



Explanatory report of the Board of Directors on the amendment to the Bylaws

May 2021

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1 Purpose of the report

Under the provisions of article 286 of the Spanish Corporate Enterprises Act ("**CEA**"), the Board of Directors of Indra Sistemas, S.A. ("**Indra**", the "**Entity**" or the "**Company**") has drawn up this explanatory report on the proposed amendments to specific articles of the Bylaws, submitted for the approval of the 2021 Ordinary General Shareholders' Meeting of the Company, under item six of the agenda.

As stated in the agenda and in compliance with the provisions of article 197 bis 2 b) of the CEA, the amendment to independent articles or groups of articles is submitted to a separate vote in accordance with the following criteria: (i) the first block (point 6.1 of the agenda) includes the proposed amendment to article 3 in order to adapt it to the wording of article 285.2 of the CEA; (ii) the second block (item 6.2 on the agenda) groups different types of amendments to specific articles (14, 14 bis -newly created-, 17 and 20) referring to the General Shareholders' Meeting; (iii) the third block (agenda item 6.3) comprises a series of articles (22, 24 and 27) concerning the Board of Directors; and (iv) the fourth block (item 6.4 on the agenda) proposes the amendment to the wording of article 31 bis of the Bylaws in order to incorporate more flexibility in the distribution of the functions of the Appointments, Remuneration and Corporate Governance Committee.

2 Explanation of the proposed amendments

The amendments proposed by the Board of Directors serve different purposes, notably the amendments or new developments introduced by Law 5/2021 of 12 April, amending the revised text of the Corporate Enterprises Act and further financial regulations regarding the promotion of long-term shareholder involvement in listed companies ("**Law 5/2021**").

This revision also included technical and drafting improvements to the Bylaws, including references to the law wherever internal regulations do not differ so as to preclude the need to adapt the Bylaws to any subsequent amendments to the law.

2.1 Amendment to article 3 in order to adapt it to the wording of article 285.2 of the CEA.

An amendment is proposed to the second paragraph of article 3 of the Bylaws to extend the power of Indra's Board of Directors to relocate the registered office anywhere in Spain and not just within a municipality, as established in the previous wording.

2.2 Amendment to articles 14, 14 bis (newly created), 17 and 20 regarding the General Shareholders' Meeting.

2.2.1 Amendment to article 14, concerning the exercise of attendance, voting and representation rights by remote means of communication

The Board of Directors proposes amending this article to incorporate technical and drafting improvements in the wording of the article, providing separately for the regulation of the power of the governing body to call the Meeting so that it may be held in a hybrid manner (attendance by electronic means and in person), the possibility for shareholders to exercise their voting or proxy rights by the remote means of communication detailed in the notice of call to the Meeting and, finally, the right to information.

2.2.2 Addition of a new article 14 bis, relating to exclusively telematic attendance at the Shareholders Meeting

The Board of Directors proposes incorporating a new article 14 bis to authorise directors to call meetings held exclusively by telematic means, without the physical attendance of shareholders or their proxies.

The health crisis in the wake of the Covid-19 pandemic has completely transformed how we relate to each other without physical presence. Corporate legislation has not been immune to this reality, and this possibility was first incorporated as a temporary measure in the regulations issued to deal with the consequences of the pandemic and, subsequently, with the entry into force of Law 5/2021, as a more definitive measure, including a new article 182 bis in the CEA. Other legal systems already provide for this possibility, which is now also incorporated into Spanish law.

Indra encourages the participation of its shareholders in the General Meetings by making the electronic means necessary for remote participation available to them when they cannot attend in person. At the 2020 General Shareholders Meeting, with the state of alert lifted but the health crisis persisting, the Board considered that the most prudent option to preserve the general interests and health of shareholders, employees and other persons involved in the preparation of the Meetings, and under current health regulations, was to hold a hybrid meeting, with attendance in person and online, providing shareholders with an application developed by the Company itself to guarantee the full exercise of their rights to attend and participate, in real time and remotely. Remote participation was evidently the option chosen by shareholders, with minimal face-to-face participation.

