Annual Compensation Report on Directors of Listed Companies

2020

The contents of this Report are the same as that found in the model Annual Compensation Report filed with the *Comisión Nacional de Mercados de Valores* (“Securities Exchange Commission”).

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Contents

A. Remuneration Policy of the company for the current financial year

A.1 Explain the current director remuneration policy applicable to the 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.

Such specific determinations for the current year as the board may have made in accordance with the contracts signed with the executive directors and with the remuneration policy approved by the General Shareholders' Meeting must be described, as regards directors' remuneration both in their capacity as such and for executive functions carried out.

In any case, the following aspects must be reported, as a minimum:

- **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 taken into account 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 25 June 2020 for the period 2021 to 2023.

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 ("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 ("Meetings" and, 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 determining the maximum amounts for variable compensation components for Executive Directors. The consultants established two comparison groups: One was an ad hoc group comprised of twenty-two European companies which operate in the same business sectors as Indra and are of a comparable size, among them Thales, Capgemini, Atos, Leonardo, Dassault Aviation and Systems, Computacenter, Bechtle, and Worldline; and another consisting of companies from the Ibex 35, excluding regulated entities and those headquartered outside of Spain.

As announced at the last Annual Shareholders' Meeting, the compensation scheme for Executive Directors included in the Compensation Policy for the period 2021-2023 may be reviewed in 2021, depending on the conclusions reached following the analysis that the Company is carrying out with the advice of Willis Towers Watson.

Committee members are exclusively external 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 are discussed, 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 on administrative bodies

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

- That compensation for External Directors should incentivize their dedication, qualifications and responsibility, but should not constitute an obstacle to their independence.
- That compensation should not incorporate components tied to Company profits or to share price, the object being to dissociate it from short-term variations and goals; and is to be paid entirely in cash.
- Given the high degree of personal attendance by Directors at Board and Committees meetings, and given that the post is quite demanding in terms of dedication and commitment of time, compensation should consist of a fixed amount determined as a function of the positions held by each Director.

b) Compensation for the exercise 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.

It is a long-standing Company practice to establish a medium-term compensatory framework for Executive Directors covering a period of three years.

The current compensation policy incorporates the following principles and criteria:

- That it be effectively attract and retain the best professionals, keeping their compensation in line with best practices and market conditions.
- That it motivate longevity in their posts, serve as a guide for strict conditions of management with special focus on the long-term and have a reasonable relationship to equity value during that time.
- That it contribute to the implementation of corporate strategy and long-term sustainability interests of the Company.

- That it include fixed and variable components that are annual and multiannual; that it be paid in cash and in kind and have objectives tied to equity value consistent with the following criteria:

  i. That fixed compensation remain invariable for a period of three years except when specific circumstances arise which make a change advisable.
  ii. That variable compensation represent a substantial portion of total compensation.
  iii. That medium-term compensation have significant weight.
  iv. That compensation tied to stock price be significant.
  v. That the receipt of a significant portion of variable compensation be deferred.
  vi. That the weight of the various compensation items be aligned with best practices in the market.

- That Executive Directors maintain a minimum number of Indra shares so long as their contractual relationship with the Company continues.
- That the respective contracts contain a clawback clause, which permits the Company to demand reimbursement of any variable compensation paid in the event that it is subsequently and objectively proven that determination of such was based on erroneous or imprecise data.

The current compensation scheme does not include stock options.

The principles, rationales, structure and compensation items in the current Compensation Policy comply with the provisions of the LSC and are adjusted to best national and international practices in compensation policy. Notwithstanding the above, the Board of Directors periodically reviews whether to continue with the current scheme and proposes changes to the Policy when such seem appropriate.

- **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 ensure an appropriate balance between the fixed and variable components of the remuneration. In particular, indicate the actions taken by the company in relation to the remuneration system to reduce exposure to excessive risks and to align it with the long-term objectives, values and interests of the company, which will include, as the case may be, mention of the measures taken to ensure 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 personnel whose professional activities have a material impact on the risk profile of the company and measures in place to avoid conflicts of interest.**

  Furthermore, indicate whether the company has established any period for the accrual or vesting of certain variable remuneration items, in cash, shares or other financial instruments, any deferral period in the payment of amounts or delivery of accrued and vested financial instruments, or whether any clause has been agreed reducing the deferred remuneration not yet vested or obliging the director to return remuneration received, when such remuneration has been based on figures that have since been clearly shown to be inaccurate.

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 (FC): representing 25% of total annualised compensation.
- Annual Variable Compensation (AVC): representing 35% of total annualised compensation for 100% attainment of objectives.
- Medium-Term Compensation (MTC): representing 40% of total annualised compensation for 100% attainment of objectives.

The weights of the items 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 AVC 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 AVC (equivalent to 10.5 percent of total target compensation) is deferred over three years, paid in three instalments, subject to the Executive Director's remaining on the Board and is paid entirely in Company shares.

MTC may consist of a performance share plan with an initial grant of shares, with delivery of between 0% and 133%, according to achievement of objectives linked to MTC. Retention schemes or plans may be included, with defined payment plans.

In accordance with the above, fixed compensation can be summarized as representing 25% and variable compensation, linked to the fulfilment of objectives, 75% of total compensation for Executive Directors. Fifty percent of variable compensation is received in shares, with approximately 50% of their delivery deferred.

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 capacity 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 Sustainability Committee, the chairmen receiving 1.5 times the indicated amounts.

These amounts have remained invariable since fiscal 2015.

The current Compensation Policy fixes the maximum annual amount of compensation for membership on the Board and its committees at 2,250,000€. 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 may be 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 FC is paid to Executive Directors entirely in cash.

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

- CEO: 775 m€
- IT business Senior Vice President Director: 550 m€
- T&D business Senior Vice President Director: 550 m€

These amounts have remained unchanged in the case of the CEO since 2015. As the Company made public, on 29 January 2015 Mr. Fernando Abril-Martorell was appointed as the new Executive Chairman, whose contract provided for the same fixed compensation as his predecessor (1,000 m€), which the Board agreed to reduce by 22.5% (775 m€) retroactive to his incorporation, upon proposal of Mr. Abril-Martorell himself

For Executive Vice President Directors, these amounts have remained unchanged since January 2018.

- **Amount and nature of any component of remuneration in kind that will accrue during the year, including, but not limited to, insurance premiums paid in favour 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.

