



2019 Activity Report of the Nomination Compensation and Corporate Governance Committee

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1 Introduction

In accordance with the provisions of Article 16.8 of the Rules of the Board of Directors (“Board Rules”) this document contains the annual Operations Report of the Nomination, Compensation and Corporate Governance Committee (the “Committee”) for fiscal 2019, within which are described the activities carried out by the Committee during that period.

2 Composition, Appointment and Profiles of Members

In accordance with the provisions of the Bylaws and the Board Rules, the Committee consists of five Non-Executive Directors, three of them Independent, including its Chairman.

As provided for in Article 19.1 of the Board Rules, the members of the Committee, in particular its Chairman, are appointed taking into account their knowledge, skills and experience in the matters related to the functions to be performed by the Committee.

The composition of the Committee as of 31 December 2019 was as follows:

	Status	Post	Date of first appointment
Alberto Terol	Independent	Chairman	27 July 2017
Silvia Iranzo	Independent	Member	27 July 2017
Ignacio Martín	Independent	Member	28 June 2018
Antonio Cuevas	Proprietary (*)	Member	31 January 2019
Santos Martínez-Conde	Proprietary (**)	Member	25 June 2015

(*) appointed upon proposal from Sociedad Estatal de Participaciones Industriales (SEPI)

(**) appointed upon proposal from Corporación Financiera Alba, S.A.

As provided for in Article 16.4 of the Board Rules, the Secretary or Vice Secretary of the Board of Directors acts as Secretary of the Committee.

A brief description of the profile of each member of the Committee is provided below; such information is available and continuously updated on the corporate website (www.indracompany.com):

Alberto Terol

Born in 1955. Degree in Economics and Business Administration from the Universidad Complutense de Madrid. He began his career at Arthur Andersen where he was made partner and headed various projects. He was a member of the Board of Partners of Andersen Worldwide,

was Managing Partner of Garrigues-Andersen, filled the post of head of Europe for Andersen for a year and a half, and was a member of the Andersen Worldwide Executive Committee. He was also head of the Global Legal and Tax practice for Arthur Andersen. He was a member of the Global Executive Committee at Deloitte, where he was head of Latin America and later of Europe, Middle East and Africa. Additionally, Mr. Terol served as managing director of global Legal and Tax practice. He has also been International Senior Advisor for BNP Paribas.

Currently he is Chairman and CEO of several family businesses, independent director and lead director at International Airlines Group, S.A., where he is a member of the Audit Committee and the Nomination Committee, member of the board at Broseta Abogados, member of the Board of Directors at Schindler España, S.A., and Vice chairman of the Círculo de Empresarios.

He was appointed Director of Indra for the first time at the Annual Shareholders' Meeting held 24 June 2010 and was re-elected successively at the Annual Shareholders' Meetings held 27 June 2013, 30 June 2016 and 24 June 2019. He was also appointed Chairman of this Committee at its extraordinary meeting held 27 July 2017.

Antonio Cuevas

Born in Puente Genil (Córdoba) in 1949. He holds a degree in Technical Architecture from the Universidad de Sevilla. He has completed several courses and specialised programmes (Instituto de Empresa; Executive Management Program for Congressmen at Spain's Advanced Centre for Defence Studies; Centro Superior de Estudios para la Defensa; the 26th National Defence Course; and two specialised courses on national defence strategy).

He is the co-author of publications and articles and has spoken at conferences on globalization and offshoring processes, manufacturing competitiveness, the aerospace sector, transformation of the energy sector, technological convergence within Europe, and incorporation of National Defence Directives into new sectors such as energy.

Since 2012 he has been Senior Adviser to the Chair at KPMG and member of the Advisory Board of CaixaBank in Andalucía.

For more than fifteen years, he has worked in companies in different fields such as manufacturing, architecture and urban development.

From 1986-2011, he was a member of Spain's parliament representing Sevilla. While there, he served on several parliamentary committees: the Public Works Committee; the Manufacturing, Tourism and Trade Committee; the Energy, Defence, and Economy Committee; the Joint Committee for the European Union; and the Joint Committee on Scientific Research and Technological Development, among others.

