

indra

Annual Report on Corporate Governance 2019

Listed Companies

Issuer Identification	Indra
Year end Date	31 December 2019
Tax Identification No.	A-28599033
Company Name	Indra Sistemas, S.A.
Registered Office	Avda. Bruselas, 35, Alcobendas, Madrid

This document contains the annual corporate governance report submitted to the *Comisión Nacional del Mercado de Valores* ("Spanish Securities Market Commission" or "CNMV") pursuant to the form prescribed by the CNMV.

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Annual Corporate Governance Report for Listed Companies

A. Ownership structure

A.1 Complete the table below with details of the capital stock of the company:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
18-05-2017	35,330,880.40	176,654,402	176,654,402

Please state whether there are different classes of shares with different associated rights:

Yes No

Class	Number of shares	Par value	Number of votes	Associated rights

A.2 Please provide details of the company's significant Direct and indirect Shareholders at fiscal year end, excluding any Directors:

Name of Shareholder	% of share carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
Sociedad Estatal de Participaciones Industriales, S.A.	18.71	0	0	0	18.71
Corporación Financiera Alba, S.A.	10.52	0	0	0	10.52
FMR LLC	0	8.57	0	0.79	9.36
Norges Bank	2.93	0	0.95	0	3.89

Remarks

Breakdown indirect holdings:

Name of indirect Shareholder	Name of direct Shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
FMR LLC	FMR CO, INC	8.57	0.79	9.36

Remarks

State the most significant shareholder structure changes during the year:

Name of Shareholder	Date of transaction	Operation description
Norges Bank	22/01/2019	Fell below 3% equity interest
Norges Bank	28/01/2019	Surpassed 3% of equity interest
Norges Bank	30/01/2019	Fell below 3% equity interest
Schroders, PLC	11/02/2019	Fell below 3% equity interest
Norges Bank	19/02/2019	Surpassed 3% of equity interest
Norges Bank	20/02/2019	Fell below 3% equity interest
Norges Bank	21/02/2019	Surpassed 3% of equity interest
Norges Bank	25/02/2019	Fell below 3% equity interest
Norges Bank	28/02/2019	Surpassed 3% of equity interest
Norges Bank	12/03/2019	Fell below 3% equity interest
Norges Bank	15/03/2019	Surpassed 3% of equity interest
T. Rowe Price Associates, Inc.	04/04/2019	Fell below 3% equity interest
State Street Corporation	03/05/2019	Surpassed 3% of equity interest
State Street Corporation	16/07/2019	Fell below 3% equity interest
Norges Bank	24/09/2019	Fell below 3% equity interest

Most significant movements
As regards Norges Bank, the changes refer to levels rising above or falling below percentage of voting rights attributable to shares, given that its total interest, including voting rights obtained by means of financial interests, remained above 3% for the entire fiscal year.

A.3 In the following tables, list the members of the Board of Directors (hereinafter “Directors”) with voting rights in the company:

Name of Director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Fernando Abril-Martorell Hernández	0.206	-	-	-	0.206	-	-
Alberto Terol Esteban	0.026	-	-	-	0.026	-	-
Antonio Cuevas Delgado	0.002	-	-	-	0.002	-	-
Enrique de Leyva Pérez	0.011	-	-	-	0.011	-	-
Silvia Irazo Gutiérrez	0.004	-	-	-	0.004	-	-
Ignacio Martín San Vicente	0.003	-	-	-	0.003	-	-
Santos Martínez-Conde Gutiérrez-Barquín	0.020	-	-	-	0.020	-	-
Ignacio Mataix Entero	0.020	-	-	-	0.020	-	-
María Rotondo Urcola	0.005	-	-	-	0.005	-	-
Cristina Ruiz Ortega	0.029	-	-	-	0.029	-	-
Ignacio Santillana del Barrio	0.023	-	-	-	0.023	-	-
Miguel Sebastián Gascón	0.002	-	-	-	0.002	-	-
Isabel Torremocha Ferrezuelo	0.001	-	-	-	0.001	-	-

Total percentage of voting rights held by the Board of Directors

0.352

Remarks

Executive Directors may acquire voting rights in addition to those reflected in the table above which correspond to shares they are to receive as part of their annual variable compensation for prior years, the delivery of which is deferred over a period of three years in three equal parts. As of 31 December 2019 the percentage of voting rights that are receivable in accordance with annual variable compensation amount to 0.015% in the case of Mr. Abril-Martorell; 0.007% in the case of Mr. Mataix and 0.009% in the case of Ms. Ruiz.

Breakdown of the indirect holdings:

Name of Director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments
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A.4 If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6

Name of related Party	Nature of relationship	Brief description

A.5 If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name of related Party	Nature of relationship	Brief description

A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and Directors, or their representatives in the case of Proprietary Directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those Directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders, or those who have ties to significant shareholders and/or companies in their groups, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of Directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the board of Directors or the representatives of companies that hold significant shareholdings in the listed company, or in group companies of these significant shareholders.

Name or company name of related Director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
Santos Martínez-Conde Gutiérrez-Barquín	Corporación Financiera Alba, S.A.	Corporación Financiera Alba, S.A.	CEO
		Banca March, S.A.	Director

		Artá Capital, S.G.E.I.C., S.A	Director
		Deyá Capital, S.C.R., S.A	Chairman
		Deyá Capital IV, S.C.R., S.A	Chairman
		Artá Partners, S.A.	Chairman

Remarks

A.7 State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the *Ley de Sociedades de Capital* ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:

Yes No

Parties to the shareholders' agreement	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes No

Parties to the concerted action	Percentage of affected shares	Brief description of the agreement	Date of termination of the agreement, if applicable

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

A.8 State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the *Ley de Mercados de Valores* ("Spanish

Securities Market Act” or “LMV”). If so, please identify them:

Yes No

A.9 Complete the following table with details of the company’s treasury shares:

At the close of the fiscal year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
282,006	0	0.16

(*) through:

Name of direct shareholder	Total percentage of share capital
Total:	

Explain any significant changes during the fiscal year:

Variaciones significativas
22/01/2019- 1,791,753 shares acquired, 1.014% capital stock.
30/04/2019- 1,789,550 shares acquired, 1.013% capital stock.
29/07/2019- 1,794,341 shares acquired, 1.016% capital stock.
10/10/2019- 1,775,027 shares acquired, 1.005% capital stock.
12/12/2019- 1,788,742 shares acquired, 1.013% capital stock.

A.10. Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or alienate of treasury shares.

At the Meeting held on 25 June 2015, under Item 6 of the agenda and with a favourable vote of 99.87% of the capital present, the Shareholders agreed:

“To authorise the Board of Directors, in accordance with the provisions of Articles 146 and 509 of the LSC, to buy back the Company’s own shares (as well as pre-emptive rights to the same) in one or more tranches, either directly or through subsidiaries, by any means allowed by law, with the express authority to sell or cancel them.

This authority shall be subject to the following conditions:

(i) *The nominal value of any treasury shares acquired under this authority, when added to the treasury shares already possessed by the purchasing entity and its affiliates, may not*

exceed 10% of nominal capital.

- (ii) The minimum acquisition price or the minimum amount of consideration to be paid shall be the par value of the shares acquired and the maximum acquisition price or the maximum amount of consideration to be paid shall be listed price of the acquired shares on a regulated secondary market at the time of acquisition.
- (iii) Acquisition of shares must not result in a reduction of equity below the sum of the value of treasury shares plus reserves which are unavailable either by applicable law or by the Bylaws.

It is specifically provided that the acquired shares or option rights to those shares may be subsequently granted to Directors, management personnel and employees of the Company.

This authorisation is valid for 5 years as of the date of approval and supersedes in all respects the previous authorisation approved at the Annual Shareholders Meeting held on 24 June 2010."

A.11 Estimated free-float capital

	%
Estimated free-float capital	57.008

Observaciones

A.12 State whether there are any restrictions (in the bylaws, legislation, or anywhere else) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market as well as those regimes for the prior authorisation or notification that may be applicable under sector regulations for acquisition or transfer of the company's financial instruments:

Yes No

Description of restrictions
The Bylaws contain no restrictions on transfer of shares and contain no restrictions on voting rights. Without prejudice to the above, <i>Real Decreto 664/1999</i> regarding foreign investors requires that prior authorization must be obtained in order for non-residents to acquire significant equity interest -currently established at 3%-, or for them to directly or indirectly become part of an administrative body of a listed company which does work related to National Defence.

A.13 State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.

Yes No

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

Explain the measures approved and the terms under which such limitations would cease to apply

A.14 State if the Company has issued shares that are not traded on a regulated EU market.

Yes No

If so, please list each type of share and the rights and obligations conferred on each.

List each type of share
In September 2016 the Company issued bonds in the amount of 250 M€, convertible and/or exchangeable for Indra common shares but excluding preferential shareholder subscription rights and with a maturity dates of 7 October 2023. Said bonds are listed on an unregulated market (multilateral trading facility) called Freiverkehr on the Frankfurt Stock Exchange. For more information regarding this bond issue, see the Report of Material Fact of September 2016 and registration number 243169. Additionally, on 19 April 2018 an issue of senior unsecured bonds was formalized in the Euromarket in the amount of 300 M€ with maturity in 2024. The bonds are listed on the Euro MTF market in the Luxembourg Stock Exchange. For more information regarding this bond issue, see the Report of Material Fact of April 2016 and registration number 264042.

B. Annual Shareholders’ Meeting

B.1 State whether there are any differences between the quorum established by the LSC for Annual Shareholders’ Meetings and those set by the company and if so, describe them in detail:

Yes No

	% quorum different from that contained in Article 193 LSC for general matters	% quorum different from that contained in Article 194 LSC for special resolutions
Quorum required at 1st call		
Quorum required at 2nd call		

Description of differences

B.2 State whether there are any differences in the company’s manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

Yes No

Describe how it is different from that contained in the LSC.

	Qualified majority different from that established in Article 201.2 LSC for Article 194.1 LSC matters	Other matters requiring a qualified majority
% established by the Company for adoption of resolutions		

Description of differences

B.3 State the rules for amending the company’s Bylaws. In particular, state the majorities required for amendment of the Bylaws and any provisions in place to protect shareholders’ rights in the event of amendments to the Bylaws.

Shareholders at Meetings have the right to decide all matters attributed to them by law or the Bylaws, and particularly amendment of the Bylaws, except where, pursuant to applicable law, this power may be delegated to the Board of Directors.

The Bylaws do not contain any provisions regarding adoption of resolutions amending the Bylaws in conflict with that contained in the current version of the LSC. Specifically, in accordance with Article 194 LSC, in order for the Bylaws to be validly amended at either an Annual or at an Extraordinary Meeting, at first call there must be agreement of Shareholders present either in person or by proxy that represents at least 50% of subscribed capital with voting rights; at second call 25% is sufficient. Additionally, in accordance with Article 201 LSC, in order to modify the Bylaws a two thirds majority of the voting capital in attendance must vote in favour whenever attendance at second call is between 25% and 50%.

B.4 Give details of attendance at Annual Shareholders' Meetings held during the year of this report and previous two fiscal years:

Date of Annual Meeting	Attendance data				Total
	% physically present	% present by proxy	% distance voting		
			Electronic voting	Other	
20/02/2017	0.43	48.75	0.01	21.30	70.49
Percentage of free-float capital	0.08	37.42	0.01	1.16	38.67
29/06/2017	0.52	51.86	0.03	19.21	71.62
Percentage of free-float capital	0.18	41.34	0.03	0.50	42.05
28/06/2018	0.62	56.09	0.03	18.92	75.66
Percentage of free-float capital	0.21	45.56	0.03	0.21	46.01
24/06/2019	0.63	52.77	0.01	19	72.41
Percentage of free-float capital	0.25	42.25	0.01	0.29	42.80

Remarks

B.5 State whether any point on the agenda of the Annual Shareholders' Meetings during the year has not been approved by the shareholders for any reason:

Yes No

Items on agenda not approved	% votes against (*)

(*) If the non-approval of the point is for a reason other than the votes against, this will be explained in the text part and "N/A" will be placed in the "% votes against" column.

B.6 State if the Bylaws contain any restrictions requiring a minimum number of shares to attend Annual Shareholders' Meetings, or on distance voting:

Yes No

Number of shares required to attend Annual Shareholders' Meetings	
Number of shares required for distance voting	

B.7 State whether certain categories of decisions that entail an acquisition, disposal or contribution to another company of key assets or other similar corporate transactions must be subject to the approval at an Annual Shareholders' Meeting, other than those categories established by law.

Yes No

Explain the decisions that must be subject to the Annual Shareholders' Meeting, other than those established by Law

B.8 State the address and manner of access to the page on the Company website where one may find information on corporate governance and other information regarding Annual Shareholders' Meetings that must be made available to shareholders through the Company website.

The URL of the Company website is www.indracompany.com.
Under the "Accionistas e Inversores" tab ("Investor relations" on the English site) one may find, among other hot buttons, "Gobierno Corporativo" ("Corporate governance") under which appears "Junta General de Accionistas" ("General Shareholders Meeting") in a submenu.

C. Company Administrative Structure

C.1 Board of Directors

C.1.1 Maximum and minimum number of Directors established in the Bylaws and the number set by the Shareholders Meeting:

Maximum number of Directors	15
Minimum number of Directors	8
Number of Directors set by the Shareholders Meeting	13

C.1.2 Please complete the following table regarding members of the Board:

Name of Director	Director category	Position on the Board	Date first appointed to Board	Date of last appointment	Method of selection to Board	Date of birth
Fernando Abril-Martorell Hernández	Executive	Chairman	29/01/2015	28/06/2018	Shareholders Meeting	18/04/1962
Alberto Terol Esteban	Independent	Vice-Chairman and Lead Independent Director	24/06/2010	24/06/2019	Shareholders Meeting	24/09/1955
Antonio Cuevas Delgado	Proprietary	Director	31/01/2019	24/06/2019	Shareholders Meeting	07/05/1949
Enrique de Leyva Pérez	Independent	Director	30/04/2015	28/06/2018	Shareholders Meeting	16/12/1959
Silvia Irazo Gutiérrez	Independent	Director	29/06/2017	29/06/2017	Shareholders Meeting	01/12/1956
Ignacio Martín San Vicente	Independent	Director	28/06/2018	28/06/2018	Shareholders Meeting	04/05/1955
Santos Martínez-Conde Gutiérrez-Barquín	Proprietary	Director	27/06/2013	24/06/2019	Shareholders Meeting	15/11/1955
Ignacio Mataix Entero	Executive	Director	26/01/2018	28/06/2018	Shareholders Meeting	26/05/1962
María Rotondo Urcola	Independent	Director	29/06/2017	29/06/2017	Shareholders Meeting	18/05/1964
Cristina Ruiz Ortega	Executive	Director	21/12/2017	28/06/2018	Shareholders Meeting	03/11/1970
Ignacio Santillana del Barrio	Independent	Director	21/06/2011	29/06/2017	Shareholders Meeting	13/01/1948
Miguel Sebastián Gascón	Proprietary	Director	31/01/2019	24/06/2019	Shareholders Meeting	13/05/1957
Isabel Torremocha Ferrezuelo	Independent	Director	24/06/2019	24/06/2019	Shareholders Meeting	25/01/1964

Total number of Directors

13

State if any Directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of Director	Director category at time of leaving	Date of last appointment	Date Director left	Specialised Committees of which he/she was a member	State whether the Director left before the end of the term
Juan Carlos Aparicio Pérez	Proprietary	29/06/2017	31/01/2019	Audit and Compliance Committee	Yes

Luis Lada Díaz	Independent	30/06/2016	24/06/2019	Executive Committee; Audit and Compliance Committee	No
Adolfo Menéndez Menéndez	Proprietary	29/06/2017	31/01/2019	Executive Committee; Nomination, Compensation and Corporate Governance Committee	Yes

Reason for leaving and other remarks
<p>Indra Board of Directors accepted the resignations of Mr. Adolfo Menéndez and Mr. Juan Carlos Aparicio as Proprietary Directors representing Significant Shareholder SEPI at its meeting held 31 January 2019 as a consequence of the Shareholder's decision to substitute them on the Indra Board with Mr. Miguel Sebastián and Mr. Antonio Cuevas.</p> <p>As for Mr. Luis Lada, his three year term ended at the Annual Shareholders' Meeting held 24 June 2019 and he was not eligible for re-election for having already served four terms, which is the maximum time such a Director may be considered independent by Law, in accordance with the provisions of letter i), section 4 of Article 529 <i>duodecies</i> of the LSC.</p>

C.1.3 Complete the following tables regarding the members of the Board and their categories:

EXECUTIVE DIRECTORS

Name of Director	Post in the Company organisational chart	Profile
Fernando Abril-Martorell Hernández	Chairman and CEO	<p>A graduate in Law and Business Administration from ICADE (Madrid), he is the Chairman of Indra since January 2015.</p> <p>He has worked in different service, industrial and financial companies. Between 2011 and 2014 he was the CEO of Grupo Prisa. Between 2005 and 2011 he was CEO at Credit Suisse in Spain and Portugal. He was CEO of Grupo Telefónica between 2000 and 2003 and, previously, CFO between 1997 and 2000. He began his professional career in JP Morgan where he spent 10 years between 1987 and 1997 in the Madrid, New York and London offices.</p> <p>He is currently a member of Board of Directors of Energía y Celulosa, S.A. and Adevinta ASA.</p>
Ignacio Mataix Entero	Executive Director of Indra and T&D business Senior Vice President	<p>Born in 1962. He holds a Bachelor's Degree in Law and Economics (ICADE) and Master's degree, CEO International Programme (IESE Business School).</p> <p>He has a wide and varied professional experience, having held senior level positions at large multinational investment banks, leading engineering companies and high-tech manufacturers. He began his professional career in ABN Amro Bank, where he became Managing Director in London. In 2000, he was appointed General Manager of Corporate Development of SENER. In 2004, he joined ITP (Industria de Turbo Propulsores) as group CEO.</p> <p>On January 2018 he is appointed Executive Director of Indra and T&D business Senior Vice President.</p>

Cristina Ruiz Ortega	Executive Director of Indra and IT business Senior Vice President	Cristina Ruiz has a degree in Business and Economics. She has pursued her professional career in operations and information systems consulting, holding a number of different positions at companies in the field. She joined Indra in 2011 as Energy Market Vice President and was appointed Deputy Executive Vice President with responsibility for the Consulting, Energy, Telecommunications and Media businesses in January 2013. Currently she is an Executive Director of Indra and IT business Senior Vice President; prior to this, she was responsible for Minsait and IT vertical markets.
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Total number of Executive Directors	3
Percentage of the Board	23.08

PROPRIETARY DIRECTORS

Name of Director	Name or company name of the Significant Shareholder represented or that has proposed their appointment	Profile
Antonio Cuevas Delgado	Sociedad Estatal de Participaciones Industriales (SEPI)	<p>Born in Puente Genil (Cordoba) in 1949. He holds a degree in Technical Architecture from the University of Seville. He has completed several courses and specialization programs (at the Instituto de Empresa [Business Institute], the Executive Management Program for Congressmen at Spain's Advanced Center for Defense Studies [CESEDEN, initials in Spanish], the 26th National Defense Course and two Specialized Courses on national defense strategy).</p> <p>He is the co-author of several publications and articles and has been a guest speaker at conferences related to the processes of globalization and off-shoring, the competitiveness of Industry, the Aerospace Sector, the transformation of the Energy Sector, technological convergence with Europe and the incorporation into the National Defense Directives of new sectors, such as energy.</p> <p>Since 2012 he is Chairmanship's Senior Adviser at KPMG and since 2013 he has held the position of member of the Advisory Board of Caixabank in Andalusia.</p> <p>For more than fifteen years, he worked in companies in different fields such as Industry, Architecture and Urban Development.</p> <p>During the period 1986-2011, he was a member of Spain's Congress for the constituency of Seville. He has been a member of several parliamentary committees: the Public Works Committee, the Industry, Tourism and Trade Committee, and the Committees of Energy, Defense, the Economy, the All-Party Committee for the European Union and the All-Party Committee of Scientific Research and Technological Development, among others.</p> <p>During the last two legislatures (2004-2011) he was President of the Committee on Industry, Tourism and Trade, President of the Spanish Space Group at the biannual Interparliamentary Conferences which, with the participation of the European Space Agency (ESA), were held in Madrid, Paris, Brussels and Rome. He has also held the post of Rapporteur in charge of relations with Spain's Nuclear Safety Council.</p>

Santos Martínez-Conde Gutiérrez-Barquín	Corporación Financiera Alba, S.A.	<p>Born in Santander in 1955. Civil engineer with a Master's degree in Administration and Business Management from ICADE and a diploma in Nuclear Technology from ICAI. He is currently the CEO of Corporación Financiera Alba, S.A., serves as a Director on the boards of Banca March, S.A., Acerinox, S.A., Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and CIE Automotiva, S.A.</p> <p>He has worked for a variety of engineering and financial companies, including Sener, Técnica Naval e Industrial, S.A. (1979-1980), Técnicas Reunidas, S.A. (1980-1987), Bestinver, S.A. (1987-1990), Corporación Borealis, S.A. (1990-1994) and Banco Urquijo, S.A. (1994-1998). He has been a Director of many companies, some listed others not, pertaining to a wide variety of sectors.</p>
Miguel Sebastián Gascón	Sociedad Estatal de Participaciones Industriales (SEPI)	<p>Born in Madrid, in 1957. Mr. Sebastián holds degrees in Business and Economics from the Complutense University of Madrid and a PhD. in Economic Sciences from Minnesota University (USA) as well as a doctorate from the Autonomous University of Madrid.</p> <p>In the academic field, he has been deputy Director of the magazine "Moneda y Crédito" and a member of scientific committees of the Revista Española de Economía [Spanish Journal of Economics], of FEDEA [initials in Spanish of the Fundación de Estudios de Economía Aplicada - Applied Economics Foundation] and of NOMISMA. He is Professor of Fundamentals of Economic Analysis, in the Faculty of Economic Sciences of the Complutense University of Madrid.</p> <p>He has worked in the General Planning Office of the Ministry of Economy and Finance and in the Research Service of the Bank of Spain and was Vice-President of Intermoney. In 1996, he was appointed Chief Economist (Director of the Research Department and Deputy Director-General) of the Bilbao Vizcaya Bank (BBV) and, after the merger, he took up this position in the Bilbao Vizcaya Argentaria Bank (BBVA) until 2003. Consultant for several multilateral organizations and member of the Executive Committee of the ICCBE (International Conference of Commercial Bank Economists) and of the Board of Directors of the AEEFI (Spanish Association of Economics and International Finance).</p> <p>He has been a member of the Editorial Board of Expansión and of Actualidad Económica. He has worked on several projects with the media outlets El Mundo, 20minutes, Alnavío.com and El Independiente. He currently publishes a weekly column in La información.com and is a collaborator with GLG Research.</p> <p>In the political sphere, he was coordinator of the Economic Program of the Spanish Socialist Party (PSOE) in the 2004 General Election and Director of "Economistas 2004". In 2004, he was appointed Director of the Economic Office of the President of the Government (with the rank of Secretary of State). In 2005, he was appointed Coordinator of the National Reform Program of Spain ("Mr. Lisbon"). In December 2006 he was nominated as the PSOE Candidate for the Mayoral Office of Madrid. In April 2008, he was appointed Minister of Industry, Tourism and Commerce of the Government of Spain during the 9th Legislature (December 2011).</p>

Total number of Proprietary Directors	3
Percentage of the Board	23.08

CONSEJEROS EXTERNOS INDEPENDIENTES

Name of Director	Profile
Silvia Iranzo Gutiérrez	<p>Degree in Economics from the Universidad Autónoma de Madrid, PhD in Economics and Business from UNED and graduate of the IESE Business School (Executive Management Program for Directors at the Spanish Central Bank). Member of the Cuerpo Superior de Técnicos Comerciales y Economistas del Estado within the Spanish Department of Commerce and member of the Grupo Directivo at the Spanish Central Bank.</p> <p>Earlier, was Spanish ambassador to Belgium from 2010 to 2012, Secretary of State for Commerce from 2008 to 2010, and head of Country Risk in the Department of International Affairs for the Spanish Central Bank from 2005 to 2008.</p> <p>Also has been Chairman of the Board of ICEX (Spanish Institute of Foreign Trade) from 2008 to 2010, Chairman of the Board of Invest in Spain from 2008 to 2010, member of the Board of Directors of CESCE (Spanish Export Credit Insurance Company) from 1991 to 1994 and from 2005 to 2008.</p> <p>Additionally, she was member of the Board of Directors of TecnoCom from 2016 to 2017; of Telefónica Internacional from 1992 to 1994; of Naviera Mallorquina from 1992 to 1994; of Cabitel from 1991 to 1992; of Banco Exterior UK from 1990 to 1992; and Eria from 1990 to 1992. Recipient of the Gran Cruz de la Orden del Mérito Civil.</p> <p>Professor of Economics at CUNEF (Colegio Universitario de Estudios Financieros) and at IEB (Instituto de Estudios Bursátiles) in the Department of Business Administration and the Masters Program at Bolsa. She is member of the Board of Directors of Instituto de Crédito Oficial (ICO) as well as a member of the editorial board at the magazine Economistas.</p>
Enrique de Leyva Pérez	<p>Born in Sevilla 1959. Graduated in Civil Engineering by the Polytechnic University of Madrid and completed an MBA at the Columbia University with double major in Accounting and Finance. He is currently founder of the Magnum Group and Chairman and Director of a variety of companies of the group. He is member of the Advisory Board of Abante Asesores and Ambienta Sgr, S.p.A.</p> <p>He has developed his professional carrier in Unión Fenosa (1983-1986), McKinsey & Company, Inc. (1986-2006) where he chaired the Spanish subsidiary and Magnum Industrial Partners, S.L. where he has been partner since 2006. He has been Chairman of the Geriatros Group and Pretersa-Prenavis, Chairman of Grupo Nace Schools, member of the Board of Centro Médico Teknon, S.L., Iberwind and Bio Oils, S.L., among other companies.</p> <p>He is currently an Independent Director at Almirall, S.A.</p>
Ignacio Martín San Vicente	<p>Born in 1955. Is an Electric Industrial Engineer qualified by the University of Navarra.</p> <p>He has developed his professional career at different companies, that are mainly in the industrial sector, such as GKN Automotive International, where he was General Director, member of the Global Executive Committee and Chief Executive Officer in the United States.</p> <p>Mr. Martín was also the Deputy General Manager to the Chairman of Alcatel España. In 2001, he was appointed Executive Vice chairman of the GSB Group, where he led the merger with Corporación Industrial Egaña, which was the origin of the company CIE Automotive, where he was Chief Executive Officer until 2012, when he joined Gamesa as Executive Chairman until it was merged with Siemens Wind Power in May 2017.</p> <p>He is currently an Independent Director at Repsol, S.A., Independent Director at Acerinox, S.A. and Director at Bankoa-Credit Agricole.</p>

<p>María Rotondo Urcola</p>	<p>Born in 1964 with a bachelor's and master's degrees in Business and Economics from the Universidad Complutense de Madrid. She has post-graduate studies at IESE, Wharton, NYU, IE, Harvard, Boston College, IMD and IC-A, among others, and in 2014-2016 obtained the Certificado en Buen Gobierno Corporativo from the International Compliance Association.</p> <p>She has spent most of her career at Grupo Santander (1990-2016) where for the last ten years she was in charge of Global Communications, Media and Technology, within Santander's Corporate and Investment Banking area. She led important strategic transactions in the sector such as the Orange-Jazztel tender offer, the listing of Telesites on the Mexican stock exchange, and others. For 15 years prior to that, she was an investment analyst for Santander SVB, rising to the post of Director of Analysis, Europe. She also worked for two years in New York at the Spanish Chamber of Commerce as a market analyst and at Extebank New York as a risk analyst.</p> <p>From March until May 2017 she worked at Deloitte Financial Advisory, a company within the Deloitte Group, in the Technology, Media and Telecommunications practice as Managing Director, rendering advice on Mergers and Acquisitions, Equity Capital Markets, Restructuring and Forensics. She resigned this post upon becoming a member of the Indra Board because of a potential conflict of interest as auditor for Deloitte.</p> <p>She was a member of the Advisory Board for the Transformation with Purpose Fellowship at IE School of Business, where she is currently coDirector and professor within the Sustainability Your Competitive Advantage executive program. She is a professor at the Instituto de Consejeros y Administradores (ICA) and BME (Bolsas y Mercados).</p> <p>She is a senior advisor to Top Boards (Headspring, a joint venture between IE Business School and the Financial Times, delivering in house courses at a world class level on topics related to Corporate Governance). He also does occasional work in strategic advice, and for the past seven years has been involved in mentoring. He is a member of IC-A (the Instituto de Consejeros), EJE&CON, WomenCEO, Forética, the Royal Academy of Sciences and AMDE.</p>
<p>Ignacio Santillana del Barrio</p>	<p>Born in 1948. Ph.D in Economical Sciences (1978) by the Indiana University (USA) and doctorate by the Autonomous University of Madrid (1980). He has held the following positions: Chairman of the Board of Directors of Grupo Santillana Educación Global, S.L. and Director of Prisa Radio and Cadena Ser. In Prisa Group he hold the position of General Manager. Previously he developed his career in the US as Executive Vice Chairman of G.T.E. and as General Manager of Telefónica. Prior to that he was Chairman in ENISA and an economist at AEB. He is Director of the AFI School of Finances. In 1974 he was granted the Juan March Scholarship and in 1978 by Fullbright. In January 2020 was appointed member of Patronato de la Fundación Alternativas.</p> <p>Other activities: Chairman of Nokia España and of its Advisory Board, Director of Banco Gallego, and member of the Advisory Board of Accenture, Eptisa and Fundación Albeniz.</p>

Alberto Terol Esteban	<p>Born in 1955, he holds a degree in Economics and Business from the Complutense University of Madrid. He began his career at Arthur Andersen, where he was a partner and handled various executive activities. He was a member of the Arthur Andersen Worldwide Advisory Council. He acted as managing partner at the Garrigues-Andersen firm, and for a year and a half he served as Andersen's European Chairman and was a member of the Worldwide Executive Committee. He was also a member of Deloitte's Worldwide Executive Committee and served as its chairman for Latin America, and then as its chairman for Europe, the Middle East and Africa. He was also managing partner of the worldwide tax and legal area and International Senior Advisor for BNP Paribas.</p> <p>He is currently the President & CEO of several family businesses, Independent Director and Lead Independent Director of the Board and member of the Audit Committee and the Appointments Committee of International Airlines Group, S.A., member of the Board of Directors of Broseta Abogados, member of the Board of Directors of Schindler España, S.A., Vicechairman of Businessmen's Association and Vicechairman and Lead Independent Director of Indra.</p>
Isabel Torremocha Ferrezuelo	<p>Degree in Chemistry from the Universidad Autónoma of Madrid in 1989. Specialization course in Plastics and Rubber from the CSIC, Leadership Program of the IMD Business School, PDD from IESE Business School and Corporate Finance Course of the IE Business School.</p> <p>Ms. Torremocha began her career at Philips Iberia, joining Andersen Consulting (currently Accenture) in 1991 where she followed her career in the Telecommunications, Media and HighTech sector. At Accenture she was Managing Director and member of the Board of Directors of Accenture España.</p> <p>During her last period of tenure at Accenture, as Director of Transformation Opportunities, Ms. Torremocha spearheaded the creation and development of opportunities related to strategic transformation in the areas of information technology, outsourcing of business processes and digital transformation in Spain, Portugal and Africa.</p> <p>She has held international positions beforehand, notably as Director of Operations in Europe, Africa and Latin America, with responsibility for the implementation of the business strategies in these regions.</p> <p>She has also been responsible for diversity and equality in the division of Telecommunications, Media and High Technology for Europe, Africa and Latin America, defining plans for the fasttracking of professional women in managerial positions and succession plans.</p> <p>She is currently an Independent Director at Repsol, S.A., Chairwoman of Audit and Compliance Committee and member of Sustainability Committee.</p>

Total number of Independent Directors	7
Percentage of the Board	53.85

State whether any Independent Director receives from the Company or any company in the group any amount or benefit other than compensation as a Director, or has or has had a business relationship with the Company or any company in the group during the past fiscal year, whether in his or her own name or as a significant Shareholder, Director or Senior Executive of a company that has or has had such a relationship.

In this case, include a statement by the Board explaining why it believes that the Director in question can perform his or her duties as an Independent Director.