- **Amount and nature of variable components, differentiating between those established in the short and long terms. Financial and non-financial, including social, environmental and climate change parameters selected to determine variable remuneration for the current year, explaining the extent to which these parameters are related to performance, both of the director and of the company, and to its risk profile, and the methodology, necessary period and techniques envisaged to be able to determine the effective degree of compliance, at the end of the year, with the parameters used in the design of the variable remuneration, explaining the criteria and factors applied in regard to the time required and methods of verifying that the performance or any other conditions linked to the accrual and vesting of each component of variable remuneration have effectively been met.**

  Indicate the range, in monetary terms, of the different variable components according to the degree of fulfilment of the objectives and parameters

established, and whether any maximum monetary amounts exist in absolute terms.

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

a) Annual Variable Compensation (AVC)

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 AVC 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 AVC. 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 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 AVC 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 for the period 2021-2023 provides that the Nomination, Compensation and Corporate Governance Committee may propose to the Board the application of other criteria for the determination of AVC in special circumstances, due to internal or external factors. The details of these adjustments would be broken down in the corresponding Annual Compensation Report.

The Compensation Policy establishes a Target AVC amount (corresponding to 100% achievement of objectives) equivalent to 1.4 times FC for each Executive Director. It establishes a maximum AVC if goals are exceeded, being 120% of the Target, which will result in 1.68 times FC, as well as a minimum threshold established at the beginning of the fiscal year for achievement of objectives, below which AVC will be zero.

Achievement of a 100% level of the Target for objectives results in AVC amounting to 35% of total annual compensation for the Executive Director. As indicated above, receipt of 30% of AVC (equivalent to 10.5% of Total Annual Target Compensation) is paid out in three equal instalments over a three year period, entirely in Company shares, 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 Stock Exchange prior to delivery.

Upon proposal by the Committee, the Board approved the following objectives for AVC for Executive Directors for 2021:

- Company objectives: which will have a weight of 60% for the three Executive Directors
    - Contracting: weighted 25%
    - Cash Flow: weighted 25%

- EBIT: weighted 50%

- Individual objectives: which will have a weight of 40% for the three Executive Directors.

  - CEO: (i) overall assessment of his management by the Board, including annual implementation of the Strategic Plan; and (ii) meeting KPIs contained in the Sustainability Master Plan and, in particular, those related to CO2 emissions, diversity and innovation, while maintaining a leading position in the important EGS rankings.
  - IT business Senior Vice President Director: (i) promotion of cross functional cooperation and Group cohesion; (ii) establishment of mechanisms to implement the Strategic Plan; (iii) launch of the horizontal digital function; (iv) meeting KPIs contained in the Sustainability Master Plan and, in particular, those related to CO2 emissions, diversity and innovation, while maintaining a leading position in the important EGS rankings; (v) personnel development (culture and attitude of cooperation, focus on efficiency and succession plans).
  - T&D business Senior Vice President Director: (i) establishment of a culture of improved margins and budgetary discipline; (ii) promotion of cross functional cooperation and Group cohesion; (iii) personnel development (culture and attitude of cooperation, focus on efficiency and succession plans); (iv) successful program launches and implementation (primarily 8x8 and FCAS); (v) generation of savings in budgeted procurement and their traceability in margins and/or FTE; (vi) meeting KPIs contained in the Sustainability Master Plan and, in particular, those related to CO2 emissions, diversity and innovation, while maintaining a leading position in the important EGS rankings.

b) Medium-Term Variable Compensation (MTC)

In accordance with the Compensation Policy for the period 2021-2023, the purpose of this compensation item is to reward the creation of long-term sustainable value by means of reaching a combination of financial, operational, strategic and sustainability objectives aimed at creating both quantitative and qualitative long-term value for the Shareholder, and which is indexed to strategic and management aspects in the medium term.

The characteristics of this compensation item were established in the Policy for the period 2021-2023 with some flexibility so that, in the light of continuing analysis of the medium-term outlook, the Nomination, Compensation and Corporate Governance Committee and the Board may determine their characteristics and conditions. The Policy provides that MTC may be structured in a single cycle or in overlapping cycles with annual deliveries, which allow the setting of objectives to be calibrated each year, aligning them to the context existing at any given time. MTC may consist of a performance share plan with an initial grant of shares, of which a percentage between 0% and 133% may be delivered at maturity, calculated according to the fulfilment of objectives. Retention schemes or plans may also be established with definitions of how they are paid.

As of this date, the analysis of characteristics of this compensation item, as well as the definition of objectives for Executive Directors, is still underway. These matters will be brought before the 2021 Meeting for approval where appropriate.

In the assessment of the fulfilment of the objectives, the Board and the Nomination, Compensation and Corporate Governance Committee may decline to take into account circumstances outside the ordinary course of business which have influenced the achievement of objectives and which are outside the direct control of the manager. In addition, in the assessment of the objectives, the Board and the Nomination, Compensation and Corporate Governance Committee may weigh other circumstances, such as the macroeconomic situation or Indra's relative performance within the market/sector or compared to similarly situated companies. In special circumstances, due to internal or external factors, the Nomination, Compensation and Corporate Governance Committee may propose to the Board the application of other criteria or achievements for the determination of the resulting MTC. Details of these adjustments are to be broken down in the corresponding Annual Compensation Report.

No additional item of variable compensation is provided for in the current Compensation Policy.

In addition, Executive Directors have an obligation to comply with the following policy on ownership of shares while in office: they must maintain ownership of a number of Company shares (including those delivered as compensation) equivalent to twice their gross fixed compensation. A period of six years has been established from the time of appointment to achieve this objective.

- **Main characteristics of long-term savings schemes. Among other information, indicate the contingencies covered by the scheme, whether it is a defined contribution or a defined benefit scheme, the annual contribution that has to be made to defined contribution schemes, the benefits to which directors are entitled in the case of defined benefit schemes, the vesting conditions of the economic rights of directors and their compatibility with any other type of payment or indemnification for early termination or dismissal, or deriving from the termination of the contractual relationship, in the terms provided, between the company and the director.**

  Indicate whether the accrual or vesting of any of the long-term savings plans is linked to the attainment of certain objectives or parameters relating to the director's short- or long-term performance.

