ANNUAL REPORT ON COMPENSATION OF DIRECTORS FOR LISTED COMPANIES

A COMPANY COMPENSATION POLICY FOR THE CURRENT FISCAL YEAR

A.1. Explain the company's compensation policy. Include in this section information regarding:

- **General principles and foundations of the compensation policy.**
- **Most significant changes made in the compensation policy applied during the prior fiscal year, as well as changes made during the fiscal year to the terms for exercising vested options.**
- **Standards used to establish the company's compensation policy.**
- **Relative size of the variable items of compensation compared with fixed items, along with the standards used to determine each component of director compensation packages (compensatory mix).**

Explain the compensation policy

Compensation for members of the Board of Directors (hereafter the "Board") is determined in accordance with provisions contained in the Bylaws and the Board Rules as well as resolutions adopted at Annual Shareholder Meetings (individually, "Meeting").

In accordance with the provisions of Article 214 of the *Ley de Sociedades de Capital* ("Spanish Corporations Act" hereafter "LSC"), this compensation is reviewed periodically in order to ensure that it is reasonable in light of the size of the Company, its economic status and market practices for similarly situated companies. Also, regarding the design of and proposed changes in the compensation system in place at any time, the Board continually ensures that it is designed to promote long term profitability and sustainability of the Company, and that it incorporates necessary safeguards for avoiding the excessive assumption of risk and reward for unfavourable results.

a) General Supervisory Function and Decision Making duties

The current compensation system is based on the following principles and rationales:

- That compensation of External Directors should provide sufficient incentive for their dedication, qualifications and responsibility, but not so much that it undermines the independence of Independent Directors.

- That compensation plans shall not incorporate components tied to profits or stock price, with the goal of divorcing them from short term variables and objectives; payment of that compensation is to be entirely in cash.

- Taking into account the high attendance rate of Directors at Board and its committee meetings and the fact that such posts demand dedication and availability of the highest order, compensation is to be based exclusively on fixed amounts determined by the responsibilities taken on by each Director.

- In the event that objectives made public by the Company are not met in any given fiscal year, compensation amounts shall be reconsidered being the Annual Shareholders Meeting duly informed.

This principle was applied in fiscal year2014. The Board, upon proposal by the Nomination, Compensation and Corporate Governance Committee, reviewed the compensation levels for Directors and resolved to apply a reduction of 20% in the individual compensation of each director, being this measure applicable as from January 2015. In Section A.3 it is included the detail of amounts that will be paid in 2015 to the Directors depending on the bodies wich they belong.

The abovementioned principles and rationales are the same that those applied in the previous fiscal year.

b) Administrative and Management Functions Delegated by the Board

Executive Directors receive additional compensation by virtue of their contractual relationships with the Company for carrying out the administrative and management duties which they have been assigned.

This compensation is determined individually for each Executive Director by the Board upon proposal by the Nomination, Compensation and Corporate Governance Committee.

Since 2002, it has been Company practice to establish a medium term compensatory framework for Executive Directors, normally a period of three years.

The compensatory framework applicable in 2014 was established for the triennial period 2014 to 2016 in accordance with the following principles and rationales:

- That it be effective in attracting and retaining the best professionals, keeping their compensation in line with best practices and market conditions.
- That it promote retention of Directors and direct their management attention strictly and with special focus on the medium term, with a reasonable connection to changes in stock value exclusively during the medium term.
- That overall it take into account current conditions, outlooks, and sustainable growth objectives of the Company.
- It includes components which are fixed and variable; annual and multiannual; in cash, in kind, and linked to market value; and are determined according to the following criteria:
    i. That fixed compensation remain constant for the three year period except in specific instances which warrant a review.
    ii. That variable compensation represent a substantial portion of total compensation and be above market average.
    iii. That the medium term compensation be significant.
    iv. That compensation tied to market value be significant but not excessive.

Annual remunerative components are weighted as follows: fixed compensation 25%, annual variable compensation 25%, delivery of shares is 25%, and medium term incentives are 25%.

The current compensation scheme does no include stock options.

Upon proposal by the Nomination, Compensation and Corporate Governance Committee, the Board of Directors decided to propose to the next Meeting that there be a change of the compensation scheme for Senior Management during fiscal 2015 in order to make it conform to international standards and the recommendations of the new Code of Good Governance for Listed Companies. In its analysis of said proposal, the Board has taken into account especially the voting results at the last Meeting regarding delivery of shares to Senior Managers of the Company and the views and concerns of the shareholders and proxy advisors raised at the road show on Corporate Governance which took place in the last quarter of 2014.

