

# ANNUAL CORPORATE GOVERNANCE REPORT **LISTED COMPANIES**

Issuer's identification data:	Indra
Year ended:	December 31st, 2014
CIF (Tax Id. No.):	A-28599033
Company name:	Indra Sistemas, S.A.
Registered Office:	Avda. Bruselas, 35, Alcobendas, Madrid

This document contains the annual corporate governance report submitted to the comisión nacional del mercado de valores ("spanish securities market commission" or "CNMV") pursuant to the form prescribed by the cnmv; additionally, this report contains all the commentaries and notes on each section to facilitate its understanding.

# ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

## A. CAPITAL STRUCTURE

### A.1 COMPLETE THE TABLE BELOW WITH DETAILS OF THE CAPITAL STOCK OF THE COMPANY:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
14-09-2007	32,826,507.80	164,132,539	164,132,539

Please indicate whether there are different classes of shares with different associated rights:

Yes  No

Class	Number of Shares	Par Value	Number of Votes	Associated Rights
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### A.2 PLEASE PROVIDE DETAILS OF THE COMPANY'S SIGNIFICANT DIRECT AND INDIRECT SHAREHOLDERS AT YEAR END, EXCLUDING ANY DIRECTORS:

Name of Shareholder	Number of Direct Votes	Number of Indirect Votes <sup>(*)</sup>	Percentage of Total Votes
Sociedad Estatal de Participaciones Industriales, S.A.	33,057,734	0	20.14
Corporación Financiera Alba, S.A.	0	20,564,747	12.53
FMR LLC	0	16,350,795	9.96

#### (\*) CORPORACIÓN FINANCIERA ALBA, S.A. THROUGH:

Name of Direct Shareholder	Number of Direct Votes	Percentage of Total Votes
ALBA Participaciones, S.A.	20,564,747	12.53

**(\*) FMR LLC THROUGH:**

Name of Direct Shareholder	Number of Direct Votes	Percentage of Total Votes
FID LOW PRICED STOCK FUND AND OTHERS	16,350,795	9.96

Pursuant to a report submitted to the CNMV on 11 August, 2011, FMR LLC is owner of the above mentioned equity interest through the various funds indicated in said report. The report does not indicate the number of shares of which each fund is a direct owner.

Please indicate significant changes in company shareholder (hereinafter "Shareholder") composition during the fiscal year:

Name of Shareholder	Date of Change	Description of Change
Casa Grande de Cartagena, S.L.U	15/7/2014	Share ownership dropped below 3%
Invesco Limited	28/04/2014	Share ownership dropped below 5%
Invesco Limited	6/11/2014	Share ownership dropped below 3%
Invesco Limited	24/11/2014	Share ownership dropped below 3%

On 15 July, 2014 Casa Grande de Cartagena, S.L.U. sold all of its shares in Indra (6,567,731 shares, representing 4% of the capital stock of the Company), leaving it with no equity interest in the Company.

**A.3 IN THE FOLLOWING TABLES, LIST THE MEMBERS OF THE BOARD OF DIRECTORS (HEREINAFTER "DIRECTORS") WITH VOTING RIGHTS IN THE COMPANY:**

Name of Director	Number of Direct Votes	Number of Indirect Votes	Percentage of Voting Rights
Isabel Aguilera Navarro	32,579	0	0.020
Javier de Andrés González	146,317	0	0.089
Juan Carlos Aparicio Pérez	4,184	0	0.003
Daniel García-Pita Pemán	57,536	12,600	0.043
Luis Lada Díaz	28,931	0	0.018
Juan March de la Lastra	23,543	0	0.014
Santos Martínez-Conde Gutierrez-Barquín	11,389	0	0.007
Adolfo Menéndez Menéndez	4,919	0	0.003
Javier Monzón de Cáceres	403,322	0	0.246
Monica De Oriol Icaza	25,416	0	0.015
Ignacio Santillana del Barrio	16,355	0	0.010
Rosa Sugrañes Arimany	27,707	0	0.017
Alberto Terol Esteban	22,841	0	0.014
Total percentage of voting rights held by the Board of Directors			0.498

Please complete the following tables with details of the company's directors who own company share options:

Name of Director	Number of Direct Option Rights	Number of Indirect Option Rights	Number of Equivalent Shares	Percentage of Total Voting Rights
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**A.4 IF APPLICABLE, INDICATE ANY FAMILY, COMMERCIAL, CONTRACTUAL OR CORPORATE RELATIONSHIPS THAT EXIST AMONG SIGNIFICANT SHAREHOLDERS TO THE EXTENT THAT THEY ARE KNOWN TO THE COMPANY, UNLESS THEY ARE INSIGNIFICANT OR ARISE IN THE ORDINARY COURSE OF BUSINESS:**

Name of Related Party	Nature of Relationship	Brief Description
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**A.5 IF APPLICABLE, INDICATE ANY COMMERCIAL, CONTRACTUAL OR CORPORATE RELATIONSHIPS THAT EXIST BETWEEN SIGNIFICANT SHAREHOLDERS AND THE COMPANY AND/OR GROUP, UNLESS THEY ARE INSIGNIFICANT OR ARISE IN THE ORDINARY COURSE OF BUSINESS:**

Name of Related Party	Nature of Relationship	Brief Description
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**A.6 INDICATE WHETHER THE COMPANY HAS BEEN NOTIFIED OF ANY SHAREHOLDER AGREEMENTS THAT MAY AFFECT IT, IN ACCORDANCE WITH ARTICLE 112 OF THE LEY DEL MERCADO DE VALORES ("SPANISH SECURITIES MARKET LAW" OR "LMV"). IF SO, DESCRIBE THESE AGREEMENTS AND LIST THE PARTY SHAREHOLDERS:**

Yes  No

Parties to the Shareholder Agreement	Percentage of Affected Shares	Brief Description of the Agreement
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Indicate whether the Company is aware of any coordinated actions among its Shareholders. If so, provide a brief description:

Yes  No

Parties to the Coordinated Act	Percentage of Affected Shares	Brief Description of the Agreement
-	-	-

If any of the aforementioned agreements or coordinated acts have been modified or terminated during the year, please specify expressly:

**A.7 INDICATE WHETHER ANY INDIVIDUAL OR COMPANY EXERCISES OR MAY EXERCISE CONTROL OVER THE COMPANY IN ACCORDANCE WITH ARTICLE 4 OF THE LMV. IF SO, PLEASE IDENTIFY THEM:**

Yes  No

Name of Individual or Company	Remarks
-	-

**A.8 COMPLETE THE FOLLOWING TABLE WITH DETAILS OF THE COMPANY'S TREASURY SHARES:**

At the close of the fiscal year:

Number of Direct Shares	Number of Indirect Shares (*)	Total Percentage of Share Capital
202,199	--	0.12

(\*) Through:

Name of Direct Shareholder	Number of Direct Shares
<b>Total</b>	-

Detail any significant changes during the fiscal year in accordance with Royal Decree 1362/2007:

Date of Notification	Total Number of Direct Shares Acquired	Total Number of Indirect Shares Acquired	Total Percentage of Share Capital
5/2/2014	1,656,106	0	1.009
28/4/2014	1,656,001	0	1.009
20/6/2014	1,698,209	0	1.035
30/7/2014	1,648,817	0	1.005
21/8/2014	1,679,799	0	1.023
16/9/2014	1,673,828	0	1.020
10/10/2014	1,673,892	0	1.020
3/11/2014	1,728,568	0	1.053
24/11/2014	1,710,127	0	1.042
15/12/2014	1,654,882	0	1.008
<b>Gains/(losses) from disposal of treasury shares during the financial year</b>			<b>-2,515 €m</b>

**A.9 PROVIDE A DETAILED DESCRIPTION OF THE CONDITIONS AND TERM OF THE AUTHORITY GIVEN TO THE BOARD OF DIRECTORS (HEREINAFTER, THE "BOARD") AT THE ANNUAL SHAREHOLDERS MEETING (HEREINAFTER, "MEETING") TO ACQUIRE OR ALIENATE TREASURY SHARES:**

At the Meeting held on 24 June 2010, under Item 5 of the agenda and with a favourable vote of 90.44% of the capital present, the Shareholders agreed:

"To authorise the Board of Directors to buy back the Company's own shares by acquiring them on the stock exchange, either directly or through subsidiaries, as well as preemptive rights to the same by any means allowed by law, with the express authority to sell or cancel them.

Acquisition may be carried out whenever the Board deems convenient up to a maximum of 10% of share capital, at a maximum price of 30 euros per share and with no minimum price limit.

As provided in Article 75.1 of the Ley de Sociedades Anónimas ("Spanish Joint Stock Companies Act" or "LSA"), the acquired shares or option rights to those shares may be subsequently granted to Directors, management personnel and employees of the Company either directly or by exercise of options.

This authorisation is valid for 5 years as of the date of approval and renders null and void the previous authorisation approved at the Annual Shareholders Meeting held on 25 June 2009."

**A.10 INDICATE WHETHER THERE ARE ANY RESTRICTIONS PLACED ON TRANSFER OF SHARES AND/OR ANY RESTRICTIONS ON VOTING RIGHTS. IN PARTICULAR, INDICATE THE EXISTENCE OF ANY TYPE OF RESTRICTION THAT MAY INHIBIT A TAKEOVER ATTEMPT OF THE COMPANY THROUGH ACQUISITION OF ITS SHARES ON THE MARKET.**

Yes  No

Description of Restrictions

**A.11 INDICATE IF THE SHAREHOLDERS HAVE RESOLVED AT A MEETING TO ADOPT MEASURES TO NEUTRALISE A TAKE-OVER BID PURSUANT TO THE PROVISIONS OF LAW 6/2007:**

Yes  No

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

**A.12 INDICATE IF THE COMPANY HAS ISSUED SHARES WHICH ARE NOT TRADED ON AN EU REGULATED MARKET.**

Yes  No

If so, please list each type of share and the rights and obligations conferred on each.

Yes  No

## B. ANNUAL MEETING

**B.1 INDICATE WHETHER THERE ARE ANY DIFFERENCES BETWEEN THE QUORUM ESTABLISHED BY THE LEY DE SOCIEDADES DE CAPITAL (“SPANISH CORPORATIONS ACT”, HEREAFTER “LSC”) FOR ANNUAL MEETINGS AND THOSE SET BY THE COMPANY AND IF SO, DESCRIBE THEM IN DETAIL:**

Yes  No

	% quorum different from that contained in art. 193 LSC for general matters	% quorum different from that contained in art. 194 LSC for special resolutions.
Quorum required on 1st call	-	-
Quorum required on 2nd call	-	-
Description of differences		
-		

**B.2 INDICATE WHETHER THERE ARE ANY DIFFERENCES IN THE COMPANY’S MANNER OF ADOPTING CORPORATE RESOLUTIONS AND THE MANNER FOR ADOPTING CORPORATE RESOLUTIONS DESCRIBED BY THE LSC AND, IF SO, EXPLAIN:**

Yes  No

Describe how it is different from that contained in the LSC.

	Supermajority different from that established in art. 201.2 LSC for art. 194.1 matters	Other matters requiring a supermajority
% established by the company for adoption of resolutions	-	-
Describe the Differences		



**B.3 INDICATE THE RULES FOR AMENDING THE COMPANY'S BYLAWS. IN PARTICULAR, INDICATE THE MAJORITIES REQUIRED FOR AMENDMENT OF THE BYLAWS AND ANY PROVISIONS IN PLACE TO PROTECT SHAREHOLDERS' RIGHTS IN THE EVENT OF AMENDMENT OF THE BYLAWS.**

Shareholders at Meetings have the right to decide all matters attributed to them by law, in particular amendment of the Bylaws, except where, pursuant to applicable law, this power may be delegated to the Board of Directors.

The Bylaws do not contain any provisions regarding adoption of resolutions amending the Bylaws in conflict with that contained in the current version of the LSC. Specifically, in accordance with Article 194 LSC, in order for the Bylaws to be validly amended at either an Annual or at an Extraordinary Meeting, at first call there must be attendance of Shareholders present either in person or by proxy that represent at least 50% of subscribed capital with voting rights; at second call 25% is sufficient. Additionally, in accordance with Article 201 LSC, in order to modify the Bylaws a two thirds majority of the voting capital in attendance must vote in favour whenever attendance at second call is between 25% and 50%.

**B.4 GIVE DETAILS OF ATTENDANCE AT ANNUAL SHAREHOLDER MEETINGS HELD DURING THE YEAR OF THIS REPORT AND THE PREVIOUS YEAR:**

Date of Annual Meeting	Attendance Data				
	% Physically Present	% Present by Proxy	% Remote Voting		Total
Electronic Voting			Other		
26/06/2014	0.735	75.31	0.002	0.122	76.180%
27/06/2013	37.04	34.75	0.02	1.84	73.65%

**B.5 INDICATE IF THE BYLAWS CONTAIN ANY RESTRICTIONS REQUIRING A MINIMUM NUMBER OF SHARES TO ATTEND ANNUAL SHAREHOLDER MEETINGS:**

Yes  No

Number of shares required to attend Annual Meetings

**B.6 INDICATE WHETHER IT HAS BEEN DECIDED THAT CERTAIN DECISIONS WHICH ENTAIL A STRUCTURAL MODIFICATION OF THE COMPANY (SUBSIDIARISATION, BUYING OR SELLING OF ESSENTIAL OPERATING ASSETS, TRANSACTIONS EQUIVALENT TO LIQUIDATION OF THE COMPANY...) MUST BE SUBMITTED FOR APPROVAL AT AN ANNUAL SHAREHOLDER MEETING EVEN WHEN NOT EXPRESSLY REQUIRED UNDER SPANISH COMMERCIAL LAW.**

Yes  No

**B.7 STATE THE ADDRESS AND MANNER OF ACCESS TO THE PAGE ON THE COMPANY WEBSITE WHERE ONE MAY FIND INFORMATION ON CORPORATE GOVERNANCE AND OTHER INFORMATION REGARDING ANNUAL SHAREHOLDER MEETINGS THAT MUST BE MADE AVAILABLE TO SHAREHOLDERS THROUGH THE COMPANY WEBSITE.**

The URL of the Company website is [www.indracompany.com](http://www.indracompany.com).

Under the **"Accionistas e Inversores"** tab ["Investor relations" in the English site] one may find, among other hot buttons, **"Gobierno Corporativo"** ["Corporate governance"] and **"Junta General de Accionistas"** ["General Shareholders Meeting"].

On March 26th 2015, the Board of Directors, making use of the competence granted on article 8 bis of the Company's Bylaws agreed to amend the Company's domain name to [www.indracompany.com](http://www.indracompany.com), in order to make it more adapted to it's international dimension.

The decision has been registered in the Commercial Register.

## C. COMPANY ADMINISTRATIVE STRUCTURE

### C.1 BOARD OF DIRECTORS

**C.1.1 MAXIMUM AND MINIMUM NUMBER OF DIRECTORS ESTABLISHED IN THE BYLAWS:**

Maximum Number of Directors	16
Minimum Number of Directors	8

## C.1.2 PLEASE COMPLETE THE FOLLOWING TABLE REGARDING DIRECTORS:

Name of Director	Representative	Position on the Board	Date First Named to Board	Last Reelection Date	Method of Selection to Board
Javier Monzón de Cáceres		Chairman	17/12/1992	26/06/2014	Annual Shareholders Meeting
Daniel García-Pita Pemán		Vice-chair	25/06/2009	21/06/2012	Annual Shareholders Meeting
Javier de Andrés González		CEO	21/06/2011	26/06/2014	Annual Shareholders Meeting
Isabel Aguilera Navarro		Director	27/06/2005	26/06/2014	Annual Shareholders Meeting
Juan Carlos Aparicio Pérez		Director	26/09/2013	26/06/2014	Annual Shareholders Meeting
Luís Lada Díaz		Director	21/06/2007	27/06/201	Annual Shareholders Meeting
Juan March de la Lastra		Director	29/07/2009	27/06/2013	Annual Shareholders Meeting
Santos Martínez-Conde Gutiérrez-Barquin		Director	27/06/2013	27/06/2013	Annual Shareholders Meeting
Adolfo Menéndez Menéndez		Director	26/09/2013	26/06/2014	Annual Shareholders Meeting
Mónica de Oriol e Icaza		Director	21/06/2007	27/06/2013	Junta General
Rosa Sugrañes Arimany		Director	26/06/2008	26/06/2014	Junta General
Alberto Terol Esteban		Director	24/06/2010	27/06/2013	Junta General
Ignacio Santillana del Barrio		Director	21/06/2011	26/06/2014	Junta General
<b>Total number of Directors</b>					<b>13</b>

Indicate if any Directors have left the Board during the period subject to this report:

PROPRIETARY DIRECTORS

Name of Director	Director Type at Time of Leaving	Date Director Left
Casa Grande de Cartagena, S.L.U.	Proprietary	30/07/2014

Name of Director	Committee Proposing Directorship	Name of Significant Shareholder Represented or Proposing Directorship
Juan March de la Lastra	Nomination, Compensation and Corporate Governance Committee	Corporación Financiera Alba, S.A.
Santos Martínez-Conde Gutiérrez-Barquín	Nomination, Compensation and Corporate Governance Committee	Corporación Financiera Alba, S.A.
Juan Carlos Aparicio Pérez	Nomination, Compensation and Corporate Governance Committee	Sociedad Estatal de Participaciones Industriales (SEPI)
Adolfo Menéndez Menéndez	Nomination, Compensation and Corporate Governance Committee	Sociedad Estatal de Participaciones Industriales (SEPI)

C.1.3 COMPLETE THE FOLLOWING TABLES REGARDING THE MEMBERS OF THE BOARD AND THEIR ROLES:

EXECUTIVE DIRECTORS

Director Name	Committee which Proposed Directorship	Position with the Company
Javier Monzón de Cáceres	Nomination, Compensation and Corporate Governance Committee	Chairman of the Board
Javier de Andrés González	Nomination, Compensation and Corporate Governance Committee	Managing Director

Total Number of Proprietary Directors	4
Percentage of the Board	30.76

Total Number of Executive Directors	2
Percentage of Board	15.38

## INDEPENDENT DIRECTORS

Name of Director	Profile	Name of Director	Profile
Isabel Aguilera Navarro	<p>Born in Sevilla in 1960. Architect and Urban Planner, MBA from the Instituto de Empresa, Degree in Executive Management from IESE. She has spent her career in several IT companies such as Olivetti, HP/Compaq, Vodafone, and Dell, where she was Chair and Chief Executive for Spain, Portugal and Italy; NH Hotels, where she was COO; Google Inc. where she was also Chairman of the Board for Spain and Portugal; and General Electric, where she was in charge of Spain and Portugal until May, 2009. Since October, 2011 she has served as Chair of the Social Council of the Universidad de Sevilla. She is also an independent director of Banco Mare Nostrum and of Aegon Seguros, España.</p>	Luis Lada Díaz	<p>Born in 1949. Telecommunication Engineer and Académico de Número of the Royal Academy of Engineering, with a long career in Grupo Telefónica where he has been head of Telefónica Móviles and Telefónica de España. Additionally, he has been a director and leading member of many companies and organizations related to IT.</p> <p>He is an advisor to Assia Inc., non executive Chairman of Grupo Segur, and director at Gamesa Corporación Tecnológica, S.A.</p>
Daniel García-Pita Pemán	<p>Born in 1947. Lawyer. He has spent his entire career at the law firm of J&amp;A Garrigues, which he joined in 1969 and where he has been a Managing Partner. He has served as Professor of Business Law at the Universidad Central de Madrid, a member of the Governing Board of the Madrid Bar Association. Legal Counsel to numerous organisations and member of the Board of important listed companies, Indra among them, where he was non-member Secretary until 2009. Currently he is non director Secretary of OHL, and independent board member of Aegon Seguros España and of DTS.</p>	Ignacio Santillana	<p>Born in 1948. Doctorate in Economics. Since December, 2012, he has been Chairman of the Board of Grupo Santillana Ediciones, S.L. and a member of the board of Prisa Radio, and Cadena Ser. While at Grupo Prisa he served as Managing Director. Before that, he spent his career in the United States as Executive Vice President at G.T.E. and at Telefónica, where he served as CFO, CEO of Telefónica Internacional, and General Manager of Telefónica. Earlier, he was Chairman of the Empresa Nacional de Innovación and Economist at the Asociación Española de la Banca Privada.</p> <p>Other highlights of his career: Chairman of Nokia España and of its Advisory Committee, Director of Banco Gallego, member of the Advisory Boards of Accenture, Eptisa, AFI y Fundación Albéniz.</p>

### INDEPENDENT DIRECTORS

Name of Director	Profile
Rosa Sugrañes Arimany	Born in 1957. Degree in Business Administration. Founding member of Iberia Tiles Corporation of Miami, Florida. Was a member of the board of Florida East Coast Industries from 2006 until the company was sold, and on the Board of Directors of Iberia Tiles from 1980 until 2013. Member of the board of Sabadell United Bank in Florida (USA) (Grupo Banco Sabadell) and of Grupo Rosa Gres de Barcelona.
Alberto Terol Esteban	Born in 1955. Degree in Economics and Business Administration from the Universidad Complutense de Madrid. He began his career at Arthur Andersen where he was made partner and headed various projects. He was a member of the Board of Partners of Andersen Worldwide and of the Executive Committee in Europe. He has been Managing Partner of Garrigues-Andersen. He filled the post of head of Europe for Andersen for a year and a half, and was a member of the Worldwide Executive Committee. He was also a member of the Executive Committee for Deloitte, where he was head of Latin America and later of Europe, Middle East and Africa. Currently he is Chairman and CEO of several family businesses and Independent Director at OHL, S.A. where he is head of the Audit, Compliance and Corporate Social Responsibility Committee, International Airlines, Group, S.A., Aktua Soluciones Financieras, S.A., and Nmás 1; he is also a board member of Broseta Abogados.
<b>Number of Independent Directors</b>	<b>6</b>
<b>Percentage of the Board</b>	<b>46.15</b>

Indicate whether any Independent Director receives from the Company or any company in the group any amount or benefit other than compensation as a Director, or has or has had a business relationship with the Company or any company in the group during the past year, whether in his/her own name or as a significant shareholder, director or senior executive of a company which has or has had such a relationship.