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

Executive Directors are beneficiaries of a Long Term Early Retirement and Savings Plan (LTERSP) 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 LTERSP is not a pension plan and its receipt by the Executive Director is contingent. The Company makes a defined annual contribution to the LTERSP fund, the accumulated balance of which the beneficiary is only entitled to receive at the age of 62. If the contract with the Company is extinguished for reasons not attributable to the beneficiary prior to the fulfilment of that age, the beneficiary receives the balance accumulated in the LTERSP up to that point and an additional amount up to the amount of a one year's total target compensation, which amounts to total compensation for termination of the contract. In case of removal due to breach of contract, voluntary discharge from the Company or death before the age of 62, the Executive Director does not receive the LTERSP.

In the event that the contract remains in force at the time the Executive Director is 62 years old, the Director is entitled to receive the amount accumulated in the LTERSP to a maximum limit of one year's total target compensation (2,200 m€). For the CEO, this limit is contractually set at 45 days' of total annualised target compensation per year of service.

The annual contributions made by the Company to the LTERSP are established in the current Compensation Policy and are as follows:

- CEO: 465 m€ (15% of total annualised target compensation);
- IT business Senior Vice President Director: 148 m€ (6.72% of total annualised target compensation);
- T&D business Senior Vice President Director: 364 m€ (16.56% of total annualised target compensation).

Executive Directors are not beneficiaries of any pension plans or any other retirement, forecast, savings or deferred compensation plan other than the LTERSP.

The LTERSP is compatible with the temporary right to receive severance which Executive Directors enjoy, as indicated below.

- **Any type of payment or indemnification for early termination or dismissal, or deriving from the termination of the contractual relationship, in the terms provided, between the company and the director, whether at the company's or the director's initiative, as well as any type of agreement reached, such as exclusivity, post-contractual non-competition, minimum contract term or loyalty, that entitles the director to any kind of remuneration.**

See next section.

- **Indicate the conditions that contracts of executive directors performing senior management functions must contain. Among other things, information must be provided on the duration, limits on amounts of indemnification, minimum contract term clauses, notice periods and payment in lieu of these notice periods, and any other clauses relating to signing bonuses, as well as compensation or golden parachute clauses for early termination of the contractual relationship between the company and the executive director. Include, among others, the pacts or agreement on non-competition, exclusivity, minimum contract terms and loyalty, and post-contractual non-competition, unless these have been explained 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.

The duration of such contracts is indefinite. In the event of termination for reasons not attributable to them, the three Executive Directors have a transitory right to receive the balance accumulated in their favour in the LTERSP at that time plus an additional amount to equal one year of total target compensation, which is the amount corresponding to termination of the contract.

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. In the event that the Company breaches this requirement, the Executive Director will be entitled to compensation 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 the three Executive Directors incorporate a clawback clause which gives the Company two years to claim reimbursement from them of any variable compensation already delivered that is subsequently objectively verified to be determined based on incorrect or inaccurate data.

- **The nature and estimated amount of any other supplementary remuneration that will be accrued by directors in the current year in consideration for services rendered other than those inherent in their position.**

There is no supplementary compensation subject to accruement by Directors during fiscal 2021.

- **Other items of remuneration such as any deriving from the company's granting the director advances, loans or guarantees or any other remuneration.**

As provided for in the Compensation Policy for the period 2021-2023, 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 Annual FC) 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 nature and estimated amount of any other planned supplementary remuneration to be accrued by directors in the current year that is not included in the foregoing sections, whether paid by the company or by another group company.**

Directors are not expected to accrue any additional compensation in fiscal 2021.

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

- **A new policy or an amendment to 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 for which it is proposed that they be applicable to the current year.**

At the last Annual Shareholders' Meeting, a new Compensation Policy was approved for the period 2021-2023 in application of Article 529 novodecies of the LSC, which states that the compensation policy shall be approved every three years and shall remain in force for the three years following that in which it was approved by Shareholders, unless the Shareholders approve its modification or replacement.

In accordance with Article 529 quindecies of the LSC, it is for the Nomination, Compensation and Corporate Governance Committee to propose the Compensation Policy for Directors as well as the individual compensation and other contractual conditions of the Executive Directors. In addition, Article 19 of the Board Rules establishes that the Nomination, Compensation and Corporate Governance Committee shall periodically review the adequacy of the Compensation Policy in force with the Company's strategy and the creation of long-term value for Shareholders.

As regards the principles, fundamentals, structure and compensation items of the Compensation Policy approved by the 2020 Annual Shareholders´ Meeting, they are substantially the same as those that animated the previous Compensation Policy (2018-2020).

As mentioned above, the report on the Compensation Policy presented by the Nomination, Compensation and Corporate Governance Committee to the 2020 Annual Shareholders' Meeting indicated that certain aspects of the Compensation Policy, such as the characteristics and conditions of the MTC, would be concreted during the 2021 fiscal year so that this compensation component is as responsive as possible to the Company's perspectives and environment. It was also announced that, in view of the analysis of developments in these circumstances, far-reaching changes could be made to the Compensation Policy, in which case it would bring a corresponding proposal to amend/replace the Policy to the 2021 Annual Shareholders' Meeting.

As of this date, the analysis on aspects of the Compensation Policy 2021-2023 that need to be adopted is underway, so it is not possible to specify in this report the scope of any proposal to be submitted to the 2021 Annual Shareholders' Meeting.

A.3 Identify the direct link to the document containing the company's current remuneration policy, which must be available on the company's website.

https://www.indracompany.com/sites/default/files/d7/Accionistas/2020/Politica-Remuneraciones/compensation_policy_0.pdf

A.4 Explain, taking into account the data provided in Section B.4, how account has been taken of the voting of shareholders at the General Shareholders' Meeting to which the annual report on remuneration for the previous year was submitted on a consultative basis.

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 2020 Annual Shareholders´ Meeting, the Annual Compensation Report received the support of a majority of Shareholders. The percentage of abstentions for that Agenda Item, as explained in the Report, was due to the abstention of the significant shareholder SEPI (*Sociedad Estatal de Participaciones Industriales*). As a general policy, said shareholder abstains at all shareholders' meetings of listed companies where it has stake in the stock capital for all agenda items related to director and senior manager compensation.