In this regard, and although the Board of Directors considers the attendance in person of shareholders or their proxies at the General Meeting to be the ordinary channel for exercising their rights, together with the possibility of exercising these rights by remote means of communication prior to the holding of the Meeting, the incorporation of the exclusively telematic Meeting proposed in the Bylaws provides the Company with flexibility and legal certainty. This option enables the Board of Directors to take decisions swiftly while safeguarding shareholders' rights, when circumstances and protection of the interests at stake make it advisable, for example, in situations such as the Covid-19 health crisis, with no need to rely on the adoption of exceptional legislative measures.

In any case, the proposed amendment contains all the necessary provisions to guarantee the attendance and effective exercise of all corresponding rights by shareholders at meetings called and held in this format.

2.2.3 Amendment to article 17 regarding the quorum for the constitution of the General Shareholders Meeting.

The proposed amendment seeks to refer to the quorum established at any given time by the Corporate Enterprises Act, thus avoiding the need to adapt the wording of the Bylaws to any subsequent legislative developments.

2.2.4 Amendment to article 20, concerning the minutes of the General Shareholders Meeting.

It technically specifies the moment when the resolutions of the General Shareholders Meeting are enforceable, disassociating it from the moment of approval of the minutes.

It also incorporates the clarification included in Law 5/2021 stipulating that the minutes of General Meetings held exclusively by telematic means must be notarised.

2.3 Amendment to articles 22, 24 and 27 concerning the Board of Directors

2.3.1 Amendment to article 22, concerning the appointment and removal of directors

The proposal includes the amendment contained in Law 5/2021 that the Board of directors of listed companies should comprise exclusively natural persons and some drafting improvements

2.3.2 Amendment to article 24, concerning how Board of Directors sessions will be run

Technical and wording improvements are proposed (inclusion of the place where board meetings are deemed to be held by multiconference, videoconference or any other similar system) and a reference is made to the law to regulate cases of abstention by directors in the deliberation and voting on resolutions.

2.3.3 Amendment to article 27 concerning the remuneration of directors

The proposed amendment to article 27 of the Bylaws responds to the developments in this area under Law 5/2021 in articles 529 septdecies and 529 octodecies of the Corporate Enterprises Act.

To this end, the regulation of section 2 of article 27 is completed with the obligation for the Appointments, Remuneration and Corporate Governance Committee to report to the Board beforehand on the determination of directors' remuneration, and also with reference to the observance of the Remuneration Policy and the Company's Bylaws for that determination.

Similarly, section 3 of this article is amended to specify the remuneration of directors for the discharge of executive duties.

2.4 Amendment to article 31 bis on the Appointments, Remuneration and Corporate Governance Committee

The Board of Directors proposes the amendment to the final paragraph of this article in line with the provisions of the Listed Companies Good Governance Code, providing that the Board of Directors may distribute the functions of the current Appointments, Remuneration and Corporate Governance Committee among several committees when it deems it appropriate because they cannot be assumed by a single committee.

3 Full text of the current wording and proposed amendment

For the sake of simplifying the analysis of the amendments presented to shareholders, the current wording and the proposed amendment with the changes marked in each of the above-mentioned articles are included.

