
AUDIT AND COMPLIANCE COMMITTEE

Activities Report 2018

January 2019

INTRODUCTION

Ever since its shares began trading publicly, Indra has had in place a corporate governance system which has remained in continuous compliance with best national and international practices as well as applicable law.

An Audit and Compliance Committee (hereinafter the “Committee”) has been part of the framework of this corporate governance system at Indra since 1999. Its powers, composition and operating rules have always been regulated by the Rules of the Board of Directors (“Board Rules”). The Committee has vigorously undertaken the duties within its competence since its inception, as has been reported in the annual public reports on corporate governance of the Company.

The mandate and procedures of the Committee have been continuously updated to keep them in compliance with multiple legal changes as well as with changes in Recommendations in areas of corporate governance. Modifications during the last few years of Company internal operating procedures have been faithfully adapted to those changes.

Applying best practices of transparency in corporate governance, since fiscal 2003 the Annual Management Report of the Audit and Compliance Committee at Indra has been made available to the Shareholders upon call of Meetings and may be reviewed on the corporate website as well as by requesting a free copy from the Shareholder Office.

The present Activities Report was issued by the Audit and Compliance Committee at its meeting held 25 February 2019.

COMPOSITION, APPOINTMENT AND PROFILE OF MEMBERS

In accordance with the Board Rules and the Bylaws, the Committee is composed exclusively of external Directors whose membership is to be between three and six. The composition of the Committee during 2018 was as follows:

Chairman

Mr. Ignacio Santillana

(Independent Director)

Member since December 2014 and Chairman since June 2015

Members

Mr. Juan Carlos Aparicio

(Proprietary Director named upon proposal by Sociedad Estatal de Participaciones Industriales – SEPI --)

Member since October 2013

Mr. Luis Lada

(Independent Director)

Member since June 2016

Mr. Enrique De Leyva

(Independent Director)

Member since June 2015

Mr. Santos Martínez-Conde

(Proprietary Director named upon proposal by Corporación Financiera Alba, S.A.)

Member since June 2013

Ms. María Rotondo

(Independent Director)

Member since July 2017

The Chairman of the Committee must be an Independent Director and, in accordance with Board Rules, either the Secretary or Vice Secretary of the Board of Directors acts as the Secretary of the Committee.

As can be seen from the list above, of the six outside Directors who make up the Committee, four are Independent.

During fiscal 2018 there were no changes in membership on the Committee.

The characteristics of the Committee members are consistent with the provisions of the Code of Good Governance for Listed Companies so far as their independence

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(Recommendations 39 and 47) as well as their professional profiles and gender diversity are concerned.

A brief professional profile of each of the members of the Committee follows:

Ignacio Santillana

Born in 1948. PhD in Economics (1978) from the University of Indiana and Doctorate in Economics from the Universidad Autónoma de Madrid (1980). Since December, 2012, he has been chairman of the Board of Grupo Santillana Educación Global, S.L. and a member of the board of Prisa Radio, and Cadena Ser. While at Grupo Prisa he served as COO. Before that, he spent his career in the United States as executive vice president at G.T.E. and at Telefónica, where he served as CFO, CEO of Telefónica Internacional, and General Manager of Telefónica. Earlier, he was chairman of the Empresa Nacional de Inovación and economist at the Asociación Española de la Banca Privada. He is a member of the board at the Escuela de Finanzas, AFI. In 1974 he was awarded the Juan March scholarship and in 1978 was a Fulbright scholar.

Other highlights of his career: Chairman of Nokia España and of its Advisory Committee, director of Banco Gallego, and member of the Advisory Boards of Accenture, Eptisa, and Fundación Albéniz.

Juan Carlos Aparicio

Born in 1955. Degree in Chemistry. Expert in business organizations and vice secretary of the Federación de Empresarios of Burgos.