B. Overall summary of how the compensation policy was applied during the year last 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 the identity and role of any external advisors whose services may have been used in the process of applying the remuneration policy in the year last 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, FC is as described in section B.6. As regards AVC, once the year 2020 was closed, the Nomination, Compensation and Corporate Governance Committee and the Board evauated the degree of achievement of objectives tied to AVC for the fiscal year during their 17 February and 23 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 aligning it with the long-term objectives, values and interests of the company, including a reference to the measures adopted to ensure that the long-term results of the company have been taken into consideration in the remuneration accrued and that an appropriate balance has been attained between the fixed and variable components of the remuneration, the measures adopted in relation to those categories of personnel whose professional activities have a material effect on the company's risk profile and the measures in place to avoid any possible conflicts of interest.

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 specific 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 VAT) on medium-term components and variable components (75%), versus fixed components (25%), 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, contracts for Executive Directors contain clawback provisions which permit claims for reimbursement for improperly awarded payments under terms that are described in said Section.

B.3 Explain how the remuneration accruing and vested during the year complies with the provisions of 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, if applicable, how variations in the company's performance have influenced changes in directors' remuneration, including any accrued remuneration payment of which has been deferred, and how such remuneration contributes to the short- and long-term results of the company.

The compensation amounts accrued by directors for each of the items contained in the Compensation Policy for 2018-2020 are the result of applying the criteria and amounts included therein and within current established limits. 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.

Sixty percent of AVC is linked to the fulfilment of quantitative objectives (Contracting, EBIT and Free cash flow) of the Company and is therefore directly related to 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, if any:

	Number	% of total
Votes cast	123,853,726	70.11%

	Number	% of total cast
Votes against	1,897,080	1.5317%
Votes in fvour	88,370,876	71.351%
Abstentions	33,585,770	27.1173%

Remarks
As noted in Section A.4, significant Shareholder SEPI abstains as a general policy at all shareholders' meetings of companies in which it has an equity interest for those agenda items relative to compensation of directors and senior managers. The abstention of SEPI described above represents 26.69% of total abstentions.

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

As already indicated, compensation consists exclusively of a fixed amount received entirely in cash.

The amounts of the fixed allocation referred to in the Compensation Policy for membership on administrative bodies have remain unchanged since 2015, when it was agreed to reduce the amount by 20% from 2014 levels in accordance with the CEO's proposal for reduction of his fixed compensation as CEO and as Executive Director.

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

The difference between the individual amounts reflected in Section C and those set out in the Compensation Policy and referred to in Section A.1 above is entirely due to the voluntary reduction of 25% in FC for Directors for their membership on administrative bodies applied in April, May and June 2020 as a result of Covid-19's impact on Indra's revenues.

The total amount received in 2020 for the entirety of the Directors as such (that is, for membership on the Board and its Committees) reached 1,432 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 and vested by each of the executive directors over the past financial year for the performance of management duties were determined, and how they changed with respect to the previous year.

During fiscal 2020 specific compensation for Executive Directors was determined in accordance with the criteria and components provided for in the current Compensation Policy.

The amount of fixed compensation for Executive Directors during fiscal 2020 for performance of their management duties was the following:

- CEO: 733 m€
- IT business Senior Vice President Director: 521 m€
- T&D business Senior Vice President Director: 521 m€

The difference between these amounts and those set out in the Compensation Policy and referred to in Section A.1 above is entirely due to the voluntary reduction of 25% in the FC of Executive Directors for performance of their executive functions applied in April, May and June 2020 as a result of Covid-19's impact on Indra's revenues.

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

In particular:

- **Identify each of the remuneration plans that determined the different types of variable remuneration accrued by each of the directors in the year last ended, including information on their scope, date of approval, date of implementation, any vesting conditions that apply, periods of accrual and validity, criteria used to evaluate performance and how this affected the establishment of the variable amount accrued, as well as the measurement criteria used and the time needed to be able to adequately measure all the conditions and criteria stipulated, explaining the criteria and factors applied in regard to the time required and the methods of verifying that the performance or any other kind of conditions linked to the accrual and vesting of each component of variable remuneration have effectively been met.**
- **In the case of share options and other financial instruments, the general characteristics of each plan must include information on the conditions both for acquiring unconditional ownership (vesting) of these options or financial instruments and for exercising them, including the exercise price and period.**
- **Each director that is a beneficiary of remunerations systems or plans that include variable remuneration, and his or her category (executive director, external proprietary director, external independent director or other external director).**
- **Information is to be provided on any periods for accrual, vesting or deferment of payment of vested amounts applied and/or the periods for retention/unavailability of shares or other financial instruments, if any.**

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 AVC, the Board, upon proposal by the Nomination, Compensation and Corporate Governance Committee, sets annual objectives for each Executive Director, said objectives for fiscal 2020 being the following:

a) Company Objectives: Contracting, Cash-flow and EBIT with a total weight of 60% for the three Executive Directors.

The following table is included with the weight of each goal:

Objective	President IT business Senior Vice President Director T&D business Senior Vice President Director
Group Contracting	15%
Group Cash Flow	15%
Group EBIT	30%
Total	**60%**

A central value is established – equivalent to reaching 100% of the objective – to determine the degree of achievement of each objective. This corresponds, as a minimum, to meeting the Company's annual budget as well as the following pending objectives:

	Achievement of objectives	% paymen	Achievement of objectives	% payment	Achievement of objectives	% payment	Weight
Cash flow	< 80%	0%	80%-100%	25%-100%	100%-110%	100%-120%	25%
EBIT	< 80%	0%	80%-100%	25%-100%	100%-110%	100%-120%	50%
Contracting	< 80%	0%	80%-100%	25%-100%	100%-110%	100%-120%	25%

Taking into account the extraordinary circumstances in the 2020 financial year arising from the emergence of Covid-19 and the uncertainty about the impact they may have on the overall economic situation as well as Indra's operations in particular, the Nomination, Compensation and Corporate Governance Committee and the Board expressly agreed that the evaluation of the management of Executive Directors in 2020 may weigh other achievements and include objectives other than the ones already established.

