



CORPORATE
SOCIAL RESPONSIBILITY
REPORT

2017

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LETTER FROM THE CHAIRMAN

Dear Shareholder:

I am addressing you in this annual Report on Corporate Social Responsibility to take stock of the 2017 financial year, and to submit the actions and initiatives undertaken during the last year for your consideration.

On previous occasions I have had the opportunity to detail the restructuring and transformation program undertaken in recent years with a view to modernizing the company and improving its competitiveness.

We assure you that we have achieved the majority of our goals in this regard as can be seen from the results obtained. There have been significant improvements in the company's business, operational and financial performance. We have incorporated structural improvements in management, processes and culture and we have been able to address and successfully integrate strategic acquisitions such as Tecnocom.

As a result, and being perfectly aware of the challenges ahead, we believe that Indra now has great potential. We operate in a

technological market that stands out for its dynamism and growth, one in which there are great opportunities for the creation of value. We are well placed to be able to take advantage of these opportunities and we have a solid foundation which enables us to play a leading role at this time.

With the aim of identifying which initiatives to take and the changes that we must implement in order to realize this potential, during the last few months of the year we carried out an in-depth strategic reflection focused on defining a new framework for actions, measures and resources in order to obtain success during this new cycle. This reflection has given rise to the New Strategic Plan 2018-2020 which shall be rolled-out along the following lines:

- A new specialized operational and organizational model to improve agility, strategic flexibility and responsibility for results
- A set of initiatives aimed at encouraging the development of a portfolio of products and the sophistication of the offer, which



Fernando Abril-Martorell

LETTER FROM THE CHAIRMAN

together with new business processes will lead us to a solid growth in revenues

- An ambitious plan of efficiencies and improved productivity which will allow us to generate improvements to the EBIT margin as a result of a more effective use of resources

At the same time, we aim to continue transforming the areas that enable us to promote the growth of our businesses, especially those relating to talent management, an essential part of our industry, the strategic renewal of our internal systems and new actions to improve the Brand and our Innovation model, to name just a few.

One of the first more visible profound changes arising from the new operational model is the grouping together of our Information Technology business into a new corporate entity within Indra, which will enable us to gain the necessary strategic flexibility and obtain the essential efficiencies in order to compete successfully. Cristina Ruiz has been appointed Executive Director to lead this new entity with full responsibility for the entire IT business. Ignacio Mataix has similarly been appointed Executive Director¹ to undertake the same responsibilities for the Transport and Defense businesses (Defense, Air Traffic and Transport).

The ultimate goal of our actions is to become a profitable, financially robust company, increasingly attractive for shareholders,

investors and employees. A global company set on a path toward sustainable growth through our character as a technological leader in the areas in which we operate.

In terms of results for the 2017 financial year, Indra generated a net profit of €127 million, an 82% increase year-on-year, and consolidated its positive profitability with an EBIT margin of 6.5%. In reported terms, including TecnoCom, contracting increased by 18%, revenue by 11% and EBIT was up 21% compared to the previous year. Excluding acquisitions for the reporting period, contracting, revenue and EBIT also increased in 2017 compared to 2016, showing a positive trend in our profitability and organic growth.

The generation of cash continues to be solid and sustained due to the consolidation of operational improvements and reached €186 million for the financial year.

To conclude, Indra has met the estimates for revenue, EBIT Margin and Free Cash Flow before changes in working capital forecast for 2017 and communicated at the time to investors and analysts. To a certain extent the company's results reflect the impact of the restructuring measures taken, showing a positive trend in the key dimensions of the business and they confirm a structural improvement in risk management.

But here I should point out that we still have a lot of work ahead of us in a very demanding and competitive market environment, and one not

without its difficulties. This year, the company will have to face significant challenges in order to continue meeting its strategic and business objectives, so we should double our efforts and keep making decisive progress in the transformation of the company.

Lastly, I would like to touch on the Corporate Governance of the company, in which the Board takes a keen interest by ensuring that it is adapted at all times to both national and international best practices and standards. It is with this in mind that the aspects relating to Corporate Governance play a significant role in the annual action plans of both the Board and its Committees.

With regard to the composition of the Board, it should be noted that 2017 is the first year in which the policy approved regarding the renewal of independent directors has been applied, as detailed in this report, which resulted in the appointment of two new board members belonging to this category of directors. These appointments reinforce the commitment of the Board to gender diversity and bring the company nearer to its objective of 30% of Board positions being held by women by 2020.

The Board will continue working on the maintenance of a firm Corporate Governance and appropriate risk management. In this regard special mention should be given to the activity undertaken by the Internal Audit Division, Risk Management and the Compliance Unit, which, as reported in the past, have been reporting directly to the Audit and Compliance Committee

(1) Appointment made in January 2018

LETTER FROM THE CHAIRMAN

since March 2015, and significant progress has been made in this field in 2017.

I would also like to mention the Board's firm commitment to transparency and dialog with our stakeholders, with the aim of not only relating what has happened in 2017, but also sharing the horizons for the future and the developments envisaged for the company. In this regard it is important to mention the holding of a Second Investor Day during which the Strategic Plan will be made public, as well as roadshows with investors, analysts and proxy advisers.

This Report accounts for compliance with Corporate Social Responsibility Policy and details the company's commitments with all of its stakeholders, this being the benchmark framework for guaranteeing responsible conduct within the company.

In spite of the difficulties presented by the environment and confident that the hard work undertaken to date is bearing fruit, I am certain that over the next year we will continue to progress positively and continue generating the the value expected by Indra's shareholders.

I would like to conclude by once again thanking all the professionals at Indra for the extraordinary effort and talent they display each day and which is the essential key to the success of the company.

Fernando Abril-Martorell Hernández

BUSINESS MODEL



KEY FIGURES

Financial and governance



Most relevant economic data

NET PROFIT

€127M
(+82 % vs 2016)

Indra Made a net profit of €127 million in 2017, an increase of 82% compared to the €70 million obtained in 2016. The net profit per basic share grew by 73% during the same period.

REVENUES

€3,011M
(+11 % vs 2016)

Contracting and revenues grew due to the contribution of TecnoCom and the organic growth of Indra. Contracting, revenue and EBIT, excluding TecnoCom, increased 10%, 2% and 23% respectively.

CONTRACTING

€3,248M
(+18.3 % vs 2016)

Excluding the integration of TecnoCom, GTA and Paradigma, net debt would have dropped to €309 million and the degree of operating leverage to 1.2x.

NET DEBT/EBIT RATIO

2.2x

Indra has fulfilled its estimates for revenue, EBIT margin and Free Cash Flow before working capital announced for 2017, without including the integration of TecnoCom.

FREE CASH-FLOW

€186M
(+1.6 % vs 2016)



Corporate Governance

DIRECTORS

13
(= vs 2016)

Indra has a Board of Directors in which the majority of its Directors are independent, in line with the best practices in Corporate Governance.

INDEPENDENT DIRECTORS

7
(= vs 2016)

The feminine presence on the Board has increased over the last year, reinforcing its commitment to diversity.

WOMEN

3
(+50% vs 2016)



Innovation

R&D

€202 MILLION
(+24 % vs 2016)

The company's commitment to innovation is demonstrated by the intensity of the R&D.

R&D TO REVENUES

7%
(+1p.p. vs 2016)

KEY FIGURES

Extra-financial and Corporate Social Responsibility*

 <h3>Clients</h3> <hr/> <p>CUSTOMER SATISFACTION (1-100)</p> <p>72 (- 1% vs 2016)</p> <p>Indra has gained the trust of its clients, with a level of satisfaction above 70%.</p>	 <h3>Professionals</h3> <hr/> <p>FINAL WORKFORCE AT 31.12.2017</p> <p>40,020 (+ 17% vs 2016)</p> <p>In the last year Indra has continued to incorporate young talent through its Smart Start program.</p>	 <h3>Suppliers</h3> <hr/> <p>LOCAL SUPPLIERS</p> <p>81% (- 2% vs 2016)</p> <p>The company has continued to contribute to local development through purchases made from local suppliers.</p>	 <h3>Company</h3> <hr/> <p>INVESTMENT IN SOCIAL ACTION</p> <p>€1.5 MILLION (+2.5 % vs 2016)</p> <p>Through its social action initiatives and corporate volunteering Indra has demonstrated its commitment to society.</p>	 <h3>Environment</h3> <hr/> <p>GHG EMISSIONS / EMPLOYEE (T)</p> <p>0.3 (- 52 % vs 2016)</p> <p>Indra has managed to reduce the emissions per employee by half thanks to the use of renewable energy.</p>
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5 GENDER EQUALITY



34 % WOMEN

8 DECENT WORK AND ECONOMIC GROWTH



87 % PERMANENT CONTRACTS

9 INDUSTRY INNOVATION AND INFRASTRUCTURE



81 % PURCHASES FROM LOCAL SUPPLIERS

10 REDUCED INEQUALITIES



96 % LOCAL EMPLOYEES***

13 CLIMATE ACTION



26 % REDUCTION IN GHG GASES 2017 VS 2016**

(* The data for the workforce at December 31, 2017 includes Tecnocom and Paradigma. The remaining data does not include Paradigma under any circumstances. The employee data includes Tecnocom. The customer, supplier and society data refer to Indra without Tecnocom. The scope of the GHG emissions per employee is Indra including Tecnocom in 2017 and Indra in 2016, and both years considering Scope 1 and 2 for the average workforce.

(**) The Greenhouse Gas (GHG) emissions refer to those corresponding to Indra including Tecnocom in 2017 and Indra in 2016, and both years considering Scope 1, 2 and 3.

(***) Indra contributes to quality employment in the countries were it is present

BUSINESS MODEL

INDRA IS A LEADING GLOBAL CONSULTING AND TECHNOLOGY COMPANY, AND THE TECHNOLOGY PARTNER FOR THE CORE BUSINESS OPERATIONS OF ITS CLIENTS' BUSINESSES THROUGHOUT THE WORLD.

Indra is a leading global consulting and technology company, and the technology partner for the core business operations of its clients' businesses throughout the world. It is one of the world's largest providers of proprietary solutions in specific segments of the Transport and Defense markets and a bellwether in Information Technology in Spain and Latin America.

The company develops a range of high added-value cutting-edge proprietary solutions and services in technology, allowing its clients to resolve their most critical issues and improve their processes, efficiency, profitability and differentiation. Indra comprehensively manages the projects through solutions tailor-made for its clients, and has an extensive background of excellence in the execution of projects, which have successfully resolved the most complicated of issues.

Indra has a differential business model based on a portfolio of balanced and diversified proprietary solutions, which it offers solely to clients that are leaders in their respective industries and key geographic areas. Indra possesses a technology and portfolio

Technology

Leading technology in key business operations

Extensive knowledge of the processes and operations that are vital to the customer's business

Leading portfolio of proprietary products associated with the key business operations

Clients

Highly customer oriented

Unique culture due to its flexibility and ability to adapt to the customer's needs.

Focus on the development of long term partnership relationships with clients



Solutions

Portfolio of balanced and diversified technology solutions

Activity in diverse sectors, responding to different dynamics and cycles in the IT, Transport and Defense businesses

Portfolio of diverse solutions and projects, with a balanced mix between risk and profitability

Professionals

Differentiating skills and abilities of its professionals

Solid specialized knowledge in key technologies and vertical industries

Combination of global experience with local deployment teams in the geographic areas

BUSINESS MODEL

of leading proprietary products, which provide highly reliable solutions in essential sectors.

In addition to which it is highly customer oriented: a unique culture flexibility and adaptation to your needs. Beginning with its extensive knowledge of the key processes of their businesses, Indra maintains very long term relationships with its clients, starting from the first moment when reviewing their business processes.

Indra has specialist teams with a solid grounding in technology, the markets and its clients' requirements: professionals focused on creating value and generating business for these clients, and used to working together with them.

As a result, Indra is a world leader in the development of comprehensive technological solutions around the world in fields such as:

- Defense and Security, a leader in aerial surveillance, military simulation, maritime surveillance, electronic defense and satellite communications
- Air Traffic Management, by being a leader in products and solutions for air traffic management systems, navigation and surveillance systems
- Transport, with the most developed systems for the management of trains, ports and airports, urban mobility and

transport and road traffic control systems, tunnels and tolls

And in the range of leading solutions for entities in sectors such as:

- Energy and Industry, offer leadership in generation, distribution and commercial management systems in Energy; or industrial management solutions for hotels, etc.
- Telecom and Media, with solutions in business support operations and systems and also for digital television and new media
- Financial Services, with a leading range in key systems in insurance and banking and in operational transformation services and process efficiency
- Public Administrations and Healthcare, with cutting edge examples in healthcare management platforms, Education and Justice management systems and a global range in Electoral Processes

Minsait is Indra's digital transformation business unit. Its offer is aimed at achieving immediate and tangible results. At Minsait, Indra has grouped its product portfolio and technology and consulting services in the digital business, making it one of the leaders of this market in Spain. This is in addition to a standout methodology, a broad portfolio of

business solutions, a unique proprietary sales model, delivery and support aimed at impact generation, and a flexible organization based on multidisciplinary teams, made up of specialists with very specific profiles. Minsait rounds out the offer of the rest of Indra's high-value vertical sectors by helping them to focus on its clients' key businesses. Minsait is one of the main drivers of Indra's growth.

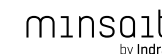
The transformation capabilities of the company have been greatly increased through the acquisition of Paradigma*, whose leadership in disruptive technologies will complement the value proposition of Minsait. Paradigma has a team of nearly 400 highly qualified professionals who are organized into five specialist areas: *digital strategy, velocity development, customer experience, AI & Big Data and the cloud*. Both companies offer the market a unique and more complete range which covers, from one extreme to the other, the digital transformation requirements of companies and institutions, by integrating the business and digital dimensions, and the provision of services and products.

Main Brands

Consulting | Technology | Outsourcing



Digital



Subsidiaries



Business Process Outsourcing



(*) Acquisition made in December 2017.

TRENDS

THERE IS EXPECTED TO BE SUSTAINABLE GROWTH IN ALL MARKETS IN WHICH INDRA IS PRESENT

CAGR (2016-20)

IT



>10 % Digital IT

+3 % IT

- Analytics and Big Data increasing demand
- Accelerated transition to Cloud environments
- New standards and business models (e.g. co-leading digital initiatives with clients, Open architectures, AI in ITO)
- BPO progressive mitigation into BPaaS
- Remaining potential for value creation by systems integration and outsourcing, especially in emerging geographic areas (e.g. Latin America)

Defense and Security



+5 %

- Long term international programs still in progress (e.g. Eurofighter)
- New investment cycle in Spain (e.g. F110, 8x8)
- New additional international programs expected (e.g. EDAP)
- Need for modernization of existing legacy systems and development of new digital solutions (e.g. Cyberdefense)

ATM



+4 %

- Sustained growth and air traffic increase worldwide
- Need to manage aerospace congestion in the mature markets (e.g. Europe)
- Intrinsic need for technological maintenance and upgrades as they are long life cycle critical systems
- Increase in demand for Cybersecurity

Transport



>10 %

- Increased infrastructure spending globally
- Demand of intelligent control systems and safety and signalling, with long delivery and maintenance phases
- Demand of technological updates and operational management systems for existing infrastructures
- Smart Mobility is transforming this market

TRENDS

POSITIVE MARKET ENVIRONMENT FOR INDRA: DIGITALIZATION IS DISRUPTING EVERY BUSINESS AND GENERATING HIGH VALUE CREATION OPPORTUNITIES

New technological trends are disrupting every businesses



Cloud, Industry 4.0, Big Data and the Internet of Things are transformation levers impacting all industries



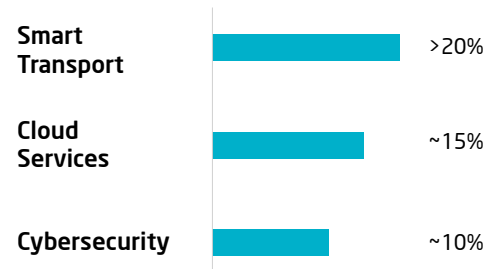
Increased need of Cybersecurity across industries (Defense and Security, ATM, Transport, IT)



Smart Mobility is revolutionizing our understanding of transport and cities management

Digital expenditure is booming

NON-EXHAUSTIVE LIST OF DIGITAL SECTORS GROWTH (2016-2010 CAGR%)



“ Nowadays, a company's digital strategy practically drives the roadmap and goals of many departments, from marketing to sales to Human Resources. ”

Harvard Business Review, May 2017

Technology companies are outperforming

TOP 5 MOST VALUED COMPANIES

2016



2006



NASDAQ 100 outperformed S&P500 by 17 p.p. since Indra's first Investor Day held in 2015

2018-2020 STRATEGIC PLAN

Indra presented its 2018-2020 Strategic Plan on November 30, 2017, coinciding with the Second Investor Day held by the company. The plan was presented after completing a major part of the transformation related to the plan launched in July 2015. The company has managed to reverse cash outflows, significantly improving its financial position, and has embarked on a comprehensive transformation process to grow its business, processes, competitive capacity and culture.

As a result, the company has cleaned up its balance sheet and is generating sustained cash flow, and its net debt is now well below the 2015 peak. Between mid-2015 and year-end 2017, it generated accumulated free cash flow of 775 million euros¹ which it has allocated among other aspects to its restructuring plan, acquisitions, financing losses on onerous projects, new investments and reducing debt.

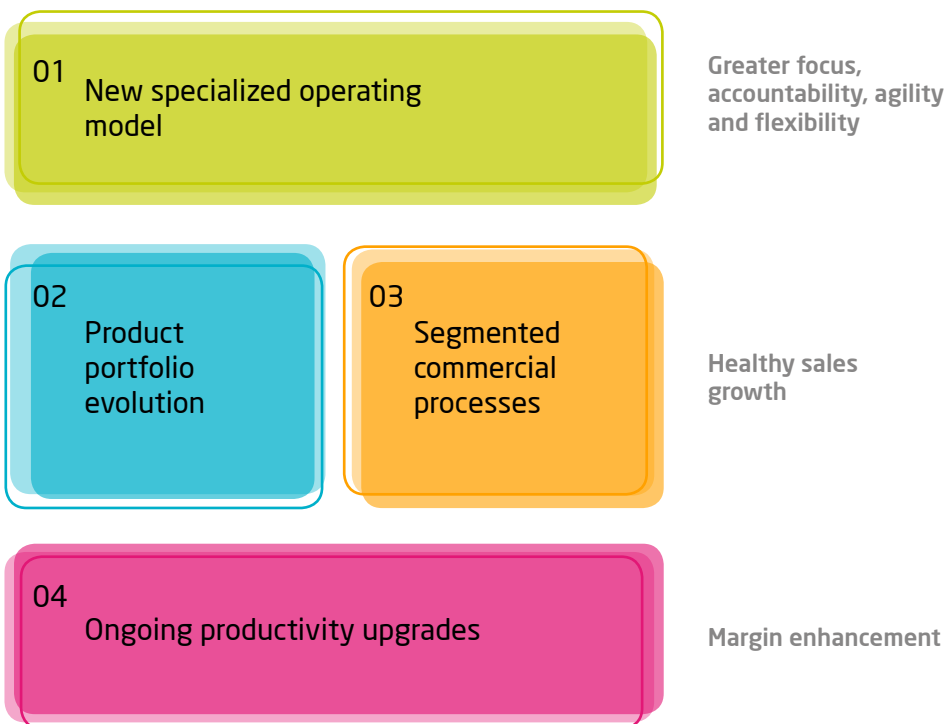
Through its 2018-2020 Strategic Plan, Indra aims to complete its transformation and facilitate profitable growth. The Plan is based on four major initiatives.

- Specialization of the operating model

through the creation of an IT subsidiary to foster a results-oriented approach, agility and strategic flexibility.

- Continued developments in the product portfolio to provide added value.
- Accelerated commercial transformation to become a sales-oriented company.
- Ongoing improvement in productivity to increase competitiveness and margins.

(1) Includes the estimated FCF generated in 2015-2017, excluding the estimated impact of cash outflows for the acquisition of TecnoCom (191 million euros), workforce plans (129 million), onerous projects (145 million) and accumulated CAPEX in the period.



2018-2020 STRATEGIC PLAN

Within the context of the plan, Indra will strive to provide greater support for business and facilitate the company's growth in areas like talent and culture, marketing, innovation, internal IT systems, and risk control and management

The plan also includes specific points to encourage profitable growth, e.g.

- Improved offer by reinforcing the portfolio of proprietary products; constant development of the portfolio by harnessing digital technologies and adapting to customer demands; development of additional capabilities for high value-added services; and more end-to-end solutions to strengthen proprietary products and services.
- Commercial transformation through the introduction of specialized vertical market sales forces aligned with the new offer; special teams for major operations, with the focus on digital transformation projects; new contracting and pricing models; joint venture approach to facilitate commercial acceleration; new mechanisms, like incentive plans, and control tools; and continuation of the rigorous trend and approach to control.

- Improved productivity in progress through the optimization of processes with a lean end-to-end view in production and delivery, especially through the use of automation and new technologies; wider deployment of global production models; more robust services for global businesses; and optimization of procurement.

Besides, Indra's strategic plan will be deployed in a positive market environment. Digitalization is transforming all business areas and generating enormous opportunities for technology providers.

At the same time, all the markets in which the company operates are going to experience significant growth. The compound annualized growth rate for digital IT is projected to exceed 10% to 2020, with traditional IT growing by 3%, Defense and Security by 5%, Air Traffic by 4%, and Transport by more than 10%.*

(* Source Markets and markets and Indra Second Investor Day.

2018-2020 STRATEGIC PLAN

01 New Specialized Operating Model

Talent and Culture

- New compensation models, development plan sand career paths
- Intensified screening and recruiting efforts (e.g. reinforce capabilities in digital and specific verticals, increase juniors base and their affiliation)
- Internal HR processes automationand enhanced analytics for people management



Reduced rotation
Stronger accountability
Reinforced talent

Internal IT Systems

- Enhanced employees' digital environment
- More agileself-service approach within a new data ecosystem
- Evolved Back Office platforms facilitating their integration with the different business applications



Increased telecommuting
Data-driven management
More agile decision making

Control and Risk Management

- New technologies to maximise predictability, using advanced data analytics in forecasts, continuous monitoring mechanisms and preventive alerts
- Reinforced risk management, optimising risk-control trade-off and introducing preventive control



Higher predictability
Earlier warnings

Marketing

- Increase awareness of Minsait brand as the high value IT vehicle accelerates growth out of the home market
- Consolidation of the already globally recognised Indra brand for T&D



Increased digitalgrowth
Higher sales in proprietary-products based solutions

Innovation

- Foster both external and intra-corporate entrepreneurship through the Corporate Venture Capital
- Reinforce the University collaboration network
- R&D increase within the EU Framework Program for Research and Innovation



Advantaged position to incorporate new capabilities and offer

02 Product Portfolio Evolution

- Invest to reinforce those products where the company already has a leading position
- Apply digital technologies to further position the offer in the smart ecosystem
- Complement selectively the proprietary products portfolioto sell complete end-to-end solutions

03 Segmented Commercial Processes

- Increase commercial intensity with strong incentives and systematic tools
- Apply a segmented commercial approach with new more specialised profiles
- Establish alliances / JVs for commercial acceleration inselected geographies

04 Ongoing Productivity Upgrades

- Deploy Lean manufacturing, Lean IT productionand apply Automation
- Extend scope of the Global Business Service sand rationalise the indirect costs base
- Intensify Pyramid management and Delayering
- Optimise procurement

STAKEHOLDERS



CORPORATE SOCIAL RESPONSIBILITY MODEL

INDRA'S CORPORATE SOCIAL RESPONSIBILITY VISION IS TO ACT RESPONSIBLY WITH ALL STAKEHOLDERS

The aim of Indra's corporate social responsibility model is to contribute to the company's sustainable development by implementing responsible business practices that help create value for all of its stakeholders and for society in general.

The corporate social responsibility policy sets forth the company's commitments to all of its stakeholders and provides a reference framework for guaranteeing responsible behavior by the company.

The corporate social responsibility policy approved by the Board of Directors is available at: <https://www.indracompany.com/en/indra/corporate-social-responsibility>.

The duties of the Board of Directors' Appointments, Remuneration and Corporate Governance Committee is to periodically analyze the policy, internal regulations, procedures and practices relating to corporate social responsibility, as well as its level of adaptation to the rules, recommendations and national and international practice in this area. The Committee proposes any changes on matters of corporate social responsibility it

considers appropriate to the Board of Directors and informs the Board about the information the company discloses in relation to this matter.

The Corporate Social Responsibility Master Plan is the basis for the sustainable management of the company. Designed in line with the company's strategic plan, it is reviewed annually with the teams responsible for relations with Indra's stakeholders and every year the relevant topics regarding corporate social responsibility are identified.

The Communication, Branding, and Corporate Social Responsibility Division is responsible for implementing the company's strategy in this area as well as the Corporate Social Responsibility Master Plan, regularly informing the Appointments, Remuneration and Corporate Governance Committee.



Indra's corporate social responsibility principles

Responsible business

Ethics

Compliance

Good corporate governance

Transparency

Commitment to talent

Commitment to Society

Commitment to the Environment

STAKEHOLDERS

FOR INDRA, RELATIONS WITH ITS STAKEHOLDERS ARE A KEY PILLAR OF ITS CSR ACTIONS



Clients

Defense and Security
Transport and Traffic
Energy and Industry
Public Administrations and
Healthcare
Financial Services
Telecom and Media



Shareholders and investors

Minority shareholders
Institutional investors



Professionals

Consulting
Solutions / Services
Corporate Support
Factory
BPO



Suppliers

Suppliers
Subcontractors



Partners

Strategic
Global
Local



Entrepreneurship and startup ecosystem

Entrepreneurs
Startups
Financial agents
Investment funds
Accelerators and incubators



Universities and research centers

Universities
Business schools
Research centers



Regulators and authorities

Public Administrations
and supranational organizations



Media

Printed media
Audiovisual media
Digital media
Social networks



Foundations and Society

Local communities
Associations
Foundations
NGOs

RELATIONS WITH STAKEHOLDERS



One of the strategic objectives of the corporate social responsibility policy is collaboration and dialog with stakeholders to contribute to the creation of shared value.

Stakeholder relations allow Indra to identify the most relevant topics and new trends in the area of sustainability.

The Corporate Social Responsibility Master Plan identifies and prioritizes initiatives designed to improve relations with each of the stakeholders, and the plan is periodically reviewed to ensure that it is aligned with the company's strategic plan and corporate policies. Stakeholder expectations are taken into account when prioritizing the initiatives in the Corporate Social Responsibility Master Plan.

In line with the requirements of the ISO 9001:2015 standard, Indra works to identify and understand stakeholder expectations as key points for the assessment and determination of risks and opportunities for the company.



Principles governing communication with stakeholders

Transparency



Responsibility

Fluidity





RELATIONS WITH STAKEHOLDERS

Channels of communication and dialog with stakeholders




Indra provides its stakeholders with various channels of communication, participation and dialog, reviewing and updating them on a regular basis.

STAKEHOLDERS	COMMITMENT	MAIN CHANNELS OF COMMUNICATION	INDICATORS AVAILABLE IN THIS REPORT
 <p>Clients</p>	<ul style="list-style-type: none"> Leadership and innovation Efficient management Quality Information security and privacy Ethics and transparency 	<ul style="list-style-type: none"> Indra and Minsait websites Stands at trade fairs Direct relations through account managers Complaint and claim management Satisfaction surveys 	<ul style="list-style-type: none"> Client satisfaction Cybersecurity indicators
 <p>Shareholders and investors</p>	<ul style="list-style-type: none"> Creation of value Good governance and risk control Fluid and transparent dialog Equal treatment and non-discrimination Communication Policy for shareholders, institutional investors and Proxy Advisors 	<ul style="list-style-type: none"> General Shareholders' Meeting Shareholder's Office Shareholder/investor email Website: Shareholders Shareholder's magazine Roadshows and one-to-one meetings Earnings reports and videoconferences (quarterly) Investor Day 	<ul style="list-style-type: none"> Number of institutional investors handled Development of target share price


RELATIONS WITH STAKEHOLDERS

STAKEHOLDERS	COMMITMENT	MAIN CHANNELS OF COMMUNICATION	INDICATORS AVAILABLE IN THIS REPORT
 <p>Professionals</p>	<ul style="list-style-type: none"> Professional development Life/work balance Guaranteed occupational health and safety Freedom of association Ethical and responsible behavior Avoidance of gender-based discrimination Transparency 	<ul style="list-style-type: none"> Chats on campus Social networks Employment microsite Internal communication, Indraweb corporate portal Dialog with workers' representatives Welcome program Assessment interview Direct Channel 	<ul style="list-style-type: none"> Distribution of the workforce Number of professionals who have attended training courses Number of training hours per employee Percentage of professionals with collective bargaining agreement Occupational health and safety indicators Life/work balance indicators Remuneration indicators Number of Direct Channel communications
 <p>Suppliers</p>	<ul style="list-style-type: none"> Compliance with Code of Ethics Compliance with contractual commitments 	<ul style="list-style-type: none"> Contractual negotiations and relations Surveys Provider portal 	<ul style="list-style-type: none"> Number and distribution of suppliers Distribution of purchases Percentage of purchases from local suppliers New suppliers examined using social and environmental criteria
 <p>Partners</p>	<ul style="list-style-type: none"> Collaboration to generate mutual benefit and support international growth 	<ul style="list-style-type: none"> Definition of governance models for the main alliances 	<ul style="list-style-type: none"> Main partnership agreements signed Number of new agreements signed
 <p>Entrepreneurship and startup ecosystem</p>	<ul style="list-style-type: none"> Creation of value Innovation Collaboration to generate mutual benefit Idea sharing 	<ul style="list-style-type: none"> Initiatives driven by Indraventures: for intrapreneurs via Innovators initiative and for startups via Indra4 initiatives 	<ul style="list-style-type: none"> Number of ideas analyzed Number of intrapreneurs mobilized Number of agreements with startups

RELATIONS WITH STAKEHOLDERS

STAKEHOLDERS	COMMITMENT	MAIN CHANNELS OF COMMUNICATION	INDICATORS AVAILABLE IN THIS REPORT
 <p>Universities and research centers</p>	<p>Collaboration to generate mutual benefit</p> <p>Knowledge sharing</p> <p>Talent attraction</p>	<p>Collaboration agreements</p>	<p>R&D</p>
 <p>Regulators and authorities</p>	<p>Regulatory compliance</p> <p>Innovative solutions</p>	<p>Dialog through professional associations</p> <p>Institutional gatherings</p> <p>Specific meetings</p>	<p>Key sector-specific associations to which the company belongs</p>
 <p>Media</p>	<p>Information transparency</p>	<p>Indra and Minsait websites</p> <p>Press rooms</p> <p>Press releases</p> <p>Regular contact</p> <p>Telephone or face-to-face service</p> <p>Contacts with senior managers</p> <p>Attendance at media events</p> <p>Social networks</p> <p>Infographics</p> <p>Videos</p> <p>Corporate reports</p>	<p>Followers and content published in social networks</p>

RELATIONS WITH STAKEHOLDERS

STAKEHOLDERS	COMMITMENT	MAIN CHANNELS OF COMMUNICATION	INDICATORS AVAILABLE IN THIS REPORT
 <p>Foundations and Society</p>	<p>Commitment to social initiatives Respect for the environment</p>	<p>Collaboration agreements with foundations Internal communication, Indraweb corporate portal Accessible Technologies website</p>	<p>Investment in social action Number of volunteers Energy consumption Carbon footprint</p>

RELATIONS WITH STAKEHOLDERS

INDRA PUBLISHES EDUCATIONAL CONTENT TO RAISE AWARENESS ABOUT THE IMPACT OF EMERGING TECHNOLOGIES

Transparency in communication

Indra pursues an active communication strategy to provide its different stakeholders with accurate information about the company through a variety of vehicles. Its primary aim in this respect is to promote knowledge about all of its informative content (e.g. institutional, corporate, financial, products and services), following the principles of openness, transparency, accuracy and accessibility.

It achieves this aim by promoting a structured and planned work model, both for proactive and reactive activities and in terms of relations with the media, social networks and internal communication.

Furthermore, its relations with the media are based on facilitating the appropriate information to the largest number of media organizations.

The company implements this strategy through traditional channels (announcements, press releases, special reports, etc.) and alternative tools, such as multimedia content.

The informative content disseminated through the media is verified and accurately reflects the economic and social contribution which Indra makes through its projects and business solutions.

Indra aims to disseminate messages that go beyond simply reporting on novel aspects of its business, striving to convey messages about how the company's developments, products and services improve the operations of its clients (private enterprises and institutions), and even improve society in general.

It is firmly committed to publishing educational content in digital media, as demonstrated by its dissemination of numerous reports, videos and infographics highlighting the impact on society of emerging technologies like big data, , the IoT, artificial intelligence and machine learning.

Through its teams of professionals, Indra maintains fluid communications with media organizations in different countries.

The company has an online mailbox as well as multiple corporate profiles in the main social networks (LinkedIn, Twitter, Facebook, Youtube and Instagram).

Indra pursues an increasingly active communication policy through digital channels and social networks. In 2017 its activity in social networks was mainly focused on disseminating value-added content to tangibilize the positive impact of Indra products and solutions on the economic fabric and society in general. Social networks and the corporate website are the main vehicles for strengthening ties with the company's different stakeholders.

In the professional field, LinkedIn is the key network in which Indra and Minsait, its digital transformation business unit, have the most followers. In 2017 Indra climbed to the third position in the ranking of IBEX 35 companies with the most followers worldwide on this network.

The efforts and resources dedicated to improving the digital dialog between the company and its stakeholders have translated into a very significant year-on-year increase, as the main reach and follower parameters shown below clearly demonstrate.*

More than
397,000
followers spread between
the different social networks

More than
2,100
contents published on networks

More than
67,000
new followers on networks

*Data compared with 2016.

RELATIONS WITH STAKEHOLDERS

INDRA PROMOTES DIRECT COMMUNICATION BETWEEN PROFESSIONALS AND MANAGERS AT EVERY LEVEL

TO ENCOURAGE THE COMMUNICATION CULTURE, INDRA HAS INTERNAL CHANNELS OF COMMUNICATION AND IMPLEMENTS A VARIETY OF HORIZONTAL COMMUNICATION PRACTICES

The objectives of the internal communication policy are:

- To facilitate communication between company professionals at every level
- To provide professionals with access to the strategic and operational information they need to perform their duties
- To increase the degree of knowledge about every aspect of Indra (social, institutional, leadership in technology and consulting, multinational presence, etc.) as a means of promoting the pride of belonging among professionals

Indra is fully aware that its success depends on all professionals—the company's main asset—understanding how they contribute with their talent and work to the company's business strategy. It therefore promotes direct communication between professionals and managers at every level, aimed at encouraging them to share visions and resolve queries about business activities.

To encourage this culture of communication, it has several internal channels of communication and implements a variety of horizontal communication practices, such as regular meetings within business units, virtual forums on different topics, collaborative work groups, and breakfasts for professionals and senior managers.

One of the main internal channels of communication is the corporate intranet, known as the Indraweb, which contains a collaborative space open to the participation of all professionals, called the Professional Network.

Indra is currently in the progress of increasing and improving the channels of communication between professionals and the company and senior managers, in both directions.

MATERIALITY ANALYSIS

During the last decade the company has continued to reinforce its materiality analysis as a vehicle for detecting and updating relevant topics of its corporate social responsibility. The periodic identification and review of these relevant topics enables the company to assess the effectiveness of its strategy and adopt the correct focus for its corporate social responsibility actions.

To obtain a global view of all the relevant topics related to its activities and geographic areas, Indra contemplates two dimensions in its materiality analysis:

- An external dimension, which includes identifying relevant topics for stakeholders as well as other topics related to market trends and business that are liable to influence the generation of value for the company in the short, medium and long term.
- An internal dimension, which prioritizes the most relevant topics for the company and its stakeholders based on the opinion and knowledge of the different areas that make up Indra.

This two-dimensional approach is crucial for the completeness and consistency of the materiality analysis as a reflection of the company's situation, and for identifying the relevant topics for Indra and its stakeholders. The two dimensions analyzed taken into account the economic, environmental and social impact that these topics may have on the company and the stakeholders with which it interacts.

Since the importance of the relevant topics varies from one to another, these topics are assessed and prioritized to determine which ones are key in terms of their potential economic, environmental and social impact.

In 2017 Indra referenced its materiality analysis to the GRI Standards, highlighting two aspects in particular: reinforcement of the external assessment conducted in 2016 and, as a novelty at the internal level, the prioritization of relevant topics in consultation with the main areas and their links to the company strategy. The 2017 Corporate Social Responsibility Report therefore provides specific information for the year on the most relevant topics identified, and especially those determined as priorities.



MATERIALITY ANALYSIS

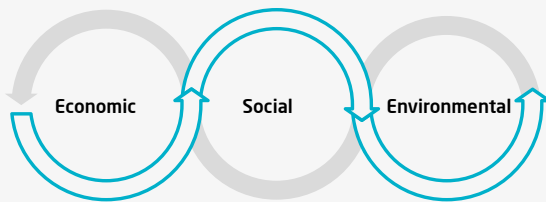
Phases of the materiality analysis process

1 Identification of relevant topics (external dimension)



1.1. Search for potential economic, social and environmental topics relevant for Indra and its stakeholders

Topics



1.2. Assessment and prioritization of the topics according to their impact both on Indra and its stakeholders

Outcome:



2 Internal assessment of relevant topics (internal dimension)



2.1. Assessment of the importance of the 19 topics identified by the Indra areas

2.2. Assessment of the links between the 19 topics and Indra's strategic plan

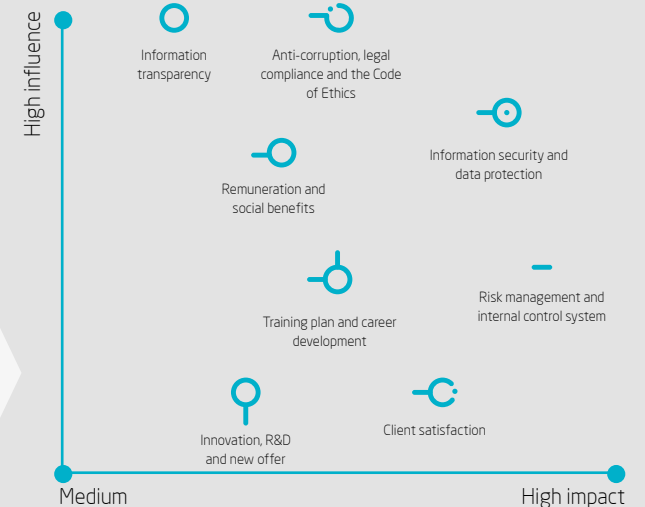
Outcome:



3 Creation of materiality matrix



- ✓ Influence of the topic on stakeholder decisions (external dimension)
- ✓ Impact on the company's capacity to carry out its activities (internal dimension)



MATERIALITY ANALYSIS

1 Identification of relevant topics (external dimension)

In view of the complexity and constant transformation of the sectors in which Indra operates, the review conducted in the materiality analysis should include possible emerging topics stemming from the demands of its stakeholders and changes in the economic, social and environmental context.

Accordingly, the list of relevant topics associated with corporate social responsibility analyzed in the previous financial year was updated in the 2017 materiality analysis. Specifically, the 2017 exercise analyzed the following external information related to the company:

- The media. The news published about Indra during 2017 was analyzed to identify the topics with the greatest repercussion on corporate social responsibility.
 - Monthly report by the media monitor with the main impacts related to Indra on printed and digital media
- Website of the Spanish National Securities Market Commission (the "CNMV")
- Opinions of CSR analysts. Using the CSR indices in which Indra participates, the topics about which information is requested was analyzed

- Dow Jones Sustainability Index (DJSI) questionnaire
- Carbon Disclosure Project (CDP)
- FTSE4Good
- Carbon Clear
- Morgan Stanley Capital Index (MSCI)
- Corporate Reputation Business Monitor (Merco)
- CSR standards and initiatives. Indra is one of the world's top technology and consulting companies and a technology partner for the key operations of its clients' businesses worldwide. This leadership is also reflected in its commitment to the different CSR practices and initiatives, where the company has achieved the highest standards. These have also been analyzed with a view to identifying relevant CSR topics.
 - Global Reporting Initiative (GRI STANDARDS)
 - Sustainability Accounting Standard Board (SASB)
 - Global Compact
 - Sustainable Development Goals (SDG)
- Client satisfaction: Client orientation is vital, and the results of the client satisfaction survey have therefore been

reviewed to identify customer demands and opinions

Using these sources, Indra obtained a list of 19 relevant topics.