Name of Director	Description of the relationship	Reasoned statement
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OTHER EXTERNAL DIRECTORS

Identify the other external Directors and state the reasons why these Directors are considered neither proprietary nor independent, and detail their ties with the Company or its management or shareholders:

Name of Director	Reasons	Company, Director or Shareholder to whom the Director is related	Profile
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Total number of other external Directors	--
Percentage of the Board	--

State any change in status that has occurred during the period for each Director:

Name of Director	Date of change	Previous status	Current status
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C.1.4 Complete the following table with information relating to the number of female Directors at the close of the past 4 fiscal years, as well as the category of each:

	Number of female Directors				Percentage of Directors for each category			
	Fiscal year t	Fiscal year t-1	Fiscal year t-2	Fiscal year t-3	Fiscal year t	Fiscal year t-1	Fiscal year t-2	Fiscal year t-3
Executive	1	1	1	0	33.33	33.33	50	0
Proprietary	0	0	0	0	0	0	0	0
Independent	3	2	2	2	42.86	28.57	28.57	28.57
Other external	0	0	0	0	0	0	0	0
Total	4	3	3	2	30.77	23.08	23.08	15.38

C.1.5 State whether the Company has diversity policies in relation to the Board of Directors of the Company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender.

Yes No Partial policies

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the nomination and compensation committee to achieve a balanced and diverse presence of Directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved

Indra Board of Directors, in accordance with the text of Recommendation 14 of the *Código de Buen Gobierno de Sociedades Cotizadas* ("Code of Good Governance for Listed Companies"), follows a Policy for Selection of Directors, which contains the current criteria or practices for the Company in this area and which are made public as part of the information contained in the Annual Corporate Governance Report and in the information supporting proposals for resolution at Annual Meetings.

In line with the principles for action within the Sustainability Policy at Indra, the Policy for Selection of Directors promotes the application of diversity criteria which includes questions not only related to gender, but also to knowledge, experience and age, and requires that policies be applied which avoid implicit biases in the processes of selection of Directors which might give rise to discrimination for any reason (religion, ideology, nationality, handicap, etc.)

With respect to measures taken and the manner of application of diversity policies during the fiscal year 2019, the Board brought before the Annual Shareholders' Meeting, among other proposals, the nomination of Ms. Isabel Torremocha Independent Director after concluding that her profile met the criteria for filling the vacancy arising from the term limiting of Director Mr. Luis Lada as much for her wide ranging experience in economics, finance and the sectors in which Indra operates, as for her extensive experience both domestically and internationally in the world of professional services, in assessment and management of executive level human resources and her strategic vision.

The Board of Directors and the Nomination, Compensation and Corporate Governance Committee ("CNRGC") took into account gender diversity among the members of the Board at the time of bringing their proposals for nomination of Directors before the Annual Shareholders' Meeting.

The resulting composition of the Board arising from these proposals would increase the number of women on the Board of Directors from three to four, including a woman among the class of Executive Directors. As a result, female Directors represent 30.77% of total membership.

C.1.6 Describe the measures, if any, agreed upon by the nomination committee to ensure that selection procedures do not contain hidden biases which impede the selection of female Directors and that the Company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:

Explanation of measures

Article 20.3 of the Board Rules establishes that any individual proposed for appointment to the Board must be of good personal and professional reputation, sufficiently capable of working with dedication and have no interests that are incompatible with the position involved.

Furthermore, internal operating rules of the Company provide that the Board and the CNRGC must take particular care to apply criteria and policies intended to increase gender diversity on the Board during the process of selecting individuals to become Directors. They have done so during successive membership turnover in the past few years.

To this end, the current Selection Policy for Directors established in 2019 the objective that by 2020 the number of female Directors represent at least 30% of total membership of the Board of Directors. Said Policy provides that all proposals for nomination or re-election Director be accompanied by a supporting report from the Nomination, Compensation and Corporate Governance Committee evaluating the candidate's experience, competence, and merits.

These reports are published upon call of the Annual Shareholders' Meetings such that all Shareholders may understand the applicable policy and selection procedures for Directors and verify that it is consistent with best practices in Corporate Governance.

The four current female Directors account for 30.77% of the total number of Directors; 42.86% of Independent Directors, and 33% of Executive Directors, having surpassed early the objective set regarding this in the Selection Policy for Directors mentioned above.

As for Proprietary Directors, the Board of Directors and the CNRGC can only recommend that Shareholders consider assigning women to positions as Directors at Indra in representation of their equity interest, although this depends upon women holding top-level positions in their respective organisations, as it is in the interest of the Company that Proprietary Directors be selected from the highest levels of its Shareholders' organisations.

With an eye toward nomination proposals for Independent Directors, the CNRGC has defined the ideal candidate profile by detailing the qualities they should have, and for which purpose it updates its matrix of competencies to be possessed by the Board. In this process, the CNRGC pays particular attention to compliance with current recommendations regarding gender diversity in the composition of the Board.

In the event that there are few or no female Directors in spite of any measures adopted, please explain the reasons that justify such a situation:

Explanation of reasons

C.1.7 Describe the conclusions of the nomination committee regarding verification of compliance with the selection policy for Directors; in particular, as it relates to the goal of ensuring that the number of female Directors represents at least 30% of the total membership of the Board of Directors by the year 2020.

As mentioned in the preceding section, the Board of Directors and the CNRGC have to carefully apply criteria and policies designed to promote gender diversity among Board members in their selection of persons to take on that role.

The CNRGC concluded that the Company is in compliance with the Selection Policy for Directors and applied it properly in producing proposals for re-election of Directors to be brought before the Shareholders during fiscal 2019.

Upon selection of Ms. Isabel Torremocha as Independent Director at the Annual Shareholders Meeting held 24 June 2019, the Company surpassed the objective set for 2020 that the number of female Directors

represent at least 30% of total membership on the Board of Directors since the number of women on the Board has risen to four, comprising 30.77% of the total number of members.

C.1.8. If applicable, please explain the reasons for the appointment of any Proprietary Directors at the request of Shareholders with less than a 3% equity interest:

Name of Shareholder	Reason
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State whether the Board has failed to meet any formal requests for membership from Shareholders whose equity interest is equal to or higher than that of others at whose request Proprietary Directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes No

Name of Shareholder	Explanation
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C.1.9 State the powers and responsibilities, if any, delegated by the Board of Directors to Directors or Board committees:

Name of Director	Brief description
Fernando Abril-Martorell Hernández	All the powers belonging to the Board of Directors except those that may not be delegated by Law (Articles 249 bis and 529 ter of the LSC) and those reserved for exclusive exercise by the Board of Directors as described in Article 5.3 of the Board Rules, the text of which follows: <i>"The Board may not delegate any powers which it is required by applicable law to perform itself. Additionally, the Board may not delegate those powers necessary for the proper exercise its general duties of supervision and control."</i>
Cristina Ruiz	The Board delivered to her the broadest powers for management of the IT business for which she is responsible.
Ignacio Mataix	The Board delivered to him the broadest powers for management of the T&D business for which he is responsible.

C.1.10 Identify any members of the Board who are also Directors or Officers in other companies in the group of which the listed Company is a member:

Name of Director	Company name of social group member	Position	Does the Director have executive powers?
Cristina Ruiz Ortega	Indra Soluciones Tecnologías de la Información, S.L.U.	Joint and several Director	No
	Paradigma Digital, S.L.U.	Joint and several Director	No
	Indra Business Consulting, S.L.U.	Joint and several Director	No
	Indra Holding Tecnologías de la Información, S.L.U.	Manager	Yes
Ignacio Mataix Entero	Indra Factoría Tecnológica, S.L.U.	Joint and several Director	No

Remarks

C.1.11 List any Directors and any natural person representatives of legal person Directors of your company who are members of the Board of Directors or natural person representatives of legal person Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name of Director	Company name of listed Company	Position
Fernando Abril-Martorell Hernández	Ence Energía y Celulosa, S.A.	Director
	Adevinta ASA	Director
Enrique de Leyva Pérez	Almirall, S.A.	Director
Santos Martínez-Conde Gutiérrez-Barquín	CIE Automotive, S.A.	Director
	Corporación Financiera Alba, S.A.	CEO
	Acerinox, S.A.	Director
	Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	Director
Ignacio Martín San Vicente	Repsol, S.A.	Director
	Acerinox, S.A.	Director

Ignacio Mataix Entero	Talgo, S.A.	Director
Alberto Terol Esteban	International Consolidated Airlines Group, S.A.	Director
Isabel Torremocha Ferrezuelo	Repsol, S.A.	Director

Remarks

C.1.12 State whether the Company has established rules limiting the number of boards on which its Directors may hold seats, providing details and identifying, if applicable, where those rules may be found:

Yes No

Explanation of the rules and identification of the document where this is regulated
<p>Article 33 of the Board Rules establishes that a Director must devote the time and effort necessary to carry out his or her functions adequately. Therefore, Directors must inform the Board of any activities that could significantly affect their dedication as a Director of the Company.</p> <p>So far as the number of other boards to which a Director may belong is concerned, the general rule is that the Director may not belong to so many that it impedes or interferes with the Director's dedication to the post of Director at Indra. To that end, the Company's board members are subject to the following general limits: (i) Executive Directors of the Company may only fill posts on the boards of up to two other listed companies; (ii) non-Executive Directors may only fill posts on the boards of up to four other listed companies.</p>

C.1.13 State total compensation received by the Board of Directors:

Board compensation in fiscal year (thousands of euros)	8,394
Amount of vested pension interests for current members (thousands of euros)	3,580
Amount of vested pension interests for former members (thousands of euros)	0

Remarks
The amounts include compensation pertaining to membership on administrative bodies as well as carrying out of executive duties.

C.1.14 Identify Senior Management who are not executive Directors and their total compensation accrued during the year:

Name or company name	Position/s
Luis Abril Mazuelas	Energy, Industry, Mass Market and Business Management Solutions
Berta Barrero Vázquez	Transportation
José Cabello Chacón	Human Resources
Manuel Escalante García	Defense and Security
Jorge Estévez San Román	Defense and Security Operations
Luis Figueroa García	IT Delivery and Production
Rafael Gallego Carbonell	Air Traffic. European Programs
Gonzalo Gavín Canti	International Air Traffic
Carlos González Soria	Legal Affairs
Javier Lázaro Rodríguez	Chief Financial Officer
Antonio Mora Morando	Management, Operations and Process Control
Borja Ochoa Gil	Financial Services
Luis Permuy Muñoz-Rivero	AMEA

Total senior management compensation (thousands of euros)	7,143
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Remarks

C.1.15 State whether the Board rules were amended during the fiscal year:

Yes No

Description of amendment
Upon creation of the Sustainability Committee in November 2019, the Board carried out a general review of the Board Rules with the goal of adapting and distributing duties among the various existing committees, incorporating the most recent recommendations included in CNMV Technical Guides regarding Audit Committees and Nomination and Compensation Committees into their rules as well as introducing some housekeeping improvements.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of Directors. Describe the competent bodies, steps to follow and criteria applied in each procedure.

Selection: Article 20.3 of the Board Rules establishes that any individual proposed for appointment must be of good personal and professional reputation, sufficiently capable of working with dedication, and have no interests that are incompatible with the position involved. The Board and the CNRGC must rigorously examine those persons nominated to fill the post of Independent Director.

Article 8 of the Board Rules gives the following qualitative compositional requirements for the Board:

- That external Directors represent a substantially larger component than Executive Directors.
- That in order to establish a balance between Proprietary and Independent Directors, focus should be on the Company Shareholder structure, considering the importance of equity stake as well as the degree of permanence and strategic connections between the Company and Shareholders.
- That the Board, along with the CNRGC, should be especially vigilant that criteria and policies used in the selection of Directors promote gender diversity.

Additionally, in crafting proposals for re-election and appointment of Director that it submits to Meetings, and after a favourable report from the CNRGC, the Board evaluates that the candidates possess sufficient knowledge, experience and ability in the following areas: (i) sectors in which the Company operates and/or other related sectors or sectors with similar characteristics; (ii) finance, economics and control; (iii) evaluation and management of executive level staff and highly qualified human resources; (iv) the general economic environment and geographic markets most important to the Company; and (v) management and entrepreneurship.

Before selection of candidates, the Competency Matrix for the Board is reviewed and updated, if necessary, in order to determine the ideal profile which would complement the abilities of the Directors currently on the Board of Directors.

Likewise, the Board evaluates the ability to devote the dedication required for fulfilment of the post.

As has been pointed out in Section C.1.5 above, the Policy for Selection of Directors contains all of the criteria and Company procedures in this regard. For the most part this information is already public, having been published in the Annual Corporate Governance Report and in materials supporting proposed resolutions to the Annual Shareholders Meeting relevant to this area.

Appointment and Re-election: as established in Article 20 of the Board Rules, Directors are nominated, re-elected or ratified by the Shareholders at Meetings or by the Board in application of the provisions set forth by law and the Bylaws.

Proposals for the appointment, re-election and removal of Directors submitted by the Board to Meetings, and any decisions taken by the Board pursuant to its co-opting powers, must be based on a proposal by the CNRGC in the case of Independent Directors and upon proposal by the Board after a report from the CNRGC in any other cases.

When the Board does not follow the recommendations expressed by the CNRGC, it must explain its reasons and enter them into the record in the minutes.

The criteria applicable to Directors also apply to natural persons representing artificial person Shareholders.

Under Article 20 of the Board Rules, the Board shall present each proposal for the appointment or re-election of its members to the Shareholders at Meetings to vote on separately. Any proposals for re-election of Directors shall undergo formal review equal to that applied when appointing new Directors.

Policy for Selection of Directors establishes a more restrictive criterion for renewal of Independent Directors than that which the law requires (time limit of twelve years at the post) consisting of not proposing for re-election at the Annual Shareholders Meeting any Independent Director who has served three terms (of three years each).

Termination: as established in Article 23 of the Board Rules, Directors are relieved of their duties upon removal at a Meeting, when they announce their resignation, or when they are fired by the Company.

Should the Board propose that an Independent Director be removed before the end of his or her term, this proposal must be for good cause and be accompanied by a prior report from the CNRGC.

C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

Description of changes

During fiscal year 2019 the Company performed an evaluation of the performance and work quality of the Board and its Committees for fiscal year 2018.

The conclusion of the evaluation was very positive, identifying some items to be improved, which were included in the Board's minute as part of the 2019 Action Plan and which gave rise to the following changes or initiatives:

- **Board Committees:** the focus and competencies for the Executive Committee were reviewed, resolving to eliminate it and create a Sustainability Committee.
- **Education:** improvements in the Onboarding Plan for new Directors and in the continuing training programme have been incorporated.
- **Strategy:** the number of sessions dedicated to analysis of strategy and follow-up of the Strategic Plan have been increased.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas

Pursuant to Article 13 of the Board Rules and arising from a report prepared by the CNRGC, the Board carries out an annual evaluation of its own functioning and the quality of its work, as well as that of each of its Committees.

Each of these bodies carries out its own evaluation and prepares a report on its activities and achievements during the fiscal year and reports them to the Board.

Except for extraordinary circumstances, a third-party evaluation is done every three years, having collaborated with external consultants for the evaluation of fiscal 2017.

For the review for fiscal year 2018 the normal internal procedure was carried out consisting of individual and anonymous completion by each Director of a questionnaire consisting of questions regarding the structure, composition, and functioning of the Board and its Committees and which was carried out using the most recent recommendations in Corporate Governance.

The areas evaluated were the structure and composition of the Board and its Committees, their operating dynamics, the objectives, functions and responsibilities of said bodies, the quality of information, their relationships with the management team and the functioning of the Board Secretary. Additionally, the Board carries out an annual evaluation of the work of the Chairman of the Board in his capacity as such and, separately, in his capacity as chief executive.

This evaluation process concluded with a satisfactory evaluation of the functioning and work quality of the Board and its Committees during fiscal year 2018.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

As mentioned above, the evaluation of the Board for fiscal year 2018 was performed in 2019 and done internally without external advice.

C.1.19 State the situations in which Directors are required to resign.

De conformidad con la regulación establecida en el artículo 23 del Reglamento del Consejo, los consejeros deberán informar y poner su cargo a disposición del Consejo en los supuestos siguientes:

As established in Article 23 of the Board Rules, Directors must report to the Board and offer their resignations under the following circumstances:

- a) When they are involved in any situations of incompatibility, prohibition or cause for removal or resignation specified under Law.
- b) Those having seriously violated their duties as Director or carried out actions or committed omissions contrary to the diligence and responsibility necessary for them to perform their duties.
- c) When the Director is unable to maintain the dedication necessary for effective performance of his or her duties.
- d) When the Shareholder represented by a Proprietary Director divests itself of all of its equity interest or when its equity interest falls to a level requiring a reduction in the number of Proprietary Directors designated in representation of its equity interests.
- e) In the case of Independent Directors, when there is a change in condition or circumstance such that the Director would lose his or her independent status.
- f) In the case of Executive Directors, when they cease for any reason whatsoever to hold the post associated with their appointment as Director.