The proposed change is based on the following principles:

- Defer receipt of a significant portion of the deferred bonus part of variable compensation and make the deferred portion payable in shares
- The Senior Managers `contracts will include *clawback* clause
- Increase the weight of shares in the compensation scheme up to the 50% of the total amount
- Eliminate the current delivery of shares as separate form of compensation
- Establish a policy requiring non-alienation of shares during the term of contractual relationship with the Company

Details of the new system are described in the relevant sections of this Report.

In accordance with the Article 529, paragraph nineteen of the LSC, the Company will submit a report seeking approval of the above mentioned changes in compensation policy to the next Annual Shareholders Meeting.

A.2 Information regarding preparatory work and the decision-making process used to determine the compensation policy and the role, if any, played by the compensation committee and other supervisory bodies in crafting the compensation policy. This information shall include any mandate given to the compensation committee, its composition, and the identity of external advisors whose services have been used to define the compensation policy. Describe the class of directors, if any, who participated in determining the compensation policy.

Explain the process for determining the compensation policy

In accordance with the Board Rules, proposals regarding compensation policy for Directors, as well as specific schemes to be implemented and their components and amounts, are drafted by the Nomination, Compensation and Corporate Governance Committee and brought before the Board of Directors for a decision within the framework and limits established by the Bylaws, resolutions of Shareholders, and Board Rules or, when warranted, submitted to the Shareholders at Annual Meetings.

As mentioned earlier, in order to draft their proposals, the Nomination, Compensation and Corporate Governance Committee periodically analyses trends and best practices in compensation policies for directors and senior managers; the opinions of shareholders and proxy advisors, as well as the results of votes at Meetings regarding proposals regarding compensation matters.

The Nomination, Compensation and Corporate Governance Committee has regularly availed itself of the advice of independent and well respected experts in this field. For the review and proposals drafted and approved for fiscal 2014, these experts were Mercer, PwC and Spencer Stuart. For the review done during fiscal 2015, the advisors Towers Watson were used. It is from this analysis that the proposals described in Section A.1 were derived.

The members of the Committee are exclusively outside Directors, the majority Independent, and the Chairman is always Independent. At the time of issuance of the present Report, it is composed of five members, three of them Independent and the other two Proprietary Directors representing the two largest shareholders of the Company.

During meetings of the Board in which proposals related to compensation specific to Executive Directors are considered, those Directors are not present, and they do not participate in any manner in deliberations nor in making related decisions.

A.3 State the amount and nature of fixed compensation components, with a breakdown, if applicable, of amounts given to executive directors for the performance of their management duties; of additional compensation as chair or member of a committee of the board; of fees for attending meetings of the board and its committees; or other fixed compensation paid for being a director, as well as an estimate of the resulting fixed annual compensation. Identify any non-cash compensation and the criteria for awarding it.

Explain the nature of the fixed compensation components

a) General Supervisory Function and Decision Making duties

As has already been indicated, compensation for 2015 consists exclusively in a fixed amount received by each Director considering the responsibility and dedication required, and determined in accordance with the following: 80 m€ for membership on the Board; 40 m€ for membership on the Audit and Compliance Committee; 24 m€ for membership on the Nomination, Compensation and Corporate Governance Committee; and 24 m€ for membership on the Strategy Committee, the chairmen receiving 1.5 times the indicated amounts.

As mentioned in Section A.1 above, these amounts, which are 20% less than those in place for 2014, were established by the Board of Directors, upon proposal by the Nomination, Compensation and Corporate Governance Committee, considering the results of the Company in the prior fiscal year in which the Company did not meet publically state goals.

Without affecting the fact that the fixed amount be paid entirely in cash, all of the Directors have informed the Company of their decisions to dedicate a significant portion of their compensation, (approximately 50% of net compensation) towards the purchase of Indra shares, promising as well to keep those shares so long as they remain at their posts.

b) Administrative and Management Functions Delegated by the Board.

Annual fixed compensation received by Executive Directors is paid entirely in cash. The amounts applicable in fiscal 2015 are the following: 775 m€ for the Chairman and 550 m€ for the CEO.

Just as the Company made public as a relevant event, in January 2015 Mr. Fernando Abril-Martorell was nominated as the new Chairman, replacing Mr. Javier Monzón de Cáceres. Afterwards, Mr. Abril-Martorell proposed to the Nomination, Compensation and Corporate Governance Committee that his gross compensation as executive be reduced by 22.5% relative to the salary received by Mr. Monzón in fiscal 2014, while leaving intact the relative weights of factors that make it up. Said Committee brought this same proposal to the full Board and it was approved.