He has a wide range of experience in national, regional and local government. He served as vice president and member of the *Consejería de la Presidencia* ("President's Advisory Council") of the regional government of Castilla y León until 1989, Secretary of State for Social Security (1996 - 1999), Minister of Labour and Social Affairs (1999 - 2002) and Mayor of Burgos (2003 - 2011). As a member of the national legislature for several terms, he has been active in several congressional committees, notably chairman of the Interior Committee during the present congress.

In the field of business, he has served on the boards of Iberia and Banco Exterior de España, and was Chairman of the Board of PARKMUSA, as well as the Asociación del Plan Estratégico for the City of Burgos and of CETABSA. He serves as a member of the Scientific and Academic Advisory Board for Universidad Isabel I.

Luis Lada

Born in 1949. Telecommunication Engineer and *Académico de Número* of the Royal Academy of Engineering, with a long career in Grupo Telefónica where he has been chairman of Telefónica Móviles and Telefónica de España. Additionally, he has been a director and leading member of many companies and organizations related to IT. He is

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an independent director and member of the audit committee at ENCE, Energía y Celulosa, S.A., non-executive chair of Banco Inversis and an advisor to Assia Inc.

Enrique de Leyva

Born in Sevilla, 1959. Civil Engineering degree from the Universidad Politécnica de Madrid and MBA from Columbia University with a double major in Accounting and Finance. Currently he is a founding partner at Grupo Magnum and chairman and board member of several companies within the group (among them, chairman of Grupo Itacare). Additionally, he is a member of the advisory board of Abante Asesores y Ambiente Sgr, S.p.A.

His professional career began at Unión Fenosa (1983-1986), then McKinsey & Company, Inc. (1986-2006) where he was chairman of its Spanish affiliate, and Magnum Industrial Partners, S.L., where he has been a founding partner since 2006. He has been chairman of Grupo Geriatros, Nace Schools, and Pretersa-Prenavisa, as well as director at Centro Médico Teknon, S.L., Iberwind, and Bio Oils, S.L., among other companies.

Santos Martínez-Conde

Born in Santander in 1955. Civil engineer, MBA from the Instituto Católico de Administración y Dirección de Empresas and a degree in Nuclear Technology from the Instituto Católico de Artes e Industrias. CEO of Corporación Financiera Alba, S.A. He is also a director at Banca March, S.A., Actividades de Construcción y Servicios, S.A., of Acerinox, S.A., of Bolsas y Mercados Españoles, S.A., Sociedad Holding de Mercados y Sistemas Financieros, S.A., and CIE Automotiva, S.A.

He has spent his career in various engineering and financial companies, such as: Sener, Técnica Naval e Industrial, 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 held the post of director in numerous listed and non-listed companies in a wide range of industries.

María Rotondo

Born in 1964. Master degree in Economics and Business Administration at the Universidad Complutense de Madrid. Post graduate studies abroad (IESE, Wharton, NYU, Boston College) and in 2014-16 obtained the Certificado en Buen Gobierno Corporativo (Instituto de Consejeros y Administradores).

She has spent most of her career at Grupo Santander (1990-2016) where for the last ten years she was in charge of Global Communications, Media and Technology, leading important strategic transactions in the sector such as the Orange-Jazztel tender offer, the listing of Telesites on the Mexican stock exchange, and others. For fifteen years prior to that, she was an investment analyst for Santander SVB, rising to the post of Director

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of Analysis, Europe. She also worked for two years at the Spanish Chamber of Commerce as a market analyst and at Extebank as a risk analyst.

From March until May 2017 she worked at Deloitte Financial Advisory, a company within the Deloitte Group, in the Technology, Media and Telecommunications practice as Managing Director, rendering advice on Mergers and Acquisitions, Equity Capital Markets, Restructuring and Forensics.

She is a member of the Advisory Board for the Transformation with Purpose Fellowship at IE University and for Hotelab. She is a professor at the Instituto de Consejeros y Administradores (ICA) and BME (Bolsas y Mercados). She also performs strategic advisory work

OPERATIONS AND REGULATION OF THE COMMITTEE

In accordance with Article 31 of the Bylaws, Board Rules govern the duties and powers of the Committee in accordance with applicable law.