Current text	Proposed amendment
<p>Article 3.- The Company shall have its registered office in Alcobendas (Madrid), at Avenida de Bruselas 35, and it is authorized to establish branches, agencies, delegations and representative offices wherever it may be deemed necessary, including internationally, as decided by the Administrative Body of the Company.</p> <p>The Administrative Body shall also be authorised to change the registered office within the same city limits.</p>	<p>Article 3.- The Company shall have its registered office in Alcobendas (Madrid), at Avenida de Bruselas 35, and it is authorized to establish branches, agencies, delegations and representative offices wherever it may be deemed necessary, including internationally, as decided by the Administrative Body of the Company.</p> <p>The Administrative Body shall also be authorised to change the registered office within the same city limits <u>Spain</u>.</p>
<p>Article 14.- The right to attend Annual Shareholders' Meetings, as well as the rights to vote and be represented by a proxy, may be exercised by post, e-mail, or any other means of remote communication in accordance with the Regulations of the General Meeting provided that the identity of the person participating or voting and the security of the electronic communications are duly guaranteed</p> <p>Attendance and voting electronically and simultaneous with Meeting will be governed by the Rules of Procedure for Annual Shareholders' Meetings, which may regulate the remote exercise of such rights including, among others:</p> <p>a) The transmission in real time of the General Meeting.</p>	<p>Article 14.- <u>Shareholders may exercise their voting rights and grant proxies prior</u> The right to attend the Annual General Shareholders' Meetings, as well as the rights to vote and be represented by a proxy, may be exercised by post, e-mail, or any other form as may be stipulated in the Regulations for Shareholders Meetings <u>and with the provisions of the notice convening the General Meeting,</u> provided that the identity of the person participating or voting and the security of the electronic communications are duly guaranteed</p> <p><u>In addition, when convening the General Meeting, the Board of Directors may resolve that shareholders entitled to attend the General Meeting, or their representatives, may attend remotely by telematic means that duly guarantee</u></p>

- b) Two-way communication in real time so that Shareholders may address the General Meeting from a place other than its venue.
- c) A mechanism for voting before or during the General Meeting without the need to appoint a representative who is physically present at the Meeting.
- d) Delegation to the Board of Directors of the power to specify and regulate all procedures necessary for the exercise of such rights by Shareholders attending by electronic means, which will be detailed in the call.

Shareholders may submit written request from the Board of Directors, within the time frame specified by Law, or during the Annual Shareholders' Meeting (verbally or, in case of telematic attendance, as set out in Annual Shareholders' Meeting call or in any of its supplemental notices), the information or clarification which they deem appropriate regarding items on the Agenda, or they may submit written questions which they consider relevant. Furthermore, Shareholders may also request from the Board of Directors, in writing and within the same time frame, clarification which they deem appropriate regarding public information which the Company provides to the *Comisión Nacional del Mercado de Valores* ("National Securities Exchange Commission") since the last Shareholders Meeting, and regarding the Auditor's report.

the identity of the shareholders or their proxies in attendance and the proper exercise of their rights.

Attendance and voting electronically ~~and simultaneous with Meeting~~ will be governed by the Rules of Procedure for Annual Shareholders' Meetings, which may regulate the remote exercise of such rights including, among others:

- a) The transmission in real time of the General Meeting.
- b) Two-way communication in real time so that Shareholders may address the General Meeting from a place other than its venue.
- c) A mechanism for voting before or during the General Meeting without the need to appoint a representative who is physically present at the Meeting.
- d) Delegation to the Board of Directors of the power to specify and regulate all procedures necessary for the exercise of such rights by Shareholders attending by electronic means, which will be detailed in the call.

Within the legally stipulated period and prior to the General Meeting, Shareholders ~~shareholders~~ may submit written request from ~~the Board of Directors, within the time frame specified by Law, or during the Annual Shareholders' Meeting (verbally or, in case of telematic attendance, as set out in Annual Shareholders' Meeting call or in any of its supplemental notices),~~ the information or clarification which ~~they deem appropriate regarding items on the Agenda, or they may submit written questions which they consider relevant. Furthermore, Shareholders may also request from the Board of Directors, in writing and within the same time frame, clarification which~~ they deem appropriate regarding public information which the Company provides to the *Comisión Nacional del Mercado de Valores* ("National Securities Exchange Commission") since the last Shareholders Meeting, and regarding the Auditor's report.

In turn, during the meeting (either verbally or, in the case of telematic participation, in the manner established in the notice of call or any of its supplements), shareholders or their proxy representatives may request such information or clarifications as they deem appropriate regarding the items on the agenda or request such clarifications as they deem necessary regarding the information accessible to the public that the Company has provided to the National Securities Market Commission since the last general

meeting was held and regarding the auditor's report.

