a financial auditor;
- (v) to ensure compliance with the legislation applicable to the preparation of the Company's financial and non-financial statements;
- (vi) to ensure the accuracy of the information contained in the register of deliberations and findings made by the internal auditors of Impact;
- (vii) to ensure the integrity of financial reporting and the internal control system, including the internal and external audit procedures implemented by Impact;
- (viii) to ensure the adequacy of the processes of identification, evaluation, monitoring, management, and reporting of risks, the reliability of financial and non-financial information reported internally and externally;
- (ix) efficient operation of the internal control system;
- (x) conflict of interest management;
- (xi) management and use of inside information;
- (xii) to ensure the objective conduct of transactions with related parties, based on their own merits in a manner that ensures the independence and protection of the Company's interests, by complying with all requirements and impediments provided by applicable law, as well as an adequate level of transparency towards shareholders Company and potential investors (see Conflict of Interest Management Policy and Related Party Transactions).

1.3. The Company's annual report will contain details on the assessment of the main risks faced by Impact, including those that would threaten its business model, future performance, solvency or liquidity.

2. ESTABLISHING THE FRAMEWORK FOR RISK MANAGEMENT AND INTERNAL CONTROL

2.1. Specific Aspects

- 2.1.1.** The company must have an effective risk management system. The risk management system ensures the control activities with the risks generated by the activities and processes that are subject to control. The Board of Directors of the Company must establish the principles and modalities of approaching the risk management system.
- 2.1.2.** The Board of Directors of the Company is responsible for monitoring all risks related to the financial and operational performance of the Company. Thus, the Company's Board of Directors will ensure that the Company establishes and implements an effective framework for identifying, assessing, monitoring, managing and reporting risks.
- 2.1.3.** The executive management of the Company must:
- (i) to identify the key risks, to evaluate and monitor these risks according to the potential impact and according to the probability of their materialization, meaning that it will draw up a risk register that will be updated periodically;
 - (ii) to establish the organizational structures/departments within Impact that are responsible for the risk management at the level of the Company;
 - (iii) to establish key risk indicators for monitoring the Company's performance in relation to the types of risk that may be incidental at the Company level (for example, the categories of operational risk/human resources risk/legal risk);
 - (iv) to periodically inform the Board of Directors of the Company, upon request or on its own initiative, about the status of significant risks, including the actions of the Company in order to manage these risks/minimize the impact of significant risks on the Company.
- 2.1.4.** The Board will consistently ensure that risk management issues are complemented by an internal control system that regulates an appropriate level of policies, procedures and processes for limiting, mitigating risks and meeting the Company's objectives.
- 2.1.5.** The Company has sufficient control mechanisms to protect the Company's interests against financial reporting risks and ensures the accuracy of the information/data contained in all financial statements prepared by the Company's executive management, including that they have a correct and complete picture of the Company's financial situation.
- 2.1.6.** The procedure for identifying, assessing, monitoring, managing and reporting significant risks shall include references to at least the following:
- (i) defining risk categories and methods for assessing them;
 - (ii) presenting the manner in which the Company manages each relevant risk category and area, as well as any accumulations of risks;
 - (iii) mentioning the risk tolerance limits for each relevant risk category according to the general risk appetite, in accordance with the specific requirements of the relevant legislation;
 - (iv) establishing the frequency and describing the content of periodic stress tests and presenting the situations that justify the ad-hoc performance of other stress tests.
- 2.1.7.** The company draws up clear action plans to ensure business continuity and emergencies in order to eliminate or minimize risks. The Council evaluates these plans every six months.
- 2.1.8.** The Board evaluates every six months the efficiency of the risk management system adopted by

the Company based on the risk report, depending on the policies, procedures and controls performed.

2.2. Audit Committee

- 2.2.1.** The Company's Audit Committee is an independent body and consists of 3 (three) non-executive members with appropriate qualifications relevant to their functions and responsibilities, of which 2 (two) are independent non-executive directors and at least one member (independent or not) is a person who has proven and appropriate experience in the field of accounting/financial audit.
- 2.2.2.** The Chairman of the Audit Committee has the appropriate qualifications and experience for the position held and the responsibilities he holds within the Audit Committee and is also an independent non-executive member.
- 2.2.3.** The company ensures that the experienced member has the following attributes:
- (i) a good understanding of generally accepted accounting principles and financial statements;
 - (ii) the ability to assess the general application of these principles in relation to accounting estimates and reserves;
 - (iii) experience in preparing, auditing, analyzing and evaluating financial statements involving complex and important accounting issues;
 - (iv) an understanding of internal controls and financial reporting procedures; and
 - (v) an understanding of the functions of the Audit Committee.
- 2.2.4.** The Impact Audit Committee has, *inter alia*, the following responsibilities:
- (i) the obligation to carry out an annual evaluation of the internal control system;
 - (ii) to analyze together with the Board of Directors and the shareholders of the Company whether or not an exceeding of the materiality threshold established by the Company is justified and, as the case may be, the motivated approval of such excess;
 - (iii) to monitor the application of generally accepted legal standards and internal audit standards;
 - (iv) to receive and evaluate the reports of the internal audit team;
 - (v) to assess the conflicts of interest in connection with the transactions of the Company and its subsidiaries with related parties;
 - (vi) to verify and ensure at all times that the directors of the Company are not in a situation of conflicts of interest;
 - (vii) to keep a record of the main functions and professional activities of the Company's directors, including their duties in non-profit organizations, as well as information on any relevant legal entities in which the directors themselves or those they represent are significant shareholders;
 - (viii) to monitor the financial reporting process;
 - (ix) to monitor the efficiency of internal control, internal audit, as appropriate, and risk management systems within the Company;
 - (x) to monitor the statutory audit of the annual financial statements and the consolidated annual financial statements;
 - (xi) to verify and monitor the independence of the financial auditor and, in particular, the provision of additional services to the Company.