During the last two legislative terms (2004-2011), he was Chairman of the Committee on Manufacturing, Tourism and Trade, Chairman of the Spanish Aerospace Group at the biannual Interparliamentary Conferences which, with the participation of the European Space Agency (ESA), were held in Madrid, Paris, Brussels and Rome. He has also held the post of Rapporteur in charge of relations with Spain's Nuclear Safety Council.

He was appointed Director of the Company for a three-year statutory term at the Annual Shareholders' Meeting on 24 June 2019.

Silvia Iranzo

Born in 1956. Degree in Economics from the Universidad Autónoma de Madrid, Ph.D in Economics and Business from UNED and graduate of the IESE Business School (Executive Management Program for Senior Managers at the Spanish Central Bank). Member of the Cuerpo Superior de Técnicos Comerciales y Economistas del Estado within the Spanish Department of Commerce and member of Senior Management at the Spanish Central Bank.

Earlier, she was Spanish ambassador to Belgium from 2010 to 2012, Secretary of State for Commerce from 2008 to 2010, and head of Country Risk in the Department of International Affairs for the Spanish Central Bank from 2005 to 2008. She has also served as Chairman of the Board of ICEX (Spanish Institute of Foreign Trade) from 2008 to 2010; Chairman of the Board of Invest in Spain from 2008 to 2010; and member of the Board of Directors of CESCE (Spanish Export Credit Insurance Company) from 1991 to 1994 and from 2005 to 2008.

Additionally, she was member of the Board of Directors of Tecnocom from 2016 to 2017; of Telefónica Internacional from 1992 to 1994; of Naviera Mallorquina from 1992 to 1994; of Cabitel from 1991 to 1992; of Banco Exterior UK from 1990 to 1992; and of Eria from 1990 to 1992. Recipient of the Gran Cruz de la Orden del Mérito Civil

She is Professor of Economics at CUNEF (Colegio Universitario de Estudios Financieros) and at IEB (Instituto de Estudios Bursátiles) in the Department of Business Administration and the Master's Program in Equities Markets. She is a member of the Board of Directors of the Instituto de Crédito Oficial (ICO) as well as a member of the editorial board at the magazine "Economistas".

She was appointed Director for a statutory term of 3 years at the Annual Shareholders' Meeting held 29 June 2017.

Ignacio Martín

Born in 1955. He is an Electrical Industrial Engineer with a degree from the Universidad de Navarra.

His professional career has been spent at various companies, primarily in the manufacturing sector, such as GKN Automotive International, where he was Managing Director, a member of the Global Executive Committee and Chief Executive Officer in the United States.

Mr. Martín was also the Deputy Managing Director for the Chairman of Alcatel España. In 2001, he was appointed Executive Vice Chairman of the GSB Group, where he led the merger with Corporación Industrial Egaña, which led to formation of CIE Automotive, where he was Chief Executive Officer until 2012, when he joined Gamesa as Executive Chairman until it merged with Siemens Wind Power in May 2017.

He is currently an independent director at Repsol, S.A, independent director at Acerinox, S.A. and director at Bankoa-Credit Agricole.

He was appointed Director of the Company for a statutory term of 3 years at the Annual Shareholders' Meeting held 28 June 2018.

Santos Martínez-Conde

Born in Santander in 1955, Mr. Martínez-Conde is a civil engineer with a master's degree in Business Administration and Management from ICADE and a diploma in Nuclear Technology

from ICAI. He is currently the CEO of Corporación Financiera Alba, S.A., serves as a director on the boards of Banca March, S.A., Acerinox, S.A., Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and CIE Automotiva, S.A.

He has worked for a variety of engineering and financial companies, including Sener, Técnica Naval e Manufacturing, S.A. (1979-1980), Técnicas Reunidas, S.A. (1980-1987), Bestinver, S.A. (1987-1990), Corporación Borealis, S.A. (1990-1994) and Banco Urquijo, S.A. (1994-1998). He has been a director of many companies, some listed others not, in a wide variety of sectors.