2 Internal assessment of relevant topics (internal dimension)

Using the list of 19 relevant topics obtained in the previous phase, the main corporate and business units were assessed internally through a personalized questionnaire to evaluate the topics identified and, where applicable, highlight other emerging topics.

All the relevant topics identified were evaluated against criteria of importance and economic, social and environmental impact.

Units that participated in the materiality analysis:

- Strategy and Innovation
- Communication
- Alliances
- Environment
- Investor Relations
- Compliance
- Social Action
- Corporate Governance
- Risk and Internal Audit
- Human Resources
- Quality
- Purchasing
- Occupational Health and Safety
- Information Security
- Internal Systems
- Finance
- Air Traffic Management
- Production
- Technology and Product Management

MATERIALITY ANALYSIS

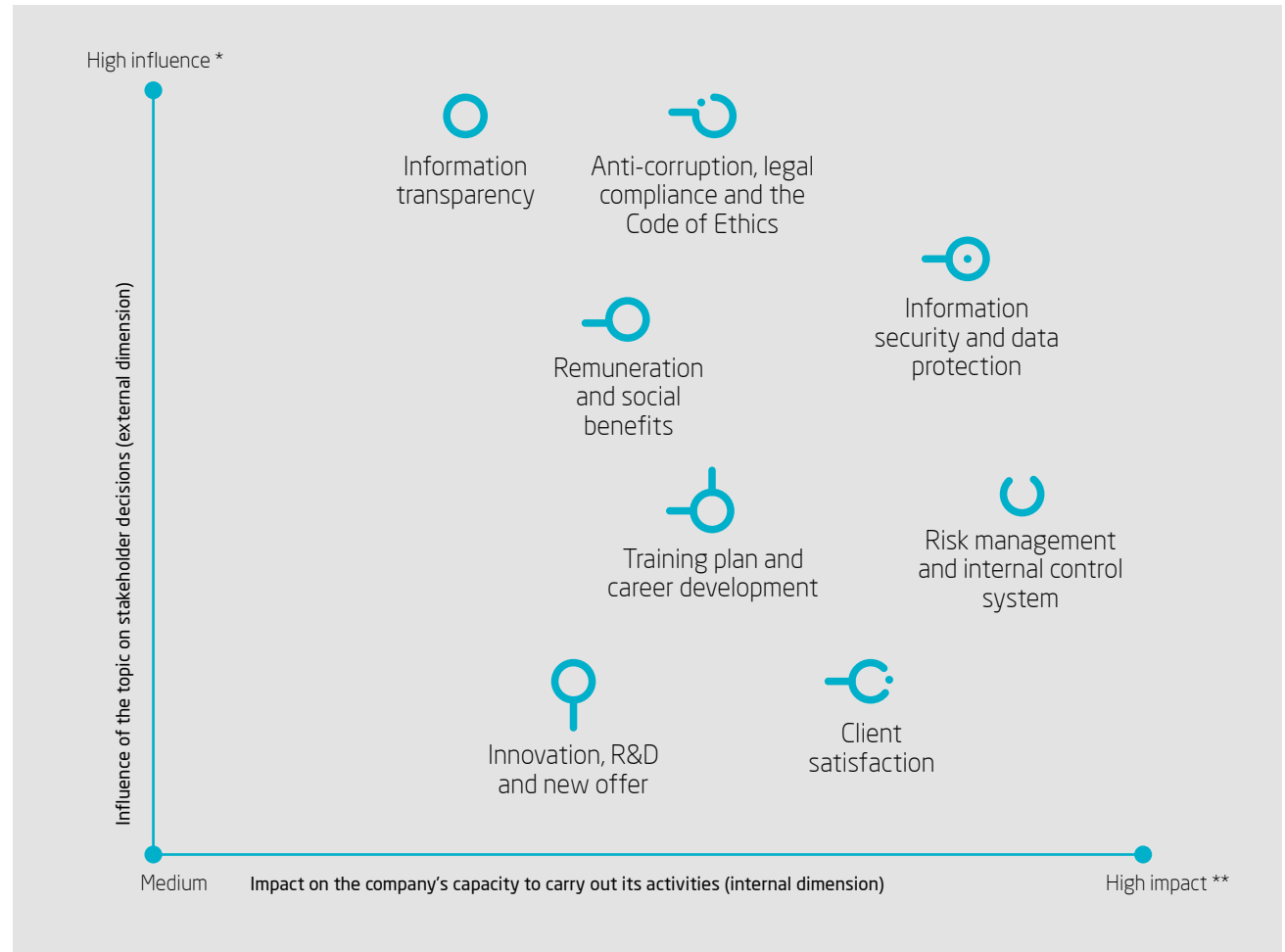
2.2 Link with the company's strategy

Indra's strategic plan defines the strategic lines selected to improve the company's competitiveness, sustainable growth and profitability. It is therefore vital to link the company strategy to the materiality analysis. In 2017 the exercise produced a list of relevant topics scored according to their link with the 2015-2018 Strategic Plan, in force at the time of the analysis.

3 Creation of materiality matrix

Using the analysis of relevant topics assessed by the Indra areas and their link with the 2015-2018 Strategic Plan, the company has identified eight relevant topics as priorities based on their high impact on the company's activities and high influence on stakeholders' decisions.

The materiality matrix therefore reflects the priority of each relevant topic, based on the perceptions and requirements of stakeholders and their impact on the company's strategy. The matrix is also useful for establishing the risk threshold and the key opportunities and strategic lines in CSR for the company.



* Source:
 - Analysis of media
 - CNMV Ministry of Development / CSR analysts (DJSI, CDP, FTSE4Good, MSCI, Merco)
 - CSR standards and initiatives RSC (GRI, SASB, Global Compact, SDG)
 Client satisfaction survey

** Source:
 - Internal assessment by the company's corporate and business units
 - Link with the company's strategy in force at the time of the analysis

MATERIALITY ANALYSIS

Priority relevant topics in 2017: Management focus

CLIENT SATISFACTION

The clients are the pivot around which Indra's activity revolves. The company has therefore developed a high value-added offer, based on excellence, innovation and personalization, to achieve a high level of client satisfaction and loyalty and build long-term sustainable relationships.

For more information, see [chapter 7 Customers](#).

ANTI-CORRUPTION, LEGAL COMPLIANCE AND THE CODE OF ETHICS

The geographies in which the company operates may be exposed to ethical risks. Indra rejects any form of corruption or unlawful practice, integrating ethical standards into its activities and implementing the necessary mechanisms to prevent and address any type of illegal or unethical activity.

For more information, see [chapter 5 Ethics and Compliance](#).

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Risk management is one of the keys to identifying threats and opportunities. Indra is committed to providing a reasonable level of security to its stakeholders by monitoring possible risks inherent to the company, and

aligning them with accepted risk and risk tolerance levels.

The Risk Management System is driven by the Board of Directors and Senior Management. It provides mechanisms for governance, control and risk management, and applies to each member of the organization.

For more information, see [chapter 4 Corporate Governance and Risks](#).

INNOVATION, R&D AND NEW OFFER

One of the main reasons for Indra's place among the leading technology and consulting companies is its firm commitment to innovation, which is a key element for being able to offer a broad range of products with great added value, including products related to sustainability.

Through its innovation model, the company is at the cutting edge of technological innovation, launching new innovative and disruptive ideas for products and services in areas such as sustainable mobility, energy efficiency and climate change.

For more information, see [chapter 10 Innovation](#).

TRAINING PLAN AND CAREER DEVELOPMENT

Indra's professionals are its main asset, and key to achieving the organization's success.

The company manages talent proactively, by committing to the development of its professionals and their specialization through individualized career plans and training courses, performance management, training and mobility.

For more information, see [chapter 8 Professionals](#).

INFORMATION SECURITY AND DATA PROTECTION

Maintaining security and protecting information are essential to activity in the sectors where Indra operates.

As well as its specific information security and data protection products and services, these aspects are integrated into the whole range of products and services offered by the company.

At internal level as well, Indra is updating and strengthening its corporate security system, establishing high levels of protection and privacy.

For more information, see [chapter 7 Clients](#).

REMUNERATION AND SOCIAL BENEFITS

A positive socioeconomic and legal environment among employees is essential to capture and retain talent, and to contribute to the wellbeing and satisfaction of professionals.

Indra has developed a variable remuneration system to support the achievement of the strategy, and created a more motivational model linked to the strategic business objectives.

Social benefits have also been included in addition to salaries in the remuneration package.

For more information, see [chapter 8 Professionals](#).









INFORMATION TRANSPARENCY

Active reporting of financial and non-financial information in the most appropriate and complete way is key for ensuring the transparency and integrity of information for all stakeholders, in particular shareholders and investors.

That is why transparency is a foundation for CSR action in Indra and constitutes one of the values that underpin stakeholder communication.

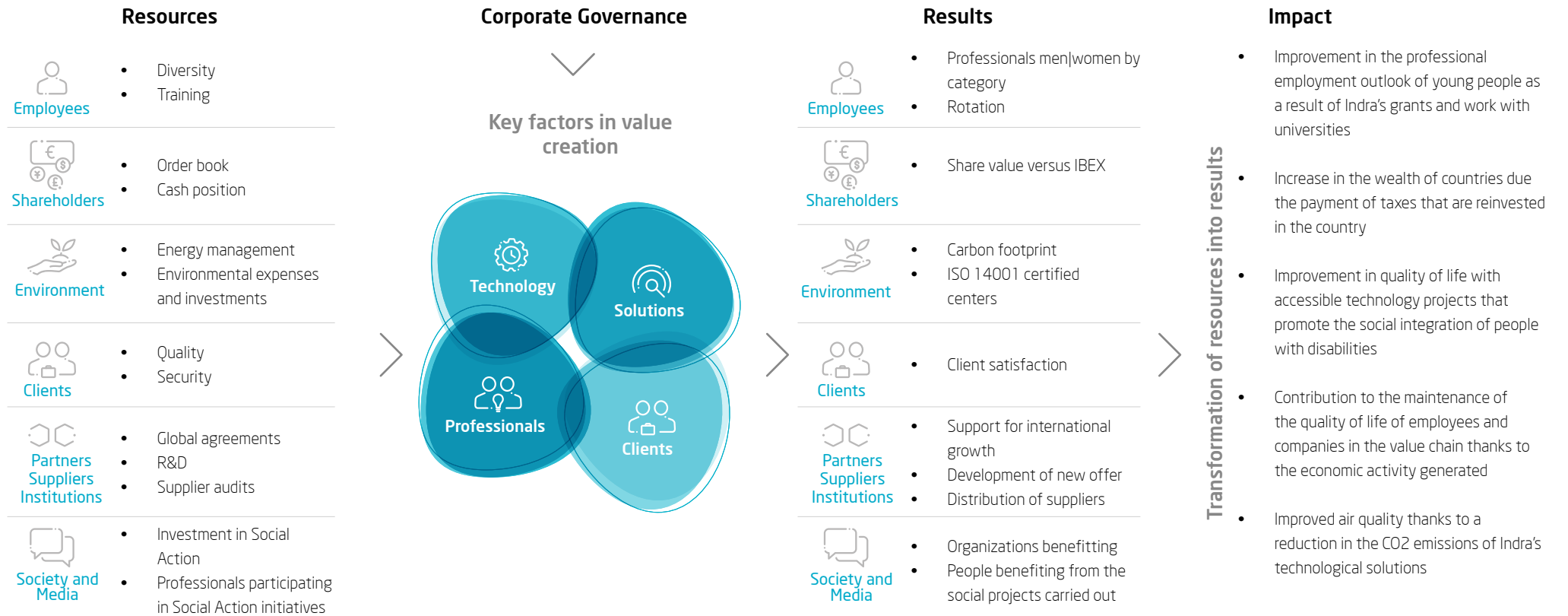
For more information, see [chapter 3 Stakeholders](#).

MATERIALITY ANALYSIS

PRIORITY ISSUES	OBJECTIVES	PERFORMANCE (KPIs)
 Client satisfaction [External]	Developments in the scope of the Global Quality Certification	Revenues Client satisfaction and loyalty
 Anti-corruption, legal compliance and the Code of Ethics [Internal and external]	Complete the training campaign for the Criminal Risk Prevention Model	Number of communications via the Direct Channel Employees trained in the Code of Ethics
 Risk management and internal control system [Internal and external]	Continuous risk monitoring Align new risks with Indra's accepted risks and risk tolerances	Identified and defined risks Indra's risk indicators
 Innovation, R&D and new offer [External]	Promote and support innovation to maximize the impact on businesses	R&D on sales
 Training plan and career development [Internal]	Unwanted external turnover Average hours of training per employee Assessment of training: student satisfaction Reinforcement of the employee assessment system	Recruitment plans for Juniors Distinct career plans for each business New training model at Indra Open University Focus assessment process
 Information security and data protection [Internal]	Developments in the scope of the Corporate Information Security System	Number of cybersecurity incidents
 Remuneration and social benefits [Internal]	Increase percentage of workforce with variable remuneration system Adapt employee social benefits to their needs	Percentage of employees with variable remuneration system Cost of employee social benefits
 Information transparency [Internal and external]	Increase the reporting scope of Indra's CSR Report Enhance stakeholder dialog	Compliance with CNMV recommendations on transparency Compliance with the EU Non-Financial Reporting Directive Compliance with the GRI standards

This Report contains information on the company's performance in relevant priority subjects, as well as other matters that are not of the greatest importance, but are significant for some stakeholders, such as diversity and the work/life balance, corporate governance, tax management, supplier management and the carbon footprint.

VALUE CREATION MODEL



ECONOMIC VALUE GENERATED, RETAINED AND DISTRIBUTED (IN THOUSANDS OF EUROS)

The economic value generated by Indra in 2017 amounted to 3,031 million euros in 2017. This information on economic value generated and distributed gives a basic indication as to how Indra creates wealth and distributes it among its stakeholders.



COMMITMENT TO SUSTAINABLE DEVELOPMENT GOALS

THE SUSTAINABLE DEVELOPMENT GOALS (SDGS) INSPIRE AND HELP EXPLAIN HOW INDRA CONTRIBUTES TO THE TRANSFORMATION OF SOCIETY THROUGH ITS OFFER AND ACTIVITY

Indra contributes to the **Sustainable Development Goals** mainly through the company's products and services and also through the corporate policies on diversity and inclusion, promoting gender equality, respect for human rights and innovation in areas related to the SDGs.

Technology and digital transformation are two aspects closely linked to its business, and key for achieving the UN goals. Indra's products and solutions have the capacity to help achieve the various Sustainable Development Goals, and through the company's activity to respond to the challenges that the SDGs represent for society as a whole.

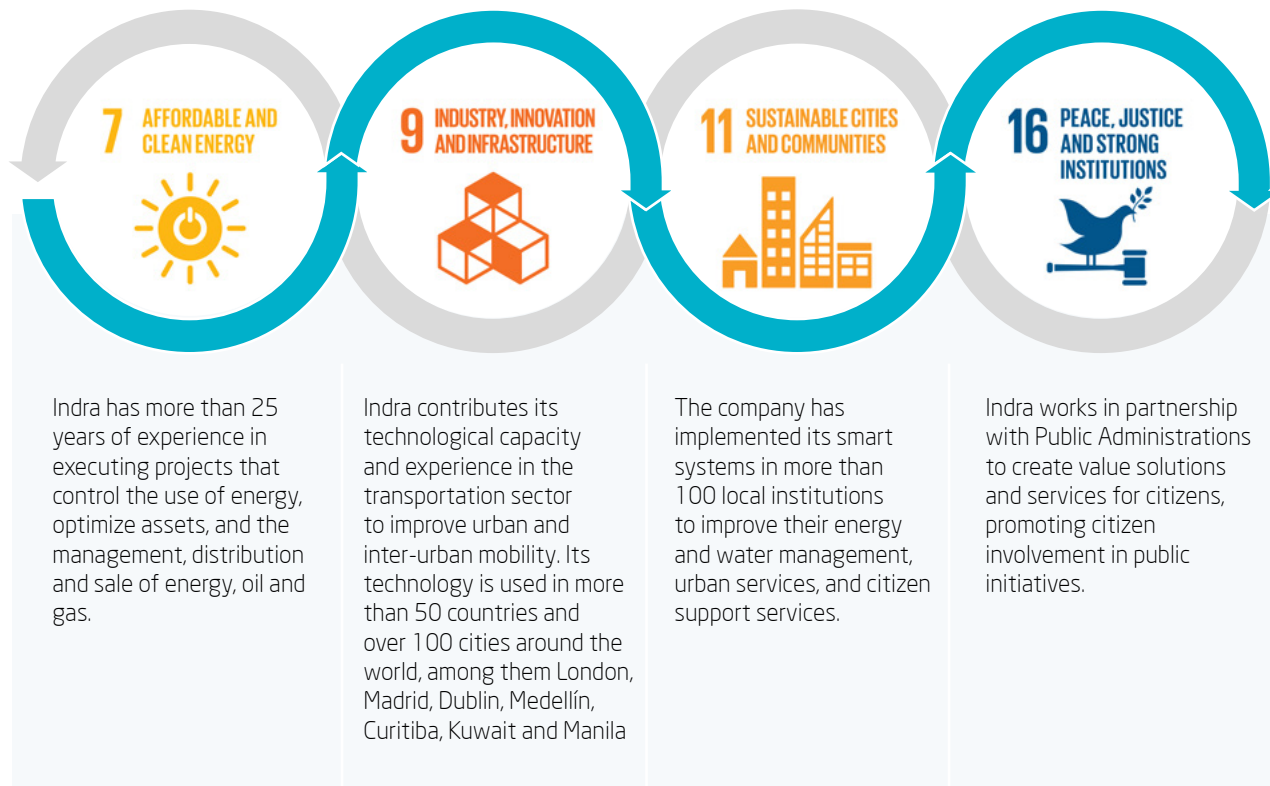
The information about how Indra contributes to the Sustainable Development Goals through its products, services and innovation can be found in the following chapters in this Report:

- **chapter 10 Innovation:** relation between Indra's R&D projects and the SDGs
- **chapter 11 Commitment to Society:** Impact of Indra's offer on the social and environmental SDGs



COMMITMENT TO SUSTAINABLE DEVELOPMENT GOALS

Main Sustainable Development Goals for Indra



Indra's activity also generates positive impacts on the following Sustainable Development Goals

- 3 GOOD HEALTH AND WELL-BEING**

Currently 33 million people use health information systems developed by Indra.
- 4 QUALITY EDUCATION**

Indra's academic management solutions are implemented in over 5,200 educational centers and affect nearly 7 million students.
- 5 GENDER EQUALITY**

The company is active with a number of initiatives to prevent gender discrimination.
- 6 CLEAN WATER AND SANITATION**

Indra has solutions that provide an efficient management of water resources.
- 8 DECENT WORK AND ECONOMIC GROWTH**

The company is committed to providing young people access to the world of work through programs such as Smart Start.
- 13 CLIMATE ACTION**

Indra carries out actions related to climate change to reduce the level of greenhouse-gas emissions.
- 15 LIFE ON LAND**

Indra's georeferenced information systems (GIS) can identify the environmental impacts generated on the environment with great speed.
- 17 PARTNERSHIPS FOR THE GOALS**

Many of the company's alliances contribute to achieving the Sustainable Development Goals.

RESPECT FOR AND PROTECTION OF HUMAN RIGHTS

The principle of respect for and protection of human rights is part of the company's culture and is applied every day by its professionals in all their activities, regardless of the country or region where they operate.

Commitment to protect Human Rights

Using as a starting point the international frameworks of reference in the field..



... the company undertakes to enhance accountability and commitment to Human Rights in all its actions, to avoid infringing on the rights of third parties and to tackle the potential adverse impacts that could result from its activity through...



The corporate policy of respect for **Human Rights** has the following mandatory principles for all professionals:

- **Respect the human and labor rights recognized in national and international law**, and comply with international standards in countries where legislation is still not well developed
- **Reject child labor and forced or mandatory labor and respect freedom of association and collective bargaining**, as well as **non-discrimination** in places where the company operates.
- **Foster a culture of respect for Human Rights and promote these principles among the company's professionals and collaborators**

In 2017, a due diligence procedure was begun in line with the guidelines marked by the UN Guiding Principles

RESPECT FOR AND PROTECTION OF HUMAN RIGHTS

Due Diligence in Human Rights

To strengthen the company's commitment to the three principles of the Corporate Policy of respect for human rights, in 2017 a due diligence process was begun with the cooperation of external specialists in this area. The aim is to reevaluate Indra's Human Rights strategy within the framework of the company's Corporate Social Responsibility Master Plan and in line with the requirements of the UN Guiding Principles.

As a first step in the implementation of the Human Rights Due Diligence process, a map of relevant issues in this area has been prepared for the businesses and the different corporate units, and for the value chain. It aims to identify and evaluate the situations and activities with greatest direct or indirect risk of impacting negatively on these rights.

Once the results are available, Indra has set itself as its next goal for 2018 the preparation of procedures and roadmaps to prevent, mitigate and remediate identified risks. In addition, the company's global risks map will be updated using as an input the list of themes identified as most relevant for human rights.

Indra also has other tools that have been approved as mandatory by the Board of Directors for all professionals and third parties, such as the Code of Ethics and Legal Compliance, available publicly for all the

company's stakeholders and updated in October 2017. The Code regulates the behavior of all professionals, suppliers and third parties, enhancing compliance with current regulations on ethical, labor, environmental, security and health matters. The Code should be accepted expressly by all the suppliers and is attached to the corresponding contracts.

Training on aspects related to respect for human rights is carried out at a variety of levels:

- Training on the **Code of Ethics and Legal Compliance**, which is given in-company through online and classroom-based courses, and covers subjects such as ethics in business, corruption and bribery. For more information, see **chapter 5** of this Report
- Training on occupational health and safety given within the framework of the company's Management System for Occupational Safety, Health and Wellbeing. For more information, see **chapter 8** of this Report

Major progress in improving Human Rights

2017	>	2018
<h3>Milestones</h3> <ul style="list-style-type: none"> • Start of the Human Rights Due Diligence process • Preparation of a list of Human Rights issues of relevance for Indra 		<h3>Objectives</h3> <ul style="list-style-type: none"> • Drawing up of procedures and roadmaps to prevent, mitigate and remedy the Human Rights risks identified • Inclusion of the Human Rights risks identified in Indra's global risks map

RESPONSIBLE TAX MANAGEMENT

Indra is aware of the importance of carrying out its activities responsibly and transparently with all its stakeholders. For this reason, the company has a tax strategy and administration model that ensures tax matters are dealt with in a framework of ethics, transparency and integrity.

As indicated in the Code of Ethics and Legal Compliance with respect to Good Tax Practices, Indra's business activity involves adopting decisions that have an impact and effect for taxation. To do so, the company undertakes to comply with its tax obligations in all territories and jurisdictions in which it operates, always opting for a prudent tax policy.

Tax strategy

The company has a tax strategy reflected in a number of commitments that guarantee the company's responsible management in this respect. The commitments assumed are as follows:

- Act with honesty, transparency and respect for the law in the management of tax issues

- Comply with current tax regulations in the communities where it operates, thus contributing to economic and social progress, not concealing relevant information, unlawfully evading tax payments or obtaining undue tax benefits
- Not to constitute or acquire companies resident in tax havens, with the sole exception of case where it is obliged to do so as it is a transaction linked to business activities
- Relinquish the use of opaque or artificial structures alien to the company's own activities with the sole aim of reducing its tax burden. In particular, Indra has pledged not to carry out transactions between related entities exclusively for reasons of lessening the taxable base or transferring benefits to low-tax territories
- Apply good national and international tax practices

Tax administration model

The Economic and Financial Unit is responsible for ensuring the implementation and correct development of the company's tax strategy. The risks in tax matters are analyzed, reviewed and managed as part of the Risk Management Administration model. In addition, Indra's Proposals Committee assesses the tax risks of the proposals presented by the company at global level. For more information, see [the Risk Management section of chapter 4 Corporate Governance and Risks](#) in this Report.

Tax contribution by country

The annex "[Tax contribution by country](#)" of this Report provides a breakdown of information on taxes paid and collected by Indra in the main geographical areas in which it operates, as well as details of activities in these countries.

The business projects in countries regarded as tax havens according to the OECD and EU lists should be analyzed by the Audit and Compliance Committee, which should receive approval from the Board of Directors.

Activity in jurisdictions considered to be tax havens is carried out exclusively for commercial and business reasons. There is no exit or entry strategy in these jurisdictions motivated by tax aspects. These territories are only used if there are productive projects in place.

CORPORATE GOVERNANCE AND RISKS

54 %
of independent
directors



GOVERNANCE MODEL

The existence of an effective, transparent and structured system of Corporate Governance geared to the management of the company's operations is essential to guarantee Indra's success through sustainable and orderly growth.

The Governance Model is carefully organized into principles, internal regulations, codes and corporate policies, which constitute guidelines that ensure all aspects related to the business are carried out properly, in accordance with national and international Corporate Governance regulations, standards and best practices.

Indra's system of Corporate Governance is also a tool supporting adequate risk control and management.



Principles of Indra's Corporate Governance Model

Efficiency

Guarantee the right board composition, apply the necessary measures to allow the members to act with unity of purpose and independent criteria, in the interests of the company, its shareholders and Indra's sustainability.

Equity

Promote dialog with shareholders, investors and other stakeholders on the basis of equity.

Respect for rights

Implement measures to promote informed participation by shareholders and the proper exercise of their rights.

Responsible compliance by managers

Active supervision, specific and non-delegable responsibilities. Assessment of compliance and the exercise of duties. Design of Indra's strategy and supervision of activities carried out by executives. Link with shareholders.

Transparency

Facilitate information needed by the market to monitor the developments in the company.. Commitment to dialog with all stakeholders.

The company's internal regulations, codes and corporate policies

Internal regulation for conduct in matters related to stock markets

Bylaws of Indra Sistemas S.A.

Code of Ethics and Legal Compliance

Board of Directors Regulations

Policy on communication with shareholders, institutional investors and proxy advisors

Compensation Policy for Directors

Regulation of the General Meeting of Shareholders

Policy on Corporate Social Responsibility

Board of Directors Selection Policy

GOVERNANCE MODEL

Indra's management model is made up of a set of rules and practices designed to both fulfill applicable regulations and incorporate national and international recommendations on Corporate Governance. The company complies with all the recommendations on Good Governance of Listed Companies that are applicable to it, except for one: The exception is explained in the Annual Corporate Governance Report. The company has not thought it appropriate to separate its existing Appointments, Remuneration and Corporate Governance Committee for the following reasons:

- The members of the Appointments, Remuneration and Corporate Governance Committee have the knowledge and experience needed to deal with the subjects appropriate to the two possible committees
- The volume of issues to be dealt with can be assumed by a single Committee
- The number of committee meetings and subsequent remuneration of its members would be unnecessarily increased

See Section G of the Annual Corporate Governance Report.

Governing Bodies

Indra's governing bodies are the Board of Directors and its Committees, together with the Management Committee. The duties of the Board and its Committees are included in the Board Regulations, which implement the provisions of the Bylaws on this matter.

Board of Directors

The Board is primarily concerned with supervision and ensuring that the executive bodies and Management Committee (to which it delegates the day-to-day management of the company) act in accordance with the strategies approved and the objectives defined.

Specifically, Article 26 of the Bylaws grants the Board the broadest powers to administer, manage and represent the company as it goes about its business, respecting at all times the principles of good faith and parity in dealings with shareholders.

Articles 21, 22 and 26 of the Bylaws and chapters II, III and X of the Board Regulations govern the functions of the Board, its criteria for action, qualitative and quantitative composition, the classes of directors and their duties.

The size of the Board (13 members) is in keeping with the company's needs, and its composition reflects the diversity of knowledge, gender and experience needed to be able to fulfill its duties efficiently, objectively and independently.

The proportion of independent directors and directors representing major shareholders is appropriate and complies with the provisions of the Board Regulations (Articles 8 and 9) and with the Recommendations on Corporate Governance and international standards on this matter.

The Board reviews the composition of the governing bodies periodically to maintain the most appropriate structure for Indra's interests.

Board of Directors



In accordance with article 529 duodecimes 4 of the Capital Companies Act, independent directors will be considered to be those who are appointed in accordance with their personal and professional conditions, and may perform their duties without being conditioned by their relations with the company or its group, significant shareholders or their executives.

GOVERNANCE MODEL

NAME	CATEGORY	BOARD OF DIRECTORS	AUDIT AND COMPLIANCE COMMITTEE	APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	EXECUTIVE COMMITTEE
Fernando Abril-Martorell Hernández	Executive	Chairman	--	--	Chairman
Daniel Garcia-Pita Pemán	Independent	Vice Chairman	--	Member	Member
Alberto Terol Esteban	Independent	Coordinating Director	--	Chairman	Member
Adolfo Menéndez Menéndez	Rep. major shareholders	Member	--	Member	Member
Cristina Ruiz Ortega (**)	Executive	Member	--	--	--
Enrique de Leyva Pérez	Independent	Member	Member	--	Member
Ignacio Santillana del Barrio	Independent	Member	Chairman	--	Member
Juan Carlos Aparicio Pérez	Rep. major shareholders	Member	Member	--	--
Juan March de la Lastra (***)	Rep. major shareholders	Member	--	--	Member
Luis Lada Díaz	Independent	Member	Member	--	--
María Rotondo Urcola (*)	Independent	Member	Member	--	--
Santos Martínez-Conde Gutiérrez-Barquín	Rep. major shareholders	Member	Member	Member	--
Silvia Iranzo Gutiérrez (*)	Independent	Member	--	Member	--

(*) Maria Rotondo and Silva Iranzo joined the Board of Directors on June 29, 2017, on the departure on the same date of Isabel Aguilera and Rosa Sugrañes.

(**) Cristina Ruiz joined the Board of Directors on December 21, 2017, on the departure of Javier de Andrés on the same date.

(***) On January 26, 2018 the Board of Directors of the company agreed to appoint Ignacio Mataix as executive director of the company. Ignacio Mataix occupied the vacancy generated following the retirement on the same date of Juan March de la Lastra, the director representing the major shareholder Corporación Financiera Alba. Corporación Financiera Alba is now represented on the Board by Santos Martínez-Conde. The organization of the governing bodies of Indra can be consulted on <https://www.indracompany.com/es/accionistas/government>.

GOVERNANCE MODEL

With respect to the dedication of the directors to duties inherent to the position, the [Board Regulations](#) set a maximum number of boards of listed companies to which the members of the Indra Board may belong. This figure varies according to whether they are executive directors (two additional boards) or non-executive (four additional boards). The Regulations also set out specific obligations of directors and cover the treatment of conflicts of interest and the ban on competition.

Directors are under the obligation to attend personally any sessions held, with absences kept to the bare minimum. If a director cannot attend a session, he/she should grant a proxy, preferably giving voting instructions. In the case of non-executive directors, the proxy should be granted to another non-executive director.

Audit and Compliance Committee

Indra has had an Audit and Compliance Committee since 1999. Its powers, composition and operating regulations are governed by the Board Regulations. The Committee's activity is included in the Annual Activity Report, which is made available for shareholders at the time of the [General Meeting of Shareholders](#).

Appointments, Remuneration and Corporate Governance Committee

The powers, composition and operating regulations of this Committee are governed

by the Board Regulations. The Committee's activity is included in the Annual Activity Report, which is made available for shareholders at the time of the [General Meeting of Shareholders](#).

Executive Committee

The Executive Committee is made up of seven members (Article 17 of the Board Regulations establishes that it should be made up of a number of directors to be determined at any time by the Board, with a minimum of four and a maximum of nine). Four of its seven members are independent directors.

The Executive Committee is delegated all the duties of the Board, except for those that may not be delegated by the Law (articles 529 ter and 249 bis), the Bylaws or the Board Regulations.

In 2017 the Executive Committee met twice and dealt with matters including an analysis of the company's operating issues, economic and financial information and the monitoring of the most relevant issues reported to the Board.

Activities carried out by the governing bodies in 2017

The [Annual Corporate Governance Report](#) provides information on Indra's Corporate Governance and the activities of its governing bodies. The rate of attendance by directors at meetings of the Board and its Committees is

very high. In 2017 the Board held a total of 10 meetings, with an attendance rate of 92.30%. The Audit and Compliance Committee held eleven meetings, with attendance at 95.45%, and the Appointments, Remuneration and Corporate Governance Committee held eight meetings, with attendance at 94.44%, while the Executive Committee held two meetings with 100% attendance.

Evaluation of the Board

In accordance with article 13 of the Regulations, the Board must annually evaluate its own operation and the quality of its work, as well as that of each of its committees, based on a report prepared by the Appointments, Remuneration and Corporate Governance Committee. Each of these bodies conducts its own assessment and drafts a Report about its activities and actions during the year, which is submitted to the Board.

This year the Activity Report for 2017 of the Audit and Compliance Committee and the Appointments, Remuneration and Corporate Governance Committee will be published, together with the rest of the information reported to shareholders at the General Shareholders Meeting.

In 2017 the review of the year 2016 was carried out through the normal internal procedure, similar to that in previous years. It consists of individual completion by each director of a questionnaire about the structure, composition and operation of the Board and its

Committees. The results of this assessment are included in the [Annual Corporate Governance Report](#).

In addition, the Board carries out an annual assessment of the work of the Chairman of the Board as such, and also as the CEO.

GOVERNANCE MODEL

The main Corporate Governance policies

Remuneration policy for directors

In compliance with the Capital Companies Act, remuneration for the Board is reviewed regularly so that it is reasonably proportional to the size of the company, its financial situation and market standards for comparable companies.

Shareholders at a General Meeting in 2017 approved the Remuneration Policy for Indra Directors for 2018, 2019 and 2020, in accordance with the provisions of Article 529.i of the Spanish Capital Companies Act, which stipulates that the remuneration policy for directors must be approved by Shareholders at a General Meeting at least every three years.

The principles, basis, structure and items within the Remuneration Policy 2018-2020 are substantially the same as those in the preceding Remuneration Policy (2015-2017), comply with the provisions of the Spanish Capital Companies Act and are in line with national and international remuneration trends.

The [Annual Report on Directors' Remuneration](#) provides details as to how the remuneration policy has been applied during the year now ended and the remuneration accrued to each of the Directors.

Communications and Contact Policy for shareholders, institutional investors and proxy advisors.

One of the objectives of the company's Corporate Governance policy is to encourage symmetrical dialog mechanisms with shareholders, investors and other stakeholders.

In this respect, the Board approved a [communications policy for shareholders and proxy advisors](#), which is public and may be consulted on the corporate website.

Policy for selecting directors

The Board has a Directors Selection policy that forms part of the company's Corporate Governance rules. The Selection Policy ensures that proposals to appoint or re-elect directors are based on an analysis of the Board's needs and are for candidates who have the required skills.

In 2017 the Appointments, Remuneration and Corporate Governance Committee played a key role in the processes of selecting Directors. It verified that these processes were carried out correctly and complied with the objectives set in the policy relating to gender diversity, as is specified in the following section of this Report.

In 2016 the Board approved a policy for re-electing independent directors that is more restrictive than that established by law (maximum term of 12 years in the position). This rule consists of not proposing for re-election any independent director to the General Meeting of Shareholders who has served in the position for three statutory terms (three years each).

This standard takes into account the gradual renewal policies for the Board that is followed by part of the international investors and *proxy advisors* and it was applied for the first time during the 2017 General Meeting.

Corporate Social Responsibility Policy

The Appointments, Remuneration and Corporate Governance Committee analyzes Indra's policies and practices regarding Corporate Social Responsibility, as well as its degree of adaptation to national and international standards, recommendations and best practices in this area.

The current policy has been approved by the Board of Directors and includes the principles and commitments that Indra assumes voluntarily in its relations with the different stakeholders. The policy may be consulted on the corporate website <https://www.indracompany.com/en/indra/corporate-social-responsibility>.

GOVERNANCE MODEL

Treatment of diversity by the Board

Indra's internal regulations require the Board of Directors and the Appointments, Remuneration and Corporate Governance Committee to ensure that the selection of directors applies criteria and policies to encourage gender diversity on the Board.

The current Selection Policy for Directors has the objective of having female directors represent at least 30% of the total members of the Board of Directors in 2020. This commitment of increasing the number of female executives is also reflected in the Group's Diversity Policy, under which the company is aware that its success depends on its professionals, and prevents any type of judgment or discrimination in relation to race, gender, religion, political leanings, nationality, or any other personal circumstances.

During 2017 the term of the independent directors Ms. Isabel Aguilera and Ms. Rosa Sugañes ended. In order to maintain the number of independent directors, the Appointments, Remuneration and Corporate Governance Committee asked the consulting company Spencer Stuart to search for replacement candidates.

The request for that search for candidates expressly included the objective established by the Appointments, Remuneration and Corporate Governance Committee and the Board of Directors that the selection of qualified women be an active part of the selection process. The Committee analyzed an extensive list of candidates and agreed to propose to the Board the appointment of Ms. Silvia Iranzo and Ms. María Rotondo, whose knowledge, competencies and experience comply with the requirements established in the Directors' Selection Policy to form part of the Board.

The supporting report issued by the Appointments, Remuneration and Corporate Governance Committee relating to the proposal to re-elect and appoint directors was published on the corporate website at the time the General Shareholders Meeting was called so that all shareholders could be aware of the policy and procedure for selecting directors that is currently in force and to verify that it is in line with the best Corporate Governance practices.

Furthermore, in December 2017 the Board of Directors adopted a resolution after receiving a favorable report from the Appointments, Remuneration and Corporate Governance Committee to change the structure of company management within the framework of the corporate reorganization established in the Strategic Plan 2018-2020, which included the establishment of an independent subsidiary for all of Indra's IT business.

That change in management structure gave rise to the elimination of the CEO position, which led to the exit of Mr. Javier de Andrés and the appointment through co-optation of Ms. Cristina Ruiz as the Executive Director based on the Board's understanding that her knowledge, competencies and experience comply with the requirements established in the Directors' Selection Policy to form part of the Board. The appointment of Ms. Ruiz as a director increased the number of women that currently form part of the Board to three, representing 23.08% of the total number of directors. Ms. Iranzo and Ms. Rotondo represent 28.57% of the independent directors and Ms. Ruiz represented 50% of the executive directors at 31 December 2017. After the appointment of Mr. Ignacio Mataix as a director in January 2018, Ms. Ruiz now represents 33% of the executive directors.

The Board and the Appointments, Remuneration and Corporate Governance Committee can only recommend to shareholders that they consider the appointment of female proprietary directors for directorship positions at Indra to represent their proprietary interests, although this is also subject to the condition that they have top-tier women within their respective organizations since it is in the company's interest that proprietary directors be at that level.



RISK MANAGEMENT

Indra's Risk Management System is a process driven by the Board of Directors and Senior Management and for which each and every one of the members of the company is responsible. It aims to provide reasonable assurance of achieving established objectives, contributing value and a suitable level of guarantees for shareholders, other stakeholders and the market in general.