Article 18 of the Board Rules assigns the following duties to the Committee, in addition to those assigned by law:

- a) Ensure that the Board of Directors is able to present financial statements in the auditors' report to the Annual Meeting which do not contain limitations or reservations.

In those exceptional cases where a reservation might exist, the chairman of the Audit Committee as well as the auditors will clearly explain to the Shareholders the substance and the scope of said limitations or reservations.

- b) Supervise the Company's internal audit team to ensure that it properly manages internal information and control systems.
- c) As regards internal information and control systems: (i) supervise the process of drafting financial information regarding the Company and if applicable, the group, and ensure that it is complete. Specifically, review all normative requirements, the proper scope of consolidation and the entirety of applicable accounting rules; (ii) ensure that internal audit is independent; propose the selection, appointment, re-election and dismissal of the head of the internal audit service; propose the budget for such service; approve its goals and work plans, ensuring that its activities are focused primarily on material risks to the Company; receive periodic information on its activities; and verify that senior management considers the conclusions and recommendations contained in its reports; and (iii) establish and supervise measures whereby employees can confidentially report, and where possible and appropriate anonymously, any potentially significant irregularities

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that they detect in the Company, especially those of a financial or accounting nature.

- d) As regards the external auditor: (i) in the event of resignation of the external auditor, examine the circumstances which led to it; (ii) ensure that the compensation paid to the external auditor does not compromise its independence; (iii) propose that the Board file a Report of Material Fact to the *Comisión Nacional del Mercado de Valores* (“Spanish Securities Market Commission” or “CNMV”) when there is a change of auditors, along with a statement relating any disagreements that arose with the outgoing auditor and, if applicable, the contents thereof; and (iv) ensure that the Company and the external auditor comply with applicable law regarding delivery of services other than auditing, regarding limits on the concentration of the auditor’s work and, in general, rules regarding the independence of the auditors.

During fiscal 2018, the Committee carried out each and every one of the above mentioned powers and duties, including other matters which it considered appropriate for the exercise of its competencies and in the interests of the Company.

ACTIVITIES DURING FISCAL 2018

COMMITTEE MEETINGS

The Committee held 10 meetings during fiscal 2018. Average physical attendance at Committee meetings was 98.33% and 100% for Independent Directors.

Meetings of the Committee are held with sufficient notice so that members may analyse all of the documentation and information relative to the matters to be taken up at each meeting, which information is delivered upon call to meeting.

Also, the Chairman of the Committee gives reports to the Board regarding the Committee’s activities and the decisions adopted by it in each of its regularly scheduled sessions.

In order to properly plan and organize its work, the Committee develops and approves an Action Plan at the beginning of each fiscal year. The Action Plan for fiscal 2018 contained ten scheduled regular meetings along with the agenda for each meeting.

Executive Directors, senior managers and external auditors attend Committee meetings upon invitation by the Chairman, in order to discuss matters within their purview appearing on meeting agendas.

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The principal matters discussed and analyzed by the Committee during fiscal 2018, and which fall within the Committee's area of responsibility, can be divided into the following areas:

EXTERNAL AUDIT

- Oversee audit of the Annual Financial Statements, interim financial statements and the ICFR
- Oversee implementation of recommendations of the external auditor
- Assessment of the external auditor and annual Report on the auditor's Independence
- Authorization of services other than audit services as provided for in established procedures

REVIEW OF FINANCIAL AND NON-FINANCIAL INFORMATION

- Analyse and review the Annual Financial Statements and interim financial reports to be produced by the Board
- Supervise preparation and presentation of financial information to the CNMV
- Review of specific matters related to financial information which may impact the Company's results
- Analyse reporting criteria for non-financial information and the contents of the Report on Company Social Responsibility
- Analyse the scope of review of non-financial information.