He was appointed to the Company Board for the first time at the Annual Shareholders' Meeting held 27 June 2013 and re-elected successively at the Annual Shareholders' Meetings of 30 June 2016 and 24 June 2019.

3 Responsibilities and Authority

In accordance with Article 31 bis of the Bylaws, rules regarding the responsibilities and authority of the Committee are contained in the Board Rules, subject always to applicable law.

Article 19.4 of the Board Rules assigns the Committee the following duties, in addition to those provided for by law:

- a) Give a report on the policy on selection of Directors approved by the Board of Directors and annually verify its compliance.
- b) Annually verify that Directors have maintained the category status under which they were selected and state as much in the Annual Corporate Governance Report.
- c) Determine the requisite skills and knowledge for the Board and periodically analyse their representation on the Board.
- d) For each nomination or re-election of Director, fix the profile and abilities specifically required before beginning the search process.
- e) Ensure that the selection processes for Directors and senior management guarantee the absence of any type of discrimination and favour incorporation of the best professionals.
- f) Verify the contents of the Annual Corporate Governance Report, utilizing the report from the Audit and Compliance Committee or from the Sustainability Committee regarding the sections of the Report which pertain to their areas of responsibility.
- g) Ensure that Non-Executive Directors have sufficient availability in order to properly perform their duties.
- h) Draft a report in advance for the use of the Board in making its annual self-evaluation and another for the annual evaluation of the Chairman of the Board.
- i) Periodically design and organize action plans for skill sets and periodically update onboarding programmes for new Directors.

- j) Propose the Policy on Director Compensation to the Board of Directors and periodically review its consonance with Company strategy and the creation of enduring value.
- k) Propose contract terms for senior managers.
- l) Report on the succession plans for the Chairman of the Board, Executive Directors and senior management which are to be approved by the Board.
- m) Verify information regarding compensation policies for Directors and senior managers contained in the various corporate documents, specifically in the Annual Report regarding Director Compensation.
- n) Analyse and report to the Board of Directors regarding non-arms' length transactions.
- o) Perform a periodic analysis of internal rules and operating procedures and practices related to Corporate Governance as well as the level of compliance with domestic and international regulations, recommendations and best practices in these areas, proposing those changes which it deems appropriate.
- p) Report to the Board, prior to the Board's approval, on all other information which the Company makes public and which falls within the scope of the Committee's mandate.
- q) Review application of the policy on communication with Shareholders, institutional investors and proxy advisors, proposing updates to them to the Board when appropriate.
- r) Be vigilant that potential conflicts of interest do not encumber the independence of external advice delivered to the Committee.
- s) Periodically review the policies and procedures of the Company regarding recruitment, retention, development and compensation of talented professionals as an essential Company asset.

During fiscal 2019 the mandate of the Committee was slightly modified: (i) duties related to the implementation of the Company's strategy, policies, best practices and specific action plans related to sustainability were transferred to the newly created Sustainability Committee; (ii) the Committee's duties in the management and promotion of talent were expanded to include periodic review the Company's policies and procedures for the recruitment, retention, development and compensation of talented professionals as an essential asset of the Company.

4 Committee Procedures

Meetings of the Committee are convened with sufficient lead time to allow its members analysis of the documentation and information relating to the matters to be considered, which is provided at the time of call.

The chairman of the Committee also informs the Board regarding matters treated and of the decisions taken by the Committee at each of its regular meetings.

Executive Directors, senior managers, and external advisors attend meetings of the Committee upon invitation of the chairman in order to discuss the matters for which they are responsible when those are included in the agenda of a Committee meeting.

