

# ANNUAL CORPORATE GOVERNANCE REPORT

## PUBLIC LIMITED COMPANIES LISTED ON THE STOCK EXCHANGE

<b>Issuer's identification data:</b>	<b>INDRA</b>
<b>Year ended:</b>	<b>December 31<sup>st</sup>, 2009</b>
<b>CIF (Tax Id. No.):</b>	<b>A-28599033</b>
<b>Company name:</b>	<b>Indra Sistemas, S.A.</b>

THIS REPORT CONTENT IS THE ANNUAL CORPORATE GOVERNANCE REPORT CONTENT REGISTERED IN THE CNMV (SPANISH SECURITIES MARKET COMMISSION) AS SET FORTH IN THE ESTABLISHED TEMPLATE ISSUED BY THE CNMV; EVEN THOUGH, THIS REPORT CONTAINS ALL THE COMMENTARIES AND NOTES ON EACH SECTION FOR A BETTER READING AND COMPREHENSION OF THE SAME

**ANNUAL CORPORATE GOVERNANCE REPORT FORM FOR PUBLIC LIMITED  
COMPANIES LISTED ON THE STOCK EXCHANGE**

For better understanding and completion of this form, please read the guidelines included at the end of this report. The column CIF (Tax Id. No.), NIF or similar code, which will not be public, will be filled out in all the cases that might be necessary for the filling of the identification data of the natural persons or legal entities:

**NIF, CIF or similar**

**Other data**

A-28599033

## **A - CAPITAL STRUCTURE**

**A.1 Please complete the table below with details of the share capital of the Company:**

<b>Date of last change</b>	<b>Share capital (Euros)</b>	<b>Number of shares</b>	<b>Number of voting rights</b>
14/09/2007	32,826,507.80	164,132,539	164,132,539

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

NO

**A.2 Please provide details of the Company's significant direct and indirect shareholders at year end, excluding any Board members:**

<b>Name of shareholder</b>	<b>Number of direct voting rights</b>	<b>Number of indirect voting rights (*)</b>	<b>Percentage of total voting rights</b>
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	0	32,831,856	20.003%
CORPORACION FINANCIERA ALBA, S.A.	0	16,445,258	10.019%
LOLLAND, S.A.	0	9,332,468	5.686%
CAJA DE AHORROS DE ASTURIAS	0	8,216,538	5.006%

GAS NATURAL SDG, S.A.	8,206,627	0	5.000%
FIL LIMITED	0	3,304,594	2.013%

<b>Name of indirect shareholder</b>	<b>Through: Name of direct shareholder</b>	<b>Number of direct voting rights</b>	<b>Percentage of total voting rights</b>
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.	32,813,822	19.992
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	MEDIACION Y DIAGNOSTICOS, S.A.	9,017	0.005
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L.	9,017	0.005
CORPORACIÓN FINANCIERA ALBA, S.A.	ALBA PARTICIPACIONES, S.A.	16,445,258	10.019
LOLLAND. S.A.	CASA GRANDE DE CARTAGENA, S.L.	9,332,468	5.686
CAJA DE AHORROS DE ASTURIAS	ADMINISTRADORA VALTENAS, S.L.	3,733	0.002
CAJA DE AHORROS DE ASTURIAS	CANTABRICA DE INVERSIONES DE CARTERA, S.L.	8,212,805	5.004
FIL LIMITED	FID FDS-EUROPE POOL AND OTHERS	3,304,594	2.013

As stated in a report filed with the Spanish Securities Market Commission on 11 December 2009, FIL LIMITED owns the stated interest through the following funds: PR MM FRAENKEL-THONET, FIDELITY TRILOGIE SUB LARGER, LAFARGE UK PENS PLAN EUR EX UK, FDS-EUROPE POOL and FID INSTL

EUROPE FUND. The aforementioned report does not indicate the number of shares directly held by each of these funds.

**Please specify the main movements in the shareholding structure during the year:**

<b>Name of shareholder</b>	<b>Date</b>	<b>Description of movement</b>
CORPORACION FINANCIERA ALBA, S.A.	02/07/2009	10% of share capital exceeded
GAS NATURAL SDG, S.A.	02/07/2009	Decreased from 10% of share capital

On 2 July 2009 Unión Fenosa, S.A. sold 16,413,254 shares, equivalent to 10% of the share capital of Indra, to Corporación Financiera Alba, S.A. and 4,946,217 shares, equivalent to 3.01% of the share capital, to institutional investors. These transactions reduced Unión Fenosa, S.A.'s share holding in Indra to 5% of the share capital.

On 4 September 2009 Gas Natural SDG, S.A. merged with Unión Fenosa, S.A., extinguishing the latter and transferring its whole equity to GAS Natural SDG, S.A., including its share holding in Indra at that date (5%),.

**A.3 Please complete the following tables with details of the members of the Board of Directors with voting rights in the Company:**

<b>Name of Board member</b>	<b>Number of direct voting rights</b>	<b>Number of indirect voting rights (*)</b>	<b>Percentage of total voting rights</b>
MR JAVIER MONZON DE CACERES	145,593	7,872	0.094
MR MANUEL SOTO SERRANO	9,017	170,000	0.109
MEDIACION Y DIAGNOSTICOS, S.A.	9,017	0	0.005
MR REGINO MORANCHEL FERNÁNDEZ	85,864	0	0.052
ADMINISTRADORA VALTENAS, S.L.	3,733	0	0.002
CASA GRANDE DE CARTAGENA, S.L.	9,332,468	0	5.686

MR DANIEL GARCÍA-PITA PEMÁN	8,920	0	0.005
MS ISABEL AGUILERA NAVARRO	7,850	0	0.005
MR JOAQUIN MOYA-ANGELER CABRERA	4,792	0	0.003
MR JUAN MARCH DE LA LASTRA	100	0	0.000
MR LUIS LADA DÍAZ	3,833	0	0.002
MS MÓNICA DE ORIOL ICAZA	3,733	0	0.002
PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L.	9,017	0	0.005
MS ROSA SUGRAÑES ARIMANY	2,237	0	0.001
MR SALVADOR GABARRÓ SERRA	10	0	0.000

Percentage of voting rights held by the Board of Directors	5.973
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**Please complete the following tables with details of the Company's Board members who hold rights over the shares of the Company:**

<b>Name of Board member</b>	<b>Number of direct option rights</b>	<b>Number of indirect option rights</b>	<b>Number of equivalent shares</b>	<b>Percentage of total voting rights</b>
MR JAVIER MONZON DE CACERES	284,553	0	284,553	0.173
MR REGINO MORANCHEL	178,862	0	178,862	0.109

FERNÁNDEZ				
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**A.4 If applicable, please specify 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:**

**A.5 If applicable, please specify 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:**

**A.6 Please specify whether the Company has been notified of any shareholder agreements that may affect it, in accordance with section 112 of the Spanish Securities Market Law. If so, please describe these agreements and list the shareholders they bind:**

NO

**Please specify whether the Company is aware of any existing initiatives agreed by and among its shareholders. If so, please provide a brief description:**

NO

**If any of the aforementioned agreements or agreed initiatives have been modified or terminated during the year, please specify expressly:**

**A.7 Please specify whether any individual or company exercises or may exercise control over the Company in accordance with section 4 of the Spanish Securities Market Law. If so, please provide details:**

NO

**A.8 Please complete the following tables with details of the Company's own shares:**

**At year end:**

<b>Number of direct shares</b>	<b>Number of indirect shares (*)</b>	<b>Total percentage of share capital</b>
866,640	0	0.530

(\*) Through:

Total	0
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Please detail any significant variations during the year in accordance with Royal Decree 1362/2007:

Date of communication	Total direct shares acquired	Total indirect shares acquired	Total percentage of share capital
27/02/2009	1,691,277	0	1.031
18/03/2009	1,750,498	0	1.065
05/06/2009	1,741,455	0	1.061
08/07/2009	2,887,654	0	1.760
14/10/2009	1,649,391	0	1.005

