



Audit and Compliance Committee Performance Report 2020

January 2021

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1 Introduction

Since its shares were admitted for trading on the continuous markets, Indra has had a corporate governance system that has complied at all times with both the legislation in force and best practice, both nationally and internationally.

Within the framework of this corporate governance system, Indra has had an Auditing and Compliance Committee (the “**Committee**” or the “**ACC**”) since 1999. Its duties, composition and operational regulations have been governed since that time by the Board of Directors Regulations and the Articles of Association. Since that time, the ACC has been heavily engaged in the duties for which it is responsible, as has been duly recorded in the annual information that the Company publishes in respect of its corporate governance.

The powers and operational duties of Indra’s ACC have been regularly adjusted to bring them into line with the many amendments to the law and the recommendations issued from time to time in respect of corporate governance. This is closely reflected in the amendments that the Company has made to its internal regulations over recent years in order to adhere to these changes.

Applying the highest principles of transparency in corporate governance, since 2003 the Annual Report on the performance of Indra’s ACC has been made available to shareholders together with the invitation to attend the General Shareholders Meeting, and it can be either consulted on the Company’s website or requested free of charge from the Shareholder Office.

In accordance with the provisions of Article 16.8 of the Board of Directors Regulations and Technical Guideline 3/2017 on Auditing Committees at public interest companies published by the Spanish Securities Markets Commission (“**CNMV**”), this document includes a Report on the annual performance of the ACC during the 2020 financial year (the “**Report**”), offering an account of the activities engaged in by the Committee over that period.

This Report was prepared by Indra’s ACC at a meeting held on January 21, 2021.

2 Composition, appointment and profile of the Committee’s members

In accordance with the Board of Directors Regulations and the Articles of Association, the Committee exclusively comprises non-executive directors.

The qualitative composition of the ACC complies with the contents of Recommendation 39 of the Code of Good Governance for Listed Companies (“**CGGLC**”), its members (and particularly its Chair) being chosen on the basis of their know-how and experience in the areas of accounting, auditing and the management of risk, both financial and non-financial.

The Committee’s Chair is elected for a period of four years, and he or she must be replaced at the end of that term, though they may be re-elected once a year has elapsed following the date on which their previous term ended. The Secretary or Deputy Secretary to the Board of Directors acts as the Committee’s Secretary, as provided for in Article 16.4 of the Board of Directors’ Regulations.

When appointing the members of the Committee, the Board of Directors will promote gender diversity, in addition to diversity in respect of qualities such as professional experience, skills, personal abilities and knowledge of the sector. In this regard, during the 2020 financial year, Carmen Aquerreta Ferraz (June 2020) and Ana de Pro Gonzalo (December 2020) were appointed members of the Committee, replacing Maria Rotondo Urcola and Ignacio Santillana del Barrio, who ceased to be Indra directors when their term ended at the last Ordinary General Shareholders Meeting.

The Committee currently comprises six non-executive directors, four of whom are independent (one of these being the Chair) and three of whom are women.

The Committee comprised the following members as of 31 December 2020:

Name	Position	Type of board member	Date of first appointment
Enrique de Leyva	Chairman ⁽ⁱ⁾	Independent	25 June 2015
Carmen Aquerreta	Member	Independent	25 June 2020
Santos Martínez-Conde	Member	Nominee Director ⁽ⁱⁱ⁾	27 June 2013
Ana de Pro	Member	Independent	18 December 2020
Miguel Sebastián	Member	Nominee Director ⁽ⁱⁱⁱ⁾	31 January 2019
Isabel Torremocha	Member	Independent	24 June 2019

⁽ⁱ⁾ Appointed Chairman of the Committee in June 2019.

⁽ⁱⁱ⁾ Appointment proposed by Corporación Financiera Alba, S.A.

⁽ⁱⁱⁱ⁾ Appointment proposed by Sociedad Estatal de Participaciones Industriales (SEPI)

The following section contains the CVs of all the Committee's members along with complete information about their profile, experience and know-how. This information can also be found on the Company's website (www.indracompany.com), where it is continuously updated.

Enrique de Leyva

Born in Seville in 1959. He has a degree in Civil Engineering from Madrid Polytechnic University and an MBA from Columbia University with a double major in Accounting and Finances. He is currently a founding partner of the Magnum Group and Chairman and director of several companies in the group. He is also a member of the advisory boards of Abante Asesores and Ambienta Sgr, S.p.A.

He has worked at Unión Fenosa (1983-1986), McKinsey & Company, Inc (1986-2006), where he was Chairman of its Spanish subsidiary and led its Energy Practice in Europe, and Magnum Industrial Partners, S.L., where he has worked as founding partner since 2006 and from where he has launched three private equity funds (Magnum Capital LLP, Magnum Capital II and Magnum Capital III, with €1.5bn of managed funds). He has been Chairman or director of a large number of companies in the Education, Energy, Industry, Health, B2B Services and Telecommunications sectors within the Geriatros Group, Chairman of Pretersa-Prenavisa, Chairman of the Nace Schools Group, and a director at Centro Médico Teknon, S.L., Iberwind and Bio Oils, S.L., among other companies.