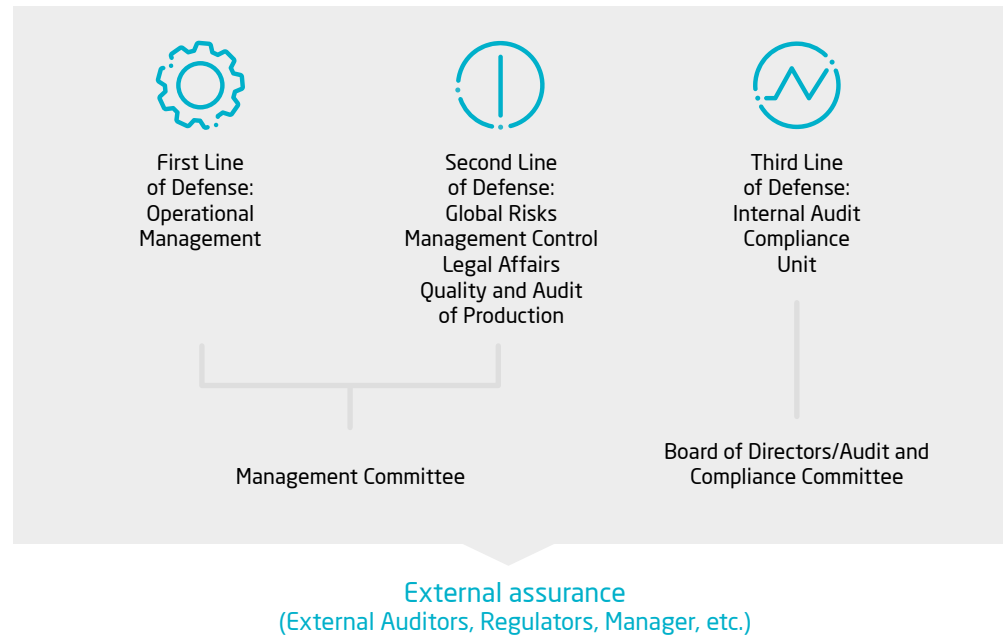
Risk Management Model

The Risk Management System has been defined taking into account the best international practices. Indra has implemented the Three Line of Defense Model, which has contributed to Risk Management and Internal Control processes being more effective. The model is structured as follows:

- The First Line of Defense is Operating Management, consisting of the executive team and the rest of the professionals that directly manage risks and are responsible for identifying, assessing, managing and reporting risks in the processes for which they are responsible.

- The Second Line of Defense consists of the Internal Control System and the Risk Management areas at Indra. These areas facilitate and oversee the application of effective risk management practices by the Operating Management units and assist them with reporting information regarding risks. The Second Line of Defense includes the Global Risk Unit, which is responsible for creating a framework that allows Indra to anticipate, prioritize, manage and monitor the risks that impact the company. The Global Risk Unit reports directly to the Board of Directors' Audit and Compliance Committee.
- The Third Line of Defense is the Compliance Unit and the Internal Audit Department, whose responsibility is to provide reasonable assurance regarding the proper operation of the Internal Control System and the Risk Management, systematically auditing the First and Second Lines of Defense.

Three Lines of Defense Model



RISK MANAGEMENT

Risk Management Governance Model

The Risk Management System is integral in nature since all units at Indra, together with the various governing bodies, participate in the system.

Following the recommendations of the Code of Good Governance for Listed Companies, in March 2017 Indra created the Risk Coordination Unit (RCU), as the body responsible for monitoring and providing advisory services within the Risk Management System at Indra and it is made up of members of the Management Committee. The mission of the RCU is:

- Provide the technical support that is necessary to the Global Risk Unit to adequately provide assurance for the management and risk control system at Indra
- Ensure the identification, assessment and quantification of risks
- Provide the mechanisms that are necessary to monitor the mitigation plans that will be executed by risk managers

The responsibilities relating to risk management are presented below:

Main risk management responsibilities

Organizational structure

Responsibilities

Board of Directors	>	Ensure the implementation of the Internal Control and Risk Management System and monitor the internal reporting and risk control systems.
Audit and Compliance Committee (ACC)	>	Review the Internal Control and Risk Management System, presenting recommendations and proposals regarding these areas to the Board of Directors.
Management Committee	>	Facilitate sufficient resources for the performance of the Risk Management activities.
Risk Coordination Unit (RCU)	>	Support the proper operation of the Risk Management System by providing valid tools to assess, prioritize and manage those risks.
Global Risks	>	Ensure the proper operation of the Risk Management System by providing valid tools to assess, prioritize and manage risks. Raise awareness regarding the importance of the Risk Management System by encouraging the creation of a risk management culture at all levels.
Risk Owners	>	Monitor the risks under its responsibility in accordance with the methodology and tools defined in the Risk Management System.

RISK MANAGEMENT

Risk Management Policies and Procedures

Indra's Risk Management System has a Control Policy and Risk Management approved by the Board of Directors in March 2016 in the terms proposed by the Audit and Compliance Committee, and this policy is regularly updated.

That policy is designed to achieve a moderate risk profile, through correct management. The tolerance framework is established in accordance with guidelines, standards and procedures that ensure that the management environment maintains risks within acceptable levels.



Key operating principles within the framework of the Risk Management and Control System

Protection of value

Consideration of Risk Management and Control as a system for creating and protecting the value generated for all relevant stakeholders.

Integrity

The Risk Management and Control System covers the entire Indra Group at the corporate level and at the various business units, regardless of their geographic location, and it forms part of the strategic planning process, when defining business objectives, and in daily operations in order to attain those objectives.

Consistency

Establishment of a common definition of risk, considering any potential event that could negatively affect compliance with business objectives to be a risk.

Independence

Indra's Risk Management and Control System guarantees adequate segregation of duties among its various areas, i.e. among the areas that assume and manage risks and the areas responsible for coordination, control and oversight.

Proactivity

Development of proactive risk management included in the design of the control processes that help to mitigate risk, implement contingency plans and establish hedges for risks where possible.

Coherence

Risk management generally should be applied using coherent criteria regarding the importance of the risk and the cost and resources that are necessary to reduce the risk. Risk Management and Control should be consistent with other Indra processes and its business model.

Information

Ensure the existence of mechanisms that guarantee adequate reporting to risk control bodies at the company (Management Committee, Audit and Compliance Committee and the Board of Directors).

RISK MANAGEMENT

The Control Policy and Risk Management is supplemented by policies and procedures that focus on Indra's main processes. The procedures are regularly reviewed and updated to guarantee compliance with applicable legislation and the best risk management practices.

Furthermore, in 2017 the Global Risk Unit prepared action procedures that provide detailed descriptions of the processes for identifying and managing risk at the company.

Risk Management Governance Model

Risk Management policy and procedures framework



*Approved by the Board of Directors.

Main risk management procedures

- Code of Ethics and Legal Compliance
- Criminal Risk Prevention Program
- Business Continuity and Information Security policies and procedures
- Prevention Program within the Occupational Risk Management System
- Human Resource Policies
- Financial Risk Regulations
- Indra Method for Project Management and Project Risk Management
- Purchasing policies and procedures

RISK MANAGEMENT

Risk Management Process

Indra has developed a methodology as part of its strategic outlook that supports the global risk management process and it has been implemented to guarantee its level of independence. That methodology is based on the Corporate Risk Management Method Enterprise Risk Management, also known as COSO II, and it has been adapted to the company's specific characteristics and needs since risk management at Indra is based on management by business unit, processes, geographic and corporate areas, and it is an integral part of the decision-taking processes

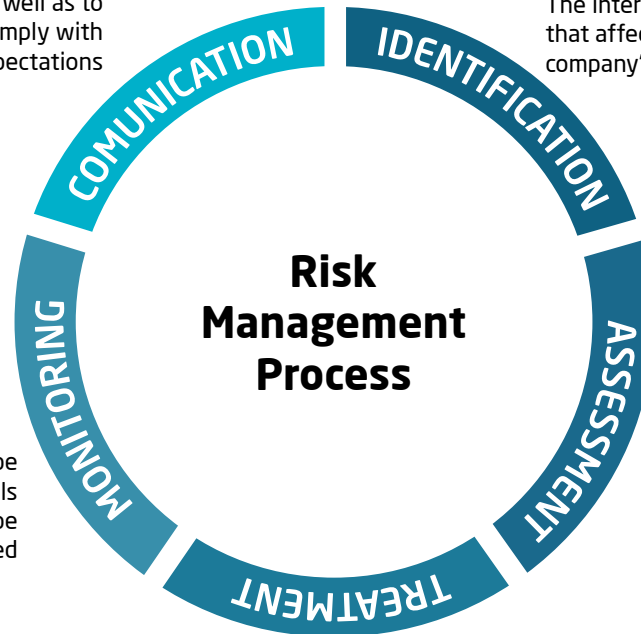
The risk management process is continuous and multi-directional, employing a systematic and integral approach. Its objective is to help identify events and assess, prioritize, monitor and respond to the risks that may impede the achievement of objectives in the broadest sense.

The following illustration describes the risk management cycle.

Risk Management Cycle

Definition of effective risk reporting flows that ensure that key matters are known and allow for appropriate decisions to be taken, as well as to comply with stakeholder expectations

The internal and external events that affect the company's objectives should be identified



The identified risks should be continuously monitored using tools that allow their development to be evaluated

The risks are analyzed by identifying their possible causes and consequences in terms of their probability of occurrence and their impact

Management should select the possible responses by developing a series of actions to align risks with the company's accepted risks and risk tolerance

RISK MANAGEMENT

Identification of events: risks and opportunities

Indra has a system for identifying events that are categorized as risks or opportunities. Being able to identify opportunities contributes to the company's growth in the short, medium and long-term. Advances in this area will allow Indra to more quickly adapt to changes that may arise in the market, thereby reinforcing its positioning.

A risk identification process is regularly performed, together with the identification of risk events that may occur. Risks are identified by managers based on their causing factors as well as the effects they may have on attaining objectives. The Global Risk Unit performs a detailed analysis of potential emerging risks that could have an impact in the future to be taken into consideration, for which it uses internal and external sources of information.

Indra is exposed to various risks that are inherent to markets and the geographic locations in which it operates. Those risks are classified into four risk categories, based on their nature.

Classification of risks



Strategic risks



This area includes all risks relating to the adaptation to the environment or the market, including those deriving from the scope of action in certain countries or geographic areas, as well as risks relating to cultural change, business profitability, mergers, acquisitions or alliances.



Operational risks



This includes risks deriving from possible threats associated with projects and services that require proactive actions by project managers to mitigate their possible effects, from the point of view of preparing bids and negotiating contracts, as well as execution and delivery.



Financial risks



Financial risks referred to those deriving from alterations in financial markets and/or assets and services that affect the costs of the business, including areas relating to the management of exchange rates, liquidity risk or interest rates, as well as credit risk concerning counterparty failures to comply with contractual obligations.



Compliance risks



The risks associated with failures to comply with laws and regulations in general are notable in all of the markets in which Indra operates.

RISK MANAGEMENT

Risk assessment

The objective of risk assessment is to give risks an order of magnitude or relevance. Risk assessment is performed in terms of probability and impact. The combination of those two variables in the probability/impact matrix determines the level of risk. The impact of risks on the company's reputation is also taken into account.

Indra's Risk Map reflects the consolidated result of the risk assessments performed by risk managers.

Treatment of risks

Indra actively handles the main risks that have been identified and establishes response measures in order to maintain those risks within the tolerance levels established by management. The response measures are defined by risk managers and the Global Risk Unit is responsible for monitoring them and obtaining information regarding their implementation and effectiveness. Indra may follow one of the following response strategies with respect to a specific risk: accept, reduce, transfer or avoid.

Risk monitoring

The Global Risk Unit monitors, together with each Risk Owner, the implementation of the mitigation plans defined as response measures for each of the main risks identified. The implementation of these plans is monitored by a series of implementation control indicators, among other mechanisms.

Indra also performs regular risk monitoring activities through the Risk Coordination Unit (RCU).

Reporting risks

The Risk Map is the graphical representation of the most relevant global risks, including social and labor risks. It also presents an analysis of Reputational Risk. Each of the risks on the Risk Map is associated with the mitigation plans established as a response measure, which have been defined by the Risk Owner.

The Global Risk Map report is presented to the RCU and the Management Committee for validation and then presented to the ACC for oversight.

The Board of Directors approved the Global Risk Map during 2017, together with the accompanying mitigation plans.

The Risk Owner regularly reports the status of the mitigation plans to the ACC.

Training actions are implemented for the various units with risk management responsibilities in order to elevate sensitivity to specific risks affecting each group within the company.

This entire process is supported by tools that encourage the automation and support of the risk management process. Indra has Governance Risk and Compliance Risk Management tools (SAP GRC RM).

ETHICS AND COMPLIANCE

A photograph of a group of people in a meeting. In the foreground, a woman with long blonde hair, wearing a yellow sweater, is pointing with a blue pen at a laptop screen. To her left, a man with a beard and a grey shirt is looking at the same screen. In the background, another person is visible, also working on a laptop. The scene is set in a modern office environment with a wooden desk and large windows in the background.

ETHICS AND COMPLIANCE

The Board of Directors, Senior Management and each Indra employee and partner assume responsibility for and are committed to building a solid culture of compliance. Consequently, all employees and partners should go about their business applying the principles of integrity, professionalism and respect, in compliance with current legislation and regulations, the [Code of Ethics and Legal Compliance](#), internal policies and any procedures and controls established by the company.

Since 2015 an intense development and update policy has been applied to the company's principles of ethics and compliance.

Audit and Compliance Committee

Indra's Global Criminal Risk Prevention Model, is overseen by the Audit and Compliance Committee (ACC) and the Compliance Unit. The ACC is the body that controls the Criminal Risk Prevention Model at the global level, and the Compliance Unit is responsible for the global execution of the decisions made by the Committee, to which it reports exclusively.

The Compliance Unit has the support and collaboration of the different units in the company to comply with the objectives of the Criminal Risk Prevention Model and particularly to develop specific research resulting from the communications received through the Direct Channel.

In addition, every year the Compliance Unit carries out activities related to criminal risk assessment to integrate them into the global risks map and to the update and evaluation of criminal controls that mitigate those risks.

Criminal Risk Prevention

In 2017 the company's Criminal Risk Prevention Model was updated in order to ensure that our corporate compliance culture stays in line with international standards and that our internal regulations are as precise and rigorous as possible.

This model has a global scope and is made up of the Criminal Risk Prevention Manual for Spain, the Criminal Risk Prevention Manual (and administrative infractions similar to criminal matters) for international subsidiaries and the Code of Ethics and Legal Compliance, which is the primary pillar of the preceding two models.

The merger with TecnoCom in 2017 led to the replacement of the Criminal Risk Management System at that company, as well as its elements, by Indra's Criminal Risk Prevention Model that has been implemented in all of the TecnoCom companies worldwide.

The ethics channel at TecnoCom (canaletico@tecnocom.es) has been changed to the direct channel at Indra Sistemas, S.A. (canaldirecto@indra.es).

ETHICS AND COMPLIANCE

INTEGRITY, PROFESSIONALISM AND RESPECT GUIDE INDRA'S BUSINESS PRACTICES

Code of Ethics and Legal Compliance

The latest update of the [Code of Ethics and Legal Compliance](#) was approved by the Board of Directors in October 2017. This update focused on strengthening some of its regulations related to conduct.

The most significant changes are those related to the policy on Anti-corruption and Bribery, Information Security and Anti-trust. The update is available on the internal and external corporate websites in the company's three official languages (Spanish, English and Portuguese).

The Code of Ethics and Legal Compliance reflects the company's commitment to the International Declaration of Human Rights, the principles relating to the rights established in the Declaration of the International Labor Organization and the principles of the United Nations Global Compact.

The Code establishes the corporate integrity, professionalism and respect principles that should guide sales practices, together with the conduct and commitment standards that Indra the seams with respect to compliance with the law. These conduct standards relate to:

- Corruption and bribery
- Conflicts of interest
- Information Security
- Moral and sexual harassment

- Foreign trade of defense and dual-use items
- State aid and subsidies
- Environment
- Best tax practices
- Management of economic and financial information
- Protection of competition
- Money Laundering and Financing Terrorism
- Occupational health and safety
- Relations with governments and authorities

Likewise, the Code of Ethics sets out the operating guidelines for the Direct Channel. This is a confidential mechanism that Indra makes available to professionals and collaborators to notify the company of any doubt on the interpretation and application of the Code of Ethics and Legal Compliance, as well as its implementing regulations, or to report any illicit conduct, irregularities or breach of said Code and regulations.

Training and awareness

Since 2016 great efforts have been made to raise awareness of Indra's Criminal Risk Prevention Model and Code of Ethics and Legal Compliance through classroom-based and online training sessions. Training was given in 2016 to 90% of the active workforce in Spain and the "Hacer lo correcto" (Do it right) campaign was also run in Spain. To continue with this commitment, in 2017 the Compliance Unit has focused on training actions in the international subsidiaries through a variety of actions:

- Classroom-based sessions aimed at the Management and Middle Management Team in Portugal, Chile, Mexico, Colombia and Peru
- Online sessions for all professionals in the subsidiaries in Europe, the Americas and Asia, the Middle East and Africa

As a result of these actions, 90% of the active workforce of international subsidiaries has received training, and 82% of the total average workforce in 2017.

With the aim of maintaining the culture of compliance between all the company's professionals, the Compliance Unit publishes news every month on the company's internal website related to the rules of conduct established in the Ethical Code and Legal Compliance. In addition, this news is published on the internal websites of the international subsidiaries in the company's three official languages.

In 2018, on the occasion of the update of the Criminal Risk Prevention Model in November 2017, classroom-based and online training sessions will be given for all the company's professionals at global level.

It is also worth noting that with the aim of unifying criteria, the Compliance Unit participates continuously on the working groups of the Spanish Association of Technological Defense, Aeronautics and Space Companies (TEDAE) and that of EMISORES ESPAÑOLES (association of the main listed companies in Spain).

ETHICS AND COMPLIANCE

Direct Channel

The Code of Ethics and Criminal Risk Prevention Manual establish the operational guidelines of the Direct Channel (canaldirecto@indra.es). The Direct Channel constitutes the confidential mechanism that the company makes available to all Indra professionals and other collaborators to communicate any queries regarding the interpretation and application of the Code of Ethics and its implementation regulations, and any other illegal behavior or any irregularity or infringement detected in relation to the Code and its regulations.

The Compliance Unit resolves any queries communicated to it immediately. When irregularities are reported, the Compliance Unit conducts the necessary inquiries and informs the Audit and Compliance Committee, proposing any disciplinary or other measures that should be adopted. The disciplinary measures are adopted with the corresponding intervention of the Human Resources Unit.

In 2017, the Direct Channel received 217 communications addressed directly to this Channel or received by other means (they may be submitted by the Compliance Unit to the Direct Channel). This number of communications represents an increase of 110.68% with respect to the figure for 2016. The increase shows year-by-year increases in the confidence of Indra's professionals with the company's compliance mechanisms, directly related to the cultural change driven by Indra.

All communications were duly admitted by the Compliance Unit, and 43 case files were processed in the appropriate cases. Disciplinary or other measures have also been adopted where appropriate.

The 217 communications received refer to:

- 134 are a variety of queries on donations and sponsorships, conflicts of interest, business courtesy and requests for information for third parties of the Criminal Risk Prevention Model
- 83 refer to alleged irregularities related to the Code of Ethics and Legal Compliance

Anti-corruption

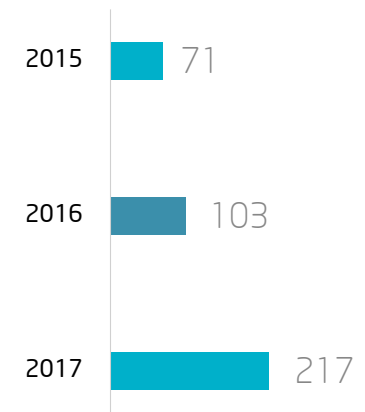
Indra rejects corruption and any illegal practice and exerts its utmost efforts and commitment to comply with the law. The company's Code of Ethics and Legal Compliance defines what is understood by corruption and bribery.

Any changes relating to the rules of conduct mentioned earlier have given rise to adaptation of internal procedures related to hiring commercial consultants and regulations on donations and sponsorships, as well as the preparation of new procedures on the recruiting of strategic advisors.

The aim of this is to adapt the company to an increasingly demanding international regulatory context, as well as establishing guidelines for preventing direct or indirect illegal practices either by Indra professionals or by collaborating third parties.

Finally, with respect to the risk of corruption and bribery, Indra's Criminal Risk Prevention Model establishes certain controls that are executed periodically in the company's different areas with the aim of mitigating these risks. These controls are developed through a variety of internal policies and procedures.

Communications via the Direct Channel



SHAREHOLDERS AND INVESTORS

410
investors attended
in 2017



RELATIONSHIP MODEL

MORE TRANSPARENCY: INVESTOR DAY, VIDEOCONFERENCES ON QUARTERLY RESULTS AND WEBCASTS TO IMPROVE COMMUNICATION WITH INVESTORS AND ANALYSTS

Indra firmly believes that shareholder and investor relations constitute one of its most significant areas of its responsibility as a listed company.

In 2017 it continued with its active policy of communicating with shareholders and investors in order to increase the transparency of information reported to the financial markets. As has been happening for a few years, the company has made numerous presentations to institutional investors and analysts in Spain, other European countries and the United States. The number of investors seen over the year was 410.

Indra works to improve communication with investors and analysts and has maintained its videoconferences, timed to coincide with each publication of quarterly results. In 2017 videoconferences were held in the webcast format, so that investors and analysts could follow the presentations.

In 2017 Indra acquired the company TecnoCom with the aim of creating the Spanish leader in Information Technologies and generating a high value for shareholders. The company made a

videoconference on the day the takeover bid was announced to communicate its rationale to investors and analysts.

All the information relating to the deal is available on <https://www.indracompany.com/en/accionistas/presentaciones-inversores>, as well as the material facts notified by the company to the CNMV related to the transaction on <https://www.indracompany.com/en/accionistas/hechos-relevantes-cnmv>.

On November 30, 2017 the company held its Second Investor Day to present its Strategic Plan to 2020 and to increase transparency and dialog with investors and analysts regarding the company's position.

The Investor Day was rebroadcast via webcast and is now available on the company's website: <https://secondinvestorday.indracompany.com/>.



Second Investor Day held on November 30, 2017

RELATIONSHIP MODEL

At December 31, 2017 the consensus of recommendations from the 26 analysts covering the company are as follows: buy, 40%; neutral, 24%; sell, 36% (compared with buy, 50%; neutral, 19%; sell, 31% in 2016). Their analysts' average target price for the end of the year was €12.6 per share (vs €11.2 per share).

Indra has a specific department, the Shareholder's Office, to respond to its shareholders' questions and need to be informed (Tel: +34 91 480 98 00; email: accionistas@indracompany.com). In 2017 this telephone number dealt with numerous inquiries related to a wide variety of matters connected to the company's business, growth forecasts, the dividend, the General Meeting of Shareholders, share price, the Tecnocon takeover, etc.

The Shareholder's Magazine continues to provide a specific channel of communication, targeted at minority shareholders in particular. Indra has continued with its digitalization and online mailing to minimize environmental impact.

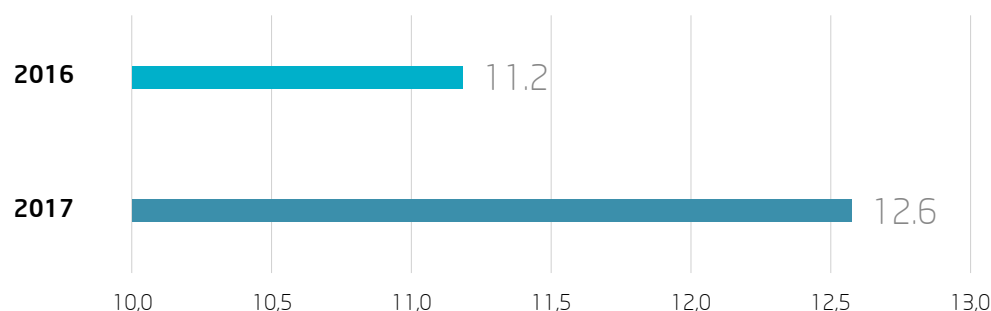
The Shareholders and Investors section of Indracompany.com includes, as well as the content required by Circular 3/2015, dated June 23, and other applicable regulations of the CNMV, information of use to shareholders and investors, and offers the possibility of registering on an email distribution list. Thus the Shareholder Office automatically sends subscribers all the information the

company publishes externally: press releases, statements, material facts, financial results, and the Annual Corporate Social Responsibility Report.

The "Shareholders and Investors" section of the website provides shareholders with detailed and constantly up-to-date information about Indra.

All this information is available on <https://www.indracompany.com/en/accionistas>.

Target share price in euros



OWNERSHIP STRUCTURE

Ordinary shares have been listed on the continuous market since March 23, 1999 in the Information and Communications Services sector and the Electronics and Software subsector.

Since July 1, 1999 Indra has also been listed on the selective IBEX 35 index, which includes the 35 most important companies in the Spanish stock market in terms of market capitalization and liquidity.



SUSTAINABILITY INDICES

12 YEARS ON THE DOW JONES SUSTAINABILITY WORLD INDEX. MEMBER OF FTSE4GOOD, CDP AND VIGEO

PRESENCE IN THE SUSTAINABILITY INDICES REFLECTS INDRA'S COMMITMENT TO TRANSPARENCY AND ACCOUNTABILITY

Indra forms part of major international indices such as S&P Global BMI, which includes global listed companies, and the STOXX Europe Total Market Small indices.

Since September 18, 2006 Indra's shares have also been listed on the Dow Jones Sustainability World Index (DJSWI), which selects companies that make the greatest effort to adapt their activities to meet sustainability criteria from among the largest companies in the world.

Main external sustainability recognitions



For the 12th year in a row, the company's inclusion in the Dow Jones Sustainability World Index demonstrated its position among the companies with the best sustainability performance in the world.



For the third year in a row Indra is on the FTSE4Good index. The companies that form part of this index comply with rigorous social, environmental and governance criteria and are capable of capitalizing the benefits that arise from responsible business practice.



In the last MSCI review Indra received an "A" rating in Environmental, Social and Good Corporate Governance (ESG), exceeding 68% of the reviewed companies and improving its score with respect to the previous review.



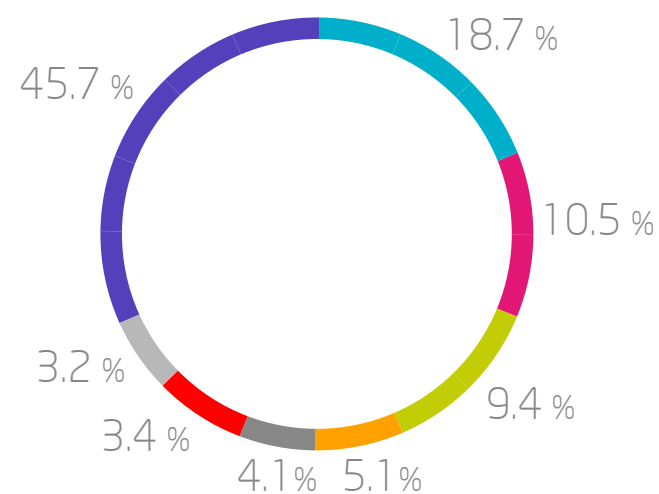
The company achieved the consideration of "Status Prime" in the evaluation by Oekom in August 2017. This distinction is only awarded to companies that demonstrate an excellent performance and commitment in social, environmental and good corporate governance issues.

SHAREHOLDER STRUCTURE

The company does not have a nominal record of its shareholders and therefore shareholder composition can only be identified through the information that shareholders report directly or publicly, in line with the current legislation regarding significant shareholdings (which obliges shareholders to declare holdings of over 3% of the share capital), and through the information supplied by the company Iberclear, which Indra collates for its general meetings of shareholders.

According to the information known by the company, its main shareholders with a stake of more than 3% are: Sociedad Estatal de Participaciones Industriales (S.E.P.I.), with 18.7% (vs 20.1% the previous year); Alba Participaciones, S.A., with 10.5% (vs 11.3% the previous year); Fidelity Management Research, with 9.4% (vs 10.1% the previous year); T. Rowe Price Associates, with 5.1% (vs 3.2% the previous year); Norges Bank, with 4.1% (no reference the previous year); Allianz Global Investors, with 3.4% (no reference for the previous year); and Schroders PLC with 3.2% (vs 3.0% the previous year). The number of shares of some of the main shareholders has remained unchanged with respect to the previous year,

although the percentage stake has fallen due to the increase in the total number of shares in the company as part of the payment for acquisition of TecnoCom (176,654,402 shares in 2017 vs 164,432,539 shares in 2016).



- Sociedad Estatal de Participaciones Industriales (33,057,734 shares)
- Norges Bank (7,163,692 shares)
- Corporación Financiera Alba (18,587,155 shares)
- Allianz (6,035,314 shares)
- Fidelity Management Research (16,531,000 shares)
- Schroders PLC (5,655,181 shares)
- T. Rowe Price Associates (8,956,819 shares)
- Other Shareholders (80,667,507 shares)

Note: Data at December 31, 2017.

SHAREHOLDER STRUCTURE

MAIN STOCK MARKET INDICATORS 2017

Total No. of shares (12/29/2017)	176,654,402
No. of free float shares (12/29/2017)	80,667,507
Nominal share value	0.20 €
Average daily trading in shares (total)	748,050
Average daily trading volume (€)	9,168,031
Trading days	255
Trading frequency	100 %
Minimum daily trading (shares) (02/20/2017)	255,416
Maximum daily trading (shares) (05/12/2017)	3,755,667
Total effective trading (€)	2,337,847,862
Total trading in the year (shares)	190,752,969
Total traded shares over total ordinary shares	108 %

MAIN STOCK MARKET INDICATORS 2017

Total traded shares over ordinary shares in free circulation	236 %
Minimum trading (02/02/2017)	10.13 €
Maximum trading (07/19/2017)	14.00 €
Share price at close (12/29/2017)	11.41 €
Average daily closing share price	12.26 €
Market capitalization at December 31 (thousands of €)	2,015
Net reported earnings per share (EPS) (in euros)	0.783
Book value per share (in euros) ⁽¹⁾	3,673
Share price/EPS (PER) ⁽²⁾	15.46
Share price/Book value per share (BV) ⁽²⁾	3.10
EV / Revenues ⁽³⁾	0.86
EV/EBITDA ⁽³⁾	9.78

(1) Taking into account the total number of the company's shares: 176,654,402.

(2) Share price on December 31, 2017.

(3) Enterprise Value (EV) at year-end: stock-market capitalization on December 31 + company's net debt on that date.

SHAREHOLDER STRUCTURE

Share trading volume and development

The trading frequency of shares was 100% throughout the year. The average daily trading was 9,168,031 euros, down by 6% on the previous year. 190.7 million shares were traded on the market in 2017, which is equivalent to 1.08 times the total number of ordinary shares and 2.36 times the ordinary free-float shares. The effective trading volume was €2,337 million, down 7% on the previous year.

In 2017 the European indices have reacted very positively to global economic growth, business results and expectations for the coming years. This was reflected in strong gains (DAX up 12.51%; CAC up 9.26%; MIB up 9.13%; FTSE up 7.63%; IBEX up 7.4%). 2017 has been a year in which the monetary authorities have taken relevant measures affecting the main indices. The Federal Reserve has gradually raised the intervention rate by 1.5%, while across the Atlantic the ECB has maintained its expansive monetary policy with intervention rates at 0%. Moving forward to 2018 a reduction is expected in debt purchases by the ECB.

The main U.S. stock markets ended 2017 with strong gains (the Dow Jones was up 25.08%, S&P by 19.42%, and Nasdaq 28.24%), boosted by good macroeconomic data and the Fed's interest-rate hikes.

With respect to the technological sector, the STOXX EUROPE IT index closed the year with a gain of 19.1%.

In the defense sector, the STOXX EUR AEROSPACE and DEFENSE index closed the year with a gain of 14.9%.

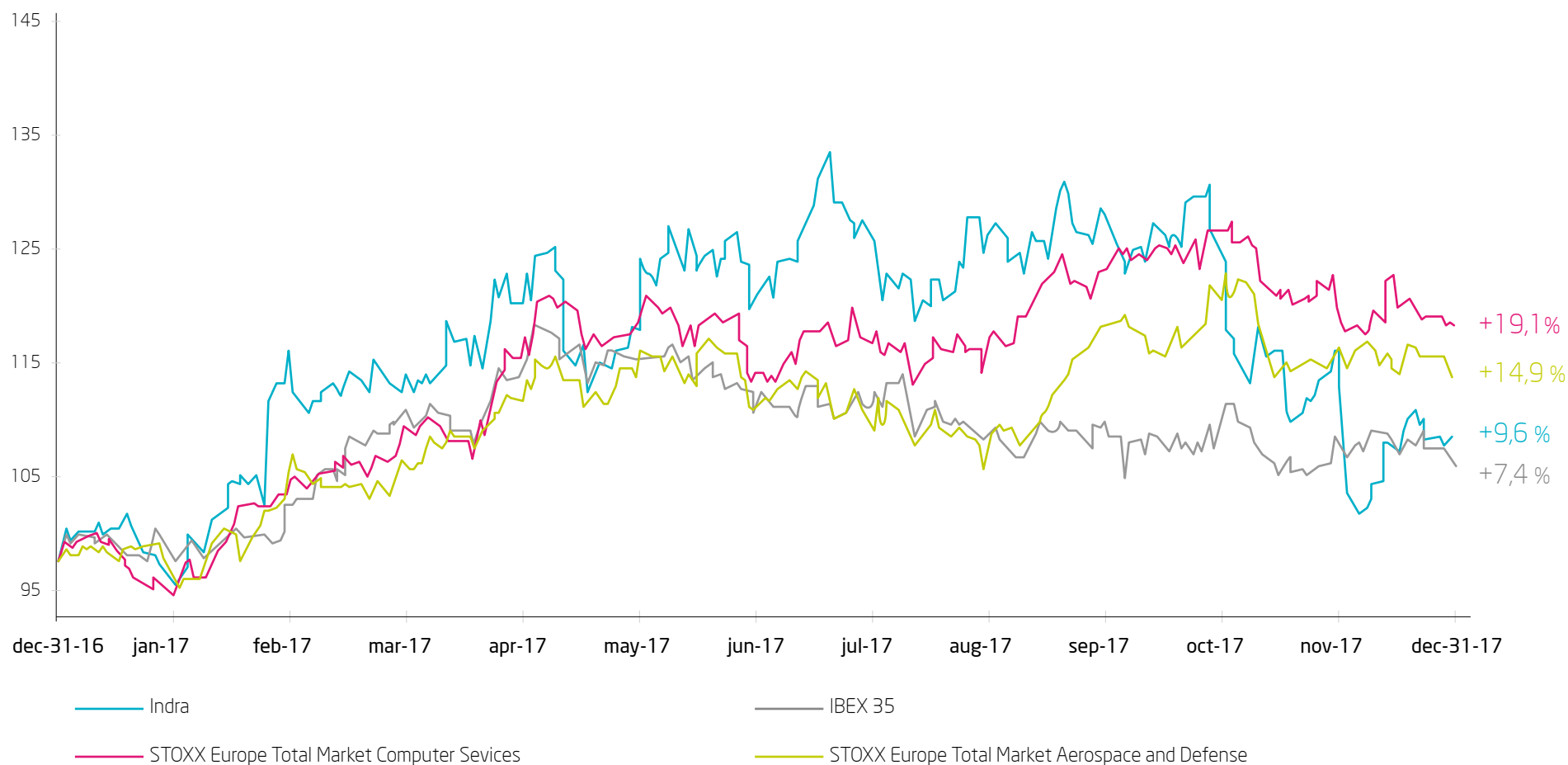
The main events that have affected the share price over 2017 were above all: the presentation of earnings figures for 2016, as well as the subsequent publications of quarterly results for 2017; presentation of the company's 2018-2020 Strategic Plan; and the Tecnomcom acquisition deal.

Share trading volume and development

	MINIMUM	MAXIMUM	AVERAGE	CLOSE OF MONTH
January	10.19	10.75	10.54	10.19
February	10.18	11.91	10.92	11.91
March	11.65	12.17	11.87	11.97
1st quarter	10.18	12.17	11.13	
April	11.80	12.83	12.23	12.59
May	11.76	13.06	12.39	12.35
June	12.53	13.23	12.95	12.64
2nd quarter	11.76	13.23	12.54	
July	12.65	13.87	13.20	13.10
August	12.43	13.31	12.83	13.22
September	12.83	13.62	13.12	13.37
3rd quarter	12.43	13.87	13.07	
October	12.34	13.59	13.13	12.34
November	11.45	12.37	11.96	11.45
December	10.75	11.65	11.24	11.41
4th quarter	10.75	13.59	12.15	

SHAREHOLDER STRUCTURE

Indra's performance vs IBEX 35 and the STOXX Europe Total Market Aerospace and Defense and STOXX Europe Total Market Computer Services indices



Source: Bloomberg.

CLIENTS

72/100
client
satisfaction
index

62
Indra centers in 11 countries
with Global Quality
Management Certification,
under the ISO 9001:2015
standard



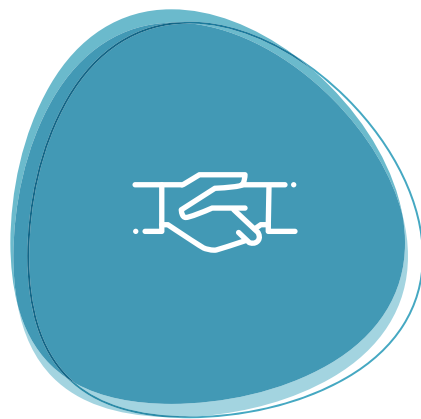
HIGH VALUE-ADDED PRODUCTS AND SERVICES

INDRA DEVELOPS STRATEGIC ACTIONS TO ENSURE CLIENT REPEATS, SATISFACTION AND LOYALTY

Indra has a broad and diverse portfolio of major clients to construct sustainable long-term relations. Among its main clients are major business groups, governments and public and public-private institutions in the different markets and geographic areas in which it operates.

The company offers its clients its proprietary solutions and advanced added-value services in fields such as Defense and Security, Transport and Traffic, Energy and Industry, Financial Services, Telecom and Media, and Public Administrations and Healthcare. Indra's Minsait business unit addresses the challenges posed by digital transformation.