Gains/(losses) from disposal of own shares during the year (thousands of Euros)	1,300
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**A.9 Please provide a detailed description of the conditions and term of the Board of Directors' current mandate, granted by the shareholders, to acquire or transfer own shares:**

At the Ordinary General Shareholders Meeting held on 25 June 2009, under item 5 on the agenda and with the favourable vote of 99.82% of the capital present, the shareholders agreed:

*“To authorise the Board of Directors to perform derivative acquisitions of the Company’s own shares by acquiring them on the stock exchange, either directly or through subsidiaries, up to a maximum of 5% of the share capital, at a maximum price of Euros 30 per share and with no minimum price limit.*

*The authorisation includes the power to carry out any transactions involving futures and options and any other transactions involving shares in the Company, provided that the commitments undertaken by the Company do not exceed the established limits.*

*Article 75.1 of the Spanish Companies Act specifically states that the acquired shares may be subsequently granted to Board members, management personnel and employees of the Company, directly or as a result of exercising any option rights held by the aforementioned Board member, management personnel or employee.*

*This authorisation is valid for 18 months as of the date of approval and renders null and void the previous authorisation, approved at the General Shareholders Meeting held on 26 June 2008.”*

**A.10 If applicable, please specify any legal and statutory limitations to the exercise of voting rights, as well as any legal limitations to the acquisition or transfer of ownership of shares.**

**Please specify whether there are any legal limitations on the exercise of voting rights:**

NO

Maximum percentage of voting rights that may be exercised by a shareholder under legal limitations	0
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**Please specify whether there are any statutory limitations on the exercise of voting rights:**

NO

Maximum percentage of voting rights that may be exercised by a shareholder under statutory limitations	0
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**Please specify whether there are any legal limitations on the acquisition or transfer of equity interests:**

NO

**A.11 Please specify if the shareholders have resolved at the General Shareholders Meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Law 6/2007:**

NO

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

**B - COMPANY ADMINISTRATION STRUCTURE**

**B.1 Board of Directors**

**B.1.1 Please detail the maximum and minimum number of Board members established in the Articles of Association:**

Maximum number of Board members	16
Minimum number of Board members	8

**B.1.2 Please complete the following table with details of Board members:**

<b>Name of member</b>	<b>Representative</b>	<b>Position on the Board</b>	<b>Date of 1<sup>st</sup> appointment</b>	<b>Date of most recent appointment</b>	<b>Election procedure</b>
MR JAVIER MONZON DE CACERES	-	Chairman	17/12/1992	26/06/2008	VOTE AT SHAREHOLDERS' MEETING
MR MANUEL SOTO SERRANO	-	Vice-Chairman	05/03/1999	26/06/2008	VOTE AT SHAREHOLDERS' MEETING
MEDIACION Y DIAGNOSTICOS, S.A.	MATÍAS AMAT ROCA	Vice-Chairman	02/11/2000	26/06/2008	VOTE AT SHAREHOLDERS' MEETING
MR REGINO MORANCHEL FERNÁNDEZ	-	Chief Executive Officer	04/06/2001	26/06/2008	VOTE AT SHAREHOLDERS' MEETING
ADMINISTRADORA VALTENAS, S.L.	FELIPE FERNÁNDEZ FERNÁNDEZ	Member	21/06/2007	21/06/2007	VOTE AT SHAREHOLDERS' MEETING
CASA GRANDE DE CARTAGENA, S.L.	EUSEBIO VIDAL-RIBAS MARTI	Member	21/06/2007	21/06/2007	VOTE AT SHAREHOLDERS' MEETING
MR DANIEL GARCÍA-PITA PEMÁN	-	Member	25/06/2009	25/06/2009	VOTE AT SHAREHOLDERS' MEETING
MS ISABEL AGUILERA NAVARRO	-	Member	27/06/2005	26/06/2008	VOTE AT SHAREHOLDERS' MEETING
MR JOAQUIN MOYA-ANGELER CABRERA	-	Member	05/03/1999	26/06/2008	VOTE AT SHAREHOLDERS' MEETING

MR JUAN MARCH DE LA LASTRA	-	Member	29/07/2009	29/07/2009	CO-OPTION
MR LUIS LADA DÍAZ	-	Member	21/06/2007	21/06/2007	VOTE AT SHAREHOLDERS' MEETING
MS MÓNICA DE ORIOL ICAZA	-	Member	21/06/2007	21/06/2007	VOTE AT SHAREHOLDERS' MEETING
PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L.	ESTANISLAO RODRIGUEZ-PONGA Y SALAMANCA	Member	02/11/2000	26/06/2008	VOTE AT SHAREHOLDERS' MEETING
MS ROSA SUGRAÑES ARIMANY	-	Member	26/06/2008	26/06/2008	VOTE AT SHAREHOLDERS' MEETING
MR SALVADOR GABARRÓ SERRA	-	Member	26/03/2009	25/06/2009	VOTE AT SHAREHOLDERS' MEETING

Total number of Board members	15
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**Please specify any resignations from the Board of Directors during the period:**

<b>Name of member</b>	<b>Capacity of member at time of resignation</b>	<b>Date of resignation</b>
MR PEDRO LÓPEZ JIMÉNEZ	Proprietary	26/03/2009
MR HONORATO LÓPEZ ISLA	Proprietary	14/05/2009
MR PEDRO RAMÓN Y CAJAL AGÜERAS	Independent	25/06/2009
MR RAFAEL VILLASECA MARCO	Proprietary	09/07/2009

**B.1.3 Please complete the following tables with details of the Board members and their different capacities:**

**EXECUTIVE BOARD MEMBERS**

<b>Name of member</b>	<b>Committee that proposed appointment</b>	<b>Position in the Company</b>
MR JAVIER MONZON DE CACERES	APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	CHAIRMAN
MR REGINO MORANCHEL FERNÁNDEZ	APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	CHIEF EXECUTIVE OFFICER

Total number of executive Board members	2
Total percentage of Board	13.333

**PROPRIETARY EXTERNAL MEMBERS**

<b>Name of member</b>	<b>Committee that proposed appointment</b>	<b>Name of significant shareholder represented by the member, or that proposed appointment</b>
MEDIACION Y DIAGNOSTICOS, S.A.	APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID
ADMINISTRADORA VALTENAS, S.L.	APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	CAJA DE AHORROS DE ASTURIAS

CASA GRANDE DE CARTAGENA, S.L.	APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	CASA GRANDE DE CARTAGENA, S.L.
MR JUAN MARCH DE LA LASTRA	APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	CORPORACIÓN FINANCIERA ALBA, S.A.
PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L.	APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID
MR SALVADOR GABARRÓ SERRA	APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	GAS NATURAL SDG, S.A.

Total number of proprietary external Board members	6
Total percentage of Board	40.000

### INDEPENDENT EXTERNAL MEMBERS

**Name of member**

**MR MANUEL SOTO SERRANO**

**Profile**

Aged 69 and a graduate in Business Administration, Mr Soto chaired the World Board of Arthur Andersen Partners and was one of the firm's international partner-directors.

He is vice-Chairman of Banco de Santander and a member of the Board of Directors of Corporación Financiera Alba.

**Name of member**

**MR DANIEL GARCÍA-PITA PEMÁN**

**Profile**

Aged 63 and a law graduate, Mr García-Pita joined the law firm JA Garrigues in 1969, where he was appointed partner. He has lectured in company law at the Universidad Central de Madrid and was a member of the governing Board of the Madrid bar association. He has also acted as a legal advisor for many companies and is the secretary to the Boards of directors of significant listed companies, including Indra, where he has been a non-executive secretary since June 2009.

