



Annual Compensation Report on Directors of Listed Companies

This document contains the Annual Compensation Report on Directors submitted to the *Comisión del Mercado de Valores* (“Spanish Securities Market Commission” or “CNMV”) pursuant to the form prescribed by the CNMV;

Its official language is Spanish and in case of doubt or discrepancy, the Spanish-language version shall prevail.

A Remuneration Policy of the Company for the Current Financial Year

A.I Explain the current director remuneration policy applicable to the fiscal year in progress. To the extent that it is relevant, certain information may be included in relation to the remuneration policy approved by the General Shareholders' Meeting, provided that these references are clear, specific and concrete.

The specific determinations for the fiscal year in progress should be described, both the remuneration of directors in their status as such and as a result of their executive functions carried out for the Board pursuant to the contracts signed with executive directors and to the remuneration policy approved by the General Shareholders' Meeting. At any event, the following aspects should be reported:

- **Description of the procedures and company bodies involved in determining and approving the remuneration policy and its terms and conditions.**
- **Indicate and, where applicable, explain whether comparable companies have been considered in order to establish the company's remuneration policy.**
- **Information on whether any external advisors took part in this process and, if so, their identity.**

The current Compensation Policy was approved at the Annual Shareholders' Meeting held 28 June 2018 and applies to fiscal years 2018, 2019 and 2020.

In accordance with provisions contained in the Board Rules, proposals regarding compensation policies for Directors as well as specific schemes for their application, their components, and amounts are created by the Nomination, Compensation and Corporate Governance Committee (hereafter, the "Committee"), which brings them to the Board of Directors ("Board") for approval within the framework and limits established by the Bylaws, resolutions adopted at Annual Shareholders' Meetings (individually, "Meeting") and the Board Rules, or for decision by the Shareholders.

In drafting its proposals, the Committee periodically analyses trends and best practices in compensation policy for directors and senior managers; opinions of investors and proxy advisors; and the results of votes at Meetings regarding proposals related to compensation matters.

The Committee availed itself of the advice of external consultants Willis Towers Watson in performing its work designing and drafting the compensation scheme for Directors as contemplated in the current Compensation Policy, having verified the independence of the external consultants before engaging them. Additionally, the consultants provided information regarding the compensation of similarly situated executives, which was considered in establishing fixed compensation and for determining the maximum amounts for variable compensation components for Executive Directors. Among the comparables were companies in the same sector in which Indra operates as well as the Ibex 35.

Committee members are exclusively outside Directors, the majority Independent, and the Chair is Independent. At the time of writing this Report, the Committee consists of five members, three of them Independent and the other two Proprietary, representing the two largest Company Shareholders.

In meetings of the Board where proposals relating to specific compensation of Executive Directors, no Executive Directors are present, nor do they participate in any manner in the deliberations or decision making.

In accordance with the provisions of Article 217.4 of the *Ley de Sociedades de Capital* ("Spanish Corporations Act" hereafter "LSC"), Director compensation is reviewed periodically in order to ensure that it is reasonable considering the size of the Company, its economic status, and market

practices for similarly situated companies. Also, regarding the design of and proposed changes to the compensation system, 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 both excessive assumption of risk and reward for unfavourable results.

a) Compensation for Membership in Administrative Bodies

The current compensation system consists of the following principles and concepts, contained in the Compensation Policy:

- 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 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.

b) Compensation for Performance of Executive Functions

Executive Directors receive additional compensation by virtue of their contractual relationships with the Company for carrying out the executive 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 covering a period of three years.

The current Compensation Policy contains the following criteria and principles:

- 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 long term, with a reasonable connection to changes in stock value exclusively during that time frame.
- That it take into account current conditions, outlooks, and sustainable growth objectives of the Company.
- That it include components which are fixed and variable; annual and multiannual; in cash, in kind, and in components 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 very substantial portion of total compensation
 - iii. That medium term compensation have significant weight
 - iv. That compensation linked to market capitalisation be significant
 - v. That receipt of a significant portion of variable compensation be time deferred
 - vi. That the weight of the different compensation components be in line with best practices in the marketplace

- That each contract contain a clawback clause permitting the Company to demand reimbursement for any paid variable compensation if it is later proven in an objective manner that its determination was based on incorrect or inexact data.

The current compensation scheme does not include stock options.

The principles, rationales, structure and compensation elements in the current Compensation Policy comply with the provisions of the LSC and are adjusted to best national and international practices in compensation policy.

- **Relative importance of variable remuneration items vis-à-vis fixed remuneration (remuneration mix) and the criteria and objectives taken into consideration in their determination and to guarantee a suitable balance between the fixed and variable components of the remuneration. In particular, state the actions adopted by the company in relation to the remuneration system to reduce exposure to excessive risks and adapt this to the long-term objectives, values and interests of the company, which will include, as the case may be, mention of the measures to guarantee that the long-term results of the company are taken into account in the remuneration policy, the measures adopted in relation to those categories of staff whose professional activities have a material impact on the risk profile of the company and measures to avoid conflict of interest, as the case may be.**

Furthermore, state whether the company has established any period for the accrual or consolidation of certain variable remuneration items, in cash, shares or other financial instruments, any deferral period in the payment of amounts or the handover of accrued and consolidated financial instruments, or if any clause exists reducing the deferred remuneration or that obliges the director to return remuneration received, when such remuneration has been based on certain figures that have clearly been shown to be inaccurate has been agreed.

The only variable components in Director compensation are those that correspond to Executive Directors as part of the additional compensation they receive for carrying out their management functions.

In applying those principles and fundamentals of the current Compensation Policy, compensation for Executive Directors arising from their management duties contains the following compensation components:

- Fixed Compensation: 25% of total annualised compensation
- Annual Variable Compensation: 35% of total annualised compensation for 100% achievement of objectives.
- Medium Term Compensation: 40% of total annualised compensation for 100% achievement of objectives.