A.4 Explain the amount, nature and primary characteristics of the variable components of the compensation systems

In particular:

- **Identify each of the compensation plans of which the directors are beneficiaries, their scope, their approval dates, their beginning dates, the length of time they are in effect, and their main features. In the case of stock option plans and other financial instruments, the general features of the plan shall include information on the terms for exercising such options or financial instruments for each plan.**
- **Indicate any compensation under profit-sharing or bonus plans, and the reason they are given.**
- **Explain the fundamental parameters and rationale for any annual bonus plan.**
- **The classes of directors (executive directors, proprietary external directors, independent external directors or other external directors) who are beneficiaries of compensation systems or plans which include variable compensation.**
- **The rationale for such variable compensation systems or plans, the criteria for evaluating performance, and the components and evaluation methods for determining whether such evaluation criteria have been met, and an estimate of the monetary value of variable compensation to which the current compensation plan would give rise, based on the assumptions or goals used for its determination.**
- **If applicable, explain any established deferred payment periods and/or periods for retaining shares or other financial instruments, if they exist.**

Explain the variable components of the compensation systems

The only variable components of compensation for the Board are those for Executive Directors as they apply to their administrative and executive management functions, which in the current compensation scheme are as follows:

a) Annual Variable Compensation, which is determined and is earned upon close of each fiscal year on the basis of 100% of fixed annual compensation of the Director for a satisfactory evaluation for meeting budget goals as well as management performance, taking into account quantitative as well as qualitative objectives. This compensation is received entirely in cash.

Quantitative objectives for the current fiscal year, for the Chairman as well as the CEO, are the following: cash flow, EBIT and sales, which together have a weight of 70% of variable annual compensation.

In determining the extent to which each objective has been met, a central value is set – equivalent to 100% achievement of the objective – which corresponds to the annual goal of the Company in each of these parameters in accordance with the following levels of achievement:

	Minimum % of Achievement = 60%	Normal % of Achievement = 100%	Maximum % of Achievement = 120%	Weight
Cash Flow	75% Objective	Objective met	105% Objective	50%
EBIT	85% Objective	Objective met	107% Objective	10%
Sales	95% Objective	Objective met	110% Objective	10%

The other 30% of annual variable compensation is tied to achievement of the following strategic and management goals, whose assessment by the Board is qualitative. There is also established a minimum percentage of 60% and a maximum of 120% for an excellent opinion of achievement of the objective.

In the case of the Chairman, the qualitative objectives and the weight given to them are the following:

- Effective implementation of the Strategic Plan (10%)
- Effective implementation of new Organization (5%)
- Results of the coordination model for geographic areas and vertical markets (5%)
- Leadership (10%)

As for the CEO, the qualitative objectives and the weight given to them are the following:

- Effective implementation of the Strategic Plan (5%)
- Improvement of operating profits in Brazil (5%)
- Results of the coordination model for geographic areas and vertical markets (5%)
- Leadership (10%)

The choice of specific objectives came about taking into account their relevance for meeting global objectives of the Company as well as specific identified needs in which increased emphasis in their management is desired.

- Evaluation of the level of achievement of goals does not take into account unexpected extraordinary events.

The resulting amount of variable annual compensation for fiscal 2014 is explained below in Sections C & D.

b) Medium term variable compensation, which is conditioned upon remaining as an Executive Director during the above mentioned three year period 2014 to 2016 and delivered on 31 December 2016 is based on an amount equal to 300% fixed annual based salary for a satisfactory evaluation during that period.

Objectives linked to this compensation are strategic and medium term in nature and are established taking into consideration progress of the Company in the context of the markets in which it operates and performance of the most important similarly situated companies in the sector.

In determining the degree to which medium term objectives are met, qualitative and quantitative criteria specifically associated with medium term strategic objectives and time frames established by the Company during the fiscal year prior to the beginning of the triennium, and which are reviewed and updated annually in order to keep them aligned at all times with Company strategies.

Medium term strategic goals established for the current triennium relate to: strengthening the balance sheet; focus on managing cash generation; consolidation of market share in attractive and high potential emerging geographical areas, principally Latin America, select countries in Asia and the Middle East; close management of the situation in the Spanish market; investment in developing products in high value segments of Security and Defence, Transportation and Logistics, Health, Financial Services, Energy and Industry; as well as cross platform products (analytics, mobility, cloud and M2M); process efficiency and generation of management resources.

