



indra

2011 ACTIVITY REPORT

AUDIT AND COMPLIANCE COMMITTEE



TABLE OF CONTENTS

Introduction	3
Composition	4
Duties and powers	5
Activities during fiscal 2011	7
In general	7
Preparation and delivery of financial statements	7
External audit	8
Internal audit	10
Internal control systems and risk management	11
Internationalization process	16
Anticipated activities for 2012	16

INTRODUCTION

INDRA HAS HAD AN AUDIT COMMITTEE SINCE 1999

For more than eleven years, ever since its shares began trading publicly, Indra has had in place a corporate governance system which has remained in continuous compliance with best national and international practices as well as applicable law.

An Audit and Compliance Committee (hereinafter the "Committee") has been part of the framework of this corporate governance system at Indra since 1999. Its powers, composition and operating rules have always been regulated by the Rules of the Board of Directors ("Board Rules") and have generally complied with and even exceeded that required by applicable law. Since its inception the Committee has vigorously undertaken the duties within its competence, as has been reported in the annual public reports on Corporate Governance of the Company.

After publication of Ley 44/2002, de 22 de noviembre, de Medidas de Reforma del Sistema Financiero ("Means for Reforming the Financial System", hereinafter the "MRFS"), which made it mandatory for all listed companies to form audit committees governed by the Company Bylaws ("Bylaws"), the Company took the means necessary to adapt its already existing Audit and Compliance Committee to the new legal framework. As a result of this process, regulation of the Committee was incorporated into the Bylaws at the Annual Shareholders Meeting (in general "Meetings") held 28 June, 2003.

Approval of the Unified Code of Corporate Governance (hereinafter "Unified Code") in 2006 established a series of recommendations related to the function of audit committees; information and internal control systems; the relationship with the external auditor; and other matters which were incorporated into the Board Rules.

The Ley 12/2010 de 30 de junio, which amended the Ley de Auditoría de Cuentas ("Account Audit Statute"), the Ley del Mercado de Valores ("Spanish Stock Market Act" or "LMV") and the Ley de Sociedades Anónimas ("Spanish Corporations Act", later supplanted by the Ley de Sociedades de Capital "Spanish Stock Company Act" or "LSC") made legally binding some of the recommendations contained in the Unified Code as they relate to audit committees, which recommendations Indra had already incorporated into its internal rules, primarily in the Board Rules. Additionally, the Report of the Panel of Experts regarding Internal Control System for Financial Information ("ICSFI") of the Comisión Nacional del Mercado de Valores ("National Stock Exchange" or "CNMV") recommends new authority and responsibilities for audit committees relating to supervision of these systems.

At the 2011 Meeting relevant changes were made, primarily to the Bylaws, to incorporate the duties of the Committee contained in the above mentioned statute. Furthermore, the Board Rules were amended so that, in addition to powers granted to the Committee by the Bylaws, other matters contained in the Account Audit Statute were included.

Also, applying best practices of transparency in corporate governance, since fiscal 2003 the Annual Activities Report of the Audit and Compliance Committee at Indra has been made available to the Shareholders upon call of Meetings and may be reviewed on the corporate website as well as by request of a free copy from the Shareholder Office.

The present Activities Report of the Audit and Compliance Committee of Indra corresponds to fiscal 2011 and was approved at the Committee meeting held 21 February 2012, presented to the Board at its meeting held 22 March, 2012 and will be made available to the Shareholders upon call of the Meeting; first call scheduled for 20 June, 2012 and second call 21 June.

5 MEMBERS
3 INDEPENDENTS
INDEPENDENT
CHAIRMAN

COMPOSITION

The Committee is an internal body of the Board of Directors; all of its members are also members of the Board. In accordance with the Board Rules and the Bylaws, the Committee must be composed exclusively of external Directors whose membership is to be between three and five. The current composition of the Committee is as follows:

Chairman

D. Alberto Terol
(Independent Director)

Members

Dña. Isabel Aguilera
(Independent Director)

D. Estanislao Rodríguez-Ponga¹
(Proprietary Director proposed by Grupo Banco Financiero y de Ahorros, S.A.)

D. Ignacio Santillana
(Independent Director)

D. Eusebio Vidal-Ribas²
(Proprietary Director)

The Chairman of the Committee must be an Independent Director and, in accordance with Board Rules, acts as Secretary of the Committee and either Secretary or Vice Secretary of the Board.