- (xii) to check all documents and operations regarding:
 - (a) the contracting by the Company of any types of loans or debts or obligations of the type of loans, as well as the establishment of real or personal guarantees related to these loans, in each case according to the limits of competence established by the Company;
 - (b) deeds of acquisition, alienation, exchange or guarantee of assets from the category of fixed assets of the Company, whose value exceeds, individually or cumulatively, during a financial year, 20% of total fixed assets, less receivables, as well as leases of tangible assets, for a period exceeding 1 year, the individual or cumulative value of which to the same co-contractor or persons involved or acting in concert exceeds 20% of the total value of fixed assets, less receivables on the date of concluding the legal act, as well as the associations for a period longer than 1 year, exceeding the same value;
 - (c) to approve the investment projects in which the Company will participate according to the limits of competence provided in the Articles of Association of the Company, other than those provided in the annual investment plan of the Company;
- (xiii) to make available to the Management Board a detailed recommendation on, *inter alia*, the need, timeliness, potential risks and rewards of the operations referred to in points 2.2.4 (xii) (a) to (c) above;
- (xiv) to coordinate the internal audit activity and the selection activity of the statutory auditor or audit firm and issues the recommendation for the appointment of the statutory auditor or audit firm.
- (xv) to endorse internal audit reports and recommendations made by internal auditors;
- (xvi) to monitor the statutory audit of the annual financial statements and of the consolidated annual financial statements;

2.2.5. If the Audit Committee unanimously decides with unanimous votes on the recommendation on the matters referred to in points 2.2.4 (xii) to (xiii) and the Board, in the documentation submitted to the general meeting of shareholders, takes a decision to the contrary the recommendation of the Audit Committee, the decision of the Board of Directors will contain a detailed description of the reason for a decision to the contrary;

2.2.6. The annual evaluation of the internal control system must take into account the effectiveness and comprehensiveness of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Audit Committee, the promptness and effectiveness with which executive management resolves deficiencies or irregularities identified following the internal control and the presentation of relevant reports for the attention of the Board of Directors of the Company.

2.2.7. The reports and/or reviews initiated by the Audit Committee will be followed by periodic (at least annual) or, as the case may be, ad-hoc reports which will subsequently be submitted to the Board of Directors.

2.2.8. The Audit Committee should support the Management Board in supervising the internal control system, in particular as regards the effectiveness of financial reporting.

2.2.9. The Audit Committee will meet at least 4 times a year and will assist the Board in ensuring that the Company maintains systems appropriate and adequate to the purpose of financial reporting, auditing, internal control, compliance and risk management.

2.2.10. The Audit Committee has diversified skills that correspond to the responsibilities that fall within its sphere of competence. These skills may include experience in the real estate and construction development sector, understanding the specific factors by which the Company adds value, knowledge in risk management, knowledge of all relevant regulations and experience in

the field of compliance.

2.2.11. In order to ensure the internal audit and the internal control of Impact, the Audit Committee will undertake, *inter alia*, the following measures:

- (i) will approve the charter of the internal audit department of the Company;
- (ii) will analyze and approve the area of competence of the Internal Audit department and will ensure that it has adequate resources and adequate access to information, in order to be able to carry out its activity efficiently and in accordance with the relevant professional standards;
- (iii) will monitor and review the work of the internal audit department to ensure that it acts efficiently and independently of the executive management and that it performs its tasks impartially, competently and with the diligence of a professional;
- (iv) will receive, before any meeting of the Audit Committee, a report from the Internal Auditor, containing the most recent conclusions and recommendations, as well as the stage of their implementation;
- (v) will make recommendations to the Board of Directors regarding the appointment or dismissal of an internal auditor;
- (vi) will review the budget of the internal audit department;
- (vii) will monitor the changes that occur at the level of the internal audit department staff (hiring, transfers, resignations, dismissals);
- (viii) will monitor and review the efficiency and adequacy of the Company's internal control systems and will analyze the relevant reports provided by the executive management.

2.2.12. In order to manage the risks, the Audit Committee will take, *inter alia*, the following measures:

- (i) will receive and evaluate the periodic reports (at least half-yearly) regarding the risk profile of the Company, the implementation stage and the efficiency of the risk management system;
- (ii) will inform the Board of Directors about the main risks assumed by the Company, will monitor these risks and will ensure that they are managed efficiently;
- (iii) will take a systematic approach to monitoring all major categories of major risks;
- (iv) will approve and review the budget and the number of employees assigned to risk management.