INTERNAL AUDIT AND GLOBAL RISKS

Internal Audit

- Ensure the effectiveness of risk management, internal control, and governance of the Company
- Audits with a focus on risk analysis of processes, operations, compliance, and systems
- Follow up of recommendations
- Review and update of ICFR

Risks

- Supervise drafting of the Risk Map and proposals for updates of the Global Management and Control Policy, Tax Policy, and other policies
- Preapproval of follow up plans for mitigation of risks
- Approval of proposals from risk owners

COMPLIANCE

- External reviews of the Prevention Model for Criminal Risks
- Update and supervision of controls
- In house and outside training
- Oversight and updates of Criminal Risks
- Oversight of the Prevention Model for Criminal Risks and operation of the Canal Directo
- Update of the Code of Ethics and Legal Compliance and of the Model for Legal Risk Prevention
- Analysis of current significant open cases

EXTRAORDINARY MATTERS

- Analysis and oversight of the Company reorganization carried out in 2018
- Analysis of debt issued in 2018
- Special VAT scheme for Group Companies

REVIEW OF FINANCIAL AND NON-FINANCIAL INFORMATION

1. Review of the Company's Annual Financial Statements

Using the external auditor's report to aid in its analysis, the Committee, reviewed the Management Report and the Individual and Consolidated Annual Financial Statements for fiscal 2017 during its meeting held in March, 2018 and before their preparation by the Board, giving a favourable opinion.

2. Review of Information Delivered Periodically to Markets and Supervisory Bodies

Before approval by the Board, the Committee reviewed the quarterly and semi-annual Financial Statements published to the CNMV for fiscal 2018, verifying that their preparation was done using the same criteria as the Annual Financial Statements.

As regards the condensed consolidated interim financial statements, the Committee reviewed with the external auditor those matters which the auditor took into account in issuing its limited review report.

In carrying out its oversight duties regarding the creation of Company and Consolidated Group financial information and their integrity, and regarding review of compliance with legal requirements, proper scope of consolidation and appropriate application of accounting standards, the Committee made recommendations regarding the clarity, posting or presentation of some items.

In order to ensure timely compliance with the Company's obligations to present this information to the CNMV, the Committee met with the Company CFO to review matters related to periodic financial information.

3. Non-Financial Information

The Committee reviewed the scope of the report issued by Deloitte certifying the Report on Corporate Social Responsibility along with procedures used as well as compliance with legal requirements for its content, issuing a report to the Board recommending its approval.

EXTERNAL AUDIT

1. Audit Fees and Report Regarding Auditors' Independence

In discharging its duty to evaluate any issues that might put the independence of the external auditors at risk, and pursuant to current internal procedures, before engaging the auditor the Committee reviews and authorizes the fees paid to the audit firm apart from those charged for preparation of the Annual Financial Statements. It also periodically looks at cumulative fees charged for non-audit services in order to ensure that the amounts aren't excessive, that they comply with legal limits, and they do not compromise the auditor's independence.

The fees charged by the current external auditors (Deloitte) in fiscal 2018 for all items are as follows:

	1000's of Euros
Audit of Annual Financial Statements and Limited Semiannual Review	2,106
Other Verification Services	278
Tax Services	92
Other Services	13
TOTAL	2,489

As regards the audit of Annual Financial Statements for fiscal 2017, in compliance with applicable law, the Committee issued its annual report regarding the independence of the auditors before the drafting of the auditor's report for the fiscal year, and expressed a favourable opinion regarding its independence, specifically stating that the delivery of services during the fiscal year other than audit services did not compromise the auditor's independence.

Additionally, Deloitte expressly stated that they had maintained their independent status by means of a letter dated 20 March, 2018.

The report regarding the independence of the auditors was made available to the Shareholders upon call of the Annual Shareholders' Meeting, consistent with the

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provisions of Recommendation 6 of the Code of Good Governance for Listed Companies.