While the metrics used to evaluate achievement of medium term quantitative objectives are different in their specifics from those used for annual objectives, they are applied using a similar methodology.

In Sections C and D which follow, evaluation of achievement of Medium Term Incentive goals in place for 2014 is described.

c) Compensation by means of delivery of Shares, the amount of which is determined annually by the Board based upon an evaluation of management of each Executive Director for the year before for each delivery of shares in accordance with that described earlier in the section dealing with variable annual compensation.

Shares are delivered two or three times a year for the period 2014-2016.

The gross value assigned to each Executive Director through delivery of Shares is fixed at 100% of Fixed Compensation for a satisfactory evaluation of management. Shares are delivered at market price and their number is determined as a function of the quoted price on the date of each delivery. Shares are not vested in the Executive Director until the last day of the pay period, that is, 31 December 2016, so that should there be a separation from the company beforehand for cause, he will be required to return all Shares received during that period. Additionally, Executive Directors are not allowed to alienate any shares until three years after the date of their delivery.

This delivery of shares was authorized at the Meeting held 26 June, 2014.

In Sections C and D which follow, the number of Shares delivered for this form of compensation 2014 is described.

As explained in Section A.1 above and is detailed in section B below, the Board plans to submit to the Meeting in June 2015 a new compensation plan which will modify or replace the above mentioned variable elements.

A.5. Explain the main features of any long term savings plans, including retirement and any other survival benefit, either wholly or partially financed by the company, and whether funded internally or externally, and provide an estimate of their cost or equivalent annual amount, stating the type of plan, whether it is a defined contribution or defined benefit plan, the conditions under which payment rights are vested in favour of directors, and their compatibility with any kind of severance payment for early retirement or termination of the labour relationship between the company and the director.

Indicate also any contributions to defined contribution pension plans on the director's behalf; or any increase in the director's vested rights in the case of contributions to defined-benefit plans.

Explain any long term savings plans

No external Director is a beneficiary of any long term savings plan, pension or retirement plan, or any similar benefit.

Executive directors are beneficiaries of an Early Retirement and Long-Term Savings Plan provided through a defined contribution fund outsourced by means of an insurance policy with individually determined contributions. The only obligation for the Company is to make annual contributions to it. Contributions are determined as a percentage of total annual compensation, 15 % for the Chairman and 17% for the CEO, and will remain in effect so long as there is a contractual relationship with the Company and until each attains the age of sixty-two, at which time the Executive Director will receive the policy's cash value, whether or not he continues with the Company (or earlier should the employment relationship end through no fault of the Director, including change of control), in the form of cash, an annuity, or a mix of both.

The amounts foreseen in 2015 for the Early Retirement and Long-Term Savings Plan are 426m€ (for 11 months) and 374 m€ for the Chairman.

As indicated in Section A.3 above, on 29 January 2015, Mr. Abril-Martorell was appointed Executive Chairman of the Company, replacing Mr. Monzón. The termination of his contractual relationship with the Company gave Mr. Monzón the right under his contract to receive from the plan administrator the funds accumulated in the plan at that time, subject always to the maximum provided for in his contract. The amount vested was 12,067m€.

The current Executive Chairman, in addition to being the beneficiary of the Early Retirement and Long-Term Savings Plan, has temporary right recognized in his contract consisting on a severance payment in the event of termination of his contractual relationship by the Company as described in detail in Section A.7 below.

Executive Directors are not beneficiaries of any pension plans or any other retirement, savings or deferred compensation plan other than described in the previous paragraph.

Sections C and D below detail payments made under the Early Retirement and Long-Term Savings Plan during fiscal 2014.

A.6 Indicate any severance benefits agreed to or paid in case of termination of duties as a director.

Explain the severance benefits

Company directors do not have any rights to compensation of any kind in the event of termination of duties as director.

A.7. State the terms and conditions that must be included in the contracts of executive directors performing senior management duties. Include information regarding, among other things, the term, limits on severance benefit amounts, clauses regarding duration on the board, prior notice periods, as well as payments in lieu of prior notice, and any other clauses relating to hiring bonuses, as well as benefits or golden parachutes due to early retirement or termination of the contractual relationship between the company and the executive director. Include, among other things, any covenants or agreements on moonlighting, exclusivity, permanence, or loyalty and any post-contractual non-compete clauses.

Explain the clauses in executive director contracts

Executive Directors maintain a business relationship with the Company described in two contracts to provide services, which regulate the conditions applicable to their professional relationship with the Company.

The contracts are of indefinite duration, and in the case of the Managing Director there are no golden parachute or severance clauses for its termination.