As indicated above, these weights mean that the variable component represents a quite substantial portion (75%) of the total compensation for Executive Directors.

The weights of the elements of compensation described as well as the procedures for determining objectives and the criteria for measuring their attainment analysed below, constitute objective means for reducing exposure to excessive risk and allow Executive Director compensation to be tied to long term objectives, values and interests of the Company.

The existing Corporate Governance system, internal rules, control systems and compliance programs establish specific oversight mechanisms and checks and balances in order to avoid concentration of decision making power in areas that might cause an elevated assumption of risk for the Company as well as adequately manage situations of conflict of interest which may arise.

Additionally, as indicated in the section above, Executive Director contracts incorporate clawback clauses which permit claims to be made for compensation amounts which were improperly paid under the terms described in that section.

Regarding vesting and deferment periods, it should be noted that Annual Variable Compensation vests once the corresponding fiscal year is closed and its amount depends upon assessment of completion of fixed goals for each Executive Director, said evaluation to be done by the Committee and the Board. Receipt of 30% of Annual Variable Compensation (equivalent to 10.5 percent of total target compensation) is deferred over three years, paid in three installments, subject to the Executive Director's remaining on the Board, and is paid entirely in Company shares.

Medium Term Compensation (2018 – 2020) is received entirely in Company shares, the number of which is determined at the beginning of the term as a function of completion of goals fixed for the triannual period. A percentage between 0% and 133% of the shares assigned at the beginning of the Plan is to be delivered at the end (that is, in 2020), calculated as a function of completion of specific goals tied to the Medium Term Compensation Plan. ("Performance Share Plan"). As a result, vesting occurs only upon completion of the three year period and its receipt is dependent upon the Executive Director's continued employment relationship with the Company until the moment of vesting.

As already indicated, Executive Director contracts incorporate clawback clauses which allow the Company to claim the amount of variable compensation already paid when it is shown that such payments were made improperly.

- Amount and nature of fixed components that are due to be accrued during the year by directors in their status as such.

Compensation for Directors for performance of their duties as Directors is determined as a function of their membership on the various administrative bodies. It consists exclusively of a fixed amount which is determined by 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 Executive Committee, the chairmen receiving 1.5 times the indicated amounts.

These amounts have remained invariable since 2015.

The current Compensation Policy fixes the maximum annual amount of compensation for membership on the Board and its committees at 2,250,000 euros. This maximum amount is determined as a function of the average compensation per Director and the maximum number of Directors and committee members contemplated by the Bylaws as well as the possibility that a committee other than the existing ones maybe created. This limit will remain in effect until a modification is agreed to by the Shareholders. The policy provides that the Board may modify the amounts mentioned above so long as their aggregate amount remains within the maximum limit allowed.

Without affecting the fact that the fixed amount be paid entirely in cash, all 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.

- Amount and nature of fixed components that are due to be accrued during the year for the performance of senior management functions of executive directors.

Annual Fixed Compensation is paid entirely in cash.

The amounts of Fixed Compensation for Executive Directors for the current fiscal year for performance of management duties are the following:

- CEO: 775 m€

- Vice President Director for IT: 550 m€
 - Vice President Director for T&D: 550 m€
- **Amount and nature of any in kind compensation component which will vest during the fiscal year including but not limited to insurance premiums paid on behalf of the director.**

Directors do not receive any in kind compensation by virtue of their membership on governing bodies.

By virtue of provisions within their employment contracts, Executive Directors receive in kind payment which consists of a life insurance and disability policy.

Additionally, they are beneficiaries of health insurance under a group policy bought by the Company for senior managers

Executive Directors Ms. Ruiz and Mr. Mataix have the right to use a company vehicle in accordance with the policy established to that effect by the Company.

The in kind compensation amounts for fiscal 2019 will be similar to the amounts contained in this Report regarding fiscal 2018.

- **Amount and nature of variable components, differentiating between short and long term amounts. Financial and non-financial parameters, including among the non-financial parameters social, environmental, and those relating to global warming used to determine variable compensation during the current fiscal year, explaining to what degree each parameter is related to achievement by the Director as well as the Company, and its risk profile, methodology, time frame, and techniques anticipated in order to determine at the end of the fiscal year the degree of achievement of parameters utilized in the design of the variable compensation scheme**
- **Indicate the monetary range of each variable component as a function of degree of completion of established objectives and parameters, and if there are any maximum monetary amounts in absolute terms**

As mentioned above, the only variable components of compensation for the Board are those for Executive Directors as part of additional compensation for performance of management duties.

a) Annual Variable Compensation

In accordance with the current Compensation Policy, the purpose of this compensation component is to reward the creation of value through achievement of specific established objectives as well as individual management performance.

To this end the Board, acting upon a prior report from the Nomination, Compensation and Corporate Governance Committee, set Annual Variable Compensation objectives for each Executive Director, said objectives being both quantitative and qualitative, aligned with Company interests, and individualized in the Company's strategic plans.

Quantitative objectives have a minimum weight of 50% in calculating Annual Variable Compensation. They are composed of metrics which ensure an adequate balance between financial and operational aspects in management of the Company.

Qualitative objectives have a maximum weight of 50% in calculating this incentive. They are primarily tied to the individual performance evaluation for Executive Directors.

In order to determine the degree of achievement of each objective, a central value is established – equivalent to reaching 100% of the objective – which in the case of quantitative objectives corresponds at a minimum to achieving the annual forecast for the Company in each one of its component parameters. The Board sets a minimum and maximum percentage for reaching each of the established objectives.

With the goal of ensuring that Annual Variable Compensation is fairly associated with performance of the recipients, at the time which achievement level is determined for quantitative objectives, any extraordinary events which would distort the evaluation criteria are disregarded.