2. Oversight of the Financial Statement Audit Process

In fulfilling its role of remaining fully informed regarding progress of the audit plan, during fiscal 2018 the Committee supervised the audit process for the financial statements from the planning stage through development and to its conclusion. The Committee evaluated the progress and the results of the audit and the auditors' work, thoroughly examining the reports created by the external auditors as they related to:

- The final conclusions regarding the auditors' work on the Annual Financial Statements for fiscal 2017.
- The final audit report regarding fiscal 2017 individual and consolidated financial statements, issued without qualification or reservation.
- The report on recommendations for improvement in administrative procedures and internal control stemming from the fiscal 2017 audit of the Annual Financial Statements.
- Planning and preliminary work for the audit of Annual Financial Statements for fiscal 2018.
- The limited review report for the first half of fiscal 2018.
- The preliminary audit report for fiscal 2018 financial statements.

In order to make a proper evaluation of the above mentioned items, the Deloitte team members responsible for the audit of accounts met with the Committee seven times during the fiscal year.

3. Evaluation of Compliance with the Recommendations Arising from the Audit of the Financial Statements

Pursuant to its responsibility for evaluating the response of the management team to the recommendations of the auditor, the Committee reviewed implementation of the recommendations issued after the fiscal 2017 audit of the financial statements.

4. Evaluation and Re-election of the External Auditor

The Committee reviewed the performance of the external auditor and how the auditor had contributed to the quality of the audit and the integrity of the financial information. This review will be taken into account during the process to be followed in 2019 for bringing a proposal to the Board at the close of the initial period for which the auditor was appointed in 2016 (2016-2018).

INTERNAL AUDIT, INTERNAL CONTROL, AND RISK MANAGEMENT

1. Internal Audit

The Committee is responsible for supervising the work of Internal Audit of the Company and reviewing the appointment and substitution of those responsible. Since fiscal 2014, management of Internal Audit reports directly to the Committee.

During fiscal 2018 the Committee supervised execution of the work plan for the year and approved the budget, the Human Resources plan, and the work plan for fiscal 2019.

The head of Internal Audit made regular reports (ten times) to the Committee regarding progress of the Annual Audit Plan as well as work done in specific areas under her supervision.

During 2018, the audit focused on risks related to accounting and presentation of financial information, vendor management, data protection, project management, and resource planning.

The primary aspects of the Work Plan approved by the Committee can be divided into the following categories:

- Performance of audits focused on process risks.
- Performance of audits focused on operational or project risks.
- Performance of audits focused on compliance risks, paying special attention to audit of control systems for financial information. (ICFR).
- Performance of audits following recommendations from prior fiscal years, centred on control and assurance activities regarding implementation of promised Action Plans.
- Performance of support services in organizational areas: among others, (i) evaluation of data security for projects (ii) initiatives for improving control in those subsidiaries in which implementation of corporate systems is not complete; (iii) collaboration with the process area in implementation of tools dedicated to their control; (iv) audits performed upon request of the Compliance Unit.

During fiscal 2018 the Head of Internal Audit carried out several internal projects to improve work traceability and supervision and methodology for internal audits. Additionally, intense work was done in improving ICFR.

The Audit and Compliance Committee is responsible for the effectiveness of internal control within the Company relating to the process of creation and presentation of regulated financial information, with support from Internal Audit.

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Aware of the interest of markets and various other interested parties, and in compliance with recommendations published by the CNMV in February 2010, Indra began to submit its ICFR voluntary review in fiscal 2011 with the following primary goals:

- Guarantee efficiency and security in the processes of preparing financial information in order to minimize the possibility of error.
- Follow new regulatory requirements in internal control and corporate governance matters and quickly adopt best international practices.