Directors must provide the information as requested in accordance with the preceding paragraph under the terms provided by law in each case, except in cases where such information is unnecessary for the protection of the interests of the shareholder, where there are objective reasons to consider that it could be used for extra-business purposes or where its disclosure would be detrimental to the company or related companies. Information may not be refused if the request is supported by shareholders representing at least twenty-five per cent of the share capital.

Article 14 bis.- In addition to the provisions of the preceding articles, the General Meeting may be called to be held exclusively by telematic means and, therefore, without the physical attendance of the shareholders, their proxies and, where appropriate, the members of the Board of Directors.

General Meetings held exclusively through telematic means must comply with the law, bylaws, and also run as provided for in the Regulations of the General Meeting and, in any event, must ensure that the identity and legitimate standing of the shareholders and their proxies have been duly guaranteed. Moreover, all attendees must be capable of participating effectively in the meeting through the remote means of communication permitted in the notice of call, both to exercise their entitled rights to speak, information, proposal and vote in real time, and to follow the interventions of the other attendees by the means indicated, considering the state of the art and the circumstances of the Company. Responses to shareholders or their proxies exercising their right to information during the General Meeting shall be made during the course of the General Meeting or in writing within seven days after the end of the General Meeting.

When the General Meeting is held exclusively by telematic means, it shall be deemed to be held at the registered office.

Article 17.- In order for the Shareholders Meeting to constitute a quorum, at least twenty-five per cent of the outstanding voting capital stock shall be required to be in attendance, either in person or by proxy, on first call. On second call, the Shareholders Meeting shall be held whatever the voting capital stock in attendance. Notwithstanding, in order to make valid any

Article 17.- ~~In order for the~~A duly covered General Shareholders Meeting, whether ordinary or extraordinary, ~~to constitute a quorum, at least twenty five per cent of the outstanding voting capital stock shall be~~ validly constituted at first or second call with the minimum quorum required by law in accordance with the items appearing on the agenda ~~required to be in attendance, either in~~

resolutions regarding an increase or reduction of capital; issuance of debt; a reorganization of the Company; elimination or reduction of pre-emption rights of new shares; any modification of the Bylaws; or a change, merger, divestiture or takeover; as well as relocation of the registered office abroad , at least fifty per cent of the outstanding voting capital stock must be in attendance at first call and twenty-five per cent of said capital stock must be in attendance at second call.

~~person or by proxy, on first call. On second call, the Shareholders Meeting shall be held whatever the voting capital stock in attendance. Notwithstanding, in order to make valid any resolutions regarding an increase or reduction of capital; issuance of debt; a reorganization of the Company; elimination or reduction of pre-emption rights of new shares; any modification of the Bylaws; or a change, merger, divestiture or takeover; as well as relocation of the registered office abroad , at least fifty per cent of the outstanding voting capital stock must be in attendance at first call and twenty-five per cent of said capital stock must be in attendance at second call.~~

Article 20.- The Minutes of the each Shareholders Meeting shall be compiled by the Secretary. A list of those in attendance shall appear at the beginning along with the corporate resolutions passed. The Minutes shall be transcribed in the corresponding minute book especially reserved for Shareholders Meetings and must be approved at the end of the meeting or by the Chairman of the Meeting and two shareholders who shall act as scrutineers within a period of fifteen days following.

Article 20.- The Minutes of the each Shareholders Meeting shall be compiled by the Secretary. A list of those in attendance shall appear at the beginning along with the corporate resolutions passed. The Minutes shall be transcribed in the corresponding minute book especially reserved for Shareholders Meetings and must be approved at the end of the meeting or by the Chairman of the Meeting and two shareholders who shall act as scrutineers within a period of fifteen days following.

Corporate resolutions may be acted upon starting the date which the Minutes where they appear are approved.