**Name of member**

**MS ISABEL AGUILERA NAVARRO**

**Profile**

Aged 49 and an architect and town planner, Ms Aguilera holds an MBA from the Instituto de Empresa and the PDG general management programme at IESE. Throughout her career she has worked for different information technology companies, such as Olivetti, Compaq, Hewlett Packard, Airtel (Vodafone), Dell (where she was the chair and first executive officer for Spain, Portugal and Italy), NH Hoteles (where she was managing director) and Google Inc. (where she was managing director of operations for Spain and Portugal until January 2008). She was the General Electric chairwoman for Spain and Portugal until May 2009.

**Name of member**

**MR JOAQUIN MOYA-ANGELER CABRERA**

**Profile**

Aged 60, a graduate in mathematics and holder of an MBA from the Massachusetts Institute of Technology (MIT), Mr Moya- Angeler spent a significant part of his career with IBM, which he joined in 1977 and where he held various positions involving operations, control and management in Spain, Europe and Saudi Arabia. He chaired IBM Spain from 1991 to 1994. From 1994 to 1997, he was Chairman of the Leche Pascual Group and from 1999 to 2002 he chaired Meta4.

He is currently the Chairman of Corporación Tecnológica de Andalucía, and is a Board member and investor in different European and American companies.

**Name of member**

**MR LUÍS LADA DÍAZ**

**Profile**

Aged 60, Mr Lada is a telecommunications engineer with an extensive professional career with the Telefónica Group, where he was the Chairman of Telefónica Móviles and Telefónica España. He has also sat on the Boards of numerous companies and participated in forums relating to the information technologies industry.

Mr Lada is an advisor to the Chairman and executive committee of Telefónica, S.A., as well as a member of the Board of Telefónica ID, Telefónica O2 Czech Republic, Telcel (Telefónica Venezuela), Gamesa Corporación Tecnológica, S.A. and other companies.

**Name of member**

**MS MÓNICA DE ORIOL ICAZA**

**Profile**

Aged 48 and holder of a PhD in Economics and Business Studies from the Universidad Complutense de Madrid, as well as a diploma from the London School of Economics, Ms de Oriol has combined her career with lecturing at the Universidad Complutense, the Centro de Estudios Universitarios (CEU) and Saint Louis University.

Since 1989 she has been the main shareholder and founding member of the Seguriber Group, and is currently the sole administrator of the companies forming this group.

**Name of member**

**MS ROSA SUGRAÑES ARIMANY**

**Profile**

Aged 52 and a graduate in business administration, Ms Sugrañes is the founding member and chair of the Board of Directors of Iberia Tiles. She was a member of the Board of Directors of Florida East Coast Industries from 2006 until the sale of the company, and is a member of the Board of the Transatlantic Bank of Miami (Banco Sabadell Group) and the Rosa Gres Group in Barcelona.

Total number of independent Board members	<b>7</b>
Total percentage of Board	<b>46.667</b>

**OTHER EXTERNAL MEMBERS**

**Please explain the why these members cannot be considered full or independent and their connections with the Company or its management or shareholders.**

**Please specify any variations that have occurred during the year to each type of member:**

**B.1.4 If applicable, please explain the reasons for the appointment of any full Board members at the request of shareholders with less than 5% of share capital.**

**Please specify whether the Board has failed to meet any formal requests to appoint members to the Board by shareholders whose share percentage is equivalent to or higher than that of others at whose request full members have**

been appointed. If this is the case, please explain why the aforementioned requests were not met.

NO

**B.1.5 Please specify whether any members have resigned from the Board before completion of their mandates, whether the resigning member provided an explanation for his or her resignation and, if these reasons were provided in writing and addressed to the entire Board, specify the reasons given:**

YES

**Name of director**

**MR HONORATO LÓPEZ ISLA**

**Reason for leaving**

Mr López resigned as a proprietary Board member after being replaced as managing director of Unión Fenosa by Mr Rafael Villaseca who, at Unión Fenosa's suggestion, also replaced him on the Indra Board of Directors.

**Name of director**

**MR PEDRO LÓPEZ JIMÉNEZ**

**Reason for leaving**

Mr López resigned as a proprietary Board member after being replaced as Chairman of Unión Fenosa by Mr Salvador Gabarró who, at Unión Fenosa's suggestion, also replaced him on the Indra Board of Directors.

**Name of director**

**MR PEDRO RAMÓN Y CAJAL AGÜERAS**

**Reason for leaving**

Mr Ramón y Cajal ceased to be a Board member pursuant to the criteria for the continuous renewal of independent members set forth in section B.1.26, approved by the Board of Directors after recommendations raised by the Appointments, Remuneration and Corporate Governance Committee. The criteria for the regular renewal of the composition of the Board are set forth in article 22 of the Board of Directors' regulations.

**Name of director**

**MR RAFAEL VILLASECA MARCO**

### **Reason for leaving**

Mr Villaseca resigned as a proprietary Board member after Unión Fenosa's interest in the share capital of Indra was reduced to 5%.

### **B.1.6 Please specify any powers delegated to the chief executive officer/s:**

#### **Name of member**

**MR JAVIER MONZON CACERES**

#### **Brief description**

All the powers of the Board, except those that may not be delegated under prevailing legislation and those established in article 5.3 of the Board regulations.

#### **Name of member**

**MR REGINO MORANCHEL FERNANDEZ**

#### **Brief description**

All the powers of the Board, except those that may not be delegated under prevailing legislation and those established in article 5.3 of the Board regulations.

### **B.1.7 Please identify any Board members who assume positions as directors or officers in other companies in the group of which the listed company is parent:**

### **B.1.8 Please detail any Board members who have notified the Company of their membership of the Boards of directors of other companies (other than Group companies) listed on official securities markets in Spain:**

<b>Name of Board member</b>	<b>Name of listed company</b>	<b>Position</b>
MR JAVIER MONZON DE CACERES	ACS ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.	BOARD MEMBER
MR MANUEL SOTO SERRANO	CARTERA INDUSTRIAL REA, S.A.	BOARD MEMBER
MR MANUEL SOTO SERRANO	CORPORACIÓN FINANCIERA ALBA, S.A.	BOARD MEMBER
MR MANUEL SOTO	BANCO SANTANDER,	VICE-CHAIRMAN

SERRANO	S.A.	
MEDIACION Y DIAGNOSTICOS, S.A.	REALIA BUSINESS, S.A.	BOARD MEMBER
MR JUAN MARCH DE LA LASTRA	CORPORACIÓN FINANCIERA ALBA, S.A.	BOARD MEMBER
MR JUAN MARCH DE LA LASTRA	ACS ACTIVIDADES DE CONSTRUCCION Y SERVICIOS, S.A.	BOARD MEMBER
MR LUÍS LADA DÍAZ	GAMESA CORPORACIÓN TECNOLÓGICA, S.A.	BOARD MEMBER
PARTICIPACIONES Y CARTERA DE INVERSION, S.L.	REALIA BUSINESS, S.A.	BOARD MEMBER
MR SALVADOR GABARRÓ SERRA	CRITERIA CAIXACORP, S.A.	BOARD MEMBER
MR SALVADOR GABARRÓ SERRA	GAS NATURAL SDG, S.A.	CHAIRMAN

Mr Matías Amat and Mr Estanislao Rodríguez-Ponga (respective representatives Mediación y Diagnósticos, S.A. and Participaciones y Cartera de Inversión, S.L.) have informed the Company of the former's status as the representative of Inmogestión y Patrimonios, S.A. on the Board of Directors of Realia Business, S.A., and the latter's as a member of the Board of Testa Inmuebles en Renta, S.A.