The Committee periodically reviews established procedures in order to evaluate the effectiveness of internal control, specifically:

- Analyse the effectiveness of internal control over established procedures in the Company and its subsidiaries.
- Verify if potential deficiencies exist in internal control procedures and what response capability the Company has.
- Supervise and coordinate significant modifications made to internal controls as they relate to financial information.
- Review and verify that proper criteria are used in closing procedures for financial statements.
- Conduct a periodic review of corrective measures taken in response to weaknesses identified in audits.

As a result of this process and in order to improve transparency and the quality of public ICFR information issued by the Company to the markets, Company management publishes annually a description of its ICFR following the sixteen core indicators recommended in the CNMV document.

Additionally, since fiscal 2011 Indra has voluntarily submitted its ICFR to the Company auditor for evaluation. The auditor issues an annual ISAE 3000 report in which the auditor gives an opinion based on a reasonable degree of objective certainty under generally recognized auditing standards, whether the design and operation of the ICFR at Indra Group is effective or not upon close of the fiscal year.

During the fiscal year, the Committee was informed regarding the scope of work evaluating ICFR of the Group and regarding the procedures, controls and methods making up the process which has been uniformly implemented the group as a whole. Finally, the Committee received a report on the results obtained from the analysis of the effectiveness of ICFR, in which it was concluded that the operation of its controls did not present material deficiencies or weaknesses.

2. Risk Management

The Committee is aware of the importance of managing risks that the Company faces in order to do adequate strategic planning and to reach defined business goals, primarily in the area of growing globalisation.

To this end, the mission of the Global Risk function is to create a framework so that the Company may adequately anticipate, prioritize, manage, and oversee the portfolio of risks that may impact it.

The Committee is responsible for supervising the workings of the Company's Global Risk function and to review appointment and substitution of the person in charge of it. Since fiscal 2014, the Head of Global Risk reports directly to the Committee.

The activities of the Global Risk function are presented periodically to the Risk Coordination Unit and to the Committee for oversight. The Committee received nine reports during 2018 regarding these matters.

During fiscal 2018 the Committee supervised execution of the work plan for the current year and approved the budget, Human Resources Plan, and the work plan for fiscal 2019 for the Global Risks function.

The Committee performs periodic follow ups of the action plans established pursuant to defined risk factors, presenting corresponding follow up mitigation plans to the Committee semiannually

With the goal of understanding and testing the adequacy and completeness of the process for producing financial information and the proper operation of internal control and risk management systems within the Company, the Committee met with various managers during the fiscal year in order to analyse those areas and aspects it considered relevant, taking into account the Company Risk Map.

The Committee also reviewed updates to the Company Risk Map; the General Risk Management and Control Policy; and the Tax Policy, delivering a favourable report to the Board of Directors for its approval.

The Committee reviewed Sections E and F of the Annual Report on Corporate Governance relative to internal control and risk management systems with the goal of verifying that they reflect the current content of the Risk Policy.

In January, 2019 the Committee approved the annual activities report of Internal Audit and Global Risks for fiscal 2018.

COMPLIANCE

The Compliance Unit, is the body charged with ensuring compliance with rules contained in the Legal Risk Prevention Model. Since April 2015 the Compliance Unit has reported directly to the Committee and performs the following tasks:

- Promote a culture of prevention and ensure distribution of the model's precepts.
- Analyse legislative changes and developments which might affect the model.
- Request information regarding changes in legal risks and preventative measures taken by the Company.
- Propose verification of the model and updates it considers appropriate.
- Manage communications received through the Canal Directo.
- Propose work plans regarding supervision of the model.

During fiscal 2018 the Committee supervised execution of the Compliance Unit work plan for the year and approved its annual budget, Human Resources Plan and work plan for fiscal 2019.

The head of the Compliance Unit reported to the Committee during all of its meetings regarding advances in the work plan, progress of open cases, and functioning of the Whistleblower Channel.