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Personal attendance at meetings of the Committee topped 89%, and was 100% for Independent Directors.

As can be seen for the list above, of the five external Directors who make up the Committee, three are Independent and one is a woman. Fiscal 2011 saw the elevation of Independent Director Mr. Alberto Terol as Chairman in place of Independent Director Manuel Soto in June as a result of Mr. Soto's resignation in accordance with standards for turnover of Independent Directors approved by the Board. Additionally, Mr. Ignacio Santillana, an Independent Director named at the 2011 Meeting, was added to the Committee in order to fill the vacancy left by Mr. Soto. This change was approved by the Board upon proposal by the Nomination, Compensation and Corporate Governance Committee after taking into account turnover criteria applied to Board committees, the proportion of Independent and Proprietary Directors, and the ability and experience of the Directors in matters relative to the functioning of the Committee, all in accordance with Article 17 of the Board Rules.

1. Natural person representative of Proprietary Director PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L., subsidiary of del Banco Financiero y de Ahorros, S.A.

2. Natural person representative of Proprietary Director CASA GRANDE DE CARTAGENA, S.L.

WIDE RANGE OF RESPONSIBILITIES AND COMPETENCIES

DUTIES AND POWERS

The duties and powers of the Audit and Compliance Committee are found in Article 31 of the Bylaws:

- a)** Report to the Shareholders at a Meeting on points raised by the Shareholders regarding matters that fall within the Committee's area of competence.
- b)** Supervise the functioning of the Company's internal controls, internal audit, and risk management systems, as well as discuss with external auditors areas of significant weakness in the internal control system detected during the audit.
- c)** Supervise the preparation and presentation of regulated financial information.
- d)** Deliver to the Board of Directors for submission to a Meeting proposals for the appointment of the external auditors as well as the terms of their employment, the scope of the auditor's mandate and where appropriate, dismissal or non-renewal of appointment.
- e)** Liaise directly with the external auditors and evaluate the development and results of their work, paying special attention to any issues that might pose a threat to auditor independence and any other issues related to the performance of the financial audit process, and maintain all other communications required by audit legislation and technical audit rules. In any event, the Committee should receive an annual written report from the external auditors confirming the auditor's independence of the Company or entities related directly or indirectly to the Company, as well as a report describing any form of services

rendered to such entities by persons or organizations related to the external auditors in accordance with applicable law on audits.

- f)** Issue an annual report before the auditors' report each fiscal year in which the Committee expresses an opinion regarding the independence of the external auditors. This report must also describe the rendering of additional services described in the previous paragraph.

In addition to the duties described in the Bylaws, Article 19 of the Board Rules assigns the Committee the following duties:

- a)** Act as a channel of communication between the Board and the external auditors, from whom regular information is received on the audit plan and the results of its implementation. The Committee also evaluates the management team's responses to the external auditor's recommendations and mediates in the event of any disagreement between the external auditor and the management team in relation to the principles and standards applied in the preparation of the financial statements. The Committee must encourage the auditor of the parent company to assume responsibility for the audits of all Group companies.
- b)** Informar al Consejo, con carácter previo a la adopción por éste de las correspondientes decisiones, sobre la creación o adquisición de sociedades instrumentales o domiciliadas en paraísos fiscales, así como sobre cualquier otra transacción u operación que pudiera menoscabar la transparencia de la Sociedad.
- c)** Review prospectuses for publicly traded instruments.

d) Report to the Board, prior to the Board's adoption of the corresponding decisions, regarding financial information which the Company must periodically make public by virtue of its status as a listed company. The Committee will verify that the quarterly and semiannual financial statements are prepared using the same criteria as the annual financial statements.

e) Establish measures to safeguard the independence of the external auditors to include:

I) propose that the Board file a relevant event report 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;