If such is the case, include a statement by the board explaining why it believes that the Director in question can perform his/her duties as an independent director.

Name of the Director	Description of the Relationship	Statement of the Board
-	-	-

### OTHER OUTSIDE DIRECTORS

Name of the Director	Committee which Reported on or Proposed Nomination
Mónica de Oriol e Icaza	Nomination, Compensation and Corporate Governance Committee
<b>Number of Outside Directors</b>	<b>1</b>
<b>Percentage of the Board</b>	<b>7.69</b>

Explain why these Directors are considered neither Proprietary or Independent, and detail their ties with the Company or its management or shareholders:

Name of Director	Reason	Company, Director or Shareholder to whom the Director is Connected
Mónica de Oriol e Icaza	Seguriber-Umano, a company with whom this member has ties, rendered services to Indra during fiscal year 2014 with total billings of 1.43M€, amounting to 1.67% of the company's total business.	Seguriber-Umano

Indique las variaciones que, en su caso, se hayan producido durante el periodo en la tipología de cada consejero:

Name of Director	Date of Change	Prior Status	Current Status
Mónica de Oriol e Icaza	31.12.2014	Independent	Other Outside

#### C.1.4 COMPLETE THE FOLLOWING TABLE WITH INFORMATION RELATING TO THE NUMBER OF FEMALE DIRECTORS FOR THE PAST 4 FISCAL YEARS, AS WELL AS DIRECTOR TYPE.

	Number of Female Directors				% of Directors for each Type			
	Fiscal year t	Fiscal year t-1	Fiscal year t-2	Fiscal year t-3	Fiscal year t	Fiscal year t-1	Fiscal year t-2	Fiscal year t-3
Executive	0	0	0	0	0	0	0	0
Proprietary	0	0	0	0	0	0	0	0
Independent	2	3	3	3	33.33	42.85	42.85	42.85
Other Outside	1	0	0	0	100	0	0	0
<b>Total</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>23.08</b>	<b>21.42</b>	<b>20.13</b>	<b>20</b>

**C.1.5 DESCRIBE THE MEANS, IF ANY, WHICH HAVE BEEN ADOPTED IN ORDER TO ATTRACT A NUMBER OF WOMEN TO THE BOARD OF DIRECTORS WHICH WILL PERMIT BALANCED MEMBERSHIP OF MEN AND WOMEN.**

**Description of Means**

Board Rules provide in Article 20.4.a) that the Nomination, Compensation and Corporate Governance Committee has within its responsibilities that of ensuring that selection procedures for members of the Board of Directors incorporate criteria that favor gender diversity in the composition of the Board, such procedures have been applied by the Board.

**C.1.6 DESCRIBE THE MEANS, IF ANY, AGREED UPON BY THE NOMINATION COMMITTED TO ENSURE THAT THE SELECTION PROCEDURES DO NOT CONTAIN HIDDEN BIASES WHICH IMPEDE THE SELECTION OF FEMALE DIRECTORS AND THAT THE COMPANY DELIBERATELY SEEKS AND INCLUDES WOMEN WHO MEET THE TARGET PROFESSIONAL PROFILE AMONG POTENTIAL CANDIDATES:**

**Explanation of Means**

Article 21.3 of the Board Rules establishes that any individual proposed for appointment to the Board must be of good personal and professional reputation, sufficiently capable of working with dedication and have no interests that are incompatible with the position involved.

Furthermore, Article 9 of the Board Rules states that the Board and the Nomination, Compensation and Corporate Governance Committee must take particular care to apply the criteria and policies intended to increase gender diversity on the Board during the process of selecting individuals to become Directors.

In order to reach that goal, Article 20.4.a) of the Board Rules provides that the Nomination, Compensation and Corporate Governance Committee is responsible for, inter alia, ensuring that selection procedures include criteria conducive to gender diversity on the Board.

Since prior to 2005 the Board has been especially careful to ensure that, when new Directors are to join, particularly Independent Directors, the Company achieve greater gender diversity in its governing bodies.

These criteria set out in the Board Rules were applied for the first time in 2005, with the aforementioned appointment of Ms. Isabel Aguilera as Independent Director. This process continued in 2007 with the appointment of Ms. Mónica de Oriol and in 2008 with the appointment of Ms. Rosa Sagrañes.

The three female Directors account for 23.07% of the total number of Directors, 27.27% of Outside Directors (Independent plus Proprietary), and 33.33% of Independent Directors, which is the category in which the Board is most capable of exercising its influence by applying gender diversity policies.

It is important to note that the Executive Directors, the Chairman, and the CEO are both male. As for Proprietary Directors, the Board of Directors and the Nomination, Compensation and Corporate Governance Committee can only recommend that Shareholders consider assigning women to positions as Directors in representation of their equity interest, although this depends upon women holding top-level positions in their respective organisations, as it is in the interest of the Company that Proprietary Directors be selected from the highest levels of its Shareholders' organisations. It is with Independent Directors and other Outside Directors that the Board and the Nomination, Compensation and Corporate Governance Committee have more power to make changes as they have the ability to consider a much larger number of potential candidates for the position of Director.



In the event that there are few or no female Directors in spite of any measures adopted, please explain the reasons that justify such a situation:

**Explanation of Reasons**

**C.1.7 EXPLAIN THE FORM OF REPRESENTATION ON THE BOARD OF SHAREHOLDERS WITH SIGNIFICANT HOLDINGS.**

The following are Directors who during fiscal 2014 were Board members in representation of the interests of significant shareholders:

- Casa Grande de Cartagena, S.L.U., represented by Mr. Eusebio Vidal-Ribas, representing the proprietary interests of shareholder Lolland, S.A. until July, 2014.
- Juan March de la Lastra, representing the proprietary interests of Corporación Financiera Alba, S.A.
- Santos Martínez-Conde Gutiérrez-Barquin, representing the proprietary interests of Corporación Financiera Alba, S.A.
- Juan Carlos Aparicio Pérez, representing the proprietary interests of SEPI.
- Adolfo Menéndez Menéndez, representing the proprietary interests of SEPI.

**C.1.8 IF APPLICABLE, PLEASE EXPLAIN THE REASONS FOR THE APPOINTMENT OF ANY PROPRIETARY DIRECTORS AT THE REQUEST OF SHAREHOLDERS WITH LESS THAN A 5% EQUITY INTEREST.**

**Name of Shareholder Reason**

Indicate whether the Board has failed to meet any formal requests for membership from Shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met.

Yes  No

**Name of Shareholder Explanation**

**C.1.9 INDICATE WHETHER ANY DIRECTORS HAVE LEFT THEIR POSTS BEFORE COMPLETION OF THEIR TERMS, WHETHER AND BY WHAT MEANS THE DEPARTING DIRECTOR PROVIDED THE BOARD WITH AN EXPLANATION FOR HIS OR HER DEPARTURE AND, IF THESE REASONS WERE PROVIDED IN WRITING TO THE ENTIRE BOARD, SPECIFY THE REASONS GIVEN:**

Name of Director	Reason for Departure
Casa Grande de Cartagena, S.L.U.	Resigned after selling all of its equity interest in Indra (Article 24.2.f) of the Board Rules.

**C.1.10 IDENTIFY THE POWERS DELEGATED TO THE CEO/S, IF ANY:**

Name of Director	Brief Description
Javier Monzón de Cáceres	All the powers of the Board except those that may not, by law or by virtue of the Bylaws and Article 5.3 of the Board Rules, be delegated.
Javier de Andrés González	All the powers of the Board except those that may not, by law or by virtue of the Bylaws and Article 5.3 of the Board Rules, be delegated.

**C.1.11 IDENTIFY ANY MEMBERS OF THE BOARD WHO ARE ALSO DIRECTORS OR OFFICERS IN OTHER COMPANIES IN THE GROUP OF WHICH THE LISTED COMPANY IS A MEMBER:**

Name of Director	Name of Group Member	Position
-	-	-

**C.1.12 LIST ANY DIRECTORS OF YOUR COMPANY WHO ARE MEMBERS OF THE BOARD OF DIRECTORS OF OTHER COMPANIES LISTED ON OFFICIAL SECURITIES MARKETS OTHER THAN GROUP COMPANIES, AND HAVE COMMUNICATED THAT STATUS TO THE COMPANY:**

Name of Director	Name of Listed Company	Position
Luis Lada Díaz	Gamesa Corporación Tecnológica, S.A.	Director
Juan March de la Lastra	Corporación Financiera Alba, S.A.	Vice Chair
Javier Monzón de Cáceres	ACS Actividades de Construcción y Servicios, S.A. Lagardère, S.C.A. (Francia)	Director
Alberto Terol	OHL, S.A.	Director
	International Consolidated Airlines Group, S.A.	Director
Mónica de Oriol	OHL, S.A.	Director
Santos Martínez-Conde Gutiérrez-Barquín	Corporación Financiera Alba, S.A.	CEO
	ACS Actividades de Construcción y Servicios, S.A.	Director
	Acerinox, S.A.	Director
	Bolsas y Mercados Españoles, S.A.	Director

**C.1.13 INDICATE WHETHER THE COMPANY HAS ESTABLISHED RULES CONCERNING THE NUMBER OF BOARDS ON WHICH ITS DIRECTORS MAY HOLD SEATS, PROVIDING DETAILS IF APPLICABLE:**

Yes  No

**Explanation of the rules**

Article 35 of the Board Rules establishes that a Director must devote the time and effort necessary to carry out his functions adequately. Therefore, Directors must inform the Board of any activities that could significantly affect their dedication to the Company. So far as the number of other boards to which a Director may belong is concerned, the general rule is that the Director may not belong to so many that it interferes with the Director's dedication to the post of Director at Indra. That number may be distinct for each Director, depending upon the personal and professional circumstances of each individual, taking into account principally the following factors: the amount of dedication that each of the other administrative bodies demands, and the demands required by the Director's position in management in any other company.

**C.1.14 INDICATE THE POLICIES AND STRATEGIES OF THE COMPANY GENERALLY RESERVED FOR APPROVAL BY THE BOARD AT ITS PLENARY SESSIONS:**

	Yes	No
Investment and finance policy	X	
Definition of group structure	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
Strategic or business plan, annual management goals and budget	X	
Compensation policy and performance evaluation for senior management	X	
Risk control and management policy, as well as regular monitoring of internal information and control systems	X	
Policy on dividends and treasury stock, particularly their limits	X	

**C.1.15 INDICATE TOTAL COMPENSATION RECEIVED BY THE BOARD OF DIRECTORS:**

Board compensation (thousands of euros) <sup>(1)</sup>	5,203
Amount of total compensation which corresponds to vested pension interests (thousands of euros)	0
Total Board compensation (thousands of euros)	5,203

<sup>(1)</sup> This amount must coincide with that given in the table found in section D.1.c of the Annual Report on Director Compensation, which provides further that compensation through delivery of stock is to be given at net value.

**C.1.16 IDENTIFY SENIOR MANAGEMENT WHO ARE NOT EXECUTIVE DIRECTORS, AND THEIR TOTAL COMPENSATION ACCRUED DURING THE YEAR:**

Name	Position
Juan Carlos Baena Martín	General Manager
Emilio Díaz Expósito	General Manager
Emma Fernández Alonso	General Manager
Rafael Gallego Carbonell	General Manager
Santiago Roura Lama	General Manager
Carlos Suárez Pérez	General Manager
Juan Tínoa Martín-Peña	General Manager
Total Senior Management Compensation (in 1,000's of euros)	5,064

**C.1.17 IDENTIFY ANY DIRECTORS WHO ARE ALSO MEMBERS OF THE BOARD OF DIRECTORS OF SIGNIFICANT SHAREHOLDERS AND/OR ENTITIES WITHIN THE SHAREHOLDER'S GROUP:**

Name of Director	Name of Significant Shareholder	Post
Juan March de la Lastra	Corporación Financiera Alba, S.A.	Vice Chair
	Banca March, S.A.	Vice Chair
	Artá Capital, S.C.R.C.R., S.A.	Director
	Deyá Capital, S.C.R., S.A.	Director
Santos Martínez-Conde Gutiérrez-Barquín	Corporación Financiera Alba, S.A.	CEO
	Banca March, S.A.	Director
	Alba Participaciones, S.A.	Chairman
	Artá Capital, S.C.R.C.R., S.A.	Director
	Deyá Capital, S.C.R., S.A.	Chairman

Please detail any relevant relationships, other than those presented immediately above, between members of the board of directors and significant shareholders of the Company and/or of companies within the group:

Name of Associated Director	Name of Associated Significant Shareholder	Description of the Relationship
-	-	-

**C.1.18 INDICATE WHETHER THE BOARD RULES WERE AMENDED DURING THE YEAR:**

Yes  No

**Description of Amendment**

In its session of 18 December, 2014, the Board of Directors unanimously agreed to amend Articles 17.1 and 18 of the Board Rules, in order to harmonize them with resolutions adopted at the same meeting upon creation of the Strategy Committee and elimination of the Executive Committee.

This amendment of the Board Rules was communicated to the CNMV and filed with the Registro Mercantil de Madrid ("Madrid Business Registry") and immediately upon communication to the CNMV the new version of the Rules in effect was made available for review on the Company web page ([www.Indracompany.com](http://www.Indracompany.com)) under the section for Shareholders and Investors, Corporate Governance area.

### C.1.19 SPECIFY THE PROCEDURES FOR SELECTION, APPOINTMENT, RE-ELECTION, EVALUATION AND REMOVAL OF DIRECTORS: THE COMPETENT BODIES, STEPS TO FOLLOW AND CRITERIA APPLIED IN EACH PROCEDURE.

**Selection:** Article 21.3 of the Board Rules establishes that any individual proposed for appointment must be of good personal and professional reputation, sufficiently capable of working with dedication, and have no interests that are incompatible with the position involved. This article also provides that the Board and the Nomination, Compensation and Corporate Governance Committee must rigorously examine those persons nominated to fill the post of independent director.

Furthermore, Article 9 of the Board Rules gives the following qualitative compositional requirements for the Board of Directors:

- That Outside Directors represent a substantially larger component than Executive Directors.
- That the group of Outside Directors should include as Proprietary Directors representatives of major Shareholders.
- That in order to establish a balance between Proprietary and Independent Directors, focus should be on the Company shareholder structure, considering the importance of equity stake as well as the degree of permanence and strategic company connections with the holders thereof.
- That the Board, along with the Nomination, Compensation and Corporate Governance Committee, should be especially vigilant that criteria and policies used in the selection of Directors promote gender diversity.

Additionally, in crafting proposals for reelection and appointment of directors that it submits to the approval of the General Meetings, the Board, after a favourable report from the Nomination, Compensation and Corporate Governance Committee, evaluates the following criteria in its selection of candidates:

- That they include sufficient knowledge, experience and ability in the following areas: (i) the sectors in which the Company operates and other related sectors; (ii) finance and economics; (iii) management of highly qualified human resources; (iv) the general economic environment and geographic markets most important to the Company; and (v) management and entrepreneurship.
- Ability for dedication required for the fulfilment of the post.

**Appointment and Re-election:** As established in Article 21 of the Board Rules, members are nominated, re-elected or ratified by the Shareholders at Meetings or by the Board in application of the provisions set forth in the LSC and the Bylaws.

Proposals for the appointment, re-election and removal of Directors submitted by the Board to Meetings for Shareholder consideration, and any decisions taken by the Board pursuant to its co-opting powers must be based on a proposal by the Nomination, Compensation and Corporate Governance Committee in the case of Independent Directors and a report from the Committee in any other cases.

When the Board does not follow the recommendations expressed by the Nomination, Compensation and Corporate Governance Committee, it must explain its reasons and enter them into the record in the minutes.

The criteria applicable to Directors also apply to natural persons representing artificial person Shareholders.

Under Article 21 of the Board Rules, the Board shall present each proposal for the appointment or re-election of its members to the Shareholders at Meetings to vote on separately. Any re-election of Directors shall undergo formal review equal to that applied when appointing new Directors.

**Evaluation:** Pursuant to Article 14 of the Board Rules, the Board performs an annual evaluation of its proceedings and the quality of its work, as well as those of its committees. Each of these bodies performs its own evaluation and prepares a report on its activities and actions during the year, which is then submitted to the Board. This year, the Report on the Activities of the Audit and Compliance Committee and of the Nomination, Compensation and Corporate Governance Committee for 2014 will be published, along with the rest of the information made available to Shareholders, upon call of the Annual Shareholders Meeting.

The evaluation for fiscal 2013 was carried out using a thorough and exclusively internal procedure similar to that used in prior fiscal years.

The process consisted on the completion of a thorough report containing 91 questions relating to the structure, composition and workings of the Board and its committees, which were evaluated individually for each board member. This report was developed based upon experience and knowledge gained during the fiscal 2012 evaluation done with the advice of external consultants, which covered all of the areas and aspects to be evaluated regarding the performance of the Board of Directors.

The evaluation process ended with a satisfactory opinion of its performance and the quality of the Board's work and that of its committees in fiscal 2013.

Furthermore, the Board must issue an annual evaluation of the work performed by its Chairman both in this capacity and, separately, as CEO, if applicable.

On the basis of the assessment carried out, the Board unanimously issued a very satisfactory opinion on the performance of the Chairman of the Board in fiscal 2013.

**Termination of Directors:** As established in Article 24 of the Board Rules, Directors are relieved of their duties upon removal at a Shareholders Meeting, when they announce their resignation from or are fired by the Company, and when their terms expire.

Should the Board propose that an Independent Director be removed before the end of his or her term, this proposal must be accompanied by good justification and a prior report from the Nomination, Compensation, and Corporate Governance Committee.