The Compensation Policy in force establishes a Target Annual Variable Compensation amount corresponding to 100% achievement of objectives equivalent to 1.4 times Fixed Compensation for each Executive Director. It establishes a maximum Annual Variable Compensation if goals are exceeded, being 120% of the Target, which will result in 1.68 times Fixed Compensation, as well as a minimum threshold for achievement of objectives, below which Annual Variable Compensation will be zero.

Achievement of a 100% level of the Target for objectives results in Annual Variable Compensation amounting to 35% of total annualized compensation for the Executive Director. As indicated above, receipt of thirty percent of Annual Variable Compensation (equivalent to 10.5% of Total Annual Target Compensation) is paid out in three equal instalments over a three year period, entirely in Company stock, the amount of which is fixed on the date of award as a function of the average quoted price for the thirty sessions of the Bolsa prior to delivery.

Upon proposal by the Committee, the Board has approved the following objectives for Annual Variable Compensation for Executive Directors for 2019.

Company Objectives: Contracting, Cash Flow and EBIT for the Group with an aggregate weight of 70% for the CEO and 35% of their Annual Variable Compensation for the Vice President Directors.

Business Objectives: In the case of the Vice President Directors only: Contracting, Cash Flow and EBIT for the IT business and the Transport and Defence business have an aggregate weight of 35% of each of their Annual Variable Compensation.

Individual Objectives, which are weighted at 30% for each of the three Executive Directors:

- CEO: overall assessment by the Board of his management.
- Vice President Directors: aligned with execution of the Strategic Plan and function of the new IT and Transport & Defence business organizational model.

Below is a table summarizing each weighting factor:

Objective	CEO	Vice President Director, IT	Vice President Director, Transport and Defence
Indra Contracting	17.5%	8.75%	8.75%
Indra Cash Flow	17.5%	8.75%	8.75%
Indra EBIT	35%	17.5%	17.5%
IT / T&D Contracting	—	8.75%	8.75%
IT /T&D Cash Flow	—	8.75%	8.75%
IT /T&D EBIT	—	17.5%	17.5%
Individual	30%	30%	30%
Total	100%	100%	100%

b) Medium Term Compensation

In accordance with the current Compensation Policy, the purpose of this compensation is to reward the creation of long term sustainable value by means of reaching a combination of financial and operational objectives contained in the Strategic Plan.

To accomplish this, Medium Term Compensation is structured around a single three year cycle and is delivered entirely in Company stock. The Board makes an initial assignment of shares. A

percentage between 0% and 133% of the shares assigned at the beginning of the Plan will be delivered at Plan's end, calculated as a function of the degree to which the specific objectives tied to Medium Term Compensation are met ("Performance Share Plan").

Medium Term Compensation may give a maximum weight of 80% to quantitative financial and operational objectives and a maximum weight of 30% for increases in share price.

Qualitative objectives have a maximum weight of 50% and are linked to strategic matters and management in the medium term.

Objectives for 2018-2020 Medium Term Compensation and their respective weights for the CEO as well as Vice President Directors are established in the Compensation Policy approved at the Annual Shareholders' Meeting and are the following:

- 20% Relative Total Shareholder Return as compared with the Ibex 35, excluding financial entities. The period over which Medium Term Compensation will be measured is from January 2018 to December 2020
- 30% Free Cash Flow accumulated during the period 2018-2020.
- 50% Execution of the Strategic Plan for 2018-2020 in the case of the CEO and execution of the strategic plan for IT and Transport and Defence businesses, respectively, in the case of the Vice President Directors.

In order to determine the degree of achievement of each objective, a central value was established – equivalent to reaching 100% of the objective –; which corresponds to reaching, at a minimum, Company projections for each one of the parameters. A minimum and maximum percentage is established for each objective. For achievement levels below the minimum threshold of each objective, the resulting Medium Term Compensation would be zero.

Each metric has an associated achievement scale, established at the beginning of the plan, which includes a minimum threshold below which the objective is considered incomplete; a target level which corresponds to 100% achievement of the objective; and a maximum level specified for each objective.

In evaluating the completion of objectives circumstances outside the ordinary course of business (such as acquisitions, restructuring, intergroup transactions...) may be considered by the Board and the Nomination, Compensation and Corporate Governance Committee when they would have influenced -- positively or negatively -- completion of objectives and were not the direct result of the Executive Director's management. Additionally, in evaluating the achievement of objectives, other circumstances such as the general economic environment or the performance of Indra within the market or sector in which it operates, or the performance of comparable companies, may be taken into account.

The Nomination, Compensation and Corporate Governance Committee may propose that the Board adjust Medium Term Compensation before delivery under exceptional circumstances arising from internal or external factors. Details regarding any such adjustment will be explained in the corresponding compensation report.

The current Compensation Policy approved for the period 2018-2020 establishes a Medium Term Compensation Target (corresponding to 100% achievement of objectives) equivalent to 1.6 times Annual Fixed Compensation for each Executive Director. It establishes a maximum Medium Term Compensation amount as well in the event that goals are exceeded, equivalent to 2.13 times Fixed Compensation.

Achievement of 100% objectives (Target) represents 40% of the total annualized compensation for Executive Directors.

The Company published as a Significant Event those resolutions adopted at the Annual Shareholders' Meeting on 28 June 2018, reporting on the maximum number of shares that could be delivered to Executive Directors pursuant to the current Medium Term Compensation plan (2018-2020) which amounts to a maximum of 444,129 shares in the case of the Executive Chairman, 315,188 shares for the Vice President Director for IT, and 315,188 shares for the Vice President Director for Transport and Defence. These numbers of shares are gross and are the

amounts deliverable in the event of maximum overachievement (133%) of all Medium Term Compensation goals determined in the Compensation Policy.

No other element of variable compensation is provided for in the Compensation Policy.

Additionally, Executive Directors agree to abide by the following retention policy regarding shares while they are at their posts: to retain ownership of a number of Company shares which would result from having invested the equivalent of two times gross Fixed Compensation. They are given a maximum of six years from appointment in order to obtain such an investment level, which they must maintain while they are at their posts.