II) ensure that the Company and the auditors observe applicable law on the provision of services other than audit services, in accordance with the provisions of Article 43 of the Board Rules, and;

III) should the external auditors resign, examine the circumstances leading to their resignation.

f) Oversee the performance of the audit contract, aiming to ensure that the opinion on the financial statements and main content of the audit report are prepared in clear and precise terms.

g) Ensure that internal audit is both independent and effective; propose the selection, appointment, re-election and dismissal of the head of the internal audit service; propose the budget for such service; receive periodic information on its activities; and verify that senior management considers the conclusions and recommendations contained in its reports.

h) Establish and supervise measures whereby employees can confidentially report any potentially significant irregularities that they detect in the Company, especially those of a financial or accounting nature.

i) Consider suggestions from Shareholders, Directors and Senior Management of the Company on matters within its area of competence.

j) Perform all other functions assigned to it by Board Rules or by the Board of Directors.

As can be seen in the section below describing the activities of the Committee during fiscal 2011, one can see that it has carried out each and every one of the powers and duties assigned to it by the Bylaws and the Board Rules, including other matters which it considered convenient for the exercise of its competencies and the interests of the Company.

ACTIVITIES DURING FISCAL 2011

**9 MEETINGS
225 HOURS
SPEECH BY
CHAIRMAN AT 8
BOARD
OF DIRECTORS'
MEETINGS**

IN GENERAL

The Committee met nine times during fiscal 2011, more than the minimum of four required by the Bylaws. This means that, as a group, the members of the Committee spent about 225 hours in preparation for and attendance at meetings in reviewing matters within its purview during fiscal 2011.

Meetings are held on one week's notice and all members receive with their notices all of the documentation and information relative to the matters to be taken up at each meeting so that there is enough time for members of the Committee to analyze them.

In addition to bringing to the Board proposals regarding areas within its areas of competence, it immediately reports to the Board on all matters addressed in each meeting held by the Committee between meetings of the Board. The Chairman of the Committee reported to the Board eight times regarding the activities of the Committee during the fiscal year.

The Committee also created an Annual Report of Activities for fiscal 2010, as it does every year, which report was approved by the Committee in its meeting held 15 March, 2011. This Report was uploaded to the Company website upon call of the Meeting held 21 June, 2011. The Chairman of the Committee attended the Meeting and was available to Shareholders in order to address any issues that they may desire to raise regarding matters within the Committee's competence.

In order to properly plan and organize its work, the Committee developed an Action Plan for 2011 at the beginning of the fiscal year, as it does every year, in which it scheduled the number of regular meetings to be held (eight) and the agenda for each meeting. The Committee met for each of the planned meetings, addressing all of the issues found in the annual Action Plan, and met for one extraordinary meeting in order to designate a new Chairman of the Committee.

In accordance with the Action Plan for fiscal 2011, the Committee addressed the following matters and subjects:

PREPARATION AND DELIVERY OF FINANCIAL STATEMENTS

1. Review of the Company's Annual Financial Statements

The Committee reviewed the Management Report and the Individual and Consolidated Annual Financial Statements for fiscal 2010 before their preparation by the Board, giving a favourable opinion of same.

The Committee was informed by Company management of changes in the format from the year before for presenting the financial statements resulting from new legal requirements introduced in the LSC, the Ley de Morosidad ("Arrearage Act") and Audit Practices.

**SUPERVISION OF
THE PRESENTATION
OF THE 2010
FINANCIAL
STATEMENTS
AND THE COMPANY'S
PERIODIC PUBLIC
DISCLOSURES IN
2011.**

**PROPOSAL TO
REAPPOINT KPMG
AS THE AUDITOR OF
THE 2011
FINANCIAL
STATEMENTS**

2. Review of Information Delivered Periodically to Markets and Supervisory Bodies

Before approval by the Board, the Committee reviewed the quarterly and semiannual financial statements published to the CNMV for fiscal 2011, verifying that their preparation was done using the same criteria as the annual financial statements.