The Committee engaged in a number of initiatives in order to ensure the maturity of the Criminal Risk Prevention Model at Indra: (i) Compliance Review carried out by an international legal firm; (ii) procurement of the AENOR UNE 19.601 certification "Criminal Compliance Management System"; (iii) various training and communication initiatives regarding the Criminal Risk Prevention Model directed to Indra professionals; (iv) assessment of those criminal risks identified in Spain and in the international subsidiaries; (v) drafting and updating of procedures, rules and policies; (vi) periodic review of the scope and effectiveness of the existing control map for prevention of criminal risk at the Company.

In January 2019 the Committee approved the annual activities report of the Compliance Unit for fiscal 2018.

OTHER ACTIVITIES

➤ **Investor Relations: Presentation and Activities with Analysts and Investors**

The Committee received a report from the Director of Investor Relations regarding proceedings during fiscal 2017 and 2018, results achieved, and goals reached.

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The Committee reviewed the Action Plan and Communication Policy for Investors for 2018 and means of improving communication tools and channels.

Finally, the Committee analysed changes in Company share prices from 2015 to the present.

➤ Type and Scope of Communications with Regulators

The Committee was informed regarding communications received by the Company from the CNMV, following up on matters contained within them and, when applicable, on responses to them.

➤ CNMV Technical Guide 3/2017 Regarding Audit Committees

The Committee follows the Technical Guide 3/2017 approved by the CNMV regarding audit committees of entities of public interest, which was issued to offer principles and criteria for workings of audit committees, and gave a positive opinion of the level of compliance with the recommendations contained in it.

➤ Evaluation of the Performance of the Committee

In March 2018 an evaluation of the performance of the Committee for fiscal 2017 was carried out as part of the annual evaluation of the Board.

The evaluation was carried out with collaboration of external advisors and consisted of completion of a questionnaire and personal interviews of Directors with the external consultants.

Areas evaluated were the structure and composition of the Committee, its working dynamics, objectives, functions and responsibilities, the quality of information, its relationship with the executive team and the performance of the Secretary of the Board.

As regards the Committee, the evaluation process concluded with a satisfactory assessment of its performance and the quality of its work during the fiscal year analysed, noting the following areas that could be improved: (i) possible incorporation of a profile with experience in internal control matters; (ii) evaluate expansion of the duration of meetings; (iii) improve organizational quantitative risk methodology (iv) improve information and debate regarding the ethical culture of the organization.

The performance aspects mentioned above were implanted during the fiscal year.

➤ Non- Routine Matters

Consistent with Recommendation 44 of the Code of Good Governance for Listed Companies, the Committee received reports regarding (i) reorganization of the Company anticipated in the Strategic Plan 2018-2020 consistent with the spinoff of an

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independent company for Indra's IT business; and (ii) Company restructuring planned for Brazil with the goal of optimizing management in that region from a Company point of view. In both cases, a favourable report was delivered to the Board for its approval.

The Committee reviewed the terms and conditions of debt issued during the fiscal year.

Finally, the Committee analysed the proposal that the Company and its Spanish affiliates recognize the effects of the *Régimen Especial del Grupo de Entidades* ("Special Framework for Conglomerates") provided for in *Ley 37/1992* regarding VAT effective 1 January 2019, bringing a favourable report to the Board for its approval.

FOLLOW-UP OF 2018 ACTION PLANS AND ANTICIPATED ACTIVITIES FOR 2019

In accordance with the Action Plan of the Committee for 2019 as approved by it, the Committee plans to meet ten times in regular session during which, in addition to reviewing matters which are of a recurring nature every year, it will continue to pay special attention to matters related to risk management, bid and project management, and application criteria for measuring revenue recognition, DPF, inventory, clients, and intangibles.

Finally, reporting processes were analysed for non-financial information to be included in the management report.

CONCLUSIONS

The Committee has verified that it adequately attended to all of the matters contained in its Action Plan for fiscal 2018.

Additionally, it believes that its performance complies with current recommendations.

For all these reasons, the Committee has unanimously resolved to submit the present operations report to the Board of Directors to be taken into account during its process of evaluation of the Board and its Committees in 2018.