Customer relations model



Excellence in development and delivery



Innovation through proprietary products

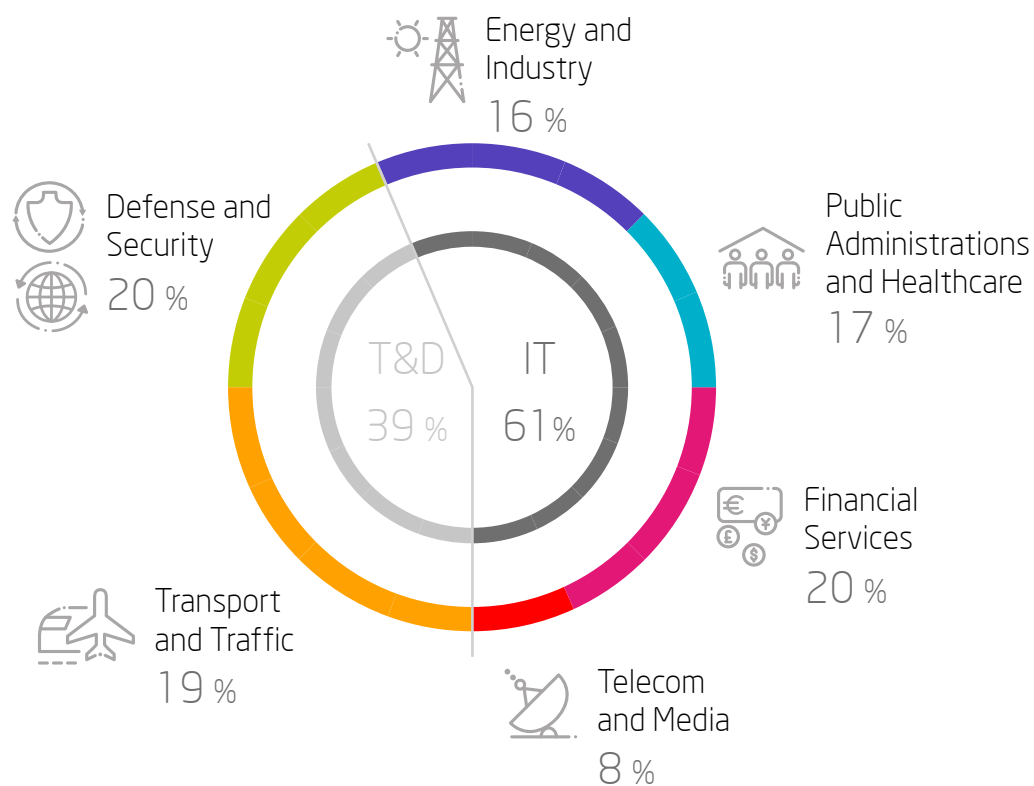


Customized solutions and services in all markets and regions

HIGH VALUE-ADDED PRODUCTS AND SERVICES

SIGNIFICANT INTERNATIONAL PRESENCE WITH COMMERCIAL OPERATIONS IN MORE THAN 140 COUNTRIES AND 54% OF TOTAL 2017 REVENUES FROM INTERNATIONAL MARKETS

Revenues by market



REVENUES BY GEOGRAPHIC AREA	(€M) 2017	% 2017	(€M) 2016	% 2016	REPORTED CHANGE	VARIATION % LOCAL CURRENCY
Spain	1,387	46	1,164	43	19	19
America	656	22	653	24	0	0
Europe	492	16	524	19	-6	-6
AMEA	477	16	368	14	30	31
TOTAL	3,011	100	2,709	100	11	11

CLIENT SATISFACTION

OVER 70% OF THE CLIENTS SURVEYED CONSIDER THE VALUE PROVIDED BY INDRA IS VERY RELEVANT OR STRATEGIC FOR THEIR BUSINESS DEVELOPMENT

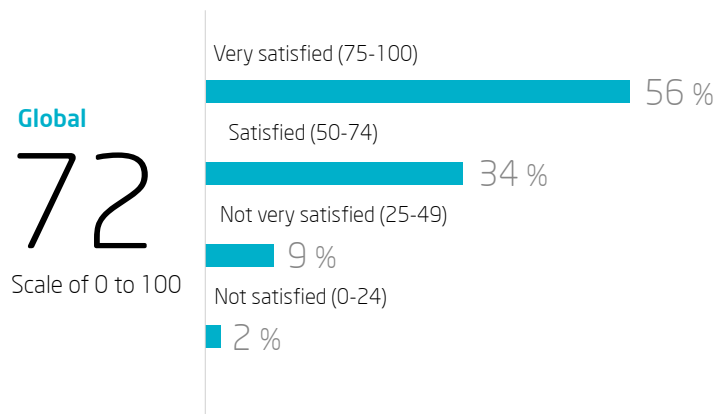
Every year, a satisfaction survey is sent to a representative sample of clients from all the markets, in the countries where the Global Quality System is in place.

The satisfaction survey has basically two objectives:

- Learn what factors contribute most decisively to increasing client satisfaction, so that Indra can focus its efforts on improving them.
- Identify the customer's needs and expectations in relation to the company and the project or service developed, in order to act in advance and thus comply with and exceed expectations

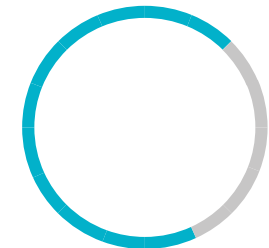
Depending on the results obtained, the strong points and points for improvement are identified and general and specific action plans are implemented.

General assessment

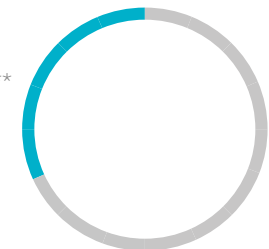


Representativeness of the survey

70 % sent*



27 % received**














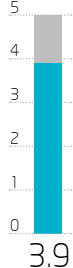



(*) Surveys sent to clients representing 70% of revenues in 2017.

(**) Surveys received from clients representing 27% of the volume of revenues in 2017.

CLIENT SATISFACTION

CLIENTS CONSIDER INDRA IS A COMMITTED COMPANY AND A RELIABLE PARTNER

Results of the Client Satisfaction Survey carried out by Indra in 2017

	Satisfaction Index	Aspects assessed	Most popular aspects		
 Satisfaction with the Organization	 <p>3.9</p>	Quality Cost/Price Customer orientation Technical competency	 Knowledge and understanding of the client's activity and sector	 Ability to manage and execute large projects	 Commitment of Management
 Satisfaction with the work process	 <p>4.0</p>	Quality Cost/Price Customer orientation Technical competency Deadline	 Mastery of the technology	 Ability to listen	 The work team's experience
 Satisfaction with the solution/service	 <p>3.9</p>	Quality Cost/Price Customer orientation	 Product quality	 User satisfaction with the project results	 After-sales service

CLIENT SATISFACTION

CLIENTS VALUE INDRA AS A COMPETENT COMPANY, AND RATE THE COMPANY HIGHLY WITH RESPECT TO OTHER TECHNOLOGY SUPPLIERS

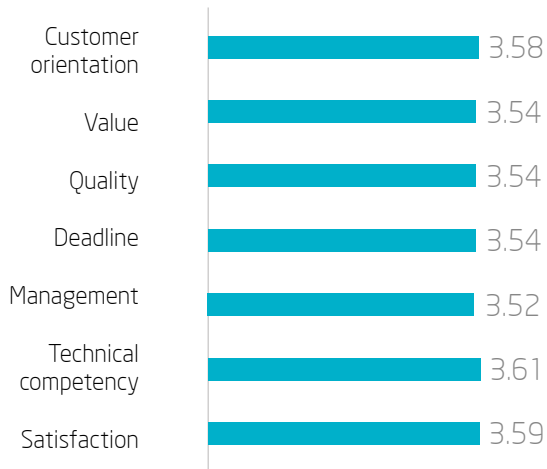
INDRA RECEIVED A SCORE OF 80 OUT OF 100 FOR CUSTOMER RELATIONS MANAGEMENT IN THE DOW JONES SUSTAINABILITY INDEX 2017

One aspect valued by the survey is the "differential value" Indra offers its clients compared with its competitors.

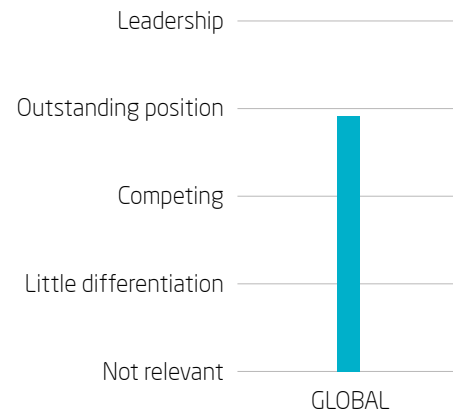
Indra wants to be the first choice for its clients and provide a higher level of satisfaction than its competitors.

Results of the Client Satisfaction Survey carried out by Indra in 2017

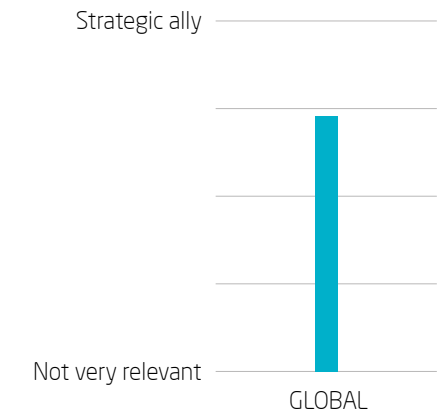
Indra's rating with respect to its main suppliers



Indra's positioning vs other technological suppliers



Indra's contribution



Contracting

Probability of using Indra again (%)



Recommendation

Probability of recommending Indra again (%)



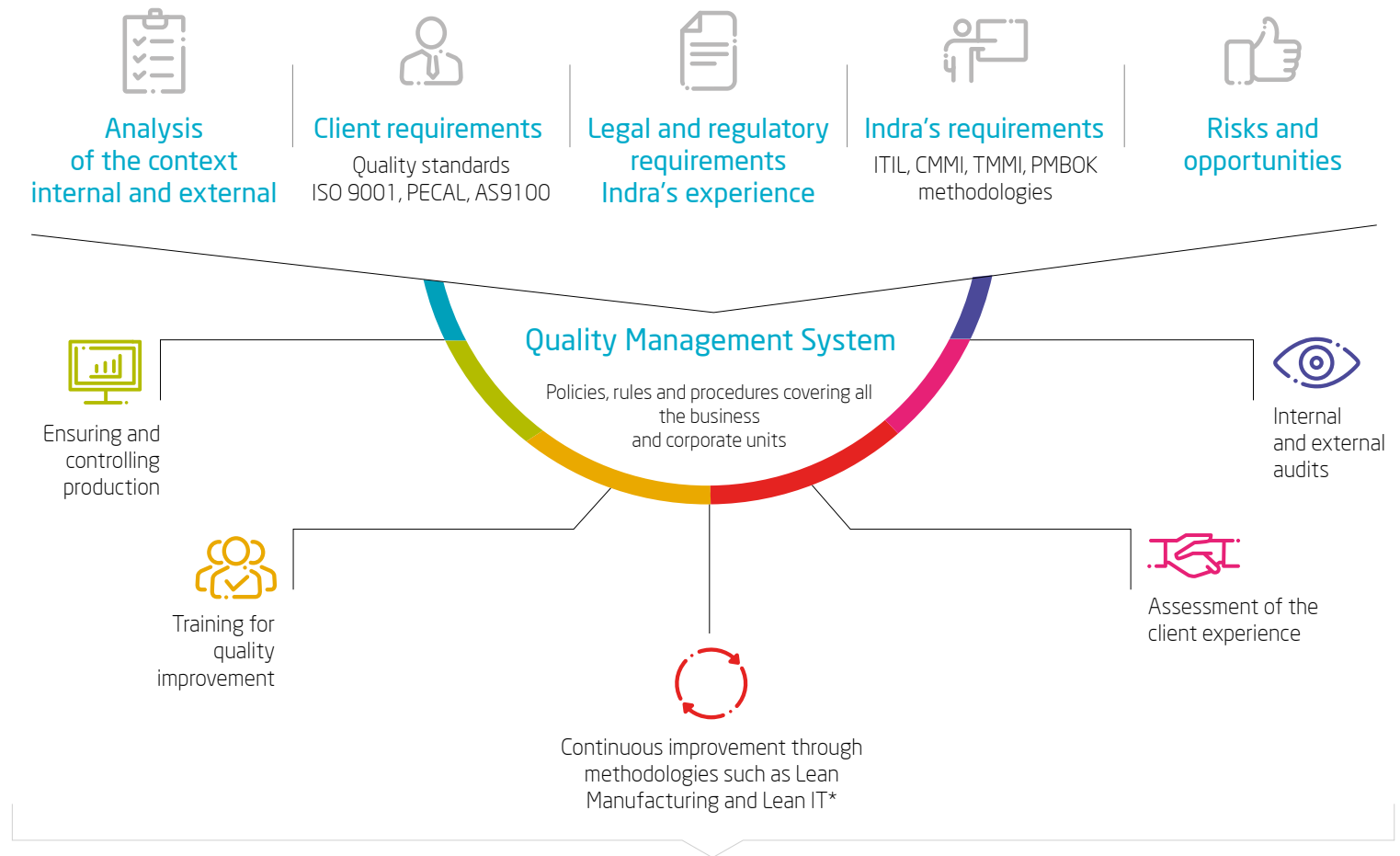
QUALITY

Quality Management System

The Quality Management System covers all the areas in the company across all geographies.

Its main aim is to satisfy the needs and expectations of clients and other stakeholders, and comply with the company's own requirements and standards.

This System optimizes global management and team work, and is more effective and efficient than local country systems. It also helps to align the quality objectives with the company's strategy and to integrate quality management into the business processes.



Key Quality Management System activities

* New key activity implemented in 2017.

QUALITY

THE QUALITY MANAGEMENT SYSTEM IDENTIFIES SYNERGIES AND EXTENDS BEST PRACTICES ACROSS THE WHOLE ORGANIZATION

Adapting to clients and improving efficiency

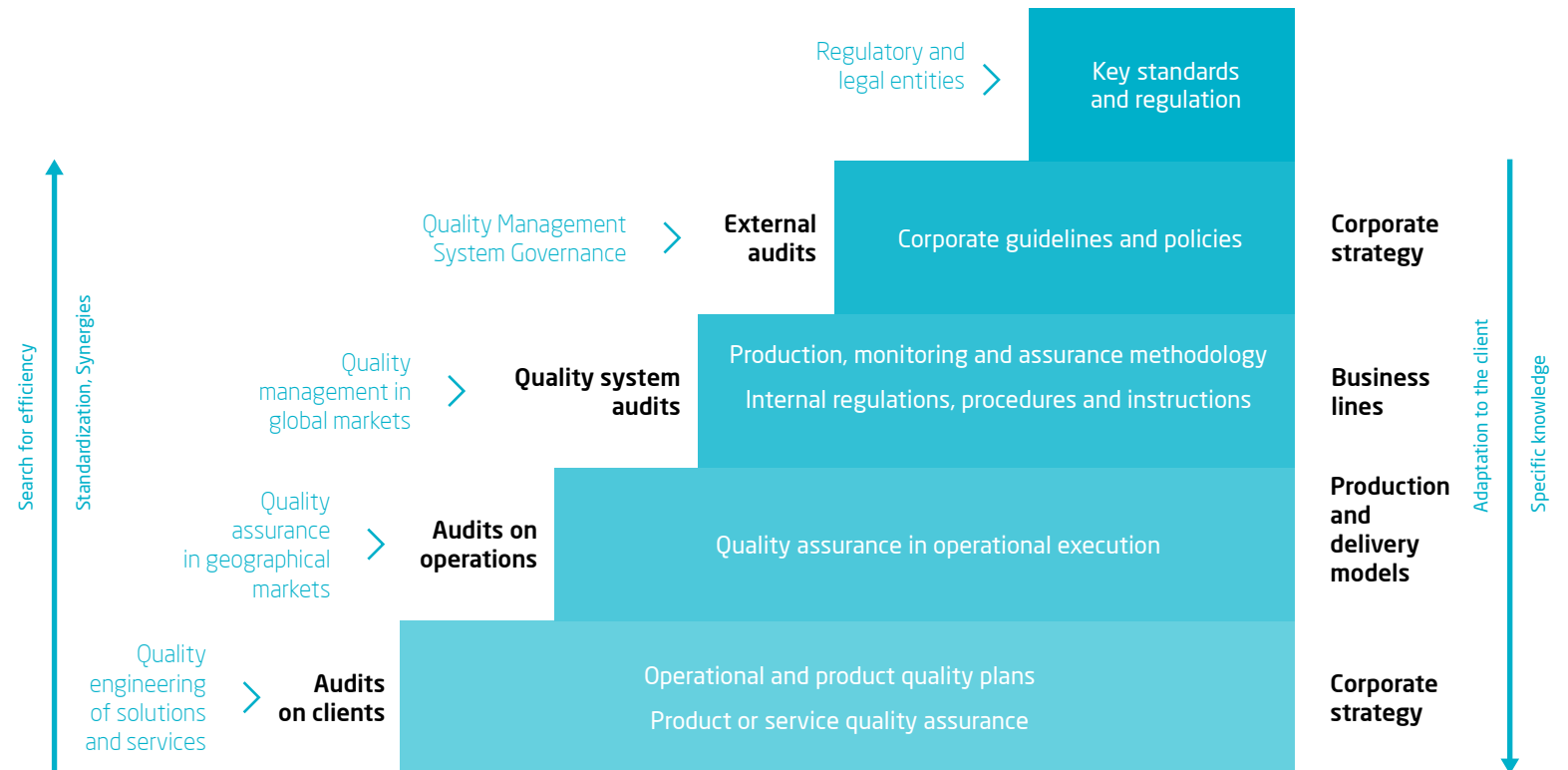
The Quality Management System responds to the specific points of each of Indra's business lines and clients.

Based on market standards and rules of reference, and Indra's the corporate strategy, the company establishes a series of policies, objectives and general guidelines applicable to the whole organization.

These guidelines are set out in various methodologies according to the business line, and specified in the internal regulations to be followed when executing operations. In some cases, quality plans are developed for each operation and product to respond to the requirements at client and organization level.

At the same time an assessment and ongoing review is undertaken on the execution and performance of these activities to ensure continuous improvement.

Two-way approach from global to local, and from specific to general



QUALITY

THE IMPLEMENTATION OF THE LEAN METHODOLOGY IS LEADING TO MAJOR BENEFITS FOR THE COMPANY AND ITS CLIENTS

Maximizing value for clients: Lean methodology in Indra

In 2017 the Lean Manufacturing and Lean IT methodologies were implemented at the same time in a number of pilot projects developed for the organization's key clients. In this way, Indra aims to transform its culture of work, generate impact and achieve a continuous improvement that means increasing the quality of products and services and increasing efficiency.

Practically all the company's units have intervened in the choice of clients and projects, which has allowed outstanding practices and improvements to be applied across all the company's units.

The results obtained in the pilot implementations of Lean methodologies has led to the inclusion in the new 2018-2020 Strategic Plan of the implementation of the Lean Manufacturing and Lean IT methodologies as one of the lines of work. The aim of this improvement in productivity is to contribute to Indra becoming a more competitive, innovative and efficient organization.

Objectives behind the use of the Lean methodology

To transform Indra's work culture



To motivate and train personnel to construct and guarantee change throughout the organization.

To achieve ongoing improvement



To identify those activities which provide value for the client and promote a long-term relationship.

To generate impact



To achieve excellence by means of a process of ongoing improvement from a transversal viewpoint.

Lean Initiatives in 2017

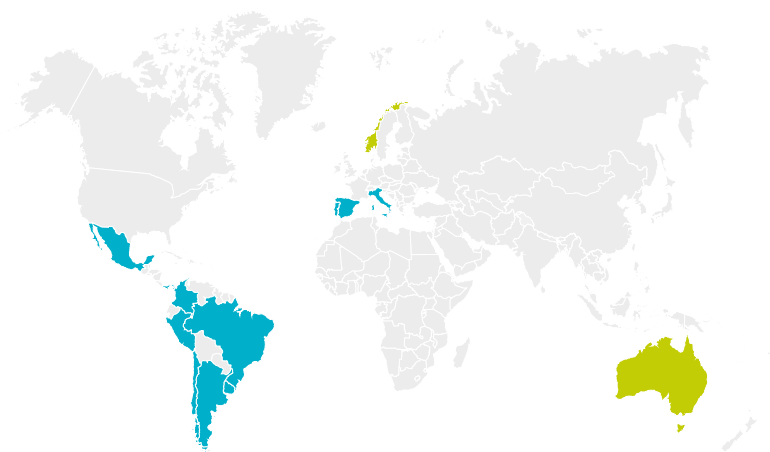


Main benefits for Indra and its clients

- To eliminate activities without value
- To automate tasks which are repetitive and of low complexity
- To adopt an ongoing improvement approach in its work method
- To optimize delivery pyramids
- To identify synergies
- Increased quality of the products and services provided for clients
- Increased efficiency during the project's different phases

QUALITY

IN 2017 INDRA UPDATED ITS GLOBAL QUALITY MANAGEMENT CERTIFICATE TO THE NEW VERSION OF ISO 9001:2015 REGULATIONS. THIS CERTIFICATE INCLUDES 62 CENTERS IN 11 COUNTRIES, WHICH REPRESENTS MORE THAN 70% OF THE GROUP'S REVENUES



Quality Management System Certificates

For Indra these certificates are the focal point for their work which gives credibility to the company's performance within the scope of its Quality Management System. In 2017 the company's main certificate was updated for 26 subsidiaries in 11 countries, this refers to the new 2015 version of the global ISO 9001 certificate for its quality management system.

This involves further improvement in the processes for them to be more clearly adapted to strategy and to the reality of the business. This gives the company a further boost to its global quality management and makes it a benchmark in the application of the new ISO 9001 regulation.

MEXICO

- Indra BPO Mexico, S.A. de C.V.
- Indra Sistemas Mexico, S.A. De C.V.
- Indra Software Labs Mexico, S.A. De C.V.
- Indra Corporate Sevices Mexico, S.A. De C.V.

PANAMA

- Indra Panama S.A.

COLOMBIA

- Indra Colombia Ltda
- Indra Sistemas S.A. Colombia Branch

PERU

- Indra Perú S.A.

CHILE

- Indra Sistemas Chile S.A.

ARGENTINA

- Indra SI S.A.

BRAZIL

- Indra Brasil Soluções E Serviços Tecnicos S.A.
- Indra Company Brasil Tecnologia Ltda
- Indra Tecnologia Brasil Ltda
- Indra Sistemas S.A. Brazil Branch

URUGUAY

- Soluciones y Servicios Indracompany, S.A.

SPAIN

- Indra Sistemas, S.A.
- Indra Corporate Services, S.L.U.
- Indra Sistemas De Seguridad, S.A.
- Indra Software Labs, S.L.U.
- Indra BPO, S.L.U.
- Indra BPO Servicios, S.L.U.
- Indra Sistemas Comunicaciones Seguras
- Indra EMAC

ITALY

- Indra Italia S.P.A.

PORTUGAL

- Indra Sistemas Portugal S.A.
- Indra II BPO Portugal

SPAIN

- Prointec
- Advanced Logistics Group, S.A.

NORWAY

- Indra Navia

AUSTRALIA

- Indra Australia PTY Limited

■ GLOBAL ISO 9001 CERTIFICATION
 ■ LOCAL ISO 9001 CERTIFICATION

QUALITY

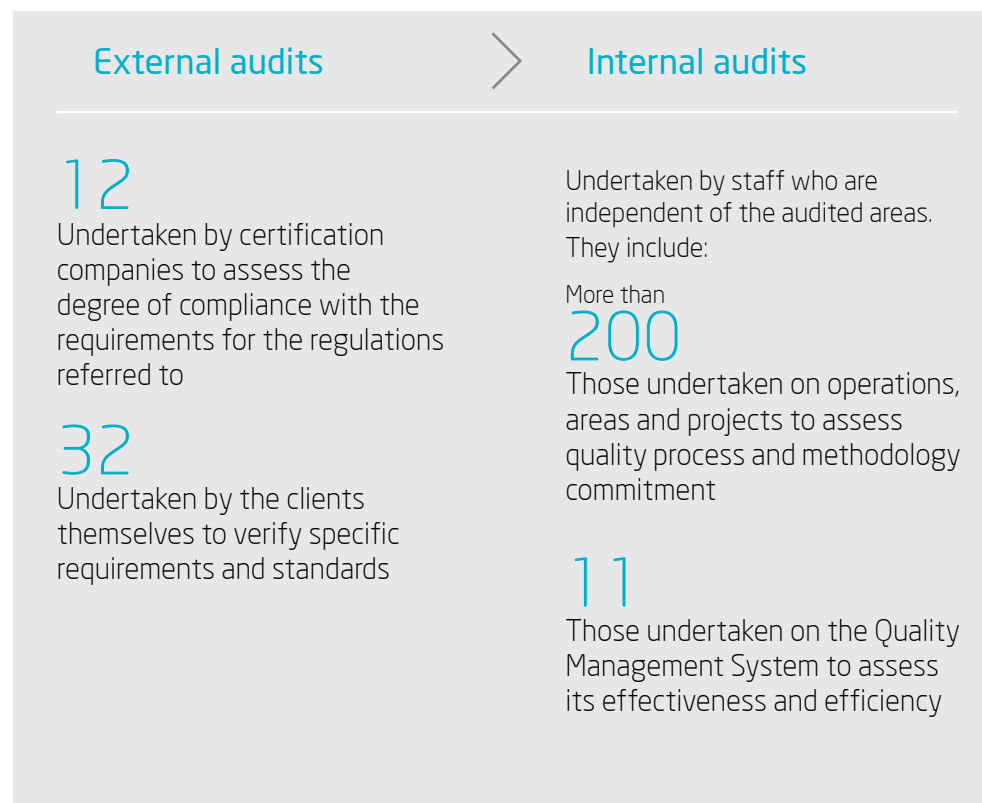
IN 2017 THERE WAS FURTHER RENEWAL AND REINFORCEMENT OF OTHER CERTIFICATES AND REGULATIONS IN THE FIELD OF QUALITY WHICH HIGHLIGHT COMMITMENT AND THE WORK UNDERTAKEN IN THIS AREA.

The fact of being in possession of this group of certificates means that clients are confident that the Quality System will meet their expectations, and gives the company an advantage over other companies.

 Quality Management systems for the aerospace sector	<ul style="list-style-type: none"> • Renewal of AS 9100 and AS 9110 regulations
 Compliance with NATO requirements for managing and guaranteeing quality	<ul style="list-style-type: none"> • Renewal of PECAL 2110, 2210 and 2310 regulations
 International certificate guaranteeing quality in software testing processes (TMMi)	<ul style="list-style-type: none"> • Renewal of international level 3 TMMi certificate • Indra is the only certified company for these regulations in countries like the Philippines and Colombia; and one of only two at level three in Spain and Brazil
 Global excellence certificate for quality and the application of best engineering and software development practices (CMMi level 3 and level 5)	<ul style="list-style-type: none"> • Successful renewal of the level 3 CMMi certificate for operations in Spain and in the software factories • Successful renewal of the level 5 (highest) CMMi certificate for air traffic management (ATM) programs and the Center for Security Excellence (CES)
 Certificate for the Quality Management of R&D	<ul style="list-style-type: none"> • Indra has a Management System for R&D certified in accordance with UNE 166002:2014 R&D Management regulations
 Collaborative working relationships Management System Certificate	<ul style="list-style-type: none"> • Indra has a Management System for collaborative working relationships certified in accordance with ISO 44001 international regulations and with global coverage

Quality audits undertaken in 2017¹

External and internal audits are one of Indra's main tools for identifying improvement opportunities.



(1) Scope Indra without Tecnom. Paradigma has not been included since the acquisition was conducted at the end of December 2017.

QUALITY

Some examples of acknowledgments of the Indra's capabilities

In 2017 Indra received numerous acknowledgments recognizing the company's efforts to provide new products and services which meet and exceed client expectations in all geographical and business areas. Here are the details concerning some of these acknowledgments.



DEFENSE AND SECURITY

In 2017, the Full Flight Simulator (FFS) for the EC135 helicopter developed by Indra to cover the training requirements for Spanish Army pilots obtained the **highest level of certification from the State Air Security Agency (AESA)** which can be awarded to this type of system, as well as CS-FSTD(H) level D, which recognizes its capacity for maximum fidelity reproduction of the behavior of the actual aircraft and provides the highest level of training so as to reinforce the security and capabilities of pilots.



TRANSPORT

The traffic and tunnel management project developed by Indra for **Coviandes**, was awarded the **Spanish 2017 ITS (Intelligent Transport Systems) award** for the implementation undertaken on the major Bogotá-Villavicencio freeway.



AIR TRAFFIC MANAGEMENT (ATM)

In 2017 Indra was **confirmed by the European Aviation Safety Agency (EASA)** as a Approved Design Organization (DOA), which entitles it to undertake modifications to aircraft of all sizes and install avionics networks to enhance their capabilities.

In 2017 it was also selected as the year's **best supplier by NATS**, the air navigation services provider in the United Kingdom, after the successful deployment of its latest-generation iTEC system at the Prestwick air control center that manages Scotland's entire air space.



INFORMATION TECHNOLOGY

In 2017 Indra also guaranteed greater reliability of its *software* with the award to seven of its production centers in five countries of a level 3 **TMMi certificate**, the international standard which measures and improves the test and quality processes and activities for *software*. This certification covers the work undertaken by more than 900 professionals within the company.

During this same year, the energy management system developed for the Colombian National Training Service (SENA) was awarded the **Energy Efficiency Award** in the Public Bodies category. This award recognizes commitment and good practices in the implementation and publication of projects promoting energy savings and sustainability.

Minsait was also **acknowledged by Symantec** as the partner with the best technical team in 2017, an award which recognizes the high level of specialization, experience and quality of its professionals and their proven, accredited training in cybersecurity solutions.

PROGRESS IN DIGITAL TRANSFORMATION TO IMPROVE PRODUCTIVITY AND PROCESSES

Key factors in the company's plan to reinforce digital transformation

INDRA IS INVOLVED IN THE IMPLEMENTATION OF A PLAN TO REINFORCE THE COMPANY'S DIGITAL TRANSFORMATION AT EVERY LEVEL

1



Security

- Digital Security Strategy
- Extension of the perimeter
- Forecasting
- New management model

2



Data

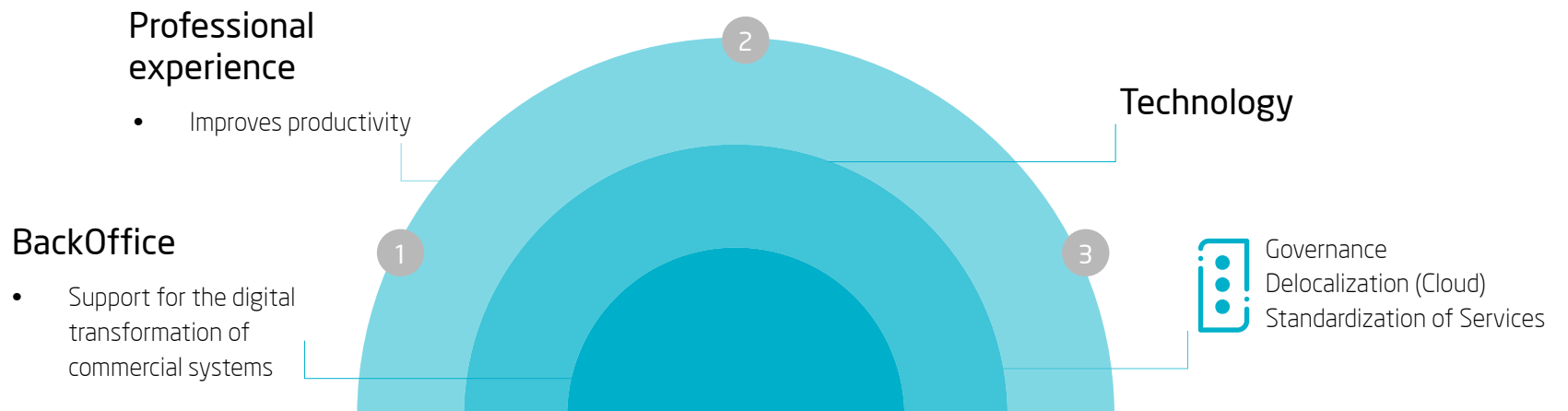
- Data Centric Strategy
- New opportunities regarding data
- Governed information
- Competitive intelligence

3



Professionals

- Employee Centric Strategy
- Engagement
- Personalization
- Facility



INFORMATION SECURITY

TO PROTECT THE PRIVACY OF ITS CLIENTS, INDRA EMPLOYS SECURE COMPUTER TECHNOLOGY AND A STRICTLY APPLIED CODE OF BEHAVIOR COVERING ACCESS TO CONFIDENTIAL DATA

Information Security Management System

Information Security is a significant issue for Indra because of the impact information protection activities have on clients. The information which Indra handles is one of its most critical assets and for this reason it is necessary to establish suitable measures to protect the information which is transmitted and stored.

To develop the basic principles for the System, Indra has a Regulatory Framework for Information Security, the foundation of which is the Information Security Policy. This Policy ensures that the company's security risks and requirements will be identified and their impact on the company and on the business assessed, and this results in controls and procedures which are more effective and coherent in their management. All this enables Information Security to be an integral part of all the processes of the organization and the company's strategic planning. The Information Security Regulatory Framework is applicable to all the company's professionals.



Basic principles

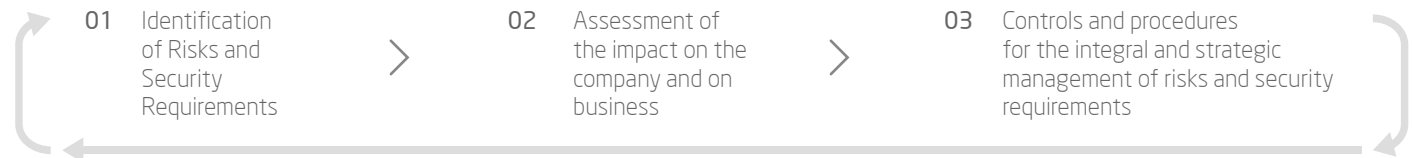
Guarantee of confidentiality, ensuring that only those with authorization may access the information

Guarantee of integrity, ensuring that the information and its processing methods are precise and comprehensive, preventing unauthorized changes

Guarantee of availability, ensuring that authorized users have access to the information and its associated assets when they require it

Corporate Information Security Policy

This policy is the cornerstone of the Management System, and has three phases:

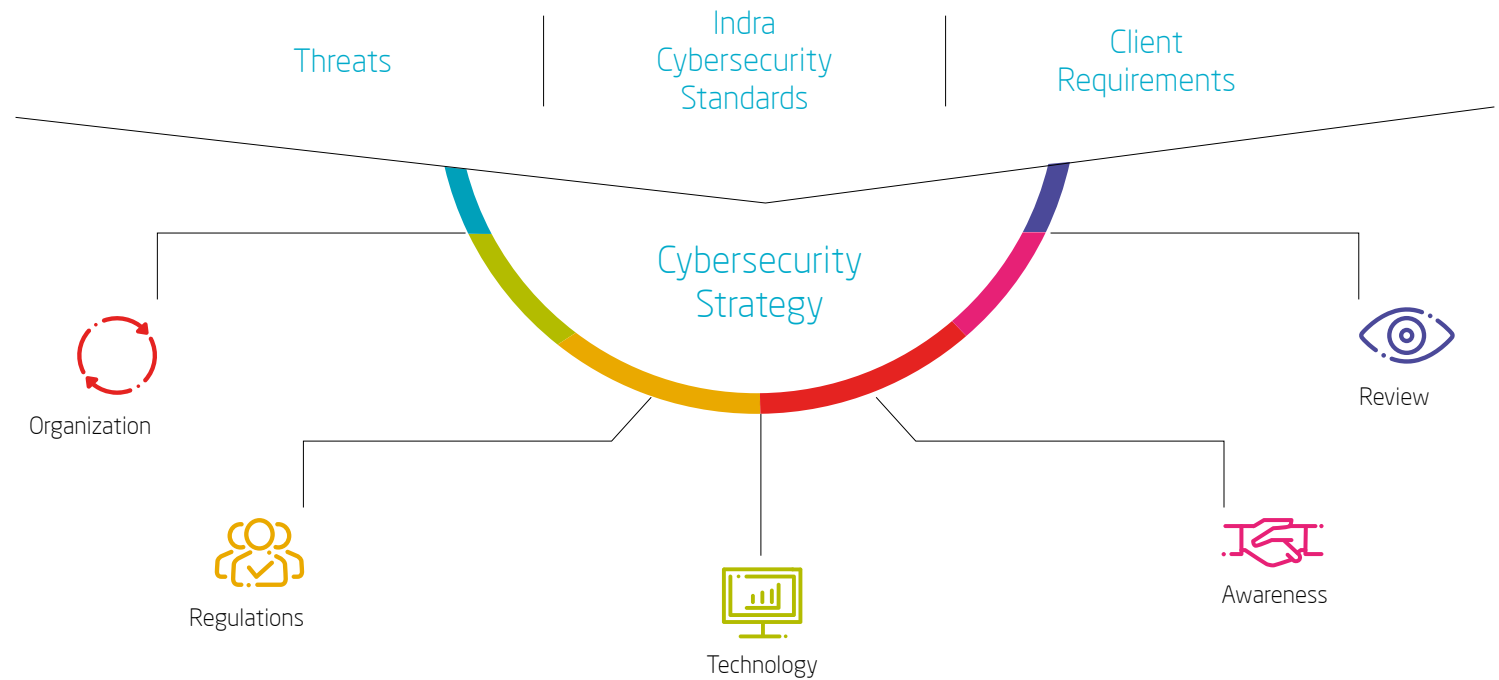


INFORMATION SECURITY

INFORMATION SECURITY IS ONE OF THE KEY FACTORS IN THE COMPANY'S PLAN TO REINFORCE DIGITAL TRANSFORMATION

The Corporate Information Security Management System is applicable to all the company's markets and areas, in addition to all Indra companies, centers and subsidiaries, and obligatory for the whole of the Indra Group. The system is based on internationally recognized standards like the ISO 27001 Information Security Management System. Indra's corporate Information Security Management System has been certified by AENOR since 2007.

According to the 2018 Global Risk Report of the World Economics Forum, risks linked to cybersecurity are increasing, both in terms of their prevalence and their negative impact. To respond to this risk, Indra has adopted a progressive strategy in this field which was developed based on the Management System and has been significantly recently strengthened in recent years.



INFORMATION SECURITY

Increased capacity for cybersecurity protection

In 2017, there were cybersecurity risks at a global level, Wannacry for example, which had a severe impact on numerous companies throughout the world.

Given the global increase of risks linked to cybersecurity, Indra has taken a number of initiatives to strengthen and increase both its own protection and that of its clients in the face of these threats. For example, vulnerability identification management processes have been optimized and new security protection and monitoring systems have been implemented and/or updated. As a last resort, mechanisms have also been devised for the transfer of risks through cyberinsurance.

Privacy and protection of data of a personal nature

In 2017, Indra's Data Protection and Privacy Policy was adapted to the requirements laid down in European data protection legislation, outlining the new rights established by these regulations and formalizing the position of the Data Protection Officer, as the person responsible for the Data Privacy and Protection Office created by the company in 2010.

The dynamics initiated in 2016 have also been continued with the organization of a number of on-site information sessions in different geographical areas on the upcoming application of the EU 679/2016 (GDPR) Regulation in different corporate and business units with special concern for data protection. The aim of these sessions was to introduce the upcoming organizational changes that the new regulation will bring.

The information sessions held with the business units have led to the creation by the Corporate Data Privacy and Protection Office of Indra's activities record as being responsible for processing clients' data.

This registration is a very useful information and control tool for monitoring projects with this type of involvement and for assessing the data protection risk which such projects involve for the company.

It should be pointed out that in 2018 an intensive training plan will be undertaken both globally and at all levels in matters of Information Security.

The clauses have also started to be included to obtain, in compliance with the GDPR, the express consent of beneficiaries in the relationships between Indra and the different groups for which it processes data of a personal nature.

Collaboration with public bodies

Indra is collaborating with a number of public bodies in the field of cybersecurity with special mention for the following initiatives undertaken in 2017

- Contribution to the review of international ISO/IEC norms regarding identities and access control
- Collaboration with the AENOR Expert Committee on Identity and Privacy for the review of national and international information security standards and making an active contribution in the Identity and Privacy Work Group
- Publication and training via the Madrid chapter of the ISACA, specifically for certificates like CISM
- Preparation of the European Privacy Regulation relating to European GDPR regulations and their application in the company within the framework of Spanish legislation

INFORMATION SECURITY

IN 2017 MINSAIT WAS AWARDED THE PRIZE FOR THE BEST ARTICLE ON RESEARCH AT THE III NATIONAL CYBERSECURITY RESEARCH FORUM, WHICH WAS A MEETING POINT FOR CYBERSECURITY RESEARCHERS AND PROFESSIONALS IN SPAIN

Advanced training in Cybersecurity

Indra does not only employ professionals with expert knowledge in matters of Information Security and Cybersecurity within the corporate Information Security Unit, it also has a Cybersecurity business unit included in Minsait, which responds to the information security requirements of Indra clients in different sectors.

The business unit in Cybersecurity is composed of a large number of specialists distributed between three global security Operations Centers located in Spain, Mexico and Colombia who work together as an association.

This unit provides integrated management of TIC security by means of a 360° model geared to covering all protection requirements from prevention to response via three key factors: personnel, processes and technology. In 2017 the unit dealt with:

- More than 300,000 monthly events monitored by the teams of SOC analysts
- More than 480,000 monthly identity checks between the different biometrics systems

The Minsait Cyber Range should be highlighted as one of the market's state-of-the-art training solutions. A pioneer platform supporting intensive individual and group training in cybersecurity techniques and tactics.

Indra uses this platform to collaborate with universities and government bodies like the Spanish Civil Guard, the Joint Cyberdefense Force and INCIBE to incorporate talent into cybersecurity and cyberdefense. A competition held in 2017 was intended as a step forward in reinforcing training for university students in cybersecurity and in raising awareness on this issue. It was also useful for detecting talented young people and for consolidating the pool of experts in a sector in which the demand for professionals is growing in parallel to an exponential increase in cyber-attacks.