- **Principle characteristics of any long term savings plans. Among other information, indicate the contingencies covered by the plan, if it is of defined contributions or benefits, the annual contributions that must be made to defined contribution plans, terms of consolidation of economic rights to the benefit of Directors and their compatibility with any type of payment or severance in the event of termination or early termination, or arising from the termination of the contractual relationship between the Company and the Director under its terms.**
- **Indicate if vesting or consolidation of any long term savings plans is tied to achievement of defined objectives or parameters related to short and/or long term performance by the Director.**

No Director is a beneficiary of any long term savings plan, pension or retirement plan, or any similar benefit as a result of their status as a member of the governing bodies or their status qua Director.

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. The Company makes annual contributions to it for each Executive Director, determined as a percentage of total targeted annualised compensation.

The Early Retirement and Long-Term Savings Plan is not a pension plan and its receipt by the Executive Director is contingent. Thus, the Executive Director will have the right to receive the amount accumulated in the Early Retirement and Long-Term Savings Plan the moment he reaches age 62 or earlier in the event he leaves his post for reasons other than cause, including because of change of control of the Company. In the event that he does not meet his contractual obligations, voluntarily leaves the Company, or dies before the age of 62, the Executive Director will not receive the Early Retirement and Long-Term Savings Plan money.

The maximum amount that may be received under the Early Retirement and Long-Term Savings Plan is limited to the total annualised target compensation amount (2,200m€) in the cases of Ms. Ruiz and Mr. Mataix, and to an amount equivalent to 45 days' total annualised target compensation for each year of service in the case of the CEO.

The amounts budgeted by the Company for the Early Retirement and Long-Term Savings Plan are found in the current Compensation Policy and are the following:

- CEO: 465m€ (15% of his total target annualised compensation);
- Ms. Cristina Ruiz: 148m€ (6.72% of her total annualised target compensation);
- Mr. Ignacio Mataix: 364m€ (16.56% of his total annualised target compensation).

Executive Directors are not beneficiaries of any pension plans or any other retirement, savings or deferred compensation plan other than the Early Retirement and Long-Term Savings Plan.

The Early Retirement and Long-Term Savings Plan is compatible with the temporary right to receive severance which Executive Directors enjoy, as indicated below

- **Any type of payment or severance arising from the termination or early termination of the contractual relationship between the Company and the Director under terms agreed to in advance, whether it be voluntary on the part of the Company or the Director, as well as any type of agreement such as moonlighting, exclusivity, permanence, or loyalty**

and any post-contractual non-compete clause, which entitle the Director to any type of payment.

See the next section below.

- **Describe 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 clause, other than those described in the previous Section.**

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

Said contracts are of indefinite duration. In the event of separation without cause imputable to them, the three Executive Directors each have a transitory right to severance equal to the positive difference between an amount equivalent to one year of total target compensation and the amount accumulated at that moment on their behalf in the Early Retirement and Long-Term Savings Plan as was indicated above.

The contracts for the three Executive Directors contain a requirement as well that the Company give three months' notice of termination of the professional relationship and compensation, in the event of noncompliance, equivalent to total annualised target compensation for lack of notice.

Additionally, said contracts contain a non-compete agreement for one year after the end of the relationship with the Company paid in an amount equivalent to 0.75 times total annualised target compensation. The contracts of all three Executive Directors contain clawback clauses which recognize the Company's right to recover variable compensation payments improperly delivered if it becomes apparent that determination of such amounts was the result of an error in any datum.

- **The amount and type of any supplemental compensation accrued by directors in consideration of services provided other than those inherent in their position.**

There is no supplementary compensation expected to accrue to Directors during the current fiscal year.

- **Any other compensation from the Company to the Director such as those arising from advances, credits, guarantees or other benefits.**

As provided for in the Compensation Policy for the period 2018-2020 the Company has in place a policy for the concession of advances and loans applicable to Executive Directors, and which sets a maximum amount (equivalent to two months' gross compensation based upon Fixed Annual Compensation) and certain conditions for liquidation of the debt dependent upon the term within which the Director must repay the loan. Granting of these loans is subject to approval by the Board of Directors after a favourable report from the Nomination, Compensation and Corporate Governance Committee and execution of the appropriate contract as provided for in the policy.

- **The type and estimated amount of any other supplementary compensation not included in the prior sections, whether it be paid by the company or any other company in the group which is to be accrued by directors during the fiscal year.**

It is not expected that Directors will receive any other supplementary compensation during the current fiscal year.

A.2 Explain any significant change in the remuneration policy applicable in the current year resulting from:

- **A new policy or a modification of the policy already approved by the General Meeting.**
- **Significant changes in the specific determinations established by the board for the current year regarding the remuneration policy in force with respect to those applied in the previous year.**
- **Proposals that the board of directors has agreed to submit to the general shareholders' meeting to which this annual report will be submitted, and which are proposed to be applicable to the current year.**

There has been no change in the current Compensation Policy approved at the last Shareholders' Meeting held 28 June 2018.

The Board of Directors does not intend to present any modification of the current Compensation Policy to the next Annual Shareholders' Meeting.

A.3 Identify the direct link to the document where the current company remuneration policy is posted, which must be available on the web page of the company

https://www.indracompany.com/sites/default/files/d7/Accionistas/2018/politicascorporativa/compe nsation_policy_2018-2020.pdf

A.4 Explain, taking into account the data provided in Section B.4, the outcome of voting, of a consultative nature, by shareholders at the General Shareholders' Meeting on the annual report on remuneration for the previous year.

Indra maintains constant contact with its Shareholders, stakeholders and proxy advisors, taking into account comments and suggestions received directly from them during Annual Shareholders' Meetings. During the fiscal 2018 Meeting, both the current Compensation Policy and the Annual Compensation Report received the support of a majority of Shareholders. Abstentions for those Agenda Items were due to the abstention of the major Shareholder SEPI (*Sociedad Estatal de Participaciones Industriales*). As a general policy, said Shareholder abstains at all shareholders' meetings of listed companies where it sits on the board on all agenda items related to director and senior manager compensation.