In carrying out its oversight duties regarding the creation of Company and consolidated Group financial information and its integrity, and review of compliance with legal requirements, proper scope of consolidation and appropriate application of accounting standards of quarterly and semiannual financial statements to be presented by the CFO, the Committee examined application of appropriate accounting standards and criteria for presentation of financial information and made recommendations regarding the clarity, posting or presentation of some items.

In order to ensure timely compliance with the Company's obligations to present this information to the CNMV, the Committee met with the CFO at its meetings held in February, May, July and November.

EXTERNAL AUDIT

1. Proposal of External Auditors

In performing its duty under the Bylaws of proposing to the Board designation of external auditors of the annual financial statements, as well as terms of engagement, scope of duties and, when applicable dismissal or non-renewal of their contract, the Committee discussed the procedure for appointment of external auditors for the Company for fiscal 2011.

After a thorough evaluation of the qualitative and economic aspects of the external auditor's work, members of the Committee considered possible alternatives and decided the best proposal for accomplishing the above mentioned goals was that the Board re-elect KPMG as external auditor of the Company for the fiscal 2011 financial statements.

This proposal was then brought by the Board to the Annual Shareholders Meeting, where it was approved.

2. Audit Fees and Report Regarding Auditors' Independence

In discharging its duty to evaluate any issues that might put the independence of the auditors at risk, the Committee reviewed the amount of fees paid to the auditors and the items to which they pertained for fiscal 2011.

	1000's of Euros
Audit of Annual Financial Statements.....	1.008
Other services.....	116
Total	1.124

The Ley 12/2010 de 30 de junio provides that the Committee issue an opinion regarding the independence of the external auditors before the audit report is drafted. In order to compile this report the Committee met in March and analyzed compliance with the following criteria established by the Account Audit Statute and the Board Rules.

**COMMUNICATION
CHANNEL WITH
EXTERNAL AUDITOR,
EVALUATION OF
AUDITOR'S WORK
AND INDEPENDENCE**

**AUDITOR'S
SATISFACTORY
OPINION
REGARDING THE
EFFECTIVENESS
OF THE
INFORMATION AND
CONTROL LEVELS.**

The Committee:

- Verified that the auditor was not involved in any circumstances, relationships or situations that might compromise its independence.
- Analyzed the fees paid as a percentage of its gross billings and came to the conclusion that the fees paid by Indra did not affect its independence in any way.
- Confirmed that the auditor responsible for the work and the members of the external audit team rotated from time to time in accordance with applicable law.

Additionally, in accordance with that contained in the Account Audit Statute, the external auditors expressly stated that they had maintained their independent status by means of a letter dated 15 February 2011.

3. Oversight of the Financial Statement Audit Process

In fulfilling its role of guaranteeing compliance with the audit contract, during fiscal 2011 the Committee ensured that the opinion regarding the annual financial statements and main portions of the audit report were drafted in a clear and accurate manner by supervising the audit process for the fiscal 2011 financial statements from the planning stage through development and to its conclusion. The Committee evaluated this development and the results of the audit and the auditors' work, thoroughly examining the reports created by the external auditors as they related to:

- The final conclusions regarding the auditors' work on the fiscal 2010 financial statements.
- The final audit report regarding fiscal 2010 consolidated financial statements issued without qualification or reservation.
- The report on recommendations for improvement in information control organization, processes and control stemming from the fiscal 2010 audit of the annual financial statements.

- Planning and preliminary work for the fiscal 2011 audit of the financial statements in which the revised ICSFI was introduced.
- The preliminary audit report for fiscal 2011 financial statements.

In order to make a proper evaluation of the above mentioned items, the partner at KPMG responsible for the audit met with the Committee five times at meetings held in February, March, May, September and December.

4. Evaluation of Compliance with the Recommendations Arising from the Audit of the Financial Statements

The overall opinion of the auditor is that the amount of information and control at the Company are effective and gave a satisfactory opinion in its report on recommendations for improvement in the information control organization, processes and systems. Nonetheless, the external auditor pointed out some minor areas which could be improved.