#### C.1.20 INDICATE WHETHER THE BOARD OF DIRECTORS HAS CONDUCTED AN EVALUATION OF ITS PERFORMANCE DURING THE FISCAL YEAR:

Yes  No

If so, explain to what degree its self evaluation has promoted significant changes in its internal organisation and to procedures applicable to its activities:

#### Description of Changes

As indicated in Section C.1.19 above, during fiscal 2014 the Company performed an evaluation of the performance and work quality of the Board and its committees for fiscal 2013. This evaluation process revealed the following issues: (i) limitations in the scope and powers of the Executive Committee; and (ii) the need to spend more time on strategic issues, given their increasing importance and complexity. In response to these findings developed during the evaluation process, the Board, after receiving a report from the Nomination, Compensation, and Corporate Governance Committee, resolved in 2014 to create a new Strategy Committee and to eliminate the Executive Committee.

### C.1.21 INDICATE THE SITUATIONS IN WHICH DIRECTORS ARE REQUIRED TO RESIGN:

As established in Article 24 of the Board Rules, Directors, notwithstanding the capacity in which they have been appointed, must hand in their resignation when requested by the Board, under the following circumstances:

- a)** When circumstances arise which are incompatible with, prohibit, or require resignation from service on the Board in accordance with law.
- b)** When a Director has seriously breached his or her obligations as a Director, or has committed an act or omission inconsistent with the duties of diligence and responsibility required in order to perform the Director's duties.
- c)** When continuation of the Director in his or her position may jeopardize the interests of the Company or adversely affect its standing or reputation or the functioning of the Board.
- d)** When the reasons for which the Director was appointed cease to exist.
- e)** When the Director cannot maintain the necessary dedication to perform his or her duties effectively.
- f)** When a Shareholder represented by a Proprietary Director sells its entire equity interest or reduces its interest to a level that requires a decrease in the number of Proprietary Directors representing the Shareholder.
- g)** Upon the commencement of criminal or administrative actions taken by the Securities Market supervisory authorities when such actions may involve disciplinary proceedings for serious misconduct, if this event may seriously affect the standing and reputation of the Company.
- h)** Should a change occur in the conditions or circumstances concerning an Independent Director that may strip the Director of independent status.
- i)** In the event that an Executive Director leaves his management post for any reason when membership on the Board is predicated on the Executive Director's status as a senior manager.

Any Director to whom any of the above situations apply must notify the Company as soon as the Director becomes aware of the circumstances.



**C.1.22 INDICATE WHETHER THE CHIEF EXECUTIVE FUNCTION OF THE COMPANY IS HELD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS. IF SO, PLEASE EXPLAIN THE MEASURES TAKEN TO LIMIT THE RISK OF CONCENTRATED POWER HELD BY ONE SINGLE PERSON:**

Yes  No

**Measures to limit risks**

Articles 11.6 and 12 of the Board Rules establish that a Vice-Chairman must be appointed from among the Independent Directors, with the authority to:

- I) Call meetings of the Board or include new items on the agenda;
- II) Call the Board to meet once a year, or include an item on the agenda for a session, to assess the performance of the Chairman in this capacity and as chief executive of the Company. The Chairman must be absent from the meeting when this evaluation is discussed and the meeting is to be chaired by the Vice-Chairman;
- III) Co-ordinate and attend properly to any concerns expressed by Outside Directors and, particularly, Independent Directors.

Article 14 of the Board Rules states that the Chairman must call a Board meeting if it is formally requested by a Vice-Chairman or by one-third of the Directors of the Board. If the Chairman is absent or does not comply with the aforementioned request, any Vice-Chairman or a number of Directors constituting at least one-third of the Board may call a meeting of the Board.

Any Director may propose issues for discussion by the Board and demand the inclusion of items on the agenda at any meeting called, as set forth in Article 14 of the Board Rules.

The Board of Directors has named a Managing Director to whom it has delegated the same powers as the Chairman of the Board.

Oversight functions of the Board's committees as well as the fact that, with the exception of the Executive Committee, they are made up of Outside Directors only, the majority of whom, as well as their Chairman, are Independent (Articles 19 and 20 of the Board Rules).

Indicate and, if applicable, explain whether rules have been established to empower an Independent Director to request that a meeting of the Board be called, or that new items be included on the agenda, in order to coordinate and reflect the concerns of Outside Directors and to manage the evaluation thereof by the Board of Directors.

Yes  No

#### Explanation of the Rules

As explained in the preceding section, and pursuant to the Board Rules, any Director may propose issues for discussion by the Board and demand the inclusion of items on the agenda for any meeting called. Furthermore, any Vice-Chairman, including the Vice-Chairman appointed from among the Independent Directors, may formally request that the Chairman call a meeting of the Board and, if the Chairman is absent or does not comply with this request any Vice-Chairman may call a meeting of the Board.

The Board Rules provide that the Vice-Chairman of the Board appointed from among the Independent Directors should co-ordinate and voice the concerns of Outside Directors and particularly, Independent Directors, and is authorised to call a meeting of the Board once a year or include an item on the agenda for a session to evaluate the performance of the Chairman in this capacity and as chief executive of the Company.

#### C.1.23 ARE SUPERMAJORITIES OTHER THAN THOSE ESTABLISHED BY LAW REQUIRED FOR ANY SPECIFIC DECISION?

Yes  No

If so, please describe any differences:

#### Description of Differences

#### C.1.24 EXPLAIN WHETHER THERE ARE ANY SPECIFIC REQUIREMENTS, OTHER THAN THOSE RELATING TO DIRECTORS, TO BE APPOINTED CHAIR OF THE BOARD OF DIRECTORS.

Yes  No

#### Description of Requirements

#### C.1.25 PLEASE SPECIFY WHETHER THE CHAIRMAN HAS A CASTING VOTE:

Yes  No

#### Matters Where the Chairman has a Casting Vote

All, except for sessions which, as stipulated in the Board Rules, the Chairman must not attend or in which the Chairman must abstain from voting.

**C.1.26 INDICATE WHETHER THE BYLAWS OR THE BOARD RULES ESTABLISH ANY LIMIT AS TO THE AGE OF DIRECTORS:**

Yes  No

Age Limit for Chairman

Age Limit for CEO

Age Limit for Directors

**C.1.27 INDICATE WHETHER THE BYLAWS OR THE BOARD RULES ESTABLISH ANY LIMIT ON THE TERM OF INDEPENDENT DIRECTORS OTHER THAN THAT REQUIRED BY LAW:**

Yes  No

**Term Limit**

Even before passage of the law limiting the term of office of independent directors to a maximum of 12 years as first established by Order 461/2013 ECC and then Article 529 (12) of the Corporate Enterprises Act, the Company had already implemented such a rule and other rules regarding renewal of said terms of office, in accordance with the Unified Code of Good Governance.

Specifically, in accordance with Article 22 of the Board Rules on the regular rotation of Board membership, at the beginning of 2005 the Board agreed to apply the following criteria pursuant to recommendations submitted by the Nomination, Compensation and Corporate Governance Committee: Independent Directors may not hold positions on the Board for longer than four terms (fixed at 3 years each), and that rotation of Board membership be accomplished on a gradual and ongoing basis.

Application of these criteria has resulted in the following changes of Independent Directors: 2005, appointment of Ms. Isabel Aguilera as an Independent Director, replacing Mr. Moya Francés; 2007, appointment of Ms. Mónica de Oriol and Mr. Luis Lada, replacing Mr. Manuel Azpilicueta and Mr. Juan Carlos Ureta; 2008, appointment of Ms. Rosa Sugrañes replacing Mr. Francisco Constans; 2009, appointment of Mr. Daniel García-Pita replacing Mr. Pedro Ramón y Cajal; 2010, appointment of Mr. Alberto Terol replacing Mr. Joaquín Moya-Angeler; and 2011, appointment of Mr. Ignacio Santillana replacing Mr. Manuel Soto, none of them having remained at their posts for more than 12 years.

**C.1.28 INDICATE WHETHER THE BYLAWS OR BOARD RULES ESTABLISH SPECIFIC RULES FOR THE DELEGATION OF VOTES AT BOARD MEETINGS, HOW THEY ARE TO BE DELEGATED AND, IN PARTICULAR, THE MAXIMUM NUMBER OF DELEGATIONS THAT A DIRECTOR MAY HAVE, AND WHETHER A DIRECTOR IS REQUIRED TO DELEGATE TO A DIRECTOR OF THE SAME TYPE. IF SO, PLEASE BRIEFLY DESCRIBE THE RULES.**

In addition to applicable legislation, Article 15.2 of the Board Rules stipulates that, if a Director is unable to attend a meeting, the Director should try to submit a proxy, preferably with voting instructions, unless, in the Director's opinion, this would not be appropriate. The proxy may be sent by e-mail, letter, fax, telegram or any other valid means where transmission is verifiable.

**C.1.29 INDICATE THE NUMBER OF MEETINGS HELD BY THE BOARD OF DIRECTORS DURING THE YEAR, AND IF APPLICABLE, THE NUMBER OF TIMES THAT THE BOARD MET WITHOUT THE CHAIRMAN BEING PRESENT.**

Number of Board Meetings	11
Number of Board Meetings without the Chairman	1 <sup>(1)</sup>

<sup>(1)</sup>Number of meetings in which he was not present on account of dealing with 1) his compensation and his performance evaluation as chief executive; 2) his performance evaluation as Chairman of the Board.

Please specify the number of meetings held by each committee of the Board during the fiscal year:

Number of meetings held by the Executive Committee	11
Number of meetings held by the Audit Committee	9
Number of Meetings held by the Appointment and Compensation Committee	8
Number of meetings held by the Appointment Committee	-
Number of meetings held by the Compensation Committee	-

**C.1.30 INDICATE THE NUMBER OF MEETINGS HELD BY THE BOARD OF DIRECTORS DURING THE YEAR IN WHICH ALL OF ITS DIRECTORS WERE PRESENT. FOR THE PURPOSES OF THIS SECTION, PROXIES GIVEN WITH SPECIFIC INSTRUCTIONS SHOULD BE CONSIDERED AS ATTENDANCE:**

Attendance of all Directors	11
% of attendance over total votes during the fiscal year	100%

During fiscal 2014 total attendance at meetings of the Board and its Committees was 94%, and was 96% for Independent Directors.

**C.1.31 INDICATE WHETHER THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS SUBMITTED TO THE BOARD FOR APPROVAL WERE PREVIOUSLY CERTIFIED:**

Yes  No

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the Company for preparation by the Board:

Name	Position
Javier de Andrés	Managing Director
Juan Carlos Baena Martín	CFO

**C.1.32 EXPLAIN ANY MEASURES ESTABLISHED BY THE BOARD OF DIRECTORS TO PREVENT THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS PREPARED BY THE BOARD FROM BEING SUBMITTED TO THE ANNUAL SHAREHOLDERS MEETING WITH A QUALIFIED AUDIT OPINION.**

Article 42.2 of the Board Rules establishes that the Board of Directors must prepare the financial statements in such a way that there is no cause for a qualified opinion by the auditor. It also stipulates that the Board must explain the content and scope of any divergences to the Shareholders if there is a qualified opinion.

The Audit and Compliance Committee also carries out comprehensive and detailed oversight of the preparation of financial statements and of the audit process from the initial planning stage, holding the necessary meetings and conversations with the audit firm regarding the audit and obtaining, if applicable, specific reports from the audit firm dealing with the audit's chief points, its development and its progress. The Audit and Compliance Committee also evaluates the management team's response to recommendations by the external auditors and mediates any differences between the two parties with regard to the principles and criteria applied to the preparation of the financial statements.

Before the financial statements are prepared by the Board, the Audit and Compliance Committee issues a report or recommendation to the Board, where one of the main factors considered is to expressly identify any aspects that may potentially lead to a qualified opinion in the auditors' report, making any relevant recommendations to avoid a qualified opinion being issued.

**C.1.33 IS THE SECRETARY OF THE BOARD ALSO A DIRECTOR?**

Yes  No

**C.1.34 EXPLAIN THE PROCEDURES FOR APPOINTMENT AND REMOVAL OF THE SECRETARY OF THE BOARD, SPECIFYING IF SAID APPOINTMENT AND REMOVAL ARE BASED ON A REPORT BY THE NOMINATION COMMITTEE AND APPROVED BY THE BOARD IN PLENARY SESSION.**

**Appointment and Removal Procedure**

Article 13 of the Board Rules establishes that appointment, compensation and removal of the Secretary must be approved by the Board after a report by the Nomination, Compensation and Corporate Governance Committee. Furthermore, as established in Article 20 of the Board Rules, one of the duties of the Nomination, Compensation and Corporate Governance Committee is to issue reports on proposals for appointment or removal of the Secretary or Vice-secretary of the Board.

The duties of the Secretary and legal counsel to the Board must be exercised by the individual designated by the Board. Membership on the Board is not required in order to be Secretary of the Board. When the Secretary is also the legal counsel, a legal professional of known competence and experience should be chosen.

The appointment of Mr. Pedro Ramón y Cajal in June, 2009 as Secretary of the Board was approved by the Board of Directors in plenary session, taking into account a favourable report from the Nomination, Compensation and Corporate Governance Committee.

	Yes	No
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Does the Appointment Committee issue reports on appointments?	X	
Does the Appointment Committee issue reports on removals?	X	
Are appointments approved by the Board in plenary session?	X	
Are removals approved by the Board in plenary session?	X	

Is it the duty of the secretary of the board particularly to oversee good governance recommendations?

Yes  No

**Note**

Pursuant to Article 13.3 of the Board Rules, the Secretary of the Board must ensure that actions and resolutions taken by the Board and its Committees are legal in subject and in form, as well as that good governance rules and procedures are observed.

### C.1.35 INDICATE ANY MEASURES ESTABLISHED BY THE COMPANY TO ENSURE THE INDEPENDENCE OF ITS EXTERNAL AUDITORS, FINANCIAL ANALYSTS, INVESTMENT BANKS, AND RATING AGENCIES.

Article 19.4 (f) of the Board Rules establishes that one of the duties of the Audit and Compliance Committee is to establish measures to safeguard the independence of the external auditor, specifically:

- I) To propose that the Board file a relevant event report when there is a change of auditor, along with a statement regarding any disagreements that arose with the outgoing auditor and, if applicable, their substance;
- II) To ensure that the Company and the auditor comply with applicable law regarding the provision of non-audit services;
- III) To analyze the reasons in the event of resignation by the external auditor.

Furthermore, Article 43 of the Board Rules establishes measures to ensure auditor independence, expressly stipulating that:

- ▶ The Board shall not commission firms to audit the Company's financial statements if the fees it would pay for all items would account for over 10% of the total income of the audit firm for the prior year.
- ▶ The Board must publish, with the frequency and content established by applicable law, the fees paid by the Company to the audit firm for nonaudit services.
- ▶ The professional in charge of the audit and of the external audit team must rotate periodically, as established by applicable law and in accordance with criteria established from time to time by the Board upon proposal by the Audit and Compliance Committee.

Pursuant to the Ley de Auditoría ("Audit Law"), prior to issuance of each fiscal year's auditors' report on financial statements, the Audit and Compliance Committee issues an annual report on the independence of the external auditors of the Company wherein non-audit services rendered to the Company are discussed.

As regards relationships with financial analysts and investment banks, the Company makes frequent presentations to these institutions during which business development and the scope and extent of the Group's most important economic and financial matters are described, in a matter that guarantees equal treatment of all.

All participants in the above mentioned presentations are offered inclusion in a list of entities that receive important periodic information about the Company that might be of interest to them. All presentations to analysts are delivered beforehand to the CNMV, with the goal that the markets be informed of their contents through their website. Such presentations are published immediately on the Company website.

The office of Investor Relations department, as part of the Finance Department, performs the duty of the channel of communications for financial professionals and institutional investors and manages inquiries from them, guaranteeing equal treatment of all.

### C.1.36 INDICATE WHETHER THE COMPANY CHANGED ITS EXTERNAL AUDITOR DURING THE YEAR. IF SO, PLEASE IDENTIFY THE INCOMING AND OUTGOING AUDITOR:

Yes  No

Outgoing Auditor	Incoming Auditor
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-

-

If there were any disagreements with the outgoing auditor, please provide an explanation:

Yes  No

Explanation of Disagreements

**C.1.37 INDICATE WHETHER THE AUDIT FIRM PROVIDES ANY NON-AUDIT SERVICES TO THE COMPANY AND/OR ITS GROUP AND, IF SO, THE FEES PAID AND THE CORRESPONDING PERCENTAGE OF TOTAL FEES INVOICED TO THE COMPANY AND/OR GROUP:**

Yes  No

	Company	Group	Total
Amount invoiced for non-audit services (1 000's of euros)	110	130	240
Amount invoiced for nonaudit services/ Total amount invoiced by the audit firm (in %)	20%	14%	16%

**C.1.38 INDICATE WHETHER THE AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE PRECEDING YEAR CONTAINS A QUALIFIED OPINION OR RESERVATIONS. IF SO, PLEASE EXPLAIN THE REASONS GIVEN BY THE CHAIR OF THE AUDIT COMMITTEE TO EXPLAIN THE CONTENT AND EXTENT OF THE AFOREMENTIONED QUALIFIED OPINION OR RESERVATIONS.**

Yes  No

Explanation of Reasons

**C.1.39 INDICATE THE NUMBER OF CONSECUTIVE FISCAL YEARS THE CURRENT AUDIT FIRM HAS BEEN AUDITING THE FINANCIAL STATEMENTS OF THE COMPANY AND/OR GROUP. FURTHERMORE, INDICATE THE NUMBER OF FISCAL YEARS AUDITED BY THE CURRENT AUDIT FIRM AS A PERCENTAGE OF THE TOTAL NUMBER OF FISCAL YEARS THAT THE FINANCIAL STATEMENTS HAVE BEEN AUDITED:**

	Company	Group
Number of Consecutive Years	23	23
Number of years audit by the current audit firm/ number of years the Company has been audited (in %)	96%	96%



**C.1.40 INDICATE WHETHER THERE IS A PROCEDURE WHEREBY DIRECTORS MAY CONTRACT WITH OUTSIDE ADVISORS, AND PROVIDE DETAILS IF APPLICABLE:**

Yes  No

**Explanation of Procedure**

Article 27 of the Board Rules provides that, in order to obtain appropriate information and advice regarding the exercise of their duties, Directors may engage at Company expense legal, accounting or financial advisors or any other experts.

This engagement must focus on specific, relevant and complex problems that may arise in the performance of the duties of a Director.

The Chairman must be notified of the decision to engage external advisory services, and the Board may veto this decision under the following circumstances:

- I) Outside advice is not necessary for the adequate performance of duties assigned to Outside Directors;
- II) The size or the importance of the problem does not justify the cost; or
- III) The assistance or advice required can be suitably provided by the Company's experts and technical personnel.

Furthermore, Article 28 of the Board Rules establishes that the Board may designate permanent advisors, either on an individual basis or as members of an Advisory Board.

If deemed necessary given the nature of a specific matter, the Chairman, at his or her own discretion or upon request by a Vice-Chairman or one-third of the Directors, may request the presence of the Advisory Board at the relevant meetings of the Board of Directors or its Committees; in the latter case, also upon request by the chairman of the Committee in question.

**C.1.41 INDICATE WHETHER THERE IS A PROCEDURE FOR PROVIDING INFORMATION TO DIRECTORS TO ALLOW THEM TO PREPARE FOR MEETINGS OF ADMINISTRATIVE BODIES WITH SUFFICIENT NOTICE. IF SO, EXPLAIN THE PROCEDURE:**

Yes  No

**Explanation of Procedure**

Article 14 of the Board Rules establishes that the Board must prepare an annual schedule of regular meetings and approve a formal list of issues to discuss at these meetings, and that notice of these meetings must always include the agenda for the meeting and be accompanied by any relevant information on the issues to be discussed. Notice of meetings is to be given, except in urgent circumstances or when otherwise necessary, no less than three days prior to the date of the meeting. In accordance with Article 11 of the Board Rules, the Chairman of the Board must ensure that Directors receive appropriate information on the issues to discuss far enough in advance of the meeting in question.

Article 26 of the Board Rules also establishes that any Director has the authority to obtain information on any matter related to the Company, to examine the books, records, documents and any other material on the Company's operations, and to inspect all the Company's facilities.

Additionally, Article 30 of the Board Rules establishes that all Directors are responsible for the diligent procurement of information on the Company's condition and development, as well as preparing for the meetings of the Board and any committees to which they belong.