**B.1.9 Please specify whether the Company has established rules concerning the number of Boards on which its directors can hold seats, providing details if applicable:**

NO

Explanation of rules
<p>Article 34 of the regulations of the Board of Directors establishes that a Board member must devote the time and effort necessary to carry out his functions adequately. Therefore, members must inform the Board of Directors of any activities that could significantly affect their dedication to the Company.</p> <p>The criteria followed by Indra, included in the Board regulations, is to evaluate the director's availability and capacity to commit his or her post not only considering the number of Boards in which a member participates, it is also taken into account the other circumstances involved. The company prefers the establishment of this individualized rule than establishing a general rule, applicable to every different situation, about the number of Boards where each member can participate.</p>

**B.1.10 In relation to recommendation number 8 of the Unified Code, please mark the general policies and strategies of the Company reserved for approval by the Board at its plenary sessions:**

Investment and financing policy	Yes
Definition of group structure	Yes
Corporate governance policy	Yes
Corporate social responsibility policy	Yes
Strategic or business plan, annual management goals and budget	Yes
Policy on the remuneration of senior management and performance evaluation	Yes
Risk control and management policy, as well as regular monitoring of internal information and control systems	Yes
Policy on dividends and own shares portfolio, particularly the limits thereof	Yes

**B.1.11 Please complete the following tables with details of the aggregate remuneration accrued by Board members during the year:**

**a) In the Company subject to this report:**

<b>Remuneration item</b>	<b>Amount in thousands of Euros</b>
Fixed remuneration	1,710
Variable remuneration	1,710
Allowances	0
Statutory benefits	2,091
Share options and/or other financial instruments	0
Other	2,356
<b>Total</b>	<b>7,867</b>

<b>Other benefits</b>	<b>Amount in thousands of Euros</b>
Advances	0
Loans extended	0
Pension funds and plans: contributions	0
Pension funds and plans: obligations	0

undertaken	
Life insurance premiums	0
Guarantees extended by the Company on behalf of Board members	0

**b) Due to Board members sitting on the Boards of directors and/or holding senior management positions in other Group companies:**

<b>Remuneration item</b>	<b>Amount in thousands of Euros</b>
Fixed remuneration	0
Variable remuneration	0
Allowances	0
Statutory benefits	0
Share options and/or other financial instruments	0
Other	0
<b>Total</b>	<b>0</b>

<b>Other benefits</b>	<b>Amount in thousands of Euros</b>
Advances	0
Loans extended	0
Pension funds and plans: contributions	0
Pension funds and plans: obligations undertaken	0
Life insurance premiums	0
Guarantees extended by the Company on behalf of Board members	0

**c) Total remuneration by type of member:**

<b>Type of member</b>	<b>From the Company</b>	<b>From the Group</b>
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Executive members	6,055	0
Proprietary external members	797	0
Independent external members	1,015	0
Other external members	0	0
<b>Total</b>	<b>7,867</b>	<b>0</b>

**d) Compared to profit attributable to the parent company:**

<b>Total remuneration of Board members (in thousands of Euros)</b>	7,867
<b>Total remuneration of Board members as a percentage of profit attributable to the parent company</b>	4.3

Note 37 to the Company's annual accounts for 2009, which are published together with this report, include detailed and individual information about the remuneration of the members of the Board.

**B.1.12 Please identify senior management personnel who are not executive Board members, and their total remuneration accrued during the year:**

<b>Name</b>	<b>Position</b>
MR JAVIER DE ANDRES GONZALEZ	GENERAL MANAGER – CORPORATE CONTROL, PROCUREMENT AND LOGISTIC SERVICES
MR JUAN CARLOS BAENA MARTIN	GENERAL MANAGER – FINANCES AND CORPORATE DEVELOPMENT
MS EMMA FERNANDEZ ALONSO	GENERAL MANAGER – TALENT, INNOVATION AND STRATEGY
MR RAFAEL GALLEGU CARBONELL	GENERAL MANAGER - OPERATIONS
MR ANGEL LUCIO MARTIN (1)	GENERAL MANAGER - OPERATIONS
MR CRISTOBAL MORALES BUITRAGO	GENERAL MANAGER - INTERNATIONAL

MR JAVIER PIERA SERRA (2)	GENERAL MANAGER - OPERATIONS
MR SANTIAGO ROURA LAMA	GENERAL MANAGER - OPERATIONS
MR JOAQUIN UGUET CARRASQUER	GENERAL MANAGER - OPERATIONS

(1) Employment relationship ended on 2009.

(2) Employment relationship ended because of decease on 2009.

Total senior management remuneration (in thousands of Euros)	8,505
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Note 37 to the Company's annual accounts for 2009, which are published together with this report, include detailed and individual information about the remuneration of the senior management.

**B.1.13 Please identify the total amount of any guarantee or “golden parachute” clauses for situations of dismissal or change of control present in the contracts of senior management of the Company or Group, including executive Board members. Please specify whether the governing bodies of the Company or Group must be notified of and/or approve these agreements:**

Each senior manager has signed a contract with the Company stating the conditions applicable to his or her employment. These contracts were authorised by the Board of Directors after a favourable report and corresponding proposal by the Appointments, Remuneration and Corporate Governance Committee, and were submitted to the shareholders at their ordinary General Shareholders Meeting in 2007. By virtue of these contracts, in the event of the termination of their employment with the Company unless due to voluntary redundancy or fair dismissal, senior managers are entitled to an indemnity equivalent to that specified in article 56 of the National Labour Relations Act, i.e. an amount equal to 45 days' annual remuneration per year of tenure in the Company, with a limit of 3.5 times their yearly salary, and a minimum of three times the yearly salary in the case of the Chairman and managing director. Executive directors and chief operating officers (including the international general manager) have signed a non-competition agreement with the parent Company valid for up to two years after the completion of their employment, which establishes the applicable compensation at between 0.5 and 0.75 times their annual remuneration per year of non-competition.

In addition to the information included in this report, the Company also publishes information on indemnity clauses in the annual accounts presented to the shareholders for approval at their General Shareholders Meeting and in the remuneration policy report.

Number of beneficiaries	11
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	Board of Directors	Annual General Shareholders Meeting
Body authorising the clause	NO	YES

<b>Are the shareholders notified of the clauses at their General Shareholders Meeting?</b>	Yes
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**B.1.14 Please explain the process followed to establish remuneration for members of the Board of Directors and the relevant clauses in the Articles of Association.**

**Process to determine remuneration for members of the Board of Directors and relevant clauses in the Articles of Association**

The process to determine remuneration for members of the Board of Directors starts with the Appointments, Remuneration and Corporate Governance Committee proposal, within the limits fixed on the Articles of Association and by the Shareholders Meeting, to the Board of Directors about the system, components and amount of the remuneration of the members of the Board; external advice will be used in this respect if necessary.

The Board after analyzing the proposal of the Committee will send the Shareholders Meeting the terms and conditions of the proposal for its approval. After the approval of the Shareholders Meeting, the Board distributes between its members the global maximum remuneration fixed by the Shareholders Meeting. It is a usual practice in the Company, since 2002, to fix the remuneration of the members of the Board for a three year period coinciding with the statutory office.

Pursuant to article 127 of the Articles of Association, Board members receive a fixed amount, the maximum limit of which is determined by the shareholders at their Shareholders General Shareholders Meeting, and a participation on the Company's profit. Board members may also receive shares or stock options, subject to the approval of the shareholders at their Shareholders General Shareholders Meeting.

The Articles of Association authorise the Board of Directors to distribute to its members a global consideration established by the Shareholders Meeting.

In 2008 the Board engaged the Appointments, Remuneration and Corporate Governance Committee to review its remuneration plan. The Committee analysed market practices in Ibex-35 companies comparable to Indra and companies listed on other similar international markets.

The Committee's proposal, presented by the Board to the shareholders and approved at the General Shareholders Meeting in June 2008, was as follows:

- To establish the remuneration of the Board for a three-year period (2008, 2009 and 2010), during which time it must remain unchanged unless specific circumstances dictate otherwise. In this event, any change to remuneration would be submitted to the shareholders for approval at their General Shareholders Meeting.
- To establish the annual fixed amount at a maximum of Euros 875,000.
- To maintain the following limitations on profit-sharing in addition to those established in the Articles of Association: (i) the maximum annual amount may not exceed 1.4 times the maximum fixed remuneration, i.e. Euros 1,225,000; and (ii) 50% of the gross amount received in respect of profit-sharing must comprise shares in the Company.