In any event, a Director must inform the Board and, if appropriate, resign under those circumstances which may damage the credit or reputation of the Company and, particularly, must inform the Board of any criminal procedures in which the Director is investigated as well as subsequent proceedings.

Should a Director be formally accused or be subject to the commencement of a criminal procedure of any kind as described under law applicable to companies, the Board of Directors will investigate the case as soon as possible and, given the circumstances, decide whether or not the Director should continue at his or her post. All such matters shall be clearly explained in the Annual Report on Corporate Governance.

In the event that the natural person representative of a Director finds himself in any of the situations described above, the artificial person Director is to immediately proceed to designate a substitute natural person.

In the event that the Director does not present his resignation in the situations described above, the Board will propose his removal at a Shareholders Meeting.

Once a Director, whether by resignation or for any other reason, ceases to serve before the end of his term, he will explain the reasons in a letter sent to the other members of the Board. The reason for termination will be given in the Annual Corporate Governance Report.

C.1.20 Are qualified majorities other than those established by Law required for any specific decision?

Yes No

If so, please describe any differences.

Description of differences

C.1.21 Explain whether there are any specific requirements, other than

those relating to Directors, to be appointed as chairman of the Board of Directors

Yes No

Description of requirements

C.1.22 State whether the Bylaws or the Board Rules establish any limit as to the age of Directors:

Yes No

	Age limit
Chairman	
CEO	
Director	

C.1.23 State whether the Bylaws or the Board Rules establish any term limits or other additional requirements for Independent Directors which are stricter than those required by Law:

Yes No

Additional requirements and/or maximum number of term limits

The Selection Policy for Directors contains turnover criteria for Independent Directors which is more restrictive than required by Law (term limit of twelve years), consisting in not proposing for re-election at the Annual Shareholders' Meeting any Independent Director who has already served three terms (of three years each), so that an Independent Director could be proposed for re-election on two occasions.

C.1.24 State whether the Bylaws or Board Rules establish specific rules for delegating votes to other Directors at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a Director may have, as well as any limit regarding the category of Director to whom votes may be delegated and whether a Director is required to delegate to a Director of the same category. If so, please briefly describe the rule.

In addition to applicable legislation, Article 14.2 of the Board Rules stipulates that, if a Director is unable to attend a meeting, the Director should try to submit a proxy, preferably with voting instructions, unless in the Director's opinion this would not be appropriate. The proxy may be sent by e-mail, letter, fax, telegram or any other valid means where transmission is verifiable. Non-Executive Directors may submit a proxy only to another non-Executive Director.

C.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the Chairman present. Meetings where the Chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	14
Number of Board meetings without the Chairman	2

Remarks
The Chairman and Executive Directors Mr. Ignacio Mataix and Ms. Cristina Ruiz were not present during the items of the agenda in which were discussed: (1) the evaluation of achievement of objectives tied to Annual Variable Compensation for 2018; and (2) the Chairman of the Board annual evaluation in his condition as such.

State the number of meetings held by the coordinating Director with the other Directors, where there was neither attendance nor representation of any executive Director:

Number of meetings	2
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Remarks
In addition to the meetings mentioned above, constant contact is maintained among the Directors regarding questions of competence of the Lead Independent Director.

Specify the number of meetings held by each committee of the Board during the year:

Number of meetings held by the Audit and Compliance Committee	10
Number of Meetings held by the Nomination, Compensation and Corporate Governance Committee	7
Number of meetings held by the Executive Committee	2
Number of meetings held by the Sustainability Committee	1

Remarks

C.1.26 State the number of meetings held by the Board of Directors during the fiscal year and data regarding attendance by its members:

Number of meetings when at least 80% of Directors attended personally	14
% of personal attendance over total votes during the year	99.44%
Number of meetings when all Directors were either personally present or by proxy with specific instructions	14
% of votes issued when all Directors were either personally present or by proxy with specific instructions out of all votes cast during the year	100%

Remarks
Attendance at meetings of the Board and its Committees was practically 100%, with only one Director absence for medical reasons at a meeting of the Board of Directors.

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

Yes No

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

Name	Position
Javier Lázaro Rodríguez	Chief Financial Officer (CFO)
Antonio Mora Morando	General Manager of Control, Organization and Processes

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the Annual Shareholders' Meeting with a qualified audit opinion.

Article 39.2 of the Board Rules establishes that the Board of Directors must prepare the financial statements in such a way that there is no cause for either reservations or a qualified opinion by the auditor. It also stipulates that the Board must require the external auditors, along with the chairman of the Audit and Compliance Committee, to make a clear explanation of any qualified opinion to the Shareholders at the Annual Meeting.

The Audit and Compliance Committee also carries out comprehensive and detailed oversight of the preparation of financial statements and of the audit process from the initial planning stage, holding the necessary meetings and conversations with the audit firm regarding the audit

and obtaining, if applicable, specific reports from the audit firm dealing with the audit's chief points, its development and its progress. The Audit and Compliance Committee also evaluates the management team's response to recommendations by the external auditors and mediates any differences between the two parties with regard to the principles and criteria applied to the preparation of the financial statements.

Before the formulation of annual accounts, the Audit and Compliance Committee issues a report or recommendation to the Board before the Board drafts its report, within which one of the primary factors to be taken into account is to make plain those instances where there might be reservations in the audit report for Indra and suggest recommendations for avoiding them.

C.1.29 Is the Secretary of the Board also a Director?

Yes No

If the Secretary is not a Director, please complete the following table:

Name of the Secretary	Representative
José Antonio Escalona de Molina	

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors as well as measures to ensure the independence of financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

The Audit and Compliance Committee, in fulfilling the duties assigned to it by the Bylaws and the Board Rules, conducts a qualitative and quantitative analysis of the material aspects and options considered regarding the work of the external auditor.

The Audit and Compliance Committee and the Board of Directors pay special attention to ensure that the external auditor's work is done with complete independence, and to accomplish this they specifically review the periodic rotation regime for the partner in charge of the teams which perform the audit, as well as the relative amount of fees charged for services other than audit. The Audit and Compliance Committee publishes their analysis in an annual Report drafted for said purpose in accordance with the provisions contained in applicable Law, and which is made available to Shareholders upon call of the Annual Shareholders' Meeting.

For their part, the external auditors annually deliver formal, written confirmation to the Committee by means of a letter signed by the partner responsible for the Indra Sistemas, S.A. and its consolidated group account. This statement of independence confirms that the auditor of the financial statements for the Company has not encountered during the fiscal year any of the grounds for incompatibility recognized in the *Ley de Auditoría de Cuentas* ("Financial Auditing Act" or "LAC") which might interfere with the exercise of its functions in an independent fashion.

As regards relationships with financial analysts and investment banks, the Company makes frequent presentations and conference calls describing results and other events for these institutions during which business development and the scope and extent of the Group's most important economic and financial matters are described, in a manner that guarantees equal treatment of all.

All presentations to analysts are delivered beforehand to the CNMV, with the goal that the

markets be informed of their contents through their website. Such presentations are published immediately on the Company website.

The office of Investor Relations, as part of the Finance Department, performs the duty of serving as the channel of communications for financial professionals and institutional investors and manages inquiries from them, guaranteeing equal treatment of all.

In compliance with the provisions of Recommendation 4 of the Code of Good Governance for Listed Companies, the Company's current Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Firms is approved by the Board of Directors and is made public on the Company's website.

C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

Yes No

Outgoing auditor	Incoming Auditor

If there were any disagreements with the outgoing auditor, please provide an explanation:

Yes No

Explanation of disagreements

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

Yes No

	Company	Group company	Total
Amount invoiced for non-audit services (thousands of euros)	147	22	169
Amount invoiced for non-audit services/Amount for audit work (in %)	18	2	8

Remarks

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given to the Shareholders at the Annual Meeting by the chairman of the Audit Committee to explain the content and extent of the aforementioned qualified opinion or reservations.

Yes No

Explanation of reasons

C.1.34 State the number of consecutive years the current audit firm has been auditing the individual and/or consolidated financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	4	4
	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company or its group has been audited (in %)	13.79%	13.79%

Remarks

C.1.35 State whether there is a procedure whereby Directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

Yes No

Explanation of procedure

Article 13 of the Board Rules establishes that the Board must prepare an annual schedule of regular meetings and approve a formal list of issues to discuss at these meetings, and that notice of these meetings must always be given no less than three days in advance except in cases of necessity or emergency, and which must include the agenda for the meeting and be accompanied by any relevant information on the issues to be discussed. In accordance with Article 10 of the Board Rules, the Chairman of the Board must ensure that Directors receive appropriate information on the issues to discuss with sufficient notice in advance of the meeting in question.

Article 25 of the Board Rules also establishes that all Directors have the authority to obtain information on any matter related to the Company, to examine the books, records, documents and any other material on the Company's operations, to inspect all the Company's facilities, and to communicate with senior management of the Company.

Additionally, Article 28 of the Board Rules establishes that in fulfilling their duties, all Directors are responsible for the procurement of all relevant and necessary information for the performance of their obligations.

C.1.36 State whether the company has established rules whereby Directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

Yes No

Explain the rules

Article 23 of the Board Rules establishes that Directors must inform the Board and, if applicable, resign under those circumstances which may damage the credit and reputation of the Company and, particularly, inform the board of any criminal investigations against the Director as well as the results of any further proceedings. In addition, should a Director be formally accused or be subject to the commencement of a criminal procedure of any kind as described laws governing the Company, the Board of Directors will investigate the case as soon as possible and, given the circumstances, decide whether or not the Director should continue at his or her post.

C.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

Yes No

Name of Director	Criminal charge	Remarks

State whether the Board of Directors has examined the case. If so, explain in detail the decision taken as to whether the Director in question should continue in his or

her post or, if applicable, describe any actions taken by the Board up to the date of this report, or which it intends to take.

Yes No

Decision/Action taken	Reasoned explanation

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

As described in Section A.14 above, the Company has an outstanding issue of convertible bonds listed on the unregulated market (multilateral trading facility) called Freiverkehr of the Frankfurt Stock Exchange.

In the document entitled "Terms and Conditions" of the bond issue, early maturity of the bonds at the request of the bondholders is discussed in the event of a change of control. In the event of change of control which is not the result of a takeover bid, bond pay-out will be bond principal plus accrued interest until the redemption date. In the event of a takeover bid, bondholders may choose the greater of the following values: the principal amount plus accrued interest to the date of redemption or repurchase price (equivalent value of the takeover bid applied to the bonds) plus interest accrued up to the redemption date.

C.1.39 Identify individually for Director, and generally in other cases, and provide detail of any agreements made between the company and its Directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction:

Number of beneficiaries	8
Type of beneficiary	Agreement description
Executive Directors	The current Executive Chairman and the Vice President Directors for IT and for Transport and Defence have a right to severance equivalent to the positive difference between one year's total target annualized compensation and the vested amount accumulated in his or her Early Retirement and Long Term Savings Plan at the moment of termination of his or her business relationship with the Company.
Senior Managers	The contracts of another three senior managers of the Company include temporary severance clauses which provide for between one and two times their total annual compensation, which is extinguished after a transition period after their employment by the parent Company or once the severance to which they are legally entitled exceeds the minimum guaranteed amount.

Managers	The contracts of two managers of the Company include specific severance clauses which provide for compensation in case of termination of their ordinary employment relationship neither for cause nor because of voluntary resignation; these severance amounts are higher than would normally be payable under law. These contracts are unique to the individual and are in response to conditions negotiated for hiring on with the Company or are terms previously negotiated with third party companies that have become part of Indra.
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State if these contracts must be communicated to and/or approved by management bodies of the company or of the Group beyond those requirements imposed by law. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	Annual Shareholders' Meeting
Body authorising the severance clauses	X	X

	YES	NO
Are these clauses informed to the Annual Shareholders' Meeting?	X	

Remarks

C.2 Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external Directors that comprise them:

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Category
Enrique de Leyva Pérez	Chairman	Independent
Santos Martínez-Conde Gutiérrez-Barquín	Member	Proprietary
María Rotondo Urcola	Member	Independent
Ignacio Santillana del Barrio	Member	Independent
Miguel Sebastián Gascón	Member	Proprietary

Isabel Torremocha Ferrezuelo	Member	Independent
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% of Proprietary Directors	33.33%
% of Independent Directors	66.66%
% of other external Directors	0%

Remarks

Explain the duties exercised by this committee, including those beyond the scope required by law, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed to it by law, in the Bylaws or other corporate resolutions.

The Audit and Compliance Committee is composed of six members, all of them Non-executive Directors. (Article 18 of the Board Rules provides that it be composed entirely of Non-executive Directors, with a minimum of three and a maximum of six). Of the six members, four of them are Independent.

Its chairman must be an Independent Director and must be replaced at least once every four years, with the possibility of re-election after one year has elapsed from the date of his or her stepping down from the chairmanship.

In the aggregate, the members of the Committee will have the relevant technical knowledge pertaining to the business sector in which the Company operates and will be chosen, the chairman in particular, taking into account their knowledge and experience in accounting, audit or risk management.

The Committee is properly constituted when at least half of its members are present in person or by proxy. Resolutions are passed by a simple majority of votes of those members present at the meeting.

In the event of the Chair's absence, the meeting is to be chaired by an Independent Director appointed for this purpose by the Committee.

The duties and powers of the Audit and Compliance Committee, in addition to those assigned to it by applicable law, are found in Article 18 of the Board Rules:

- Supervise the process of drafting and presentation of Company and Group financial information appearing in the annual and other periodic financial statements made public, paying attention to regulatory requirements, properly defined scope of consolidation and the correct application of accepted accounting principles.
- Ensure that the Board of Directors is able to present the financial statements to the Annual Shareholders' Meeting without reservations in the Auditor's Report.

In those exceptional circumstances where there are reservations, the chairman of the Audit Committee as well as the auditors will clearly explain to the Shareholders the substance and scope of said limitations or reservations.

- Supervise the composition, duties and performance of the areas of internal audit and control and management of risks as well as compliance: (i) ensuring their independence; (ii) proposing the selection, appointment, compensation and dismissal of the heads of those areas; (iii) approving budgets and annual work plans; and (iv) verifying that senior management takes into account the conclusions and recommendations of their reports.

Establish and supervise the mechanism allowing employees to confidentially and anonymously report potentially significant irregularities of which they become aware within the Company, especially financial and accounting ones.

- As regards the external auditor: (i) in the event of resignation of the external auditor, examine the circumstances motivating it; (ii) ensure that the external auditor's compensation does not

compromise either quality or independence; (iii) ensure that the Company communicates any change of auditor as a material event to the *Comisión Nacional del Mercado de Valores* and accompanies such communication with a statement regarding potential significant conflicts with the auditor and, when they exist, their substance; (iv) ensure that the external auditor meets annually with the entire Board Back to the Table of Contents 16 of Directors in order to report on its work and regarding progress of accounting activities and risks faced by the Company; and (v) ensure that the Company and the external auditor respect applicable rules regarding provision of services other than auditing services, the scope of the engagement and, generally, all other norms regarding the independence of the auditors as well as authorizing engagement of said services.

- e) Inform the Board regarding corporate and structural changes, analysing their economic and accounting impacts and, in particular and where applicable, any proposed exchange ratio.
- f) Take decisions within its purview as designated by internal programmes and procedures in the area of compliance and competition as assigned by the Board.

The Activities Report for fiscal 2019, which will be published at the time of call of the Annual Shareholders Meeting, explains the activities of the Committee during the stated fiscal year.

Identify the Directors who are member of the Audit Committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this Committee was appointed.

Name of Directors with experience	Enrique de Leyva
	Santos Martínez-Conde
	María Rotondo
	Ignacio Santillana
	Miguel Sebastián
	Isabel Torremocha
Date of appointment of the chairperson	24 June 2019

Remarks

NOMINATION, COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE

Name	Position	Category
Alberto Terol Esteban	Chairman	Independent
Antonio Cuevas Delgado	Member	Proprietary
Silvia Iranzo Gutiérrez	Member	Independent
Ignacio Martín San Vicente	Member	Independent
Santos Martínez-Conde Gutiérrez-Barquín	Member	Proprietary

% of Proprietary Directors	40%
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% of Independents Directors	60%
% of other external Directors	0%

Remarks

Explain the duties exercised by this committee, including when applicable those above and beyond legal requirements, and describe the rules and procedures it follows for its organization and function. For each one of these functions, describe its most important actions during the year and how it has exercised in practice each of the functions attributed to it by Law, in the Bylaws or other corporate resolutions.

The CNRGC is composed of five members, all of them Non-executive Directors (Article 19 of the Board rules requires that the Committee be composed exclusively of Non-executive Directors, with a minimum of three and a maximum of six). Of the five members of the Committee, three are Independent Directors.