The Nomination, Compensation and Corporate Governance Committee and the Board have **NOT** considered it necessary to make use of this exception, having considered only the previously established objectives in the evaluating the management of Executive Directors for fiscal 2020.

b) Qualitative Objectives: individualized, and with a weight of 40% for each of the three Executive Directors, as follows:

- CEO: (i) management of the coronavirus crisis; (ii) collaboration, teamwork, people development and sustainability; and (iii) overall assessment of their management by the Board of Directors.
- IT business Senior Vice President Director: (i) management of the coronavirus crisis; (ii) collaboration, teamwork, people development and sustainability; (iii) individual contribution to the progress of the Cultural Transformation project; (iv) individual contribution to maximizing trade synergies with T&D and Minsait and exploitation of shared opportunities between the two businesses; and (v) development of the medium-term IT strategy.
- T&D business Senior Vice President Director: (i) management of the coronavirus crisis; (ii) collaboration, teamwork, people development and sustainability; (iii) individual contribution to maximizing trade synergies between T&D and Minsait and exploitation of shared opportunities between the two businesses; and (iv) development of the medium-term T&D strategy.

The above-referenced objectives were selected taking into consideration their relevance for achieving the overall objectives for the Company and – as regards Vice President Directors - the general objectives for each business, as well as specific needs identified as those which need more management attention. At the close of fiscal 2020, the Nomination Compensation and Corporate Governance Committee and the Board evaluated the degree of achievement of objectives tied to AVC, with the following results:

Company Objectives

The percent achievement obtained for each of these objectives is as follows: Contracting 101.75%, Cash-flow 80% and EBIT 0%. Based on the weight of each objective, the percentage of achievement equals **32.12%** for each Executive Director.

Qualitative objectives

- IT business Senior Vice President Director:

  After weighing individual objectives identified in the 2019 Annual Compensation referred to above, the percentage of achievement of goals reached is **112.5%**. In assessing these objectives, the Nomination, Compensation and Corporate Governance Committee and the Board prioritised the objective of management of the coronavirus with a weight of 55% given the importance it has had during the financial year, and gave the other objectives a weight of 15%, except for the progress of the Cultural Transformation project, which it did not consider because, although very relevant, it has not been a priority in this year given the circumstances that have taken place.

  The following are the percentages of achievement reached for each of these objectives: coronavirus management (66%); collaboration, teamwork, people development and sustainability objectives (16.5%); individual contribution to maximizing trade synergies with T&D and Minsait and exploitation of shared opportunities between the two businesses (12%); development of the medium-term IT strategy (18%).

  In the assessment of specific actions reviewed in her management, the Nomination, Compensation and Corporate Governance Committee and the Board took into account the complexity of the context in which they were taken, the motivation of teams, the immediate execution of difficult decisions since the beginning of the pandemic and rethinking of the business in view of the medium-term implications of structural changes to come, leading the vision and definition of the roadmap at work and in discussions of the Strategic Plan 2021-2023 and generating synergies and identifying shared business opportunities between IT and T&D.

As regards sustainability objectives, the Nomination, Compensation and Corporate Governance Committee and the Board made a very positive assessment of achievement in this area: (i) S&P's distinctive "gold class" in The Sustainability Yearbook; (ii) substantial improvement in the score obtained in the Dow Jones Sustainability Index (in which Indra has managed to remain for the fifteenth consecutive year, being the only company in the IT and internet services technology subsector that has remained in the global index since its entry in 2006), Financial Times Stock Exchange Russell Group (FTSE4) and Carbon Disclosure Project (CDP); as well as (iii) recognition of rating agencies such as MSCI and ISS for the Company's work with ASG.

As a result of all of the above, the overall assessment of Ms. Ruiz's individual objectives by the Nomination, Compensation and Corporate Governance Committee and the Board was excellent.

As a result, the percentage of overall achievement of Ms. Ruiz's Company and individual objectives stands at **64.27%**, which corresponds to a gross amount of 495 m€.

- T&D business Senior Vice President Director:

  As a result of weighing the individual objectives referred to above, the percentage of achievement reached stands at **112.5%**.

  In assessing these objectives, the Nomination, Compensation and Corporate Governance Committee and the Board prioritised the objective of management of the coronavirus with a weight of 55% given the importance it has had during the fiscal year, and gave the other objectives a weight of 15%.

  The following are the percentages of achievement reached for each of these objectives: coronavirus management (66%); collaboration, teamwork, people development and sustainability (13.5%); individual contribution to maximizing trade synergies between T&D and Minsait and exploitation of shared opportunities between the two businesses (16.5%); and development of the medium-term T&D strategy (16.5%).

  In assessing his management, the Nomination, Compensation and Corporate Governance Committee and the Board have greatly appreciated that, despite the context, the measures implemented and in large part shepherded by Mr. Mataix made it possible to exceed procurement objectives and minimise impact on margins in the T&D business. There has also been a noticeable improvement in relationships and teamwork with corporate areas and in the group vision that the unit shares with IT. It also took into account success in leading the work of the Strategic Plan 2021-2023, and the submission of proposals in support of the Plan for the Reconstruction of the Spanish Economy 2020-2025.

  In terms of sustainability, achievements reached during the previous year were assessed.

  In light of all this, the overall assessment of Mr. Mataix's individual objectives is excellent.

  Mr Mataix's overall percentage of Company and individual objectives stands at **64.27%**, which corresponds to a gross amount of 495 m€.

- CEO:

  In assessing his individual objectives, the Nomination, Compensation and Corporate Governance Committee and the Board considered the same achievements as those for the Executive Directors of Indra and IT and T&D business Senior Vice Presidents, including those in the field of sustainability, but taking into further account his leadership capacity of the Board, progress on corporate initiatives, the importance of his management in their achievement, his demonstrated capacity to react to the situation created by Covid-19 and the rapid adoption and implementation of efficient measures in response.

Although the results of that assessment would have yielded a higher percentage of achievement than of the other Executive Directors, Mr. Abril-Martorell requested that his score for achievement of qualitative objectives be set at the same level, **64.27%**, which the Board approved and corresponds to a gross amount of 697 m€.

Consistent with the provisions of the current Compensation Policy, receipt of 70% of AVC was in cash in March 2021.

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 AVC, resulting in 7.35€. The result of the calculation above yields the following number of shares accrued: CEO, 28,460 shares; IT business Senior Vice President Director, 20,212 shares; T&D business Senior Vice President Director, 20,212 shares. These shares will be delivered to the Executive Directors in 3 equal parts in 2022, 2023 and 2024.