The Board of Directors, which is authorised by the Articles of Association to distribute amongst its members the global consideration determined by the shareholders at their General Shareholders Meeting, resolved the following:

(i) Of the fixed amount, members receive Euros 32,000 for Board membership; Euros 18,000 for Delegate Committee membership; Euros 24,000, for Audit and Compliance Committee membership and Euros 18,000 for membership of the Appointments, Remuneration and Corporate Governance Committee. The chairs of these Committees, with the exception of the Delegate Committee, receive a consideration equivalent to 1.5 times the aforementioned amounts.

(ii) The share in profit is distributed on an equal basis amongst all the Board members, in proportion to the length of time for which they have held their positions during the year.

The Board members have undertaken to maintain ownership of the shares received as remuneration throughout the time they hold their positions.

The Board has agreed on a year-on-year basis that, in the event that the growth and profitability objectives announced for each year are not achieved, it would reconsider the amount of profit-sharing received and submit any relevant proposal made to the shareholders at their General Shareholders Meeting. This has not applied for any of the years since this remuneration was established in 1999, as the Company has consistently achieved or exceeded its published targets throughout this period.

The statutory remuneration of the Board described above is compatible with and independent from the salary received by executive Board members from the Company under the terms of their employment.

**Please specify whether the Board at its plenary sessions has reserved approval of the following decisions:**

On proposal by the first executive of the Company, the appointment and possible removal of senior management, as well as their indemnity clauses.	Yes
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Remuneration of Board members, as well as, in the case of executive members, additional remuneration for executive functions and any other conditions included in their contracts.	Yes
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**B.1.15 Please specify whether the Board of Directors approves a detailed remuneration policy and identify issues on which it issues an opinion:**

YES

Fixed amounts, with their breakdown if applicable, paid for participation in the Board and its committees, and estimate of annual fixed remuneration as applicable.	Yes
Variable remuneration items	Yes
Main characteristics of benefits, estimated amount thereof or equivalent annual cost.	Yes
Conditions to be included in the contracts of members who hold senior management positions as executive members.	Yes

**B.1.16 Please specify whether the Board presents a report (for consultation purposes) on the policy for remuneration of Board members to the shareholders to vote on as a separate item on the agenda at their General Shareholders Meeting. If so, please explain the aspects of the report related to the remuneration policy approved by the Board for future years, the most significant changes in these policies compared to the policy applied during the year and a global summary of how the remuneration policy was applied during the year. Please detail the role played by the Remuneration Committee, specify whether external advisory services were used and, if so, provide the identity of the external advisors consulted:**

NO

**Issues considered in the remuneration policy**

The report on the policy for remuneration of Indra Board members and senior management is prepared by the Board of Directors on proposal by the Appointments, Remuneration and Corporate Governance Committee, pursuant to article 29 of the Board regulations. The contents of this report are detailed in recommendation 40 of section F of this report.

The report on the remuneration policy for Board members and senior management was discussed separately by shareholders as point 8 on the agenda at the Ordinary

General Shareholders Meeting held on 25 June 2009, and approved by a favourable vote from 98.33% of the share capital present. This report stipulates the following:

1. – Remuneration policy, structure and amount of remuneration of members for their participation in the Board of Directors.

Detailed description of the items comprising remuneration, criteria for accrual and method of payment, with itemised information on the amount received by each member of the Board and an explanation of the related remuneration item, a comparison between 2007 and 2008 and details of Board member remuneration in relation to the Company's profit for the year.

For the 2008-2010 period, at their ordinary General Shareholders Meeting the shareholders approved a new remuneration plan, whereby members receive annual average remuneration of approximately Euros 140,000, of which Euros 58,333 relate to the fixed amount and Euros 81,667 (1.4 times the fixed amount) to profit-sharing (50% of gross remuneration by profit-sharing continues to be paid in shares in the Company).

As a result of the approved remuneration plan, in 2010 average remuneration per member will have increased at an annual average rate of 3.1% since 2005.

The Board considers that the total average remuneration approved for the 2008-2010 period is reasonable considering the comparative analysis performed, and that it is appropriate in light of the characteristics of the Company, the professional profiles that the Company requires for its Board members and the availability and dedication required for an adequate performance of the functions involved.

Similarly, the new fixed amount complies with the Board regulations in that the remuneration of external members is appropriate to their dedication, qualifications and responsibility, but does not represent, in the case of independent members, an obstacle to their independence. It also complies with the principle that the fixed amount should represent a moderate portion of total Board member remuneration, considering the different levels of dedication required by the various Board committees.

2. – Remuneration policy, structure and amounts paid to senior management personnel.

Detailed description of the items included in this remuneration, criteria for accrual and method of payment, as well as information on the overall amount received by senior management as a whole for each related remuneration item, with a comparison between 2007 and 2008, a separate breakdown for senior management personnel who are also members of the Board and details of senior management remuneration in relation to the Company's profit.

The Company's policy for the remuneration of senior management is based on the fundamental criteria of attracting, retaining and motivating these professionals so that Indra can achieve its annual and medium-term strategic objectives within the increasingly more competitive international environment in which the Company operates.

In 2008 the Board reviewed the remuneration of senior management, consulting independent experts in the process. To determine the terms and amounts of each item in the new remuneration framework for senior managers, the Board applied the following principles: variable remuneration should represent a substantial portion of total remuneration; medium-term remuneration should have a significant weight; and remuneration referenced to the stock exchange value of Indra shares should be significant but not excessive.

The Board of Directors resolved to establish a remuneration framework for 2008, 2009 and 2010. The elements are similar to those in place for the prior period (2005-2007), some applied on an annual and others on a year-on-year basis.

On the basis of the new amounts agreed, fixed remuneration will have increased at an annual average rate of 3.6% in the 2005-2010 period for average senior management personnel. If established objectives are determined to have been achieved satisfactorily, 60% of total remuneration for senior management as a whole would be variable and 40% would take the form of medium-term remuneration.

Both the Appointments, Remuneration and Corporate Governance Committee and the Board of Directors consider that the remuneration framework established for the 2008-2010 period, the remuneration amounts and the proportion they represent in relation to those applied in the 2005-2007 period are adequate and reasonable, considering market practices, the characteristics of the Company and the profile and circumstances of each senior management figure.

Note 37 to the Company's annual accounts for 2009, published together with this report, includes detailed, itemised information on the remuneration of the Board of Directors and senior management.

3. – Contractual framework for the employment of senior management personnel.

Detailed description of applicable conditions upon the termination of employment on grounds not attributable to the senior management figure, as well as the content of any non-competition commitments signed between the Company and senior management personnel.

**Role of the Remuneration Committee**

Article 29 of the Board regulations establishes that the remuneration policy report should be prepared by the Board of Directors each year on the basis of a proposal submitted by the Appointments, Remuneration and Corporate Governance Committee.

Were external advisory services used?	YES
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Identification of external consultants
Egon Zehnder

**B.1.17 Please identify any Board members who are also Board members, management personnel or employees of companies with significant ownership interests in the listed Company and/or other Group companies:**

<b>Name of member</b>	<b>Name of significant shareholder</b>	<b>Position</b>
MR MANUEL SOTO SERRANO	CORPORACION FINANCIERA ALBA, S.A.	BOARD MEMBER
MR JUAN MARCH DE LA LASTRA	CORPORACION FINANCIERA ALBA, S.A.	BOARD MEMBER
MR SALVADOR GABARRÓ SERRA	GAS NATURAL SDG, S.A.	CHAIRMAN

In this regard please note that:

- Mr Felipe Fernández Fernández (representative of Administradora Valtenas, S.L.) is the general manager of Caja de Ahorros de Asturias.

- Mr Matías Amat (representative of the Board member Indra Mediación y Diagnósticos, S.A.) is the general business manager of Caja de Ahorros y Monte de Piedad de Madrid.