This Committee is required to be chaired by an Independent Director. When the chairman is absent, meetings are to be chaired by the Independent Director named by the committee for this purpose. In any event, the Chairman of the Board—if Executive—or the CEO is to be consulted and called to meetings of the committee when it deliberates on issues relating to Senior Management other than themselves. Additionally, the committee is to consult with the Chairman of the Board and the Company CEO particularly when matters relevant to the Executive Directors are to be considered.

The Committee is properly constituted when at least half of its members are present in person or by proxy. Resolutions are passed by a simple majority of votes of those members present at the meeting.

Notwithstanding any other tasks that may be assigned to it by applicable Law, the mandate of the CNRGC is as follows:

- a) Report on the selection criteria for Directors approved by the Board of Directors and annually verify compliance.
- b) Annually verify that each Director has maintained the Director status under which the Director was elected and include that information in the Annual Corporate Governance Report.
- c) Determine the abilities and knowledge necessary for membership on the Board and periodically analyse compliance in the Board's composition.
- d) Determine the professional profile and specific skills required for each nomination or re-election of Directors before the selection process for candidates begins.
- e) Ensure that the selection process for Directors and senior management guarantees the absence of any type of discrimination and favours engagement of the best professionals.
- f) Verify the contents of the Annual Corporate Governance Report, reviewing for that purpose the Audit and Compliance Committee Report or the Sustainability Committee Report as regards those sections which pertain to their competencies.
- g) Ensure that External Directors have sufficient availability in order to properly perform their duties.
- h) Draft a report to be used by the Board in order to perform its annual performance evaluation and another for the annual evaluation of the Chairman of the Board.
- i) Periodically design and organize continuing education programmes and periodically update orientation programmes for new Directors.
- j) Propose to the Board of Directors the Compensation Policy for Directors and periodically review its coordination with Company strategy and the creation of long term value.
- k) Propose contract terms for senior management to the Board of Directors.
- l) Submit the succession plan for the Chairman of the Board, Executive Directors and senior managers which are to be approved by the Board.
- m) Verify the information regarding compensation of Directors and senior management contained in the various corporate documents and specifically that contained in the Annual Compensation

Report for Directors.

- n) Analyse and inform the Board of Directors regarding related party transactions.
- o) Periodically analyse the policies, internal operating procedures, and Company practices in the area of Corporate Governance as well as compliance levels, recommendations and best domestic and international practices in these areas, proposing changes that it deems appropriate.
- p) Report to the Board before its approval on any other information which the Company makes public in areas of its competence.
- q) Periodically review the policy on communication with Shareholders, institutional investors and proxy advisors, proposing changes to the Board as appropriate.
- r) Ensure that potential conflicts of interest do not prejudice the independence of external consulting advice given to the committee.
- s) Periodically review Company policies and procedures regarding contracting, retention, development and compensation of talent as an essential asset of the Company.

The Activities Report of 2019, which will be published at the time of call of the Annual Shareholders Meeting, explains the activities of the Committee during the stated fiscal year.

SUSTAINABILITY COMMITTEE

Name	Position	Category
Silvia Iranzo Gutiérrez	Chairwoman	Independent
Antonio Cuevas Delgado	Member	Proprietary
Enrique de Leyva Pérez	Member	Independent
Ignacio Martín San Vicente	Member	Independent
Alberto Terol Esteban	Member	Independent

% of Proprietary Directors	20%
% of Independent Directors	80%
% of other external Directors	0%

Remarks

Explain the duties, including those additional to the ones defined by law, ascribed to this committee, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the fiscal year and how it has exercised in practice each of the functions attributed to it by law, in the Bylaws or other corporate resolutions.

The Sustainability Committee is composed of five members, all of them Non-Executive (Article 19 bis of the Board Rules provides that it is to be composed of exclusively Non-Executive members with a minimum of three and a maximum of six). Of the five members, four are Independent Directors.

The chairman of the Committee must be Independent. In the absence of the chairman, the Independent Director chosen by the Committee shall serve in the chair's stead.

The Committee is properly constituted when at least half plus one of its members is present either in person or by proxy. Resolutions are adopted by the Committee by vote of a simple majority of those Directors present at the meeting.

The Sustainability Committee shall have the following responsibilities:

- a) Direct, monitor and evaluate the degree to which strategy, policies, best practices and specific action plans comply with sustainability (in particular regarding corporate social responsibility, environment, diversity and integration).
- b) Coordinate and review the process of drafting and publication of the non-financial information and in general regarding sustainability consistent with applicable law and best international practices in this field.
- c) Periodically review Company efforts in the field of sustainability, as well as the Company's positioning among existing indices and metrics, paying particular attention to those aspects which at any time are the most valued by various stakeholders and propose means by which the Company may respond to them.
- d) Review and evaluate risk management and control systems in nonfinancial matters related to areas of the committee's responsibility.
- e) Any others regarding sustainability which may be delegated to it by the Board from time to time.
- f) Supervise the management of intangible assets such as reputation, brand image, intellectual capital and transparency, proposing means of improvement as appropriate.

During fiscal year 2019 the Sustainability Committee met once after its creation (28 November 2019) in order to select a chairman.

C.2.2 Complete the following table with information regarding the number of female Directors who were members of Board committees at the close of the past four years:

	Number of female Directors							
	Fiscal year t		Fiscal year t-1		Fiscal year t-2		Fiscal year t-3	
	Number	%	Number	%	Number	%	Number	%
Audit and Compliance Committee	2	33.33	1	16.6	1	16.6	0	0
CNRGC	1	20	1	20	1	20	2	40
Sustainability Committee	1	20	-	-	-	-	-	-

Remarks

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

The composition, organisation and areas of competence of the Board committees are regulated by the Board Rules, which are permanently available for consultation on the Company's website (www.indracompany.com) and on the website of the CNMV.

Each of these Committees, as well as the Board itself, prepares an annual proceedings report detailing its activities and accomplishments during the year, in accordance with Board Rules. This report is submitted to the Board for its annual evaluation of its own performance and the quality of its work and that of its Committees.

In accordance with the recommendation made by the CNMV, and as has been the case since 2003, the 2018 Report on the Proceedings of the Audit and Compliance Committee was published when Shareholders were called to the 24 June 2019 Meeting, along with the 2018 report of the Nomination, Compensation and Corporate Governance Committee.

D. Related-party and intragroup transactions

D.1 Explain, if applicable, the procedure for approval of related-party and intragroup transactions.

The Board of Directors, after review of a report from the CNRGC, is required to be aware of and to authorize before its execution any direct or indirect transaction between the Company and any related party, as that term is defined under Law.

Transactions are judged from the point of view of equal treatment and market conditions.

In the case of recurring nonsignificant transactions conducted in the Company's ordinary course of business and carried out under market conditions, authorization by the Board of the general line of activity is sufficient, where it is understood by "nonsignificant" that information regarding such transactions need not be separately published in order to give a fair representation of the entity's net worth, financial position or financial results.

The authorization referred to in the preceding paragraph shall not be required, however, when the non-arms' length transaction in question meets all three of the following conditions:

- The transactions are carried out under conditions which are standard and of general application to a large number of clients;
- They are carried out under pricing regimens generally applicable for the good or service provided; and
- The amount does not exceed 1% of the annual consolidated revenues of the Company, and in the case of transactions with Directors does not exceed twenty thousand euros.

D.2 Describe any transactions which are significant, either because of the amount involved or subject matter, entered

into between the company or entities within its group and the company's significant shareholders:

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
SEPI	Several Group companies	Commercial	Services Received	525
SEPI	Several Group companies	Commercial	Services Rendered	11,295
Corporación Financiera Alba, S.A	Banca March, S.A.	Contractual	Otros	6
Corporación Financiera Alba, S.A	Banca March, S.A.	Commercial	Operational Leasing Contracts	94
Corporación Financiera Alba, S.A	Banca March, S.A.	Commercial	Services Rendered	5,541
Corporación Financiera Alba, S.A	Banca March, S.A.	Contractual	Guarantees and endorsements	2,449

Remarks
<p><u>Services received:</u> Services rendered to Indra necessary for the conduct of its business.</p> <p><u>Services rendered:</u> Services rendered by Indra in the ordinary course of business.</p> <p><u>Others:</u> Commissions paid for management of loan guarantees.</p> <p><u>Guarantees and endorsements:</u> Maximum amount of credit lines.</p> <p>All transactions with Shareholders were authorized in accordance with Board Rules and were carried out in the Group's ordinary course of business and under market conditions, and do not represent, either separately or in the aggregate, a significant portion of the assets, financial condition or business activity of the Group, notwithstanding the policy of the Company to provide detailed information regarding all of them within this report.</p>

D.3 Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and Directors or managers of the company:

Name of Director or Manager	Name of the related party	Relationship	Nature of the transaction	Amount (thousands of euros)

Remarks

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company’s ordinary business activities in terms of their purpose and conditions.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousands of euros)

Remarks

D.5 Describe any significant transactions conducted between the company and its group with other related parties that have not been reported in the previous sections.

Company name of the related party	Brief description of the transaction	Amount (thousands of euros)

Remarks

D.6 Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its Directors, senior management or significant shareholders.

Under the provisions of Article 31 of the Board Rules, a conflict of interest shall exist in the event that the interests of the Company or any member of its group are directly or indirectly in conflict with the personal interests of the Director. A personal interest shall include matters which affect the Director or a person connected to him or her. Directors shall take all means necessary to avoid finding

themselves in situations where their interests may enter into conflict with the interests of the Company and the duties owed to the Company.

In particular, the duty to avoid conflicts of interest requires that the Directors avoid:

- a) Conducting business with the Company other than nonsignificant, routine transactions conducted under standard conditions and whose import is such that information regarding such transactions need not be separately published in order to give a fair representation of the entity's net worth, financial position or financial results.
- b) Using the name of the Company or using their status as Directors thereof to unduly influence the results of private transactions.
- c) Making use of Company assets, including insider information, for their own benefit.
- d) Taking advantage of business opportunities belonging to the Company.
- e) Obtaining benefits or monetary gain from third parties other than the Company and members of its group arising from the completion of the Directors' duties, other than de minimis amounts.

Additionally, Directors must communicate any direct or indirect conflict of interest which may arise with the Company.

Directors must also communicate: (i) duties which they fulfil on other boards of Directors to which they belong, whether the company be listed or not, as well as any other compensated activities in which they engage, regardless of nature; and (ii) equity interest in the Company as well as any Company stock options they control, whether directly or indirectly.

Notwithstanding the aforementioned, the Company may dispense with the prohibitions contained in this section on a case by case basis and authorize: (i) certain transactions between a Director or a related person and the Company; (ii) the use of certain company assets; (iii) pursuit of a specific Company business opportunity; (iv) exploitation of an opportunity; or (v) compensation from a third party.

Authority must be ratified at an Annual Shareholders' Meeting when its purpose is to exempt the Director from the prohibition against exploiting an opportunity or receiving payment from third parties, or when the transaction's value exceeds 10% of corporate assets.

In all other cases, authority may be granted by the Board of Directors provided that the independence of the Directors granting such authority is ensured as well as a lack of risk to Company assets and, when applicable, the transaction is conducted under ordinary market conditions and transparently.

For events described in the fourth paragraph above, the Board, following a report from the CNRGC, is required to order adoption of such measures as it considers necessary to safeguard the interests of the Company.

The Company will make public any situations of conflict of interest in which Directors may find themselves in accordance with applicable Law.

D.7 Is there more than one Company in the group listed in Spain?

Yes No

Identify the other companies that are listed in Spain and their relationship to the company:

Identity and relationship with other listed group companies

State if the respective areas of activity and business relationships between the listed companies have been defined publicly and precisely, as well as between the

other company and members of the group:

Yes No

Describe the business relationship between the parent and subsidiary listed companies as well as between the subsidiary and other members of the group

Identify measures taken to resolve potential conflicts of interest between the other company and group companies:

Measures taken to resolve potential conflicts of interest

E. Risk management and control systems

E.1 Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

The Risk Management and Control System at Indra is a process driven by the Board of Directors and Senior Management whose responsibility falls on each and every member of the Company and which aims to provide reasonable assurance of achieving stated goals, added value, and an adequate level of assurance to Shareholders, other stakeholders, and the market in general.

In order to achieve these goals, the Board of Directors, by means of the Audit and Compliance Committee, supervises the effectiveness of the internal evaluation and control system for material risks, including tax risk, established in accordance with a set of key operating principles within the framework of the Risk Management Control System, and adapts them to the specific needs of Indra.

- a) **Value Protection:** Seeing Risk Management and Control as a system which creates and protects generated value for all stakeholders.
- b) **Integrity:** The Risk Management and Control System covers the entire Group, from the corporate level to the distinct business units, regardless of geographic location, and is incorporated into the process of strategic planning, into the definition of business objectives, and into day to day operations in order to achieve its goals.
- c) **Homogeneity:** Establishment of a common definition for risk, including within that definition any potential event which might negatively affect business goals.
- d) **Independence:** The Group's Risk Management and Control System guarantees adequate functional segregation between the distinct elements of which it is comprised; that is, between the areas which assume and manage risk and the areas responsible for coordination, control and supervision.
- e) **Proactivity:** Encourage a proactive management of risk which incorporates controls during design processes which aid risk mitigation, implementing contingency plans and establishing coverage for risk whenever possible.
- f) **Coherence:** Generally speaking, risk management should be done with coherent criteria regarding the magnitude of risk and the costs required to reduce it. Additionally, Risk Management and Control should be consistent with the rest of processes at Indra and its business model.

- g) **Information:** Guarantee the existence of mechanisms which assure adequate reporting to the administrative bodies charged with risk control (Senior Management, Risk Coordination Unit, Audit and Compliance Committee, and the Board of Directors).

These principles, as well as the Risk Management and Control System, are described in the Risk Management and Control Policy approved by the Board of Directors in March 2016 under the terms proposed by the Audit and Compliance Committee and which Policy is periodically updated, the last revision having been made in March 2019.

The policy is designed to achieve a balanced risk profile in terms of risk/opportunity determining the risk framework described in Section E.4.

Within the framework of tax risk management, the Group relies upon a Tax Policy, the object of which is to ensure compliance with applicable tax law in the various countries and territories in which its business operates.

The Risk Management and Control System contains policies and procedures focused on the Group's primary processes. Procedures are reviewed and updated periodically in order to ensure compliance with applicable law and best risk management practices.

The Group's Risk Management and Control System is based on management of business units, processes, corporate geographies and areas, and is an integral part of the decision-making process.

The Risk Management System methodology establishes means for identification, evaluation, response, follow-up and communication of risks, including tax risks, allowing reasonable management of the risks to which the Indra Group is exposed.

The Global Risk Map is reported periodically to the Audit and Compliance Committee for review, as well as to the Board of Directors.

Each year the Audit and Compliance Committee approves the annual plan from the Global Risks Unit. Said plan establishes the activities to be completed during the fiscal year and is based on three fundamental principles:

1. Risk Management and Control Framework
2. Risk Management and Control System
3. Information and Communication

E.2 Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

Pursuant to Article 5 of the Board Rules, those duties reserved for its direct consideration under applicable law may not be delegated by the Board. Among those duties that may not be delegated by the Board are those of approval of the Risk Management and Control Policy as well as supervision of internal information and control systems.

In order to carry out its duties, the Board relies upon the Audit and Compliance Committee, which is tasked with supervising the efficacy of the Risk Management and Control System. The Committee makes periodic reports to the Board of Directors regarding its conclusions arising from the reviews that it performs and makes proposals and recommendations that it deems necessary. For the first time this fiscal year, a Sustainability Committee was created in December with responsibility for supervising non-financial risk.