Also, pursuant to its responsibility for evaluating the response of the management team to the recommendations of the auditor, during fiscal 2011 the Committee reviewed implementation of the recommendations issued after the fiscal 2009 and 2010 audits of the financial statements and confirmed that the majority had been satisfactorily resolved except for those arising from complex implementation issues related to SAP.

The Committee analyzed the conclusions drawn from the reciprocal evaluation process between the KPMG team and the Indra team related to their working relationship during the fiscal 2010 financial statements audit concluded with a satisfactory opinion as a result.



INTERNAL AUDIT

SUPERVISION OF INTERNAL AUDIT FUNCTION

2010 ANNUAL REPORT AND 2011 ANNUAL INTERNAL AUDIT

The Committee is responsible for supervising the work of Internal Audit of the Company and reviewing the appointment and substitution of those responsible.

Within the framework of this function, the Committee supervised the activities of Internal Audit Management during the fiscal year, the fourth one of the current audit cycle (Integrated Audit Plan for 2008-2012).

Internal Audit reported to the Committee regarding implementation levels of the recommendations suggested from reviews it performed, recommendations yet to be put into effect, and the timetable for their completion.

As part of its oversight task, during 2011 the Committee the Annual Report of Internal Audit for fiscal 2010 and periodically evaluated the work accomplished and reports issued by Internal Audit during its assessment of various Company organizational areas and management and control processes. For this purpose, the Head of Internal Audit appeared before the Committee three times.

The Committee approved as well the Annual Internal Audit Plan for 2011 and the implementation proposal presented by the person responsible for it so that it might be adapted to the requirements of ISCFI. Additionally, the Committee analyzed the editing of the Internal Audit Manual in order to incorporate the new Risk Management Department.

Among the tasks accomplished during 2011, evaluation of controls related to ISCFI, review of project management processes and review of international subsidiaries stand out.

The Committee received reports as well regarding human and material resources in Internal Audit.

INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT

SUPERVISION TO ENSURE THE ADAPTATION AND INTEGRITY OF FINANCIAL INFORMATION PROCESSES AND THE CORRECT FUNCTIONING OF CONTROL AND RISK MANAGEMENT SYSTEMS

Among its responsibilities, the Committee has that of understanding and testing the adequacy and integrity of the economic information process and the proper function of internal control systems and risk management for the Company.

Within the framework of these tasks, the Committee met with those responsible for various departments of the Company in order to remain abreast of their status and operation as well as oversee the function of information and control processes. In these meetings, in addition to being informed regarding the matters mentioned above, the Committee was engaged in active supervision and issued recommendations for improvement of internal control and risk management processes and systems used in these areas. The following department heads met with the Committee during 2011:

REVIEW OF INTERNAL CONTROL SYSTEMS FOR FINANCIAL INFORMATION

1. Global Risk Management Department

The main objective of this department during fiscal 2011 was review of control systems for financial information in order to comply with recommendations made by the CNMV in the Report of the Group of Experts regarding internal control of financial information for listed companies.

UPDATING OF RISK MAP

The Ley 12/2010 provides that the Audit and Compliance Committee is responsible for the effectiveness of internal control within the company relating to the process of creation and presentation of regulated financial information. In order to perform these duties, the Committee reviewed the implementation process and design of the ICSFI performed during 2011 which impact the entire organization.

IMPROVEMENTS IN PROJECT MANAGEMENT

The head of Global Risk Management met with the Committee twice in order to explain work accomplished during the fiscal year and interaction of the various areas involved. Additionally, the Committee received reports regarding the roles played by Internal Audit and the external auditors in verification of the ICSFI.

At its December meeting, the Committee approved the design procedures, implementation and supervision of the ICSFI which incorporate the model it analyzed, and voluntarily submitted it to the external auditor for review.

In accordance with that provided for in Ley 4/2011 on Economic Sustainability passed 4 March, the Annual Report on Corporate Governance for fiscal 2011 must contain a description of the principal characteristics of control and risk management systems as they relate to the dissemination of financial information and the report issued by the external auditor on its suitability will be attached as an appendix.

The Committee examined the updated Risk Map presented during the fiscal year and paid special attention to risks which would have the greatest impact on the organization should they materialize.