- Mr Estanislao Rodríguez-Ponga (representative of Participaciones y Cartera de Inversión S.L.) is a member of the Board of Caja de Ahorros y Monte de Piedad de Madrid.

- Mr Eusebio Vidal-Ribas (representative of Casa Grande de Cartagena, S.L) is director and general manager of Casa Grande de Cartagena, S.L.

**Please detail any relevant relationships, other than those presented in B.1.17, between members of the Board of Directors and significant shareholders in the Company and/or Group companies:**

**Name of the associated director**

MEDIACION Y DIAGNOSTICOS, S.A.

**Name of the associated significant shareholder**

CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID

**Description of relationship**

GROUP COMPANY

**Name of the associated director**

PARTICIPACIONES Y CARTERA DE INVERSION, S.L.

**Name of the associated significant shareholder**

CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID

**Description of relationship**

GROUP COMPANY

**B.1.18 Please specify whether the Board regulations were amended during the year:**

NO

**B.1.19 Please specify the procedures for appointment, re-election, assessment and removal of Board members: the competent bodies, steps to follow and criteria applied in each procedure.**

**1. APPOINTMENT AND RE-ELECTION:**

As established in article 21 of the Board regulations, members are nominated, re-elected or ratified by the shareholders at their Shareholders General Shareholders Meeting or by the Board in application of the provisions set forth in the Spanish Companies Act and the Articles of Association.

Proposals for the appointment of members are submitted by the Board to the shareholders for consideration at their Shareholders General Shareholders Meeting, and any decisions on interim appointments taken by the Board pursuant to its legally established co-opting powers must be based on the corresponding proposal by the Appointments, Remuneration and Corporate Governance Committee in the case of independent Board members and a report from the aforementioned Committee in any other cases.

If the Board does not follow the recommendations expressed by the Appointments, Remuneration and Corporate Governance Committee, it is required to explain the reasons for this, stating them for the record in the minutes.

Any individual proposed for appointment must have a recognised personal and professional reputation, sufficient capability to commit to the Company and no interests that are incompatible with the position involved.

If the member of the Board is a company, the suitability criteria applicable to members should apply to the individual representing this company. This individual is personally subject to the duties of confidentiality, loyalty and diligence established for Board members in the Spanish Companies Act, the Articles of Association and the Board regulations.

The Board and the Appointments, Remuneration and Corporate Governance Committee, within the scope of their respective competences, should be extremely rigorous when considering individuals proposed for positions as independent members.

As established in article 21 of the Board regulations, the Board should present each proposal for the appointment or re-election of its members to the shareholders at their General Shareholders Meeting to vote on separately. Any re-elections of members proposed to the Shareholders Meeting by the Board must undergo a formal process equivalent to that applied when appointing new members.

This separate voting procedure for each appointment and re-election of Board members has been applied at all General Shareholders' Meetings since 2005 in which Board members have been appointed or re-elected.

## **2. ASSESSMENT:**

Pursuant to article 14 of the Board regulations, the Board of Directors performs an annual evaluation of its proceedings and the quality of its work, as well as those of its committees. For this purpose, 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.

To carry out the assessment for 2008, the Board agreed to contract the assistance of the firm Egon Zehnder, as it did for 2005, considering that, for a company with the experience and development of Indra in this process, the participation of external consultants is efficient if implemented periodically (every two or three years or when new circumstances so dictate). The Board selected Egon Zehnder International, an independent consultancy and professional services firm of recognised capacity and experience in this area.

Assessment for 2008 involved a formal process to assess multiple aspects relating to the composition and proceedings of the Board and its Committees, as well as the efficiency of their actions and the contributions of their members, with 72 variables. Each member of the Board was also personally interviewed by the external consultant.

Egon Zehnder presented a report on its conclusions to the plenary session of the Board in April 2008, issuing a highly positive opinion on the dedication, professionalism, performance and contribution of the Board, as well as indicating its strong points and areas for improvement.

The Board of Directors examined the conclusions of this report carefully and issued a positive opinion on its performance and the quality of its work and that of its committees in 2008. However, as a result of this evaluation process, the Board also agreed to review certain aspects of its performance to improve future efficiency, including the matters dealt with by the Delegate Committee and the distribution of the time occupied by the Board on formal matters compared to that dedicated to more relevant and strategic issues.

Similarly, article 17 of the Board regulations establishes that the Board Committees must report to the Board of Directors on an annual basis to provide details of initiatives carried out during the year, presenting their respective activity reports for approval. As recommended by the CNMV (Spanish Securities Market Commission) and as it has done since 2003, the Company intends to publish its Audit and Compliance Committee

Activity Report for 2009, along with any other information made available to the shareholders when called to their Ordinary General Shareholders Meeting.

As established in article 11 of the Board regulations, the Board must issue an annual evaluation of the work performed by its chair both in this capacity and as first executive, if applicable. If the chair does not call for this evaluation, the vice-chair appointed from among the independent members should do so. The chair should be absent when this assessment is discussed, and the aforementioned vice-chair is required to preside over the meeting.

Article 20.4 k) of the Board regulations establishes that the Appointments, Remuneration and Corporate Governance Committee should submit its report to the Board of Directors for the purpose of the annual assessment of the Chairman.

At the proposal of the Appointments, Remuneration and Corporate Governance Committee, the assessment of the Chairman of the Board for 2008 mainly considered: adequate differentiation between the Chairmanship of the Board and the position of first executive; leadership of the Board in exercising its functions and competences efficiently, ensuring that, provided that the right information is available, any issues established in the regulations and other relevant questions in the Company's interest are submitted to the Board for consideration; promoting active participation by Board members in analysis and discussion to gain sufficient understanding of the issues discussed and take decisions based on justified criteria; boosting relations with shareholders and investors, as well as information and transparency policies.

The Appointments, Remuneration and Corporate Governance Committee also proposed to the Board that it consider this evaluation in terms of the 13 variables included in the aforementioned evaluation as they also apply to Chairmanship functions.

On the basis of the assessment carried out, the Board issued a remarkably positive unanimous opinion on the performance of the Chairman of the Board in 2008.

### **3. REMOVAL OF BOARD MEMBERS:**

As established in article 24 of the Board regulations, members should be relieved of their duties on the decision of the shareholders at their General Shareholders Meeting, when they submit their resignation to the Company and when the term of their mandate is completed, in accordance with article 145 of the Mercantile Registry regulations.

If, in exceptional circumstances, the Board proposes that an independent member be removed before the term of his or her mandate has been completed, this proposal must be accompanied by reasoned justification and a prior report from the Appointments, Remuneration and Corporate Governance Committee. If the member in question does not step down at the Board's request, the relevant proposal for removal should be submitted to the shareholders at their General Shareholders Meeting.

Article 24 of the Board regulations establishes that the Company must explain the reasons for the removal of any members before completion of the term of their mandates in the Annual Corporate Governance Report.

### **B.1.20 Please specify the situations in which the Board members are required to resign:**

As established in article 24 of the Board regulations, members, notwithstanding the capacity in which they have been appointed, must hand in their resignation or take formal steps to do so when requested by the Board, if one of the following situations applies:

- a) The member has incurred a legally established incompatibility or circumstances in which membership is prohibited or must be relinquished or removed.
- b) The member has seriously breached his or her obligations as a member, or has taken action or incurred a failure to act that breaches the diligence and responsibility that must be shown in the performance of a member's duties.
- c) The continuation of the member in his or her position may jeopardise the interests of the Company or adversely affect its standing or reputation or the functioning of the Board.
- d) The reasons for which the member was appointed cease to exist.
- e) The member in question cannot maintain the necessary dedication to perform his or her duties efficiently.
- f) The shareholder represented by full members sells its entire shareholding or reduces its percentage ownership to a level that requires a decrease in the number of full members representing this shareholder.
- g) Procedural, penal or administrative action is taken by the Securities Market supervisory authorities and may involve disciplinary proceedings for serious or severe negligence or misconduct, if this event may seriously affect the standing and reputation of the Company.
- h) A change occurs in the conditions or circumstances concerning an independent member that may affect the member's independent status.
- i) An executive member leaves, for any reason, the executive position to which his or her appointment as member is related.