For its part, Indra Group Senior Management has the responsibility of promoting a culture of risk management at all levels, defining the functions and responsibilities within the framework of the Risk Management and Control System, including tax risk, and supervising action plans and work stemming from the Risk Management process. More specifically, its functions with respect to the Risk Management and Control System are the following:

- Facilitate sufficient measures to accomplish Risk Management activities as well as define functions and responsibilities within the system framework

- Approve the Risk Management and Control Policy
- Approve proposals for risk appetite and follow-up on risks that approach established tolerance
- Approve the Global Risk Map as well as response plans designed for their mitigation
- Approve specific risk management criteria

The Risk Coordination Unit has the following functions regarding the Risk Management and Control System:

- Support the proper function of the Risk Management and Control System, paying attention to its identification, assessment, quantification and follow-up
- Help define the risk appetite and follow up on risks which exceed established tolerance levels
- Approve the Global Risk Map as the status of mitigation measures

The Global Risk Unit has the following functions as respects the Risk Management and Control System:

- Ensure the good operation of the Risk Management and Control Systems, providing effective tools for evaluation, prioritization and management of risks. Raise awareness regarding the importance of the Risk Management and Control System, encouraging a culture of risk management at all levels
- Draft and propose updates to the risk management and control criteria and to the Risk Management and Control Policy
- Give advice on establishing risk appetite and tolerance. Ensure that testing of those boundaries be informed and managed
- Draft the Global Risk Map
- Monitor establishment and effectiveness of countermeasures designed for primary risks

Risk owners have the following functions:

- Monitor risks which are their responsibility in accordance with the methodology and tools defined in the Risk Management and Control System
- Participate in the design of Risk Management and Control Policies
- Propose a risk appetite, thresholds, and corrective actions when risk tolerance is in danger of being surpassed
- Evaluate risks under their responsibility during the exercise of drafting the Global Risk Map and implement countermeasures to those risks

Finally, Internal Audit, for its part, delivers recommendations to the Indra Group which help reduce to reasonable levels the potential impact of risk which may interfere with reaching its goals.

During fiscal year 2019 the Audit and Compliance Committee supervised drafting and follow up of the Global Risk Map, which was presented to said Committee as well as to the Board of Directors.

The Group relies upon support and automation tools which facilitate the process of constantly identifying and evaluating risks. The Audit and Compliance Committee is informed regarding improvements made in said tools and periodically reviews the selection, design and implementation of Key Risk Indicators.

E.3 State the primary risks, including tax compliance risks and, to the extent that these are significant, those deriving from corruption as defined in *Real Decreto Ley 18/2017*, which may affect the achievement of business objectives.

Compliance Risks

Associated with noncompliance with laws, rules of general application and the code of conduct, applicable in all the markets in which the Group operates, fundamentally in the area of prevention of crime and compliance with legal obligations which arise from the Group's operations. Tax risks are included, which are related to risks associated with noncompliance with tax obligations in all of the territories and jurisdictions in which the Group operates. Included are risks derived from corruption which may affect the attainment of business objectives.

Protection of the environment is included in its activities, even though significant impact is not anticipated.

Described below are those corruption risks which may currently affect attainment of business objectives:

- By means of a judicial order entered 2 September 2019, the *Juzgado Central de Instrucción nº 6 de la Audiencia Nacional* declared the parent company under investigation in the ongoing case known as "Operación Púnica" (Preliminary Investigation 85/2014 in front of the same court) for alleged acts which may constitute a continuing crime of bribery tied to the irregular financing of a political party. The Legal representative for Indra gave a statement on 10 October 2019.
- The company is cooperating voluntarily and proactively with the court and the Tax Commissioner, delivering all information relevant to the proceedings of which it is aware as well as all information requested of it regarding the allegations being investigated.
- None of the executives and employees of the Company under investigation remain connected with Indra.
- The above-mentioned proceedings begun in the month of June 2014 is still in the investigatory phase, so that at this time it is not possible to predict neither its duration nor possible outcomes or implications which might arise for the Company.

Strategic Risks

Derived from the strategic position of the Group within the environment in which it does business and encompasses the difficulty in reaching objectives as defined in the Strategic Plan.

The Group focuses its efforts on monitoring profitability of the businesses it operates and investment in new technologies which promote improvement of its portfolio of products, adaptability, progress and achievement of strategic business goals. The Group develops its business strategies using general criteria of prudence and within a framework that takes into account international socio-economic risks.

Financial Risks

Arising from fluctuations in financial markets and/or values of goods and services which affect costs, including those related to exchange rates, liquidity risk or interest rates, as well as credit risk related to a contract party which may produce an economic or financial loss for the Group.

The Group's international presence makes exchange rate fluctuations outside of the eurozone one of its market risks, which may have a negative effect on Indra Group's results.

Interest rate risk arises from changes in short, medium- and long-term bank financing costs. An increase in rates could have a negative impact on profitability. The Group is considering the execution of financial instruments in order to manage those risks should the situation merit.

Lines of credit and loans which the Group maintains with various financial entities permit it to face financial risks of liquidity arising from impossibility of producing cash in a proper manner.

Exposure to credit risk may also arise to the extent that clients do not fulfil their obligations. Business relationships that Indra Group maintains are primarily with large corporate groups, states and public as well as public-private entities which are less exposed to non-payment risks.

Additionally, risks related to the presentation of financial information is managed. For more information, see section F.

Operational Risks

These arise from possible threats associated with projects and services from the drafting of bids and negotiation of contracts, to their execution and delivery, which may occasion significant decreases in profitability and cash. These situations may affect the business reputation and solvency of the Group in the sectors and geographic areas where the Group operates.

The Group also manages other operational risks related to human resources, project services, productivity and process support.

For more information, see Section 8 of the Group's Annual Financial Statements in the Management Report.

E.4 State whether the entity has risk tolerance levels, including tolerance for tax compliance risk.

The Group's Risk Control and Management Policy is designed to achieve a moderate risk profile by means of appropriate management. Tolerance norms are established by means of directives, rules and procedures which assure that under this management environment risks are maintained at acceptable levels. This means that the Group does not attempt to eliminate all risk, but rather to assume a prudent level which permits the creation of sustainable and repeatable value while maintaining acceptable levels of risk.

Those risks which are outside of established tolerance levels are subject to actions to re-establish desirable levels to the extent that the risk is manageable and the cost of mitigation measures are justified by the potential impact of the risk on the Group.

E.5 State which risks, including tax compliance risks, have materialised during the year.

During the fiscal year, risks have materialized inherent in Indra Group's activities, in the market, and economic environments as well as in the field of taxation.

For more information regarding risks and their management within the Group, see the Annual Consolidated Financial Statements, primarily notes 24, 37, 38, 39 and 46; the Management Report within the Annual Consolidated Financial Statements, primarily sections 8 and 9; and the Sustainability Report, primarily sections 5 and 6.

E.6 Explain the response and monitoring plans for all major risks of the company, including tax risks, as well as the procedures followed by the company in order to ensure that the board of Directors responds to any new challenges that arise.

The Group actively confronts any important risks identified, including tax risks, and establishes countermeasures with the goal of maintaining those risks within tolerance levels established by Management. The response measures are created by those responsible for the risks and it is the duty of the Global Risk Unit to follow up as well as report on their implementation and effectiveness. When faced with a specific risk, Indra Group has the following response strategies available:

- **Accept:** Accept the probability and impact of a risk by means of a cost/benefit analysis between the impact of the risk and actions necessary to manage it. For example: small impact risks, which are diffused.
- **Transfer:** Transfer the effect of a possible loss to third parties. For example: by means of insurance policies, externalization, contractual clauses.
- **Avoid:** Eliminate the potential risk event by not carrying out activities associated with the risk. For example: don't operate in certain countries.
- **Mitigate:** Implementation of controls to reduce the impact, probability, or both. For example: general and specific policies and procedures, norms, manuals, and external and internal audits.

As regards procedures followed by the Company in order to ensure an adequate response to new challenges, the Global Risk Map is presented annually to the Board of Directors, the Map being a graphic representation of the most important global risks for the Group. There is also an analysis of Reputational Risk. The process for creating the Risk Map includes a phase prior to review of the Risk Catalogue as well as an analysis of possible emerging risks whether internal or external, which may affect the Group. Later, the risks are evaluated by management with each of the primary risks contained in the Risk Map having an associated mitigation plan established as a countermeasure and created by the risk owner.

During the fiscal year, an identification of the most important non-financial risks was performed and analysis of how they relate to the expectations of our stakeholders. The Global Risk Map report is presented to the Risk Coordination Unit ("RCU") and Senior Management for its approval and later is presented to the Audit and Compliance Committee and to the Board of Directors as a support tool to facilitate the exercise of its responsibilities of risk control and management.

The RCU works with each risk owner in implementation of mitigation plans defined as countermeasures to each of the principal identified risks. Follow up of implementation of these plans is done through a series of implementation control indicators, among other means.

Additionally, the Group performs periodic follow up activities regarding risk through the RCU.

Risk owners make periodic reports to the Audit and Compliance Committee regarding the status of mitigation plans.

On the other hand, training activities are promoted for the various units with risk management duties, with the goal of raising awareness of risks specific to each cohort of the Company.

This entire process is supported by tools which favour automisation and support of the risk management process. The Group has in place a risk management tool for Governance, Risk and Compliance (SAP GRC RM).

F. Internal Risk Management and Control Systems related to the process of publishing financial information (ICFR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1 Control environment.

Report on at least the following, describing their principal features:

F.1.1. The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

The Group Board of Directors has, among other duties, the non-delegable power to supervise internal information and control systems, reserving for itself approval of the policy for risk control and management, including tax risks, supervision of internal information and control systems, determination of tax strategy for the Group, definition of corporate structure, and approval of financial information which, as a listed company, the Company must make public from time to time.

The Audit and Compliance Committee has as its primary function to serve as a support for the Board in its supervisory function by means of periodic review of the process for creating financial information, effectiveness of Group internal controls and the independence of the external auditor and review of compliance with all applicable law and internal operating procedures.

Article 18 of the Board Rules lists the following tasks for the Audit and Compliance Committee, among others:

- Ensure that the Board of Directors is able to produce Annual Financial Statements to the Annual Shareholders' Meetings without reservations in the audit report.
- As regards internal information and control systems: (i) supervise the drafting process and the integrity of financial information regarding the Company and the Group, verifying compliance with applicable rules, proper scope of consolidation and correct application of accounting standards; (ii) ensure the independence of the unit performing the internal audit function; propose the selection, appointment, re-election and dismissal of the Head of internal audit, approval the unit's budget and annual work plan, and supervise its activity.
- Establish and supervise a mechanism which permits employees to communicate in confidence and, if possible and appropriate, anonymously, any potentially important irregularities, especially those of a financial or accounting nature, of which they become aware in the Company.
- As regards the external auditor: (i) in the event of resignation of the external auditor, examine the circumstances which led to it; (ii) ensure that the compensation paid to the external auditor does not compromise its quality or independence; (iii) ensure that the Board file a Report of Material Fact to the CNMV when there is a change of auditors, along with a statement relating any disagreements that arose with the outgoing auditor and, if applicable, the contents thereof; and (iv) ensure that the external auditor hold an annual meeting with the entire Board of Directors in order to report to it regarding the work performed and evolution of the accounting situation and of risks to the Company; and (v) ensure that the Company and the external auditor comply with applicable law regarding delivery of services other than auditing, regarding limits on the concentration of the auditor's work and, in general, other rules regarding the independence of the auditors.

The Board of Directors has ultimate responsibility for the existence and maintenance of an adequate and effective ICFR, which it exercises by means of the Audit and Compliance Committee. For its part, the Audit and Compliance Committee is supported in its supervisory role by the Head of Internal Audit, which is charged with overseeing correct functioning of ICFR, evaluating its design and effectiveness, and reporting on detected weakness.

The Treasury and Finance Department is responsible for implementation and maintenance of controls for the Internal Control System for Financial Information.

All matters related to Internal Control of Financial Information are regulated in the Corporate Rule "Drafting, Maintenance and Supervision of ICFR." This Rule has as its goal the establishment of responsibility and mechanisms for implementing a proper and effective internal control system which guarantees the reliability of financial information.

F.1.2. State whether the following are present, especially if they relate to the creation of financial information:

- **Departaments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii)**

assurance that adequate procedures exist for proper communication throughout the entity.

In exercising its general control and supervision functions, the Board of Directors ensures that executive bodies and the management team to whom day to day Company management have been delegated act in accordance with approved strategies and stated goals. This task routinely requires design and review of organizational structure which define lines of responsibility and authority by the Chairman and his Steering Committee.

Those organizational units which form part of the process of creating financial information are those responsible for the design, implementation, review and updating of the organizational structure in order to achieve their goals, supported by direction from the Head of Control, Organization and Process.

The Organizational Chart is published on the Intranet and is accessible to all personnel in the Group.

- **Code of conduct, a body which approves it, degree of dissemination and instruction, included principles and values, (indicate if there is specific mention of transaction recording and creation of financial information), a body charged with analysing infractions and proposing corrective actions and sanctions.**

On 22 December 2015 the Indra Board of Directors approved an update of the Criminal Risks Prevention Model consistent with the most recent amendment of the Spanish criminal code. The update of the model was validated by reputable external consultants. In June 2019 the Board of Directors approved an update of the Criminal Risk Prevention Manual for Spain, modifying the Manual for international affiliates in order to be consistent. These updates are available on the intranet in the three official languages of the Group.

As a complement to the Model, Indra has a Code of Ethics and Legal Compliance, last updated and approved by the Board of Directors in October 2017.

Within the Code of Ethics is found the Rules of Conduct regarding "Management of Financial Information" which provides that "Financial information of Indra, particularly the annual reports, will accurately reflect its economic and financial condition and its net worth, and will conform to applicable generally accepted accounting practices and international financial information rules. To this end, no Professional or Associate shall hide or distort information contained in any books of account or financial reports of Indra, which books and accounts shall be complete, accurate and honest. The principles used for accounting and management are correction, integrity and transparency, in complete compliance with applicable law. Lack of integrity in communication of information also violates the Code of Ethics and financial norms at Indra."

- **Whistle blower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature.**

There is a whistle blower channel ("Canal Directo") which allows communication to the Audit and Compliance Committee of irregularities of a financial and accounting nature, in addition to potential breaches of the Code of Ethics and unlawful activities in the organization, being of a confidential nature.

In 2019 the Canal Directo received 407 communications, although none of the communications related to financial information.

All of the communications were properly attended to by the Compliance Unit. So far as complaints are concerned, disciplinary and other measures were adopted in accordance with Activities

Protocols established by the Compliance Unit and approved by the Audit and Compliance Committee at its July 2019 meeting.

The Audit and Compliance Committee annually presents the Annual Proceedings Report of the Compliance Unit to the Board of Directors.

Additionally, within the Sustainability Report there is a section entitled "Ethics and Compliance" in which more detailed information may be found regarding the scope of activities under the Prevention of Criminal Risks Model, as well as details regarding communications received through the Canal Directo.

- **Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control over Financial Reporting), that covers at a minimum accounting rules, audits, internal control and risk management.**

The Compliance Unit provides mandatory training in Ethics and Legal Compliance to Group Professionals with the goal of promoting a robust culture of compliance.

Indra is continually striving to make the Prevention of Criminal Risks Model and the Code of Ethics and Legal Compliance well known amongst its professionals by means of in person and online training sessions.

Together with Treasury and Finance, Human Resources periodically develops external and internal training programs directed at personnel involved in the creation of financial statements for the Group. The training programs are focused on proper knowledge and implementation of International Financial Information Standards and on legislation and other regulations governing Internal Control of Financial Information.

Of particular note:

- Accounting and tax update for the closing of fiscal 2019
- Non-Financial information
- IFRS 16: Leases
- Standard format for financial statements in Europe

The Head of Internal Audit remains up to date on new developments in the areas of Risk Management and Internal Control, especially as they relate to Financial Information. In particular, the following training activities were completed this fiscal year:

- The new Law on non-financial information
- Accounting and Account Reporting
- Advanced Accounting
- International norms in financial information
- Creation of Financial Statements
- Cybersecurity, Cloud Security and GDPR, security of mobile devices
- Security with providers
- Tax havens
- Anticorruption practices
- Risk based internal audit planning
- Training for digital transformation in internal auditing
- Fraud training
- Definition and implementation of risk appetite
- Internal control and risk management

For more information regarding hours invested in training, please see the corresponding section in the Statement of Non-Financial Information.

As for members of the Board, through the general plan for welcoming and onboarding new Directors, updating of knowledge regarding new accounting rules is assured as well as the specific regulatory framework for Group activities, internal and external audit, risk management, internal controls, and technological advances relevant to the Group.

F.2 Assessment of financial information risks

Report on at least the following:

F.2.1. The main characteristics of the risk identification process, including error and fraud risk, as regards:

- **Whether the process exists and is documented.**

The goal of the evaluation process for financial risks is to establish and maintain an efficient process for identifying, analysing and managing risks impacting the preparation of the Financial Statements.

Identification and evaluation of risks at the Group is a continuous process. The process of risk management consists in the following levels of participation:

- The Board of Directors determines the risk management and control policy, including tax risk, and oversees internal information and control systems, with support from the Audit and Compliance Committee.
- The Global Risk Department does periodic reviews of the corporate risk model.
- Those in charge of each functional area and other Professionals who manage and oversee the risk management process under their area of responsibility.