3. THE INTERNAL CONTROL SYSTEM OF THE COMPANY

3.1. The executive management of the Company is directly responsible for the development, implementation and monitoring of the internal control system, in order to provide reasonable assurances regarding the fulfillment of the objectives that fall into the following categories:

- a) effectiveness and efficiency of operations;
- b) accuracy of financial reporting;
- c) compliance with applicable laws and regulations.

3.2. The internal control system of the Company is established at an adequate hierarchical level and reports directly to the Board or the executive management, as the case may be, it is independent of the operational organizational structures and of the support ones that it controls and monitors.

- 3.3. The Company's internal control system ensures the adequacy of the processes of risk identification, assessment, monitoring, management and reporting, the reliability of financial and non-financial information reported internally and externally and their compliance with applicable law and internal decisions of the Company.

4. INTERNAL AUDIT DEPARTMENT

- 4.1. The financial statements of companies subject to the legal obligation to audit will be audited by financial auditors - individuals or legal entities, under the conditions provided by law.
- 4.2. The companies whose annual financial statements are subject to financial audit, according to the law or the shareholders' decision, will organize the internal audit according to the norms elaborated by the Romanian Chamber of Financial Auditors.
- 4.3. Internal audits must be performed by a structurally separate division (internal audit department) within the company or by hiring an independent third party entity.
- 4.4. In order to ensure the fulfillment of the main functions of the internal audit department, it must report functionally to the Board through the audit committee. For administrative purposes and within the management's obligations to monitor and reduce risks, he must report directly to the general manager.
- 4.5. The Company will conduct internal audits in order to independently, periodically assess the safety and efficiency of the internal risk management and control system and corporate governance practices.
- 4.6. The executive management of the Company is directly responsible for the development, implementation and monitoring of the internal control system. The Board of Directors, through the Audit Committee, must ensure that the members of the executive management fulfill these obligations.
- 4.7. The Company's internal audit department reasonably provides objective and independent assurance to the governing bodies that the Company's organization, policies and procedures operate efficiently and as expected. In this regard, the internal audit department also provides assurance on the effective implementation of the risk management framework and the internal control system.
- 4.8. The Company ensures that internal auditors will not be influenced by others and will make decisions on audit matters independently.
- 4.9. The Company ensures that the internal audit department has an adequate level of operational independence from other departments within the Company and from the executive management of the Company. Notwithstanding the above, the relevant personnel responsible for internal audit will collaborate with the Company's executive management and other relevant parties to develop and deliver risk plans. Internal auditors identify, analyze, evaluate and present supporting documents in support of their conclusions.
- 4.10. In order to perform the control functions, the internal audit department must report functionally to the Board of Directors through the Audit Committee and administratively to the General Manager.
- 4.11. Functional reporting to the Board of Directors through the Audit Committee involves the following issues:
 - a) approval of the charter of the internal audit department;
 - b) approval by the Board of Directors of the risk assessment found following the internal audit and the related audit plan;
 - c) receipt by the Board of Directors of communications/information from the head of the internal audit department regarding the results of the internal audit activities and other

aspects that he/she considers necessary;

- d) approval by the Board of Directors of all decisions regarding the appointment or removal of the head of the internal audit department;
- e) approval by the Board of Directors of the annual remuneration of the head of the Internal Audit Department;
- f) the Board of Directors shall carry out the relevant investigations to determine whether the area of competence and the budget of the internal audit department are sufficient for it to fulfill its obligations.

4.12. Administrative reporting to the General Manager involves the following issues:

- a) The General Manager verifies the budgetary aspects regarding the internal audit department;
- b) The Director-General shall ensure an adequate human resources management system for this department, including staff evaluations;
- c) The Director General ensures internal communications and the flow of adequate information;
- d) The General Manager oversees the implementation of the Company's internal policies and procedures.

4.13. The Head of the Internal Audit Department shall inform the General Manager of any key findings made following the audits performed, in particular of the adequacy of the Company's approach to the implementation of the risk management framework, so that key issues are addressed as appropriate by the Director-General and the Executive Board.

4.14. The reports of the Head of the Internal Audit Department to the Director-General shall be left to the discretion of the Head of the Internal Audit Department, and the information in those reports shall be communicated to the Audit Committee as well.

4.15. However, if the Company nevertheless decides to outsource the internal audit activity, the Audit Committee must consider, each year, whether it is necessary to set up an internal audit department and make a recommendation to the Board of Directors in this regard. Thus, the Audit Committee must always ensure that there is coordination between internal and external auditors.

5. FINAL PROVISIONS

5.1. The Board of Directors will present to the annual general meeting of shareholders a brief assessment of the internal control and significant risk management systems, as well as opinions on issues subject to the decision of the general meeting.

5.2. This Policy is supplemented by the provisions of the Audit Committee Regulations, the Policy on the management of conflicts of interest and transactions with related parties, as well as with any other relevant policies/regulations adopted at Company level.

*

* *

This Policy will be updated, revised and periodically reviewed by the Company's Board of Directors.