B Overall Summary of how Remuneration has been Applied During the Year Ended

- B.1 Explain the process followed to apply the remuneration policy and determine the individual remuneration contained in Section C of this report. This information will include the role played by the remuneration committee, the decisions taken by the Board of Directors and, as the case may be, the identity and the role of the external advisors whose services have been used in the process to apply the remuneration policy in the year ended.**

As explained above, the Board of Directors, acting upon a proposal from the Nomination, Compensation and Corporate Governance Committee, is the body empowered to set Director Compensation within the limits and parameters established by the Compensation Policy approved at the Annual Shareholders' Meeting.

As regards compensation for membership on administrative bodies, it is always a fixed amount paid entirely in cash in accordance with the amounts contained in the current Compensation Policy. Application of these amounts gives rise to the individual amounts reflected in section C below as a function of each Director's membership on the various administrative bodies,

As regards Executive Directors, Fixed Compensation is as described in section B.6. As regards Variable Annual Compensation, once the year 2018 was closed the Nomination, Compensation and Corporate Governance Committee and the Board carried out the process of evaluating the degree of achievement of objectives tied to Variable Annual Compensation for the fiscal year during their 20 February and 28 February meetings, respectively, with the results indicated in section B.7 below.

- B.2 Explain the different actions taken by the company in relation to the remuneration system and how they have contributed to reducing exposure to excessive risks and adapting them to the long-term objectives, values and interests of the company, including a reference to the measures that have been adopted to guarantee that the long-term results of the company have been taken into consideration in the remuneration accrued and that a suitable balance has been attained between the fixed and variable components of the remuneration, the measures that have been adopted in relation to those categories of staff whose professional activities have a material repercussion on the company's risk profile and the measures that have been adopted to avoid conflicts of interest, if appropriate.**

As explained in section A.1 above, the Director compensation system for membership on administrative bodies is designed with the specific goal of divorcing this compensation from short term goals and variables.

Also, as regards specifically compensation for Executive Directors for performance of management duties, the current compensation scheme places a significant amount of weight (more than 50%, including the deferred portion of Annual Variable Compensation) on medium term components while variable components make up 75% versus 25% for fixed components, as explained throughout this Report.

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.

The Corporate Governance system, internal operating rules, control systems, and compliance programs in place at 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, contracts for Executive Directors contain clawback clauses which permit claims for reimbursement for improperly awarded payments under terms that are described in said Section.

B.3 Explain how the remuneration accrued over the year meets the provisions contained in the current remuneration policy.

Furthermore, report on the relationship between the remuneration obtained by the directors and the results or other performance measures of the company in the short and long term, explaining, as the case may be, how the variations in the performance of the company have influenced changes in the remuneration of directors and how the latter contribute to the short- and long-term results of the company.

Compensation amounts accrued by Directors for each of the items contained in the Compensation Policy results in application of the criteria and amounts anticipated within it and exist within current established limits period the principles which animate the Policy as regards compensation of Directors for membership on administrative bodies as well as performance of their executive duties were properly applied.

Given that 80% of Variables Annual Compensation for Executive Directors is tied to achievement of quantitative objectives (contracting, EBIT and cash flow) of the Company, variable annual compensation accruing during the fiscal year has a direct relationship with Company results.

The following sections detail how the Compensation Policy is applied in various areas and how each compensation component is determined and approved. Specifically, section B.7 reports on the percentage of achievement of objectives for each Executive Director based on an evaluation carried out by the Nomination, Compensation and Corporate Governance Committee and by the Board.

B.4 Report on the result of the consultative vote at the General Shareholders’ Meeting on remuneration in the previous year, indicating the number of votes against that may have been cast:

	Number	% of total
Votes cast	133,652,541	75.66%

	Number	% cast
Votes against	8,029,846	6.0080%
Votes in favour	91,170,993	68.2149%
Abstentions	34,451,702	25.7771%

Remarks
It is noted that significant Shareholder SEPI abstains as a general policy in all Shareholders’ meetings of listed companies in which it has an equity interest on those agenda items relative to compensation for directors and senior managers. The abstention of SEPI represents 24.73% of the total abstentions.

B.5 Explain how the fixed components accrued during the year by the directors in their capacity as such have been determined and how they have changed with respect to the previous year

As already indicated, compensation consists exclusively of a fixed amount received entirely in cash. The fixed amounts corresponding to fiscal 2018 are 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 Executive Committee, the chairmen receiving 1.5 times the indicated amounts.

These amounts have remained invariable since 2015.

Application of these amounts resulted in the individual amounts reflected in Section C below as a function of membership on the various committees of the Board.

The total amount received in 2018 for the entirety of the Directors as such (that is, for membership on the Board and its Committees) reached 1,646 m€, well below the maximum annual limit (2,250 m€) approved at the Annual Shareholders' Meeting and provided for in the Compensation Policy.

B.6 Explain how the salaries accrued by each one of the executive directors over the past financial year for the performance of management duties were determined, and how they have changed with respect to the previous year.

During fiscal year 2018 specific compensation for Executive Directors was determined in accordance with the criteria and components provided for in the current Compensation Policy.

- CEO: 775m€
- Vice President Director for IT: 550 m€
- Vice President Director for Transport and Defence: 481 m€ (he joined in February 2018).

So far as salary changes from the prior fiscal year are concerned, in the case of the CEO it has remained the same and for the Vice President Directors, in both cases this is their first year in their posts.

B.7 Explain the nature and the main characteristics of the variable components of the remuneration systems accrued in the year ended.

In particular:

- Identify each one of the remuneration plans that have determined the different types of variable remuneration accrued by each of the directors in the year ended, including information on their scope, their date of approval, their date of incorporation, the periods of accrual and validity, the criteria used to evaluate performance and how this has affected the establishment of the variable amount accrued, as well as the measurement criteria used and the period necessary to be in a position to suitably measure all the conditions and criteria stipulated.