He is currently an independent member of the Board of Directors at Almirall, S.A. and Chairman of its Auditing Committee.

Carmen Aquerreta

Born in Pamplona in 1968, she has Degrees in Economics and Business Sciences and Law from Pontificia Comillas University, and a Master's Degree in International Relations from Johns Hopkins University. She has had extensive experience in the consultancy sector. She has worked for important organisations such as Andersen in Madrid, where she held the position of Global Director of Strategy and Planning (Tax and Legal), BCG and Mitchell Madison Group. She has been a partner at Deloitte United Kingdom and Deloitte North West Europe (2006-2019), where she headed up the Intangible and Intellectual Property practice, she was in charge of Global Relations at Vodafone Plc and led many large projects for BAE Systems and Thales, among other positions. She is a director of Andbank Group.

Santos Martínez-Conde

Born in Santander in 1955, he has a Degree in Civil Engineering, a Master's Degree in Business Administration from ICADE and a Qualification in Nuclear Technology from the ICAI School of Engineering. He was the Managing Director of Corporación Financiera Alba, S.A. until November 2020. In addition to being a director of Indra, he is a director of Corporación Financiera Alba, S. A., Acerinox, S.A. and CIE Automotive, S.A.

During his professional career he has worked at a number of companies in the engineering and financial sectors: 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), Banco Urquijo, S.A. (1994-1998) and Corporación Financiera Alba, S.A. (1998-2020), where he was Managing Director. He has sat on the board of a large number of both listed and unlisted companies in a wide range of sectors.

Ana de Pro

She was born in Madrid in 1967 and graduated with a degree in Economic and Business Sciences from the Complutense University of Madrid. She began her professional career at Arthur Andersen in 1990 and then joined the real estate company Metrovacesa in 1994, where she held the post of Financial Director. In 2002 she joined Sacyr Vallehermoso, a diversified construction and engineering group, as Corporate General Manager. From 2015 to 2017 she was also an independent director at the SOCIMI, Merlin Properties. She subsequently joined the Amadeus IT Group, a technology company in the travel sector, where she held the position of CFO from February 2010 through to September 2020, also acting as strategic advisor to the CEO until December 2020.

She is currently an independent director and Chairwoman of the Auditing Committee at ST Microelectronics N.V., as well as being an independent director and member of the Audit, Appointments and Health and Safety Committees at National Express Group PCL.

She is also an independent director of the Spain National Advisory Board (Spain NAB), the Advisory Board for Impact Investing in Spain, which acts as the independent, unlisted, cross-sector consulting body that represents Spain before the GSG (Global Steering Group for Impact Investment). She is also a member of the board of trustees of the Juan XXIII Foundation.

Miguel Sebastián

Born in Madrid in 1957, he holds degrees in Economic and Business Sciences from the Complutense University of Madrid. He also has a PhD in Economics from the University of Minnesota (USA) and a doctorate from the Complutense University of Madrid.

In the academic field, he has been deputy director of the magazine "*Moneda y Crédito*" and a member of scientific committees at *Revista Española de Economía*, FEDEA and NOMISMA. He is Professor of the Fundamentals of Economic Analysis, at Madrid Complutense University's Faculty of Economic Sciences.

He has worked in the Ministry of Economy and Finance's General Planning Office and the Research Department at the Bank of Spain. He has been the General Manager of Intermoney. In 1996 he was appointed Chief Economist (Director of the Research Department and Deputy Director General) at Banco Bilbao Vizcaya (BBV), and following its merger held the same post at Banco Bilbao Vizcaya Argentaria (BBVA) until 2003. He has acted as consultant for several multilateral organisations. He has been a member of the Executive Committee at the ICCBE (International Conference of Commercial Bank Economists) and the Governing Board of the AEEFI (Asociación Española de Economía y Finanzas Internacionales). He was a member of the Editorial Board at *Expansión* and *Actualidad Económica*. He has contributed articles to *El Mundo*, *20 minutos*, *Alnavío.com*, *El Independiente* and *la Informacion.com*, and he currently publishes a fortnightly column in *El Español/Invertia* and is a guest on *La Sexta*, *Cadena SER* and other broadcasters. He is an occasional consultant at GLC Research.

In the political sphere, he was coordinator of the Economic Program for the Spanish Socialist Party (PSOE) in the 2004 General Election and Director of "*Economistas 2004*". In 2004 he was appointed Director of the Spanish President's Economic Office (with the rank of Secretary of State). In 2005 he was appointed Coordinator of Spain's National Reform Program ("Mr Lisbon"). In December 2006 he was nominated as the PSOE Candidate for the Office of Mayor of Madrid. In April 2008 he was appointed as the Spanish Government's Minister of Industry, Tourism and Trade during the whole of the 9th term (December 2011).

Isabel Torremocha

Born in Madrid in 1964, she graduated with a Degree in Chemical Sciences from Universidad Autónoma de Madrid. She completed a postgraduate course in Plastics and Rubber at the Spanish National Research Council, a Leadership Program at IMD Business School, a PDD at IESE Business School and a Corporate Finance course at IE Business School.