UAM, Indra, Spanish Civil Guard, the Joint Cyberdefense Force and INCIBE are the driving force behind the training of the next generation of cybersecurity professionals

PROFESSIONALS

40,020
number of
employees in
Indra*

(*) The data for the workforce at December 31, 2017 includes TecnoCom and Paradigma.

PROFESSIONALS

EFFECTIVE KNOWLEDGE MANAGEMENT AND THE DRIVE OF INNOVATION ARE KEY FACTORS IN THE SUCCESS OF THE COMPANY

INDRA HAS ADOPTED A TALENT MANAGEMENT STRATEGY IN LINE WITH ITS BUSINESS

At Indra, our main asset is our human capital. The company employs excellent professionals in all business areas and at all levels of the organization and encourages diversity within the workforce. Talent management is especially significant if you take into account the sectors in which the company works, with a strong technological component which is continuously changing and developing.

One of the focal points of the company's talent management strategy is to attract the best talent available, reinforcing certain profiles, in particular those associated with new businesses, like those relating to digital transformation, and to the development of its new product and high-tech solutions. Also, in line with the objective of the internal development of professionals, special emphasis is placed on recruiting young people.

The talent management strategy is perfectly in line with business strategy, with transformation in the same measure and at the same rate as for the organization itself. The objective is to ensure that Indra has the capacity and knowledge it requires currently and which it will require in the future, as well as an appropriate

culture which will enable both strategic objectives and the demands and expectations of its stakeholders to be met.

Innovation is an integral part of the company, closely linked to Indra's talent management because it is an attractive facet which is also able to develop and stimulate the growth of the company's professionals. One initiative within this field is the Innovators project, a call to all professionals to present disruptive ideas. For more information on innovation in Indra, please see [chapter 10](#) of this Report.

The company's multi-business strategy, together with the new markets and opportunities in which the organization wishes to grow, requires strategic reflection on which profiles are required and which management models each one requires with the objective of optimizing the company's personnel and talent.

An example of this challenge was the incorporation into Indra of professionals from TecnoCom, the acquisition of which has enabled the company to strengthen its leadership in the field of Information Technology.

PROFESSIONALS

Workforce by geographical area

FINAL WORKFORCE	2017*	%	2016	%	% VARIATION OVER 2016
Spain	25,081	63	18,951	55	32
America	11,326	28	12,091	35	(6)
Europe	1,811	5	1,632	5	11
AMEA	1,802	4	1,620	5	11
TOTAL	40,020	100	34,294	100	17

(*) The data for the workforce at December 31, 2017 includes TecnoCom and Paradigma.

At the close of 2017 the total workforce was made up 40,020 professionals, which represents a 17% increase over 2016 (5,726 more employees) mainly as a result of the incorporation of TecnoCom (6,330 employees) and Paradigma (374 employees).

AVERAGE WORKFORCE	2017**	%	2016	%	% VARIATION OVER 2016
Spain	24,517	61	19,474	55	26
America	11,921	30	12,952	36	(8)
Europe	1,836	5	1,584	4	16
AMEA	1,730	4	1,637	5	6
TOTAL	40,004	100	35,647	100	12

(**) The data for the average workforce in 2017 includes the average workforce in Telecom throughout 2017. Paradigma was not included as it was not acquired until the end of December 2017.

The average workforce at the close of 2017 increased by 12% over 2016, mainly due to the incorporation of TecnoCom. If we exclude this incorporation, the average workforce decreased by 6% over 2016, mainly due to a reduction of the workforce in America and Spain of 16% and 1% respectively.

STRATEGIC LINES FOR TALENT MANAGEMENT

Indra has three strategic lines for the development of talent management



Attraction



To attract the best available talent, recruiting professionals who provide attitudes, abilities, knowledge and skills which make a difference, focusing especially on young professionals and on students.



Retention



To ensure that Indra has an attractive value proposition for personnel, which encourages professional development and includes diversity as an element which contributes value to the company, striving continuously to reinforce security and occupational health for all professionals and maintaining a fluid dialog at all levels.




Digitization



To progress in digital transformation so as to improve talent management and the experience of the professionals, with support for the process of change which is occurring within the organization and increasing the impact of talent management policies on the business.

TALENT ATTRACTION

YOUNG TALENT IS A KEY
FACTOR IN PROMOTING CULTURAL
CHANGE IN INDRA

 Indra's objective is to attract and retain the best talent, reinforcing specific profiles, in particular those linked new businesses, like those relating to digital transformation, and to the development of its new range of products based on state-of-the-art technology.

To be able to attract the best talent in a sector where there is extremely high demand for the same, Indra has a series of distinguishing elements aimed at those wishing to start their career (in the case of inexperienced professionals) or continue their career (in the case of those with professional experience) in the company, and these include innovation, an international presence, project diversity and flexibility.

The company has a website (<http://www.indraempleo.com/en>) which provides detailed information on what a professional career in Indra would entail, as well as the different vacancies existing.

Smart Start, a program for young talent

The Smart Start program is an outstanding example of Indra's achievements in attracting talent.

In line with Indra's commitment to develop talent and the need to include new profiles to respond to current business requirements, the Smart Start program was initiated in 2016 and reinforced in 2017.

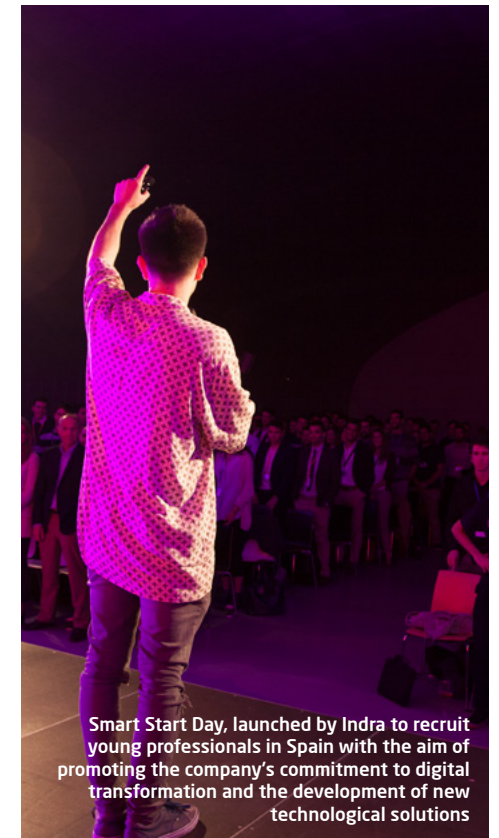
Smart Start is a program aimed at students and young professionals and it includes an integrated training plan and assignments to innovative and benchmark projects. It has a global scope, so it supports Indra's commitment to value creation in those places where sets up, and strengthens its commitment to local talent.

In 2017 664 young talents have been recruited through this program in Latin America (Argentina, Brazil, Chile, Colombia, Mexico and Peru).

In Spain the initial objective of 1,500 recruits has been exceeded and the figure has now reached 1,700 young people.

In programs like **Smart Start**, universities and learning institutions play an essential role. In this regard, in 2017 Indra signed collaboration agreements with more than 263 education institutions worldwide. It also strengthened its Employer Branding strategy, participating in programs aimed at young people, such as **Recruiting Erasmus** and **Jumping Talent**, and with actions like **Smart Day** which took place in Spain and in which 200 students were invited to get to know the company.

In 2018 there will be a review of the processes for selection, on boarding, training and development of junior professionals, with the objective of optimizing the process and improving the experience for applicants and employees. There will also be developments in the welcome program which will be adapted to the new profiles to be included within the organization.



Smart Start Day, launched by Indra to recruit young professionals in Spain with the aim of promoting the company's commitment to digital transformation and the development of new technological solutions

AN ATTRACTIVE VALUE PROPOSITION



It is just as important for Indra to attract the best talent as it is to retain its professionals. This is why the company is reviewing its employee value proposition (EVP), making sure there is a response to the interests and requirements of the professionals.

The EVP includes:

- Possibilities for professional development
- A stimulating work environment
- Role and career related training
- International mobility

The final objective is to generate greater commitment to the company, as well as increased productivity and efficiency.

Career plans which promote professional development

Such a profound transformation as that undergone by Indra equally involves reflection on its strategy for the profiles required and the possibility of professional development. This is why the implementation of the new Model for Career Plans for the different businesses continued in 2017, a process which will be increased and perfected throughout 2018.

The model, which is applicable to all professional staff, was designed relying on the collaboration of the different managers in Indra's business units and is based on the following principles: the mutual commitment, motivation and maximum development of the professionals. In addition to the new training plans, the Model is also a response to requirements within the context of Indra and its businesses, ensuring the availability of professionals with the abilities and skills demanded by the market and in this way enabling business objectives to be reached in the short, medium and long term.

The new model allows professionals to play a more prominent role in their own development, since enables each one to know at all times what the company expects of him or her.

Assessment and remuneration in accordance with professional results and achievements

Indra employs a model for performance assessment which focuses on the skills and results of those that included 71%¹ of professionals in 2017.

In 2017 the model underwent developments to adapt to the requirements of each and every career plan (profiles, frequency, connection with other talent management processes). One of the main changes was based on placing more importance than in previous models on how things are done, so 30% of the final assessment is based on the development of skills associated with each profile, and 70% on meeting the objectives defined at the beginning of the year. As an example, this year special emphasis was placed on generating

a climate of collaboration which promoted team work, including this as an objective for all professionals.

Indra's success largely depends on the achievement of individual targets by the professionals forming part of the company. A system of variable remuneration is in place to ensure compliance with these targets, and thus those of each business unit and the company itself. The model is based on the recognition of the professionals who contribute more to the achievement of the company's objectives.

In addition, to ensure business sustainability, Senior Management has some long-term objectives. The objectives of the executive directors (including the Chairman and CEO) are also made public every year ([Annual Reports on the Remuneration of Indra Directors](#)).

(1) Scope Indra without Tecnomcom

AN ATTRACTIVE VALUE PROPOSITION

LEARNING TOGETHER
MAKES US BETTER

Training as a lever for professional development

Indra understands that providing its professionals with simple and flexible access to training tools helps improve their professional development (having all the knowledge they need to work better every day) and their satisfaction with the working environment.

Of note in the training area is Indra's corporate university project, called Indra Open University. This project is fully aligned with the company's strategy. It aims to ensure that professionals are fully prepared to achieved the organization's short, medium and long-term objectives.

In 2017 Indra's corporate university, Indra Open University, has consolidated its position as a essential lever for the achievement of the strategic objectives, through the development of the capacities and skills of the professionals, and by enhancing their careers at Indra.

One of the advances made is the definition of training pathways for each career plan, with mandatory and recommended courses that develop the most relevant skills for each professional profile. The pathway guides employees during their whole career, from their arrival in the company to when they become established.

In 2018 a greater emphasis will be placed on the Technology Schools and Digital Transformation, to align them better with the

content of the new 2018-2020 Strategic Plan, with significant work being done to virtualize the content. Virtualization and collaboration are two differentiating elements of the corporate university, as it allows professionals to access training and share their experience and knowledge at any time and from any place, supporting the generation of a common culture at global level.

The pathways are completed with cross-curricular programs aimed at critical groups in the organization. Of note in 2017 are two: the New Manager program (a management program for employees who have been recently promoted or arrived as managers this year, with 261 professionals participating in the last edition) and Indra's Postgraduate Course on Strategic Management (whose aim is to strengthen the capacity of Indra's management team, and is organized jointly with Universidad Carlos III - Spain).

Another cross-curricular program worth noting is the Digital Transformation Program. It aims to make the company's employees aware of the meaning of digital transformation and its impact on the business and on people management.

One of the most relevant aspects in 2017 within the Virtual Campus has been the 1st Open Space Technology forum, organized

jointly with the company's Production Unit. More than 1,200 people took part at the event, using the Open Space methodology to deal with the technological issues that are of most interest to Indra's professionals.

In 2017 Indra won the Human Capital Prize granted by Wolters Kluwer in the Training and Development category. The award recognizes and highlights the value of the training policies and actions carried out by the company in recent years, from a strategic point of view.

Training in figures, 2017

25,341
students in Indra training actions

803,262
hours of training given

20
hours of training per professional, equivalent to 2.5 days of work

3.8/4
satisfaction of professionals with the training received

More than
1,240,000
visits to the Virtual Campus

AN ATTRACTIVE VALUE PROPOSITION

Diversity management

Indra is aware that its success depends on its professionals, and understands the obligation to value these professionals for their capacity, effort and talent, without resorting to any type of judgment or discrimination in relation to race, gender, religion, political leanings, nationality, age, sexual orientation, civil status, disabilities, social origin, or any other personal circumstances. This respect for difference and equal opportunity is recognized in the Code of Ethics and Legal Compliance, and in the Corporate Diversity Policy. Moreover, all the company's talent management processes are based on meritocracy, ensuring there is no different treatment for any aspects of a personal nature.

The Indra workforce is composed of 34% women, who occupy 14% of the positions in Senior Management and 18% in executive positions.

In 2017 the situation of women in Indra was analyzed, and together with a focus group with women in the company a program was designed to improve gender diversity. It will be implemented in 2018, with the following goals:

- Consolidate the culture of an inclusive company, supported by Senior Management, which understands diversity as a value and manages it accordingly

- Provide professionals with the tools they need to manage diversity adequately, ensuring they understand it as a shared responsibility that involves all of them
- Have processes in place based on equal opportunity, incorporating diversity as a principle in the design of all policies and processes that apply to people
- Foster a greater presence of female talent at all levels of the company, meaning that there are more effective mechanisms in place for the recruitment, development and retention of this talent
- Support for key roles: a set of initiatives that encourages women who break existing social barriers, and also those who make an effort at self-improvement for their professional growth. This area also includes initiatives such as the generation of a female networking scheme and group coaching sessions to find effective strategies that allow a reduction in gender barriers
- Talent management processes: the inclusion of the gender variable in the analysis of talent management processes shows that there is no gender discrimination in the company, as demonstrated by the percentage of women who were promoted in 2017 (30% of all promotions). Even so, we should not lose the focus on this key point for professional advancement and thus an analysis of the decisions relating to talent from the point of view of gender will continue to be included. In 2018 special emphasis will be placed on analysis of remuneration to guarantee that there is no wage gap in Indra

The Program is global in scope and is also conceived to adapt to local reality and needs, with the focus on the following areas of action:

- Culture: with the aim of breaking possible stereotypes and prejudices that prevent equal opportunity. This aim includes a variety of training and communication actions that give greater visibility to female talent. For example, the Women who Inspire program, which identifies women can be seen as models within the organization

AN ATTRACTIVE VALUE PROPOSITION

In addition, one of the main concerns related to talent within the technology sector is the increasingly smaller percentage of women in technical studies (in Spain, women account for only 25% of students in technical degrees). Thus it is important for companies to promote interest in these areas and contribute tools that promote the development of female talent in the sector. One example of Indra's commitment to the promotion of technological interest among women is its participation in the Women and Engineering Program organized by the Spanish Royal Academy of Engineering. It should be noted that in Spain the company has been granted the Company Equality Seal (DIE) by the Ministry of Health, Social Services and Equality.

At international level, Indra participates in the Women's Empowerment Principles promoted by UNIFEM. In Colombia, it holds the Family Responsible Company certificate, granted by the Más Familia Foundation; and in Mexico, in 2017 the company received recognition as the "One of Ten inclusive Companies," granted by the Secretariat of Employment and Welfare, and Infonavit, for its contribution to a better quality of life for people with disabilities.

Within its Employee Value Proposition Indra includes actions that respond to personal concerns, such as corporate volunteering. For more information on the initiatives in this area, see [chapter 11 Commitment to Society](#) in this Report.

Diversity without labels



Cultural



105
nationalities



Generational



38
years old (average)



Gender



34%
women

AN ATTRACTIVE VALUE PROPOSITION

Security, health and employment conditions

The health and safety of Indra professionals is a priority for the company. That is why Indra takes actions that go beyond strict compliance with legal obligations in this area, and incorporates wellbeing and the promotion of a culture of prevention into all its activities.

Ensuring that all Indra employees, regardless of their business area, geography or activity (ranging from office staff to personnel on field work) can work safely is a challenge for which numerous actions are taken and to which the company is committed. In addition, a number of occupational health and safety resources are in place, including the Joint Prevention Service (SPM) for its companies, which covers more than 20,000 professionals in Spain, and covers Safety, Health, Ergonomics and Psycho-Sociology.

The commitment to the company's health and safety is constantly evolving, with innovation as a driver, within the framework defined by the Occupational Risk Prevention Policy, available for all professionals via the intranet.

The company's strategic commitment to ensure the highest possible level of safety, health and wellbeing for its professionals, including both those working for Indra and those who may be affected by its activity, is included in the company's Prevention Policy, [Corporate Social Responsibility Policy](#) and [Code of Ethics and Legal Compliance](#).

Awareness campaigns

Indra promotes and runs awareness campaigns on health in general, as well as actions specifically targeted at occupational health. Their aim is to improve and promote health and general wellbeing through raising awareness by its employees of the importance of protecting their own health and avoiding risks, and promoting healthy lifestyles.

The campaigns are published for all employees on the intranet and include informative material intended not only to share information, but also to foster the motivation and personal skills necessary for the adoption of measures to improve health.

Among other matters, extra medical checkups are given, additional biological controls are carried out, and medical checkups are offered every year by gender, together with a flu vaccination campaign.

As well as this, to promote a culture of prevention and achieve a work environment that is safe for all employees, activities are planned every year to raise awareness of the importance of protecting health and preventing risks.

These activities are focused basically on training and supervision of projects involving risks.

Safety for relocated professionals

Indra is committed to going beyond the protection of professionals who have to move for reasons of work, and offers the SIGEDES service (system for management of relocated employees), which covers the aspects of physical safety, safety of the environment/work, vaccinations, urgent 24-hour phone number and medical insurance, so that before undertaking a trip, all the related departments become involved and comply with their duties.

Main occupational health and safety actions

In 2017 the company's professionals continued to be offered physiotherapy, and it was extended to six new centers. The service is currently provided for around 10,000 professionals in Madrid, and the plan is to extend it gradually. A total of 20 new defibrillators have been installed, in addition to those already in place in 2016, and they now cover over 85% of the workforce in Spain.

As a company, Indra has joined AESPLA, the Spanish Association of Occupational Prevention Services, which channels the common interests of large companies and serves as a forum for debate, learning, etc.

The company's work on research, dissemination and implementation of occupational risk prevention was recognized with the 2017 PREVER award granted by the General Council for Industrial Relations and Work Sciences.

AN ATTRACTIVE VALUE PROPOSITION



Dialog with the professionals

Indra respects the legal and cultural characteristics of each of the geographies in which it operates. In all cases it respects employees' right to freedom of association and labor union representation.

Moreover, the Indra Code of Ethics and Legal Compliance establishes the following basic principles: equal opportunities, respect for all people, non-discrimination on any grounds, and, specifically, on the grounds of union membership.

For Indra it is important to maintain a continuous and transparent dialog with the social partners, encouraging their active participation in the company's guidelines and strategy. In the case of important changes in operations, the necessary mechanisms have been established to inform the countries involved with due notice.

The impact that operational changes may have on employees is carefully assessed, and a plan has been established that includes communication with employees and their representatives. Even if there are no legal obligations or workers' representatives in place, the company ensures that it maintains regular communication with all the employees affected.

In Spain there are 452 labor union representatives who liaise with the companies in the Group. The company assists them in exercising their union duties in all aspects, including provision of material, computers, union premises, etc.

In 2017, dialog with all the labor unions was sought to achieve a fluid exchange of views. An agreement on labor union dialog was signed with the labor unions CCOO, UGT and STC, which represent over 64% of the members of workers' committees. This agreement regulates the procedures for using the entitlement to time off for union duties, the number of union delegates per section, travel expenses and resources for union activity.

MAKE PROGRESS IN DIGITAL TRANSFORMATION TO IMPROVE TALENT MANAGEMENT



To accompany the strategy of attracting the best talent, strengthening the growth of its professionals and offering a diverse and healthy labor environment, the company is also working on speeding up its internal digital transformation through a plan that acts in two areas: development of the current systems and transformation of the model of work (including improvement of the talent management processes).

The new digital working environment should build employee loyalty and provide the best conditions for productivity, which is being achieved with a number of actions that have been implemented for this purpose.

To support the cultural change required by digital transformation, the key processes in Human Resources began to be reviewed in 2017, with the following aims: ensure that they are aligned with the company's new strategy and with the business needs; increase the agility and flexibility of the processes to have a greater impact on operations; and improve employee experience.

This review is based on the use of lean and open innovation methodologies, incorporating analysis and design of solutions to all those involved (the Human Resources team, Management and Middle Management team, professionals, candidates, etc.).

The first process under review has been talent attraction, identifying quick wins to be implemented in the short term and more structural actions to be implemented in 2018, the year when the review of the rest of the key processes will be continued.

As well as carrying out its talent management, Indra also helps other companies in this important work through the development of innovative applications such as **TGo Games**, an application for mobile devices that is based on gamification, geolocation and augmented reality.

The aim of this gaming platform is to encourage employee participation in a corporate or charity event or action, provide news about one of the company's new products or services, build client loyalty, generate a pride of belonging, offer training, and promote team work and

punctuality among professionals - and all from a fun and creative perspective.



SUPPLIERS

1,085
million euros
of purchase orders
from suppliers in 2017

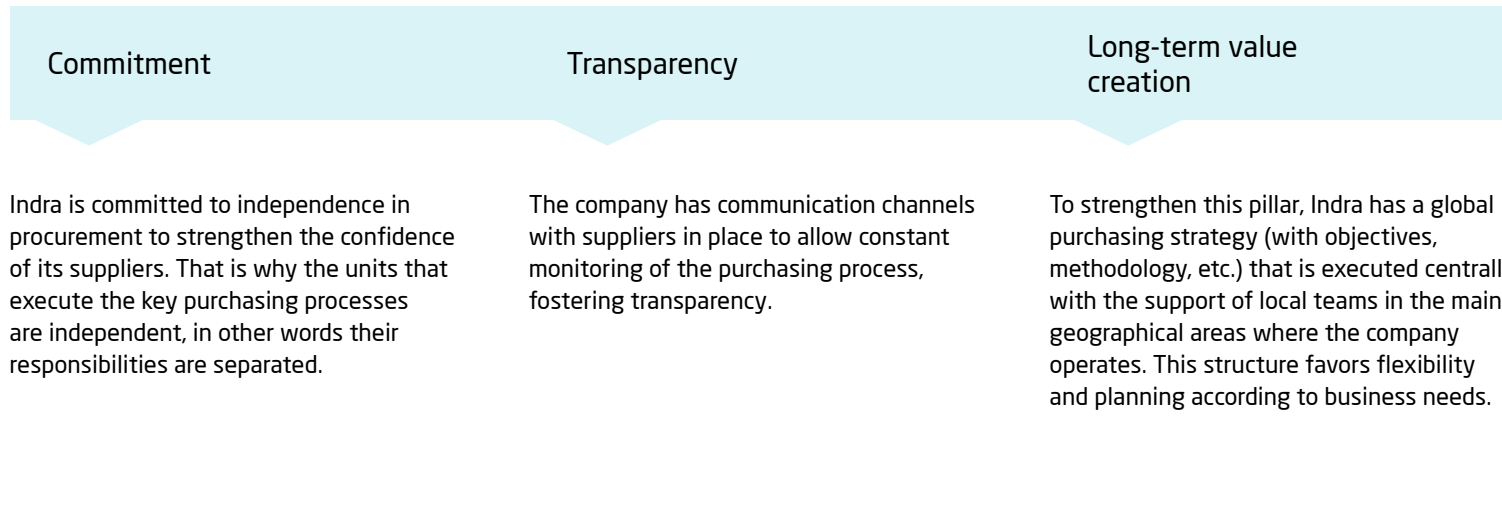
81%
purchases
from local suppliers



SUPPLY CHAIN

INDRA CONSIDERS ITS SUPPLIERS TO BE THE KEY PARTNERS IN ITS BUSINESS

Relationship model with the supply chain



The supply chain in 2017*

€1,085 MILLION purchase orders from suppliers

81% purchases from local suppliers

Policies, procedures and actions that strengthen the company's commitment to its supply chain

- Indra's policy for managing the supply chain
- Tender portal and Bid Module
- Supplier Management Model
- Indra's Code of Ethics and Legal Compliance should be accepted by suppliers
- 2017-2021 Production Subcontracting Plan
- Supplier Day

More than 85 COUNTRIES
Indra has made purchases from suppliers in more than 85 different countries

(*) Does not include TecnoCom

SUPPLY CHAIN

In recent years, Indra has taken a more strategic and centralized approach to the management of its suppliers, in which the business units carry out fewer purchasing activities directly. This improves the control of purchasing and increases transparency because of the separation of functions (the requester does not execute the purchase). Two new management levels have also been established to make purchasing management more flexible: a first level for companies considered more critical, in which a greater level of supervision is required; and a second level channeled through the CSC for purchases that do not require such in-depth control due to their lower level of criticality, leading to greater speed and effectiveness.

Based on the three pillars of Indra's relationship model with its supply chain, the company has developed policies and procedures that are governed by the principles of environmental and social responsibility and good governance, in line with the rest of its corporate policies and the Code of Ethics and Legal Compliance. One demonstration of this is the formal acceptance by its suppliers in 2017 of the Code of Ethics and Legal Compliance, as well as their acceptance of compliance with the corresponding environmental regulations.

The Purchasing Unit is audited internally periodically by the company's Internal Audit Unit, which can lead to the implementation of improvement plans for the purchasing function.

As a result of the implementation of the 2015-2018 Strategic Plan, the purchasing function has evolved. A new purchasing strategy and new processes have been established to improve operational effectiveness, control and transparency, as well as reducing the risks associated with operations identified as critical, either due to the volume or nature of the purchase in question.

In addition, as part of its effort to create long-term value for its suppliers, Indra has a 2017-2021 Subcontracting Master Plan in place, which aims to improve the efficiency and management of the supply chain, while maintaining the highest quality standards and boosting long-term relations that generate value to suppliers and to Indra.

The Plan includes one-off programs, presentations of important Indra offers and the preselection of suppliers for major products under development, offering them the opportunity to make bids for the entire range of Indra products and services.

SUPPLIERS ARE MAJOR PARTNERS FOR THE ACHIEVEMENT OF THE COMPANY'S OBJECTIVES

INDRA IS COMMITTED TO THE MAINTENANCE OF STABLE RELATIONS WITH ALL ITS LOCAL SUPPLIERS



Assembly of the PSR3D MSSR-S Radar in Oman Salalah International Airport

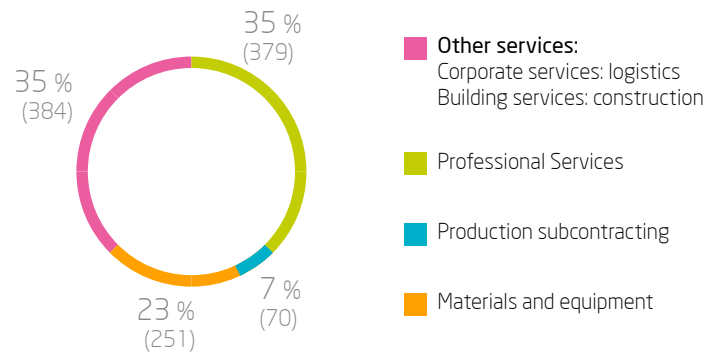
SUPPLY CHAIN

Purchases in 2017

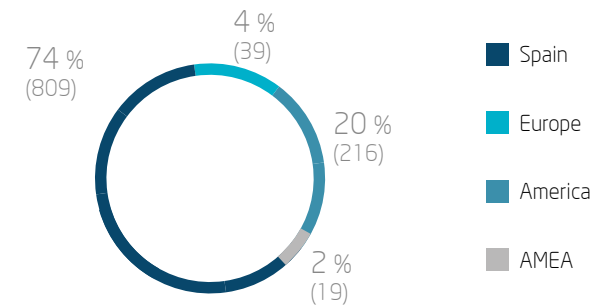
In 2017 Indra (not including TecnoCom) launched orders for goods and services valued at €1,085 million, through a total of 6,661 suppliers.

By volume, spending is focused on Spain, with 74% of the total volume, followed by the Americas, with 20%.

Type of purchase (in millions of euros)



Purchase by geographic areas (millions of euros)

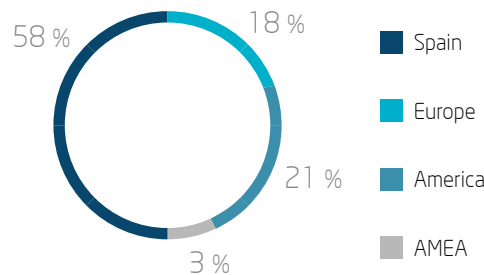


Geographic distribution of suppliers

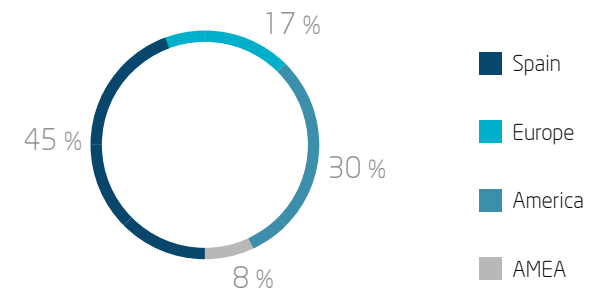
With respect to the geographic distribution of suppliers, 58% of purchases are from suppliers in Spain, accounting for 45% of the number of suppliers.

As part of its strategy, Indra has continued to focus its purchases on countries that are low-risk (according to the OECD), and has strengthened the controls established to minimize risk in operations with moderate-risk countries (Brazil, Argentina and Colombia).

Percentage of overall purchasing volume

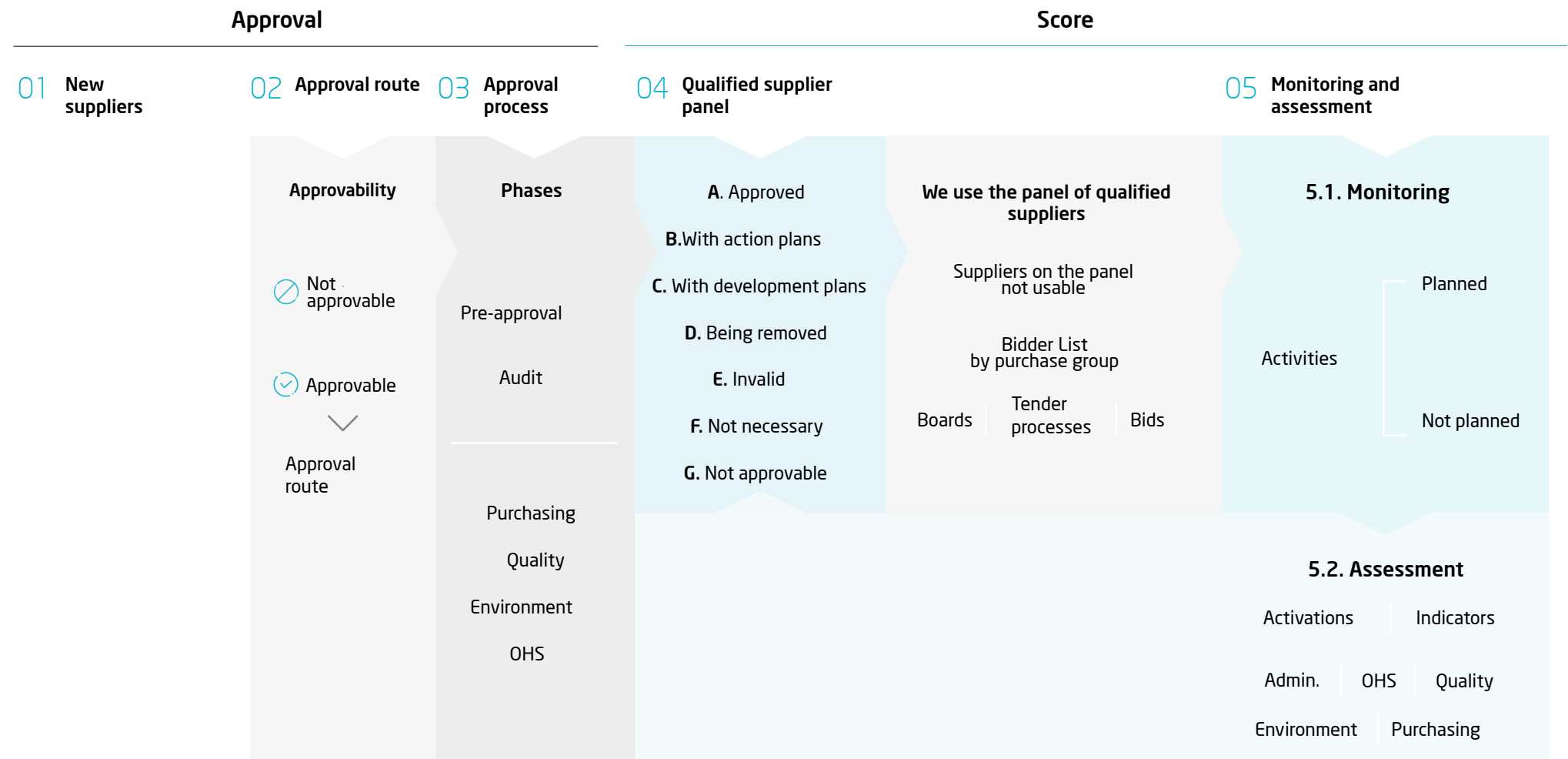


Percentage by number of suppliers



SUPPLIER MANAGEMENT MODEL

Supplier business communication channels



SUPPLIER MANAGEMENT MODEL

The purchasing model has been created to have the best suppliers available through business procedures that guarantee transparency and equality of conditions for the different bidders. Suppliers are required to support the company's growth needs with a maximum level of professionalism. Indra offers a management model with a winning approach for all parties and a commitment to long-term relations

The company manages its suppliers through a panel organized by nature and qualification of the supplier. The qualification is obtained through the approval process and is a necessary requirement for participation in the purchasing processes.

Each supplier on a panel has an approval route with a set of performance indicators and metrics that determine the activities that may be engaged in with it: action plans, development plans, monitoring of the delivery and compliance with contracts, etc.

Environmental requirements for suppliers

In its general purchasing conditions, Indra has established a specific clause referring to the purchase of chemicals and chemical products in relation to the REACH and RoHS regulations. A procedure has been published in the regulations that covers the detailed requirements by type of substance, origin of the supplier, use of the substances and action taken by Indra in each case.

Occupational Health and Safety Procedures with suppliers

There is an Occupational Risk Prevention Plan in place as part of the supplier management model for assessing supplier approval in matters related to occupational health and safety. It establishes the criteria that should be complied with by suppliers according to the risks generated by their activity. General procedures are also operative for activities in the field of construction or services provided by temporary employment agencies.

Protection of Human Rights in the supply chain

Indra promotes and ensures the protection of Human Rights in its value chain. Since 2017 it has required all the companies with which it has had any kind of business relations to accept and comply with its [Code of Ethics and Legal Compliance](#), which is included as a mandatory clause in the general conditions of the contract.

The Code of Ethics and Legal Compliance reflects Indra's commitment (and therefore, the commitment it demands from its supply chain) with the principles related to the rights established in the International Labor Organization's Declaration and the principles of the United Nations Global Compact.

In addition, Indra is aware of the importance of avoiding the use of conflict materials. That is why the company has issued a [Statement on Conflict Minerals](#). Indra believes that one of its responsibilities as a company is to avoid using minerals or components that have been extracted from "conflict" mines, and is committed to protecting Human Rights across its value chain.

In the general terms and conditions for its suppliers, it also includes a clause on conflict minerals.

SUPPLIER MANAGEMENT MODEL

ENVIRONMENTAL, SOCIAL AND GOOD GOVERNANCE (ESG) CRITERIA ARE TAKEN INTO ACCOUNT WHEN RATING AND SELECTING SUPPLIERS

Approval

Approval of suppliers reduces the company's exposure to risk and establishes a common minimum benchmark for all suppliers that participate in the purchasing processes, including environmental, social and good governance aspects. Approval mainly involves a review of the financial risk, by level of criticality and significant impact it could have on Indra's activities. Approval also reflects the different situations of the business, focusing in each case on the most relevant risks according to the nature of the purchase and supplier.

Approval is based on the existence of different groups of purchases that enable a more efficient selection of suppliers to be made, together with an a posteriori analysis of the purchases, to improve the decision-making process.

The units responsible for the approval processes and those responsible for the purchase operations operate independently. This separation guarantees the equity needed in the purchasing function and improvement of internal control.

A review was carried out in 2017 of the supplier approval process, based on the experience of previous years, to adapt it to the new needs of the company and ensure the reliability and quality of the process. As a result, more than 750 suppliers that were already approved in previous years were revalued. Products and services have been acquired for a value of around €716 million from these suppliers, accounting for 66% of all the purchases made in the year.

Additionally, Indra measures the reputational risk of all critical and some of the most relevant suppliers. Any detected reputational risk will exclude critical suppliers from the approval process.

Additionally, the General Terms and Conditions for recruitment were updated in 2017 and are [available on the website](#). The present General Terms and Conditions are communicated individually in each order together with the specific requirements thereof. Each order may additionally include Supplier Quality Requirements that further specify the requirements for each supplier in specific cases.

Score

Supplier management aims to minimize the potential supply market risks on the company by controlling the risks associated with the supply chain, and maintaining and ensuring the availability of the best suppliers in terms of capabilities and competency. To do so, the result of the requirement compliance analysis under the established Approval Model is a score (qualification) for each supplier. This score determines whether the vendor will be admitted as an Indra supplier or service provider. This score is not final. Instead, it is permanently changing based on continuous supplier monitoring and assessment.

The approval process centers around the fulfillment requirements concerning the supplier's economic-financial health and statutory compliance. The continuous assessment process also considers information related to service performance and quality of the delivered product. Indra applies environmental, social and good governance (ESG) criteria when selecting suppliers. These criteria apply penalties but do not exclude suppliers.

Supplier communication and negotiation channels

The two basic channels for negotiations, namely the Tender Portal (for requests for proposals) and Proposal Module, guarantee equanimity and transparency in purchasing processes. Suppliers can use the Direct Channel to lodge complaints and claims with the company.

The 2017 "Supplier Day" was clear demonstration of the commitment to dialog and transparency with suppliers, as the event brought together over 100 suppliers from throughout Spain, Europe, Asia and North America.

This event revolved around new objectives and selection criteria for our products. Furthermore, we took advantage of the moment to highlight our change to a planned, stable and four-year forecast-based production, on our path toward reducing costs while improving quality and delivery periods.

IMPACT ON LOCAL COMMUNITY

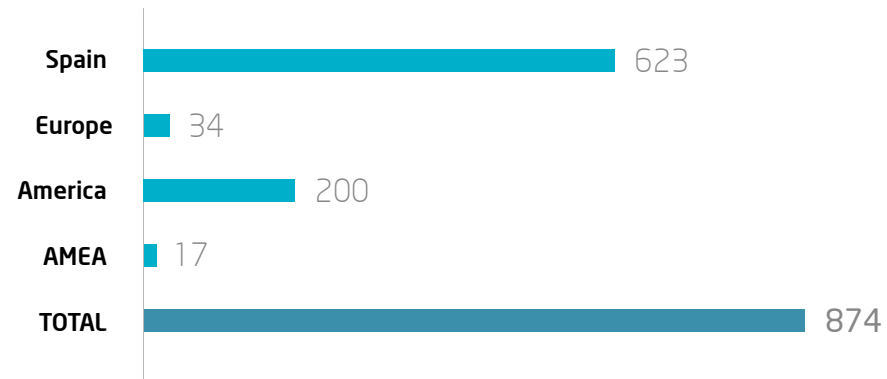
BY PURCHASING FROM LOCAL SUPPLIERS, INDRA CONTRIBUTES TO THE DEVELOPMENT AND GROWTH OF THE COMMERCIAL FABRIC IN LOCAL COMMUNITIES

IN 2017, LOCAL SUPPLIERS REPRESENTED 81% OF PURCHASES

The elevated percentage of purchases from local suppliers* (81%) is proof of Indra's commitment to developing local community.