5 Activities During Fiscal 2019

During fiscal 2019 the Committee held eight meetings, six ordinary and two extraordinary. The average attendance rate for members of the Committee was 100%. As it does every year, the Committee (i) drafted and approved its Annual Operations Report for the prior fiscal year and (ii) drafted an Action Plan for fiscal 2019 in order to properly plan and organize the duties assigned to it, in which it detailed the regular items and matters to be considered during the year, without prejudice to any extraordinary matters which might arise. In accordance with said Action Plan for the fiscal year and pursuant to the authority assigned to it by the Board Rules, during 2019 the Committee analysed and brought to the Board reports and proposals on the matters described below:

5.1 Nomination of Directors and appointment of members of its committees

- Re-election and appointment of Directors at the Annual Shareholders' Meeting
 - Re-election of Directors: a proposal for re-election of Independent Director Mr. Alberto Terol Esteban was delivered to the Board and a favourable report was delivered regarding the proposal for re-election of Mr. Santos Martínez-Conde Gutiérrez-Barquín as Proprietary Director on behalf of the equity interest of Corporación Financiera Alba, S.A.

For this purpose, the Committee analysed: (i) compliance with the requirements demanded by the designated class of Director; (ii) continued capacity for dedication; (iii) prior performance at the post; and (iv) adequacy of their knowledge, aptitude and experience to the professional profiles as defined by the Board.

The Committee proposed to the Board that, subject to approval of his re-election as Independent Director, Mr. Alberto Terol Esteban should continue to serve as Lead Independent Director and Vice-Chairman of the Board of Directors.

- Nomination of Directors: for replacement of Mr. Luis Lada Díaz, whose mandate ended on the occasion of the 2019 Annual Shareholders' Meeting due to a legally imposed term limit applicable to Independent Directors, the Committee commissioned Spencer Stuart (renowned external consultant specializing in selection processes of Directors) to search for candidates.

For this purpose, taking into account the experience and knowledge considered necessary and the commitment of gender diversity contained in the Selection Policy for Directors, the Committee defined the profile of the ideal Director to fill Mr. Lada's vacancy which would complement and reinforce the profiles of existing ones, delivering to the Board a proposal to nominate Ms. Isabel Torremocha Ferrezuelo as an Independent Director. The Committee verified that the candidate meets the legal

requirements to be considered an Independent Director and that her commitments allow her sufficient dedication to the post.

The Committee also reported favourably on the proposal to appoint Mr. Antonio Cuevas Delgado and Mr. Miguel Sebastián Gascón as Proprietary Directors on behalf of the equity interest of Sociedad Estatal de Participaciones Industriales (SEPI), both appointed in January 2019 by the Board of Directors through co-optation following the resignation of the former Proprietary Directors on behalf of this same Shareholder, Messrs. Aparicio and Menéndez.

- Appointment of members to Board Committees: The Committee brought the following proposals for changes to membership on Board committees, taking into account changes in membership on the Board of Directors:
 - a) Nomination, Compensation and Corporate Governance Committee: appointment of Mr. Antonio Cuevas as a member in place of Mr. Adolfo Menéndez.
 - b) Executive Committee: appointment of Mr. Antonio Cuevas as a member, who filled the vacancy generated by the resignation of Mr. Adolfo Menéndez.
 - c) Audit and Compliance Committee: appointment of Mr. Miguel Sebastián as a member in place of Mr. Aparicio and appointment of Ms. Isabel Torremocha in place of Mr. Lada. The Committee also reported favourably on the appointment of Mr. de Leyva as the new chairman of the committee in place of Mr. Santillana upon completion of his fourth year as chairman of that committee in accordance with Article 529.2 (14) of the Ley de Sociedades de Capital (“Spanish Corporations Act” or “LSC”).
- Creation of a Sustainability Committee: taking into account the growing relevance of Corporate Social Responsibility matters in general to investors, proxy advisors and other stakeholders as well as the conclusions of the latest Board evaluations which raised doubts as to the desirability of continuing with the Executive Committee, the Committee gave a favourable report to the Board on establishment of a Sustainability Committee and abolishment of the Executive Committee.