Ms Torremocha began her professional career at Philips Iberia and in 1991 moved to Andersen Consulting (currently Accenture), where she continued her professional advancement in the Telecommunications, Media and High-Technology Sectors. At Accenture she was Managing Director and a member of the Board of Directors of Accenture Spain. During her final period at Accenture, as Director of Opportunities for Transformation, Ms Torremocha led the creation and development of opportunities relating to strategic transformations in the areas of information technologies, outsourcing business processes and digital transformation in Spain, Portugal and Africa.

She has previously held international positions, the most important being that of Director of Operations for Europe, Africa and Latin America, with responsibility for the implementation of business strategy in these geographical territories. She has also been responsible for diversity and equality in the Telecommunications and Medium- and High-Technology Division

in Europe, Africa and Latin America, defining plans for increasing the number of professional women in managerial positions and succession plans.

She is currently an independent director of Repsol, S.A., Chairwoman of the Auditing Committee and a member of the Sustainability Committee. She is also Patron and Chairwoman of the Appointments Committee at the “Plan International” Foundation, a Member of the Institute of Directors and Administrators (ICA) and a Member of the Spanish Managers Association (AED).

3 Duties of the Committee and its regulation

In accordance with the contents of Article 31 of the Articles of Association, the Board of Directors Regulations establish the rules relating to the ACC’s powers and duties, subject at all times to the legislation in force.

In addition to the duties established in law, Article 18 of the Board of Directors Regulations establishes that the ACC is responsible for the following:

1. Respect for internal reporting and monitoring systems:
 - a) Monitoring and evaluating the preparation and presentation of the Company’s and the Group’s financial and non-financial information and the systems for the monitoring and management of financial and non-financial risk, as recorded in the annual and intermediate financial reports that the Company publishes and checking compliance with the requirements set out in law, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
 - b) Overseeing the composition, powers and performance of the internal auditing, risk monitoring and management and compliance departments, and to that end: i) ensuring their independence; ii) proposing the election, appointment, payment and dismissal of the people respectively in charge of those areas; iii) receiving regular information on their activities; iv) approving their annual budgets and working plans and overseeing their implementation; and v) checking that senior management takes account of the conclusions and recommendations contained in their reports.

As regards internal auditing matters, the Committee will ensure that its activities are mainly focused on the relevant risk, including reputational risk.

With regard to risk management, the Committee will ensure the establishment of adequate mechanisms for the monitoring of financial and non-financial risk, including operational, technological, legal, social, environmental, political and reputational risk.

- c) Establishing and overseeing the operation of a mechanism that allows employees and other people connected with the Company, such as directors, shareholders, suppliers, contractors and subcontractors, to report, confidentially and (where applicable) anonymously, any potentially important irregularities relating to the Company or its Group, including financial and accounting irregularities, ensuring that the said mechanism respects the rights of both the complainant and the party being reported.

- d) Ensuring that the internal monitoring policies and systems established are effectively applied.

2. With regard to the external auditor:

- a) Ensuring that the accounts presented to the General Shareholders Meeting by the Board of Directors have been prepared in accordance with the accounting regulations and that the auditors' report does not contain any limitations or provisos.
- b) In the event of the external auditor's resignation, examining the circumstances that have caused it.
- c) Ensuring that the payment of the external auditor for its work and any payments arising from business relations in which the auditor and the Company collaborate do not compromise its quality or independence.
- d) Ensuring that the Company notifies any change of auditor to the CNMV using legally established channels, accompanied by a statement detailing any potential disagreements arising with the outgoing auditor and, where applicable, the reasons for these disagreements.
- e) Ensuring that the external auditor has a yearly meeting with the Board of Directors in full session to inform it of the work undertaken and developments in the Company's risk and accounting positions.
- f) Ensuring that the Company and the external auditor adhere to current regulations on the provision of non-auditing services, limits on the concentration of the auditor's business and, in general, any other requirements concerning auditor independence, as well as authorising the engagement of those services.

3. Other duties:

- a) Informing the Board regarding economic conditions and their accounting impact and, in particular, the exchange ratio proposed for any structural and corporate modification operations that the Company is planning.
- b) Adopting decisions in relation to the powers entrusted to it under the internal programmes and procedures approved by the Board in the areas of compliance and competition, overseeing compliance with the Company's internal policies and codes of conduct, ensuring that the Company's corporate culture is aligned with its mission and values and proposing amendments.
- c) Overseeing application of the policy for communicating with shareholders, institutional investors and proxy advisors, along with the procedures for maintaining relations with other stakeholders. Overseeing any financial, non-financial and corporate reporting policy that may form part of these relations and proposing amendments.
- d) Providing information on any related party transactions that must be approved by the General Shareholders Meeting or the Board of Directors and overseeing the internal procedure established by the Company.

The foregoing list includes any amendments to the Committee's duties that may be approved by the Board during the financial year in order to bring them into line with the amendment of the CGGLC.