In the case of share options and other financial instruments, the general characteristics of each plan will include information on both the conditions to acquire unconditional ownership (consolidation) and to exercise these options or financial instruments, including the price and term to exercise them.

- Each one of the directors, together with their category (executive directors, proprietary external directors, independent external directors and other external directors), that are beneficiaries of remunerations systems or plans that include variable remuneration.
- As the case may be, information is to be provided on periods for the accrual or deferment of payment applied and/or the periods for withholding/unavailability of shares or other financial instruments, if they should exist.

Explain the short-term variable components of the remuneration systems

As explained above, the only variable components of compensation for the Board are those for Executive Directors as part of additional compensation for performance of management duties.

As regards Annual Variable Compensation, the Board, upon a prior report from the Nomination, Compensation and Corporate Governance Committee, set annual objectives for each Executive Director, said objectives for fiscal 2018 being the following:

- a) Quantitative objectives have an aggregate weight of 80% for Executive Directors in calculating Annual Variable Compensation. They are composed of metrics which ensure an adequate balance between financial and operational aspects in management of the Company.
- Company Objectives: Contracting, cash flow and EBIT for the Group with a total weight of 80% for the CEO and 40% of Annual Variable Compensation for the Vice President Directors.
 - Business Objectives: For Vice President Directors only, contracting, cash flow and EBIT for the IT and Transport and Defence businesses, respectively, with a total weight of 40% of Annual Variable Compensation. It breaks down as follows:

Objective	CEO	Vice President Director for IT	Vice President Director for Transport and Defence
Indra Contracting	24%	12%	12%
Indra Cash Flow	24%	12%	12%
Indra EBIT	32%	16%	16%
IT/Transport and Defence Contracting	—	12%	12%
IT/Transport and Defence Cash Flow	—	12%	12%
IT/Transport and Defence EBIT	—	16%	16%
Total	80%	80%	80%

In order to determine the degree of achievement of each objective, a central value is established – equivalent to reaching 100% of the objective – which corresponds to achieving the annual forecast for the Company in each one of its component parameters, as well as the other following results:

	Achievement of objectives	% payment	Achievement of objectives	% payment	Achievement of objectives	% payment	Weight
cash-flow	< 85%	0%	85%-100%	25%-100%	100%-110%	100%-120%	30%
EBIT	< 85%	0%	85%-100%	25%-100%	100%-110%	100%-120%	40%
Contracting	< 90%	0%	90%-100%	25%-100%	100%-110%	100%-120%	30%

- b) Qualitative Objectives: Individualized, and with a weight of 20% for each of the three Executive Directors, as follows:
- CEO: overall assessment of his management by the Board. Implementation of the new Company organizational and operations model.

- Vice President Directors: Aligned with execution of the Strategic Plan and performance of the new organizational model for IT and Transport and Defence, respectively.

Selection of specific objectives is carried out taking into consideration their relevance for achieving the overall objectives for the Company as well as specific needs identified as those which need more management attention.

At the close of fiscal 2018, the Nomination Compensation and Corporate Governance Committee and the Board carried out the process of evaluating the degree of achievement of objectives tied to Annual Variable Compensation with the following results:

As for the CEO, after weighing each objective, the overall achievement of objectives was placed at 89%, which corresponds to a gross amount of 965m€. Nonetheless, so that the total amount of Annual Variable Compensation of the Management Committee not exceed its estimate, the CEO decided to propose to the Nomination Compensation and Corporate Governance Committee and to the Board, which gave their approval, a reduction of 24% of his Annual Variable Compensation, which yielded a final amount received of 705m€.

As for the Vice President Director of IT, the overall percent achievement of her objectives was set at 89.6%, corresponding to a gross amount of 690m€

As for the Vice President Director of Transport and Defence, the overall percent achievement of his objectives was also set at 89.6%, corresponding to a gross amount of 690m€, the date Mr. Mataix began working for the Company having been taken into consideration.

Consistent with the provisions of the 2018-2020 Compensation Policy, the 70% of Annual Variable Compensation is received in cash in March 2019.

The remaining 30% will be received in shares, the gross number of which was determined as a function of the average price per share during the last 30 trading sessions before the date of the Board's approval of Annual Variable Compensation, resulting in 9.20€. The result of the calculation above yields the following number of shares accrued: CEO, 22,989 shares; Vice President Director of IT, 22,500 shares; Vice President Director for Transport and Defence, 22,500 shares. These shares will be delivered to the Executive Directors in 3 equal parts in 2020, 2021, and 2022.

The compensation amounts and number of shares detailed above are gross and subject therefor to tax withholding applicable at the time they are received.

Pursuant to the deferment regimen described above, this past 25 February 2019 delivery of shares corresponding to the 3rd instalment of Annual Variable Compensation for 2015 was made, along with the second installment of Annual Variable Compensation for 2016 and the first installment for 2017. The CEO and the Vice President Director for IT received 12,335 and 2912 shares, respectively. These numbers of shares are net of applicable tax withholding.

Explain the long-term variable components of the remuneration systems

- c) Given that Medium Term Variable Compensation (2018-2020) vests at the end of the period for which it is established, and that receipt is conditioned on membership of the Executive Director for the entire period, no amount was paid for this item in fiscal 2018.

B.8 Indicate whether certain variable components have been reduced or clawed back when, in the case of the former, payment has been consolidated and deferred or, in the case of the latter, consolidated and paid, on the basis of data that have subsequently proved to be inaccurate. Describe the amounts reduced or clawed back through the application of the reduction or clawback clauses, why they were implemented and the years to which they refer.

No portions of variable compensation were reduced or reclaimed during fiscal 2018.