Any members to whom any of the above situations apply must notify the Company as soon as they become aware of the circumstances.

### **B.1.21 Please specify whether the first executive function in the Company is held by the member who chairs the Board of Directors. If so, please explain the measures taken to limit the risk of powers being held by one single person:**

YES

### **Measures to limit risks**

Articles 11.6 and 12 of the Board regulations establish that a vice-Chairman must be appointed from among the independent members, with the authority to:

- (i) call meetings of the Board or include new items on the agenda;
- (ii) call the Board 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 first executive of the Company. The Chairman must be absent from the meeting when this evaluation is discussed and the meeting should be chaired by the vice-Chairman;
- (iii) co-ordinate and process as applicable any concerns as expressed by external members and, particularly, independent members.

Article 14 of the Board regulations states that the Chairman must call a Board meeting if it is formally requested by a Vice-Chairman or by one third of the members of the Board. If the Chairman is absent or does not fulfil the aforementioned request, any Vice-Chairman may call a meeting of the Board.

Any member of the Board may propose issues for discussion by the Board and request the inclusion of items on the agenda at any meeting called, as set forth in article 14 of the Board regulations.

The Board of Directors designates a Chief Executive Officer, authorised with the same powers as the chair of the Board.

The Board Committees perform monitoring functions and, with the exception of the Delegate Committee, are made up of external members only, the majority of whom, as well as their Chairman, are independent (articles 19 and 20 of the Board regulations).

**Please specify and, if applicable, explain whether rules have been established to authorise any independent member of the Board to request that a meeting of the Board be called, or that new items be included on the agenda, in order to co-ordinate and reflect the concerns of external members and to manage the evaluation thereof by the Board of Directors.**

YES

### **Explanation of rules**

As explained in the preceding section, and pursuant to the Board regulations, any member may propose issues for discussion by the Board and request the inclusion of items on the agenda for any meeting called. Furthermore, any Vice-Chairman, including the Vice-Chairman appointed from among the independent members, may request formally that the Board be called to meet and, if the Chairman is absent or does not fulfil this request any Vice-Chairman may call a meeting of the Board.

As established in the Board regulations, the Vice-Chairman of the Board appointed from among the independent members co-ordinates and voices the concerns of

external members and, particularly, independent members, 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 first executive of the Company.

**B.1.22 Are qualified majorities other than those established by law necessary for any specific decision?**

NO

Please explain how resolutions are passed by the Board of Directors, specifying at least the minimum quorum of members present and the majorities required for resolutions to be passed:

**B.1.23 Please state whether there are any specific requirements, other than those relating to Board members, to be appointed chair of the Board.**

NO

**B.1.24 Please specify whether the chair has a casting vote:**

YES

**Matters for which there is a casting vote**

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

**B.1.25 Please specify whether the Articles of Association or the Board regulations establish any limit as to the age of Board members:**

NO

Age limit for Chairman	Age limit for CEO	Age limit for member
0	0	0

**B.1.26 Please specify whether the Articles of Association or the Board regulations establish any limit to the mandate of independent members:**

NO

Maximum number of years of mandate	0
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The Company has specifically established criteria for the maximum term of office of independent directors, as well as their renewal, it is understood that this matter cannot be strictly settled in the regulations of the Board of Directors or the Company's Articles of Association.

Specifically, in accordance with article 22 of the Board regulations on the regular renewal of its composition, at the beginning of 2005 the Board agreed to apply the following criteria, according to the recommendations submitted by the Appointments, Remuneration and Corporate Governance Committee: except in certain justified cases, independent directors may not hold positions on the Board for longer than four terms of office as stipulated in the Articles of Association (three years), and the Board must renew positions on a gradual, ongoing basis.

The application of these criteria began at the Ordinary Shareholders General Shareholders Meeting in 2005, in which the shareholders agreed the appointment of Ms Isabel Aguileras as an independent director, replacing Mr Moya Francés. The process continued in 2007 with the appointment of Ms Mónica de Oriol and Mr Luís Lada, replacing Mr Manuel Azpilicueta and Mr Juan Carlos Ureta; in 2008 with the appointment of Ms Rosa Sugrañes to replace Mr Francisco Constans; and in 2009 with the appointment of Mr Daniel García-Pita replacing Mr Pedro Ramón y Cajal.

**B.1.27 If the number of female members is short or zero, please explain the reasons for this situation and the initiatives taken to change it.**

**Please specify whether the Appointments and Remuneration Committee has established procedures so that selection processes are not implicitly biased in a way that hinders the selection of female members, and so that female candidates fulfilling the required profile are deliberately sought:**

YES

**Please specify the main procedures**

Article 21.3 of the Board regulations establishes that any individual proposed for appointment must be of recognised 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 regulations states that, when selecting individuals to perform duties Board members, the Board of Directors and the Appointments, Remuneration and Corporate Governance Committee must take particular care to apply the criteria and policies intended to include both genders on the Board.

In addition, article 20.4 of the Board regulations establishes that the Appointments, Remuneration and Corporate Governance Committee is responsible for, inter alia, ensuring that selection procedures include criteria conducive to the presence of both genders on the Board.

Since prior to 2005 the Board has been particularly careful to ensure that, when new members are to join, particularly independent members, the Company achieves gender diversity in its governing bodies.

The aforementioned criteria set out in the Board regulations were applied for the first time in 2005, when Ms Isabel Aguilera was appointed as an independent member. This process continued in 2007 with the appointment of Ms Mónica de Oriol and in 2008 with the appointment of Ms Rosa Sugrañes as independent members.

The three female Board members account for 20% of the total number of members, 23% of external members (independent plus full), and 43% of independent members, which is the category in which the Board is most capable of exercising its influence to apply gender diversity policies.

It is important to consider that, in the case of executive members, the Chair and the CEO – both male – have not changed throughout this period. As for full members, the Board and the Appointments, Remuneration and Corporate Governance Committee can only recommend that shareholders consider allocating women to positions as Board members in Indra in representation of their shareholdings, although this depends on women holding top-level positions in their respective organisations, as it is in the interest of the Company that full members are from the highest level of its shareholders' organisations. With independent members, however, the Board and the Appointments, Remuneration and Corporate Governance Committee have more capacity to manoeuvre as they can consider a much larger number of potential candidates for the position of member of the Board.

**B.1.28 Please specify whether there are any formal processes whereby members of the Board of Directors can vote by proxy. If so, please provide a brief explanation.**

In addition to legally established provisions, article 15.2 of the Board regulations stipulates that, if a member is unable to attend a meeting, the member should try and provide a proxy, preferably with voting instructions, unless, in the member's opinion, this would not be suitable. The proxy may be appointed by e-mail, letter, fax, telegram or any other valid means that can be recorded. Independent members should try to designate their proxy to another member with the same status.

**B.1.29 Please specify 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	12
Number of meetings of the Board without the Chairman being present	2(*)

(\*) Number of meetings where the Chairman was absent because it was discussed: 1) Its remuneration and its annual performance evaluation as first executive; 2) Its evaluation as Chairman of the Board.

**Please specify the number of meetings held by the different Board committees in the year:**

Number of meetings of the Executive or Delegate Committee	11
Number of meetings of the Audit Committee	9
Number of meetings of the Appointments and Remuneration Committee	6
Number of meetings of the Appointments Committee	0
Number of meetings of the Remuneration Committee	0

**B.1.30 Please specify the number of meetings held by the Board of Directors during the year in which some of its members were not present. For the calculation, proxies given without any specific instructions should be considered as non-attendance:**

Number of member absences in the year	0
Absences as a percentage of total votes in the year	0.000

**B.1.31 Please specify whether the individual and consolidated financial statements submitted to the Board for approval are previously certified:**

YES

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

Name	Position
MR REGINO MORANCHEL FERNANDEZ	CHIEF EXECUTIVE OFFICER
MR JUAN CARLOS BAENA MARTIN	FINANCES AND CORPORATE DEVELOPMENT GENERAL MANAGER

**B.1.32 Please explain any mechanisms established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the shareholders at their General Shareholders Meeting with a qualified audit opinion.**

Article 42.2 of the Board regulations 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 differences to the shareholders if there is a qualified opinion.