2. Risk Management

The Committee met with the CFO and with the head of the Office of Project Management, who is in charge of the Indra Method for Project Management. They gave reports regarding news and advances in the development and application of this methodology which permits project management through systemization of planning as well as follow-up.

**GENERAL
INSURANCE PLAN
2011**

**ADMINISTRATIVE
SERVICES CENTRE
(MANAGEMENT OF
SUBSIDIARIES)**

**INCREASE
SAP SCOPE OF
CONSOLIDATION**

**NEW REPORTING
APPLICATION
FOR BRANCHES
AND PERMANENT
ESTABLISHMENTS
IN 2012**

**IMPROVEMENT IN
GROUP PURCHASING
AND
FOREIGN TRADE**

Fiscal 2011 saw continued training of personnel in charge of project management, and the number of certified Project Management Professionals ("PMPs") reached 292 with a goal of reaching 500 PMPs in 2012. The number of PMPs for 2011 included an increasing number of personnel from international subsidiaries.

The Committee received reports regarding other activities of the Office of Project Management such as participation in various international conferences, most notably inclusion of Indra on the Executive Council of the Project Management Institute.

3. Insurance Management

The Committee received reports on the Insurance Programme for fiscal 2011 which incorporates the different types of insurance carried (property/casualty, liability, transport and freight, and employee insurance), coverage, premiums and limits, applicable preventative measures and loss rates in each category and management of insurance internationally.

The Committee was informed regarding the current prevention activities, most notably that of security audits which involved a large portion of the organisation and the installation of devices which facilitate the rapid detection of losses.

4. Administration and Tax

The Chief Administrative Officer reported on the most important activities carried out during 2011 in his areas of responsibility.

As regards the Administrative Services Centre, the Committee was informed that as a result of integration of new subsidiaries, the number of personnel assigned to the Centre grew by 12%.

Most noteworthy in the Consolidation process was implementation of a specific module in SAP and an increase in the scope of consolidation.

Branches and Permanent Offices: a new type of report is being developed which will be completely installed in the fourth quarter of 2012.

5. Purchasing and International Business

The Committee met with the head of Procurement and with the head of Internal Systems, who reported to the Committee regarding the main accomplishments in Purchasing during 2011.

Among the improvements put into place during the fiscal year, reduction in the total volume of purchases due to a greater concentration of suppliers stands out. This reduction resulted in better synergies and improvement of supplier relationships. The Committee analyzed the distribution of amounts by markets.

The Committee was briefed on the primary objectives of the new organizational model for purchasing, the most important of which are: operational integration, more agility in procurement, optimization of management tools, development of strategic suppliers, specialisation of resources, strengthening of the Foreign Trade Department, maintenance of the Technical Office, and approval of suppliers.

The Committee examined the means used to ensure the objectivity and independence of purchasers and progress in implementation of SAP tools in international subsidiaries.

6. Treasury

The Committee met with the Company Treasurer for a detailed review of accomplishments in his areas of responsibility during 2011.

ADVANCES IN THE CENTRALIZED MANAGEMENT OF THE TREASURY

The Committee received a report as well on the advances in centralized management of Treasury which came about generally using existing resources. Increased demand for financing solutions for internal clients was noteworthy, which resulted in continuous support in business areas.

GLOBAL MANAGEMENT MODEL FOR HUMAN RESOURCES: TRANSFORMATION PROJECT 2009-2010 AND OBJECTIVES FOR 2011-2012

7. Human Resources

The head of Human Resources for the Company met with the Committee in order to report on the Global management model for Human Resources, the accomplishments made in the framework of the transformation project 2009-2010 and the objectives for 2011-2012.

The Committee was informed on advances made in the training model and over means of identification and development of high potential employees.

During this report implementation of the company program "Compartiendo Conocimiento" ("Sharing Knowledge") was analyzed, which program was created in order to provide a global and open collaborative space which permits targeting and identification of internal talent among the professionals at Indra. Additionally, the Committee analyzed various initiatives launched with the goal of improving Indra's cachet as an employer.