B.9 Explain the main characteristics of the long-term savings systems where the amount or equivalent annual cost appears in the tables in Section C, including retirement and any other survivor benefit that are financed, totally or partially, by the company, whether through internal or external contributions, indicating the type of plan, whether it is a defined contribution or benefit, the contingencies covered, the conditions to consolidate economic rights for directors and their compatibility with any type of severance pay for early termination or termination of the contractual relationship between the company and the director.

As indicated in Section A.1 above, no Director is a beneficiary of any long term savings plan, pension or retirement plan, or any similar benefit as a result of their status as a member of the governing bodies or their status qua Director.

The current Compensation Policy provides that 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. The Company makes annual contributions to it for each Executive Director, determined as a percentage of total targeted annualised compensation.

As already indicated, the Early Retirement and Long-Term Savings Plan is not a pension plan and its receipt by the Executive Director is contingent. Thus, the Executive Director will have the right to receive the amount accumulated in the Early Retirement and Long-Term Savings Plan the moment he reaches age 62 or earlier if he leaves his post for reasons other than cause, including because of change of control of the Company. On the other hand, in the event of breach of contract, voluntary separation, or death before the age of 62, the Executive Director will not receive the Plan.

The maximum amount that may be received under the Early Retirement and Long-Term Savings Plan is limited to the total annualised target compensation amount in the cases of Ms. Ruiz and Mr. Mataix, and to an amount equivalent to 45 days' total annualised target compensation for each year of service in the case of the CEO.

The contribution of the company in the current year as provided in the Remuneration Policy are:

- CEO: 465m€ (15% of his total target annualised compensation);
- Ms. Cristina Ruiz: 148m€ (6.72% of her total annualised target compensation);
- Mr. Ignacio Mataix: 364m€ (16.56% of his total annualised target compensation).

Executive Directors are not beneficiaries of any pension plans or any other retirement, savings or deferred compensation plan other than the Early Retirement and Long-Term Savings Plan.

Section C below details payments made under the Early Retirement and Long-Term Savings Plan to each Executive Director as well as accrued amounts.

B.10 Explain, where appropriate, the severance pay or any other type of payment deriving from early dismissal or early resignation, or from the termination of the contract in the terms provided for therein, accrued and/or received by directors during the year ended.

During fiscal year 2018 the former COO, Mr. Javier de Andrés received 1,650m€ arising from the non-compete clause entered into with the Company.

B.11 Indicate whether there have been any significant changes in the contracts of persons exercising senior management functions, such as executive directors, and, where appropriate, explain such changes. In addition, explain the main conditions of the new contracts signed with executive directors during the year, unless these have already been explained in Section A.1.

In January 2018, upon proposal by the CEO, the Company Board of Directors resolved to reduce the duration of the non-compete clause with the CEO from two years to one and consequently its payment amount, in consideration of the fact that a one year non-compete clause adequately

protects the interest of the Company and the amount the Company would be obligated to pay for two years is onerous.

Additionally, in February 2018 the Company and Executive Director Mr. Mataix signed a contract for rendering of services which governs their business relationship and whose conditions have already been described throughout this Report.

B.12 Explain any supplementary remuneration accrued by directors as consideration for services rendered outside of their post.

Company Directors do not receive any supplementary remuneration whatsoever.

B.13 Explain any remuneration deriving from advance payments, loans or guarantees granted, indicating the interest rate, their key characteristics and the amounts eventually returned, as well as the obligations taken on by way of guarantee or collateral.

As explained in Section A.1, the Company has a policy in place for advances and loans applicable to Executive Directors.

During the fiscal year just closed the Company did not issue any loans or advances to Executive Directors.

B.14 Itemise the remuneration in kind accrued by the directors over the year, briefly explaining the nature of the different salary components.

Pursuant to the terms of their employment contracts, Executive Directors receive payment in kind, which consists of a life and disability policy. They are also beneficiaries of a health policy under the conditions of a group policy taken out by the Company for senior managers.

The Executive Directors Ms. Ruiz and Mr. Mataix have the right to the use of a Company vehicle in accordance with applicable Company policy.

The individual amounts corresponding to each of the above mentioned items were:

- CEO: (i) life insurance policy 18m€; (ii) health insurance 8m€.
- Vice President Director of IT: (i) life insurance policy 3m€; (ii) health insurance 1m€.; use of vehicle: 6m€.
- Vice President Director of Transport and Defence: (i) life insurance policy 10m€; (ii) health insurance 3m€.; use of vehicle: 7m€.

These amounts are included in subsection iv of Section C.1. a) "Details of Other Items."

As indicated above, Directors do not receive any in kind compensation by virtue of their membership on governing bodies.

B.15 Explain the remuneration accrued by directors by virtue of payments settled by the listed company to a third company at which the director renders services when these payments seek to remunerate the director's services to the company.

No Director receives any compensation by virtue of payments settled by the listed company to a third party at which the director renders services.

B.16 Explain any other items of remuneration other than those mentioned in the previous sections, whatever their nature or the group company that settles the payment, particularly when this is a related operation or its settlement distorts the true image of the total remuneration accrued by the director.