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The Board of Directors (the "Board") as well as shareholders representing at least the percentage of the outstanding stock of the Company as provided for by applicable law, within the time and in accordance with the requirements of said law, may require that a public notary be present to prepare the minutes of the meeting. The notarized minutes will not be submitted to the shareholders for approval and they shall be considered a resolution of the meeting.

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For meetings held exclusively by telematic means, the minutes of the meeting shall be drawn up by a notary in all cases.

Article 22.- In order to be named as a member of the Board, one need not be a shareholder, and a Director may be an artificial as well as a natural person; in the event that an artificial person is named, a natural person shall be designated as that Director's permanent representative for the exercise of the duties of that post.

~~**Article 22.-** In order to be named as a member of the Board, one Directors need not be a shareholder to be appointed to the Board. Only natural persons may be Directors, without prejudice to the exceptions provided by Law and a Director may be an artificial as well as a natural person; in the event that an artificial person is named, a natural person shall be designated as that Director's permanent representative for the exercise of the duties of that post.~~

Directors shall serve in their posts for a term of office of three years.

Directors shall serve in their posts for a term of

Any vacancies that arise on the Board which do

not occur as a result of the expiry of a term of office shall be filled by a person appointed by the Board using a system of cooptation in accordance with applicable law. The term of a Director appointed by cooptation shall last until the following General Shareholders Meeting, unless such Meeting is already called, in which case the Board shall designate a new Director to serve until the next Meeting to that already called.

Directors shall not be required to provide any special bond to cover liability for their official acts, but they may be dismissed from their posts at any time by resolution at a General Shareholders Meeting.

Directors must resign from their posts in those circumstances provided for by applicable law and in those regulations approved by the Board to such effect.

Article 24.- Directors should personally attend Board meetings. In the event that the Director cannot attend, the Director may be represented at the meetings of the Board by granting the corresponding proxy in writing to another member of the Board in personal attendance. In the case of non-Executive Directors, said proxy must be given to a non Executive Director.

With the exception of those cases wherein specific attendance requirements have been laid down in relation to quorums, the Board of Directors shall be deemed quorate when the majority of Directors attend, whether in person or by proxy. Resolutions shall be adopted by an absolute majority of votes of those Directors in attendance; in the case of a tie, the Chairman of the Board of Directors shall cast the deciding vote. However, when such resolutions refer to the appointment of chief executives or permanent delegation of authority of the Board as well as approval of contracts with Directors with executive responsibilities, these resolutions shall require the favorable vote of a supermajority as provided for by applicable law.

The Board may adopt resolutions in writing without a meeting, provided that no Director objects. The Board may also meet by teleconference, videoconference, or any other analogous means. The procedures for adopting resolutions in writing without a meeting, or for meeting by teleconference, videoconference, or any other analogous means, shall be determined

office of three years and shall be eligible for re-election.

Any vacancies that arise on the Board which do not occur as a result of the expiry of a term of office shall be filled by a person appointed by the Board using a system of cooptation in accordance with applicable law. The term of a Director appointed by cooptation shall last until the following General Shareholders Meeting, unless such Meeting is already called, in which case the Board shall designate a new Director to serve until the next Meeting to that already called.

Directors shall not be required to provide any special bond to cover liability for their official acts, but they may be dismissed from their posts at any time by resolution at a General Shareholders Meeting.

Directors must resign from their posts in those circumstances provided for by applicable law and in those regulations approved by the Board to such effect.

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The Board may adopt resolutions in writing without a meeting, provided that no Director objects. The Board may also meet by teleconference, videoconference, or any other analogous means, in which case the meeting shall be deemed to be held at the registered office. The procedures for adopting resolutions in writing without a meeting, or for meeting by

in the Board Rules.

In all cases a Director will recuse himself from participating in any deliberations or voting on resolutions which, directly or indirectly or by means of a related third party there is a conflict of interest, save in those resolutions which relate to his or her function as an administrator, such as designation or revocation of positions in administrative bodies or substantially analogous situations.