Consistent with the deferment explained above, this past 25 February 2021 delivery was made of shares corresponding to the 3rd third of AVC for 2017, the 2nd third of AVC for 2018, and the 1st third of AVC for 2019 such that the CEO, the IT business Senior Vice President Director, and the T&D business Senior Vice President Director received 23,263 shares, 15,706 shares, and 13,726 shares, respectively.

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

Explain the long-term variable components remuneration systems

Medium-Term Variable Compensation (MTC)

As regards MTC (2018-2020) which, in accordance with Compensation Policy 2018 - 2020 is structured on a single three-year cycle and is fully payable in shares, the Board made an initial allocation of a number of shares (as a function of the MTC target and the share price in the sixty trading sessions prior to the Annual Shareholders' Meeting for the financial year 2018, of which a percentage between 0% and 133% would be delivered at the end of the period, determined based on the degree of fulfilment of the objectives linked to the MTC ("Performance Share Plan").

The common objectives for the President and Executive Directors of Indra and IT and T&D business Senior Vice Presidents for MTC 2018-2020, as well as the weights established were the following:

- 20% Total Shareholder Return indexed to the Ibex 35, excluding financial institutions. The period for which the Total Shareholder Return will be measured is between January 2018 and December 2020.
- 30% Recurring Free Cash Flow accumulated during the period 2018-2020.
- 50% Implementation of the Strategic Plan 2018-2020, in the case of the CEO and implementation of the Strategic Plan for IT/T&D businesses, respectively, in the case of the other Executive Directors.

To determine the degree of fulfilment of each objective, a central value was established - equivalent to 100% achievement of the objective; a 60% target rate for a minimum level of achievement and a maximum of 150% for an excellent assessment of the objective's achievement. For levels below the minimum threshold, the MTC would be zero. In any event, an overall maximum percentage of 133% of targets was established.

For relative Total Shareholder Return, the number of shares to be delivered would be zero if the Total Shareholder Return for Indra shares did not reach position 15 of the rankings (median); 60% of the number of shares initially allocated if the return reached position 15; 100% in the event that

Total Shareholder Return of the stock is ranked 10; 150% for a position between 1 and 5 of the Comparison Group, calculating the exact percentage by linear interpolation for interstitial cases.

In assessing the fulfilment of objectives, the Board and the Nomination, Compensation and Corporate Governance Committee may decline to take into account circumstances outside the ordinary course of business (such as acquisitions, restructurings, intercompany transactions, etc.) that have influenced – positively or negatively – their achievement and which are outside the direct control of the Executive Director. In addition, other circumstances such as the macroeconomic situation or Indra's relative performance in the market/sector or compared with other companies may be weighed in the assessment of the objectives.

The Nomination, Compensation and Corporate Governance Committee may also propose adjustments to Medium-Term Compensation to the Board prior to its accrual under exceptional circumstances due to internal or external factors. Details on these adjustments would be broken down in the corresponding compensation report.

The Nomination, Compensation and Corporate Governance Committee and the Board have **NOT** considered it appropriate to make use of this exception and therefore no adjustment to MTC was made.

The Company made public by Relevant Event the resolutions adopted at the Annual Shareholders' Meeting of 28 June 2018, reporting on the maximum number of shares that may be given to Executive Directors under MTC (2018-2020), which amounts to a maximum of: 444,129 shares for the CEO; 315,188 shares for the IT business Senior Vice President Director; and 315,188 shares for the T&D business Senior Vice President Director. These share numbers are gross and correspond to the assumption of maximum achievement (133%) of all objectives for MTC determined in the Compensation Policy.

At the end of the 2020 fiscal year, the Nomination, Compensation and Corporate Governance Committee and the Board assessed the degree of fulfilment of objectives linked to the MTC, with the following results:

Quantitative global objectives:

The percentage of achievement is 0% as the minimum threshold level was not achieved in either objective (Total Shareholder Return and Free cash flow).

Individual goals

- IT business Senior Vice President Director:

  As for assessment of the objective implementation of the Strategic Plan for the IT business, the Board acknowledged very positive developments in the IT area and excellent fulfilment of all strategic objectives, noting particularly the following achievements: improvement in productivity and profitability of the IT area (3.8%); sustained growth in procurement and sales in 2018 and 2019; improved product mix and strengthening of innovation and future growth capabilities; modernization capabilities of the Company (drive for cultural change), the attraction of talent and the decrease? in turnover.

  This assessment (that could be considered excellent) resulted in a 130% level of achievement of individual objectives, giving an overall fulfilment of all objectives (global and individual) of 65%, meaning delivery of 154,039 shares to Ms. Ruiz.

  These shares were delivered on 16 March 2021. As a function of the share price of Indra on that date (7.89 €) the amount of compensation for this item amounted to 1.215 m€ equivalent to a level of achievement in economic terms of 46.04%.

  The above amounts and number of shares are gross and therefore subject to applicable withholding tax.

- T&D business Senior Vice President Director:

  As for assessment of the fulfilment of the objective implementation of the Strategic Plan for the T&D business, the Nomination, Compensation and Corporate Governance Committee and the Board noted excellent fulfilment of all established strategic objectives, especially taking into account the following achievements: the significant increase in contracting and portfolio during the period; the appointment of Indra by the Spanish government as coordinator of the Future Combat Air System; leadership in development, demonstrating ambition and increasing client confidence; the introduction of organizational changes required for the implementation of the Strategic Plan; and achievement by all T&D business areas of their respective strategic objectives.

  This assessment (considered excellent) resulted in a level of achievement of individual objectives of 130% giving an overall fulfilment of all objectives (global and individual) of 65%, meaning delivery of 154,039 shares to Mr. Mataix.

  These shares were delivered on 16 March 2021. As a function of the share price of Indra on that date (7.89 €) the amount of compensation for this item amounted to 1.215 m€ equivalent to a level of achievement in economic terms of 46.04%.

  The above amounts and number of shares are gross and therefore subject to applicable withholding tax.

- CEO:

  In assessing individual objectives, the Nomination, Compensation and Corporate Governance Committee and the Board greatly appreciated that the following objectives of strategic transformation have been achieved to a large extent despite Covid 19: increased business with record levels of procurement and portfolio, product sophistication, change of mix and increase in portfolio value, improved margin for efficiency initiatives up until the emergence of the pandemic and cultural transformation. In this sense, the Chairman is considered to have been key in terms of leadership exercised in relation to strategy as well as determination and agility in making key decisions to achieve the established objectives.