The initial composition contained in this proposal, which was approved by the Board, is as follows:

- Chairwoman: Ms. Silvia Iranzo (Independent)
- Member: Mr. Enrique de Leyva (Independent)
- Member: Mr. Ignacio Martín (Independent)
- Member: Mr. Alberto Terol (Independent)
- Member: Mr. Antonio Cuevas (Proprietary)

The Committee verified that the procedures for selection of Directors to be appointed and re-elected during the fiscal year were in strict conformity with the principles contained in the Selection Policy for Company Directors.

5.2 Evaluation of the Chairman of the Board of Directors

The Committee made a proposal regarding the aspects to be taken into account for the evaluation of the CEO as well as the weight to be given to each aspect, with the conclusion that the

performance of the CEO was very satisfactory, with particular emphasis on Mr. Abril-Martorell's great respect for and compliance with the rules of corporate governance.

5.3 Evaluation of the Board of Directors and its Committees

In accordance with the provisions of Recommendation 36 of the Code of Good Governance for Listed Companies, the Committee analysed the procedure applied in evaluating the performance of the Board for fiscal 2018, the quality of its work, and the performance of its members, then delivered the corresponding report to the Board.

Pursuant to Article 13 of the Board Rules and based on the report prepared by the Committee, the Board carried out that assessment without reliance on external advisers, given that such reliance is only required every three years or when circumstances dictate. The process consisted of completion of an extensive form with questions on the structure, composition and performance of the Board and its committees; operational dynamics; objectives, performance and responsibilities of those bodies; quality of information; relationship with the management team; and performance of the Board Secretary, which were assessed individually by each Director.

In order to organise and coordinate the evaluation process, the Chairman of the Board, the chairman of the Audit and Compliance Committee, the chairman of the Nomination, Compensation and Corporate Governance Committee and the Secretary of the Board met, as provided for in the Board Rules. The conclusions of the above-mentioned questionnaire responses were discussed in detail at that meeting. The evaluation process concluded with a very positive assessment of (i) the quality and efficiency of the performance of the Board and its committees, the diversity of their composition, and their abilities; (ii) the operation and composition of its committees; and (iii) the performance and contribution of Directors, identifying some opportunities for improvement, most notably doubts about the need to maintain the Executive Committee. As a result of this assessment, in November 2019 the Board agreed to abolish the Executive Committee and set up a Sustainability Committee, amending the Board Rules as a result.

5.4 Composition, compensation and duties of Senior Management

▪ Proposals concerning the composition of the Company's Senior Management

The Committee reviewed the additions of new members to the Management Committee during the fiscal year.

▪ Management evaluation and proposal for 2018 Annual Variable Compensation

The Committee delivered to the Board of Directors the 2018 Annual Variable Compensation proposal for each member of Senior Management (including Executive Directors). The Committee analysed the degree of achievement of the objectives, performance, and management delivered by each senior manager in his area of responsibility during the reference periods.

▪ Annual Variable Compensation Model for 2019 and setting of goals

The Committee proposed to the Board that it revise the current Annual Variable Compensation system and coordinate the objectives of each member of the Company's Senior Management (including Executive Directors) for the fiscal year, analysing the conditions for receipt of Annual

Variable Compensation, various levels for objectives (Company objectives; Business Unit or Market objectives; and individual objectives), the minimum percentages for achievement, and the form of payment (70% in cash and 30% in shares).

The Committee was informed about the application of the model to other professionals of the Company entitled to Annual Variable Compensation.

- Contract framework for Senior Management:

The Committee gave a favourable report regarding various organizational changes approved during the fiscal year and their concomitant changes in compensation for certain Senior Managers to reflect their new job duties.

5.5 Purchase of Shares by Directors

The Committee was informed upon each occurrence regarding the particulars of the purchase of Indra shares by Directors in accordance with verified instructions provided by each one of them individually.

5.6 Succession plans for senior management

The Committee reviewed updates of succession and contingency plans for each member of the Management Committee, including the Chairman and Executive Directors, and gave a report endorsing approval by the Board of Directors.