For each process and sub process identified as significant, a matrix is created designed to identify and describe critical risks:

- Risks for each process are to be described specifically and later classified in accordance with the Group Risk Inventory, which is periodically updated and evaluated.
- The identification of risks should take into account all of the risks which impact the process of creating financial documents, among them:
 - Strategic risks associated with the definition of objectives and structure of the environment, including external fraud.
 - Operational risks which include, among other things, those related to process efficiency and efficacy, key personnel, productivity and hiring, internal communication, assignment of resources, and business continuity.
 - Financial risks related to accounting of operations, presentation of financial information.
 - Compliance risks associated with regulations both external (legal, environment, tax) and internal (ethics codes).
- Finally, the process concludes with identification of the objectives of the financial information associated with each epigraph/process/sub process and each critical risk (existence and occurrence, integrity, assessment, presentation, breakdown and comparability).
 - Identification of critical control activities. For each critical risk identified, a control activity should be designed and implemented to mitigate it.

- **If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery;**

breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.

With the objective of ensuring the reliability of Financial Information, the following objectives regarding financial information are taken into account on a permanent basis in the risk identification and accounting error control process:

- Existence and Occurrence: Transactions, conditions and events are effectively captured in the financial information and recorded at the right time.
- Integrity: Information reflects the totality of transactions, conditions and events where the entity is an affected party.
- Valuation: Transactions, conditions and events are recorded and valued in accordance with applicable rules.
- Presentation, Breakdown, and Comparability: Transactions, conditions and events are classified, presented and detailed in the financial information in accordance with applicable rules.
- Rights and Obligations: The Financial Information reflects, on the effective date, rights and obligations corresponding to assets and liabilities in accordance with applicable rules.

Additionally, for each control activity, the following information is detailed in the model:

- Person responsible for the control
- Control frequency
- Procedure and/or application where it may be found
- If the control is automatic and/or manual
- If the control is preventative or detective
- If the control mitigates the risk of fraud

The ICFR is formalized, therefore, as a model of risks and controls.

Information detailed in the model is updated periodically.

- **Existence of a process for determining the scope of consolidation, taking into account, among other characteristics, the existence of complex business structures or special purpose entities.**

The Group maintains a continuously updated company registry which contains all of the equity interests of any type of the Group, whether the interest is direct or indirect, as well as any entity over which the Group may exercise control independent of the legal means by which such control may be exercised including, should they exist, shell companies as well as special purpose entities.

Management and update of this registry is done in accordance with procedures dictated by the Company Guideline *Consolidación y Elaboración de la Información Financiera* ("Consolidation and Creation of Financial Information").

The scope of consolidation of the Group is determined monthly by Company Management in the form of information available in the company registry in accordance with principles contained in International Accounting Standards.

- **If the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational,**

environmental, etc.) to the extent that they affect the financial statements.

The process of identifying risks of error in financial information takes into account the impact that other types of risk may have on them, which are identified, evaluated and managed by various corporate units.

Risks are classified in the following fashion:

Compliance Risks

Associated with non-compliance with laws and rules of general application in all of the markets in which the Group operates, fundamentally in the area of crime and fraud prevention and legal obligations which arise from Indra Group's operations. Among these risks, the ones which affect the financial statements are:

- Tax
- Delegation of Authority
- Legal Liability
- Integrity
- Labour Regulation and Social Security

Strategic Risks

Related to difficulty in adapting to the environment or market within which the Group operates, including those which arise from being present in particular countries or geographic zones. Among these risks, the one which affects the financial statements is:

- Organizational Structure
- Operational Structure

Financial Risks

These arise from fluctuations in financial markets and/or values of goods and services which affect the cost of doing business, including areas related to managing exchange rates, liquidity risk or interest rates, as well as credit risk related to the possibility of a contract party not fulfilling its obligations and producing an economic or financial loss for Indra. Among these risks, the ones which affect the financial statements are:

- Accounting and reporting
- Variations in interest rates
- Variations in foreign currency exchange rates

Operational Risks

Arise from potential threats associated with projects and services, which make it necessary for those in charge of projects to take prophylactic measures necessary to manage their possible effects, from the perspective of drafting and negotiating contracts as well as their execution and delivery.

Included here are technology risks related to information systems.

These risks can be classified as:

- Support Processes
- Project management
- Information security

The outline of these risks is mapped to controls within the ICFR model where for each of them it is determined which control applies to the risk and if the risk of fraud can be mitigated with the control.

- **Which governing body within the company supervises the process?**

Oversight of the process of identifying financial information risks is done by the Audit and Compliance Committee and delegated to Internal Audit in accordance with its supervisory mandate within the ICFR.

F.3. Actividades de control

Report on whether the Company has at least the following, describing their main characteristics:

F.3.1. Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgments, estimates, valuations and relevant forecasts.

For creation of ICFR at Indra, a model of roles which contains all of the responsibilities during the process of drafting and oversight of financial information. The most important are the following:

The Department of Administration, part of the Corporate Finance Division, together with the Control, Organisation and Process Department, analyse and oversee created information before publication to third parties by drafting management reports and by the monitoring of indicators.

The Department of Investor Relations and Consolidation, part of the Corporate Finance Division, carries out certain control activities which ensure the reliability of said information.

The CFO, together with the Chairman and the Head of Control, present to the Audit and Compliance Committee and the Board of Directors the financial information which the Company makes public periodically in accordance with applicable law.

The Audit and Compliance Committee, with the goal of properly performing its duties of oversight of financial information, makes periodic requests for analysis of specific matters, as well as detail of occasional financial transactions which, because of their importance, require a greater degree of scrutiny.

It also reports its findings to the Board of Directors regarding the financial information that, once approved by the Board of Directors, is to be published to the securities markets.

Upon close of the semi-annual and annual books at the end of the fiscal year, the External Auditors report to the Audit and Compliance Committee regarding the results of their work.

Processes, Activities and Controls

Indra has a Model of Internal Control of Financial Reporting based on the COSO methodology and compliant with COSO 2013. The model has the following goals:

- Effectiveness and efficiency of operations
- Adequacy and reliability of financial information.

- Compliance with applicable laws and regulations.

Implementation of this model seeks to provide reasonable security in achievement of the objectives of the organization.

The COSO framework consists of a total of five components and 17 principles, which contain the fundamental concepts associated with each component.

In adapting to the COSO Framework, a process was carried out for verifying that each of the five components of the internal control system were present and operating adequately and in an integrated fashion in the organisation.

No significant deficiencies were detected in the verification process and therefore the ICFR model is considered to be working properly in accordance with COSO.

There is a direct relationship between the components, principles, and organisational structure. Therefore, before any significant change is done in the organisation, a study of its impact on the model is carried out.

The ICFR model has a risk and financial control matrix which includes business processes relevant to preparation of the financial statements for the Group, General IT Controls, and Entity Level Controls. The matrix is broken down into the following cycles:

- Account Closing and Finance
- Procurement
- Consolidation and Reporting
- Impairment
- Tax
- R & D
- Fixed Assets
- Personnel
- Provisions
- Treasury
- Management of Joint Partnerships
- Sales and Projects
- General Computer Controls

Information contained in the financial risk and control matrix is documented in the SAP GRC Process Control tool which is updated any time a change occurs which is significant enough to reduce the reliability or completeness of financial information. This tool allows supports control evaluation activities carried out by those responsible for them.

Within the COSO framework, the organization takes into account the probability of fraud when assessing risks associated with achievement of objectives.

There is a periodic risk identification process which considers fraud risk. Identification is made by the Group within the framework of prevention of crime and for those risks which do not involve criminal liability for the artificial person, identification of those risks, paying particular attention to typology and frequency of communications received through the Canal Directo and the content of this material in the annual meetings held with Senior Management.

Additionally, there are preventative and detective controls established within the organization for mitigation of these risks. These controls are incorporated in the internal control tool and are self-evaluated periodically by those who manage them.

The ICFR for the Group depends on the following fundamental concepts:

- a) **Entity Level Controls** (“ELC”) are those components of cross functional control that ensure an adequate level of internal control for the Group, that perform a mitigating control function when necessary, and which place special emphasis on the following components:
 - Environmental control
 - Risk evaluation

- Control activities
- Information and communication
- Oversight Activities

b) Processes:

The Group has a Process/Sub process Map grouped in the following 4 categories:

- **Strategic:** Processes for analysing the needs and constraints of Indra's stakeholders, by which the business develops its strategies and defines objectives.
- **Key:** Processes essential to the conduct of business, which directly impact the delivery of services and the satisfaction of the end user.
- **Support:** Those processes which provide the services, means and support necessary so that Key processes may be accomplished.
- **Evaluation, Assurance and Improvement:** Processes necessary for the control and improvement of the management system.

These four categories contain the processes/sub processes which affect practically all of the organizational units of the Group.

Control Management, Operations and Processes manages and updates the Process Map.

Significant processes are identified based on the existence of specific risks, considering those risks significant based on their potential impact on financial information; all cases of potential error or fraud are considered significant.

The processes with the most impact on creation of financial information are included in the financial risk and control matrix.

The basic components of each of these processes are the following:

- **Control Objectives:** Needs for control that must be satisfied in each step of the business cycle or process, in accordance with internal control definitions. In this way, they are used to verify and evaluate the accuracy of accounting and other information and determine whether all Group financial information is provided to its end users, and cover the areas of completeness, closing, delivery, posting, validity and valuation.
- **Risk:** It is possible that an event or action may affect the ability of the organization to meet its financial information objectives and/or successfully realize its strategies.
- **Control Activities:** Policies, procedures and practices applicable to Company personnel, application systems, and other resources in place to ensure that control objectives are reached and that risk mitigation strategies are executed. Process control activities are to be incorporated in operational processes and serve as a means for appropriately managing risk and are focused on its prevention, detection and correction. In the specific case of IT, control activities are known as General IT Controls ("GITC"). Control activities are designed to be preventative or detective and manual (human based) or automatic (machine based).

During 2019 controls for the various cycles contained in the model were redefined, the objective being presence of those controls in all of the Group companies. This control redesign included updating descriptions, proper definition of inputs, evidence of control, and processes to carry out.

An exhaustive analysis of the various cycles was performed, with the objective of identifying and implementing a series of key controls based upon the risks underlying different financial information processes and subprocesses. In that way it is reasonably sure that we are mitigating said risk in an adequate manner.

During 2019 the following ICFR activities were carried out:

- Paradigma finished the process of integration with ICFR during 2019.

- The scope of ICFR was expanded to include Indra companies in Peru, Uruguay and Argentina
- The model for IFRS 16 was adapted.

The ICFR control matrix defines a series of controls at the process level, entity level, and information systems (GITCs). These controls are classified as either key or standard controls. Additionally, responsibility for these controls has been assigned at the Corporate and individual company level.

Within the assessment process for the internal control model by means of the corporate SAP GRC tool, a project of implementation of control self-evaluation is being carried out by those responsible for executing those controls. The evolution of this process permits strengthening of the system, monitoring control functionality and adopting a new, more dynamic and proactive Internal Control management model.

Process control and GITC activities ensure that all of the control objectives are followed during the ordinary course of business and for every section of the financial statements. All information relative to the Internal Control model is contained on the Indra intranet.

Senior staff of Internal Audit perform an annual audit of the ICFR.

Any weaknesses in control found in the ICFR will be included in a specific action plan for each one. Internal Audit will monitor, control, and report on them to the Audit and Compliance Committee until they are corrected.

Specific review of the relevant judgments, estimations, valuations and projections used to quantify some assets, liabilities, revenues, expenses and commitments stated and/or broken out in the financial information will be carried out by Treasury and Finance with the help of the executive level department affected. Hypotheses and estimates based on business outlook will be reviewed and analysed together with the executive level departments for Markets at Indra.

F.3.2. Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

The Information Systems department of Indra is responsible for delivery of quality IT services as business support in the markets and territories in which the Group operates.

Management of services is based on ISO/IEC 20000 and provides the Group with a guarantee of quality, efficacy in providing capacity, availability, security and support, by applying the principles of continuous improvement.

Under the leadership of the Chief Information Security Officer, the Group has available an Information Security area reporting to the Systems area and whose purpose it is to be vigilant regarding security of information in general and all IT processes in particular, ensuring integrity, availability, authenticity, confidentiality, and traceability.

Among its functions are definition, implementation and monitoring of the Information Security model established for the Group and based on ISO/IEC 27001 standards, with the goal of maintaining the security of all assets and adoption of the most effective controls and procedures consistent with business strategy.

Information Security Policy reflects and promotes strategy in this area, as well as the mechanisms and management structure for which it provides support.

This Information Security Policy at Indra, published on the intranet together with the rest of the security rules and manuals, has as its objectives management of IT security and strategic alignment with business goals, guarantee of the confidentiality, completeness and availability of information, and all of the activities involved in achieving these objectives. This Policy is mandatory at all Markets and Areas of the Group, as well as at all of the businesses, offices and affiliates of the Group, and knowledge of and compliance with it is obligatory for any person who makes use of the Information Systems (employees, interns, third parties, etc.). This Policy applies at all information development stages (generation, distribution, storage, handling, transfer and destruction) of the Systems which process it. It applies to all of the Group information systems and services and all support servers as well as the environment and applications related to

business processes of the Group, covering therefore relevant processes in the creation and publication of financial information.

Information security is a basic requirement for all of the processes in the organization and is included in the strategic planning for Indra. Said inclusion responds to the current context in which risks and threats develop as well as recognition that security is a differential value added to the services that Indra provides to its clients.

Information Security strategy for the Group is based on five fundamental pillars:

- Organization of information security: Indra has a defined Global Security Governance Model which ensures coordination between representatives of different countries and markets for the Group, and the proper coordination and organization of information security. Facilitating proper management of a model of responsibilities customized for the Group context is key to achieving necessary improvements in an environment of continuous change in the field of cybersecurity.
- The normative framework of information security: Compliance is mandatory for all Group companies. It is structured as a function of the protection environments: information, applications, systems, networks and infrastructures; and responsibility profiles: Those responsible for Projects/programs, Developers, Systems Administrators and Users.
- Awareness and training in information security: One of the basic pillars of information security. Awareness is raised during all employment phases by means of multiple activities which range from awareness of new additions to annual training programs which include specific information security courses for all levels and specialization profiles.
- Technology and security controls: Information security is a comprehensive solution which encompasses all of the security controls oriented to physical security and the environment as well as logical security controls. The permanent evolution of technology to be implemented in order to improve systems and device protection drives the implementation of new services and applications which improve the level of security of the protection and minimizes the risks to which they are exposed.
- Audit process and compliance follow-up: As a mechanism for verification of control, it is done internally by means of continuous supervision and monitorization of processes, and run round the clock with the goal of identifying possible security alerts or violations. With its focus on prevention and improved management, Indra incorporates mechanisms for risk management in every business life cycle from sales to operations.

During 2019, various action plans were established with the objective of fomenting improvement in information security among which stand out those related to operational security, improvements in technology and the management and services model, the organizational and governance model and securitization of key processes.

Consistent with the Security Policy, Indra has implemented an internal control model for the IT area.

This internal control model covers IT processes which make up the IT environment, architecture and infrastructure as well as applications that affect transactions which directly affect primary business processes and therefore has an impact on financial information and Group closing procedures.

The control model for systems which support creation and publication of financial information is based on COSO and consists of a General IT Controls matrix as well as a series of policy and procedures which ensure the integrity, availability and authenticity of information communicated to the markets. This is accomplished through establishment of controls built around the following areas:

- Security in access to programs and data which include activities related to:
 - Restriction and supervision of access to systems, thereby avoiding unauthorized access or program modifications which might affect the integrity, completeness and reliability of financial information.
 - Correct management of users, assignment of profiles and review of permissions with the goal of guaranteeing secure access to accounting information systems.

- Security in installations which house the systems, guaranteeing that access to them is limited to authorized personnel.
- Acquisition and maintenance of, and changes to systems which include activities related to:
 - Changes in information systems are authorized, tested and approved before being put into place.
 - Proper management of changes in order to avoid interruptions or unauthorized modifications.
- Systems operations, which include activities related to:
 - Availability of information, ensuring that financial data are complete, valid and accurate.
 - Proper incident management, allowing rapid resolution and minimum impact.
 - Monitorization of operations, ensuring that they are executed thoroughly and on time. In the event of an incident, such is resolved allowing work to restart and be correctly executed.

F.3.3. Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

Indra has available control and follow up mechanisms for subcontractor activities with the goal of monitoring and minimizing business risk for the Group. Among others, there is an internal procedure for hiring external advisors which establishes the level of approval required as a function of the amount involved. Results or reports on contracts for accounting, tax or legal services are supervised by the head of Finance and Procurement and by the head of the Legal Department and other departments when deemed necessary.

