

Report presented by the Nomination, Compensation, and Corporate Governance Committee to the Board of Directors of Indra Sistemas, S.A. pursuant to the requirements of Article 529.19 of the *Ley de Sociedades de Capital*, regarding the proposal to approve the Compensation Policy for Directors of Indra Sistemas, S.A.

This Report is created by the Nomination, Compensation, and Corporate Governance Committee (the “Committee”) of Indra Sistemas, S.A. (“Indra” or the “Company”) pursuant to the requirements of Article 529.19 of the *Ley de Sociedades de Capital* (“Spanish Corporations Act” or “LSC”), which Article provides that the Compensation Policy for directors is to be approved at the Annual Shareholders Meeting at least once every three years and that the policy presented by the Board of Directors should be based upon and accompanied by a specific report drafted by the Compensation Committee (the “Report”).

In accordance with the provisions of Article 529.15 of the LSC, it is the Committee’s responsibility to propose the compensation policy for directors and senior management to the Board of Directors of Indra as well as individual compensation and other conditions of employment for Executive Directors, and to monitor compliance with said terms. Additionally, Article 19 of the Board Regulations provides that the Committee should periodically review the compensation policy as applied to Directors and senior managers.

Pursuant to the foregoing, the Committee has agreed to submit to the Board of Directors this Report regarding the Compensation Policy for Indra Directors for fiscal 2018, 2019 and 2020, and proposes that it be approved at the Annual Shareholders Meeting.

The principles, bases, structure and compensation components of the Compensation Policy proposed for fiscal 2018, 2019, and 2020 are substantially equivalent to those of the prior Compensation Policy, comply with the provisions of the LSC, and are consistent with national and international norms in the area of compensation.

In order to create the Compensation Policy and the Report, the Committee availed itself of advice from well respected and experienced independent experts in the field:

- Verifying that the proposal brought forward by the Board complies generally with the provisions of Section 4 of Article 217 of the LSC as they apply to corporations, which Article provides that:

“Compensation of administrators must at all times be proportionate to the company’s scope, current economic conditions, and market practices for similarly situated companies. The established compensation policy is to be designed to promote the long term profitability and sustainability of the company and shall incorporate those measures necessary to avoid both excessive risk-taking and reward of poor results.”

- Taking into account national and international trends and best practices in the field of compensation policy for directors and senior managers, and considering the opinions of shareholders and proxy advisors.
- Analyzing normative changes and changes in the regulatory and supervisory system in the field of compensation.

Considering all of the foregoing, the Committee has concluded that the Compensation Policy complies with the law, recommendations and best practices consistent with criteria of good governance and transparency.

Therefore, the Committee issues the present Report in support to be delivered, along with the Proposed Compensation Policy of the Board of Directors, for approval at the next Annual shareholders Meeting to be held 29 June, 2017.

22 May 2017