5.7 Analysis of situations of possible conflicts of interest of Directors and significant Shareholders, non-arms' length transactions and information regarding them

- Conflicts of interest

The Committee analysed information delivered by the Directors regarding their equity participation and regarding duties performed in other companies as well as work done as independent contractors which might present actual competition with the business purpose of Indra or represent a conflict of interest, to include Annual Financial Statements.

- Non-arms' length transactions

The Committee analysed the following matters and delivered its recommendation regarding them:

- Information regarding related party transactions with significant Shareholders and Directors to be included in the semi-annual financial report made to the Comisión Nacional del Mercado de Valores, ("CNMV") as well as Annual Financial Statements and the Annual Report on Corporate Governance.

- The proposal for authorization of generic types of financial or business transactions with significant Shareholders, so long as they are routine, in the ordinary course of business of the Company, and under market conditions.
- Authorization of potential transactions with parties related to Directors within the limits described in the Board Rules.

5.8 Annual verification of Director status

At the time that the Annual Report on Corporate Governance was drafted, the Committee delivered to the Board a report noting favourably that each Director maintained his or her status during the last fiscal year.

In addition, at the time of drafting proposals for appointment and re-election of Directors to be submitted to the Meeting, the Committee issued the relevant report regarding its justification that each Director who was a member of the Board on that date should continue to be characterized as having the same status as when they were elevated to the Board.

5.9 Corporate Governance and Corporate Responsibility (duty of this Committee until November 2019)

The Committee analysed the following matters, delivering its report/proposal regarding them:

- Analysis of the effectiveness and level of compliance with the Company's Corporate Governance rules and procedures during the past fiscal year.
- Proposal to amend the Board Rules with the aim, inter alia, of regulating the Sustainability Committee; distributing duties among the various Board Committees; and introducing updates and stylistic changes.
- Format for submission of the Annual Corporate Governance and Compensation Reports within the options allowed by Circular 2/2018 of the CNMV.
- Proposal of the contents and drafting of the Annual Report on Corporate Governance approved by the Board and made public by the Company.
- Proposal of the Annual Compensation Report which was approved by advisory vote at the Annual Shareholders Meeting in accordance with applicable law and made public by the Company.
- Criteria to follow for the reporting of non-financial information after the publication of Ley 11/2018 on non-financial and diversity information and a proposal for the Annual Report on Corporate Social Responsibility.
- Analysis of the 2018 Operations Report of the Board and the Executive Committee.
- Approval of the Annual Report Regarding Non-Arms' Length Transactions, which was made public by the Company upon call of the Annual Shareholders Meeting.

5.10 Design and periodic organization of continuing education and onboarding programmes for new Directors

- Several initiatives related to the new Directors' onboarding programme were completed (meetings with the Vice President Directors of IT and T&D; meetings with the Secretary of the Board; meeting on the Strategic Plan with the Director of Strategy, Innovation and Immediate Office; meeting with the Director of Control for detailed analysis of economic information and results; visits to Expo Indra and the Torrejón and San Fernando centres).
- Additionally, training was provided in regulatory compliance and regarding new legal requirements for non-financial information.

5.11 Other

- Minsait Business Incentive Plan Update

The Committee reviewed amendments to be made in the IT Business Incentive Model discussed during the previous fiscal year.

6 CNMV Technical Guide 1/2019 on Nomination and Compensation Committees

The Committee follows technical Guide 1/2019 on Nomination and Compensation Committees of public interest entities approved by the CNMV in the main and when directly relevant, which guide was taken into account in the preparation of this report, and gave a positive assessment of compliance with the recommendations set out therein.

7 Conclusions

The Committee verified that all the matters within its 2019 Action Plan were dealt with proper thoroughness.

It also concludes that its operations comply with all regulations and substantially with applicable recommendations.

Therefore, the Committee unanimously agrees to present this Operations Report to the Board of Directors so that the Board may take it into account in the 2019 evaluation process for the Board and its Committees.

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