This accomplishment was made possible by the successful reorganization of the Purchasing Unit in the execution of the 2015-2018 Strategic Plan.

Amount of local purchase orders (millions of euros)



Percentage on the total amount of purchases from local suppliers



(*) Local suppliers are considered to be suppliers whose country of origin (registered business office) is the same as the country making the purchase.

INNOVATION

€202 MILLION *
R&D in 2017

7%
R&D on sales

Over 12,000
professionals took
part in the 2017
Innovators program

(* Development expenses activated (€38 million) and not activated (€164 million).

INNOVATION

EFFECTIVE KNOWLEDGE MANAGEMENT
AND INNOVATION ARE ESSENTIAL TO THE
COMPANY'S SUCCESS

As an essential element in customer relations, innovation enables us to provide solutions of elevated added value in all geographies and markets, and also accompany clients in innovation processes from the outset by reviewing their business processes.

This approach enables us to consolidate Indra's reputation as a benchmark technology company, improving the company's prospects for future growth. It is essential to mention that the company has an advanced Innovation Management Model (hereinafter referred to as the Innovation Model) backed by Senior Management.

Indra is aware of the need to have an ecosystem of mutually beneficial alliances contributing to the sustainable development of society as a whole in order to get places in terms of innovation. For this purpose, Indra shares its vision of being a technological benchmark and innovator in the sectors where it operates with global allies, through the joint development of business opportunities and long-term relations for boosting growth and mutual benefit. Several Indra innovation projects also contribute to achieving the Sustainable Development Goals (SDG).



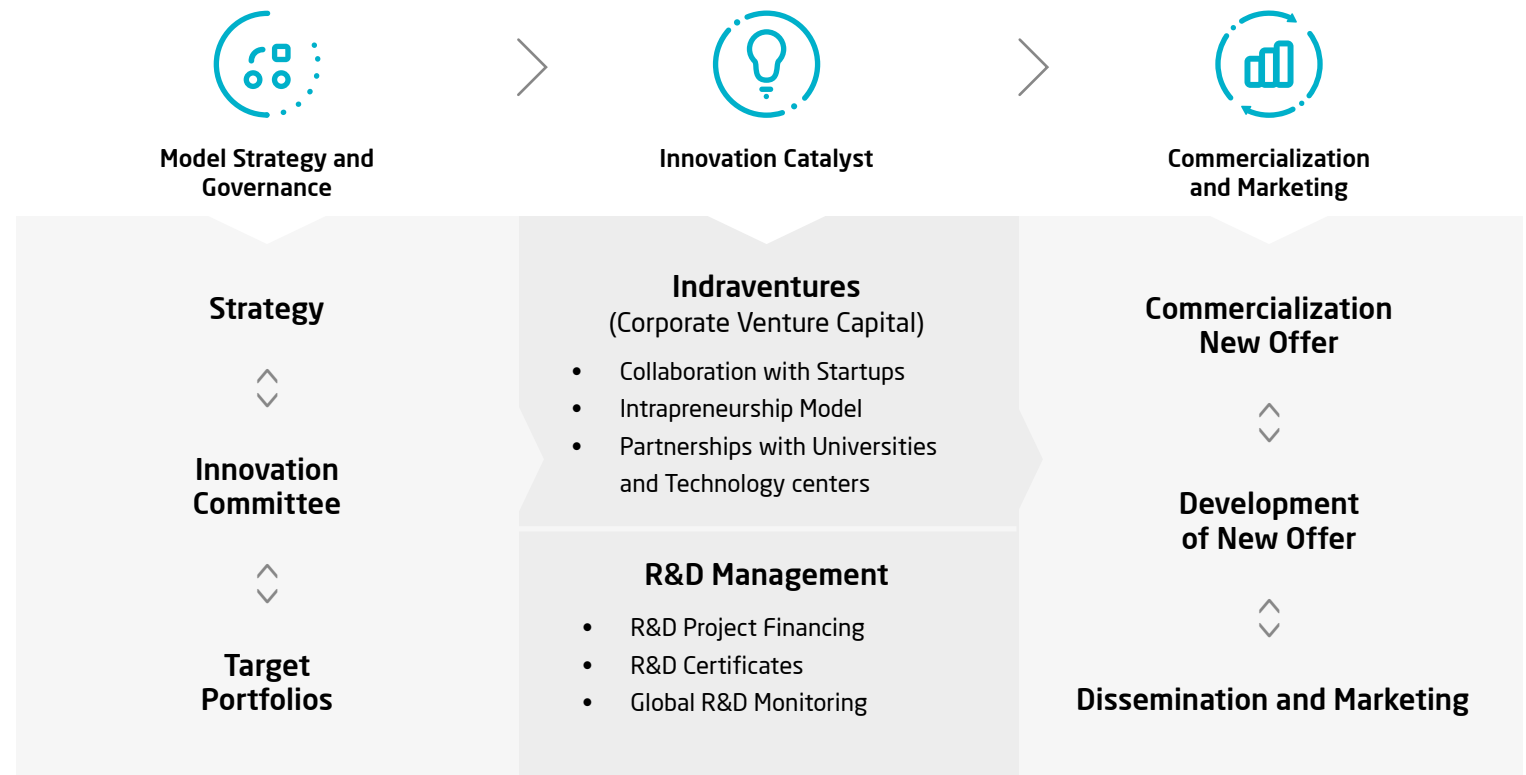
INNOVATION MODEL

The Innovation Model was designed to ensure that the company's offer has the most advanced and cutting-edge technology according to the strategic lines defined in the company's Strategic Plan.

All innovation initiatives undertaken by the company are coordinated under the Innovation Model framework, promoting collaboration and cross-cutting talent, ideas and technology. This model is a resolved commitment to disruptive innovation and a new, more agile approach to the innovative process that is more flexible, while extending and reinforcing Indra's mechanisms for relating with the innovative ecosystem. The Innovation Committee is the Innovation Model's governing body.

The Innovation Model aims to contribute to keeping the company at the cutting edge of technological innovation and fostering innovative and disruptive ideas.

Indra Innovation Model



INNOVATION MODEL

This Model reflects the company's entire commitment to and objectives regarding innovation:

- Convert innovation into the strategic lever that differentiates the Indra offer
- Guide innovation to respond to strategic business needs
- Become a benchmark in innovation and a hub that attracts startups
- Capitalize internal talent for generating differential and innovative initiatives

The R&D Model was certified by AENOR in 2017, with two accreditations, namely national certification for R&D management under the Spanish standard UNE 166002:2014 and European innovation management certification under CEN/TS 16555.

All the particulars for the Innovation Model are available at <https://www.indracompany.com/en/indra/innovation-model>.

Innovation Committee

As the governing body of the Innovation Model, the Innovation Committee sets the priorities and areas of interest on which Indraventures and the company's R&D efforts.

It is also a shared innovation discussion forum where markets and corporate areas can debate

on the innovation agenda and actions.

The Innovation Committee has the following composition:

- Innovation and Strategy Division, R&D Unit and Indraventures
- Representatives of all business units and technology experts

This composition ensures the existence of a global and unified Innovation Plan, guaranteeing an alignment among R&D, strategy and offer, promoting cooperation and cross-cutting to maximize synergies between markets, and generating a real impact on the business.

The Committee's functions include:

- Ensuring that the Innovation Model works
- Reviewing all the measures to promote the key lines of the Innovation Model
- Key decision-making: strategic investment lines, relationships with startups, development of intrapreneurship initiatives for employees
- Supervising the management of Indraventures

This Committee assures efficient innovation engagements with a consistent and objective vision.

Indraventures

Indraventures is the driver around which Indra's corporate innovation is organized. It channels relations with agents in the innovation ecosystem (partners, clients, entrepreneurs, etc.), fostering incubation and acceleration initiatives with a view to incorporating new innovative and disruptive products into the company's portfolio. Innovative processes with greater agility and flexibility enable the company to benefit from and boost the growing relevance of individual entrepreneurial initiatives and startups (entrepreneurial ecosystem).

Indraventures seeks out and supports disruptive innovation where it is created, fostering relations with the innovative ecosystem from inside and outside the company:

- With Indra' own professionals, who represent an enormous source of internal talent
- With external agents who participate in innovation: they include startups, spinoffs, accelerators and investment funds

- With the universities and technology centers with whom the company promotes collaboration and the transfer of knowledge and technology

Innovation programs have a formal complaint reception mechanism through a specific email address: indraventures@indra.es. All complaints are dealt with by the Indraventures unit and each case is conveyed either to the Compliance Unit or Innovation Committee as necessary.

The Innovation Committee internally audits the performance of the Indraventures unit every six months and sends a report to the Management Committee for assessment.

At Indra's website, stakeholders can send collaboration proposals and comments to Indraventures through a form at the following address: <https://www.indracompany.com/en/contact/indraventures>.

Indraventures will examine and reply to all communications, reporting significant ones to the Innovation Committee.

INNOVATION MODEL

INNOVATORS ACTIVATES THE TALENT OF INDRA PROFESSIONALS

Activating intraentrepreneurship

Innovators is the intraentrepreneurship program developed to activate the talent of all Indra professionals globally. The goal is to involve them in the company's transformation, generating a new, more entrepreneur-based and innovative culture across the entire organization, and providing a response to their concerns in this regard.

Over 12,000 professionals submitted 450 innovative ideas in the first edition of Innovators in 2017. The **five winning ideas** came from Colombia, Spain, Brazil, Chile and Australia.



Awards given by Indra chairman Fernando Abril-Martorell to the five visionary proposals presented at Innovators 2017

INNOVATION MODEL

Also in 2017, Indra concluded the fifth edition of an internal program developed to encourage an entrepreneurial spirit among its professionals by developing new business ideas and trying new ways of working. In the past five years, over 450 professionals have gone through this program, which is open to all company workers in Spain. The ultimate purpose is to find entrepreneurs in the company and help them break the mold, marking a before and after in the way of doing things.

The program promotes collaboration among multidisciplinary teams with heterogeneous functional and technological capabilities, and a range of profiles of different ages, experiences and backgrounds –without any initial hierarchy. Doing so streamlines an opportunity for enriching personal and professional relationships that are truly cross-cutting and virtually impossible in any other way; opens the door to new ways of thinking and acting; and enables greater knowledge of the company in its global dimension.



The winning team in the fifth edition of the program to foster entrepreneurship at Indra, Blockfox proposed an innovative solution in the logistics sector

INNOVATION MODEL

Promoting relations with startups

Promoting relations with startups is another priority at Indraventures. For this purpose, in 2017:

- Over 500 startups were analyzed and the first collaboration agreements were signed
- Eleven accelerators, incubators and other agents of the Entrepreneurial Ecosystem signed agreements with the company

Application of millimeter waves to transport solutions

A collaboration agreement was signed in 2017 with technology startup **AutoDrive Solutions** (ADS) to create innovative and disruptive products conceived for the transport market, particularly for products based on millimeter waves in fields such as positioning, railroad signaling, autonomous driving or energy management.

Strengthening relations with the innovation ecosystem

The agreements that Indra enters into with different entities contribute to strengthening the company's innovation ecosystem, broadening capabilities to increase capillarity in the different territories.

They enable deal-flow* sharing with other entities and are open to collaborations of another sort such as seminars or joint calls.

Main organizations with whom the company has signed innovation-related agreements in 2017



(* Number of potential investments that an investor reviews during a certain period of time.

INNOVATION MODEL



Driving technological entrepreneurship

The **Ventures4GranCanaria** competition was also launched in 2017 with a view to encouraging technological entrepreneurship and the development of startups linked to smart technologies in strategic matters for the Island of Gran Canaria: tourism, energy, the environment, marine and coast, industry 4.0., smart cities, mobility, cybersecurity, society and citizen participation.

This call received over 300 ideas with a participation of over 5,000 people. The three winning ideas were salient in terms of their social and environmental aspects.

Two of them are mobile applications for promoting sustainable actions, for groups affected by autism, and a large-scale energy storage system.

Fostering relations with universities and research centers

During 2017, we have been seeking innovation at universities and research centers. For this purpose, the following activities were carried out: six transfer seminars with different universities, three further framework agreements were signed with the Universities of Granada and Seville (where a Chair was also created), and the IE Business School, and three specific agreements were entered into with the Universities of Huelva, the Basque Country and Carlos III in Madrid.

The main challenges of the future facing Indraventures entail consolidating the Innovation Model at an international level and providing investments in startups constituting Indraventures as Corporate Venture Capital.

INNOVATION MODEL

R&D

The R&D unit monitors Indra's innovative efforts on a global level and provides support to secure third-party financing for R&D projects across the different markets and areas from the internal planning stage to project completion.

It is also the unit responsible for managing quality certificates associated with the company's R&D Model.

This unit works to ensure that R&D, strategy and offer are aligned, and promote cooperation and cross-cutting among the different Indra markets and areas. The R&D Unit considers in-house and external talent to be critical for perceiving and developing innovation opportunities, and continuously strives to promote the company's globalization and innovative capacity. These objectives are all contemplated in the company's [R&D Policy](#).

Innovation and development of new offers

Indra values the importance of communicating with and effectively informing clients and stakeholders of the progress and developments in innovation that the company or other agents in its innovation ecosystem.

We are working on the following two main pillars to develop a new offer stemming from the accomplished innovations:

- Strengthening the new offer of products and services developed by Indra as a result of innovation (whether through Indraventures, the R&D Unit or both together). This includes developing information to present to clients, organizing meetings with them, etc.
- Reinforcement of the dissemination and marketing of the developments achieved through the Innovation Model to publish the specific achievements by Indra in terms of products and service levels.

The overall objective of these two pillars together entails effectively communicating Indra innovations so that clients understand them, thus contributing to shoring up Indra's positioning as an innovative company.

INNOVATION AS A LEVERAGE FOR GROWTH

Indra views innovation as an element that is fully integrated in the company. In this regard, Indra has a solid Innovation Model to ensure an effective and fully transparent process involving numerous Innovation Ecosystem actors.

Innovation permeates all areas of the business and all geographies. The following nine cases of success and recognitions in the area of innovation at the main business units of Indra in 2017 entail just a small sample size of the numerous examples developed by Indra.

Defense and Security

This past year, Indra further strengthened its leadership in **simulation solutions for the Eurofighter** as the Spanish company was selected to develop the new version of this system within the program run by the German and Spanish Ministries of Defense. Additionally, the Spanish Ministry of Defense awarded the company a contract to develop a specific trainer for the aircraft. This system will be sold on the international market.

In 2017 Indra's **InShield DIRCM system** demonstrated its capabilities during the NATO EMBOW exercise, one of the world's most prestigious in this field. In just fractions of a second, InShield detects the launch of surface-to-surface and surface-to-air projectiles and uses laser to counteract their tracking systems, deviating them from their trajectory. This system contributes to improving the security of military aircraft in conflict areas.



Indra, lynchpin in developing the new version of the Eurofighter simulator



Indra's proprietary development for protecting aircraft against attacks from infrared tracking missiles, the InShield DIRCM passes NATO tests

INNOVATION AS A LEVERAGE FOR GROWTH

THE ICAS AIR TRAFFIC SYSTEM, INDRA'S
VERSION OF THE ITEC SYSTEM FOR DFS,
BEGINS MANAGING GERMAN SKIES

NATS AWARDS MAJOR CONTRACT TO
INDRA FOR NEXT ITEC MILESTONE

Air traffic

NATS has commissioned its strategic partner Indra to deliver the next generation of iTEC (interoperability Through European Collaboration), the technology necessary for modernizing air traffic management systems.

This contract will enable the transformation of the NAT's air traffic control operations in support of a Single European Sky.

Indra's new iCAS system already began managing en-route flights in 2017 from the Karlsruhe control center (Germany).

The system will be deployed in all the other German and Dutch control centers in the coming years. iCAS is a system in the iTEC family for managing flights more efficiently, enhancing capabilities to absorb more traffic and incorporate the requirements for integration in the Single European Sky.



Karlsruhe Upper Airspace Control Center,
Indra's iTEC version for DFS

INNOVATION AS A LEVERAGE FOR GROWTH

INDRA CONTRIBUTES TO
IMPROVING MOBILITY AND TRAFFIC
INFRASTRUCTURE PLANNING IN KUWAIT

Transport

In 2017, Indra contributed to **improving the management and maintenance of the traffic infrastructures Kuwait** through an innovative traffic monitoring system.

This platform integrates and processes data retrieved from different technologies, presenting them in a real-time graphic format to help managers and citizens to make mobility decisions.

Additionally, the analysis of the generated data will help Kuwait lay the foundation for planning the necessary infrastructures of the future and even drafting the new mobility laws and legislation.



INNOVATION AS A LEVERAGE FOR GROWTH

THE SMART ENERGY MANAGEMENT SYSTEM DEVELOPED FOR COLOMBIA'S NATIONAL LEARNING SERVICE, 2017 ENERTIC AWARD

SCOTTISHPOWER RECOGNIZES INDRA AS ITS MOST INNOVATIVE PROVIDER IN 2017



Information Technology

The **energy efficiency project** developed by Colombia's national learning service (SENA) in partnership with Indra won the 2017 enerTIC award in the category of Smart International Projects, in which Indra was recognized for its engagement in energy efficiency in the digital age through innovation and technology.

Indra was recognized by ScottishPower, Iberdrola's UK subsidiary, as its innovative provider of the year for the **simulator developed to train wind turbine maintenance crews**.

This innovative simulator will be used to train employees of the electricity utility and thus guarantee compliance with the required safety measures during wind turbine maintenance tasks at the utility's wind farms.

Indra's **SuitAir RAS platform** is a next-generation solution enabling airlines to improve their Revenue Accounting processes, simplifying and automating tasks, and providing key information for strategic decision-making.

In 2017, the **TM Forum panel singled out Minsait IoT Platform Sofia2**, the Indra digital transformation unit's IoT platform with big data

and cloud capabilities, as a solution with high innovative content to drive city transformation, capable of generating value for the general public, delivering on the requirements of businesses, and underpinning sustainability.

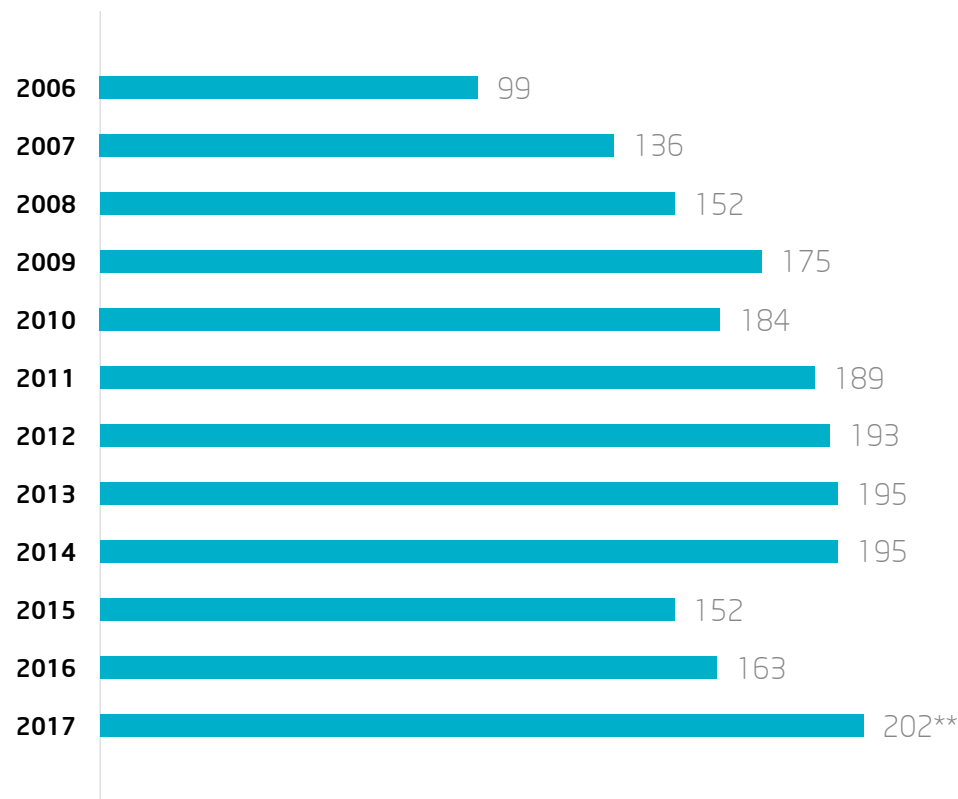
The solutions deployed by Indra and its partners in the field of smart cities have secured efficiencies such as 25% savings on water use for park irrigation; emergency evacuation times for major infrastructure reduced by up to 50%; and 25% lower energy bills for public buildings.

R&D

Innovation has, is and will always an essential part of the company's competitiveness. It is therefore a critical piece in Indra's long-term sustainability. Evidence for the level of commitment to this strategic principle is provided by the company's intense and long-standing efforts in innovation, where it invests between 5% and 8% of its revenues in innovation.

Open and networked innovation is a cornerstone of the company's internationalization. The performance of international revenues is accompanied by a similar development of the main innovation-related indicators (agreements with innovation and knowledge institutions and R&D spending).

R&D (millions of euros)



MORE THAN 1 BILLION EUROS IN R&D IN THE PAST SIX YEARS AND MORE THAN 2 BILLION EUROS IN THE TWENTY-FIRST CENTURY.

€2,456 MILLION

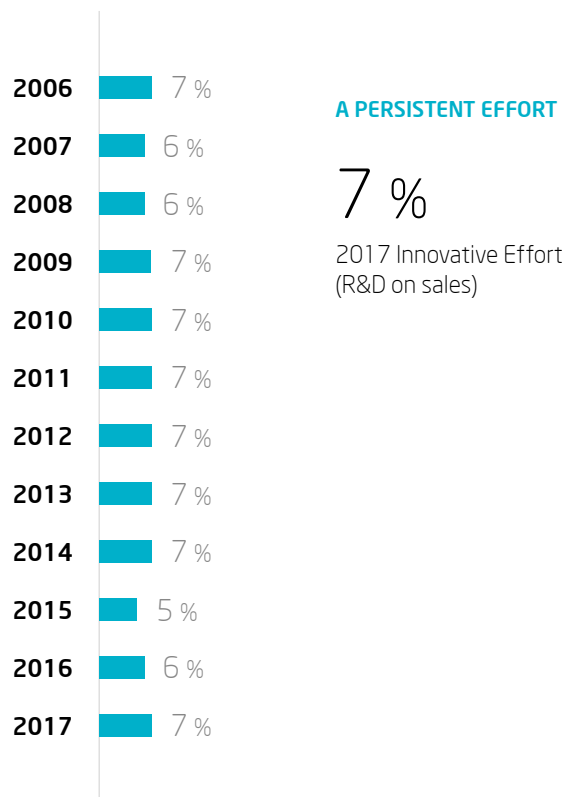
Total accumulated R&D*

(*) Aggregated data since 2009.

(**) Including activated (€38 million) and non-activated (€164 million) development expenses.

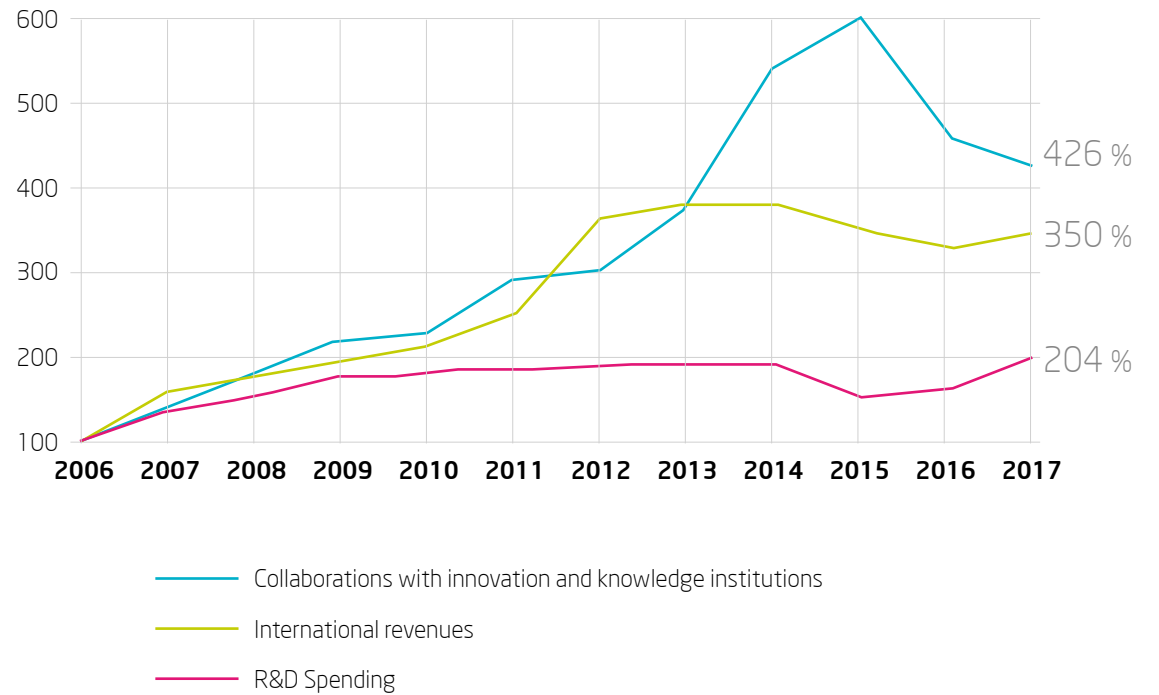
R&D

R&D (percentage of revenues)



Open innovation, key for internationalization

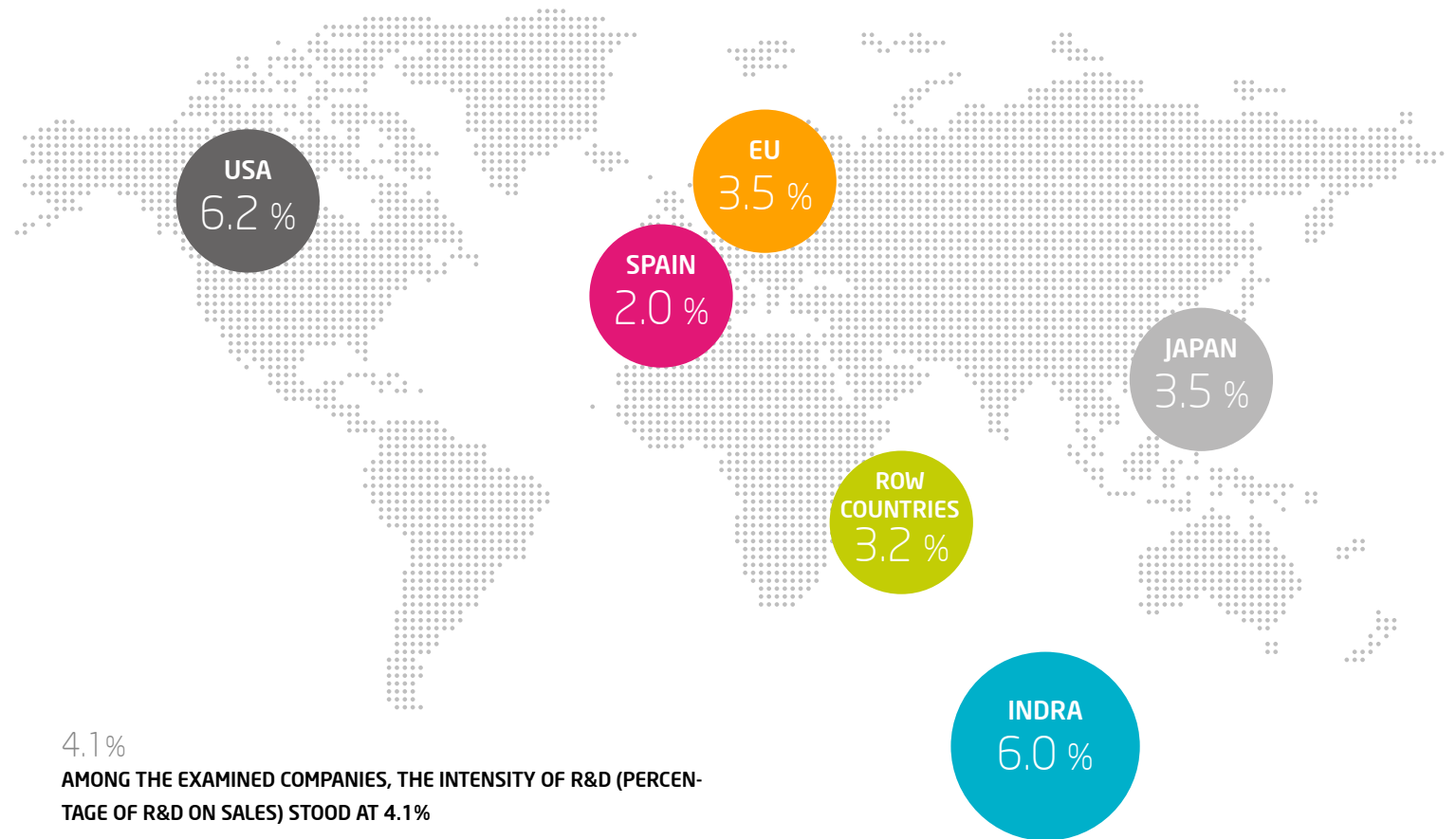
Data in percentages: 2006=100%



R&D

Indra maintained its foothold in the corporate innovation rankings published annually by the European Commission ([The 2017 EU Industrial R&D Investment Scoreboard](#)). As of the date of this report, the available data indicate that in 2016 the company held a prominent position in the ranking among the 114 companies in its sector (Software & Computer Services) at the European level, and is second among Spanish companies. The same can be reported for the overall continental and worldwide rankings.

R&D over turnover (2016) (data as a percentage*)



7.0 %
**THE TOP EUROPEAN COMPANIES
 INCREASED IN R&D UP TO 7.0%**

4.1 %
AMONG THE EXAMINED COMPANIES, THE INTENSITY OF R&D (PERCENTAGE OF R&D ON SALES) STOOD AT 4.1%

(*) Data published in the report entitled "The 2017 EU Industrial R&D Investment Scoreboard" which analyzed 2,500 of the global companies that invested the most in R&D in 2016/17.

PARTNERS

CLIENTS GET THE BEST OFFER FOR THE MOST ADVANCED BUSINESS SOLUTIONS THROUGH GLOBAL ALLIANCES WITH STRATEGIC PARTNERS

In 2017, Indra continued buttressing and extending its network of global allies, including new universal benchmarks in the technology sector to provide its clients with solutions for the new realities and trends in the marketplace.

Partner management model

The global partner management model in place is aligned with the company's strategic objectives in terms of business and innovation. It is characterized by its value contribution to company commercial and production processes, which eliminates barriers for taking on new clients, increases synergies and streamlines the adoption of new technologies at a global level.

The Indra website posts the full list of all the companies with whom the company has an alliance (<https://www.indracompany.com/en/indra/partners>).

The Partner Management Model contributes to accomplishing the objectives of the 2018-2020 Strategic Plan

2018-2020 Strategic Plan Initiatives

- 01 New Specialized Operating Model
- 02 Product Portfolio Evolution
- 03 Segmented Commercial Processes
- 04 Ongoing productivity upgrades

Contribution of the Partner Management Model to the Strategic Plan

Agile partner management equips Indra with greater flexibility and faster adaptation to the new demands in the market

Alliances with leading companies enable Indra to shore up and expand its range of products and solutions

Alliances with global companies simplifies commercial dialog with clients, eliminating entry barriers while consolidating Indra's image in the market

Dialogs with partners and companies with whom the company maintains an alliance help identify synergies, optimizing the use of resources and improving margins

Partner Management Model Cornerstones



Growth



International consolidation



Strengthening competitiveness

PARTNERS

Strategic partners

In 2017, 62 agreements were reached with new technology partners, and existing agreements with the most strategic partners were reinforced, with the aim of boosting international growth, the company's innovative activity and business development.

The company has consolidated its relationship with its most strategic partners through the following lines of action:

- Globalization and local adaptation of agreements, principally in Latin America
- Conclusion of beneficial license agreements at global level, with the aim of increasing the competitiveness of the business solutions involved
- Extension of local liaison capacities
- Boosting joint innovation activities to generate a new offer that responds to present and future client needs

Elsewhere, Indra continues to work to forge new strategic alliances with other front-rank partners with the aim of boosting company's business and capacities.



As a result of the global alliance with IBM, formalized in 2017, Indra will be able to offer its clients the best business solutions in areas as strategic as artificial intelligence, management of critical assets and cybersecurity.

Within the framework of this agreement, the Indra professionals will also have access to the best practices, training and certifications through IBM's most advanced software solutions.



Allegro and Indra have strengthened in 2017 their strategic global collaboration to provide a broad portfolio of services to companies related to trade in commodities and risk management.

Thanks to aspects such as this collaboration, Indra will implement and support the Allegro technology for small and medium-sized enterprises at global level.



In 2017 the company consolidated its position as a key SAP integrator, and as the second most important SAP Hana integrator among Spanish companies.

On the international arena, Indra was awarded first prize in the SAP Quality Awards for a project with a major client in the energy sector in Kenya.



Huawei and Indra renewed their collaboration in 2017 on ITC solutions that respond to the new challenges faced by companies and boost their international growth strategies.

Both Indra and Huawei are notable for their significant investment in innovation. This alliance will allow the companies to offer their customers more competitive global solutions and services in line with their needs and adapted to emerging business models.

INNOVATION THAT CONTRIBUTES TOWARD THE ACHIEVEMENT OF THE SDGS

Through its innovation Indra contributes to the Sustainable Development Goals (SDGs)*



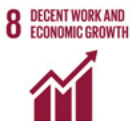
In the area of health and welfare, Indra has **projects that can establish early diagnosis and improve the treatment of patients**, such as the **p-ICTUS** project for the prediction and personal care of stroke victims.



With respect to quality education, Indra has projects such as **IN4WOOD** that aim to develop training pathways adapted to the demands of the growing 4.0 industry.



Indra has **projects geared to reducing the costs of renewable energies and promoting their use** through platforms for monitoring and control of the electrical network that improve the efficiency of the supply network, **such as the ROMEQ platform**.



To boost economic growth, Indra has developed solutions such as **MyBusiness**, which allows SMEs to make progress in their digital transformation by using cloud-based solutions.



Within the framework of the goal of promoting industry, innovation and sustainable infrastructure, Indra plays a relevant role in the **SCOTT (Secure Connected Trustable Things)** project, whose main aim is to make full use of the synergies between domains and strengthen Europe's position in the emerging technological field of a secure IoT, and **C-ROADS** platform for the effective exchange of data between components and actors in the transport system through wireless communication technologies.



Indra has strengthened its commitment to sustainability and innovation in cities, through projects such as **BeCamGreen**, where a solution based on artificial vision and intelligence and Big Data helps reduce traffic and boost new sustainable mobility policies; or the **Transforming Transport** project to demonstrate the transforming effects that Big Data will have on the mobility and logistics market.



With respect to climate change, Indra has developed the **LUCAS project (Land Use/Cover Area frame Survey)** that processes satellite images used by EUROSTAT for its statistics on the use of land in Europe.

These statistics allow better environmental policies to be drafted for protecting the environment, water and forest management, urban planning and transport, agriculture and monitoring of climate change.



To enhance the sustainable use of land ecosystems and underwater life, Indra has projects such as **FUPIPE**, which detects spills in real time in gas and oil pipelines through the use of fiber optics. It is also involved in the development of the **USV prototype**, a vessel that will undertake work of search and rescue, maritime salvage, environmental protection, etc.



Indra has developed projects supporting personal safety, such as **ARTS (Android AppsReputationService)**, whose main aim is to protect smartphones.



Indra plays a significant part in participation with other actors in innovation projects that contribute to the SDGs in the railroad sector (**Shift2Rail**) and automated air traffic management (**SESAR**).

(*) A broad range of the company's innovation projects, including their link to the different Sustainable Development Goals (SDGs), is available on <https://www.indracompany.com/en/indra/projectos>.

COMMITMENT TO SOCIETY

63%
Reduction of the Carbon Footprint
per employee in 2017 on 2013

€1.5 MILLION
in social action in
2017

33
million people use
health information
systems developed by
Indra



TECHNOLOGY AT THE SERVICE OF SOCIETY

INDRA DEVELOPS TECHNOLOGICAL SOLUTIONS THAT GENERATE POSITIVE IMPACTS ON SOCIETY

3 GOOD HEALTH AND WELL-BEING



DIGITAL HEALTH

Indra works with a global model of the healthcare system focused on citizens, based on accessibility criteria, clinical safety, sustainability and interoperability, in which patients may interact with their clinical history and professionals receive the necessary information at all times.

This digital healthcare model has already been implemented in numerous countries, in both public and private organizations, with more than 33 million users.

For more information: <https://www.indracompany.com/en/healthcare>

4 QUALITY EDUCATION



NEW TRAINING AND EDUCATIONAL EXPERIENCES

In the area of education the company has digital solutions focused on two aspects:

- Training and learning management: Indra has the integrated solution ADAN, which provides a number of modules as an e-learning platform
 - Assessment management: Indra has developed the end-to-end solution ADAN-Exámenes (ADAN-Exams) for supporting the complete mass testing process, through digitization, image recognition and automatic correction
- For more information: <https://www.indracompany.com/en/education>

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



EFFICIENT AND SAFE INFRASTRUCTURES

Indra has solutions for smart infrastructure and building management that integrate both energy management and safety management systems.

Indra's solutions allow the maximum economic efficiency, environmental respect and safety in the operation of transport infrastructures. Indra is one of the world leaders in rail technology, a key global supplier of air traffic management solutions, and one of the major companies in the world in smart technologies for road traffic management.

For further information: <https://www.indracompany.com/en/smart-infrastructure>

11 SUSTAINABLE CITIES AND COMMUNITIES



SMART LOCAL ENVIRONMENTS

The company has smart urban solutions that help cities enjoy the benefits of becoming smart cities (lower pollution, better management of resources, etc.) such as for example the Minsait IOT Sofia2 platform.

For more information: <http://sofia2.com/>

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



INCREASINGLY SAFE SOCIETIES

Indra offers safety solutions to deal with all kinds of threats. The company's solutions allow public and private sector organizations, both military and civil, to identify threats before they materialize, preventing them from occurring and helping to protect infrastructures and minimize any potential damage.


For more information: <https://www.indracompany.com/en/cybersecurity>

CONTRIBUTION THROUGH SOCIAL ACTION

Core elements for social action, aligned with the company's strategy

 **Corporate volunteering**
 Training, coaching, mentoring and leisure activities in collaboration with NGOs and foundations

 **Accessible Technologies**
 Innovative technological projects with universities and foundations

 **Pro bono projects**
 Free consultancy and technology projects for NGOs and foundations

Benefits for stakeholders

Professionals

- Improve the employment climate, increasing the pride of belonging
- Promote team work
- Create a more participative environment
- Develop their skills and competencies.
- Strengthen the attraction of Indra as a company

Universities

- Contribute to the development of innovative technological solutions for the integration of people with disabilities
- Make the research community aware of the needs of people with disabilities

NGOs and foundations

- Improve their technological capacity to work more efficiently

Social action in 2017 in figures



* €709,598 linked to compliance in Spain with the General Law on the Rights of People with Disabilities and their Social Inclusion.

CONTRIBUTION THROUGH SOCIAL ACTION

Corporate volunteering

Indra professionals have the opportunity to participate in a number of corporate volunteering initiatives that are run in different countries. In 2017 a great effort was made to promote participation by professionals in volunteering activities and extend their range. The efforts in this case have been recognized in 2017 by the Integra Foundation with its Volunteering Prize.

Of note as a relevant initiative in 2017 is participation in the "Objetivo La Luna" (Objective: the Moon) project promoted by Banco Sabadell, in which more than 200 Indra volunteers in Spain and Mexico took part, and which has financed two charity projects in Spain and Angola. Also in 2017 Indra confirmed its commitment to the Sustainable Development Goals, supporting the #COMPANIES4SDGs campaign promoted by the Global Compact and the Volunteering and Strategy foundation.