These amendments particularly include: i) the assumption by this Committee of certain duties that have traditionally been the responsibility of the Appointments, Remuneration and Corporate Governance Committee, such as reporting on related party transactions that are to be approved by the General Shareholders Meeting or the Board of Directors and overseeing the application of policy for communicating with shareholders, institutional investors and proxy advisors, the procedures for maintaining relations with other stakeholders, and the criteria for reporting financial data, non-financial data and corporate information; ii) the allocation to this Committee of supervisory powers in relation to the process for the preparation and presentation of the Company's regulatory non-financial data; and iii) allocation of the power to assess the efficacy of internal systems for the monitoring and management of non-financial risk (including tax-related risk). To this end, pursuant to the authorisation provided for in Recommendation 53 of the Good Governance Code, the Committee is charged with evaluating all aspects of non-financial risk (including operational, technological, legal, social, environmental, political and reputational risk).

With regard to points ii) and iii), these are understood to be without prejudice to the powers allocated to the Sustainability Committee in relation to the proposed contents of the Sustainability Report and the reporting to the Auditing and Compliance Committee of any non-financial risk connected with the matters for which it is responsible.

4 Activities during the 2020 financial year

During the 2020 financial year, the ACC held eleven meetings, ten of them in ordinary session and one in extraordinary session. The average attendance figure for members who were physically present at ACC meetings was 100%.

Committee meetings are convened sufficiently in advance to allow members to analyse the documentation and information relating to the items to be discussed, and this is made available to them at the same time as notice of the meeting is announced.

In addition, the Chairman of the ACC informs the Board of the matters discussed and the decisions adopted by the Committee at each of its meetings.

Following an invitation from the Chairman, executive directors, the head of Internal Auditing, managers and external advisors attend Committee meetings in order to discuss any items on the agenda for which they are responsible, though this does not in any way compromise the independence of the Committee's actions.

At the beginning of each financial year, the ACC prepares and approves an Action Plan to ensure the proper planning and organisation of its duties. The Action Plan for the 2020 financial year scheduled ten meetings to be held in ordinary session and set out the content to be discussed at each meeting.

The main issues that were discussed and analysed by the Committee during the 2020 financial year and that covered the principal areas that it is responsible for overseeing can be divided into the following categories:

REVIEW OF THE FINANCIAL AND NON-FINANCIAL INFORMATION TO BE INCLUDED IN THE FINANCIAL STATEMENTS

- Analysing/reviewing the regular financial reports to be prepared by the Board
- Overseeing the preparation process and reporting criteria for the financial and non-financial information contained in the annual and intermediate financial reports that the Company publishes
- Reviewing specific issues relating to the financial information that may have an impact on the Company's results
- Monitoring the external review of non-financial information

EXTERNAL AUDITING

- Monitoring the process for the auditing of the annual accounts, intermediate financial statements and the ICFR
- Monitoring implementation of the external auditor's recommendations
- Assessing the external auditor and reporting annually on its independence
- Authorising services other than auditing and reporting on business relationships

INTERNAL AUDITING AND GLOBAL RISK

Internal Auditing

- Overseeing the efficacy of financial and non-financial risk procedures and the Company's control and governance procedures
- Carrying out audits focused on the analysis of risk in processes, operations, compliance and information systems
- Following up recommendations
- Reviewing and updating the ICFR and ICNFR models
- Overseeing section F of the ACGR
- Promoting external reviews (Quality Assurance)

Global risk

- Overseeing preparation of the Risk Chart and the proposals for updating Policy on Risk Control and Management, including Tax Policy
- Promoting external reviews of the risk management model: ISO 31000
- Overseeing follow-up reports on risk-mitigation plans
- Analysing the risks arising from Covid-19 and measures for their mitigation
- Analysing the expectations of the Company's stakeholder groups
- Encouraging appearances by the different risk owners
- Overseeing section E of the ACGR
- Overseeing the 2021-2023 operational plan

REGULATORY COMPLIANCE

- Reviewing and updating the Model for the Prevention of Criminal Risk and the Competition Model.
- Promoting the regular internal and external verification of the Criminal Risk Prevention and Competition Models with regard to the effectiveness of the monitoring procedures and their alignment with the national and international legal standards in force
- Implementation of observations in accordance with certification in matters of Compliance (UNE 19601, ISO 37001)
- Updating the methodology for evaluating criminal, competition-related and reputational risk.
- Updating internal regulations and updating and following up monitoring processes
- Encouraging and monitoring internal training in ethics and Compliance and Competition
- Implementing the Criminal Risk Prevention and the Competition Risk Models at recently acquired subsidiaries
- Following up and processing complaints received via the Direct Channel. Analysing any important procedures currently being processed

4.1 Review of financial and non-financial information

4.1.1 Review of the Company's annual accounts

Working from the external auditor's report, at its meeting of March 2020 the Committee reviewed the Management Report and the Individual and Consolidated Annual Accounts for the 2019 financial year prior to their formal preparation by the Board of Directors, giving a favourable opinion.

4.1.2 Review of the regular information to be submitted to the markets and their supervisory bodies

Prior to its approval by the Board of Directors, the ACC reviewed the quarterly and half-yearly financial information to be submitted to the National Securities Markets Commission ("**CNMV**") for the 2019 financial year, checking that it had been prepared using the same criteria as had been used for the annual financial statements.