  In assessing the objectives of the CEO, the Nomination, Compensation and Corporate Governance Committee and the Board also considered the same achievements regarding his leadership of the Executive Directors of IT and T&D, progress made on initiatives and the importance that his management has had for the achievement of these initiatives.

  Although the results of that assessment yielded a higher percentage of achievement than for the other Executive Directors, the Board once again followed Mr. Abril-Martorell's own request and approved the same level of achievement of qualitative objectives set out above, 130%, and overall fulfilment of all objectives at 65%.

  This resulted in delivery to Mr. Abril-Martorell of 217,056 shares. These shares were delivered on 16 March 2021. As a function of the share price of Indra on that date (7.89 €) the amount of compensation for this item amounted to 1,713 m€ equivalent to a level of achievement in economic terms of 46.04%.

  The above amounts and number of shares are gross and therefore subject to applicable withholding tax.

B.8 Indicate whether certain variable components have been reduced or clawed back when, in the former case, payment of non-vested amounts has been deferred or, in the latter case, they have vested and been paid, on the basis of data that have subsequently been clearly shown to be inaccurate. Describe the amounts reduced or clawed back through the application of the "malus" (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 2020.

B.9 Explain the main characteristics of the long-term savings schemes where the amount or equivalent annual cost appears in the tables in Section C, including retirement and any other survivor benefit, whether financed in whole or in part by the company or through internal or external contributions, indicating the type of plan, whether it is a defined contribution or defined benefit plan, the contingencies covered, the conditions on which the economic rights vest in favour of the directors and their compatibility with any type of indemnification for early termination or cessation 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 as a Director.

The Compensation Policy 2018-2020 provides that Executive Directors are beneficiaries of an LTERSP 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 LTERSP is not a pension plan and its receipt by the Executive Director is contingent. The Company makes a defined annual contribution to the LTERSP fund, the accumulated balance of which the beneficiary is only entitled to receive at the age of 62. If the contract with the Company is extinguished for reasons not attributable to the beneficiary prior to the fulfilment of that age, the beneficiary receives the balance accumulated in the LTERSP up to that point and an additional amount up to the amount of a one year's total target compensation, which amounts to total compensation for termination of the contract. In case of removal due to breach of contract, voluntary discharge from the Company or death before the age of 62, the Executive Director does not receive the LTERSP.

In the event that the contract remains in force at the time the Executive Director is 62 years old, the Director is entitled to receive the amount accumulated in the LTERSP to a maximum limit of one year's total target compensation (2,200 m€). In the CEO's case, this limit is contractually set at 45 days' of total annualised target compensation per year of service.

The contributions made by the Company to the LTERSP in 2020 are those provided for in the current Compensation Policy:

- CEO: 465 m€ (15% of total annualised target compensation);
- IT business Senior Vice President Director: 148 m€ (6.72% of total annualised target compensation);
- T&D business Senior Vice President Director: 364 m€ (16.56% of his total annualised target compensation).

Executive directors are not beneficiaries of pension plans or any other pension, savings or deferred benefit system other than the LTERSP.

The following Section C includes contributions made by the Company to the LTERSP for each Executive Directors as well as the amounts accumulated therein.

B.10 Explain, where applicable, the indemnification or any other type of payment deriving from the early cessation, whether at the company's or the director's initiative, or from the termination of the contract in the terms provided therein, accrued and/or received by directors during the year last ended.

None of these events occurred during fiscal 2020.

B.11 Indicate whether there have been any significant changes in the contracts of persons exercising senior management functions, such as executive directors, and, if so, explain them. 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.

There were no changes in Executive Director contracts during fiscal 2020.

B.12 Explain any supplementary remuneration accrued by directors in consideration of the provision of services other than those inherent in their position.

Company Directors do not receive any supplementary compensation whatsoever.

B.13 Explain any remuneration deriving from advances, loans or guarantees granted, indicating the interest rate, their key characteristics and any amounts returned, as well as the obligations assumed on their behalf by way of guarantee.

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 during the year, briefly explaining the nature of the various 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 13 m€; (ii) health insurance 12 m€.
- IT business Senior Vice President Director: (i) life insurance policy 3 m€; (ii) health insurance 3 m€; use of vehicle: 11 m€.
- T&D business Senior Vice President Director: (i) life insurance policy 30 m€; (ii) health insurance 6 m€; use of vehicle: 20 m€.

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 any director by virtue of payments made by the listed company to a third company in which the director provides services when these payments seek to remunerate the director’s services to the company.

No Director receives any compensation by virtue of payments paid by the Company to a third party at which the Director renders services.

B.16 Explain any item of remuneration other than the foregoing, whatever its nature or the group company paying it, especially when this is considered a related party transaction or its settlement distort the true and fair picture of the total remuneration accrued by the director.

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

C. Itemized individual remuneration accrued by each director

Name	Type	Period of accrual in year 2020
F. Abril-Martorell	Executive	From 01 Jan 2020 to 31 Dec 2020
C. Aquerreta	Independent	From 25 June 2020 to 31 Dec 2020
A. Cuevas	Proprietary	From 01 Jan 2020 to 31 Dec 2020
S. Iranzo	Independent	From 01 Jan 2020 to 31 Dec 2020
E. de Leyva	Independent	From 01 Jan 2020 to 31 Dec 2020
I. Martín	Independent	From 01 Jan 2020 to 31 Dec 2020
S. Martínez-Conde	Proprietary	From 01 Jan 2020 to 31 Dec 2020
I. Mataix	Executive	From 01 Jan 2020 to 31 Dec 2020
M. Rotondo	Independent	From 01 Jan 2020 to 25 June 2020
C. Ruiz	Executive	From 01 Jan 2020 to 31 Dec 2020
I. Santillana	Independent	From 01 Jan 2020 to 25 June 2020
M. Sebastián	Proprietary	From 01 Jan 2020 to 31 Dec 2020
A. Terol	Independent	From 01 Jan 2020 to 31 Dec 2020
I. Torremocha	Independent	From 01 Jan 2020 to 31 Dec 2020

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

a) Remuneration from the reporting company:

i. Remuneration accruing in cash (thousands of euros)