No Director receives any other compensation apart from that explained in the sections above.

c Itemised Individual Remuneration Accrued by Each Director

Name	Type	Period of accrual in 2018
F. Abril-Martorell	Executive	From 01 January to 31 December, 2018
J. C. Aparicio	Proprietary	From 01 January to 31 December, 2018
E. De Leyva	Independent	From 01 January to 31 December, 2018
S. Iranzo	Independent	From 01 January to 31 December, 2018
L. Lada	Independent	From 01 January to 31 December, 2018
S. Martínez-Conde	Proprietary	From 01 January to 31 December, 2018
I. Martín	Independent	From 28 June to 31 December, 2018
I. Mataix	Executive	From 01 February to 31 December, 2018
A. Menéndez	Proprietary	From 01 January to 31 December, 2018
M. Rotondo	Independent	From 01 January to 31 December, 2018
C. Ruiz	Executive	From 01 January to 31 December, 2018
I. Santillana	Independent	From 01 January to 31 December, 2018
A. Terol	Independent	From 01 January to 31 December, 2018
J. de Andrés	Executive	From 01 January to 21 December, 2018
J. March	Proprietary	From 01 January to 26 January, 2018
D. García-Pita	Independent	From 01 January to 28 June, 2018

C.1 Complete the following tables regarding the individual remuneration of each director (including the salary received for performing executive duties) accrued during the year.

a) Remuneration from the reporting company:

i) Remuneration in cash (thousand euros)

Name	Fixed remuneration	Per diem allowances	Remuneration for membership of Board's committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance pay	Other grounds	Total in year 2018	Total In year 2017
F. Abril-Martorell	120		36	775	494	0			1,425	1,819
J. de Andrés						0		1,650	1,650	1,624
C. Ruiz	80			550	483	0			1,113	0
I. Mataix	73			481	483	0			1,037	0
J. C. Aparicio	80		40			0			120	120
E. De Leyva	80		64			0			144	144
S. Iranzo	80		24			0			104	50
L. Lada	80		54			0			134	120
S. Martínez-Conde	80		78			0			158	144
I. Martín	40		12			0			52	0
A. Menéndez	80		48			0			128	128
M. Rotondo	80		40			0			120	57
I. Santillana	80		84			0			164	164
A. Terol	80		60			0			140	142
J. March	7		2			0			9	104
D. García-Pita	40		24			0			64	135

Remarks
Payment received in 2018 by Mr. Javier de Andrés by virtue of his non-compete clause is included under the heading Other grounds

ii) Table of changes in share-based remuneration schemes and gross profit from consolidated shares or financial instruments

Name	Name of Plan	Financial instruments at start of year t		Financial instruments at start of year t		Financial instruments consolidated during the year				Instruments matured but not exercised	Financial instruments at end of year t	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares/handed over	Price of the consolidated shares	Net profit from shares handed over consolidated financial instruments (thousand €)	No. of instruments	No. of instruments	No. of equivalent shares
F. Abril-Martorell	Variable Annual Comp. 2015, 2016, 2017 and 2018	40,814	40,814				22,989	9,20	211		63,803	63,803
Cristina Ruiz	Variable Annual Comp. 2015, 2016, 2017 and 2018	5,992	5,992				22,500	9,20	207		28,492	28,492
Ignacio Mataix	Variable Annual Comp. 2015, 2016, 2017 and 2018						22,500	9,20	207		22,500	22,500

Remarks

In March 2018 the CEO and the former COO received 478,759 and 194,423 Company shares respectively as their Medium Term Compensation for 2015-2017. Given the list price of shares on that date (11.64€) those amounts of shares were equivalent to 5,573m€ in the case of the CEO and 2,263m€ for the former COO.

The above mentioned number of shares are gross.

iii) Long term plans

	Remuneration from consolidation of rights to savings plan
Director 1	

Name	Contribution over the year from the Company (1000's of euros)				Amount of accumulated funds (1000's of euros)			
	Savings plans with consolidated economic rights		Savings plans with unconsolidated economic rights		Year t		Year t-1	
	Year t	Year t-1	Year t	Year t-1	Plans with consolidated economic rights	Plans with unconsolidated economic rights	Plans with consolidated economic rights	Systems with unconsolidated economic rights
	F. Abril-Martorell			465	465		1,894	
I. Mataix			318	--		320		
C. Ruiz			148	--		148		
J. de Andrés				343		---		---

Remarks
In December 2017 the former COO Mr. De Andrés received the accrued amount in his Long Term Savings and Early Retirement Plan (5,011m€) upon termination of his employment relationship with the Company.

iv) Details of other items

Name	Item	Amount received (1000's of euros)
D. Fernando Abril-Martorell	Life and health insurance premiums	26
Dña. Cristina Ruiz	Life and health insurance premiums and vehicle	10
D. Ignacio Mataix	Life and health insurance premiums and vehicle	20

Remarks

b) Remuneration of the company directors for seats on the boards of other group companies: N/A

c) Summary of payments (thousands of euros)

This should include a summary of the amounts corresponding to all the remuneration items included in this report that have accrued to each director, in thousands of euros.

Name	Remuneration accrued in the company					Remuneration accrued in group companies				
	Total cash remuneration	Gross amount of consolidated shares or financial instruments	Income from savings plans	Remuneration for other items	Total FY2018	Total cash remuneration	Gross amount of consolidated shares or financial instruments	Income from savings plans	Remuneration for other items	Total FY2018
F. Abril-Martorell	1,425	211	465	26	2,127					0
J. de Andrés	1,650	--	--		1,650					
C. Ruiz	1,113	207	148	10	1,478					0
I. Mataix	1,037	207	318	20	1,582					0
J. C. Aparicio	120				120					0
E. De Leyva	144				144					0
S. Iranzo	104				104					0
L. Lada	134				134					0
S. Martínez-Conde	158				158					0
I. Martín	52				52					0
A. Menéndez	128				128					0

M. Rotondo	120				120					0
I. Santillana	164				164					0
A. Terol	140				140					0
J. March	9				9					0
D. García-Pita	64				64					0
TOTALES	6,562	625	931	56	8,174					0

Remarks
Included in 2018 is the amount received during the period by Mr. de Andrés, former COO, for his non-compete clause with the Company.

D Other information of interest

If there are any relevant issues relating to directors' remuneration that you have not been able to address in the previous sections of this report, but which are necessary to provide more comprehensive and fully reasoned information on the remuneration structure and practices of the company with regard to its directors, list them briefly.

This Annual Compensation Report was approved by the Board of Directors of the Company on 22 March, 2019

State whether any director voted against or abstained from approving this report.

Yes No

Name or company name of the member of the Board of Directors who did not vote for approval of this report	Reason (opposed abstention, non-attendance)	Explain the reason

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