The current Executive Chairman has a transitory severance right equivalent to the positive difference between the amount accumulated on his behalf in the Early Retirement and Long-Term Savings Plan and an amount equivalent to one year of total compensation.

The contracts for Executive Directors contain a non-compete agreement for two years after the end of the relationship with the Company paid annually at an amount equivalent to 0.75 times annualized compensation.

This non-compete clause remains in force during the current fiscal year in the case of Mr. Monzón, who will receive 2,750m€ during 2015 under its terms.

The Board has agreed to include in Executive Directors' contracts a clawback clause which give the Company the right to recover variable compensation payments improperly delivered in the event that it becomes apparent determination of such amounts was the result of an error in data.

A.8 Explain any supplemental compensation accrued by directors in consideration of services provided other than those inherent in their position.

Explain the supplemental compensation

There is no supplementary compensation for Company Directors.

A.9. Indicate any compensation in the form of advances, credits and guarantees given, stating the interest rate, main features, and amounts eventually repaid, as well as the obligations assumed on their behalf as a guarantor.

Explain advances, credits and guarantees given

The Company (including all of the companies in its group) has not given any type of credit, advance, or loan guarantee to Directors.

A.10 Explain the main characteristics of compensation in kind.

Explain compensation in kind

External Directors do not receive any payment in kind.

Pursuant to the terms of their employment contracts, Executive Directors receive payment in kind, which consists of a life and disability policy as well as health benefits; for the current fiscal year the cost to the Company will be 15 m€ and 13m€ respectively for the Chairman and 40 m€ and 9 m€ for the CEO respectively..

A.11 State the compensation received by the director by virtue of payments made by the listed company to a third party to which the director provides services, if such payments are intended to provide compensation for services rendered to the company.

Explain the compensation received by the director by virtue of payments made by the listed company to a third party to which the director provides services

None.

A.12 Any form of compensation other than those listed above, of whatever nature and from any member of the group, especially when it is deemed to be a related party transaction or when its payment obscures an accurate view of the total compensation accrued by the director.

Explain other forms of compensation

None.

A.13 Explain the actions taken by the company regarding the compensation system in order to reduce exposure to excessive risk and align it with the long-term goals, values, and interests of the company, including any reference to: measures intended to ensure that the compensation policy takes into account the long-term results of the company, measures which establish an appropriate balance between fixed and variable components of compensation, measures adopted with respect to those categories of personnel whose professional activities have a significant impact on the entity's risk profile, repayment formulae or clauses allowing demand of the return of variable compensation components based on results if such components have been paid based on data that is later shown to be clearly inaccurate, and measures provided to avoid any conflicts of interest.

Explain actions taken to reduce risk

As explained in section A.1 above, the director compensation system for oversight and control duties is designed with the specific goal of divorcing this compensation from short term goals and variables.

Also, as regards specifically compensation for Executive Directors, the current compensation scheme places a significant amount of weight (25%) on medium term components and an appropriate balance between fixed (25%) and variable (75%) components, as explained in sections A.1, A.3 and A.4 above.

The procedures for determining goals and for assessing their achievement place special attention on the most important variables related to development of sustainable value in the medium and long term.

Current control and compliance programs in the Company establish specific oversight mechanisms and checks and balances in order to avoid the concentration of decision making power in areas which might lead to a higher assumption of risk by the Company as well as avoiding, or if applicable, adequately managing, conflicts of interest which may arise.

As indicated in Section A.7, the Board of Directors has agreed to modify the contracts of Executive Directors in order to incorporate clawback clauses into them in terms that are described in said Section.

B COMPENSATION POLICY FOR FUTURE FISCAL YEARS

B.1 Provide a general forecast of the compensation policy for future fiscal years that describes such policy with respect to fixed components and attendance fees and compensation of a variable nature, the relationship between compensation and results, benefit programs, contract terms for executive directors, and the most significant changes expected in compensation policy relative to prior fiscal years.

General forecast of the compensation policy

As indicated in section A.1 above, the Board of Directors intends to propose to the Annual Shareholders Meeting in 2015 approval of a new compensation policy in accordance with the following principles:

- Defer receipt of a significant portion of the deferred bonus part of variable compensation and make the deferred portion payable in shares
- Integrate a clawback clause in the contracts for Senior Managers
- Increase the amount of compensation represented by shares to 50% of the total
- Eliminate the current delivery of shares as separate form of compensation
- Establish a policy requiring non-alienation of shares during the term of contractual relationship with the Company

For this, the Board has taken into account especially the voting results at the last Meeting regarding delivery of shares for 2014-2016; comments received from shareholders and proxy advisors at the road show on Corporate Governance which took place in the last quarter of 2014; as well as recommendations contained in the recently approved Code of Good Government for Listed Companies.