Article 27.-

1. The post of Director is compensated.
2. For their position qua Director, they shall receive fixed compensation and/or per diems for attendance at Board and committees meetings, which is to be paid in cash.

The maximum annual compensation will be determined at the Annual Shareholders Meeting in the compensation policy approved at such.

The Board of Directors shall determine the compensation level for each Director, taking into account the duties and responsibilities assigned to each, membership on committees of the Board, and other circumstances which it deems relevant.

3. Additionally, Executive Directors will receive compensation corresponding to their executive duties as delegated by the Board and as the Board itself shall determine. This compensation shall conform with the compensation policy approved at a Annual Shareholders Meeting and shall be memorialized in a contract entered into between the Company and the Executive Director containing terms in conformance with law.

By way of example and without limiting such, compensation of Executive Directors may consist of: fixed compensation; variable compensation indexed to achievement of business, financial and strategic goals or personal effort; pension plans, deferred compensation and insurance; savings plans; reimbursements; delivery of Company shares, options or other valuable instruments tied to share price- subject to prior approval at a Shareholders Meeting-; and exclusivity, employment, and non-compete agreements.

4. The Company will sign a contract with each Executive Director which regulates the

teleconference, videoconference, or any other analogous means, shall be determined in the Board Rules.

In all cases a Director will recuse himself from participating in any deliberations or voting on resolutions which, directly or indirectly or by means of a related third party there is a conflict of interest, save in those resolutions which relate to his or her function as an administrator, such as designation or revocation of positions in administrative bodies or substantially analogous situations. Abstention shall also not be necessary in other cases where the law so provides.

Article 27.-

1. The post of Director is compensated.
2. For their position qua Director, they shall receive fixed compensation and/or per diems for attendance at Board and committees meetings, which is to be paid in cash.

The maximum annual compensation will be determined at the Annual Shareholders Meeting in the compensation policy approved at such.

The Board of Directors shall determine, following a report from the compensation level for Appointments, Remuneration and Corporate Governance Committee, the remuneration corresponding to each Director, taking into account the duties in his or her capacity as such, bearing in mind the functions and responsibilities assigned attributed to each, membership on committees one, in accordance with the distribution criteria set out in the remuneration policy and in accordance with the provisions of these Bylaws.

3. Directors shall also be entitled to receive remuneration for the performance of executive duties.

For these purposes, when a member of the Board, and other circumstances of Directors is attributed executive functions by virtue of any capacity, a contract must be entered into between him/her and the Company, which it deems relevant must be previously approved by the Board of Directors with the favourable vote of two thirds of its members. The concerned director shall abstain from attending the deliberation and from participating in the vote. The approved contract shall be annexed to the minutes of the meeting.

Additionally, Executive Directors will receive compensation corresponding to their executive duties as delegated by the Board and as the

performance of executive duties and which details all of the compensation items which may be earned in carrying out said duties in accordance with the compensation policy approved by the Shareholders.

5. The Company shall purchase civil liability insurance for its Directors.

~~Board itself shall determine. This compensation shall conform with the compensation policy approved at a Annual Shareholders' Meeting and shall be memorialized in a contract entered into between the Company and the Executive Director containing terms in conformance with law. By way of example and without limiting such, compensation of Executive Directors may consist of: fixed compensation; variable compensation indexed to achievement of business, financial and strategic goals or personal effort; pension plans, deferred compensation and insurance; savings plans; reimbursements; delivery of Company shares, options or other valuable instruments tied to share price subject to prior approval at a Shareholders' Meeting; and exclusivity, employment, and non-compete agreements.~~

These contracts shall specify, in accordance with the provisions of the standing remuneration policy in each case, all the items for which the director may obtain remuneration for the performance of executive duties: (i) fixed remuneration; (ii) variable remuneration based on the achievement of business, economic, financial and non-financial, quantitative and qualitative, strategic or personal performance targets, the payment of which may be made in cash or, subject to prior agreement to that effect by the General Meeting, through the delivery of shares in the Company, options on the same or other remuneration instruments indexed to the value of the share; (iii) pension schemes, savings and retirement or pre-retirement plans, deferred remuneration, life and accident insurance, health care and, where appropriate, social security; (iv) the provision of a vehicle; (v) compensation, where appropriate and when applicable, for early termination of duties; and (vi) compensation for exclusivity, post-contractual non-competition or permanence agreements that may be agreed.