**C.1.42 INDICATE WHETHER THE COMPANY HAS ESTABLISHED RULES WHEREBY DIRECTORS MUST PROVIDE INFORMATION REGARDING AND, IF APPLICABLE, RESIGN IN ANY CIRCUMSTANCES THAT MAY DAMAGE THE COMPANY’S STANDING AND REPUTATION. IF SO, PROVIDE DETAILS:**

Yes  No

Indicate whether the Board of Directors has examined the case. If so, explain the decision taken in detail as to whether the director in question should continue in his or her position or, if applicable, describe any actions taken by the board up to the date of this report, or which it intends to take.

Yes  No

**Explain the Rules**

**Decision/Action Taken Explanation**

Article 24 of the Board Rules establishes that any Director found in any of the circumstances described therein must inform the Company as soon as he or she becomes aware of the situation. The circumstances stipulated include the following: (i) if continuation of Director in his or her position may place the Company’s interests at risk or adversely affect the standing or reputation of the Company or the proceedings of the Board; or (ii) if, as a result of serious misconduct, criminal or administrative action is begun by Securities Market supervisory authorities which may result in sanctions when this event could seriously affect the Company’s standing and reputation.

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**C.1.43 INDICATE WHETHER ANY MEMBER OF THE BOARD OF DIRECTORS HAS NOTIFIED THE COMPANY THAT HE OR SHE HAS BEEN TRIED, OR NOTIFIED THAT JUDICIARY PROCEEDINGS HAVE BEEN FILED, FOR ANY OFFENCES DESCRIBED IN ARTICLE 213 OF THE LSC.**

Yes  No

**C.1.44 DETAIL ANY SIGNIFICANT AGREEMENTS ENTERED INTO BY THE COMPANY WHICH ENTER INTO FORCE, ARE MODIFIED OR ARE TERMINATED IN THE EVENT OF A CHANGE IN CONTROL OF THE COMPANY FOLLOWING A PUBLIC TAKEOVER OFFER, AND THEIR EFFECTS.**

In the exercise of powers granted at the Annual Meeting of Shareholders held on June 21, 2012 and as announced as a relevant Significant Event to the CNMV, the Board of Directors of Indra agreed in October 2013 to issue bonds amounting to 250 M € which are convertible and/or exchangeable for Indra common shares without preemptive rights and to be listed on the unregulated market (multilateral trading facility) called Freiverkehr of the Frankfurt Stock Exchange.

In the document entitled “Terms and Conditions” of the issue, early maturity of the bonds at the request of the bondholders is discussed in the event of a change of control. In the event of change of control which is not the result of a takeover bid, bond payout will be bond principal plus accrued interest until the redemption date. In the event of a takeover bid, bondholders may choose the greater of the following values: the principal amount plus accrued interest to the date of redemption or repurchase price (equivalent value of the takeover bid applied to the bonds) plus interest accrued to the redemption date.

Name of Director	Criminal Charge	Remarks
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**C.1.45 IDENTIFY GENERALLY AND DESCRIBE IN DETAIL ANY AGREEMENTS MADE BETWEEN THE COMPANY AND ITS DIRECTORS, EXECUTIVES OR EMPLOYEES CONTAINING INDEMNITY OR GOLDEN PARACHUTE CLAUSES IN THE EVENT OF RESIGNATION OR DISMISSAL OR TERMINATION OF EMPLOYMENT WITHOUT CAUSE FOLLOWING A TAKEOVER BID OR ANY OTHER TYPE OF TRANSACTION.**

There are no indemnity clauses or golden parachutes in the agreements for rendering of services by Executive Directors.

<b>Number of Beneficiaries</b>	<b>18</b>
<b>Type of Beneficiary</b>	<b>Description of agreement</b>
Senior Management	Six senior managers had during 2014 temporary decreasing indemnity clauses amounting to between 0.4 and 2 times their total annual compensation. This amount will decrease continuously and reach zero once the sum of (i) the vested amount for each one of them in their Long Term Early Retirement and Savings Plan (of which the senior managers are beneficiaries and to which the Company makes annual contributions), and (ii) the amount of severance to which they would be entitled in the event of termination of their prior employment relationship without cause, reaches the gross amount equal to 45 days' salary for each year of service counted from the date of hire, up to a maximum of 42 months' salary
Managers	The contracts of <b>12</b> managers of the Company include specific severance clauses which provide for compensation in case of termination of their ordinary employment relationship neither for cause nor because of voluntary resignation; these severance amounts are higher than would normally be payable in accordance with the Spanish labour law. However, these contracts are unique to the individual and the vast majority are in response to conditions negotiated for hiring on with the Company or are terms negotiated with third party companies that have become part of Indra.

Indicate if these contracts have been communicated to and/or approved by management bodies of the Company or of the Group

	Board of Directors	Annual Shareholders Meeting
Body Authorizing the Severance Clauses	-	X
	Yes	No
Report made to the Annual Shareholders Meeting Regarding the Severance Clauses	X	-

## C.2. COMMITTEES OF THE BOARD OF DIRECTORS

**C.2.1 PROVIDE DETAILS OF ALL COMMITTEES OF THE BOARD OF DIRECTORS, THEIR MEMBERSHIP, AND THE PROPORTION OF PROPRIETARY AND INDEPENDENT DIRECTORS THAT MAKE THEM UP:**

### EXECUTIVE COMMITTEE

Name	Post	Status
Javier de Andrés	Chairman	Executive
Luis Lada	Member	Independent
Juan March	Member	Proprietary
Adolfo Menéndez	Member	Proprietary
Ignacio Santillana	Member	Independent
Rosa Sugrañes	Member	Independent
Alberto Terol	Member	Independent
% of Executive Directors		14
% of Proprietary Directors		28
% of Independent Directors		57
% of Outside Directors		0

### AUDIT COMMITTEE

Name	Post	Status
Alberto Terol	Chairman	Independent
Isabel Aguilera	Member	Independent
Juan Carlos Aparicio	Member	Proprietary
Luis Lada	Member	Independent
Santos Martínez-Conde	Member	Proprietary
% of Executive Directors		0
% of Proprietary Directors		40
% of Independent Directors		60
% of Outside Directors		0

### NOMINATION AND COMPENSATION COMMITTEE

Name	Post	Status
Daniel García-Pita	Chairman	Independent
Mónica de Oriol	Member	Outside
Juan March	Member	Proprietary
Adolfo Menéndez	Member	Proprietary
Ignacio Santillana	Member	Independent
% of Executive Directors		0
% of Proprietary Directors		40
% of Independent Directors		40
% of Outside Directors		20

**C.2.2 COMPLETE THE FOLLOWING TABLE WITH INFORMATION REGARDING THE NUMBER OF FEMALE DIRECTORS WHO WERE MEMBERS OF BOARD COMMITTEES FOR THE PAST FOUR FISCAL YEARS:**

Number of Female Directors								
	Fiscal year t		Fiscal year t-1		Fiscal year t-2		Fiscal year t-3	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	1	14	2	25	2	22.47	2	22.22
Audit Committee	1	20	1	20	1	20	1	20
Nomination and Compensation Committee	1	20	2	40	2	40	2	40

**C.2.3 INDICATE WHETHER THE AUDIT COMMITTEE ASSUMES THE FOLLOWING FUNCTIONS:**

	Yes	No
Supervise preparation and ensure the completeness of financial information relating to the Company and, where appropriate, the Group, reviewing compliance with regulatory requirements, the proper scope of consolidation and the correct application of accounting principles.	<b>x</b>	
Regular review of the internal control and risk management systems, to ensure that significant risks are properly identified, managed and recognized.	<b>x</b>	
Verification that the internal audit service is both independent and effective; propose selection, appointment, re-election and dismissal of the head of internal audit; proposal of the budget for this service; receipt of regular information on its activities; and verification that senior management takes into account the conclusions and recommendations contained in its reports.	<b>x</b>	
Implementation and supervision of measures whereby employees can report confidentially and anonymously where appropriate, any potentially significant irregularities they detect in the company, especially those of a financial or accounting nature.	<b>x</b>	
Submission of proposals to the Board for the selection, appointment, re-election and replacement of the external auditor, as well as the contractual terms under which the auditor is hired.	<b>x</b>	
Regular receipt of information from the external auditor regarding the audit plan and the results of its implementation, and verification that senior management takes its recommendations into account.	<b>x</b>	
Ensure that the external auditor is independent	<b>x</b>	

#### C.2.4 DESCRIBE THE ORGANISATIONAL AND OPERATIONAL RULES AND AREAS OF RESPONSIBILITY ASSIGNED TO EACH BOARD COMMITTEE.

Pursuant to Article 17 of the Board Rules, absent specific rules contained therein, the committees manage their own procedures and they will appoint a Chairman from among their members. The Secretary or Vice-secretary of the Board acts as secretary of said committees.

Committees meet whenever called by the Chairman, who is obligated to do so upon receipt of a request from the Chairman of the Board, any of the Vice-Chairmen or from more than half of the members.

Committees must inform the Board regarding matters considered and resolutions passed during their meetings. To accomplish this, the Chairman of each committee makes a report to the Board at the next meeting of the Board of Directors. Except for the Executive Committee, decisions adopted in the Committees will be considered proposals or reports to the Board of Directors.

Committees are properly constituted when the majority of its members are physically present or present by proxy. Resolutions must be approved by absolute majority and in case of a tie the Chairman will have a casting vote.

Committees will annually prepare an action plan and a schedule of regular meetings, which shall in no wise preclude convocation of special meetings. They will draft an activities report. The Board is to be informed of all of these.

The Chairman of the Board on his own initiative or upon request by any member of the Board may require any member of the management team or Company personnel to attend committee meetings, as well as assist and provide information available to any member of the employee's team to the committee without the need for attendance of any other manager. Committees may also request that the external auditor attend their meetings. In order to better perform their duties, committees may avail themselves of the advice of outside professionals.

#### THE EXECUTIVE COMMITTEE

The Executive Committee is composed of 7 members (Article 18 of the Board Rules provides that the number of members is to be determined by the Board, with a minimum of 4 members and a maximum of 9).

The makeup of the Executive Committee should reflect, to a reasonable extent, the composition of the Board and the proportions found on the Board between the different categories of Directors.

The appointment of members to the Executive Committee and the permanent delegation of powers to it by the Board require the favourable vote of at least two thirds of the Board. Said delegated powers may include all powers exercised by the Board, except those whose delegation is prohibited by Law, the Bylaws, or Article 5 of the Board Rules.

Article 5 of the Board Rules provides that the The Board may not delegate powers that, in accordance with the law or the Bylaws, must be exercised directly by the Board itself. The Board also may not delegate any powers necessary for it to responsibly carry out its general supervisory function, such as approval of:

- a) Overall strategy for the Company and specific strategic plans as applicable, as well as objectives and annual budgets.
- b) General policy of risk management policy as well as ensuring the existence and proper application of internal control systems for financial reporting.
- c) General financial and treasury stock management policy as well as distribution of dividends.
- d) General corporate structure under which the Company does business.
- e) Operations involving the acquisition and disposal of Company assets and similar corporate transactions when the amount involved exceeds 30 million euros.

- f)** Related party transactions as allowed by law and as governed by Board Rules.
- g)** Creation or acquisition of interest in special purpose entities or those domiciled in countries or territories considered tax havens, and any other similar transactions which may reduce the transparency of the group.
- h)** Policy regarding release of information and communication with shareholders, markets and corporate image in general and, specifically:
  - I)** drafting and approval of information made public on an annual basis by the Company, along with the financial statements that are subject to approval at the Annual Shareholders Meeting; and
  - II)** approval of the financial information that the Company must periodically make public according to the law.
- i)** Proposals for director compensation and determination of the resulting amounts in accordance with the Bylaws and the resolutions regarding them made at the Annual Shareholders Meeting.
- j)** Modification, transfer or deletion of the Company website.
- k)** Appointment, terms of employment – including particularly any indemnity clauses – compensation, removal and supervision of Senior Managers.
- l)** General policies regarding Corporate Responsibility.
- m)** Policies in matters of Corporate Governance and the internal operating rules of the Board and its Committees, as well as evaluation of the quality and effectiveness of their performance and activities
- n)** Any other matters specifically covered in the Board Rules.

In those cases in which the chairman or one third of the Executive Committee members determine that the importance of the matter dictates, resolutions adopted by the Committee in exercise of its delegate powers may be subject to ratification by the full Board. The same shall apply to those

matters which the Board has submitted to the Executive Committee for consideration but which the Board has reserved the right to make the ultimate decision.

In all other cases, resolutions adopted by the Executive Committee shall be effective and binding without further ratification by the entire Board.

## AUDIT AND COMPLIANCE COMMITTEE

The Audit Committee is composed of five members, all of them Outside Directors. (Article 31 of the Bylaws provides that it be composed entirely of Outside Directors, with a minimum of three and a maximum of five). Of the five members, three of them are Independent.

Its Chairman must be an Independent Director and must be replaced at least once every four years, with the possibility of re-election after one year has elapsed from the date of his or her dismissal. In choosing the Chairman, special attention must be paid to his or her knowledge, ability and experience in matters relating to the activities of the Committee.

In the event of the Chair's absence, the meeting is to be chaired by an Independent Director appointed for this purpose by the Committee, or in the absence of an Independent Director, by a member appointed by the Committee.

The duties and powers of the Audit and Compliance Committee are found in Article 31 of the Bylaws:

- a)** Report at the Annual Meeting regarding issues which Shareholders have brought to their attention regarding matters within the Committee's preview.
- b)** Supervise the proper functioning of the Company's internal controls, internal audit, and risk management systems, as well discussing with external auditors any significant weaknesses in the internal control systems detected during the audit process.
- c)** Supervise the process of drafting and presentation of regulated financial information.
- d)** Deliver to the Board of Directors, for submission to the Annual Shareholders Meeting, proposals for the appointment of the external auditors, as well as the conditions of their employment, the scope of their professional duties, and when applicable, their dismissal or non-renewal of their contract.

**e)** Liaise directly with the external auditors and evaluate the development and results of their work, paying particular attention to matters that might jeopardize the independence of the auditors and other matters pertaining to the audit process, as well as other communications required by audit legislation and generally accepted accounting practices. In all cases the Committee shall receive annual written reports confirming their independence as regards the Company and any directly or indirectly related entities, as well as any additional services of any kind provided to said entities by the external auditors, or provided by persons or entities related to them in accordance with audit legislation.

**f)** Issue an annual report, prior to publication of the annual audit report for each fiscal year, in which the Committee expresses its opinion regarding the independence of the external auditors of the Company. This report shall include in all cases information regarding the rendering of additional services mentioned in the previous paragraph.

In addition to the duties described in the Bylaws, Article 19 of the Board Rules assigns the committee the following duties:

**a)** Act as a channel of communication between the Board and the external auditors, from whom regular information is received on the audit plan and the results of its implementation. The committee also evaluates the management team's responses to the external auditor's recommendations and mediates in the event of any disagreement between the external auditor and the management team in relation to the principles and standards applied in the preparation of the financial statements. The committee must encourage the auditor of the parent company to assume responsibility for the audits of all Group companies.

**b)** Report to the Board, prior to the Board's adoption of the corresponding decisions, on the creation or acquisition of holding companies or companies domiciled in tax havens, and on any other transaction or operation that could obscure the Company's transparency.

**c)** Review prospectuses for publicly traded instruments.

**d)** Report to the Board, prior to the Board's adoption of the corresponding decisions, regarding financial information which the Company must periodically make public by virtue of its status as a listed company. The committee will verify that the quarterly and semiannual financial statements are prepared using the same criteria as the annual financial statements.

**e)** Establish measures to safeguard the independence of the external auditors including:

**I.** Propose that the Board file a relevant event report when there is a change of auditors, along with a statement relating any disagreements that arose with the outgoing auditor and, if applicable, the contents thereof;

**II.** Ensure that the Company and the auditors observe applicable law on the provision of services other than audit services, in accordance with the provisions of Article 43 of the Board Rules, and;

**III.** Should the external auditors resign, examine the circumstances leading to their resignation

**f)** Oversee the performance of the audit contract, aiming to ensure that the opinion on the financial statements and main content of the audit report are prepared in clear and precise terms.

**g)** Ensure that internal audit is both independent and effective; propose the selection, appointment, re-election and dismissal of the head of the internal audit service; propose the budget for such service; receive periodic information on its activities; and verify that senior management considers the conclusions and recommendations contained in its reports.

**h)** Establish and supervise measures whereby employees can confidentially report any potentially significant irregularities that they detect in the Company, especially those of a financial or accounting nature.

**i)** Consider suggestions from Shareholders, Directors and Senior Management of the Company on matters within its area of competence.

**j)** Perform all other functions assigned to it by Board Rules or by the Board of Directors.

In accordance with changes made to the law regarding audits by Ley 12/2010 of 30 June, 2010 and changes in the LMV, at the 2011 Meeting amendments to the Bylaws and to the Board Rules were made in order to align the duties of the Audit Commission with current law.



## NOMINATION, COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE

The Nomination, Compensation and Corporate Governance Committee is composed of five members, all of them Outside Directors (Article 20 of the Board rules requires that the Committee be composed exclusively of Outside Directors, with a minimum of three). Of the five members of the Committee, 2 are Independent Directors.

This committee is required to be chaired by an Independent Director. When the chairman is absent, meetings are to be chaired by the Independent Director named by the committee for this purpose. In any event, the Chairman of the Board – if Executive – or the CEO are to be consulted and called to meetings of the committee when it deliberates on issues relating to Senior Management other than themselves.

Notwithstanding any other tasks that may be assigned to it by the Board or Board Rules, the mandate of the Nomination, Compensation and Corporate Governance committee is as follows:

- a)** Report on the composition of the Board of Directors, professional qualifications for membership, and the criteria to be applied in the selection of Directors. The committee is responsible for verifying that the selection procedures applied include criteria favourable to gender diversity in the composition of the Board.
- b)** Assess the extent to which the knowledge, skills and experience of proposed candidates for membership on the Board and its various committees meet the required profiles, and verify compliance with applicable requirements considering the category of Directorship position in question. The committee is required to consider possible candidacies for vacancies on the Board suggested by other Directors.
- c)** Present to the Board, prior to the re-election of Directors, a report on the performance of their duties to date.
- d)** Verify annually that the category of Directorship position to which each director is appointed remains appropriate and include this information in the Annual Corporate Governance Report.
- e)** Report to the Board on the process of succession to the chairmanship and the position of chief executive officer, and supervise plans for succession to senior management positions.

- f)** Report on proposals for the appointment or dismissal of the Secretary and Vice secretary of the Board.
- g)** Report on proposals for the appointment or dismissal of members of the Advisory Council. Make proposals to the Advisory Council regarding its internal operating rules.
- h)** Present proposals to the Board regarding the compensation system for Directors, their components and amounts, within the limits established in the Bylaws and resolutions of the Shareholders at Meetings. The committee is also required to report on the compensation of the Secretary in the event the Secretary is not a Director.
- i)** Report to the Board on proposals for the appointment and dismissal of Senior Management, and report – prior to approval by the Board – on their compensation and the terms and conditions of their employment contracts with the Company, including severance clauses.
- j)** Present to the Board an annual assessment of the performance of Senior Management personnel in their duties, including the Chairman, if an Executive Director.
- k)** Propose the annual report on compensation policy to be presented by the Board to the General Shareholders Meeting as well as the information on compensation published by the Company prior to its issue by the Board and in accordance with Article 29 of the Board Rules.
- l)** Present a report to the Board of Directors for the purposes of the annual assessment of the Chairman of the Board.
- m)** Report to the Board of Directors – prior to approval by the Board – on related party transactions with Directors, with significant Shareholders or Shareholders represented on the Board, with Senior Management or with persons related to any of the above, which transactions require Board approval.
- n)** Perform periodic analysis of the Company's policies, norms, procedures and practices in the area of corporate governance and corporate responsibility as well as their conformity with national and international standards, recommendations and best practices.