Continuing with the volunteering work it has organized out in recent years, the company is operating its Volunteering Plan to reinforce pride of belonging, adapt the Plan to the cultural transformation of the company, and collaborate on the creation of a more attractive working environment.

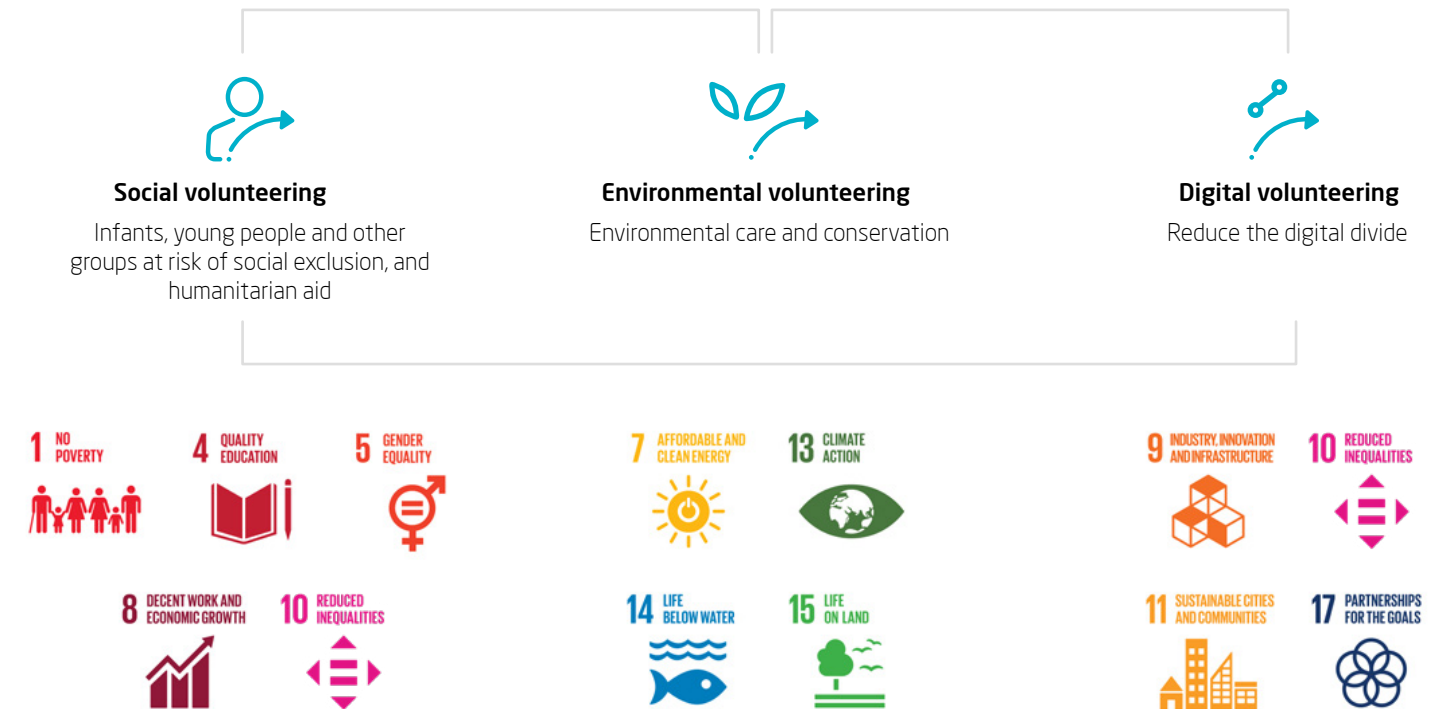
To ensure the design of the program is open and participative, professionals are collaborating through interviews, focus groups and questionnaires in which around 11% of the

company's professionals in Spain have taken part.

As a result of the analysis carried out, the strategic projects and volunteering actions will be structured in three programs: Digital, Social and Environmental Volunteering.

Indra has boosted the environmental volunteering activities, which in 2018 will mean an intense program of actions, including participation in various projects related to the cleaning, repopulation and maintenance of natural spaces.

In addition, all the volunteering projects and actions will be aligned with the UN Sustainable Development Goals.



CONTRIBUTION THROUGH SOCIAL ACTION

Accessible Technologies

One of the cornerstones of Indra's social action is the **Accessible Technologies** initiative, which promotes collaboration with universities to develop innovative technologies for the integration of people with disabilities.

In Spain, Indra collaborates with the Universia Foundation in calls for grants for research projects that develop innovative technologies for people with disabilities.

As a result of the first call in 2016 in Spain, nearly 100 projects were analyzed and in 2017 **three innovative projects to improve the integration of people with** hearing (audiSmart), visual (Graces) and cognitive (Smile@Work) disabilities.

In 2017 there was a second call in which more than 70 research groups took part from public and private universities. The **three winning projects** try to give people without mobility the ability to control computers through their brains, training the speech of adults with autism through an app based on pictograms, and providing a working solution for guiding blind people indoors.

Hearing disability

AudiSmart

A free app for smartphones that improves people's hearing through the adjustment of frequencies of which the sound is composed

Visual disability

Graces

A software support tool to improve access for blind people to job positions requiring high levels of qualifications in the industrial development of software systems

Smart Lazarus

Smart system providing guidance indoors for blind people that works in the cloud and offers online access via a model of Platform as a Service (PaaS)

Cognitive disability

Smile@Work

Job training application for people with intellectual disability to exercise and strengthen their social abilities

TalkAACTive

Tool to improve oral and written communication skills for adults with Autism Specter Disorders (ASD) that combines pictograms with a system for generating natural language.

Mobility disability

SICSE

Virtual keyboard controlled by brainwaves allowing people with Amiotrophic Lateral Sclerosis or (ALS) similar transmittable diseases, to communicate, access the internet and engage in many other activities

CONTRIBUTION THROUGH SOCIAL ACTION

In 2017, Indra received the **Codespa XIX Price in the Solidarity Company category** for the work done by the company to improve the social and employment integration of people with disabilities in Latin America.

This recognition highlights the major progress made by the company within the framework of the Accessible Technologies in the last 15 years to reduce the digital divide for people with disabilities and improve their quality of life, access to education and integration.



Fernando Abril-Martorell, the Chairman and CEO of Indra, receives the Solidarity Company award from King Felipe VI, Honorary President of the Codespa Foundation

Pro bono projects

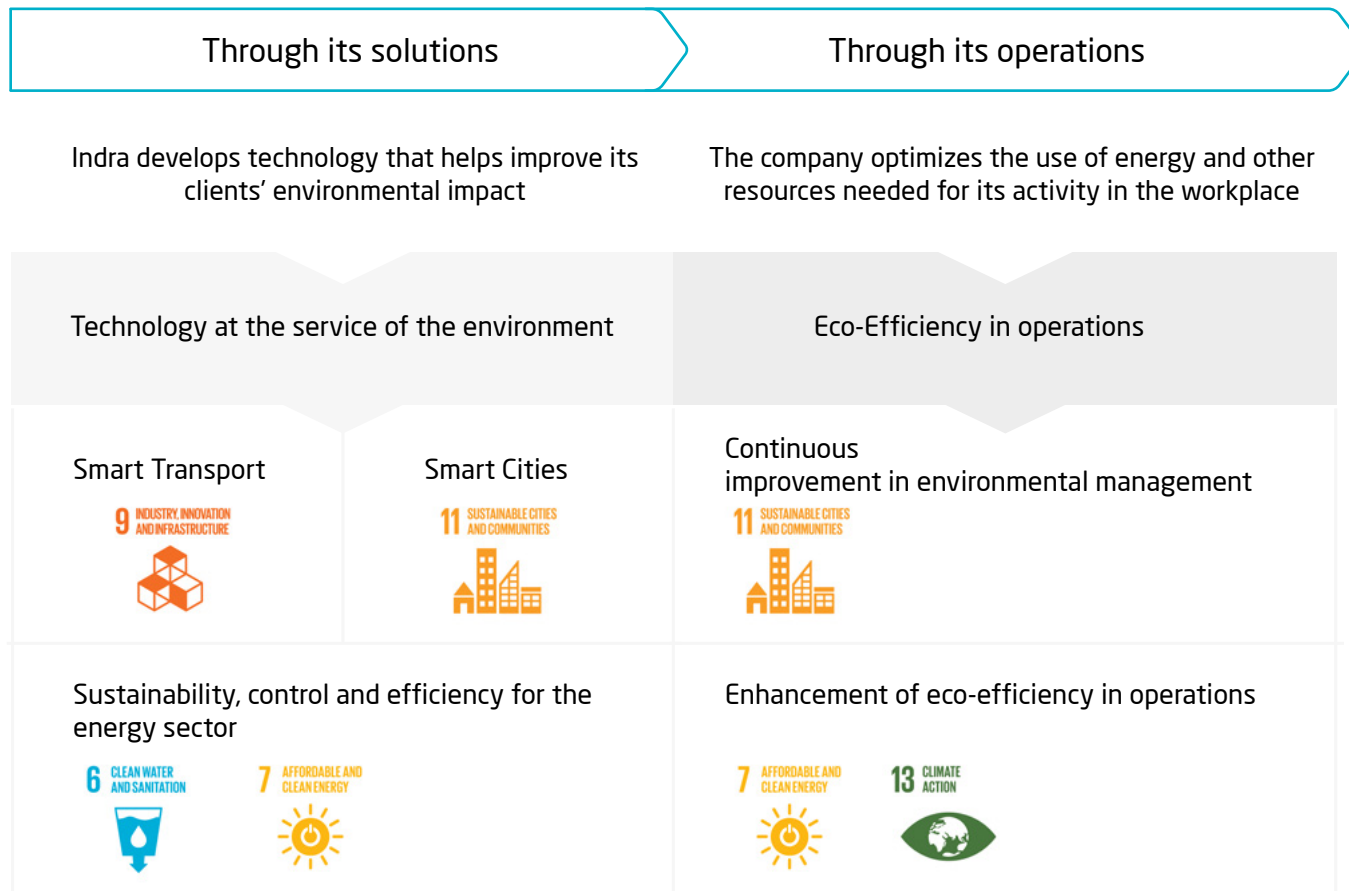
The aim of the pro bono projects developed by Indra at no cost for non-profit organizations is to improve the technological capacity of social institutions so that they can carry out their work as efficiently as possible.

Key projects in 2017:

- The development of the website of the **Valora Foundation** to facilitate the management and donation of surpluses from companies, allowing them to reach groups in need. The website coordinates donations in real time between more than 400 companies and 800 receiving centers
- The development of the website of the **Caico Foundation** for adolescents and young people with cancer, which offers useful information and technical and health knowledge related to this disease, resolving doubts and questions arising from the time of the diagnosis to the end of the treatment

ENVIRONMENTAL CONTRIBUTION

Environmental contribution in Indra



Technology at the service of the environment

Indra is aware that challenges such as the fight against climate change require innovative technology to achieve the objectives set on the International Agenda. It provides its clients with the tools for establishing more efficient management models and for monitoring the impact on the environment, facilitating the incorporation of environmental criteria into the decision-making process and helping minimize the negative impact on the environment.

ENVIRONMENTAL CONTRIBUTION

Related Sustainable Development Goals

Key aspects of the Indra contribution

Success cases

Positive environmental impact



Smart Transport



Indra plays a key role in deploying technologies for the control of air traffic, the operation of rail infrastructures, advanced urban and inter-city traffic management and operation of port infrastructures.

Indra heads up the R&D **Transforming Transport** project that aims to demonstrate how the use of Big Data can improve the transport and logistical sector.

- ▼ **CO₂**
Saving of over €450 billion in total fuel and time in all the world economies
- ▲ **+10 %**
380 megaton reduction of carbon dioxide emissions
- Improvement in efficiency



Smart Cities



Indra has solutions that contribute to making cities increasingly sustainable environments. Indra has a comprehensive range of solutions, from services for citizens, transportation and mobility, infrastructures and eco-energy, security and emergencies, to the implementation of an urban platform for integrating and managing information.

City Landscape Manager is a tool for managing and operating the different city and territorial services centrally and in real time, and monitoring the results obtained.

- ▼ **-45 %**
Reduction of energy costs, control of lighting and temperatures
- ▼ **-35 %**
Savings in irrigation water consumption by adapting to climate conditions
- ▼ **-11 %**
Reduction in the cost of waste collection by optimizing collection frequency and time



Sustainability, control and efficiency for the energy sector



Indra has more than 25 years of experience in projects geared to the optimization of the use of energy resources, helping its clients to manage their distribution networks (gas, water, energy, oil, electricity, etc.) more efficiently, with the consequent reduction in environmental impact.

InGrid Active Grid Management (AGM) is an IoT platform that provides monitoring and direct control and a comprehensive view of average and low voltage networks, as well as the efficient integration of other systems such as renewable energy generation and energy storage.

- ▼ **-20 %**
Reduction in energy losses in the distribution network
- ▼ **-10 %**
Reduction of 10% in incidents and improvement in the time taken to restore services



ENVIRONMENTAL CONTRIBUTION

Eco-efficiency in operations

Indra's environmental strategy aims to optimize the use of resources, minimizing their impact and managing them efficiently and responsibly.

In 2017 the [Global Environmental Policy](#) was updated, including a commitment to protect the environment and the continuous improvement of the Environmental Management System. Due to the importance of climate change, Indra has materialized its commitment specifically through its [Position on Climate Change](#) and its [Energy Policy](#).

The Global Environmental Policy is deployed through action plans that are appropriate to the different installations with ISO 14001 certification, with short and long-term objectives that are in line with the strategy and the company's sustainable growth.

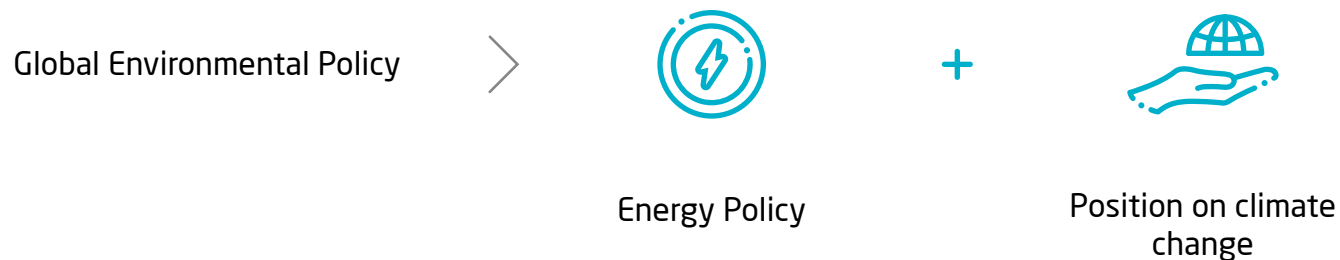
Continuous improvement in environmental management

Indra's environmental management is focused on the most significant environmental aspects, with the aim of minimizing the company's environmental impact through a reduction in the consumption of energy, raw materials and water, as well as optimal management of waste, effluent and emissions, both in terms of amount and levels of toxicity.

The consolidated environmental data of Indra and TecnoCom are reported for 2017. Moreover, of the objectives for 2018 is also to adapt TecnoCom's environmental management procedures to those used in Indra to achieve full integration.

To minimize the environmental impact as far as possible, Indra has a Global Environmental Management System in place based on the ISO 14001 standard.

Indra has a number of different policies and declarations on the environment that strengthen its management and commitment in this area



ENVIRONMENTAL CONTRIBUTION

IN 2017 THE COMPANY EXCEEDED THE REDUCTION IN CO2 EMISSIONS PER EMPLOYEE ESTABLISHED IN ITS TARGET FOR 2020 BY A FACTOR OF NEARLY THREE (-63% VS -26%)

2020 vision and 2030 Horizon in emission reduction



Note: In 2013 these targets did not take into account the integration of Tecnom. In 2018 a new target for 2030 was defined, taking into account the company's total scope of consolidation. The targets for emissions take into account Scopes 1 and 2.

Indra's main environmental resources and impacts

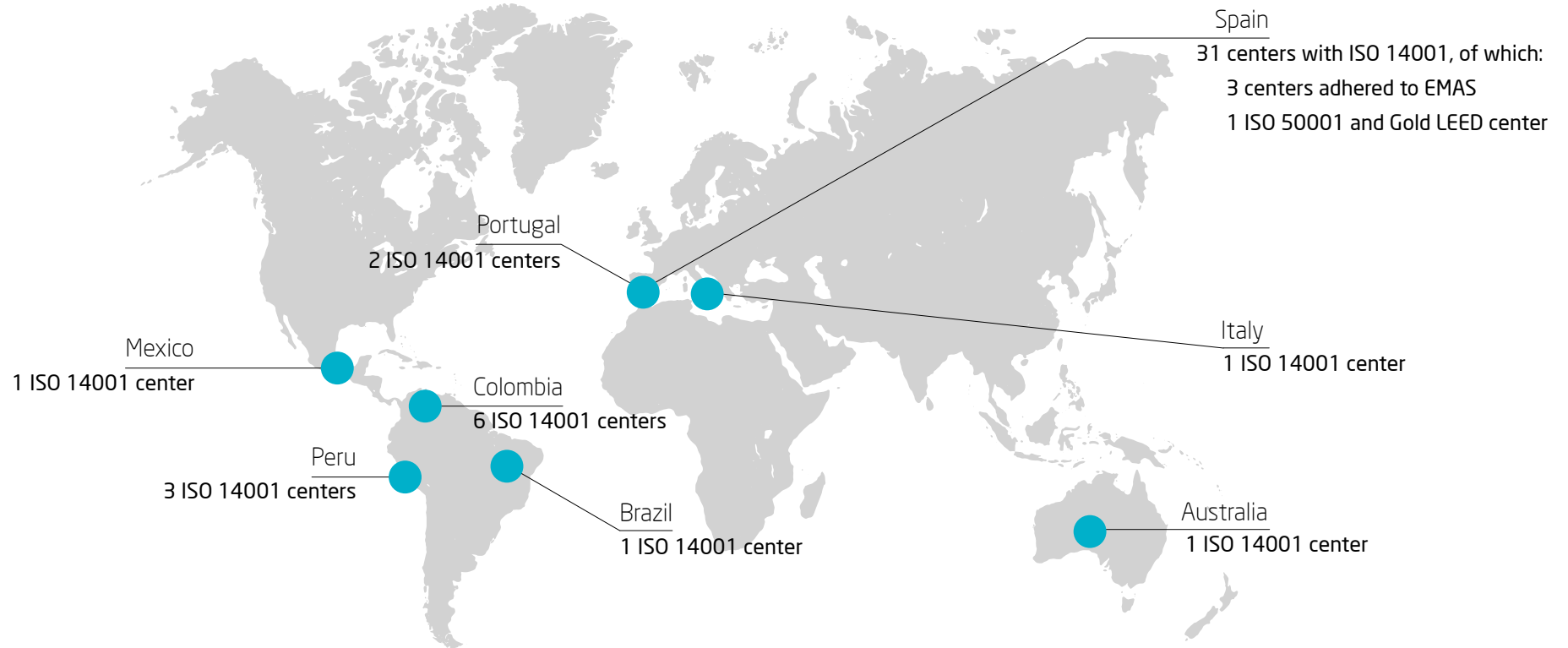


ENVIRONMENTAL CONTRIBUTION

65% OF THE OCCUPANTS OF INDRA'S BUILDINGS¹ WORK IN CENTERS CERTIFIED UNDER ISO 14001 STANDARD, 5% MORE THAN THE PREVIOUS YEAR

Geographic distribution of the 46 centers certified under ISO 14001

Indra has renewed the Global Environmental Management Certification under the new version of ISO 14001:2015 standard. Covers 46 centers in 8 countries¹

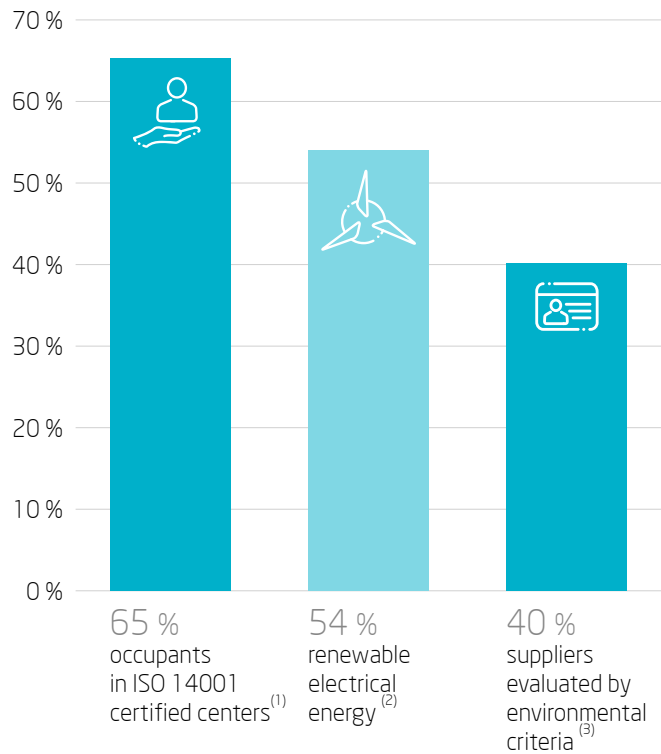


(1) Data including Indra and Tecnomcom in 2017 with respect to Indra in 2016.

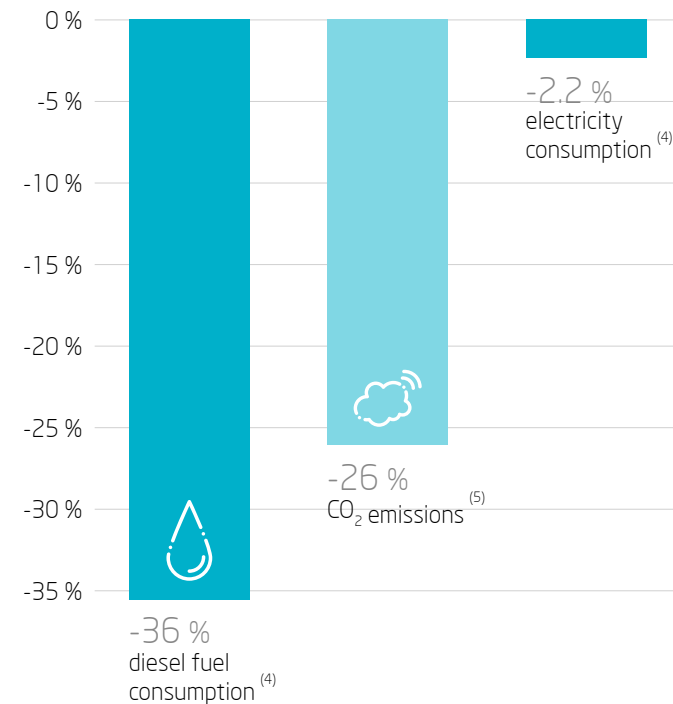
ENVIRONMENTAL CONTRIBUTION

INDRA IS COMMITTED TO GENERATING POSITIVE ENVIRONMENTAL IMPACTS AND REDUCING NEGATIVE IMPACTS GENERATED BY THE COMPANY ON ITS ENVIRONMENT

Main positive environmental actions in 2017



Reduction of negative environmental impacts in 2017 compared with 2016



(1) Indra includes Tecnomcom (for certified centers).

(2) Calculated based on the total electricity consumed by Indra and Tecnomcom, and the consumption of electricity from sources with net zero greenhouse gas emissions in Spain and Italy by Indra and Tecnomcom.

(3) Indra excluding Tecnomcom.

(4) Indra in 2016 and Indra excluding Tecnomcom in 2017.

(5) Indra in 2016 and Indra including Tecnomcom in 2017, taking into account Scopes 1, 2 and 3.

ENVIRONMENTAL CONTRIBUTION

IN 2017 DIESEL OIL CONSUMPTION WAS REDUCED¹ BY 36%, ELECTRICITY CONSUMPTION BY 2.2% AND TOTAL ENERGY CONSUMPTION BY 2% WITH RESPECT TO THE PREVIOUS YEAR. THE ENERGY CONSUMPTION PER EMPLOYEE HAS ALSO BEEN REDUCED BY 1.4% COMPARED WITH 2016²

Enhancement of eco-efficiency in operations

Reduction of impacts in the area of climate change

Clients and stakeholders demand corporate commitment to tackling climate change that Indra materializes through its solutions and services and its corporate policies.

The risks relating to climate change are the subject of detailed analysis to establish mechanisms for mitigation and elimination, as well as detection of opportunities in this area.

Risks and opportunities of climate change

Thanks to its capacities the company plays a significant role in the reduction and mitigation of the environmental impacts, mainly related to climate change.

Understanding the risks and opportunities in this area gives Indra a competitive advantage in a context that demands solutions to this challenge.

Strategy for climate change

Indra recognizes the agreements reached in the Bonn Climate summit in 2017 and aims to be an active agent in this collective effort to reduce the impact of climate change.

Climate Change

Main risks identified

Mismatch and tension in energy prices due to the increase in carbon restrictions

Deterioration in facilities and buildings due to man-made disasters derived from climate events

Regulations that impose tariffs on emissions or that impose a reduction in emissions

Regulations that oblige the declaration of carbon emissions

Main opportunities

Indra is working to improve the energy efficiency of its facilities and Data Processing Centers, with the aim of reducing consumption and improving the efficiency of operating costs

Indra is developing technology that contributes to improvement in the capacity for forecasting and alerting regarding climate events

Indra is developing products and services designed to improve the efficiency of its clients' operations, achieving a reduction in emissions

Indra is developing information systems that provide its clients with data on the control and reporting of its carbon emissions

For this purpose, it has a strategy for climate change in place that includes actions related to three core issues:

- Energy efficiency in workplaces
- Efficiency at Data Processing Centers (DPC)
- Measurement and reduction of the carbon footprint

Energy efficiency in workplaces

Due to its activity, Indra considers that its main environmental impact is derived from the company's consumption of energy. This is why energy efficiency is a key aspect for the company's environmental management.

In its headquarters in Spain, savings measures were implemented after 2014, with the assistance of an energy services company.

Indra has a energy consumption Control Center in its corporate headquarters, from which electricity and natural gas consumption in Spain is monitored and managed in real time.

(1) Data for Indra 2016 vs Indra 2017, excluding Tecnom. Total energy in GJ.
 (2) Intensity of energy consumption (7.73 Indra and Tecnom for 2017 vs 7.84 Indra for 2016). Total energy consumed (GJ)/Average workforce.

ENVIRONMENTAL CONTRIBUTION

THE ENERGY EFFICIENCY OF INDRA'S CONTROL CENTER HAS LED IT TO BE RECOGNIZED AS THE BEST ENERGY MANAGEMENT PROJECT AT THE 3RD NATIONAL ENERGY MANAGEMENT FUND

Energy consumption in 2016 and 2017

ENERGY CONSUMPTION IN 2016 AND 2017 (NOTES 1, 2 AND 3)	2017 INDRA	2017 TECNOCOM	2017 INDRA INCLUDING TECNOCOM	2017 SPAIN	2016 INDRA
Diesel C (liters) (Note 4)	37,350	389,148	426,498	425,813	58,916
Diesel C (kWh)	374,778	3,904,750	4,279,528	4,272,654	582,087
Natural gas (m3)	462,096	25,469	487,566	487,565	330,291
Natural gas (kWh)	4,313,252	237,733	4,550,985	4,550,985	4,030,501
Electricity (kWh)	71,393,520	5,699,655	77,093,175	61,200,945	73,024,201
Total energy consumed (GJ)	273,894	35,432	309,325	252,089	279,492

Note 1: In 2017, reported consumption and associated emissions were consolidated in accordance with Financial and Operational Control criteria defined by the Corporate Accounting and Reporting Standard for the WRI and WBCSD GHG Protocol.

Note 2: The reported consumption in each country is based on available information, which in most cases comes from consumption data appearing on supplier bills, though the consumption was estimated when no bill is available for a month based on the real supply from the same month in the previous year.

Note 3: The scope of electricity-related information includes all the countries where the Indra Group engages in business operations with its own facilities and energy consumption in 2017. The scope of the information concerning diesel and natural gas encompasses centers with ISO 14001 certified environmental management systems, namely 46 centers across Spain (31), Colombia (6), Peru (3), Portugal (2), Brazil (1), Mexico (1), Australia (1) and Italy (1). The occupants of these centers represent 65% of Indra's average workforce, including TecnoCom in 2017.

Note 4: The increase in diesel consumption was primarily due to the incorporation of TecnoCom into the reporting scope in 2017, entailing 3.9 million kWh of the total diesel consumed.

ENVIRONMENTAL CONTRIBUTION

54%¹ OF THE ELECTRICITY CONSUMED IN 2017 CAME FROM SOURCES ENTAILING NO GREENHOUSE GAS EMISSIONS

Efficiency at Data Processing Centers (DPC)

Indra's main data processing center, located in San Fernando de Henares since 2012, has a surface of nearly 5,000 m². This center achieved considerable economics savings after completing major overhauls to its cooling processes and consumed energy control within the framework of the Internal Systems Plan during 2017.

The center received the Global Data Center Dynamics Award (DCD), considered to be the data center industry's Oscars, in the category of 'Data Center Operations Team of the Year'. This award spotlighted the operations and management model using DCIM convergent technology, which simplifies the consolidation of data from different sources for real-time decision-making, thus enabling optimum energy consumption at the center.

Measuring and reducing our carbon footprint

Indra makes this calculation every year as part of the company's commitment to measuring and reducing its carbon footprint. Historical data are presented based on each scope considered by the GHG Protocol:

- Scope 1: Direct emissions. GHG emissions derived from direct energy consumption (natural gas and diesel)
- Scope 2: Indirect emissions. Including emissions derived from electricity consumption
- Scope 3: Other indirect emissions. Including emissions from employee business trips by air, road and rail.

Transparency in carbon footprint management

As part of the company's commitment to transparency, since 2010, Indra reports its performance in carbon footprint management and emissions reduction to the Carbon Disclosure Project (CDP).

Additionally, in Spain the company secured the seal of approval from the Ministry of Agriculture, Food and the Environment for the its efforts in fighting against climate change. In 2014-2016, the company reduced the intensity of its scope 1 and 2 emissions by 7.5% compared against the previous three-year period (2013-2015).



(1) Calculated based on the total electricity consumed by Indra and TecnoCom, and the consumption of electricity from sources with net zero GHG emissions in Spain and Italy by Indra and TecnoCom.

ENVIRONMENTAL CONTRIBUTION

CARBON FOOTPRINT IN 2016 AND 2017	2017 INDRA INCLUDING TECNOCOM	2016 INDRA EX TECNOCOM	
Scope 1: Direct CO2 emissions (tons of CO2e) (Note 5)	1,957	785	<p>Note 5: Includes emissions derived from direct energy consumption (natural gas and diesel), which correspond to Scope 1, as defined by the GHG Protocol standard. These emissions were calculated using version 4.1 of the "GHG Protocol Tool for Stationary Combustion" published by the World Resources Institute (May 2015 edition). In 2017, the consumption of natural gas and diesel were reported in volumes (m3 and l) and also energy (kWh). GHG emissions were calculated in terms of energy (kWh) with the corresponding emission factors. In 2017, the scope included two additional buildings to which part of the supplied energy (792,000 kWh) came from natural gas and biomass. In this regard, the emissions corresponding to these buildings were calculated with an emission factor provided by the energy distributor.</p> <p>Note 6: Including emissions derived from electricity corresponding to Scope 2 as defined by the GHG Protocol. These emissions were calculated using version 4.8 of the "GHG Protocol Tool for Purchased Electricity" published by the World Resources Institute (May 2015 edition). The emissions reduction in 2017 is primarily due to the acquisition of green energy from 100% renewable energy sources. This acquisition represented 53.8% of the consumption. In 2017, the scope incorporated two additional buildings to which part of the supplied energy (2.3 million kWh) came from electricity and biomass. In this regard, the emissions</p>
Scope 2: Indirect CO2 emission by consumed electricity (tons of CO2e) (Note 6)	10,160	21,705	
Scope 3: Indirect CO2 emissions from transport (third-party vehicles) (tons of CO2e) (Note 7)	17,957	17,983	
Average workforce	40,004	35,647	
Scope 1 + Scope 2 (tons of CO2e)	12,117	22,490	
Scope 1 + Scope 2 + Scope 3 (tons of CO2e)	30,074	40,473	
Intensity (Scope 1 + Scope 2 / Average Indra workforce)	0.303	0.631	

corresponding to these buildings were calculated with an emission factor provided by the energy distributor.

Note 7: Including emissions from employee business trips by air, road and rail. The scope of information corresponds to the business trips made by Indra Group employees in Spain. Employee business trips by plane and train were obtained based on the data reported by the agency managing travel reservations for the Indra Group and correspond to actual kilometers.

The data on employee trips in own vehicles are provided by the Central Administration department and correspond to the actual kilometers substantiated by employees in the internal trip repayment tool. The scope of employee trips in own vehicles excludes Tecnocom. Unlike 2016, no travel data were provided for employees traveling in rental or leased cars in 2017, which amounted to 9% in 2016.

These emissions were calculated using version 2.6 of the "GHG Protocol Tool for Mobile Combustion" published by the World Resources Institute (May 2015 edition).

ANNEXES



ABOUT THIS REPORT

This report includes essential information to understand developments, the results, the situation of the Group and the impact of its activity insofar as environmental and social matters, including matters relating to personnel, respect for human rights and the fight against corruption and bribery. Pursuant to Directive 2014/95/EU of the European Parliament and of the Council of October 22, 2014 and Spanish Royal Decree-Act 18/2017 on non-financial reporting and diversity, this report supplements the information provided in the Management Report and underwent the same approval, deposit and publication criteria as the cited report, which were formulated by the Board of Directors together with the Management Report during its meeting on March 19, 2018.

By publishing the present 2017 Corporate Social Responsibility Report, Indra further reinforces its commitment to dialog and transparency with stakeholders for yet another straight year, including the most relevant matters for them herein. Moreover, this report also reflects how these relevant matters form part of the company's strategy and indicates Indra's performance in the different areas of relevance for stakeholders.

The company continues taking steps with regard to this commitment, reformulating some indicators and including new ones directly linked to matters of relevance identified by the company, and also excluding other indicators that are no longer considered to be relevant or reflected in other corporate reports on the company. Indicators that were changed in terms of calculation methodology are indicated in the corresponding section or in the GRI tables.

The 2017 Corporate Social Responsibility Report encompasses the period running from January the 1st, 2017 through December 31, 2017 and includes information and data corresponding to Indra, including TecnoCom and, in particular, the integration of TecnoCom in Indra's financial statements beginning in 2017. The data on Paradigma, company acquired in December 2017, are only part of the scope of the company's final workforce headcount but no other indicator thereon is included.

In those cases where the information and data provided has a different scope to the previously indicated it will be specified in the chapter itself or in the GRI tables.

This report was prepared pursuant to the following standards:

- New Global Reporting Initiative (GRI) Standards for drawing up Sustainability Reports
- Accountability standard AA1000 APS (2008 version)
- United Nations Global Compact Progress Report, to which Indra has been a signatory since 2004

The economic, social and environmental information contained in this report has been independently verified by a third party. The annex Deloitte's Verification Report contains the scope, description of the work and conclusions of this verification.

The information presented herein includes all companies in which Indra has financial control, unless otherwise indicated. For the full list of companies constituting Indra as of 31 December 2017, please refer to the 2017 Consolidated Financial Statements (www.indracompany.com/en/accionistas/memoria-cuentas-anales).

Since its first Corporate Social Responsibility report in 2003, Indra has drafted this report every year with the participation of those internally responsible for relations with each of the company's stakeholders. The information provided herein comes from several management and information systems implemented at each Indra unit. These units report their information to the Brand, Corporate Social Responsibility and Communications Division, which in turn coordinates their inclusion into the present report and fosters the Corporate Social Responsibility Master Plan. Data relating to market trends and developments are based on opinions given by the company's experts.

When drafting the present report, Indra observed the Global Reporting Initiative (GRI) Standards for drawing up Sustainability Reports as detailed below:

ABOUT THIS REPORT

PRINCIPLES OF THE GRI STANDARDS FOR DRAWING UP SUSTAINABILITY REPORTS	REFLECTED IN INDRA'S 2017 CORPORATE SOCIAL RESPONSIBILITY REPORT
Principles of Content	
Inclusion of Stakeholders	Indra provides its stakeholders with various channels of communication, participation and dialog that are reviewed and updated continually, and through which expectations are identified
Sustainability context	The present Report details how the company creates value for its stakeholders, and its management strategy and approach for the different areas of sustainability and Corporate Social Responsibility
Materiality	The company has updated its materiality analysis as a vehicle for detecting and updating relevant topics of its corporate social responsibility and sustainability for the company and its stakeholders.
Completeness	Qualitative and quantitative data are given throughout this report on the impacts that Indra has on the environment
Principles of Quality	
Accuracy	All the information included in the present report was collected and examined by Indra's different information systems
Balance	The report addresses the main issues regarding matters of relevance identified in the materiality analysis.
Clarity	The company is aware of the importance of presenting information in good order, schematized and consolidated in a manner that is understandable and accessible to its stakeholders
Comparability	The information is presented according to international standards and comparing the performance of the company in 2017 against previous years
Reliability	As part of Indra's commitment to the reliability of the reported information, the information reported herein was verified by an independent third party
Punctuality	Indra has been publishing sustainability and Corporate Social Responsibility reports annually since 2003.