Application of said principles resulted that compensation for Executive Directors for their delegated administrative and management functions be made up of the following components:

- Fixed Compensation ("FC"), which would represent 25% of total compensation and remain invariable during a period of three years, except in extraordinary circumstances.
- Variable Annual Compensation ("VAC"), which would represent 35% of total compensation for a 100% attainment of objectives. The concept of deferred payment is introduced, so that 28.6% of the remaining amount (equivalent to 10% of total compensation) is to be deferred over a three year period in equal parts and received at once in the form of Company shares, the number of which is determined – as a function of the average listed price for the thirty calendar days immediately preceding – on the date of delivery of the Variable annual compensation.
  The details of objectives, weight of the different targets and performance metrics to be used in the assessment to determine Variable Annual Compensation under the new compensation scheme are included in section A.4 above..
- Medium Term Compensation (MTC"), which represents 40% of total compensation for 100% attainment of objectives. It is to be received entirely in Company shares – the number of which is determined initially – as a function of reaching objectives set for the period ("Performance Share Plan"). These objectives will be strategic in nature and over the medium term, including among them relative TSR ("Total Shareholder Return") as compared with a group of similarly situated companies.
- Additionally, Executive Directors commit to following the following policy of non-alienation of shares during the entire time they are at their posts: maintain ownership of Company shares resulting from having invested an amount equivalent to twice their gross fixed compensation in their purchase. A maximum period of five years will be given in order to make said investment, which must be maintained so long as they remain at their posts.

Upon approval of this compensation plan at the Annual Shareholders Meeting, compensation of Executive Directors for the 2015-2017 triennium (for achievement of 100% of their objectives) would be the following:

m€	Chairman	CEO
FC (25%)	775	550
VAC (35%)	1,085	770
MTC (40%)	1,240	880
ANNUAL TOTAL	3,100	2,200

This form of payment yields the following results:

- Fixed Compensation represents 25% of the total while variable represents 75%.
- Compensation received in shares represents 50% of the total (as opposed to 25% currently).
- Medium Term Compensation represents 50% of the total, counting the deferred portion of Variable Annual Compensation, as opposed to 25% under the current system, considering that the annual delivery of shares is not medium term compensation.

The Board also approved the inclusion a clawback clause in Executive Director contracts specifically so that the Company may demand reimbursement of any variable compensation received in the event that it is later shown that calculation was based on incorrect or inexact data.

No changes are planned for the early retirement and long term savings plan currently in place and described in Section A.5.

B.2 Explain the expected decision making process for design of the compensation policy for future fiscal years, and the role, if any, played by the compensation committee.

Explain the decision making process for design of the compensation policy

The decision making process for design of the compensation policy is described in section A.2, above. The Nomination, Compensation and Corporate Governance Committee relied upon the advice of Towers Watson, specialist in compensation matters.

B.3 Explain the incentives created by the company in the compensation system to reduce excessive risk and to align it with the long-term goals, values and interests of the company.

Explain the incentives created to reduce risk

The procedures and activities put into place in this regard are explained in section A.13 above. As regards the new compensation policy for Executive Directors, the Board believes that its structure and the weight of its components, as well as setting of long term objectives which promote sustained growth of the Company, contribute even further towards minimizing risks of management oriented towards the near term.

C OVERALL SUMMARY OF THE APPLICATION OF THE COMPENSATION POLICY DURING THE FISCAL YEAR JUST ENDED

C.1 Summarise the principal characteristics of the structure and compensation items of the compensation policy applied during the fiscal year just ended leading to the breakdown of individual compensation received by each director as reflected in section D of this report, as well as a summary of the decisions made by the board in applying those items.

Explain the structure and compensation items of the compensation policy applied during the fiscal year

a) General Supervisory Function and Decision Making duties

Fixed compensation amounts paid in cash for the just closed fiscal year were the following: 100m€ for membership on the Board; 50m€ for membership on Audit and Compliance Committee; 50m€ for membership on the Nomination, Compensation and Corporate Governance Committee; and 30€ for membership on the Executive Committee, with the chairmen of each body receiving 1.5 times the amount indicated.

Application of these amounts for membership on each of the administrative bodies gives rise to the individual amounts shown in Section D below.

b) Administrative and Management Functions Delegated by the Board.