- o) Carry out an annual evaluation of the effectiveness of, and compliance with, the Company's corporate governance rules and procedures, and review before publication corporate governance information that the Board of Directors is required to approve and include in its annual public report.
- p) Propose to the Board amendments to the Company's corporate governance rules, explaining why it considers such amendments to be advisable.
- q) Report to the Board of Directors – prior to approval by the Board – on the information that the Company discloses publicly in relation to matters falling within its area of competence.
- r) Consider suggestions on issues falling within its area of competence made by Shareholders, Directors or Senior Management of the Company.

**C.2.5 INDICATE, WHERE APPLICABLE, THE EXISTENCE OF ANY REGULATIONS GOVERNING BOARD COMMITTEES, WHERE THESE REGULATIONS MAY BE FOUND, AND ANY AMENDMENTS MADE TO THEM DURING THE FISCAL YEAR. STATE ALSO WHETHER ANY ANNUAL REPORTS ON THE ACTIVITIES OF EACH COMMITTEE HAVE BEEN VOLUNTARILY PREPARED.**

The composition, organisation and areas of competence of the Board committees are regulated by the Bylaws and by the Board Rules, which are permanently available for consultation on the Company's website ([www.indracompany.com](http://www.indracompany.com)) and on the website of the CNMV.

Each of these Committees, as well as the Board itself, prepares an annual report detailing its activities and accomplishments during the year, in accordance with Board Rules. This report is submitted to the Board for its annual evaluation of its own performance and the quality of its work and that of its Committees.

In accordance with the recommendation made by the CNMV, and as has been the case since 2003, the Report on the Activities of the Audit and Compliance Committee was published when Shareholders were called to the 26 June 2014 Meeting, along with the rest of the information made available to Shareholders.

**C.2.6 INDICATE WHETHER THE COMPOSITION OF THE EXECUTIVE COMMITTEE REFLECTS THE PARTICIPATION OF THE DIFFERENT CATEGORIES OF DIRECTOR IN THE BOARD OF DIRECTORS:**

Yes  No

If the answer is No, please describe the composition of the executive committee

## D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

### D.1 IDENTIFY THE COMPETENT BODY AND DESCRIBE, IF APPLICABLE, THE PROCEDURE FOR APPROVAL OF RELATED PARTY AND INTRAGROUP TRANSACTIONS.

#### Competent Body to Approve Related Party Transactions

Board of Directors

#### Procedure for Approval of Related Party Transactions

The Board of Directors, after review of a report from the Nomination, Compensation and Corporate Governance Committee is required to be aware of and to authorize before its execution any direct or indirect transaction between the Company and its Directors, significant Shareholders or their representatives to the Board, Senior Management, the Secretary or Vice Secretary of the Board or any party related to any of them, as that term is defined under law.

Transactions are judged from the point of view of equal treatment and market conditions.

In the case of recurring operations conducted in the Company's ordinary course of business and carried out under market conditions, authorization by the Board of the general line of activity is sufficient.

The authorization referred to in the preceding paragraphs shall not be required, however, when the non arms' length transaction in question meets all three of the following conditions:

- The transactions are carried out in the ordinary course of business of the Company.
- They are carried out under market conditions.
- The amount does not exceed 1% of the annual consolidated revenues of the Company in the case of transactions with Shareholders or 30% of the average compensation per Director in the remaining cases.

Indicate whether approval of related party transactions has been delegated, and if so, indicate the body or person to whom such authority has been delegated.

**D.2 DESCRIBE ANY TRANSACTIONS WHICH ARE SIGNIFICANT, WHETHER BECAUSE OF THE AMOUNT INVOLVED OR SUBJECT MATTER, ENTERED INTO BETWEEN THE COMPANY OR ENTITIES WITHIN ITS GROUP AND THE COMPANY'S SIGNIFICANT SHAREHOLDERS:**

Name of Significant Shareholder	Name of Company within the Group	Nature of the Relationship	Type of Transaction	Amount (1000's of euros)
CORPORACIÓN FINANCIERA ALBA, S.A.	BANCA MARCH, S.A.	CONTRACTUAL	Other (1)	6
CORPORACIÓN FINANCIERA ALBA, S.A.	BANCA MARCH, S.A.	COMMERCIAL	Services Rendered (2)	1,557
CORPORACIÓN FINANCIERA ALBA, S.A.	BANCA MARCH, S.A.	CONTRACTUAL	Commitments Undertaken (3)	2,549
CORPORACIÓN FINANCIERA ALBA, S.A.	ALBA PARTICIPACIONES, S.A.	INTERNAL	Dividends and other Benefits Paid	6,320
SEPI	VARIOUS GROUP COMPANIES	COMMERCIAL	Operational Leasing Contracts	1
SEPI	VARIOUS GROUP COMPANIES	COMMERCIAL	Services Received (4)	423
SEPI	VARIOUS GROUP COMPANIES	COMMERCIAL	Services Rendered (2)	9,484
SEPI	SEPI	INTERNAL	Dividends and other Benefits Paid	11,240
CASA GRANDE DE CARTAGENA, S.L.U.	CASA GRANDE DE CARTAGENA, S.L.U.	INTERNAL	Dividends and other Benefits Paid	2,233

(1) Commissions paid for management of loan guarantees

(2) Services rendered by Indra in the ordinary course of business

(3) Maximum amount of credit lines

(4) Services rendered to Indra necessary for the conduct of its business

All transactions with shareholders have been authorized in accordance with Board Rules and were carried out in the Group's ordinary course of business and under market conditions, and do not represent, either separately or in the aggregate, a significant portion of the assets, financial condition or business activity of the Group, notwithstanding the policy of the Company to provide detailed information regarding all of them within this report.

**D.3 DESCRIBE ANY TRANSACTIONS WHICH ARE SIGNIFICANT, WHETHER BECAUSE OF THEIR AMOUNT OR SUBJECT MATTER, ENTERED INTO BETWEEN THE COMPANY OR ENTITIES WITHIN ITS GROUP AND ADMINISTRATORS OR MANAGERS OF THE COMPANY:**

Name of administrator or Manager	Name of Company within the Group	Nature of the Relationship	Type of Transaction	Amount (1000's of euros)
MONICA DE ORIOL E ICAZA	INDRA SISTEMAS, S.A.	COMMERCIAL	Receipt of Services (1)	1,434

(1) Security services rendered by members of the Seguriber-Umano group, in which Ms. De Oriol has a 95.6% equity interest (direct and indirect) and is Chairman.

Related Transactions with Directors do not represent, either separately or in the aggregate a significant portion of the business or the turnover of the Company, having been carried out in the Group's ordinary course of business and under market conditions. Such related transactions, have been authorized in accordance with the Board Rules. Notwithstanding the forgoing, it is the policy of the Company to provide detailed public information regarding such transactions.

**D.4 REPORT ANY RELEVANT TRANSACTIONS CARRIED OUT BY THE COMPANY WITH OTHER COMPANIES BELONGING TO THE SAME GROUP, PROVIDED THAT THESE ARE NOT ELIMINATED IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND DO NOT FORM PART OF THE COMPANY'S ORDINARY BUSINESS ACTIVITIES IN TERMS OF THEIR PURPOSE AND CONDITIONS:**

**IN ANY EVENT, NOTE ANY INTRAGROUP TRANSACTION CONDUCTED WITH ENTITIES ESTABLISHED IN COUNTRIES OR TERRITORIES WHICH ARE CONSIDERED TAX HAVENS.**

Name of Entity within the Group	Brief Description of the Transaction	Amount (1000's of euros)
-	-	-

**D.5 INDICATE THE AMOUNT OF ANY TRANSACTIONS CONDUCTED WITH OTHER RELATED PARTIES.**

Name of Party	Name of Party within the group	Nature of the Transaction	Type of Transaction	Amount (1000's of euros)
-	-	-	-	-

**D.6 DESCRIBE THE MECHANISMS IN PLACE TO DETECT, DETERMINE AND RESOLVE POTENTIAL CONFLICTS OF INTEREST BETWEEN THE COMPANY AND/OR ITS GROUP AND ITS DIRECTORS, SENIOR MANAGEMENT OR SIGNIFICANT SHAREHOLDERS.**

Directors are required by Article 33 of the Board Rules to inform the Board of any situation of direct or indirect conflict with the interests of the Company which may arise.

They are required to report, in particular, any direct interest or indirect interest through related persons in the equity of any company whose business purpose or class of activity is the same as or analogous to Indra's, as well as any responsibilities or posts with such companies.

In the cases specified in the preceding paragraph, the Board, following a report from the Nomination, Compensation and Corporate Governance Committee, is required to order the adoption of such measures as it considers necessary to safeguard the interests of the Company. Should the Director in question fail to comply with such order, the Board will draft a proposal for dismissal to the Annual Shareholders Meeting.

Directors must refrain from attending and taking part in any deliberations, decisions and resolutions involving matters where a conflict of interest arises.

The Company will make public any situations of conflict of interest in which Directors may find themselves in accordance with applicable law.

Article 32 of the Board Rules stipulates that:

- a) Directors may not make use of Company assets nor take advantage of their position in the Company for personal gain without providing adequate compensation.

In exceptional cases, Directors may be released from the obligation to provide such compensation, although in this case the resulting gain is to be regarded as indirect compensation requiring authorisation by the Board, following a report from the Nomination, Compensation and Corporate Governance Committee.

**b)** Directors may not use any non-public Company information for private purposes without prior authorisation from the Board, which must first request a report from the Nomination, Compensation and Corporate Governance Committee.

These provisions are understood to be without prejudice to the applicable rules of the Company's Internal Code of Conduct in Matters Relating to Securities Markets.

**c)** Directors may not invest or engage in any investment or any other activity linked to Company assets for their own benefit which have come to their knowledge through the performance of their duties, when the investment or activity in question has been offered to the Company or when the Company has an interest therein, unless the Company has decided not to make the investment or perform the operation, without the Director in question having influenced such decision.

**d)** Directors are required to inform the Company of any event or situation that may prove harmful to its reputation and, in particular, of any criminal procedures in which the Director may be implicated, the initiation of administrative procedures which may result in a disciplinary penalty for serious or very serious offences imposed by the Securities Market supervisory authorities, and subsequent procedural events related to the above.

**e)** Directors may not use the name of the Company nor use their status as Directors thereof to carry out activities for their own benefit.

In addition, Article 35 of the Board Rules stipulates that Directors must dedicate the necessary time and effort to perform their functions correctly. To this end, they are required to inform the Board of any other activities which may significantly affect their commitment as a Director of the Company.

#### D.7 IS THERE MORE THAN ONE COMPANY IN THE GROUP LISTED IN SPAIN?

Yes  No

Please name the listed subsidiaries:

##### Listed Subsidiaries

-

Indicate if the respective areas of activity and business relationship between the listed companies has been defined publically and precisely, as well as between the subsidiary and other members of the Group.

Yes  No

##### Describe the business relationship between the parent and subsidiary listed companies as well as between the subsidiary and other members of the Group

-

Identify measures taken to resolve potential conflicts of interest between the listed subsidiary and the other companies in the Group:

##### Measures taken to resolve potential conflicts of interest

-

## E. RISK MANAGEMENT AND CONTROL SYSTEMS

### E.1 EXPLAIN THE SCOPE OF THE COMPANY'S RISK MANAGEMENT SYSTEM.

The Risk Management System at Indra is a process driven by the Board of Directors and Senior Management whose responsibility falls on each and every member of the Organization which aims to provide reasonable assurance of achieving stated goals, adding value and an adequate level of assurance to Shareholders, other stakeholders, and the market in general.

Indra has established a set of key operating principles within the framework of the Risk Management System which permit improvement in its ability to produce value:

- Value Protection: Seeing Risk Management as a system which creates and protects generated value.
- Methodology: The Risk Management System at Indra is based on the methodological framework established in COSO II, adapted to the specific needs of the Organization.
- The Risk Management System covers the entire Organization, from the corporate level to the distinct business units, regardless of geographic location.
- Independence: The Organization's Risk Management System guarantees adequate functional segregation between the distinct elements of which it is comprised.

The Risk Management System at Indra is based on management of business units, processes, corporate geographies and areas, and is an integral part of the decision making process at Indra.

The Risk Management System methodology establishes means for identification and evaluation of risks, as well as follow-up on control activities and defined action plans, allowing reasonable management of the risks to which the Company is exposed.

The Global Risk Map is reported periodically to the Audit and Compliance Committee for review, as well as to the Board of Directors.

The design and scope of the Risk Management System is based on our vertical business structure as well as horizontal production areas, taking all strategic aspects into account. It includes 6 Geographical components, 16 Markets, Global Production Services, and Corporate Functions. This multidimensional point of view coordinates analytical capability with implementation of Company strategy.

### E.2 IDENTIFY THE BODIES WITHIN THE COMPANY RESPONSIBLE FOR CREATING AND EXECUTING THE RISK MANAGEMENT SYSTEM.

Pursuant to Article 5 of the Board Rules, the Board of Directors reserves Risk Management Policy as a non-delegable function as well as ensuring the existence and correct application of adequate Control and Information Systems.

The Audit and Compliance Committee performs a periodic review of the efficacy of the Risk Management System, ensuring that major risks are identified, managed, and adequately communicated.

For its part, Senior Management has the responsibility of promoting a culture of risk management at all levels, defining the functions and responsibilities within the framework of the Risk Management System, and supervising action plans and work stemming from the process of Risk Management.

Finally, the Global Risk Department oversees maintenance and updating of knowledge, techniques, methodologies and tools which allow completion of the Risk Management System operating principles with the highest level of quality.

Internal Audit, for its part, delivers recommendations to the Organization which contribute to reduce to reasonable levels the potential impact of which may interfere with the Organization's reaching its goals.



### E.3 GIVE THE PRIMARY RISKS THAT MAY AFFECT THE ACHIEVEMENT OF BUSINESS OBJECTIVES.

In the development of core business activities the Company is subject to various risks inherent in the different processes and geographies in which it operates.

The principal risks that Indra faces are described as the following types:

#### ► Strategic Risks

The national and international economic situation found in the countries in which the Company currently operates represents a critical risk for the Company. The current economic situation in Spain could affect investment levels made by Governmental Entities and Private Clients.

Most notable is the case of Brazil, the second most important geographical area, which is experiencing a cyclical change against making it imperative that a correct forecast of risks be made and requiring particular attention to valuations, estimates and planning.

Increasing competition in the sectors where Indra operates requires attention to the efficient exploitation of material and human resources. The risk of not having adequate design, consistency, and results from processes and production models may involve inefficiencies in the dedication of resources and a resulting loss of competitiveness.

Moreover, the lack of foresight and investment in new technology trends could hamper adaptation, development and achievement of strategic business objectives due to the entry of new competitors.

The efforts invested in customer retention, especially those in global markets, lead to an increased risk of dependency on those customers in certain markets or regions. Negative results regarding anticipated sales levels for one or more of these customers could seriously affect the survival of the business or on achievement of goals. Therefore, while customer retention is pursued, we focus on appropriate diversification which in turn allows us to strengthen our portfolio and expand internationally.

#### ► Operational Risks

Within this category the following risks are identified:

##### a) Risks associated with the project implementation process

Indra has implemented a system of identification, assessment and management of risks in their Key Business Management and Delivery and Management of solutions, products, processes and services. This system allows identification, quantification and management of threats, risks and opportunities for each project.

Risks related to scope and price estimates in the bidding process as well as contract terms in projects are currently the main risks the Company faces relative to project management.

Possible errors or inattention to detail in defining project requirements or acceptance criteria could produce continuous revisions or refusal of deliveries, or even cancellation of contracts for noncompliance, with its attendant economic impact.

Additionally, risks arising from the absence of good planning, management and monitoring of projects may lead to non-timely detection of problems as well as a lack of mitigation and redesign initiatives.

##### b) Risks associated with the Management of Human Capital

The management of people is critical to Indra. Attracting, developing and retaining talent are key objectives in minimizing risks.

A scarcity of personnel with the needed education and experience required to perform tasks or the lack of their availability in a given moment may have the effect of delays in schedules and putting project objectives at risk. In order to mitigate this risk, planning, training and resource aggregation processes have been put into place.

##### c) Risks associated with Information Security

Indra manages risks associated with information security by mitigating them to acceptable levels, in order to ensure adequate protection of information belonging to Company and its customers, as well as the technological assets that process it.

### ► Economic and Financial Risks

#### a) Market risk (exchange rate)

Risks arise as a result of operations in non-Euro currency markets that Indra performs in the ordinary course of business. Significant changes in exchange rates in certain countries may have a negative impact on the Group's results. It is Company policy to cover exchange rate risks.

#### b) Interest rate risk

Interest rate risk arises from exposure to movements in the yield curve of bank financing in the short, medium and long term. Indra contemplates buying financial instruments to manage these risks when the situation so warrants.

#### c) Liquidity risk

The inability to obtain cash in a timely manner, the absence of coordination between operational and financial requirements, incorrect forecasts, and working capital management are the main risks to manage. Indra has credit lines and loans signed with various banks and bonds issued in amounts sufficient to meet its current commitments.

#### d) Credit Risk

Exposure to this risk is experienced to the extent that the customer does not meet its obligations. However, given their type of business, Indra has a portfolio of customers with good credit. Trade relations are maintained by the Company primarily with large business groups, states, and public as well as public-private entities which are less exposed to default risk.

### ► Compliance Risks

#### a) Legal, Contractual and Regulatory Risks

Indra takes a proactive approach in prophylactic identification and management of legal risks that may be involved in the business activities it performs.

The Legal Department itself and through its interaction with other management units oversees strict compliance with legal and administrative obligations affecting Indra in its capacity as a listed company.

#### b) Labour Risks

These are risks relating to the violation of legal and regulatory requirements, especially in the area of Prevention of Occupational Risks. Indra encourages a culture of proper risk prevention in all its activities and a focus on continuous improvement, minimizing any risk in this area.

#### c) Environmental Risks

Although activities by Indra exclude polluting processes, it is inevitable that there will be some impact on the environment. That is why the Company is committed to minimise to the extent possible the negative effects that may occur and observe all environmental protection measures during the course of its activities.

### E.4 STATE WHETHER THE ENTITY HAS A RISK TOLERANCE LEVEL.

Depending on the level of acceptable risk for Indra and after analysis, action plans are created to mitigate those risks that may exceed acceptable tolerance levels.

A tool was built into the Risk Management System during 2014 which manages a series of indicators that facilitate the identification of risks to the Company and allow us to adjust the level of risk tolerance that we are willing to assume in order to achieve the strategic objectives of the Company.

The process of risk management at Indra is based on a uniform methodology focused on the identification and assessment of risks, both horizontally and vertically, by all responsible. The risk assessment is performed using homogeneous functions of both probability and impact.

Each risk is associated with one or more corresponding effects. In 2014, list of effects related to risks are: Economic / Financial, Market Share, Reputation, Medium / Long term Strategy, Legal Sanctions, Inefficiency and Personnel. The rating scale for each of these effects is designed based on a quantitative indicator.

## E.5 INDICATE WHICH RISKS HAVE MATERIALIZED DURING THE FISCAL YEAR.

The risks identified in the Risk Inventory at Indra are risks inherent in the pursuit of the various activities of the company.

Risks which have materialized during the year are:

- Risks arising from the continuing economic recession in Spain, such as the decline in sales and hiring, as well as suspension and cancelation of contracts.
- Risks related to the sociopolitical and diverse cultural environments found in the various geographic areas in which Indra pursues its business, generating problems in project implementation.
- Risks arising during the execution of certain projects caused by unforeseen changes in scope, cost overruns and delays in reaching project milestones, which have occasionally led to litigation with clients.
- Risks arising from the insolvency of certain clients.
- Risks arising from the inability to make development projects profitable.
- Risk of loss in investments made in Brazil.

## E.6 EXPLAIN THE RESPONSE AND MONITORING PLANS FOR ALL MAJOR RISKS OF THE ENTITY.

Indra has developed specific initiatives to manage key risks based on level of criticality.

Upon identification and assessment of key risks to the company, action plans are put into place in the affected area or market with the goal of mitigating said risks when they could impact the achievement of strategic goals. Depending upon the type of risk, such plans include:

### ► Strategic Risks

The difficult national and international socioeconomic and political situation has forced Indra to establish measures necessary to mitigate the possible negative effect of low demand by expanding into new geographic areas and seeking to develop new markets.