Within the process relative to the creation of financial information, some companies have outsourced the payroll process. Additional to generally established controls, a series of control activities have been implemented for third party subcontracting, which may be grouped as a function of the following processes:

- Process: 1. Delivery of Service
- Process: 2. Continuity of Service
- Process: 3. Compliance
- Process: 4. Governance

F.4 Information and communication

State whether the Company has at least the following, describing their main characteristics:

F.4.1. A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

Responsibility for application of the Accounting Policies of the Group is the same for the entire geographic reach of Indra and is found in Treasury and Finance.

The Department of Administration keeps all those responsible for preparing financial information in the various business units of the Group informed of changes in rules, resolves doubts when they exist and receives information from companies in the Group necessary to assure consistent application of Accounting Policies of the Group and to determine the effect of application of new accounting rules.

On those occasions when application of an accounting rule is especially complex, the Treasury and Finance Department of the Group informs the external auditors of the conclusions drawn from the Group's accounting analysis and solicits their opinion regarding the conclusions drawn.

Accounting policies at Indra are developed based upon International Norms for Financial Information adopted by the European Union and found in a document called *Manual de Contabilidad* ("Accounting Manual"). This document is analysed and updated periodically by Finance and is published on the Intranet.

F.4.2. Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

Indra has a defined formal procedure for the preparation of financial information, which includes closing of the books for all of the Group companies as well as the consolidation process for the Group. The fact that the major companies in the Group use a common accounting system platform (SAP), allows the guarantee of better control of standardized closing processes as well as controls over supervision of system access by different users, verifying that there is no conflict in access authorization either internally or for later review by the external auditor. Within the system there are controls (automatic, semiautomatic and manual) which permit validation and assurance of consistency of handled information.

Existence of the same account charts for reporting for all of the entities in the Group, a specific closing calendar and subsequent reporting to the Company matrix, as well as the use of obligatory closing exchange rates when converting the balance sheet and the profit and loss statements to the euro for reporting, work together efficiently to improve the quality level and homogeneity of information.

The uploading of monthly reporting information is carried out by the same companies in Datamart NPDWI. This tool permits centralization of all of the resulting financial information of Indra Group in a single system. Most of the time, input of the information to the system is done automatically from the Group's computerized financial system (SAP).

F.5 Supervision of system performance

Describe at least the following:

F.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

The Audit and Compliance Committee supervises the proper functioning of ICFR through Internal Audit and has evaluated its design and operational effectiveness.

The model for scope of ICFR takes into account quantitative factors (materiality of account headings) as well as qualitative ones (country risk, the degree of internal control risk, internal audit experience risk, and account heading risk). Based on these factors, the critical cycles for financial information were defined and reviewed by country and company.

The scope of the ICFR evaluation performed during fiscal 2019 includes the areas of Saudi Arabia, Australia, Bahrain, Brazil, Chile, Colombia, the United States, Spain, Mexico, the Philippines, Italy, Norway and Peru, the goal of the review being the companies in each of the areas of greatest impact based on a series of qualitative and quantitative factors, amounting to twenty companies.

Said scope was approved by the Audit and Compliance Committee.

The internal audit function is carried out by Internal Audit of the Group, which reports to the Audit and Compliance Committee. This hierarchical structure is designed to permit Internal Audit to remain structurally independent and promote direct communication to and from the Audit and Compliance Committee.

Internal Audit performs the work of ensuring performance of the internal control system.

As regards the ICFR in particular, Internal Audit performs an annual review of the design and effectiveness of the control activities regarding financial information. Pursuant to these reviews, Internal Audit sends reports on possible shortcomings in internal control that they have detected to those responsible for these activities, to Senior Management, and to the Audit and Compliance Committee, as well as action plans adopted by the Company for their mitigation.

Control supervision follows the following rules:

- For controls which undergo a periodic self-evaluation, two types of review are performed, one based on supervision of the evaluation carried out by the control owners and the other with the goal of verifying the tests and validations executed by the control owner.
- Evidence has been obtained for the rest of the controls and necessary tests carried out to properly understand their effectiveness.

All the controls functioned as designed, but some control weaknesses and opportunities for improvement which did not significantly affect the quality of financial information were detected and have resulted in action plans following the policy of continuous improvement which characterizes Indra Group. During periodic tests of the ICFR, the Internal Audit Department will test implementation of said action plans.

F.5.2. If there is a procedure by which the account auditor (in accordance with the contents of the *Normas Técnicas de Auditoría* (“Auditing Standards”), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weaknesses in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

All of the deficiencies detected by Internal Audit during the course of their work were subject to recommendations and action plans agreed to with the audit subject. Internal Audit supervises the implementation of agreed upon actions and reports their status to the various governing bodies of Indra (primarily the Audit and Compliance Committee).

The procedure for discussing identified significant weaknesses in internal control is that of meetings between the Audit and Compliance Committee and the external auditors, internal auditors, and the department responsible for producing financial information.

Consistent with this, the account auditor meets annually with the Audit and Compliance Committee for the purpose of presenting recommendations related to weaknesses in internal control identified during the process of reviewing the annual financial statements.

F.6. Other relevant information

N/A

F.7. External auditor's report

Report from: Deloitte, S.L.

F.7.1. If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

With the goal of improving the transparency and quality of public information it sends out, Indra has gone beyond its legal obligations and the recommendations of the Working Group on Internal Control of Financial Information, and:

- prepared this description of its ICFR following the 16 basic indicators recommended in Section III of the Working Group Document;
- implemented a bottom-up certification system whereby those responsible for significant processes in the financial information area certify the validity and effectiveness of those processes and controls which fall within their area of responsibility. The CFO and the head of control certify the integrity of the financial statements before they are issued by the Board of Directors.
- considered it appropriate to request that the external auditor issue a report in which the auditor renders an opinion, within a reasonable degree of certainty based upon generally accepted auditing standards and using as a reference a generally recognized internal control framework, whether the design and performance of the ICFR of Indra is effective as of the close of fiscal 2019, which is attached to this Annual Report on Corporate Governance.

As stated earlier, there exists no legally binding regulation which establishes the minimum requirements for companies in describing their ICFR.

Future regulations issued regarding information about ICFR that listed companies must publish may cause a change in the information contained in this report as they relate to breakdown or informational requirements.

G. Extent of compliance with Corporate Governance Recommendations

Specify the company's level of compliance with recommendations from the Code of Good Governance for Listed Companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. General explanations are not acceptable.

1. That the Bylaws of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market

Complies Explanation

2. That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:

- a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies;
- b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies Complies partially Explanation Not applicable

3. That, during the course of the ordinary Annual Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:

- a) Changes that have occurred since the last Annual Shareholders' Meeting.
- b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

Complies Complies partially Explanation

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated.

And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies Complies partially Explanation

5. That the Board of Directors should not propose to the Annual Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies Complies partially Explanation

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the Annual Shareholders' Meeting, even when their publication is not mandatory:

- 1) Report regarding the auditor's independence.**
- 2) Reports regarding the workings of the audit committee and the nomination and compensation committee.**
- 3) Report by the audit committee regarding related-party transactions.**
- 4) Report on the corporate social responsibility policy.**

Complies Complies partially Explanation

7. That the Company reports in real time, through its web page, the proceedings of the Annual Shareholders' Meetings.

Complies Explanation

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the Annual Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies Complies partially Explanation

9. That the Company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the Annual Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies Complies partially Explanation

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the Annual Shareholders' Meeting, the company:

- a) Immediately distributes the additions and new proposals.**
- b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.**
- c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.**
- d) That after the Annual Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.**

Complies Complies partially Explanation Not applicable

11. That, in the event the company intends to pay for attendance at the Annual Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments.

Complies Complies partially Explanation Not applicable

12. That, the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business

in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies Complies partially Explanation

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies Explanation

14. That the Board of Directors approves a selection policy for Directors that:

- 1) Is concrete and verifiable.
- 2) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.
- 3) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the nomination committee published upon a call from the Annual Shareholders' Meeting submitted for ratification, appointment or re-election of each Director

And that the selection policy for Directors promotes the objective that by the year 2020 the number of female Directors accounts for at least 30% of the total number of members of the Board of Directors.

The nomination committee will annually verify compliance with the selection policy of Directors and explain its findings in the Annual Corporate Governance Report.

Complies Complies partially Explanation

15. That proprietary and Independent Directors constitute a substantial majority of the Board of Directors and that the number of executive Directors is kept at a minimum, taking into account the complexity of the

corporate group and the percentage of equity participation of executive Directors.

Complies Complies partially Explanation

16. That the percentage of Proprietary Directors divided by the number of non- executive Directors is no greater than the proportion of the equity interest in the company represented by said Proprietary Directors and the remaining share capital.

This criterion may be relaxed:

- a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.
- b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

Complies Explanation

17. That the number of Independent Directors represents at least half of the total number of Directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of Independent Directors represents at least one third of the total number of Directors.

Complies Explanation

18. That companies publish and update the following information regarding Directors on the company website:

- 1) Professional profile and biography.
- 2) Any other Boards to which the Director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- 3) Category of Directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- 4) The date of their first appointment as a Director of the company's Board of Directors, and any subsequent re-election.
- 5) The share and options they own.

Complies Complies partially Explanation

19. That the Annual Corporate Governance Report, after verification by the nomination committee, explains the reasons for the appointment of Proprietary Directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for Proprietary Directors was honoured.

Complies Complies partially Explanation Not applicable

20. That Proprietary Directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of Proprietary Directors representing this shareholder.

Complies Complies partially Explanation Not applicable

21. That the Board of Directors may not propose the dismissal of any Independent Director before the completion of the Director's term provided for in the Bylaws unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the Director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a Director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of Independent Directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies Explanation

22. That companies establish rules requiring that Directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, Directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a Director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the Director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies Complies partially Explanation

23. That all Directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to Independent Directors and Directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the Director has serious reservations, the Director should draw the appropriate conclusions and, in the event the Director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a Director.

Complies Complies partially Explanation Not applicable

24. That whenever, due to resignation or any other reason, a Director leaves before the completion of his or her term, the Director should explain the reasons for this decision in a letter addressed to all the Directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

Complies Complies partially Explanation Not applicable

25. That the nomination committee ensures that non-executive Directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which Directors may sit.

Complies Complies partially Explanation

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each Director individually to propose items do not originally appear on the agenda.

Complies Complies partially Explanation

27. That Director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the Director appoints a proxy with instructions.

Complies Complies partially Explanation

28. That when Directors or the secretary express concern regarding a proposal or, in the case of Directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies Complies partially Explanation Not applicable

29. That the company establishes adequate means for Directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies Complies partially Explanation

30. That, without regard to the knowledge necessary for Directors to complete their duties, companies make refresher courses available to them when circumstances require.

Complies Explanation Not applicable

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the Directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the Directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies Complies partially Explanation

32. That Directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies Complies partially Explanation

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Bylaws, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each Director when circumstances so dictate.

Complies Complies partially Explanation

34. That when there is a coordinating Director, the Bylaws or the Board rules should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non- executive Directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate

governance of the company; and coordinate a succession plan for the chairman.

Complies Complies partially Explanation Not applicable

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.

Complies Explanation

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

- 1) The quality and efficiency of the Board of Directors' work.**
- 2) The workings and composition of its committees.**
- 3) Diversity of membership and competence of the Board of Directors.**
- 4) Performance and input of each Director, paying special attention to those in charge of the various Board committees.**
- 5) Performance and input of each Directors, paying special attention to those in charge of the various Board Committees.**

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the nomination committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report

The process and the areas evaluated shall be described in the Annual Corporate Governance Report

Complies Complies partially Explanation

37. That if there is an executive committee, the proportion of each different Director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.

Complies Complies partially Explanation Not applicable

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies Complies partially Explanation Not applicable

39. That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be Independent Directors.

Complies Complies partially Explanation

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies Complies partially Explanation

41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies Complies partially Explanation Not applicable

42. That, in addition to the provisions of applicable law, the audit committee should be responsible for the following:

- 1) **With regard to information systems and internal control:**
 - a) **Supervise the preparation and integrity of financial information relative to the company and, if applicable, the**

group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.

- b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re- election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

2) With regard to the external auditor:

- a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.
- b) Ensure that the compensation paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
- c) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
- d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.
- e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies



Complies partially



Explanation



43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies Complies partially Explanation

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies Complies partially Explanation Not applicable

45. That the risk management and control policy identify, at a minimum:

- a) **The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off-balance sheet risks**
- b) **Fixing of the level of risk the company considers acceptable.**
- c) **Means identified in order to minimise identified risks in the event they transpire.**
- d) **Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off-balance sheet risks.**

Complies Complies partially Explanation

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) **Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company**
- b) **Actively participate in the creation of the risk strategy and in important decisions regarding risk management.**
- c) **Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.**

Complies Complies partially Explanation

47. That members of the appointment and compensation committee - or of the nomination committee and the compensation committee if they are separate – are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are Independent Directors.

Complies Complies partially Explanation

48. That high market capitalisation companies have formed separate nomination and compensation committees.

Complies Explanation No aplicable

The Company has not deemed it appropriate to separate the current Nomination, Compensation and Corporate Governance Committee into two committees for the following reasons:

- The members of the Nomination, Compensation and Corporate Governance Committee have the knowledge and experience necessary in order to deal with issues relevant to both committees.
- The volume of annual work is manageable in one committee.
- It would unnecessarily increase the number of committees and therefore the total compensation paid to the Board given that there is a fixed amount set for membership on the various administrative bodies.

49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive Directors.

And that any Director may ask the nomination committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies Complies partially Explanation

50. That the compensation committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- a) Propose basic conditions of employment for senior management.
- b) Verify compliance with company compensation policy.
- c) Periodically review the compensation policy applied to Directors and senior managers, including compensation involving the delivery of shares, and guarantee that individual compensation be proportional to that received by other Directors and senior managers.
- d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.
- e) Verify information regarding compensation paid to Directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies Complies partially Explanation

51. That the compensation committee consults with the chairman and the chief executive of the company, especially in matters relating to executive Directors and senior management.

Complies Complies partially Explanation

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

- a) That they are comprised exclusively of non-executive Directors, with a majority of them independent
- b) That their chairmen be Independent Directors.
- c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.
- d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
- e) That their meetings be recorded and the minutes be made available to all Directors.

Complies Complies partially Explanation Not applicable

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:

- a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.
- b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.
- c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.
- d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.
- e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.
- f) Supervision and evaluation of the way relations with various stakeholders are handled.
- g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.
- h) Coordination of the process of reporting on diversity and reporting non- financial information in accordance with applicable rules and international benchmarks.

Complies Complies partially Explanation

54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:

- a) The objectives of the corporate social responsibility policy and development of tools to support it.

- b) Corporate strategy related to sustainability, the natural environment and social issues.
- c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.
- d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.
- e) Means of supervising non-financial risk, ethics, and business conduct.
- f) Communication channels, participation and dialogue with stakeholders.
- g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies Complies partially Explanation

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.

Complies Complies partially Explanation

56. That Director compensation be sufficient in order to attract and retain Directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive Directors.

Complies Explanation

57. That only executive Directors receive compensation linked to corporate results or personal performance, as well as compensation in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement.

Shares may be given to non-executive Directors under the condition that they maintain ownership of the shares until they leave their posts as Directors. The forgoing shall not apply to shares that the Director

may be obliged sell in order to meet the costs related to their acquisition.

Complies Complies partially Explanation

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said compensation is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable compensation components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.
- b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.
- c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies Complies partially Explanation Not applicable

59. That a material portion of variable compensation components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies Complies partially Explanation Not applicable

60. That compensation related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies Complies partially Explanation Not applicable

61. That a material portion of variable compensation for executive Directors depends upon the delivery of shares or instruments indexed to share value.

Complies Complies partially Explanation Not applicable

62. That once shares or options or rights to shares arising from compensation schemes have been delivered, Directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the Director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.

The following shall not apply to shares which the Director may need to sell in order to meet the costs related to their acquisition.

Complies Complies partially Explanation Not applicable

63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable compensation components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.

Complies Complies partially Explanation Not applicable

64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual compensation and that it shall not be paid until the company has verified that the Director has fulfilled all previously established criteria for payment.

Complies Complies partially Explanation Not applicable

H. Further information of interest

- 1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and**

governance practices in the company or group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July 2010.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on 23 March 2020.

State whether any Directors voted against or abstained from voting on this report.

Yes No

Name of Director who has not voted for the approval of this report	Reasons (against, abstention, non- attendance)	Explain the reasons

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At the core