During fiscal 2014, specific compensation for Executive Directors was determined in accordance with the criteria and features described in Section A above.

An update in the compensation level was performed for the CEO during the fiscal year, who at the moment of his appointment – which took place in 2011 – agreed that his initial pay scale would be below regular market rates for his new responsibility then progressively increase as he developed his career at his new position. After said update, the total annual compensation for the CEO was fixed at 2,200m€.

As regards variable annual compensation paid upon the close of the fiscal, year, in view of the results reflected in the financial statements of the Company for fiscal 2014, the Board of Directors, upon recommendation of the Nomination, Compensation and Corporate Governance Committee, resolved that the amount would be zero euros for the Chairman and the CEO.

D DETAIL INDIVIDUAL COMPENSATION PAID TO EACH DIRECTOR

D.1 Complete the following charts regarding individual compensation for each director (including compensation paid during the fiscal year for executive duties) paid during the fiscal year.

a) Compensation paid by the Company which is the subject of this report:

i) Cash compensation (in 1000's of €)

Name	Salary	Fixed Compensation	Per Diem	Short Term Variable Compensation	Long Term Variable Compensation	Compensation for Committee Membership	Indemnity	Other Items	Total Fiscal 2014	Total Fiscal 2013
J. Monzón	1,000	150	0	0	500	0	0	15	1,665	2,854
D. García-Pita	0	100	0	0	0	45	0	0	145	170
J. de Andrés	550	100	0	0	275	45	0	10	980	1,358
Mediación y Diagnósticos									---	107
Participaciones y Cartera de Inversión									--	100
J. C. Aparicio	0	100			0	50			150	33
A. Menéndez	0	100	0	0	0	60	0	0	160	35
J. March	0	100	0	0	0	60	0	0	160	160

S. Martínez-Conde	0	100	0	0	0	50	0	0	150	75
Casa Grande	0	58	0	0	0	18	0	0	76	140
Administradora Valtenas									--	65
I. Aguilera	0	100	0	0	0	50	0	0	150	133
L. Lada	0	100	0	0	0	80	0	0	180	180
M. de Oriol	0	100	0	0	0	30	0	0	130	130
I. Santillana	0	100	0	0	0	60	0	0	160	152
R. Sugrañes	0	100	0	0	0	30	0	0	130	155
A. Terol	0	100	0	0	0	105	0	0	205	180

ii) Stock based compensation plans

Name/period of delivery fiscal 2013	Type of Plan and Effective Date	Ownership of Options at the Beginning of Fiscal 2013: Number of Options	Number of Affected Shares	Strike Price	Strike Period	Options Granted During Fiscal 2013: Number of Options	Number of Affected Shares	Strike Price	Strike Period	Conditions for Exercise	Shares Delivered During Fiscal 2014: Number of Shares	Price (€)	Amount (m €)
J. Monzón	First Delivery of Shares 2014	0	0	0.00	n/a	0	0	0.00	n/a	n/a	28,365	11.5	326
	Second Delivery of Shares 2014	0	0	0.00	n/a	0	0	0.00	n/a	n/a	18,170	8.80	160
J. de Andrés	First Delivery of Shares 2014	0	0	0.00	n/a	0	0	0.00	n/a	n/a	16,153	11.5	186
	Second Delivery of Shares 2014	0	0	0.00	n/a	0	0	0.00	n/a	n/a	10,202	8.80	90

iii) Long term savings plans N/A.

Name	Contribution by the Company during the Fiscal Year (1000's €)		Accumulated Balance (1000's €)	
	Fiscal 2014	Fiscal 2013	Fiscal 2014	Fiscal 2013
J. Monzón	600	500	12,227	11,500
J. de Andrés	374	475	3,819	3,400

iv) Other benefits (1000's €)

Directors	Compensation in the form of Advances, Loans Granted		
	Rate of Interest	Basic Terms	Amount to be Repaid
N/A			

Directors	Life Insurance Premiums		Guarantees Given by the Company to Directors	
	Fiscal 2014	Fiscal 2013	Fiscal 2014	Fiscal 2013
J. Monzón	110	38	0	0
D. García-Pita				
J. de Andrés	25	10		
Mediación y Diagnósticos				
Participación y Cartera I.				
J. Carlos Aparicio				
A. Menéndez				
J. March				
S. Martínez-Conde				
Casa Grande				
Administradora Valtenas				
I. Aguilera				
L. Lada				
M. de Oriol				
I. Santillana				
R. Sugrañes				
A. Terol				

b) Compensation received by Directors for membership on the boards of other companies in the group. N/A

c) Compensation summary (1000's €)