The capacity for innovation and anticipation of technological changes is directed by senior managers responsible for technological innovation, who have the duty to analyze, prioritize and lead these projects.

### ► Operational Risks

Indra has comprehensive rules to manage the pre-contract and contract stages of projects, which stress the existence within the organization of a Bid Committee integrated within operations and management control that analyzes and reviews proposed deals for presentation.

The Company has tools oriented toward the monitoring of risks which provide information and allow control of: all key indicators previously identified during project planning; the risk map established for each project and its follow-up; compliance with deadlines and other milestones established during the project such as technical and economic progress, the tracking of projected costs, billing, collection, etc.

Regarding the risks associated with information security, Indra has established a number of mechanisms charged with implementing the necessary measures to ensure compliance with all established security policies. These measures fall into the following areas: security organization, information security rules, technology and security services, training and awareness, monitoring, review and audit.

During 2014, methodology has received particular attention, with additional distribution in various key geographical areas. At the same time, improvements have been made in the methodological definitions used in operations with the aim of adapting to the need of mitigating certain operational risks.

#### ► Economic and Financial Risks

Regarding market risk, in order to mitigate the impact of foreign currency exchange differences on projects that the Parent Company and its subsidiaries perform, hedging contracts have been entered into with financial institutions where this is a problem.

In order to respond to interest rate risk, Indra has entered into hedging contracts for interest rates on long-term bank debt through swaps from variable to fixed rates of interest. Additionally, there has been an issue of bonds with a fixed interest rate that eliminates a significant portion of that risk.

Indra has an active policy of setting aside reserves for traffic operations to cover the eventuality of a planned default. In international sales, techniques such as irrevocable letters of credit and insurance policies are used to ensure collection.

#### ► Compliance Risks

Indra has a Code of Ethics and Professional Conduct approved by the Board of Directors and whose implementation and compliance is monitored by the Audit and Compliance Committee.

Among specialized resources available to Indra to cover occupational risks is an internal shared prevention service available to companies in the group, comprised of specialists in the field, as well as specialized third party providers. External audits are performed regularly by entities accredited by the Ministry of Labour.

## F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION.

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company .

### F.1 CONTROL ENVIRONMENT

#### REPORT ON AT LEAST THE FOLLOWING, DESCRIBING THEIR PRINCIPAL FEATURES:

##### F.1.1 WHICH BODIES AND/OR DEPARTMENTS ARE RESPONSIBLE FOR (I) THE EXISTENCE AND MAINTENANCE OF AN ADEQUATE AND EFFECTIVE ICFR; (II) ITS IMPLEMENTATION; AND (III) ITS SUPERVISION.

#### » Board of Directors

The Indra Board of Directors is ultimately responsible for the existence and maintenance of an adequate and effective ICFR by exercising supervision of it through the Audit and Compliance Committee.

To such ends, Article 5 of the Rules of the Board of Directors provides that the Board is responsible for supervising and approving, among other things:

- General risk management policy and the design of adequate control and IT systems for management of that risk.
- Policies for information and Shareholder communication, markets, and public opinion in general, and specifically:
  - ▶ drafting and approval of information that the Company annually makes public along with the Financial Statements produced for approval at Annual Shareholders Meetings; and
  - ▶ approval of financial information that the Company must make public from time to time in accordance with applicable law.

#### » Audit and Compliance Committee

Article 31 of the Bylaws of Indra Sistemas S.A., provides that the Audit and Compliance Committee has, among others, the following fundamental powers:

- Monitor the effectiveness of the Company's internal controls, internal audit, and risk management systems, as well as discuss with external auditors significant weaknesses in the internal control system detected during the audit.
- Supervise the process of drafting and presentation of regulated financial information.

Article 19 of the Board Rules lists the following tasks for the Compliance Committee, among others:

- Report to the Board prior to its making decisions regarding financial information which the Company, because of its status as a listed company, must make public from time to time. The Committee verifies that the quarterly and semi-annual financial statements are produced using the same accounting principles as the annual ones.
- Ensure the independence and effectiveness of the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

The Chairman of the Committee is an Independent Director and is chosen taking into account his or her knowledge and experience in Accounting and Auditing.

#### » Treasury and Finance

The Treasury and Finance Department is responsible for implementation and maintenance of controls and, based upon sub-certifications received from each department head, evaluates their effectiveness and operations.

### » Global Risk Department

The Global Risk Department includes the Internal Financial Information Control Unit, whose functions are the following:

- Define the processes and people responsible for the drafting and presentation of financial information.
- Identify critical risks in those processes.
- Create a Model for Internal Control of Financial Reporting in collaboration with those in charge of those processes.
- Maintain and update the Model for Internal Control of Financial Reporting and relevant documentation.
- Keep documentation referring to current procedures and controls updated at all times.
- Communicate changes in internal financial information control policies and procedures to the various companies and organizational areas of Indra Group.

All aspects of Internal Control of Financial Reporting are covered in the Company Guideline Elaboración, Mantenimiento y Supervisión del SCIF (“Creation, Maintenance and Supervision of ICFR”), which applies to all companies that have been in the Group for more than one year. This guideline has as its purpose the establishment ofing duties and measures for creating an adequate and effective internal control system which guarantees the reliability of financial information.

### » Internal Audit Department

Internal Audit makes periodic reports to the CEO and to the Audit and Compliance Committee regarding the Internal Control System.

Under the auspices of the Audit and Compliance Committee, Internal Audit conducts a review of the proper functioning of the ICFR, evaluating its design, reporting any shortcomings it may detect during the course of its work as well as the schedule established for corrective measures in the event they are necessary.

### F.1.2. STATE WHETHER THE FOLLOWING ARE PRESENT, ESPECIALLY AS THEY RELATE TO CREATION OF FINANCIAL INFORMATION:

- Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clearly establishing lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for proper communication throughout the company.

As regards organizational structure, Board Rules provide the following:

- The Nomination, Compensation and Corporate Governance Committee is to report to the Board regarding proposals for appointment and dismissal of Senior Management as well as make a report before decision by the Board over compensation and terms and conditions of their employment contracts.
- The Board adopt proper means so that no person or small group be able to make important decisions not subject to checks and balances.

The Board of Directors concentrates on matters of general control and supervision, ensuring that executive bodies and the management team act in accordance with stated strategies and goals. This task routinely requires design and review of organizational structure as well as definition of lines of responsibility and authority by the Chairman and his steering committee.

The Planning and Procedures unit is responsible for the design, establishment, review and constant updating of Indra's corporate structure, and consequently for those units involved in the process of creating financial information. This unit uses internal procedures which ensure proper performance and communication with all other areas.

The Organizational Chart is published on the Intranet and is accessible to all personnel in the Group.

- Code of conduct, a body which approves it, degree of dissemination and instruction, included principles and values, (indicate if there is specific mention of transaction recording and creation of financial information), a body charged with analyzing infractions and proposing corrective actions and sanctions.

### » Code of Ethics and Professional Conduct

The Indra Group has a Code of Ethics and Professional Conduct approved by the Board and published on the Intranet in Spanish and in English and which indicates ethical and responsible behaviour to be followed by the management team and all of the professionals at Indra and subsidiaries whilst carrying out Company business.

The Code of Ethics contains:

- Corporate values which animate the work, use of resources, and daily performance of all of its professionals.
- General principles of behaviour which arise from Company corporate values and provide the foundation for professional relationships and the capacity to inculcate our values and culture in order to engender ethical behaviour.
- Description of the responsibility of the Oversight Committee regarding communication, interpretation and application of the Code of Ethics.

The principles and the mandates of the Code of Ethics apply to all of the professionals at Indra.

The General Principles of the Indra Group are based on integrity, professionalism and respect, establishment of relationships based on transparency and ethics, constant portrayal of a professional image, recognition of the value of individuals, and respect for our social and natural environment.

Among the General Principles contained in the Code of Ethics one is found in the Section "Integrity and Transparency of Information" which provides that one must "Always convey information regarding our management which is truthful and consistent with current or generally accepted principles, especially in matters of finance and accounting, and always communicate clearly internally as well externally, based upon truthful and verified information."

- A hotline which permits communication to the audit committee of financial or accounting irregularities as well as potential breaches of the code of conduct and irregular activities within the organization, and whether these communications are confidential.

### » Canal Directo

Since October, 2009, Indra has had in place a hotline for complaints known internally as the Canal Directo, accessible by means of the Intranet so that anyone who wishes may communicate securely and confidentially with the Oversight Committee for the Code of Ethics and Professional Conduct regarding unethical or illegal conduct which he or she believes has occurred in the course of Company business. The Canal Directo is also available for questions regarding any doubts over interpretation or application of the Code of Ethics and Professional Conduct.

The terms of use of the Canal Directo guarantees the confidentiality of all information received by the Oversight Committee.

The Canal Directo places information received in a personal file, which is protected by security measures required by the Spanish regulations on protection of personal data. Personal information is deleted when it is no longer necessary or relevant or no more than two months after completion of the file if the information communicated is not proven out or as soon as the complaint has been completely processed.

The Canal Directo contains an email address and a telephone number for the purposes of communication.

Complaints made by means of the Canal Directo are analysed by the Oversight Committee, which determines if irregularities have been committed which are inconsistent with the principles and values contained in the Code of Ethics and Professional Conduct. The Audit and Compliance Committee then follows up on the complaints found in the Canal Directo.

The Oversight Committee issues an annual report over the degree of compliance with the Code, in which it discusses questions regarding its content and application, communicated incidents of non-compliance and how they were resolved, and matters relating to how the Canal Directo functions. This report is delivered to the management and governing bodies of Indra.

Since 2012 the Company has had a Compliance Unit, under the supervision of the Secretary General, which has as its fundamental mandate the inculcation of principles of professional behaviour contained in the Code of Ethics.

- Periodic training programs for personnel involved in the preparation and review of financial information as well as evaluation of the ICFR which at a minimum covers accounting rules, audit, internal control, and risk management.

### » Training Programs

Together with Treasury and Finance, Human Resources periodically develops external and internal training programs directed at personnel involved in the creation of financial statements for the Group. The training programs are focused on proper knowledge and implementation of International Financial Information Standards and on legislation and other regulations governing Internal Control of Financial Information.

The Internal Audit and Global Risk Department remain up to date on new developments in the areas of Risk Management and Internal Control, especially as they relate to Financial Information.

## F.2 ASSESSMENT OF FINANCIAL INFORMATION RISKS

### REPORT ON AT LEAST THE FOLLOWING

#### F.2.1. WHAT ARE THE PRINCIPLE CHARACTERISTICS OF THE RISK IDENTIFICATION PROCESS, INCLUDING ERROR AND FRAUD RISK, AS REGARDS TO:

- Whether the process exists and is documented.

In accordance with the Policy on “Creation, Maintenance and Oversight of the ICFR” approved by senior management and the Audit and Compliance Committee and, ultimately, the Board, and with the goal of maintaining an effective control model, the identification of risks is a continuous process carried out by Company management and put in place and led by the Global Risk Department.

- If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.

While the processes associated with information from treasury and finance identify all kinds of financial, strategic, operational and compliance risks, the process is focused on analyzing events which may affect the objectives of financial information as they relate to:

- ▶ Existence and occurrence
- ▶ Completeness
- ▶ Valuation
- ▶ Delivery, breakdown and comparability
- ▶ Rights and obligations

- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.

The Group maintains a continuously updated company registry which contains all of the equity interests of the Group, whether the interest is direct or indirect, as well as any entity over which the group may exercise control independent of the legal means by which such control may be exercised including, should they exist, holding companies as well as special purpose entities.

Management and update of this registry is done in accordance with procedures dictated by the Company Guideline Consolidación y Elaboración de la Información Financiera (“Consolidation and Creation of Financial Information”).

The scope of consolidation at Indra is determined monthly by Company management in the form of information available in the company registry in accordance with principles contained in International Accounting Standards 27, 28 and 31, SIC Interpretation 12, and any other local accounting standards. Changes to the scope of consolidation are communicated to all of the companies in the Group as they occur.

- If the process takes into account the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) to the extent that they affect the financial statements.

Indra has implemented a risk management and identification process permitting it to create a Risk Map, which is updated periodically. Currently, the Risk Map at Indra includes risks denominated in the following fashion:

- **Financial Risks:** those risks associated with processes, techniques and instruments used for financial management which affect the reliability of information.

Under this category are found risks related to Accounting and reporting of financial information; management of capital of the Company and of others; planning; budgeting; and operational tax strategy.

- **Strategic Risks:** risks associated with defining objectives and with structure and environment, including fraud.



- **Operational Risks:** those risks associated with day to day operations carried out in the business plan. They include, among others, those associated with resource management, the lack, malfunction or incorrect use of information technology which supports the production of financial information, and all of the risks associated with the efficiency and effectiveness of these processes which are key components of the business.

- **Compliance Risks:** include all of the risks associated with legal concerns and those of the operational codes of conduct of the organization. They also include risks associated with noncompliance with external and internal rules, as well as contractual relationships and warranties.

- Which governing body within the company supervises the process?

Oversight of the process of identifying financial information risks is done by the Audit and Compliance Committee in accordance with its supervisory mandate within the ICFR.

### F.3 CONTROL ACTIVITIES

#### REPORT ON WHETHER THE COMPANY HAS AT LEAST THE FOLLOWING, DESCRIBING THEIR MAIN CHARACTERISTICS:

##### F.3.1 REVIEW AND AUTHORIZATION PROCEDURES FOR FINANCIAL INFORMATION PUBLISHED TO THE STOCK MARKETS AND A DESCRIPTION OF THE ICFR, INDICATING THOSE RESPONSIBLE, AS WELL AS DOCUMENTATION DESCRIBING THE FLOW OF ACTIVITY AND CONTROLS (INCLUDING THOSE RELATING TO RISK OF FRAUD) OF THE VARIOUS TYPES OF TRANSACTIONS WHICH MAY MATERIALLY AFFECT THE FINANCIAL STATEMENTS, INCLUDING FINANCIAL CLOSING PROCEDURES AND THE SPECIFIC REVIEW OF JUDGMENTS, ESTIMATES, VALUATIONS AND RELEVANT FORECASTS.

The Indra Group provides quarterly financial information to the stock market. This financial information is prepared by the Consolidation Department, under the supervision of the Corporate Finance Division, which performs certain control activities to ensure the reliability of such information.

Additionally, the Management Control Department and the Department of Administration, also part of the Corporate Finance Division, analyze and oversee created information before publication to third parties through creation of management reports and by the monitoring of indicators.

The CFO analyzes these reports and provisionally approves them for submission to the Audit and Compliance Committee.

The Audit and Compliance Committee oversees the financial information that is presented to it. Upon closing the fiscal year, the Audit and Compliance Committee also receives information prepared by the Group's external auditors on the results of their work.

Finally, the Audit and Compliance Committee reports its findings to the Board of Directors regarding the financial information that, once approved by the Board of Directors, is to be published to the securities markets.

The report describing the ICFR description is prepared by the Global Risk Management Department and the Corporate Finance Division together. Once approved by the Chief Executive Officer, it is presented to the Audit and Compliance Committee, which reviews and approves it, then sends it to the Board for approval before being published to the securities markets.

Indra has a Model of Internal Control of Financial Reporting based on the COSO methodology that provides appropriate assurances respecting completion of the following goals:

- Effectiveness and efficiency of operations
- Preservation of assets.
- Reliability of financial information.
- Compliance with applicable laws and regulations.

The ICFR of Indra Group depends on the following fundamental concepts:

**a) Entity Level Controls (“ELC”)** are those components of cross functional control used to evaluate Senior Management, that ensure an adequate level of internal control within the Indra Group, that perform a mitigating control function when necessary and which place special emphasis on the following components:

- ◆ Oversight
- ◆ Information and communication
- ◆ Control activities
- ◆ Risk evaluation
- ◆ Environmental control

#### **b) Processes:**

Indra has a Map of Common Business Processes used by the majority of the companies in the Group.

Level 1 processes are the following:

- **Strategic:** processes intended to define and control organizational objectives, policies and strategies. They are directly related to the mission/vision of the organization and involve personnel at the highest levels of the organization.
- **Key:** processes which permit the generation of products and services for the end user and for that reason incorporate the essence of the business. Key processes are:
  - ▶ Pre-contract Stage
  - ▶ Production (Execution and Development).
- **Support:** processes which provide the means and support necessary so that key and strategic processes may be accomplished.

These processes are in turn divided into 18 sub-processes (level 2) which affect the overall operation of the organizational units of the Indra Group. Additionally, each level 2 sub-process is divided into level 3 and even level 4 sub-processes.

The Planning Department manages and implements the Process Map and adapts it to each organizational change.

The Global Risk Department identifies processes as significant based on the existence of specific risks, considering those risks significant based on their potential impact on financial information; all cases of potential error or fraud are considered significant.

The processes with the most impact on creation of financial information are the following:

- Procurement
- Administration of Personnel
- Sales, Invoicing and Collections
- Project Management
- Management of Fixed Assets
- Accounting and Closing
- Treasury
- Consolidation and Publication of Information
- Management of Powers of Attorney
- IT

The basic components of each of these processes are the following:

• **Control Objectives:** Needs for control that must be satisfied in each step of the business cycle or process, in accordance with internal control definitions. In this way, they are used to verify and evaluate the accuracy of accounting and other information and determine whether all company financial information is provided to its end users, and cover the areas of completeness, closing, delivery, posting, validity and valuation.

• **Risk:** It is possible that an event or action may affect the ability of the organization to meet its financial information objectives and/or successfully realize its strategies. As indicated in section 4 above, the Group has a risk map which includes fraud.

• **Control Activities:** Policies, procedures and practices applicable to Company personnel, application systems, and other resources in place to ensure that control objectives are reached and that risk mitigation strategies are executed. Process control activities are to be incorporated in operational processes and serve as a means for appropriately managing risk and are focused on its prevention, detection and correction. In the specific case of IT, control activities are known as General IT Controls ("GITC"). Control activities are designed to be preventative or detective and manual (human based) or automatic (machine based).

Process and GITC control activities are the backbone upon which the entire control model is built and cover the following concepts:

- ◆ Integrity and ethical values
- ◆ Commitment to professional competence
- ◆ Management direction and style
- ◆ Organizational Structure
- ◆ Assignment of authority and responsibility
- ◆ Human Resources policies and practices

Process control and GITC activities ensure that all of the control objectives for Indra found in the policy guide *Elaboración, mantenimiento y supervisión del SCIF* ("Creation, Maintenance and Oversight of ICFR") are followed during the ordinary course of business and for every section of the financial statements.

All of the information regarding the model of Internal Control is posted on the Group Indraweb.

The Global Risk Department reports to the Executive Committee and is entirely responsible for management of the Internal Control model, keeping up to date and current:

- The process map showing financial information impact.
- The relationship between processes and financial statement items.
- An inventory of control activities and the ELC.
- Identification of the organizational units affected
- Activity planning.

The policy guide "Creation, Maintenance and Oversight of ICFR," approved by Senior Management and the Board of Directors through the Audit and Compliance Committee provides that, by means of a process of continuous improvement, those responsible will create, revise and implement control and procedure activities along with the Global Risk Department, without obviating the need to perform an annual evaluation of those activities in order to make necessary changes and adjustments.

Any weaknesses in control found in the ICFR will be included in a specific action plan for each one. Internal Audit will monitor, control, and report on them to the Audit and Compliance Committee until they are corrected.

Specific review of the relevant judgments, estimations, valuations and projections used to quantify some assets, liabilities, revenues, expenses and commitments stated and/or broken out in the financial information will be carried out by Treasury and Finance with the help of the executive level department affected. Hypotheses and estimates based on business outlook will be reviewed and analyzed together with the executive level departments for Markets at Indra.