Finally, the Committee received a report regarding the Human Resources corporate and geographic organizational chart.

8. Code of Ethics and Professional Conduct

The Committee met with the head of Talent, Innovation and Strategy and the head of Branding and Corporate Responsibility, who examined the level of implementation of the Code of Ethics within Indra Group since it is launching in 2009.

Implementation of the Code of Ethics in subsidiaries and international branch offices, communication tools used, and training plans were thoroughly examined.

The Committee received a report regarding Code of Ethics incidents filed in 2011 and the means adopted for their resolution as well as the role of the Canal Directo as a method of communication for such incidents. In addition, the Committee was informed on the Code of Ethics Oversight Committee and changes in its makeup to reflect organizational changes.

As regards goals for 2012, launching of the Legal Compliance Program and training related to it, including training in the Code of Ethics, stands out.

9. Internal Systems

The Committee met with the head of Internal Systems who gave a report on the mission and principal processes in his area, as well as the main objectives reached during the fiscal year.

The Committee examined the principal indicators which describe the IT support environment covering internal business management processes in Systems Technology matters.

Discussion focused on the principal challenges of the area: adaptation of the catalogue of services for new business needs for domestic as well as international subsidiaries.

The Committee was informed regarding milestones reached and the primary objectives in the area of Information Security, one of the most important of which was creation of an Office for Protection of Personal Data for projects; one of its goals is the minimization of technological risks.

ADAPTATION OF THE CATALOGUE OF SERVICES CREATION OF AN OFFICE FOR PROTECTION OF PERSONAL DATA

IMPROVEMENTS IN CONTROL SYSTEMS FOR PROJECTS, INTERNATIONAL OPERATIONS AND SUBSIDIARIES

DOCUMENT MANAGER INSTALLED

INTENSE ACTIVITY RELATED TO PROTECTION OF INTELLECTUAL AND INDUSTRIAL PROPERTY RIGHTS

The Committee analyzed the results of the self-evaluation of the intranet as an internal provider of services and technology solutions. This self-evaluation is carried out every three or four years, the last having been done in 2008. The primary challenge it noted in the adjusting to the needs of the Company is the rapid pace of growth.

10. Corporate Control

The Committee met with the head of Corporate Control and reviewed the major activities within his area during fiscal 2011, noting in particular:

- New developments introduced into the bid control systems as well as its adaptation to improve support internationally. Ratios have been established by country and by region to assist in oversight.
- Operational Control: incorporation of new functionalities to the Gestiona tool which facilitates control across and within companies as well as project management by providing useful large databases. It has simplified visa and authorization processes and has improved oversight and control of working capital.
- Control of International Subsidiaries: the principal goal is homogenization in the use of corporate systems except in those subsidiaries which, due to their size, do not merit the investment or for which a specific Gestiona module has already been designed.
- In the area of personnel development, specific courses and activities are being carried out for management control teams where the need arises either due to recent integration with the Company or because of specific regional reasons.

11. Secretary General

The Committee reviewed with the Secretary General organizational changes brought about during the fiscal year in order to help the Secretary's staff respond to the needs of internal clients, in particular: formation of a Compliance Unit; creation of a Legal Department for the Americas; integration of Labour Services into the Secretariat.

The Committee received a report regarding the primary activities carried out during the fiscal year and others that are in the project phase, highlighting the following:

- Plan Perfect: put into place in 2008, it continues to be very popular and contains a wide variety of training materials.
- Knowledge Management ("KM"): a powerful document manager has been installed which will support the 2012 implementation of KM, easing access to institutional knowledge, models, and other support documents. Also, an information management tool has been designed for subsidiaries and branch offices of the Group which will go online in 2012.
- Processes and Policies: within the framework of constant review of standards and best practices and in coordination with various corporate areas, a series of procedures have been developed and implemented as internal rules.

Short term objectives were discussed with the Committee, in particular (i) spreading of best practices throughout the team, especially internationally, by means of Worksite and Plan Perfect and (ii) creation of a Contract Administration Unit which helps improve control in project execution.