This review extended to all the information contained in the CNMV's official forms and to the presentations submitted to the CNMV by the Company when publishing its quarterly results, and the Committee checked that the data included in those documents were consistent, making an analysis of the suitability of the criteria applied and the accuracy of the figures.

As regards the consolidated condensed interim financial statements, the Committee carried out a review with the external auditor of the items taken into account by the latter in order to issue its limited review report.

Complying with the duties with which it is charged, the ACC monitored and evaluated the process for the preparation of the financial information relating to the Company and the consolidated group and the integrity of that information. It analysed compliance with the requirements set out in law, the accurate demarcation of the consolidation scope, and the correct application of accounting principles, and made recommendations on the way in which some items were shown, accounted for or presented. To this end, the Committee invited the Corporate General Manager (Indra's CFO) to attend all of its meetings at which matters relating to the regular reporting of financial information were discussed, and the Board formally approved that information within the proper time.

4.1.3 Non-financial information

As it did for the previous financial year, the Committee chose to maintain the Sustainability Report as the Non-Financial Information Statement. The contents of the Sustainability Report and the process for its preparation were overseen by the Committee in order to ensure that it met all the requirements set out in law. The Committee was provided with the preliminary favourable report from the Sustainability Committee with regard to the contents and reporting criteria for the aforementioned Report.

The Sustainability Report was audited by an independent third party (Deloitte), which appeared before the Committee to report on the scope of its audit and the conclusions reached. The Committee confirmed that the audit report would be issued without any provisos.

4.2 External Auditing

4.2.1 Monitoring the process for carrying out the audit of the annual accounts

In accordance with its duty to compile regular information on the way in which the annual accounts auditing process is carried out, in 2020 the Committee oversaw the entire process, from its planning, implementation and execution through to its conclusion. The ACC has evaluated the implementation and results of the audit and the work carried out, making an in-depth analysis of the reports prepared by the external auditors in relation to the following:

- Final conclusions regarding the auditing of the annual accounts for the 2019 financial year.
- The final audit report on the individual and consolidated annual accounts for the 2019 financial year, with the issue of the auditor's opinion without provisos or reservations.
- The report on recommendations for improvement within the organisation, reporting and internal monitoring processes and systems resulting from the auditing of the annual accounts for the 2019 financial year.
- The planning and preliminary work carried out for the auditing of the annual accounts for the 2020 financial year.
- The limited review report corresponding to the first six months of the 2020 financial year.
- The preliminary report on the auditing of the annual accounts for the 2020 financial year.

In order to ensure the proper appraisal of all of these items, the members of the Deloitte team responsible for auditing the accounts appeared before the ACC on seven occasions over the financial year, and they clearly had sufficient and suitable access to all of the Company's key personnel, along with all the information they required to make their appraisal.

4.2.2 Verifying the independence of the accounts auditor

In compliance with its duty to examine any issues that could threaten the independence of the external auditor, and in accordance with the internal procedure currently in force, the Committee reviews and authorises any fees to be paid for services other than the auditing of the annual accounts, before those services are contracted. It also regularly monitors the accumulated amounts of these fees for the purposes of ensuring that they are not too high, and that they comply with the limits set out in law and do not compromise the auditor's independence.

The fees paid to the external auditor (Deloitte) during the 2020 financial year amounted to the totals shown in the following table:

	Thousands of euros
Auditing the accounts and making a limited half-yearly review	2.014
Other verification services	210
Tax services	59
Other Services	-
Total	2.283

In addition, any business matters in which the auditor and the audited company work together are reported to the Committee, notwithstanding the fact that the regulations in force do not establish any limits or requirements in this regard.

As regards the auditing of the annual accounts for the 2019 financial year, and in compliance with the requirements of the legislation in force, prior to the issue of the auditor's report for the financial year the Committee issued its own annual report on the auditor's independence, giving a favourable opinion regarding that independence and making a specific statement on the types of services other than auditing that it had provided over the course of the year, which had not in any way compromised its independence. This report was made available to the shareholders when the General Shareholders Meeting was convened, pursuant to the contents of Recommendation 6 of the CGGLC.

Deloitte also issued express confirmation of the maintenance of its independence in a letter dated 23 March 2020.

Since March 2020, verification of the external auditor's independence has extended to any subsidiaries that are audited by a firm other than Indra's own auditor.

4.2.3 Evaluation of adherence to the recommendations resulting from the accounts audit

In accordance with its duty to evaluate the management team's response to recommendations made by the auditor, the Committee reviewed the implementation of the recommendations made following the auditing of the annual accounts for the 2019 financial year.

4.2.4 Evaluation of the external auditor

The ACC reviewed the actions of the external auditor and how these had contributed to the quality of the auditing process and the integrity of the financial information. It also reviewed compliance with the auditing agreement.