### **F.3.2. INTERNAL IT CONTROL POLICIES AND PROCEDURES (ACCESS SECURITY, CHANGE CONTROLS, THEIR OPERATION, OPERATIONAL CONTINUITY, AND SEGREGATION OF DUTIES, AMONG OTHERS) WHICH SUPPORT RELEVANT PROCESSES WITHIN THE ENTITY AND RELATE TO THE CREATION AND PUBLICATION OF FINANCIAL INFORMATION.**

The Internal Systems department of Indra Group is responsible for IT in the markets and territories in which Indra operates. Within their purview is the definition and oversight of security policies and standards for applications and infrastructure, among which is the internal control model for the IT area.

The Internal Control model at Indra covers IT processes which make up the IT environment, architecture and infrastructure as well as applications that affect transactions which directly affect primary business processes. It also includes impact on financial information and closing procedures. The above named controls can be implemented automatically within the IT programs themselves or manually.

Security and management of services models established at Indra are based on regulation UNE-ISO/IEC 27001 Information Security Management Systems and regulation UNE-ISO/IEC 20000-1 Service Management Systems, respectively. Both Management Systems are certified by AENOR and are audited annually in order to verify that they comply with the above mentioned regulations.

Responsibility for Information Security at Indra rests on the Internal Information Systems Department with help from the Security Committee and its subcommittees and the Head of Information Security. All IT Security regulations at Indra are issued by Internal Systems and approved by executive management of the Company.

Information Security Policy at Indra, published on the intranet, has as its objectives management of IT security and strategic alignment with business goals, guarantee of the confidentiality, completeness and availability of information, and all of the activities involved in achieving these objectives. This

policy is mandatory at all businesses, markets and relevant activities of the Indra Group.

This Policy applies at all information development stages (generation, distribution, storage, handling, transfer and destruction) of the Systems which process it. It entails all of the Information Systems and services at Indra and all support servers as well as the environment and applications which affect business processes of the Company, covering therefore relevant processes in the creation and publication of financial information.

This Policy conforms with a series of security objectives regarding specific aspects of Information Security, which include the following:

- Obtaining an accurate assessment and mitigation of risk with the goal of prioritizing security measures and controls based upon the business objectives at Indra.
- Establishment and periodic review of an Information Security Policy which establishes mandatory basic guidelines for all of the businesses at Indra.
- Coordination and organization of Information Security at Indra: the Information Security structure is composed of the Security Committee and its subcommittees, Head of Information Security, and the Heads of Market Security. Additionally, the companies at Indra are required to maintain contact with authorities and stakeholders in order to stay abreast of changes in law and trends in information security.
- Classification and control of assets with the goal of keeping them adequately protected.
- Security associated with human resources before engaging employees, contractors or third party users, during the contract, and upon termination or change, which carries with it the commitment from each of them to assume responsibility for security.
- Physical and environmental security in order to prevent unauthorized physical access, damage, and interference with buildings and information belonging to the organization. Resources for handling critical and sensitive information are located in secure areas and protected by security perimeters and controlled egress..
- Management of communications and operations in order to ensure the proper and secure operation of resources for handling information, to establish responsibilities and procedures for management and operation of information resources and media.

- Access Control. Access to information, resources for handling information and business process are controlled based upon the needs of the business and security. In order to establish access controls, among other things, one must take into account segregation of duties regarding requests and authorization for and administration of access to services and systems.
- Development and maintenance of information systems in order to guarantee the integration of security means in information systems during development, implementation and maintenance.
- Management of changes in order to ensure that modification of services and systems infrastructure is done in a controlled manner, minimizing the risk of impact on the business.
- Management of information security incidents in order to accomplish follow-up, mitigation, resolution and learning from information security incidents.
- Management of business continuity in order to establish measures minimizing possible interruptions to operations, protect critical business processes and assure the restart of said processes.
- Compliance with applicable legal requirements, contractual obligations, and security requirements in order to avoid breaches and non-compliance.
- An adequate segregation of duties.

All of these control objectives are divided and specialized in turn to make controls for the special features and focus of finance. The information system rules at Indra define and explain the control activities necessary in order to cover the risks in the area of management of information systems as well as those relating to financial information processes and systems.

The Policy states that compliance with the described basic controls is mandatory in all Group companies at the corporate information level as well as with information managed by different markets, in which case those in charge are responsible for application and implementation of them.

### **F.3.3. INTERNAL CONTROL POLICIES AND PROCEDURES INTENDED TO GUIDE THE MANAGEMENT OF SUBCONTRACTED ACTIVITIES AND THOSE OF THIRD PARTIES, AS WELL AS THOSE ASPECTS OF ASSESSMENT, CALCULATION OR EVALUATION ENTRUSTED TO INDEPENDENT EXPERTS, THAT MAY MATERIALLY AFFECT FINANCIAL STATEMENTS.**

Indra does not subcontract relevant activities that could have an impact on financial information.

Nonetheless, there is an internal procedure for hiring external advisors which establishes the level of approval required as a function of the amount involved. Results or reports on contracts for accounting, tax or legal services are supervised by the head of Treasury and Finance as well as the head of the Legal Department and other departments when deemed necessary.

## F.4 INFORMATION AND COMMUNICATION

### STATE WHETHER THE COMPANY HAS AT LEAST THE FOLLOWING, DESCRIBING ITS PRINCIPLE CHARACTERISTICS:

#### F.4.1 A SPECIFICALLY ASSIGNED FUNCTION FOR DEFINING AND UPDATING ACCOUNTING POLICIES (ACCOUNTING POLICY AREA OR DEPARTMENT) AND RESOLVING DOUBTS OR CONFLICTS ARISING FROM THEIR INTERPRETATION, MAINTAINING A FREE FLOW OF INFORMATION TO THOSE RESPONSIBLE FOR OPERATIONS IN THE ORGANIZATION, AS WELL AS AN UP TO DATE ACCOUNTING POLICY MANUAL DISTRIBUTED TO THE BUSINESS UNITS THROUGH WHICH THE COMPANY OPERATES.

Responsibility for application of the Accounting Policies of the Group is the same for the entire geographic reach of the Indra Group and is found in Treasury and Finance.

The Company has an ICFR Organizational Manual in which the duties and responsibilities of those positions involved in the process of creating financial information are described. As spelled out in that document, Treasury and Finance is responsible for establishing the accounting criteria to be applied, as well as approval of the Accounting Manual which the Head of the Administrative Services Centre produces and updates.

The Department of Administration keeps all those responsible for preparing financial information in the various business units of the Group informed of changes in rules, resolves doubts when they exist and receives information from companies in the Group necessary to assure consistent application of Accounting Policies of the Group and to determine the effect of application of new accounting rules.

On those occasions when application of an accounting rule is especially complex, the Treasury and Finance Department of the Indra Group informs the external auditors of the conclusions drawn from the Group's accounting analysis and solicits their opinion regarding the conclusions drawn.

Accounting policies at Indra are developed based upon International Norms for Financial Information adopted by the European Union and found in a document called Manual de Contabilidad ("Accounting Manual"). This document is analyzed periodically by the Administrative Services Centre and is published on the Intranet.

#### F.4.2. MEASURES FOR CAPTURING AND PREPARING FINANCIAL INFORMATION WITH CONSISTENT FORMATS FOR APPLICATION AND USE BY ALL OF THE UNITS OF THE ENTITY OR THE GROUP, AND WHICH CONTAIN THE MAIN FINANCIAL STATEMENTS AND NOTES, AS WELL AS DETAILED INFORMATION REGARDING ICFR.

Indra has a computer application which gathers individual financial statements and facilitates the process of consolidation and production of financial information. This application permits centralization of all of the resulting financial information of Group companies in a single system.

Most of the time, input of the information to the system is done automatically from the Group's computerized financial system.

## F.5 SUPERVISION OF SYSTEM PERFORMANCE

### DESCRIBE AT LEAST THE FOLLOWING:

**F.5.1. THE ACTIVITIES OF THE AUDIT COMMITTEE IN OVERSEEING ICFR AS WELL AS WHETHER THERE IS AN INTERNAL AUDIT FUNCTION THAT HAS AMONG ITS MANDATES SUPPORT OF THE COMMITTEE AND THE TASK OF SUPERVISING THE INTERNAL CONTROL SYSTEM, INCLUDING ICFR. ADDITIONALLY, DESCRIBE THE SCOPE OF ICFR ASSESSMENT MADE DURING THE FISCAL YEAR AND THE PROCEDURE THROUGH WHICH THE PERSON RESPONSIBLE FOR DOING THE ASSESSMENT REPORTS ON ITS RESULTS, WHETHER THE COMPANY HAS AN ACTION PLAN DESCRIBING POSSIBLE CORRECTIVE MEASURES, AND WHETHER ITS IMPACT ON FINANCIAL REPORTING IS CONSIDERED.**

The Audit and Compliance Committee supervises the proper functioning of ICFR through Internal Audit, and has evaluated its design and operational effectiveness.

Internal Audit at Indra reports to the Audit and Compliance Committee and helps it to supervise the proper performance of the internal control system.

As regards the ICFR in particular, Internal Audit performs an annual review of the design and effectiveness of the control activities regarding financial information. Pursuant to these reviews, Internal Audit sends reports on possible shortcomings in internal control that they have detected to those responsible for these activities, to Senior Management, and to the Audit and Compliance Committee, as well as action plans adopted by the Company for their mitigation.

Failure to complete an action plan for mitigating a risk detected in the course of Internal Audit's work is reported to the Global Risk Department for evaluation of its impact and, if it is considered significant, is reported to the CEO and the Audit and Compliance Committee.

Internal Audit has an annual plan approved by the Audit and Compliance Committee. The plan provides for tests of business units and processes considered high risk according to the Company Risk Map.

During 2014 the plan included oversight of ICFR and involved the analysis of 286 control activities of which 46 are ELC and 27 information technology. All the controls functioned as designed, but some control weaknesses and opportunities for improvement which did not significantly affect the quality of financial information were detected and have resulted in action plans following the policy of continuous improvement which characterizes Indra Group. As of December 31, 2014 there were no material weaknesses in ICFR.

Consistent with the above, Company Management believes that as of December 31, 2014 ICFR was effective, as well as established controls and procedures, so as to provide reasonable assurance that the financial information disclosed by the Company to outsiders is reliable and adequate.

**F.5.2. IF THERE IS A PROCEDURE BY WHICH THE ACCOUNT AUDITOR (IN ACCORDANCE WITH THAT CONTAINED IN THE NORMAS TÉCNICAS DE AUDITORÍA ("AUDITING STANDARDS")), INTERNAL AUDIT AND OTHER EXPERTS MAY COMMUNICATE WITH SENIOR MANAGEMENT AND THE AUDIT COMMITTEE OR MANAGERS OF THE ENTITY REGARDING SIGNIFICANT WEAKNESS IN INTERNAL CONTROL IDENTIFIED DURING THE REVIEW OF THE ANNUAL ACCOUNTS OR ANY OTHERS THEY HAVE BEEN ASSIGNED. ADDITIONALLY, STATE WHETHER A PLAN OF ACTION IS AVAILABLE FOR CORRECTING OR MITIGATING ANY WEAKNESSES FOUND.**

Internal Audit communicates periodically with Senior Management and the Audit and Compliance Committee regarding weaknesses in internal control identified in process reviews carried out during the fiscal year as well as the state of implementation of action plans established for their mitigation.

For its part, the accounts auditor of the Group has direct access to Senior Management of the Group by means of periodic meetings for the purpose of obtaining information necessary for proper job performance as well as communicating weaknesses in internal control that might have been detected. The external auditors present an annual report to the Treasury and Finance Department, and to the Audit and Compliance Committee in which they describe weaknesses in internal control discovered in the course of their work.

## F.6. OTHER RELEVANT INFORMATION

### F.7. EXTERNAL AUDITOR'S REPORT

#### STATE WHETHER:

#### F.7.1. THE ICFR INFORMATION SUBMITTED TO THE MARKETS HAS BEEN SUBJECT TO REVIEW BY THE EXTERNAL AUDITOR, IN WHICH CASE THE ENTITY SHALL INCLUDE ITS REPORT AS AN ATTACHMENT. IF NOT, REASONS WHY SHOULD BE GIVEN.

With the goal of improving the transparency and quality of public information it sends out, Indra has gone beyond its legal obligations and the recommendations of the Working Group and:

a) prepared this description of its ICFR following the 16 basic indicators recommended in Section III of the Working Group Document;

b) issued a certification verified by the chief executive and the CFO in which they explicitly acknowledge: (i) their responsibility for establishing and maintaining an adequate ICFR for the entity, specifying the internal control framework used in order to evaluate the effectiveness of the ICFR (Internal Control - Internal Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission - COSO -) and (ii) that the ICFR of the Indra Group is effective as of the close of fiscal 2014. Certification attached;

c) considered it appropriate to request the external auditor issue a report in which the auditor renders an opinion, within a reasonable degree of certainty based upon generally accepted auditing standards and using as a reference a generally recognized internal control framework, whether the design and performance of the ICFR of the Indra Group is effective as of the close of fiscal 2014, which is attached to this Annual Report on Corporate Governance.

As stated earlier, there exists no legally binding regulation which establishes the minimum requirements for companies in describing their ICFR.

Future regulations issued regarding information about ICFR that listed companies must publish may cause a change in the information contained in this report as they relate to breakdown or informational requirements.

## G. EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the Company's level of compliance with recommendations from the Unified Code of Good Governance.

In the event that a recommendation is not followed or followed only partially, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's acts. General explanations are not acceptable.

1. That the Bylaws of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

See sections: A.10, B.1., B.2, C.1.23 and C.1.24

Complies



Explanation





2. That when the parent company and a subsidiary are listed on the stock exchange both should publicly and specifically define:

a) That when the parent company and a subsidiary are listed on the stock exchange both should publicly and specifically define:

b) The mechanisms in place to resolve any conflicts of interest that may arise.

See sections: D.4 and D.7

Complies  Complies Partially  Explanation  Not Applicable

3. That, although not expressly required by commercial law, transactions that entail a structural modification of the company should be submitted for approval at the annual shareholders meeting and, in particular, the following:

a) Transformation of listed companies into holding companies through the incorporation of subsidiaries to carry out essential activities previously performed by the company itself, even when the company maintains full control;

b) Acquisitions or disposals of essential operating assets that entail an effective modification of the statutory activity of the company;

c) Transactions whose effect is equivalent to liquidation of the company.

See section B.6

Complies  Complies Partially  Explanation

4. That proposals for resolutions to be passed at the annual meeting, including the information referred to in Recommendation 28, be made public when the meeting is called.

Complies  Explanation

5. That items which are substantially independent should be voted on separately at the annual meeting, enabling shareholders to express their voting preferences separately. This rule should apply particularly in the following cases:

a) When appointing or ratifying directors, where votes should be made on an individual basis;

b) In the event of amendments to the Bylaws, for each Article or group of Articles which are substantially independent.

Complies  Complies Partially  Explanation

6. That companies should allow split voting, enabling financial intermediaries appearing as shareholders but acting on behalf of different customers to cast votes in accordance with the latter's instructions.

Complies  Explanation

**7.** That the board execute its functions with a single purpose and independently, treat all shareholders equally and be guided by the interests of the company, maximising the financial value of the company in a sustained manner.

The board will also ensure that its relationships with stakeholders of the company are in accordance with law and regulations; that it complies in good faith with its obligations and contracts; that it respects the customs and best practices of the sectors and territories where it carries out its activities; and that it applies any additional corporate social responsibility principles it has voluntarily accepted.

Complies  Complies Partially  Explanation

**8.** That the board undertakes, as its core mission, approval of corporate strategy and the specific organizational structure for implementing it, as well as to supervise and ensure that management complies with established objectives consistent with the business purpose and corporate interests of the company. To this end, the board as a whole should approve:

**a)** General corporate policies and strategies, in particular the following:

- I.** The business plan, management targets and the annual budget.
- II.** The investment and financing policy.
- III.** The definition of the structure of the group of companies.
- IV.** The corporate governance policy;
- V.** The corporate social responsibility policy.
- VI.** The policy for senior management compensation and performance appraisal.
- VII.** The risk management and control policy and regular monitoring of internal information and control systems.
- VIII.** The policies on dividends and treasury shares, particularly with regard to their limits.

See sections C.1.14, C.1.16 and E.2

**b)** The following decisions:

- I.** At the proposal of the company's chief executive, the appointment and possible termination of senior managers, and approval of their severance clauses.
- II.** Compensation of directors and, in the case of executive directors, additional compensation for their management duties and other conditions contained in their contracts.
- III.** Financial information which, as a listed entity, the company is periodically required to publish.
- IV.** All types of investments or transactions which may be considered strategic by virtue of their large amount or special characteristics, except when they must be approved at a meeting.
- V.** The creation or acquisition of equity interests in special purpose entities or entities domiciled in countries or territories considered tax havens, and any other similar transactions or operations which, in light of their complexity, could undermine the Group's transparency.

c) Transactions carried out by the company with directors, significant shareholders or those represented on the board, or parties related to any of them (related party transactions).

However, such authorisation from the Board will not be required for related-party transactions that simultaneously meet the following three conditions:

- 1°. That the transactions be carried out under contracts with standard conditions that apply generally to a large number of customers.
- 2°. That the transactions be carried out at prices or fees generally established by the party that acts as a supplier of the good or service involved.
- 3°. That the transactions be for an amount not exceeding 1% of the company's annual revenue.

It is recommended that the board approve any related party transactions following receipt of a favourable report from the audit committee or, as appropriate, any other commissioned for this purpose, and that the affected directors neither exercise nor delegate their right to vote and instead leave the meeting room while the board deliberates and casts its votes on the matter.

It is recommended that the powers attributed to the board should not be subject to delegation, except those mentioned in letters b) and c), which may be adopted in urgent circumstances by the Executive Committee with subsequent ratification by the Board in plenary session.

See sections: D.1 and D.6

Complies  Complies Partially  Explanation

9. That the board be of an appropriate size to enable it to operate in an effective and participatory manner. It is therefore advisable that it comprise no fewer than five and no more than fifteen directors.

See section: C.1.2

Complies  Explanation

10. That external Proprietary and Independent directors constitute a substantial majority of the Board and that the number of executive directors be the minimum necessary taking into account the complexity of the corporate group and the percentage equity participation of executive directors in the company.

See sections: A.3 and C.1.3

Complies  Complies Partially  Explanation

**11.** That among external directors, the ratio of proprietary directors to independent directors should reflect the proportion between the equity interest in the company represented by proprietary directors and the remaining share capital.

This strict proportional criterion may be adjusted in such a way that the number of Proprietary directors exceeds the number that would apply to the percentage of total equity interest they represent:

**1°** In companies with high market capitalization in which interests that are legally considered significant are minimal or nil, but where there are shareholders whose interest has a high absolute value.

**2°** In companies where a plurality of shareholders represented on the Board are not related to one another.

See sections: A.2., A.3 and C.1.3

Complies  Explanation

**12.** That the number of independent directors should represent at least one third of the total number of directors.

See section: C.1.3.

Complies  Explanation

**13.** That the board of directors explain the status of each director to the shareholders at the meeting so that the shareholders may appoint or ratify the directors, and that these details be confirmed or, where appropriate, reviewed each year in the annual corporate governance report after verification by the nomination committee. This report should also explain the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 5%. It should also explain, where applicable, why formal requests from shareholders for membership on the board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

See sections: C.1.3 and C.1.8

Complies  Complies Partially  Explanation

**14.** That when the number of female directors is minimal or nil, the nomination committee should ensure that, when vacancies arise:

**a)** The appointment process is not implicitly biased against the selection of female directors.

**b)** The company seeks out, and includes among its potential candidates, women with the appropriate professional profiles.

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

Complies  Complies Partially  Explanation  Not Applicable

**15.** That the chairman, as the individual responsible for the effective functioning of the board, should ensure that directors receive sufficient information in advance; should encourage discussion and the active participation of the directors during meetings of the board, safeguarding their freedom to take positions and their freedom of opinion; and should organise and coordinate, together with the chairs of the relevant committees, the periodic evaluation of the board and, where appropriate, of the managing director or chief executive.

See section: C.1.19 and C.1.41

Complies  Complies Partially  Explanation

**16.** That when the chairman of the board is also the chief executive of the company, one of the independent directors should be authorised to convene the board meeting or include new items on the agenda; to coordinate and reflect external directors' concerns; and to direct the board's evaluation of the chairman.