12. Management of Industrial and Intellectual Property Rights

The Chief in House Counsel presented the annual report for 2011 on management of Company intellectual property rights. In this fiscal year, the process begun in 2009 of revamping and protecting the new corporate branding was continued by means of trademark registry and registry of other corporate identifying elements in the countries in which the Company does business. Additionally, a report was given over the tasks of patent oversight and identification and perfecting of new patents; means of protecting software; and maintenance of software escrow; as

**PREPARATION OF
LEGAL COMPLIANCE
PROGRAMME**

**STRUCTURE AND
MANAGEMENT
MODEL FOR
CORPORATE
QUALITY**

**FAVOURABLE
REPORT REGARDING
FORMATION OF
A BRANCH IN
BAHRAIN**

well as training and continuing education in operational areas on the need to identify and protect the rights of intellectual and industrial property generated by the Company.

13. Legal Compliance Unit

The Committee and the Secretary General jointly analyzed the implications of amendments to the Criminal Code for the Company in which artificial persons may now be sanctioned criminally. It was recommended that a series of Corporate Defence measures be incorporated in order to detect criminal conduct and other legal risks to the Company.

To meet this need the Committee authorized creation of a Compliance Unit at its February meeting and designated a Chief Compliance Officer to head it up.

This area is independent of the Secretary General and separate from the legal department, and has as its mission identification of important legal risks and to draft, implement and distribute a legal compliance programme that permits risk prevention and detection as well as training for Company personnel on the programme and continually evaluate its effectiveness in meeting those risks.

The head of the Legal Compliance Unit and the Secretary General reported to the Committee at its December meeting on activities which took place during 2011, especially creation of the Compliance Programme.

The Committee reviewed the purpose of the Compliance Programme, activities prohibited by it, its scope, structure and contents. The Committee also received a report on the schedule for disseminating information regarding the Compliance Programme and training planned for fiscal 2012.

14. Quality and Natural Environment

The head of Talent, Innovation and Strategy and the head of Quality and Innovation presented the structure and management model for corporate quality, engineering quality, and natural environment.

The Committee received a report regarding periodic quality audits done internally on projects and subcontractors in order to understand the level of implementation of the model. The Committee was informed as well regarding receipt and maintenance of quality certifications from the major certifying bodies.

As regards Quality Engineering, the Committee was informed about the activities carried out in various markets, with special emphasis on the areas of Defence, Transportation and Logistics, which involve the most complex technological development.

Development of natural environment management systems has allowed promotion of Indra's image as an environmentally responsible company and has converted it into a leader in its sector, improving at the same time its ranking in the DOW Jones Sustainability Index.

15. Opening of Business in Tax Havens

Pursuant to the mission stated found in Article 19.4 b) of the Board Rules, the Committee reviewed and brought to the Board a favourable report regarding formation of a branch in Bahrain, a country considered in Spain to be a tax haven, since its opening was tied to the completion of projects in the ordinary course of business at Indra and was not done for the purpose of obtaining tax benefits or for reducing transparency at Indra.



**CONSOLIDATION
OF INTERNATIONAL
DEVELOPMENT
MODEL**

**GUIDANCE FOR
INTERNASIONALI-
SATION PROCESS**

INTERNATIONALIZATION PROCESS

Pursuant to that contained in the 2011 Action Plan, the Committee met individually with each of the Operations Managers in the areas of Defence, Transportation and Logistics, IT, and International.

The Committee received reports on the management model and organizational chart of each of these areas as well as internal control procedures.

International growth experienced by Indra means that the chief goal for all of these areas examined is to incorporation of this model in international development, applying the Indra Project Management Method and similar structures and oversight and control activities in all of them.

The Committee analyzed the objectives within their areas of responsibility with each of the Operational General Managers and the specifics of applying the Indra Project Management Method for each of them.

ANTICIPATED ACTIVITIES FOR 2012

In accordance with the Action Plan of the Audit and Compliance Committee for 2012, approved by the Committee at the beginning of the current fiscal year, the Committee has planned to meet eight times in regular session during which, in addition to matters which are of a recurring nature every year, special attention will be paid to internationalization of the Company in all areas.