The present report is also in line with the three foundation principles of standard AA1000 APS (2008)

- **Inclusivity:** a process was developed for the participation of stakeholders in developing an accountable approach for sustainability management
- **Materiality:** the process of determining materiality represents an understanding of the material or significant issues for Indra and its stakeholders
- **Responsiveness:** responding with actions and specific commitments to the identified material issues

INDICATORS

INDICATORS	2015	2016	2017
Compliance			
No. of communications via the Direct Channel	71	103	217
Employees trained in the Code of Ethics (%)	47	55	82
Employees trained in the Code of Ethics (m/f) (%)	-	52 58	80 84
Breakdown of employees trained in the Code of Ethics by category and gender			
Senior Management (m/f) (No.)	-	11 2	14 2
Middle Management (m/f) (No.)	-	273 53	484 86
Graduates and Highly Qualified Personnel (h/m) (No.)	-	11,521 5,311	18,647 8,298
Administration (m/f) (No.)	-	879 1,381	1,049 1,517
Operators (m/f) (No.)	-	258 87	926 1,611
Other categories (m/f) (No.)	-	4 0	4 0

INDICATORS	2015	2016	2017
Breakdown of employees trained in the Code of Ethics by geographical area			
Spain	-	-	17,673
Europe	-	-	1,244
America	-	-	11,989
AMEA	-	-	1,716
Clients			
Customer profile			
Client satisfaction and loyalty (1-100)	73	73	72
Cybersecurity			
No. of critical cybersecurity incidents	1	0	0
Professionals			
Final workforce	37,060	34,294	40,020

INDICATORS

INDICATORS	2015	2016	2017	INDICATORS	2015	2016	2017
Workforce distribution by geography (%) (Note 1)				Subcontracted workers (Note 2)			
Spain	55	55	63		-	-	1,947
Europe	4	5	5	Diversity			
America	37	35	28	No. of nationalities	108	109	105
AMEA	5	5	4	Contribution to local development			
Breakdown of workforce by category and gender (Note 3)				Local employees (%)			
Senior Management (m/f) (No.)	11 2	11 2	12 2	Total executives from local community (%)	90	92	92
Middle Management (m/f) (No.)	396 62	372 66	541 119	Total executives from the local community by geography (%)			
Graduates and highly qualified personnel (m/f) (No.)	20,163 9,188	18,630 8,483	23,302 10,016	Spain	-	98	97
Administration (m/f) (No.)	1,383 2,292	1,331 2,133	1,244 2,083	Europe	-	94	93
Operators (m/f) (No.)	1,330 2,199	1,196 2,060	1,210 1,107	America	-	61	69
Other (m/f) (No.)	26 8	8 2	8 2	AMEA	-	57	50

INDICATORS

INDICATORS	2015	2016	2017
Disabled			
Employees with disabilities (%) (Note 3)	1	1	1
Workforce by age band (m/f)			
> 50 (h/m) (No.)	2,603 1,261	2,651 1,262	3,414 1,560
between 30 and 50 (h/m) (No.)	15,493 8,856	14,109 8,238	17,112 9,017
< 30 (h/m) (No.)	5,213 3,634	4,788 3,246	5,791 2,752
Remuneration (Note 4)			
Ratio between the initial standard salary and the minimum local wage for each country where significant operations are undertaken (%) (Note 5)			
Brazil	-	160.76	205.9
Mexico	-	1,013.34	631.10
UK	-	-	179.91
Spain	-	199.05	178.5

INDICATORS	2015	2016	2017
Germany	-	-	Data not representative given the small sample size
Relationship between the total annual remuneration of the highest paid individual at the organization in each country where significant operations are carried out and the total annual average remuneration of the workforce (excluding the highest paid individual)			
Brazil	-	15.7	13.91
Mexico	-	20.2	24.42
UK	-	-	5.55
Spain	-	90.5	92.37
Germany	-	-	1.68
Relationship between the percentage increase in the total annual remuneration of the highest paid individual at the organization in each country where significant operations are carried out and the percentage increase in the total annual average remuneration of the workforce (excluding the highest paid individual)			
Brazil	-	1	0.32
Mexico	-	4	6.01
UK	-	-	9.24

INDICATORS

INDICATORS	2015	2016	2017	INDICATORS	2015	2016	2017
Spain (Note 6)	0	0	0	External unwanted turnover by age band (m/f) (%)			
Germany (Note 6)	-	-	0	> 50 (h/m)	-	2 2	2 1
Commitment and motivation				between 30 and 50 (h/m)	-	9 6	11 6
Average seniority	6.65	7.21	7.86	< 30 (h/m)	-	20 13	26 16
Total turnover (%)	27	36	24.21	Breakdown of workforce by type of contract (%)			
Unwanted external turnover (%)	10	9	10.96	Employees with fixed contracts	88	88	87
External unwanted turnover by geographic area (%)				Employees with temporary contracts	12	12	13
Spain	8	8	9	Breakdown of workforce by working hours (%)			
Europe	9	10	11	Full-time employees	-	86	89
America	13	11	16	Part-time employees	-	14	11
AMEA	11	13	10	Assessment and promotion (%) (Note 7)			
				Promoted employees	20	15	21

INDICATORS

INDICATORS	2015	2016	2017	INDICATORS	2015	2016	2017
Promoted women (out of total promoted employees in the company)	31	29	30	Total training hours (incl. online)	1,250,694	1,273,562	803,262
Employees who participated in the performance assessment system by professional category (Note 9)				Online hours	272,638	421,139	421,160
Senior Management (m/f) (No.)	-	-	-	Average hours per professional	34	36	20
Middle Management (m/f) (No.)	-	-	325 63	Average hours (m/f)	-	38 32	21 18
Graduates and highly qualified personnel (m/f) (No.)	-	-	15,999 6,727	Average hours of training per category			
Administration (m/f) (No.)	-	-	534 482	Senior Management	-	28	5
Operators (m/f) (No.)	-	-	252 82	Executives	-	53	16
Other (m/f) (No.)	-	-	3 0	Graduates and highly qualified personnel	-	39	22
Employees (m/f) who have participated in the performance assessment system (%)	-	80 59	79 58	Administration	-	20	11
Training and knowledge (Note 8)				Operators	-	23	12
Students attending	27,715	27,107	25,341	Reconciliation (Note 9)			
Assessment of training: student satisfaction (1-4)	2.4	3.2	3.8	Employees who used paternity/maternity leave (m/f)	-	536 363	517 436

INDICATORS

INDICATORS	2015	2016	2017
Employees who returned to work after paternity/maternity leave (m/f)	-	494 328	478 395
Retention after paternity/maternity leave (%)	71	91	92
Occupational Health and Safety (Note 10)			
Accident rate (occupational accidents with or without sick leave, excluding commuting accidents) by geography			
No. of accidents	140	110	132
Spain	113	84	108
Europe	3	2	0
America	24	24	23
AMEA	0	0	1
Frequency by geography			
Spain	3.16	2.59	3.39
Europe	1.08	1.90	0

INDICATORS	2015	2016	2017
America	7.93	8.50	4.42
AMEA	0.00	0.00	0.53
Incident rate by geography			
Spain	5.24	4.31	5.61
Europe	2.15	3.46	0
America	1.89	1.97	8.59
AMEA	0.00	0.00	0.94
Seriousness rate by geography			
Spain	0.03	0.01	0.01
Europe	0.00	0.00	0
America	0.17	0.07	0.05
AMEA	0.00	0.00	0

INDICATORS

INDICATORS	2015	2016	2017	INDICATORS	2015	2016	2017
Average duration of sick leaves in number of days by geography	10,29	5,63	5,23	AMEA	0	0	0
Spain	8,29	4,95	4,15	Suppliers (Note 12)			
Europe	0,25	0,25	0	Supplier distribution by geography (%)			
America	20,98	8,44	10,43	Spain	36	43	45
AMEA	0	0	2,73	Europe	20	16	17
Fatal accidents	0	0	0	America	29	36	30
Training hours on health and safety risks	35,717	21,907	31,269	AMEA	15	5	8
Collective negotiation by geography				Purchases from local suppliers (%)	71	83	81
Employees covered by collective agreement (%)	80	80	81	New suppliers examined under environmental criteria (%) (Note 13)	-	37	40
Spain (Note 11)	100	100	100	New suppliers examined under social criteria (%) (Note 13)	-	37	40
Europe	57	61	51	Innovation			
America	63	61	56	R&D (millions of euros)	152	163	202

INDICATORS

INDICATORS	2015	2016	2017
R&D on sales (%)	5	6	7
Economic contribution to the community			
Investment in social action (Note 14)	2,561,549	1,465,605	1,502,916
Environment			
Consumption of resources, generation of waste and emissions (Note 15)			
Drinking water from utilities (m3) (Note 16)	156,857	104,991	153,346
Well water (m3)	9,154	11,034	10,944
Hazardous waste (kg) (Note 17)	49,245	66,814	131,624
Hazardous waste (kg) (Note 17)	909,447	1,038,195	1,330,681
Occupants of environmentally certified centers (%)	61	60	65

Note 1: Including TecnoCom and Paradigma.

Note 2: The subcontracted worker figure scope encompasses Spain (Indra and TecnoCom) at 31 December 2017 and only refers to workers classified as Individualized Technical Support.

Note 3: The scope of this figure is Spain.

Note 4: The five reported countries were selected because they were the top five countries in terms of business turnover in the last five years.

Note 5: The minimum entry salary is calculated as the average of the salaries of the lowest considered categories in each country, which is more representative than the official minimum wage of a single person, whose activity may not be representative of the activity carried out by the company.

Note 6: In Spain and German, the highest paid individual in the organization had no salary in 2017.

Note 7: The data on employees participating in the performance assessment system refers to the assessment corresponding to 2016. The data on promoted employees refer to employees promoted during 2017 as a result of the assessment corresponding to 2016. The percentage of employees promoted indicates employees promoted during 2017 over the total amount of employees assessed during 2017 for 2016. In any case, the scope of such data encompasses Indra yet excludes TecnoCom.

Note 8: In 2017, training data were calculated considering that students who attended over 75% of the hours were in attendance for 100% of the hours. The data from previous years were calculated considering 100% of the hours of the course, excluding the student's course attendance threshold.

Note 9: The scope for these data is Spain, excluding TecnoCom.

Note 10: The scope of these data is 73.65% of group companies. Excluding TecnoCom.

Note 11: Senior Management is included in Spain, though this group is governed by a specific Royal Decree.

Note 12: Indra scope, excluding TecnoCom.

Note 13: New suppliers are suppliers that were registered in the reported year. The 2017 percentage was calculated on the number of new suppliers. In 2016, the percentage of purchase volume corresponding to newly approved suppliers in 2016 was reported, examined with these criteria.

Note 14: €709,598.08 linked to compliance in Spain with the General Law on the Rights of People with Disabilities and their Social Inclusion.

Note 15: The reported consumption in each country is based on available information, which in most cases comes from consumption data appearing on supplier bills, though the consumption was estimated when no bill is available for a month based on the real supply from the same month in the previous year. Including water and waste consumption of centers whose environmental management system is ISO 14001 certified, corresponding to 46 centers across Spain (31), Colombia (6), Peru (3), Portugal (2), Brazil (1), Mexico (1), Australia (1) and Italy (1).

Note 16: Increased water consumption was due to punctual but not general causes throughout the company. Two examples thereof include the replacement of the boiler at the center in Torrejón from diesel to natural gas (with the consequential emptying and filling of the system) and the variation in the Mexico Antara consumption data because the 2017 figures were based on real calculations while the 2016 figures were estimated.

Note 17: The increase is primarily due to the numerous Energy Efficiency Savings Improvement programs carried out, most notably in Arroyo de la Vega (Alcobendas), San Fernando, Torrejón and Ciudad Real.

MAIN COLLABORATIONS

Sector-specific Associations

Transport

- UNIFE (International)
- ALAMYS
- RAILGROUP
- CETREN
- MAFEX
- ITS Spain

Defense and Security

- ASD (Europe)
- TEDAE

Energy and Industry

- ENERGYLAB

Telecom and Media

- TMForum (International)

Cybersecurity

- Chair in Cybersecurity

ICT Innovation and Promotion

- AMETIC
- CITIC Foundation
- IESE International Foundation
- Tecnalia Research Foundation

Listed Companies

- Spanish Issuer Association

Institutional Relations

- Círculo de Economía Foundation
- Spanish association of consulting firms (AEC)

Social Associations

- SERES
- Forética
- Integra Foundation

TAX CONTRIBUTION

In 2017, Indra had a significant presence or carried out projects in the following countries included on the most recent list of tax havens published by the OECD, the European Union and the Spanish Tax Authorities:

- Bahrain: Indra has one subsidiary, whose opening was reported in the 2011 Annual Report, with 43 professionals who provide support for a major healthcare project
- Oman: Indra has expanded significantly in this country, driven by major infrastructure modernization projects, e.g., the new Salalah airport, which operates entirely using Indra technology, and operation of the new control tower at the Muscat international airport. The subsidiary has 20 professionals
- Panama: Indra's presence in this country consists of one work center with 406 professionals. Indra is undertaking major projects such as the Panama Canal expansion project.

Additionally, in 2017 Indra carried out isolated activities in the countries or territories such as Andorra, Barbados, Belize, Cyprus, Curaçao, Gibraltar, Hong Kong, Malta, Mauritius, Monaco, Tunisia, Vanuatu and Western Samoa, which are also considered low-tax jurisdictions, according to the criteria of the institutions mentioned above. The amount for these activities against total revenue is virtually insignificant.

Moreover, Indra also has various activities in countries that have pledged with the European Union to amend their tax legislation to harmonize with European standards such as Malaysia, Morocco, Peru, Turkey and Uruguay. In this regard, their tax contributions are listed on the following table.

TAX CONTRIBUTION

COUNTRY	TOTAL OWN TAXES (€M) ¹	TOTAL THIRD-PARTY TAXES (€M) ²	TOTAL (€M)	COUNTRY	TOTAL OWN TAXES (€M) ¹	TOTAL THIRD-PARTY TAXES (€M) ²	TOTAL (€M)
Spain	474,758	613,031	1,087,789	Norway	5,708	1,105	6,813
Spain	474,758	613,031	1,087,789	Czech Republic	666	682	1,348
Portugal	4,841	7,504	12,345	Romania	206	1,608	1,814
Italy	20,431	23,371	43,802	Hungary	0	0	0
Germany	289	600	889	Poland	0	0	0
Ireland	0	0	0	Moldavia	0	0	0
United Kingdom	2,638	7,297	9,935	Lithuania	0	0	0
Greece	3	0	3	Latvia	0	0	0
Belgium	0	0	0	Russia	0	0	0
Slovakia	787	963	1,750	Bulgaria	38	15	53
Turkey	1,278	544	1,822	Europe	36,885	43,689	80,574
Kazakhstan	0	0	0	USA	876	1,287	2,163

(1) The following are considered own taxes: corporate taxes, taxes related to employees/professionals (social security payments and similar), VAT, other taxes (tax on economic activities, vehicle tax, etc.).

(2) The following are considered third-party taxes: taxes related to employees/professionals (income tax on employees and employee social security payments) and VAT collected.

TAX CONTRIBUTION

COUNTRY	TOTAL OWN TAXES (€M) ¹	TOTAL THIRD-PARTY TAXES (€M) ²	TOTAL (€M)
Canada	125	0	125
Panama	688	820	1,508
Honduras	0	0	0
Uruguay	384	1,584	1,968
Chile	3,198	9,452	12,650
Mexico	18,665	24,666	43,331
Dominican Republic	673	1,375	2,048
Puerto Rico	3,951	2	3,953
Paraguay	6	0	6
Ecuador	0	0	0
Costa Rica	107	122	229
Peru	7,552	11,679	19,231

COUNTRY	TOTAL OWN TAXES (€M) ¹	TOTAL THIRD-PARTY TAXES (€M) ²	TOTAL (€M)
Bolivia	184	312	496
El Salvador	0	0	0
Argentina	17,607	18,961	36,568
Colombia	13,144	18,758	31,902
Brazil	24,106	24,795	48,901
Nicaragua	66	45	111
Guatemala	24	6	30
America	91,356	113,864	205,220
Australia	2,774	2,101	4,875
Philippines	3,385	7,213	10,598
China	584	563	1,147
Indonesia	48	168	216

TAX CONTRIBUTION

COUNTRY	TOTAL OWN TAXES (€M) ¹	TOTAL THIRD-PARTY TAXES (€M) ²	TOTAL (€M)
India	201	346	547
Malaysia	227	358	585
Bahrein	107	57	164
Dubai	0	0	0
Arabia Saudi	2,441	291	2,732
Egypt	1	2	3
Algeria	51	0	51
Zambia	33	67	100
Senegal	0	0	0
Tunisia	0	0	0
Morocco	710	1,085	1,795
Kenya	585	476	1,061

COUNTRY	TOTAL OWN TAXES (€M) ¹	TOTAL THIRD-PARTY TAXES (€M) ²	TOTAL (€M)
South Africa	0	0	0
Oman	5	3	8
AMEA	11,152	12,731	23,883
Total	617,454	783,315	1,397,466

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
GENERAL DISCLOSURES (GRI 102:GENERAL DISCLOSURES 2017)					
Organization Profile					
	102-1 Name of the organization	Indra Consolidated Accounts 2017, Note 1	Group	✓	
	102-2 Activities, brands, products, and services	9-12, 66-67	Group	✓	
	102-3 Location of headquarters	Indra Consolidated Accounts 2017, Note 1	Group	✓	
	102-4 Location of operations	66-67 Indra Consolidated Accounts 2017, Annex 1	Group	✓	
	102-5 Ownership and legal form	59, 61	Group	✓	
	102-6 Markets served	66-67	Group	✓	
	102-7 Scale of the organization	7-8, 66-67, 83-84, 140-142 Indra Consolidated Accounts 2017, Note 27	Group	✓	

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
	102-8 Information on employees and other workers	84, 140-142	Group. The figure for subcontracted workers is for Spain (Indra and Tecnocom) on 31.12.2017 and only refers to those classified as ATI (Individualized Technical Assistance).	✓	
	102-9 Supply chain	7-8, 95-101	Indra without Tecnocom	✓	
	102-10 Significant changes to the organization and its supply chain	3-5, 7-8, 138	Group	✓	
	102-11 Precautionary Principle or approach	45-51, 133	Group	✓	
	102-12 External initiatives	60,135	Group	✓	
	102-13 Membership of associations	148 Indra actively participates in influence groups in those that, according to their lines of business and plans, expresses his opinion and defends his interests as company, respecting the public policies in force You can find more information about it in the next link: https://lobbyfacts.eu/representative/a38d7453bc2d40a1af18a983de949d20	Group	✓	

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
Strategy					
	102-14 Statement from senior decision-maker	3-5	Group	✓	
	102-15 Key impacts, risks, and opportunities	11-12,50,133 Indra Management Report Note 8	Group	✓	
Ethics and integrity					
	102-16 Values, principles, standards, and norms of behavior	17, 39, 43, 53-54, 78	Group	✓	
	102-17 Mechanisms for advice and concerns about ethics	53-55	Group	✓	
Governance					
	102-18 Governance structure	40-42	Group	✓	
	102-19 Delegating authority	17	Group	✓	
	102-20 Executive-level responsibility for economic, environmental, and social topics	17	Group	✓	
	102-21 Consulting stakeholders on economic, environmental, and social topics	17,19-25, 138-139	Group	✓	
	102-22 Composition of the highest governance body and its committees	40-42	Group	✓	

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
	102-23 Chair of the highest governance body	40-41	Group	✓	
	102-24 Nominating and selecting the highest governance body	40,42-44 Regulations of the Board of Directors and its committees Indra Sistemas, S.A.	Group	✓	
	102-25 Conflicts of interest	40,42-44 Regulations of the Board of Directors and its committees Indra Sistemas, S.A.	Group	✓	
	102-26 Role of highest governance body in setting purpose, values, and strategy	17, 39	Group	✓	
	102-27 Collective knowledge of highest governance body	Regulations of the Board of Directors and its committees Indra Sistemas, S.A.	Group	✓	
	102-28 Evaluating the highest governance body's performance	40,42-43	Group	✓	
	102-29 Identifying and managing economic, environmental, and social impacts	40, 42-43, 45-51	Group	✓	
	102-30 Effectiveness of risk management processes	40,45-51	Group	✓	
	102-31 Review of economic, environmental, and social topics	40, 49-51	Group	✓	
	102-32 Highest governance body's role in sustainability reporting	17, 40, 43,138	Group	✓	
	102-33 Communicating critical concerns	17, 138-139	Group	✓	

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
	102-34 Nature and total number of critical concerns	30-31	Group	✓	
	102-35 Remuneration policies	Indra Remuneration policy https://www.indracompany.com/en/accionistas/corporate-policies	Group	✓	
	102-36 Process for determining remuneration	40-43 Indra Remuneration policy https://www.indracompany.com/en/accionistas/corporate-policies	Group	✓	
	102-37 Stakeholders' involvement in remuneration	40-43 Indra Remuneration policy https://www.indracompany.com/en/accionistas/corporate-policies	Group	✓	
	102-38 Annual total compensation ratio	142	Group	✓	
	102-39 Percentage increase in annual total compensation ratio	142-143	Group	✓	
Stakeholder engagement					
	102-40 List of stakeholder groups	18	Group	✓	
	102-41 Collective bargaining agreements	146	Group	NO	
	102-42 Identifying and selecting stakeholders	19,138-139	Group	✓	
	102-43 Approach to stakeholder engagement	19-25, 139	Group	✓	

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
	102-44 Key topics and concerns raised	29-30	Group	✓	
Reporting practice					
	102-45 Entities included in the consolidated financial statements	138 Indra Consolidated Accounts 2017, Note 1 and 5	Group	✓	
	102-46 Defining report content and topic Boundaries	26-29, 138-139	Group	✓	
	102-47 List of material topics	29	Group	✓	
	102-48 Restatements of information	138	Group	✓	
	102-49 Changes in reporting	138	Group	✓	
	102-50 Reporting period	138	Group	✓	
	102-51 Date of most recent report	138	Group	✓	
	102-52 Reporting cycle	138	Group	✓	
	102-53 Contact point for questions regarding the report	https://www.indracompany.com/en/indra/contact	Group	✓	
	102-54 Claims of reporting in accordance with the GRI Standards	138	Group	✓	

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
	102-55 GRI content index	153	Group	✓	
	102-56 External assurance	181	Group	✓	
TOPIC SPECIFIC CONTENT					
Economic Performance					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	
GRI 201: Economic Performance 2017	201-1 Direct economic value generated and distributed	32	Group	✓	
	201-2 Financial implications and other risks and opportunities due to climate change	127-128,133, CDP (Risk and Opportunities Module)	Group	✓	Cualitative information is provided
	201-3 Defined benefit plan obligations and other retirement plans	Indra does not have specific retirement plans or other special situation plans for employees	Group	✓	
	201-4 Financial assistance received from government	Indra Consolidated Accounts 2017, Note 9 and 22	Group	✓	

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
Market Presence					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	
GRI 202: Market Presence 2017	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	142	Group	✓	
	202-2 Proportion of senior management hired from the local community	141	Group	✓	
Indirect economic impacts					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	
GRI 203: Indirect Economic Impacts 2017	203-1 Infrastructure investments and services supported	32, 122-127	Group	✓	
	203-2 Significant indirect economic impacts	32, 123-124	Group	✓	

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
Procurement practices					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	
GRI 204: Procurement practices 2017	204-1 Proportion of spending on local suppliers	101	Indra, without TecnoCom	✓	
Anti-corruption					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
GRI 205: Anti-corruption 2017	205-1 Operations assessed for risks related to corruption	50, 53-55	Group	✓	The policy and internal procedures related to this aspect are reported
	205-2 Communication and training about anti-corruption policies and procedures	53-55, 140	Group	✓	
	205-3 Confirmed incidents of corruption and actions taken	Indra is not a party to any judicial proceeding related to corruption. However, it is aware of the existence of some judicial procedures that affect employees and former employees. The company has actively collaborated with the judicial authorities in the investigations related to these judicial proceedings.	Group	✓	
Anti-competitive behavior					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	
GRI 206: Anti-competitive behavior 2017	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Indra Consolidated Accounts 2017, Note 23	Group	✓	

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
Materials					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
	103-2 The management approach and its components	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
	103-3 Evaluation of the management approach	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
GRI 301: Materials 2017	301-1 Materials used by weight or volume	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
	301-2 Recycled input materials used	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
	301-3 Reclaimed products and their packaging materials	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
Energy					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
GRI 302: Energy 2017	302-1 Energy consumption within the organization	134	Group (electricity) and Certified Centres (gas and natural gas)	✓	The limitations to the scope and observations regarding this indicator are provided on page 134
	302-2 Energy consumption outside of the organization	134	Spain	✓	The emissions are reported of CO2 derived from transporting company employees with their own vehicles, trains and airplanes on business trips
	302-3 Energy intensity	133	Group	✓	The observations regarding this indicator are provided on page 133
	302-4 Reduction of energy consumption	129-135	Group	✓	The company reports on the measures adopted
	302-5 Reduction in energy requirements of products and services	127-128	Group	✓	The company reports on the solutions implemented
Water					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
	103-2 The management approach and its components	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
	103-3 Evaluation of the management approach	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
GRI 303: Water 2017	303-1 Water withdrawal by source	147	Certified Centres	✓	The limitations on the scope and observations on this indicator are indicated on page 147
	303-2 Water sources significantly affected by withdrawal of water	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
	303-3 Water recycled and reused	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
Biodiversity					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
	103-2 The management approach and its components	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
	103-3 Evaluation of the management approach	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
GRI 304: Biodiversity 2017	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
	304-2 Significant impacts of activities, products, and services on biodiversity	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
	304-3 Habitats protected or restored	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
Emissions					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	
GRI 305: Emissions 2017	305-1 Direct (Scope 1) GHG emissions	136	Certified Centers	✓	Limitations on scope and observations on this indicator are indicated on page 136
	305-2 Energy indirect (Scope 2) GHG emissions	136	Group	✓	Limitations on scope and observations on this indicator are indicated on page 136
	305-3 Other indirect (Scope 3) GHG emissions	136	Spain	✓	Limitations on scope and observations on this indicator are indicated on page 136
	305-4GHG emissions intensity	136	Group	✓	Observations on this indicator are indicated on page 136
	305-5 Reduction of GHG emissions	135-136	Group	✓	It is reported indirectly through the reduction of consumption
	305-6 Emissions of ozone-depleting substances (ODS)	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
Efluents and waste					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
	103-2 The management approach and its components	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
	103-3 Evaluation of the management approach	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
GRI 306: Efluents and waste 2017	306-1 Water discharge by quality and destination	Not material according to Indra's materiality analysis	Group	NO	No material según el análisis de materialidad de Indra
	306-2 Waste by type and disposal method	147	Certified Centers	✓	The limitations on the scope and observations on this indicator are indicated on page 147
	306-3 Significant spills	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
	306-4 Transport of hazardous waste	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
	306-5 Water bodies affected by water discharges and/or runoff	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
Environmental compliance					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	
GRI 307: Environmental compliance 2017	307-1 Non-compliance with environmental laws and regulations	There have been no fines or non-monetary sanctions for non-compliance with environmental regulations that could be significant for the Group. See 2017 Consolidated Accounts Report, Note 23	Group	✓	
Supplier environmental assessment					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	
GRI 308: Supplier environmental assessment 2017	308-1 New suppliers that were screened using environmental criteria	146	Indra, without TecnoCom	✓	
	308-2 Negative environmental impacts in the supply chain and actions taken	No analyzes of this type have been carried out, because in the approval process have not been identified significant environmental risks in the reviewed suppliers	Indra, without TecnoCom	✓	

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
Employment					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	
GRI 401: Employment 2017	401-1 New employee hires and employee turnover	143	Group	✓	The hiring rate is not reported
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	There are no significant differences in the benefits that receive the professionals according to the type of contract	Group	✓	
	401-3 Parental leave	144-145	Spain without TecnoCom	✓	
Worker-company relations					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	
GRI 402: Worker-company relations 2017	402-1 Minimum warning periods on operational changes	92	Group	✓	

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
Health and Safety at Work					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	
GRI 403: Health and Safety at Work 2017	403-1 Workers representation in formal joint management-worker health and safety committees	Indra has 38 formal management-worker health and safety committees, 35 of them in centres with more than 50 employees and 3 of them in centres with less than 50 employees	Spain	NO	
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	145-146	The scope of these data is 73.65% of the companies of the Group, Technicom is not included nor certain countries like Brasil, Germany or Australia	✓	Personal rates are reported, without breaking down by sex
	403-3 Workers with high incidence or high risk of diseases related to their occupation	No high disease risk workers have been identified	Group	✓	
	403-4 Health and safety topics covered in formal agreements with trade unions	Indra complies with health and safety obligations according to the applicable regulation	Spain	NO	

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
Training and education					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	
GRI 404: Training and education 2017	404-1 Average hours of training per year per employee	88,144	Group	✓	
	404-2 Programs for upgrading employee skills and transition assistance programs	88	Group	✓	
	404-3 Percentage of employees receiving regular performance and career development reviews	143-144	Indra, without Tecnomcom	✓	
Diversity and equal opportunity					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
GRI 405: Diversity and equal opportunity 2017	405-1 Diversity of governance bodies and employees	41, 44, 141-142	Group, except the data on employees with disabilities which has scope Spain	✓	
	405-2 Ratio of basic salary and remuneration of women to men	The basic salary is determined in the different collective agreements of the Group companies and they do not differentiate between men or women	Group	✓	Information provided only on the basic salary
Non discrimination					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	
GRI 406: Non discrimination 2017	406-1 Incidents of discrimination and corrective actions taken	55	Group	✓	The information provided refers to all the complains issued for any reason through the complaint channels of the group
Freedom of association and collective bargaining					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
GRI 407: Freedom of association and collective bargaining 2017	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	92	Group	✓	Information provided on the related policy
Child labor					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
	103-2 The management approach and its components	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
	103-3 Evaluation of the management approach	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
GRI 408: Child labor 2017	408-1 Operations and suppliers at significant risk for incidents of child labor	Not material according to Indra's materiality analysis	Group	NO	Not material according to Indra's materiality analysis
Forced or compulsory labor					
	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
GRI 103: Management Approach 2017	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	
GRI 409: Forced or compulsory labor 2017	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	35-36, 54	Group	✓	The company reports on the relevant policy

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
Security practices					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	
GRI 409: Forced or compulsory labor 2017	410-1 Security personnel trained in human rights policies or procedures	Indra is currently developing reporting systems for this data	Group	NO	
Rights of indigenous peoples					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	
GRI 411: Rights of indigenous peoples 2017	411-1 Incidents of violations involving rights of indigenous peoples	35-36, 54-55 No significant cases have been detected in this sense	Group	✓	The total number of complaints received for any reason in the Group's complaint channels is provided

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
Human Rights assessment					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	
GRI 412: Human Rights assessment 2017	412-1 Operations that have been subject to human rights reviews or impact assessments	35-36	Group	✓	The policy regarding this aspect is provided
	412-2 Employee training on human rights policies or procedures	54, 140	Group	✓	The number of trained employees is provided
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	35-36	Group	✓	The policy regarding this aspect is provided
Local communities					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
GRI 413: Local communities 2017	413-1 Operations with local community engagement, impact assessments, and development programs	123-125	Group	✓	Volunteer programs, accessible technologies and pro bono projects are reported
	413-2 Operations with significant actual and potential negative impacts on local community	No significant negative effects have been identified	Group	NO	
Supplier social assessment					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	
GRI 414: Supplier social assessment 2017	414-1 New suppliers that were screened using social criteria	146	Indra, without Tecnomcom	✓	
	414-2 Negative social impacts in the supply chain and actions taken	95,96,98	Group	✓	The internal procedures related to this aspect are reported
Public policy					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
GRI 415: Public policy 2017	415-1 Political contributions	According to the Code of Ethics and Legal Compliance of Indra "Indra will not finance, directly or indirectly, or in Spain or abroad, to political parties or their representatives or candidates "	Group	✓	The policy regarding this aspect is provided
Customer health and safety					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	
GRI 416: Customer health and safety 2017	416-1 Assessment of the health and safety impacts of product and service categories	66, 71-72	Group	✓	Cualitative information is provided
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Indra has no record of non-compliance with regulations or voluntary codes regarding the health and safety impacts of its products and services that could be significant for the Group.	Group	✓	
Marketing and labeling					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
GRI 417: Marketing and labeling 2017	417-1 Requirements for product and service information and labeling	71-75	Group	✓	Qualitative information is provided
	417-2 Incidents of non-compliance concerning product and service information and labeling	Indra has no record of cases of non-compliance with regulations or voluntary codes related to the information and labeling of its products and services that could be significant for the Group.	Group	✓	
	417-3 Incidents of non-compliance concerning marketing communications	Indra has no record of cases of non-compliance with regulations or voluntary codes related to marketing communications that could be significant for the Group	Group	✓	
Customer privacy					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	
GRI 418: Customer privacy 2017	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	We are only aware of a case of theft of certain documents that led to a legal proceeding for minor offenses, currently concluded by a final judgment and in which it was determined that the data stolen from the client's property had been destroyed by the defendants who were convicted to the payment of a fine. No substantiated claims have been received regarding breaches of privacy and / or other procedures for loss of customer data beyond what is stated	Group	✓	

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MATERIAL ISSUES IDENTIFIED	INDICATOR AND DESCRIPTION	PAGE / DIRECT REFERENCE	SCOPE	REVISION	OBSERVATIONS / NOTES
Socioeconomic compliance					
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	30-32	Group	✓	
	103-2 The management approach and its components	30-32	Group	✓	
	103-3 Evaluation of the management approach	30-32	Group	✓	
GRI 419: Socioeconomic compliance 2017	419-1 Non-compliance with laws and regulations in the social and economic area	See Indra Consolidated Accounts Report 2017, Note 23.	Group	✓	

✓ - Content verified according to the scope defined. The verification report can be found on pages 181-182 of Indra's Corporate Responsibility Report 2017. The verification scope of Indra's Corporate Responsibility Report 2017 does not include the contents of the web pages referenced across Indra's Corporate Responsibility Report 2017.

NO - Content not verified (non material issues according to Indra's materiality analysis).

MATERIALITY, GRI, GLOBAL COMPACT AND SDGS

RELEVANT PRIORITY ISSUES FOR INDRA IN 2017	SPECIFIC RELATED GRI STANDARDS (I)	RELATED PRINCIPLES OF THE GLOBAL COMPACT (II)	RELATED SDGS	
Client satisfaction	GRI 416: Client health and safety GRI 417: Marketing and labeling	P1, P2, P3, P4, P5, P6, P10	SDG 16	(I) See GRI table (pages 153 to 179)
Anti-corruption, legal compliance and the Code of Ethics	GRI 205: Anti-corruption GRI 206: Unfair competition GRI 307: Environmental compliance GRI 308: Environmental assessment of suppliers GRI 414: Social assessment of suppliers	P1, P2, P3, P4, P5, P6, P10	SDG5, SDG8, SDG16	(II) Global Compact Principles:
Risk control and internal control system	GRI 419: Socio-economic compliance	P1, P2, P3, P4, P5, P6, P10	SDG 16	• P1: Protection of Human Rights
Innovation, R&D and new offer	GRI 201: Economic Performance	P1, P2, P3, P4, P5, P6, P7, P8, P9	SDG8, SDG9, SDG13	• P2: No abuse of Human Rights
Training plan and career development	GRI 401: Employment GRI 402: Worker-company relations GRI 404: Training and teaching	P1, P2, P3, P4, P5, P6, P7, P8, P9, P10	SDG3, SDG4, SDG5, SDG8, SDG10	• P3: Freedom of association
Information security and data protection	GRI 418: Client privacy	P1, P2, P3, P4, P5, P6, P10	SDG 16	• P4: Forced labor
Remuneration and social benefits	GRI 403: Occupational health and safety GRI 405 Diversity and equality of opportunities	P1, P2, P3, P4, P5, P6, P10	SDG3, SDG5	• P5: Child labor
Information transparency	GRI 202: Presence in the market GRI 203: Indirect economic impacts GRI 204: Procurement practices GRI 302: Energy GRI 305: Emissions GRI 406: Non-Discrimination GRI 407: Freedom of association and collective bargaining GRI 409: Forced or compulsory labor GRI 410: Safety practices GRI 411: Rights of indigenous peoples GRI 412: Human rights assessment GRI 413: Local communities GRI 415: Public Policy	P1, P2, P3, P4, P5, P6, P7, P8, P9, P10	SDG1, SDG2, SDG3, SDG4, SDG5, SDG7 SDG8, SDG9, SDG11 SDG12, SDG13, SDG14 SDG15, SDG16	• P6: Non-Discrimination
				• P7: Prevention of negative environmental impacts
				• P8: Environmental responsibility
				• P9: Respect for the environment
				• P10: Fight against corruption

DELOITTE VERIFICATION REPORT



Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Independent Assurance Report on the Corporate Social Responsibility Report 2017

To the Shareholders of Indra Sistemas, S.A:

Scope of our work

We have performed the review, with a limited assurance, of the Corporate Social Responsibility Report 2017 (CSRR) of Indra Sistemas, S.A. and subsidiary companies (henceforth Indra), whose scope and coverage are defined in the Annex of the CSRR "About this report". Our work consisted on the review of:

- The adherence of the CSRR to the Global Reporting Initiative Sustainability Reporting Standards (henceforth "GRI-SRS"), including the reliability and suitability of the contents.
- The information provided in the CSRR relating to the application of the principles of inclusivity, materiality and responsiveness set out in the AA1000 Accountability Principles Standard of AccountAbility (AA1000APS).

Standards and verification procedures

We have conducted a limited assurance engagement in accordance with International Standard on *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with Guidelines for engagements relating to the review of Corporate Responsibility Reports issued by the Spanish Institute of Certified Public Accountants to achieve limited assurance. Additionally, we have applied *AccountAbility's 1000 Assurance Standard* (AA1000AS) to provide moderate assurance on the application of the principles established in standard AA1000APS and on the sustainability performance indicators (type 2 moderate assurance).

Our work consisted of making enquiries to Management and certain business units of Indra involved in the preparation of the CSRR, and in carrying out the following analytical procedures and sample-based review tests:

- Meetings with Indra personnel to ascertain the principles, systems and sustainability management approaches applied.
- Review of the steps taken in relation to the identification and consideration of the stakeholders throughout the year and of the stakeholders' participation processes through the analysis of the available internal information and third-party reports.
- Analysis of the coverage, materiality and completeness of the information included in the CSRR on the basis of the understanding of Indra of its stakeholders' requirements in relation to the relevant issues identified by the organization and described in the CSRR "Stakeholders" chapter.
- Review of the information related to the management approaches applied and verification of the existence and scope of the Corporate Social Responsibility (CSR) policies, systems and procedures.
- Analysis of the adherence of the contents of the CSRR to those recommended in GRI-SRS and verification that the contents included agree with those recommended by the standard.
- Analysis of the coherence of the contents of the CSRR with those of the Consolidated Financial Statements and of the Management Report of Indra, of which the CSRR forms part.
- Review on a sample basis, of the quantitative and qualitative information relating to the contents detailed in the section "GRI contents Index" on the CSRR Annexes and of the adequate compilation thereof based on the data furnished by the information sources of Indra.

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Responsibilities of Indra Management and Deloitte

- The preparation and contents of the CSRR are the responsibility of the Board of Directors of Indra. The Management of Indra is responsible to define, adapt and maintain the internal management and control systems through which the information is obtained.
- Our responsibility is to issue an independent limited assurance report based on the procedures applied in our review.
- Since a limited assurance is substantially less in scope than a reasonable assurance engagement, we do not provide reasonable assurance on the CSRR.
- This report has been prepared in the interest of Indra in accordance with the terms and conditions of our Engagement Letter.
- We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.
- Deloitte maintains, in accordance with the International Standard on Quality Control 1 (ISQC1), a global system of quality control, which includes policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.
- Our team consisted of professionals with qualifications on the assurance on CSR Reports and, specifically, on economic, social and environmental performance and stakeholders' participation processes assurance.

DELOITTE VERIFICATION REPORT

Conclusions

The "GRI contents Index" section, within the Annexes of the CSRR, provides details of the contents reviewed and of the scope limitations of our review, and identifies any content that does not cover all the criteria recommended by GRI-SRS. Based on the procedures performed and evidence obtained, except for the issues identified in the "GRI contents Index" nothing has come to our attention that causes us to believe that:

- The CSRR has not been prepared, in all material aspects, in accordance with the GRI-SRS, including the reliability and adequacy of the contents.
- Indra has not applied the principles of inclusivity, materiality and responsiveness as described in the "About this Report" section, within the Annexes of the CSRR, in accordance with standard AA1000 2008 APS:
 - Inclusivity: Indra has carried out a participation process for stakeholders that facilitates their involvement in the development of a responsible approach within the management of CSR.
 - Materiality: the process of determining materiality requires an understanding of the important or relevant issues for Indra and its stakeholders.
 - Responsiveness: Indra responds with specific actions and commitments related to the material issues identified.

Observations and recommendations

In addition, we have presented to the Management of Indra our recommendations related to the areas of improvement in CSR management and to the application of the principles of inclusivity, materiality and responsiveness. The most significant recommendations, which do not modify the conclusions of this report, are summarized as follows:

Inclusivity and materiality

In 2017 Indra updated its materiality analysis, analysing the significant aspects previously identified for the main corporate and business units. In 2018 it would be recommendable to systematise this analysis and broaden its scope to include the recently incorporated businesses and companies, Teconocom and Paradigma. This update should help to align Indra's CSR Master Plan with the new 2018-2020 Strategic Plan approved in 2017, placing the focus on those CSR actions that could best contribute to the achievement of the company's strategic objectives.

Responsiveness

Indra followed the GRI-SRS Standard in preparing the 2017 CSRR, which, for the first time, has been included as an Appendix to the directors' report, in accordance with Royal Decree-Law 18/2017, of 24 November, amending the Spanish Commercial Code, the Consolidated Spanish Limited Liability Companies Law approved by Legislative Royal Decree 1/2010, of 2 July, and Spanish Audit Law 22/2015, of 20 July, on non-financial information and diversity matters. This, as well as the inclusion of new companies in the Group, highlights the need to continue to strengthen and integrate the internal reporting and control systems in order to be able to obtain the required information on a timely basis and with the necessary quality to be able to properly comply with the reporting standards.

In 2017 Indra continued to work on mitigating its environmental impacts and, due to the purchase of green energy, it managed to significantly reduce its CO2 emissions from electricity consumption. In line with the new Strategic Plan, the main lines of action of which focus on productivity improvements through an ambitious efficiency plan and the implementation of a new operational and organisational model, Indra should update its resource consumption objectives, both in its facilities and throughout its supply chain, as well as improve the information available on the impacts of its activities on that chain.

DELOITTE, S.L.



Helena Redondo
Madrid, March 20th, 2018