4.3 Internal Auditing, internal monitoring and risk management

4.3.1 Internal Auditing

The Committee is responsible for overseeing the composition, powers and performance of the Company's Internal Auditing department ("**IA**"), and to that end: i) ensuring its independence; ii) proposing the election, appointment, payment and dismissal of the department's head; iii) receiving regular information on its activities; iv) approving its annual budget and working plan and overseeing their implementation; and v) checking that senior management takes account of the conclusions and recommendations contained in its reports.

Since the 2014 financial year, the IA Department has been organisationally dependent on the ACC.

The purpose of IA's operations is, in the main, to provide services that assure independence, adhering to best practices and assisting oversight of the operations involved in the internal monitoring system and risk management processes.

At its meeting of 16 December 2019, the Committee approved the IA Working Plan for the 2020 financial year. The Director of IA attended and actively participated in all the Committee's meetings this financial year, reporting on the progress made in the execution of the Working Plan and the work being carried out in the various areas for which she was responsible.

The Committee was informed of the results of the audits carried out during the financial year, which mainly covered the risks relating to accounting and the presentation of financial information, the management of suppliers, information security, criminal liability, the management of supply, the management of working capital, employment regulation and integrity. It was also informed about adherence to and implementation of the IA department's recommendations by the heads of department.

The Committee was informed about the conclusions reached in the 2020 external review of the quality of Internal Auditing, which covered its structure, governance model, working team, administration and the processes used by the IA department. From this it was concluded that Internal Auditing is positioned within the organisation as a supplier of assurances for business areas and as a problem solver for supporting departments.

In January 2020, the Committee reviewed and approved the Report on the activities engaged in by IA during the financial year.

4.3.2 Internal Monitoring

Indra has an Internal Control Over Financial Reporting (“**ICFR**”) Model based on COSO (Committee of Sponsoring Organisations of the Treadway Commission) methodology. The aim of this model is to ensure: i) the effectiveness and efficacy of operations; ii) the sufficiency and trustworthiness of financial information; and iii) compliance with the applicable legislation and regulations.

Implementation of this model is intended to offer reasonable certainty of achieving these aims.

IA carries out an annual audit of the ICFR, the scope of which is previously determined by the Committee. Any control weaknesses detected in the ICFR are included in a specific plan of action for each weakness identified. IA monitors and controls these weaknesses and reports to the Committee in this regard until they have been definitively resolved.

The Committee reviews and approves the scope of the ICFR and the quantitative and qualitative factors taken into account in its preparation, and it is informed about the different applications that are relevant to this end. Approval of these points in relation to the 2020 ICFR was formally given at the Committee meeting held in September 2020.

IA performs duties to ensure the proper functioning of the internal monitoring system. In particular, with regard to ICFR, it carries out an annual review of the suitability of the design and effectiveness of the actions taken to monitor the financial information. As a result of the reviews it has completed, IA issues reports notifying those responsible for business activities, Senior Management and the Committee of any potential weaknesses detected in the internal monitoring processes and the action plans adopted by the Company for their mitigation.

The Committee regularly reviews the procedures implemented in order to assess the efficacy of internal monitoring, specifically:

- Analysing the effectiveness of the internal monitoring of the processes implemented by the Company and its subsidiaries.
- Checking whether there are any potential weaknesses in the internal monitoring procedures and the Company's ability to respond to them.
- Overseeing and coordinating any significant changes made to the internal monitoring procedures associated with the financial information.
- Reviewing and confirming that the appropriate criteria are applied when developing the processes for the closing of the financial statements.
- Carrying out regular follow-ups on the action taken in order to correct the weaknesses identified during audits.

The Committee was informed about the results obtained in the analysis of the effectiveness of its ICFR and the improvements made to the 2019 model in March 2020, and it was concluded that no significant deficiency or material weakness had been detected in the operation of the controls associated with this model.

As a result of this whole process and with a view to strengthening the transparency and quality of the public information given by the Company to the markets with regard to its ICFR, the Company Management submits an annual description of its ICFR (section F of the Annual Corporate Governance Report, ACGR), using the sixteen basic indicators recommended by the CNMV. This section is reviewed by the Committee, which issues the relevant report to the Board for its approval.

In addition, since the 2011 financial year, Indra has been voluntarily submitting its ICFR for evaluation by the Company's auditor. The auditor issues an annual ISAE 3000 report in which it gives an opinion, with a reasonable degree of certainty and according to generally recognised auditing standards, on whether the design and functioning of the Indra Group's ICFR are or are not effective at the close of the financial year.

In accordance with the provisions of Spanish Act 11 of 28 December 2018, Indra has a model for internal control over its Non-Financial Information ("**ICNFR**") whose definition and implementation was reviewed by the Committee at its meeting in March and whose purpose is to establish mechanisms to ensure the reliability of this information. In designing its ICNFR, Indra used the services of an external advisor that validated the controls associated with this procedure.

4.3.3 Risk management

The Committee is responsible for ensuring the establishment of adequate mechanisms for the monitoring of financial and non-financial risk, including operational, technological, legal, social, environmental, political and reputational risk.

The Committee is aware of the importance of managing this risk in order to ensure adequate strategic planning and achieve its established business objectives, particularly in an environment of increasing globalisation.