See section: C.1.22

Complies  Complies Partially  Explanation  Not Applicable

**17.** That the secretary of the board of directors takes care especially that actions taken by the board:

- a) Are consonant with both the letter and the spirit of laws and regulations, including any approved by regulatory bodies;
- b) Are in accordance with the company's Bylaws, and with the rules of the shareholders meeting, the board of directors and any other company regulations;
- c) Consider all recommendations on good governance included in this Unified Code that have been adopted by the company.

Furthermore, to ensure the independence, impartiality and professionalism of the secretary of the board, any nomination to or dismissals from this position must be reported by the nomination committee and approved by the board of directors in plenary session; and that said appointment and dismissal procedures be included in the board rules.

See section: C.1.34

Complies  Complies Partially  Explanation

**18.** That the board meet with the frequency necessary to perform its functions effectively, follow the schedule and agenda established at the beginning of each fiscal year, and allow each director propose that additional matters be raised that were not included in the initial agenda.

See section: C.1.29

Complies  Complies Partially  Explanation

**19.** That any failure to attend by a director must be unavoidable and quantified in the Annual Corporate Governance Report. If a proxy is necessary, that it contain instructions.

See sections: C.1.28, C.1.29 and C.1.30

Complies  Complies Partially  Explanation

**20.** That should a director or the secretary raise concerns regarding any proposal or, in the case of directors, the direction the company is going, and such concerns are not resolved by the board, the concern must be stated for the record at the request of the individual who raised it.

See sections: C.1.19 and C.1.41

Complies  Complies Partially  Explanation  Not Applicable

**21.** That the board in plenary session must assess, on an annual basis:

- a) The quality and efficiency of the board's operations;
- b) Based on a report by the nomination committee, the performance of the chairman of the board and chief executive of the company;
- c) The performance of the board committees, on the basis of their reports.

See section: C.1.19 and C.1.20

Complies  Complies Partially  Explanation

**22.** That all directors may exercise their right to obtain any additional information which they may deem useful regarding matters within the mandate of the board. Unless the company's bylaws or the board Rules state otherwise, such information requests must be directed to the Chairman or secretary of the board..

See section: C.1.41

Complies  Explanation

**23.** That all directors are entitled to request that the company provide sufficient consulting services to carry out their functions properly. The company must decide on the most suitable

way to exercise this right which, in special circumstances, may include outside consulting at the company's expense.

See section: C. 1. 40.

Complies  Explanation

**24.** Companies should organise orientation programmes for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so indicate.

Complies  Complies Partially  Explanation

**25.** That companies require that directors commit the time and effort necessary to perform their tasks effectively. As a result:

- a) Directors should inform the nomination committee of their other professional obligations in case they could affect the director's required dedication
- b) Companies should establish rules on the number of boards in which directors may participate.

See sections: C. 1.12, C.1.13 and C.1.17

Complies  Complies Partially  Explanation

**26.** That any proposed appointments or re-elections presented by the board to the shareholders at the meeting, as well as any temporary appointment through co-opting, must be approved by the board:

- a) At the proposal of the nomination committee in the case of independent directors.
- b) With a prior report from the nomination committee, in the case of other directors.

See section: C.1.3

Complies  Complies Partially  Explanation

**27.** That companies publish and update the following information regarding directors on the company website:

- a) Professional profile and biography;
- b) Any other boards to which the director belongs, regardless of whether the companies are listed.
- c) Type of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or are to which they are connected.
- d) The date of their first appointment as a director of the company's board of directors, and any subsequent nomination, and;
- e) The shares and options they own.

Complies  Complies Partially  Explanation

**28.** That proprietary directors representing significant shareholders must resign from the board if the shareholder they represent sells its entire shareholding or reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

See sections: A.2, A.3 and C.1.2

Complies  Complies Partially  Explanation

**29.** That the board of directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the bylaws unless the board finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director has failed to complete the tasks inherent to his or her position or entered into any of the circumstances which would cause the loss of independent status in accordance with Directive ECC/461/2013.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar operation entailing a change in the shareholding structure of the company, provided that such changes in the structure of the board are the result of the proportionate representation criteria set forth in Recommendation 12.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

Complies  Explanation

**30.** That companies establish rules requiring that directors inform the board and, where appropriate, resign from their positions, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

If a director is indicted or tried for any of the crimes set out in Article 213 of the LSC, the board must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her position. The board must provide a reasoned written account of these events in its Annual Corporate Governance Report.

See sections: C.1.42 and C.1.43

Complies  Complies Partially  Explanation

**31.** That all directors clearly express their opposition when they consider any proposal to be against the company's interests. This applies especially to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the board.

Furthermore, when the board makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in case of resignation, explain the reasons for this decision in the letter referred to in the next Recommendation.

This Recommendation also applies in the case of the secretary of the board, despite not being a director.

Complies  Complies Partially  Explanation  Not Applicable

**32.** That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the board. Irrespective of whether the resignation has been reported as a relevant event, it must be included in the Annual Corporate Governance Report.

See section: C.1.9

Complies  Complies Partially  Explanation  Not Applicable

**33.** That only executive directors should receive compensation in the form of shares in the company or Group companies, options or instruments relating to share value, variable compensation linked to the company's performance, or pensions.

This recommendation does not apply to share-based payments when directors are required to maintain ownership of those shares until they leave their positions.

Complies  Complies Partially  Explanation  Not Applicable

**34.** That external directors receive sufficient compensation to reward the dedication, qualifications and responsibility inherent to their posts, but not so high as to compromise their independence.

Complies  Complies Partially  Explanation

**35.** That compensation linked to company performance take into account any qualifications included in the external auditor's report that may reduce profit for the year.

Complies  Complies Partially  Explanation



**36.** That variable compensation policies incorporate limits and technical safeguards necessary to ensure that compensation rewards the professional performance of its recipients rather than the general development of the market or the company's business sector, or any other similar circumstances.

Complies  Complies Partially  Explanation

**37.** That if there is an executive committee, the proportion of each different director category must be similar to that of the board itself, and its secretary must be the secretary of the board.

See sections C.2.1 and C.2.6

Complies  Complies Partially  Explanation  Not Applicable

**38.** That the board must always be aware of the matters discussed and decisions taken by the Executive committee and that all directors of the board receive a copy of the minutes of Executive committee meetings.

Complies  Complies Partially  Explanation

**39.** That the board of directors establish, in addition to the audit committee required by the LMV, a committee or two separate committees to deal with appointment and compensation.

That the rules for the composition and functioning of the audit committee and the nomination and compensation committee or committees be included in the board rules, and include the following requirements:

**a)** That the board appoint the members of these committees, taking into account their knowledge, skills and experience and the tasks to be carried out by each committee; that it deliberate over their proposals and reports; and that they be required to appear before the first plenary session of the board to report on their activities and answer all questions relating to the work performed.

**b)** That these committees must be comprised solely of external directors, with a minimum of three. However, executive directors or senior management personnel may attend when committee members request their presence.

**c)** That they be chaired by independent directors.

**d)** That they be entitled to request external advisory services if necessary to fulfil their functions.

**e)** That minutes be taken at all committee meetings and a copy sent to all directors of the board.

See sections: C.2.1 and C.2.4

Complies  Complies Partially  Explanation

**40.** That the supervision of compliance with the internal code of conduct and corporate governance regulations be the responsibility of the audit committee, the appointment committee or, if they exist as separate bodies, the compliance or corporate governance committees.

See sections: C.2.3 and C.2.4

Complies  Explanation

**41.** That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues.

Complies  Explanation

**42.** That listed companies have an internal audit function supervised by the Audit committee to ensure that information and internal control systems operate correctly.

See section: C.2.3

Complies  Explanation

**43.** That the person in charge of the internal audit function present an annual work plan to the audit committee, report directly on any issues that may arise during the implementation of this plan and present an activity report at the end of each fiscal year.

Complies  Complies Partially  Explanation

**44.** That the control and risk management policy identify at least the following:

- a)** The different types of risk (operational, technological, financial, legal, reputational etc.) faced by the company, including under financial or economic risks any contingent liabilities and other off-balance sheet risks;
- b)** A setting of risk level deemed acceptable by the company;
- c)** The measures in place to mitigate the impact of the risks identified should they materialise;
- d)** The internal control and information systems that will be used to control and manage the aforementioned risks, including contingent liabilities and off-balance sheet risks.

See section: E

Complies  Complies Partially  Explanation

**45.** That the audit committee be responsible for:

**1° With regard to information systems and internal control:**

- a)** That the primary risks identified through monitoring the effectiveness of internal control and internal audit within the company, as the case may be, are properly managed and disclosed.
- b)** Ensure the independence and effectiveness of the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- c)** Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

## 2° With regard to the external auditor:

- a) Regularly receive information from the external auditor regarding the audit plan and its results, ensuring that senior management takes its recommendations into account.
- b) Ensure the independence of the external auditor, to which end:
- I. The company file a relevant event report with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof;
  - II. That should the external auditor resign, examine the circumstances leading to the resignation.

See sections: C.1.36, C.2.3, C.2.4 and E.2

Complies  Complies Partially  Explanation

46. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies  Explanation

47. That the audit committee report to the board, before adopting the corresponding decisions, on the following issues indicated in Recommendation 8:

- a) The financial information that listed companies are required to publish from time to time. The committee must ensure that interim accounts are prepared applying the same accounting principles as the annual accounts and, for this purpose, consider whether a limited review by the external auditor is necessary.
- b) The creation of or acquisition of shares in special-purpose vehicles or entities domiciled in countries or areas considered to be tax havens, as well as any other similar transactions that, due to their complexity, could obscure the transparency of the group.
- c) Related-party transactions, unless this preliminary reporting has been allocated to a committee other than the supervision and control bodies.

See sections: C.2.3 and C.2.4

Complies  Complies Partially  Explanation

48. That the board of directors endeavours to submit the annual financial statements to the annual shareholders meeting with no qualifications or reservations in the audit report and, in the exceptional circumstance that it fails to do so, the chair of the audit committee and the auditors must clearly explain the content and scope of the reservation or qualification to the shareholders.

See section: C.1.38

Complies  Complies Partially  Explanation

**49.** That the majority of the directors of the nomination committee – or the nomination and compensation committee if both functions are combined in one body – are independent directors.

See section: C.2.1

Complies  Complies Partially  Explanation

During fiscal 2014, Director Mónica de Oriol was reclassified as "Other Outside Director" due to the amount of related party transactions which she conducted with the Company, all of which are described in Section D. 3, above.

**50.** That, in addition to the functions indicated in the previous Recommendations, the nomination committee is also responsible for the following functions:

- a)** Evaluate the competence, knowledge and experience required by the board and define as a consequence the roles and skills required for candidates to fill a vacancy, as well as the time and dedication required to perform their duties.
- b)** Adequately review or organise succession to the positions of chairman and chief executive and, when applicable, make proposals to the board to ensure a well-planned and orderly succession.
- c)** Report on the appointment or dismissal of senior management proposed by the chief executive to the board.
- d)** Inform the board on gender diversity matters included in Recommendation 14 of this Code.

See section: C.2.4

Complies  Complies Partially  Explanation  Not Applicable

**51.** That the nomination committee consult with the chairman and the chief executive of the company, especially in relation to executive directors. That any director may ask the nomination committee to consider potential candidates he or she considers appropriate to fill a vacancy on the board of directors.

Complies  Complies Partially  Explanation  Not Applicable

**52.** That, in addition to the functions indicated in the preceding recommendations, the compensation committee be responsible for the following functions:

- a)** Propose to the board of directors:
  - I.** The compensation policy applicable to directors and senior management
  - II.** The individual compensation of executive directors and the terms and conditions of their contracts.
  - III.** The basic conditions of contracts signed with senior management
- b)** Ensure compliance with the compensation policy established by the company.

See section: C.2.4

Complies  Complies Partially  Explanation  Not Applicable

**53.** That the compensation committee consult with the chairman and the chief executive of the company, especially in relation to executive directors and senior management.

Complies  Complies Partially  Explanation

## H. FURTHER INFORMATION OF INTEREST

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and understandable picture of the structure and governance practices in the company or group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, indicate whether the Company is subject to any corporate governance legislation different from that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also indicate whether it voluntarily complies with other ethical or best practice codes, whether international, industry based, or other. In such a case, name the code in question and the date the company began following it.

This Annual Corporate Governance Report was approved by the Board of Directors of the Company at the meeting held on 26 March 2015.

Indicate whether any Directors voted against or abstained from voting on this report

Yes  No

Name of Director not Voting for Approval of this Report	Reasons (opposed, abstention, non-attendance)	Explanation of Reasons
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20 de Marzo de 2015

**Informe de la Dirección sobre la responsabilidad  
del Sistema de Control Interno de la Información Financiera**

El Consejo de Administración y la Dirección es responsable del establecimiento y mantenimiento de un adecuado Sistema de Control Interno sobre la Información Financiera (SCIIF).

EL SCIIF de Indra Sistemas, S.A. y sociedades dependientes (Grupo Indra) es un proceso diseñado para proporcionar una seguridad razonable respecto a la fiabilidad de la información financiera y la elaboración de las cuentas anuales consolidadas a efectos externos, de acuerdo con el marco normativo de información financiera que resulta de aplicación.

Debido a sus limitaciones inherentes, es posible que el control interno sobre la información financiera no prevenga ni detecte todos los errores y únicamente puedan proporcionar un aseguramiento razonable con respecto a la presentación y preparación de las cuentas anuales consolidadas. Asimismo, las extrapolaciones de una evaluación de su eficacia a ejercicios futuros están sujetas al riesgo de que los controles puedan llegar a ser inadecuados debido a los cambios de condiciones o porque se produzca un deterioro del nivel de cumplimiento de las políticas o procedimientos.

La Dirección ha efectuado una evaluación sobre la eficacia del SCIIF del Grupo Indra a 31 de diciembre de 2014, basada en los criterios establecidos en el Marco Integrado de Control Interno emitido por el Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Como resultado de esta evaluación, y basándose en los mencionados criterios, la Dirección concluye que el Grupo Indra mantenía un SCIIF eficaz a 31 de diciembre de 2014.

El SCIIF de Grupo Indra al 31 de diciembre de 2014 ha sido auditado por los auditores independientes KPMG Auditores, S.L., como se indica en su informe incluido dentro del Informe Anual de Gobierno Corporativo de Grupo Indra del ejercicio 2014.

Indra Sistemas, S.A. inscrita en el R.M. de Madrid, Tomo 885, libro 8, folio M-11329, C.I.F. A-29 999933

D. Javier de Andrés González  
Consejero Delegado

D. Juan Carlos Baena Martín  
Director General Económico-Financiero

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28046 Madrid

Informe del Auditor Independiente sobre  
el Sistema de Control Interno sobre la Información Financiera

A los Administradores de:  
Indra Sistemas, S.A.

De acuerdo con su solicitud y con nuestra carta de encargo de fecha 14 de octubre de 2014, hemos examinado el sistema de control interno sobre la información financiera de Indra Sistemas, S.A. (la Sociedad) y sociedades dependientes (el Grupo) al 31 de diciembre de 2014, basado en los criterios establecidos en el Marco Integrado de Control Interno emitido por el Committee of Sponsoring Organizations of the Treadway Commission (COSO). El Consejo de Administración de la Sociedad y la Alta Dirección del Grupo son responsables de adoptar las medidas oportunas para garantizar razonablemente la implantación, mantenimiento y supervisión de un adecuado sistema de control interno sobre la información financiera, así como de la evaluación de su eficacia y del desarrollo de mejoras a dicho sistema, tal y como se señala en el Informe de la Dirección del Grupo sobre el Sistema de Control Interno de la Información Financiera adjunto. Nuestra responsabilidad es expresar una opinión sobre la eficacia del Sistema de Control Interno sobre la Información Financiera del Grupo basada en nuestro examen.

El control interno sobre la información financiera de una entidad es un proceso diseñado para proporcionar una seguridad razonable respecto a que la información financiera anual se ha elaborado de conformidad con el marco de información financiera que resulta de aplicación e incluye aquellas políticas y procedimientos que (i) estén dirigidos a la existencia y mantenimiento de registros que recojan fielmente, con un detalle razonable, las transacciones y activos del Grupo; (ii) proporcionen una seguridad razonable de que las transacciones se registran adecuadamente de modo que permitan elaborar las cuentas anuales consolidadas del Grupo de acuerdo con el marco de información financiera que resulte de aplicación; y (iii) proporcionen una seguridad razonable respecto a la prevención o detección oportuna de altas, bajas o un uso no autorizados de los activos del Grupo que pudieran tener un efecto significativo sobre las cuentas anuales consolidadas. En este sentido, hay que tener en cuenta que, debido a las limitaciones inherentes a todo sistema de control interno, con independencia de la calidad del diseño y operatividad del control interno adoptado en relación a la información financiera anual, éste sólo puede permitir una seguridad razonable, pero no absoluta, en relación con los objetivos que persigue.

Hemos llevado a cabo nuestro examen de acuerdo con la norma ISAE 3000 (International Standard on Assurance Engagements 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information) emitida por el International Auditing And Assurance Standards Board (IAASB) de la International Federation of Accountants (IFAC) para la emisión de informes de seguridad razonable. Esta norma requiere que planifiquemos y realicemos nuestro trabajo para proporcionar una seguridad razonable de que el Grupo mantiene, en todos los aspectos significativos, un control interno eficaz sobre la información financiera, e incluyó obtener un entendimiento del Sistema de Control Interno sobre la Información Financiera del Grupo, la comprobación y evaluación en bases selectivas del diseño y eficacia operativa del mismo, y la realización de otros procedimientos que hemos considerado necesarios en las circunstancias. Consideramos que nuestro examen proporciona una base razonable para nuestra opinión.

KPMG Auditores S.L., sociedad española de responsabilidad limitada y  
firma miembro de la red KPMG de firmas independientes afiliadas a  
KPMG International Cooperative ("KPMG International"), sociedad  
suiza.

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Sec. 8. H. M.-185.007, inscrip. 9.  
N.I.F. B-78510193

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Debido a las limitaciones inherentes a todo sistema de control interno siempre existe la posibilidad de que el Sistema de Control Interno sobre la Información Financiera no prevenga ni detecte los errores o irregularidades que puedan producirse, bien sean debido a errores de juicio, fallo humano o estén causados por actuaciones fraudulentas o irregulares. Asimismo, la extrapolación de la evaluación de su eficacia a ejercicios futuros está sujeta al riesgo de que los controles puedan llegar a ser inadecuados debido a los cambios de condiciones o porque se produzca un deterioro del nivel de cumplimiento de las políticas o procedimientos.

En nuestra opinión, el Grupo mantiene, en todos los aspectos significativos, un sistema de control interno eficaz sobre la información financiera al 31 diciembre de 2014, de acuerdo con los criterios establecidos en el Marco Integrado de Control Interno emitido por el Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Nuestro examen no constituye una auditoría de cuentas ni se encuentra sometido al Texto Refundido de la Ley de Auditoría de Cuentas, aprobado por el Real Decreto Legislativo 1/2011 de 1 de julio, por lo que no expresamos una opinión de auditoría de cuentas en los términos previstos en la citada normativa, aplicable en España. No obstante, con fecha 27 de marzo de 2015 hemos emitido, de acuerdo con la normativa reguladora de la actividad de auditoría de cuentas vigente en España, nuestro informe de auditoría acerca de las cuentas anuales consolidadas de Grupo del ejercicio 2014 en el que expresamos una opinión favorable.

Este informe ha sido preparado de acuerdo con su solicitud, en el contexto de los requerimientos establecidos por el artículo 540 del texto refundido de la Ley de Sociedades de Capital y por la Circular 5/2013 de 12 de junio de la Comisión Nacional del Mercado de Valores, a los efectos de la descripción del Sistema de Control Interno de la Información Financiera en los Informes Anuales de Gobierno Corporativo. No admitiremos responsabilidad alguna frente a personas distintas de los destinatarios de este informe.

KPMG Auditores, S.L.

Hilario Albarracín Santa Cruz

27 de marzo de 2015