	Compensation Paid by the Company				Compensation Paid by Companies in the Group				Totals		
	Total Cash Payments	Value of Shares Delivered [1]	Gross Profit on Options Exercised	Total Fiscal 2014	Total Cash Payments	Value of Shares Delivered	Gross Profit on Options Exercised	Total Fiscal 2014 for the Group	Total Fiscal 2014	Total Fiscal 2013	Contributions to Savings Plans during the Fiscal Year
J.Monzón	1.665	486	0	2.151	0	0	0	0	2.151	3.350	600
D. García-Pita	145		0	145	0	0	0	0	145	170	0
J. de Andrés	980	276	0	1.256	0	0	0	0	1.256	1.589	374
Mediación y Diagnósticos	--		0	--	0	0	0	0	--	107	0
Participación y Cartera I.	---		0	--	0	0	0	0	--	100	0
J. Carlos Aparicio	150			150					150	33	0
A. Menéndez	160			160					160	35	0
J. March	160		0	160	0	0	0	0	160	160	0
S. Martínez-Conde	150			150					150	75	0
Casa Grande	76		0	76	0	0	0	0	76	140	0
Administradora	--		0	---	0	0	0	0	--	65	0

Valtenas											
I. Aguilera	150		0	150	0	0	0	0	150	133	0
L. Lada	180		0	180	0	0	0	0	180	180	0
M. de Oriol	130		0	130	0	0	0	0	130	130	0
I. Santillana	160		0	160	0	0	0	0	160	152	0
R. Sugrañes	130		0	130	0	0	0	0	130	155	0
A. Terol	205		0	205	0	0	0	0	205	180	0
Totales	**4.441**	**762**	**0**	**5.203**	**0**	**0**	**0**	**0**	**5.203**	**6.754**	**975**

D.2 Report the relationship between compensation received by directors and results or other measures of the entity's performance, explaining, if applicable, how changes in the company's performance may have affected changes in the compensation of the directors

a) General Supervisory Function and Decision Making duties As indicated in Section A.1 above, applying the principle made public by the Board of Directors that in the event that during a fiscal year publically stated goals of the Company are not met and after a report from the Nomination, Compensation and Corporate Governance Committee, review of compensation would be made. In light of the results of the Company for fiscal year 2014, it was considered appropriate to apply a reduction of 20% in the individual compensation of each director, being this measure applicable as from January 2015.

Administrative and Management Functions Delegated by the Board.

In view of the results of the Company as reflected in the annual financial statements for fiscal 2014 and the failure to meet objectives made public by the Company at the beginning of said fiscal year, the Board of Directors, after a proposal made by the Nomination, Compensation and Corporate Governance Committee resolved that the annual variable compensation corresponding to fiscal year 2014 for the Chairman and the Managing Director will be zero euros.

Applying the same criteria the Board of Directors, upon proposal made by the Nomination, Compensation and Corporate Governance Committee, resolved that the result of the assessment of objectives for Medium Term Incentive applicable to the previous Executive Chairman for the period of time up to the end of his contractual relationship with the Company would result in a payout of zero euros.

As regards the amount of compensation represented by the delivery of shares for 2015, which is determined as a function of the assessment of management performed by the Executive Director during 2014, the Board, upon proposal by the Nomination, Compensation and Corporate Governance Committee, resolved that the amount for the CEO and for the previous Executive Chairman would be zero euros. Consistent with criteria made public by the Company during the past Annual Shareholders Meeting, the minimum level of achievement of objectives required for receiving this item of compensation is above 50%.

D.3 Report the results of the non-binding vote of the shareholders on the annual compensation report for the preceding fiscal year, indicating the number of votes against, if any:

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	NUMBER	**% OF TOTAL**
VOTES CAST	125,028,104	100
VOTES IN FAVOR	83,432,921	66.73
VOTES AGAINST	8,316,097	6.651
ABSTAINING	33,279,086	26.62

E OTHER INFORMATION OF INTEREST

If there are any relevant issues relating to director compensation that could not be included in the other sections of this report, but which should be included in order to provide more complete and lucid information on the compensation structure and practices of the company regarding its directors, list them briefly.

- The annual financial statements contain detailed and comprehensive information regarding specific aspects relating to Director and senior management compensation as well as their contractual rights and obligations and in some cases expand upon and complement the information contained in the various sections of this compensation report.

This Annual Compensation Report was approved by the Board of Directors of the Company during its meeting held 30 April 2015.

Indicate if any directors abstained or voted against approval of this Report.

NO