The Committee is responsible for overseeing the composition, powers and performance of the Company's Global Risk department, and to that end: i) ensuring its independence; ii) proposing

the election, appointment, payment and dismissal of the department's head; iii) receiving regular information on its activities; iv) approving its annual budget and working plan and overseeing their implementation; and v) checking that senior management takes account of the conclusions and recommendations contained in its reports.

Since the 2014 financial year, the Global Risk Department has been organisationally dependent on the ACC.

The mission of the Global Risk department is to create an appropriate framework to allow the Company to anticipate, prioritise, manage and follow up the portfolio of risks that it may be impacted by. To this end, the Risk Monitoring System is under permanent review, as is the formalisation and systematisation of the criteria for its management.

The activities of the Global Risk department are regularly reported to the Risk Coordination Unit ("RCU") and the Committee for their oversight.

The Committee regularly follows up the action plans established, according to the risk factors defined, and every six months it reviews the follow-up reports on risk-mitigation plans.

With the aim of being informed about and checking the adequacy and integrity of the financial reporting service and the proper functioning of the Company's internal monitoring and risk management systems, the Committee arranges meetings with the heads of department and management of the various divisions and monitoring units that are relevant from a risk management perspective, in order to receive reports on the operation of the risk management systems that have been established and the conclusions reached. The most important areas and issues reviewed over the course of the financial year were as follows: (i) projects and operational follow-up in IT and T&D; (ii) project management (Minsait and T&D); (iii) monitoring business performance at certain subsidiaries; (iv) productivity (Minsait and T&D); (v) product quality and safety; (vi) financial risk; (vii) insurance; (viii) management of subcontracting; (ix) information security; (x) privacy; (xi) supply margins; (xii) legal liability; (xiii) Corporate Governance; (xiv) separation of businesses; (xv) key personnel; (xvi) definition of prices and scope of supply; and (xvii) dual-use items.

The Committee also reviewed the updating of the Company's Risk Chart and its Risk Monitoring and Management Policy; the progress made in implementing the intellectual property project; the completion of a gap analysis in the Company's risk management system; and an analysis of reputational risk.

The Committee has analysed and monitored certain risks that have emerged as a result of the health crisis caused by Covid-19, these being mainly as follows: i) preliminary risks and impacts (in particular, repercussions on employee health and financial repercussions) and the implementation and follow-up of measures adopted in order to manage the situation; ii) updating the Risk Chart in order to include these risks (as approved by the Board of Directors) and the associated risk-mitigation plans; and (iii) financial risk management.

As a consequence of the health crisis and its impact, the 2020 financial year was particularly intense in terms of risk management. As regards the Risk Chart and the associated risk-mitigation plans, the Committee submitted a report to the Board for its approval on two occasions (March and June).

As far as the management of tax risk was concerned, the Committee was informed about the Company's tax strategy, the main risks included in the tax risk chart, the most important issues with regard to tax Compliance, and the main inspections and legal actions relating to tax matters.

As regards the information on risk provided in the ACGR, the Committee reviewed section E of that report and its consistency with all of the other information included in the Annual Accounts and the Sustainability Report, and it checked that its contents complied with the criteria set out in the Communication issued by the CNMV in November 2020 in relation to the need to include a reference in the ACGR to all the main categories of risk, including risk resulting from corruption and, where applicable, any risk that had emerged during the course of the financial year. Following its review, the Committee submitted a report to the Board on the aforementioned section, for the Board's approval.

During the 2020 financial year, the Company obtained certification from AENOR that confirmed its compliance with UNE-ISO standard 31000:18 and acknowledged that its risk management system had been efficiently implemented.

4.4 Compliance Unit

The Compliance Unit ("**CU**") is the department that is responsible for overseeing compliance with the regulations set out in the Criminal Risk Prevention Model and the Prevention of Competition Law Risk Model.

The Committee is responsible for overseeing the composition, powers and performance of the Company's CU, and to that end: i) ensuring its independence; ii) proposing the selection, appointment, payment and dismissal of the unit's head; iii) receiving regular information on its activities; iv) approving its annual budget and working plan and overseeing their implementation; and v) checking that senior management takes account of the conclusions and recommendations contained in its reports.

Since April 2015, the CU has been organisationally dependent on the Committee and has performed the following duties:

- Promoting a culture of prevention and ensuring that the principles contained in the models are widely known.
- Analysing any legislative changes or new developments that could affect the models.
- Compiling information on the evolution of criminal risk and risk in the area of Competition Law and the preventive measures adopted by the Company.
- Proposing the checks and updates it deems appropriate in respect of the models.
- Managing communications received via the Direct Channel.
- Proposing a working plan for oversight of the models.

The CU Director reported to the ACC at all of its meetings on the progress being made with the working plan, the latest developments in active processes, the training plan and the operation of the Complaints Channel.