Following a report from the Appointments, Remuneration and Corporate Governance Committee, the Board of Directors is responsible for the individual determination of the remuneration of each director for the performance of executive duties, within the framework of the remuneration policy and in accordance with the provisions of their contract.

~~4. The Company will sign a contract with each Executive Director which regulates the performance of executive duties and which details all of the compensation items which may be earned in carrying out said duties in accordance with the compensation policy approved by the Shareholders~~

~~The Company shall purchase civil also take out third-party liability insurance for its Directorsdirectors.~~

Article 31 bis. - The Board of Directors will appoint a Nomination, Compensation and Corporate Governance Committee from its membership.

All the members of the Nomination, Compensation and Corporate Governance Committee must be non- Executive Directors of the Company and the majority of them must be Independent Directors.

It will appoint a Chairman among its members, which Chairman must be an Independent Director.

Subject always to applicable law, rules regarding this Committee will be found within the Board Rules, treating such matters as its composition, technical knowledge of its members, duties, powers and rules of procedure, with a bias towards maintaining independence in the performance of its duties.

The Board may divide the functions of this Committee among two separate committees.

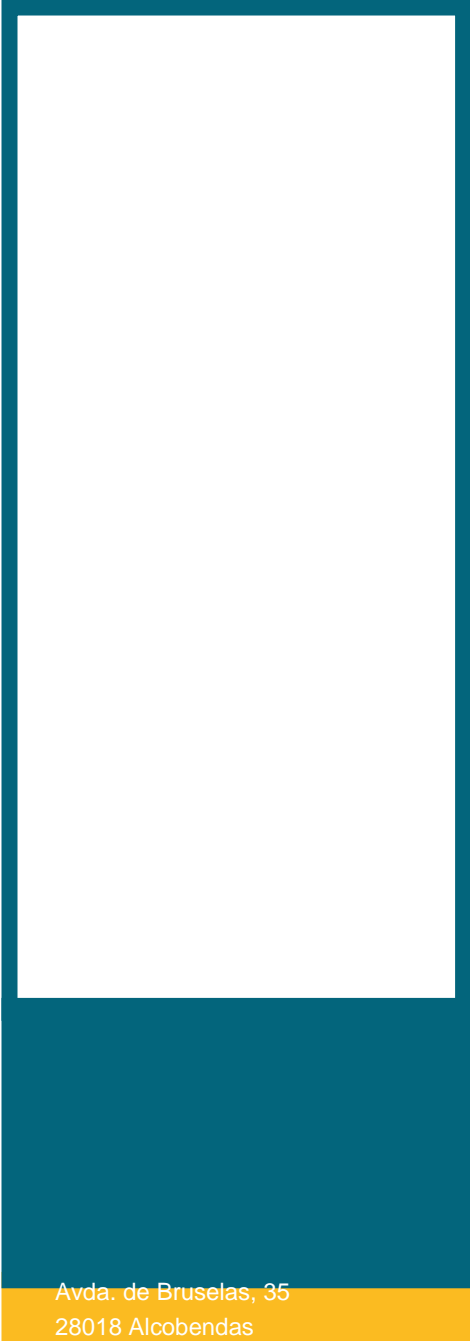
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Subject always to applicable law, rules regarding this Committee will be found within the Board Rules, treating such matters as its composition, technical knowledge of its members, duties, powers and rules of procedure, with a bias towards maintaining independence in the performance of its duties.

The Board ~~may divide of Directors shall be empowered to distribute the functionsduties of this Committee among two separate several committees, separating the powers over appointments and remuneration, and other matters as deemed appropriate.~~



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