Name	Fixed compensation	Per diem allowance	Compensation for membership on Board committees	Salary	Short-term variable compensation	Long-term variable compensation	Severance pay	Other grounds	Total fiscal year 2020	Total fiscal year 2019
F. Abril-Martorell	112.5			733	488				1,333.5	1,534.9
A. Terol	75		44						119	140
C. Aquerreta	40		32						72	0
A. Cuevas	75		45						120	117.3
S. Iranzo	75		44						119	107
E. de Leyva	75		67						142	154
I. Martin	75		45						120	106
S. Martínez-Conde	75		60						135	166
I. Mataix	75			521	346.5				942.5	1,102.5
M. Rotondo	35		17.5						52.5	120
C. Ruiz	75			521	346.5				942.5	1,102.5
M. Sebastián	75		37.5						112.5	110
I. Santillana	35		17.5						52.5	152
I. Torremocha	75		50						125	60

Remarks

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

Name	Name of Plan	Financial instruments at start of year t		Financial instruments delivered during year t		Financial instruments vested 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 shares	No. of instruments	No. of shares equivalent vested	Price of vested shares	Gross profit on consolidated shares or financial instruments (thousands €)	No. of equivalent shares	No. of instruments	No. of shares equivalent
F. Abril-Martorell	AVC and MTC 2018-2020	71,336				245,516			1,922	292,437		
Cristina Ruiz	AVC and MTC 2018-2020	47,171				174,251			1,363.5	209,910		
Ignacio Mataix	AVC and MTC 2018-2020	41,179				174,251			1,363.5	207,930		

Remarks
All of the numbers of shares in the above table are gross amounts. Year t = fiscal 2020. The number of financial instruments at the beginning of fiscal year t = deferred shares corresponding to 30% of the AVC for the years 2016 (third third) and 2017 (second and third third) for Executive Directors Ms. Ruiz and Mr. Abril-Martorell, and for the years 2018 and 2019 (first, second and

third third) for the three Executive Directors, as set out in Section B.7. Some of these shares were delivered on 24 February 2020: Mr. Abril-Martorell received 24,415 (third third of AVC 2016; second third of AVC 2017 and first third of 2018); Ms. Ruiz received 11,512 (third third of AVC 2016; second third of AVC 2017 and first third of 2018); and Mr. Mataix received 7,500 (first third of AVC 2018).

Vested financial instruments during the fiscal year = include shares delivered at the end of the 2020 fiscal year, as AVC 2020 and MTC 2018-2020, in accordance with the assessment of objectives achieved by the Nomination, Compensation and Corporate Governance Committee and the Board. The shares corresponding to the MTC 2018-2020 were delivered on 16 March 2021 at a price of 7.89€ (average share price on that date).

Some of the deferred shares for AVC were delivered in February 2021 (Mr. Abril-Martorell 23,263, Ms. Ruiz 15,706 and Mr. Mataix 13,726) and in March 2021 those corresponding to MTC 2018-2020 were delivered (Mr. Abril-Martorell 217,056, Ms. Ruiz 154,039 and Mr. Mataix 154,039). The balance at this date of outstanding shares therefore amounts to: Mr. Abril-Martorell 75,381, Ms. Ruiz 55,871 and Mr. Mataix 53,891).

iii. Long-term savings schemes

Name	Contribution over the year from the Company (thousands of euros)				Amount of accumulated funds (thousands of euros)			
	Savings plans with vested economic rights		Savings plans with unvested economic rights		Savings plans with vested economic rights		Savings plans with vested economic rights	
	Fiscal 2020	Fiscal 2019	Fiscal 2020	Fiscal 2019	Fiscal 2020	Fiscal 2019	Fiscal 2020	Fiscal 2019
F. Abril-Martorell			465	465			3,072	2,570
I. Mataix			363	364			1,079	704
C. Ruiz			148	148			458	306

Remarks
The LTERSP is not a pension plan and its receipt by the Executive Director is contingent. The Company makes a defined annual contribution to the LTERSP fund, the accumulated balance of which the beneficiary is only entitled to receive at the age of 62. If the contract with the Company is extinguished for reasons not attributable to the beneficiary prior to the fulfilment of that age, the beneficiary receives the balance accumulated in the LTERSP up to that point and an additional amount up to the amount of a one year's total target compensation, which amounts to total compensation for termination of the contract. In case of removal due to breach of contract, voluntary discharge from the Company or death before the age of 62, the Executive Director does not receive the LTERSP.

iv. Detail of other items

Name	Concept	Pay amount
Mr. Fernando Abril-Martorell	Life and health insurance premiums	25
Ms. Cristina Ruiz	Life and health insurance premiums and vehicle	17
Mr. Ignacio Mataix	Life and health insurance premiums and vehicle	56

Remarks

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

c) Summary of remuneration (in thousands of euros):

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

	Compensation delivered in the Company					Compensation delivered in group companies				
	Total cash compensation	Gross number of vested shares or financial instruments	Income from savings plans	Compensation for other items	Total fiscal 2020	Total cash compensation	Gross number of vested shares or financial instruments	Income from savings plans	Compensation for other items	Total fiscal 2020
F. Abril-Martorell	1,333.5	1,922	465	25	3,745.5					0
C. Ruiz	942.5	1,363.5	148	17	2,471					0
I. Mataix	942.5	1,363.5	364	56	2,726					0
A. Cuevas	120				120					0
E. de Leyva	142				142					0
S. Iranzo	119				119					0
S. Martínez-Conde	135				135					0
I. Martín	120				120					0
M. Rotondo	52.5				52.5					0
I. Santillana	52.5				52.5					0

M. Sebastián	112.5				112.5					0
A. Terol	119				119					0
C. Aquerreta	72				72					0
I. Torremocha	125				125					0
Total	4,387.5	4,649	977	98	10,112					0

Remarks
The amounts listed in the column "Income from savings plans" correspond to Company contributions to LTERSP during the fiscal year. Total cash compensation = Salary + fixed compensation for membership on administrative bodies + annual variable compensation in cash (70% of AVC).

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D. Other information of interest

If there are any significant issues relating to directors' remuneration that it has not been possible to include in the foregoing sections of this report, but which it is necessary to include in order to provide more comprehensive and 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 at its meeting held 22 March 2021.

Indicate whether any directors voted against or abstained from adoption of this Report.

Yes ☐ No ■

Name or company name of the member of the board of directors who did not vote in favour of the adoption of this report	Reasons (opposed, abstention, non-attendance)	Explain the reasons

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