The Committee oversaw the various actions being taken by the CU in respect of the prevention of criminal risk, with the aim of ensuring the maturity of Indra's Criminal Risk Prevention Model. Particular emphasis was placed on the following: i) external and internal reviews of the Model, particularly an audit of the renewal of UNE 19601 "Criminal Compliance Management System"

(Spain), ISO 37001 “Anti-Bribery Management System” (obtained at Indra’s four subsidiaries in Brazil; renewed at a subsidiary and branch of Indra Peru and obtained at a further two subsidiaries), favourable opinion from an external auditor (DLA Piper) regarding the Model’s compliance with international and national legal and regulatory frameworks and best practice standards; ii) updating the Code of Ethics and Legal Compliance, with the amendment of several Codes of Conduct (approved by the Board of Directors) and their subsequent implementation at a global level; iii) updating the methodology for the assessment of criminal and reputational risk, with the aim of matching this methodology to that used by the Global Risk Unit, and subsequently approving the Risk Chart for global criminal and reputational risk (later approved by the Board of Directors); iv) preparing the criminal and administrative risk charts to be applied by the international subsidiaries in Australia, Mexico, Chile, Colombia, Italy and Norway, which were approved by the administrative bodies of those subsidiaries; v) reviewing and updating internal procedures; vi) updating and following up monitoring processes; vii) the communications plan (internal and external); viii) various training initiatives; ix) reporting on the processes handled by the CU in accordance with the CU’s Action Protocol; and x) reporting on requests for information received from public bodies.

In addition, it oversaw a number of initiatives relating to the Model for the Prevention of Competition Law Risk, in particular: i) external and internal reviews of the Model, including a favourable Expert Report (EY) on the Model’s compliance with the Spanish Competition Authority’s criteria; ii) updating the Code of Ethics and Legal Compliance, strengthening the “Protection of Competition” Code of Conduct (approved by the Board of Directors) and its subsequent implementation at a global level; iii) updating the Manual that applies to Spain, the EU and Norway (approved by the Board of Directors), completing its adjustment in line with the Spanish Competition Authority’s criteria in certain areas and implementing it at the national and international subsidiaries to which it applies; iv) adapting and implementing the Competition Model in Colombia (transitionally, until global international expansion of the Model, which is planned for 2021); v) approving the methodology for the assessment of competition and reputational risk, with the aim of matching this methodology to that used by the Global Risk Unit, and subsequently approving the Risk Chart for Competition and Reputational Risk (later approved by the Board of Directors); vi) reviewing and updating internal procedures; vii) updating and following up monitoring processes; viii) adapting internal systems in order to integrate the monitoring of Competition; ix) the training plan; x) the communications plan (internal and external); xi) reporting on the processes handled by the CU in accordance with the CU’s Action Protocol; and xii) reporting on requests for information received from public bodies.

In January 2020, the Committee reviewed and approved the Report on the activities engaged in by the CU during the 2019 financial year.

4.5 Other actions

▪ Policy for communicating with shareholders, institutional investors and proxy advisors

The Committee was informed by the Director of Investor Relations regarding the action taken during the 2019 financial year and the results and achievements obtained.

The Committee reviewed the plan for communications with investors for 2020, analysing the priorities it contained and the main seminars planned.

In December 2020, the Committee reviewed the proposed update to the Policy for communicating with shareholders, institutional investors and proxy advisors, in order to bring

it into line with Recommendation 4 of the Code of Good Governance for Listed Companies and include the criteria for reporting financial data, non-financial data and corporate information, and it submitted a report to the Board of Directors for its approval.

- Training received by members of the Committee

The members of the Committee were given a training session on the International Financial Reporting Standards, in relation to the latest accounting and monitoring measures for Auditing Committees, along with a session on Cybersecurity issues.

- Monitoring of legal matters relating to the Company

The Committee was informed at each meeting about the current status of the main litigation actions and proceedings in course.

- CNMV Technical Guideline 3/2017 on Auditing Committees

The Committee basically adheres to the relevant provisions of Technical Guideline 3/2017 on Auditing Committees at public interest companies, as approved by the CNMV, and this was taken into account when preparing this report, with a positive evaluation of the degree to which the recommendations contained in the Guideline have been complied with.

- Appraisal of the ACC's operation and performance

In February 2020, the Board carried out an appraisal of the Committee's operation and performance during the 2019 financial year, as part of its annual appraisal.

This was an internal appraisal process, since under the terms of Recommendation 36 of the CGGLC, external assistance is only requested every three years, and the last time that this happened was in 2018 (in relation to 2017). The process consisted of each of the members of the Committee completing a questionnaire on general issues (structure, composition, resources, quality of information, etc.), operational dynamics and an appraisal of the Committee's members.

This appraisal process ended with a satisfactory assessment of the Committee's operation and the quality of its work during the financial year examined.

5 Conclusions

The Committee has confirmed that all the matters set out in its Action Plan for the 2020 financial year have been dealt with in the proper depth.

It also believes that its performance has complied with all the applicable regulations and has substantially complied with the recommendations in force.

In the 2021 financial year, the Committee plans to continue reviewing and monitoring the situation relating to all the matters that fall within its competence, pursuant to its Meetings Schedule and Annual Working Plan for 2021.

Pursuant to all of the above, the Committee has unanimously agreed to approve this Report and to submit it to the Board of Directors so that it may be borne in mind during the process for the appraisal of the Board and its Committees for 2020.

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