The Audit and Compliance Committee also carries out comprehensive and detailed monitoring 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 for this purpose and obtaining, if applicable, specific reports from the audit firm in relation to the main aspects and the development and stage of completion of the audit process. It also evaluates the management team's response to recommendations by the external auditors and intermediates in 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.

**B.1. 33 Is the secretary of the Board a director?**

NO

**B.1.34 Please explain procedures for appointment and removal of the Secretary of the Board, specifying if said appointment and removal are based on a report by the Appointments Committee and approved by the Board in full.**

**Appointment and removal procedure**

Article 13 of the Board regulations establishes that appointment, remuneration and removal of the Secretary must be approved by the Board after a report by the Appointments, Remuneration and Corporate Governance Committee. Furthermore, as established in article 20 of the regulations, one of the duties of the Appointments, Remuneration 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 Secretary and lawyer-advisor to the Board must be exercised by the individual designated by the Board. To be the Secretary of the Board it is not necessary to be a director. When the Secretary is also the lawyer-advisor, a legal professional of proven prestige and experience should be designated.

Does the Appointments Committee issue reports on appointments?	Yes
Does the Appointments Committee issue reports on removals?	Yes
Are appointments approved by the Board in plenary session?	Yes
Are removals approved by the Board in plenary session?	Yes

**Is it the duty of the Secretary of the Board to take particular care of good governance recommendations?**

YES

### **Observations**

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

### **B.1.35 Please specify any mechanisms established by the Company to ensure the independence of its auditor, financial analysts, investment banks and rating agencies.**

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

- (i) to propose that the Board file a relevant event report 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) to ensure that the Company and the auditor observe prevailing regulations on the provision of non-audit services;
- (iii) if the external auditor resigns, to examine the circumstances leading to this resignation.

Furthermore, article 42 of the Board regulations establishes measures to ensure auditor independence, expressly stipulating that:

- The Board must refrain from commissioning 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 prevailing regulations, the fees paid by the Company to the audit firm for non-audit services.
- The professional responsible for the audit and the external audit team members must rotate periodically, as established by prevailing legislation and in

accordance with the criteria that the Board may determine when proposed by the Audit and Compliance Committee.

**B.1.36 Please specify whether the Company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:**

NO

Outgoing auditor	Incoming auditor

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

NO

**B.1.37 Please specify 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

	Company	Group	Total
Amount for non-audit services (thousands of Euros)	124	0	124
Amount for non-audit services/total amount billed by the audit firm (%)	28 %	0 %	13 %

**B.1.38 Please specify 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.**

NO

**B.1.39 Please provide details of the number of years for which the current audit firm has been auditing the financial statements of the Company and/or Group. Furthermore, please specify the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:**

	Company	Group
Number of uninterrupted years	<b>18</b>	<b>18</b>

	Company	Group
Number of years audited by the current audit firm/number of years that the Company has been audited (%)	<b>94.7 %</b>	<b>94.7 %</b>

**B.1.40 Please provide details, to the extent that they are known to the Company, of the interests held by the members of the Board of Directors in companies with identical, similar or complementary statutory activities to those of the Company or Group. Please also specify the positions or duties held by the members in question in these companies:**

<b>Name of Board member</b>	<b>Name of the target company</b>	<b>Percentage interest</b>	<b>Position or duties</b>
MR JAVIER MONZON DE CACERES	ACS SERVICIOS Y CONCESIONES, S.L.	0.001	BOARD MEMBER
MR JAVIER MONZON DE CACERES	BANCO INVERISIS, S.A.	0.000	REPRESENTATIVE OF INDRA SISTEMAS, S.A. ON THE BOARD OF DIRECTORS
MR JAVIER MONZON DE CACERES	ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.	0.001	BOARD MEMBER

MR JAVIER MONZON DE CACERES	LAGARDERE SCA (FRANCE)	0.001	SUPERVISORY BOARD MEMBER
MR JAVIER MONZON DE CACERES	YPF, S.A.	0.000	PERMANENT DIRECTOR
MR MANUEL SOTO SERRANO	CORPORACIÓN FINANCIERA ALBA, S.A.	0.064	BOARD MEMBER
MR MANUEL SOTO SERRANO	MERCAPITAL, S.A.	0.000	CHAIRMAN OF ADVISORY BOARD
MR MANUEL SOTO SERRANO	BANCO SANTANDER, S.A.	0.004	4 <sup>TH</sup> VICE-CHAIRMAN OF THE BOARD OF DIRECTORS
MR MANUEL SOTO SERRANO	CARTERA INDUSTRIAL REA, S.A.	3.272	BOARD MEMBER
MR MANUEL SOTO SERRANO	INVERSIONES INMOBILIARIAS LAR, S.A.	0.200	BOARD MEMBER
MR JOAQUIN MOYA-ANGELER CABRERA	BETY BYTE, S.L.	21.480	BOARD MEMBER
MR JOAQUIN MOYA-ANGELER CABRERA	REDSA, SA.	50.000	CHAIRMAN OF THE BOARD OF DIRECTORS
MR JOAQUIN MOYA-ANGELER CABRERA	HILDEBRANDO (MEXICO)	3.740	CHAIRMAN OF THE BOARD OF DIRECTORS
MR JOAQUIN MOYA-ANGELER CABRERA	PULSAR TECHNOLOGIES	32.220	CHAIRMAN OF THE BOARD OF DIRECTORS
MR JOAQUIN MOYA-ANGELER CABRERA	PREZENZIA.NET	49.000	CHAIRMAN OF THE BOARD OF DIRECTORS
MR JOAQUIN MOYA-ANGELER	SCITUM	3.900	BOARD MEMBER

CABRERA			
MR LUIS LADA DÍAZ	TELEFÓNICA O2 CZECH REPUBLIC	0.000	BOARD MEMBER
MR LUIS LADA DÍAZ	RIBAFUERTE, S.L.	35.000	ADMINISTRATOR /GENERAL MANAGER
MR LUIS LADA DÍAZ	TELCEL, CA	0.000	BOARD MEMBER
MR LUIS LADA DÍAZ	SIDSA, S.L.	0.000	BOARD MEMBER
MR LUIS LADA DÍAZ	TELEFÓNICA ID, S.A.U.	0.000	BOARD MEMBER
MR LUIS LADA DÍAZ	YDILO, AVS, S.A.	0.000	BOARD MEMBER
MS MÓNICA DE ORIOL ICAZA	SEGURIBER, S.L.U.	41.850	SOLE ADMINISTRATOR
MS MÓNICA DE ORIOL ICAZA	ALARTEC ENTIDAD DE TELEVIGILANCIA, S.L.U.	41.850	SOLE ADMINISTRATOR

In this regard please note:

- Mr Felipe Fernández (representative of the Board member Administradora Valtenas, S.L.) has informed the Company that he also chairs the Board of Directors and executive committee of Infocaja, S.L.

- Mr Estanislao Rodríguez-Ponga (representative of the Board member Participaciones y Cartera de Inversión S.L.) has informed the Company that he is (i) assistant director of El Corte Inglés S.A. (ii) member of the Board of Caja de Ahorros y Monte de Piedad de Madrid, (iii) member of the Board of Radio Popular, S.A. COPE, (iv) member of the Board of Testa Inmuebles en Renta S.A., (v) member of the Board of FINSA Financiera Maderera, S.A., (vi) member of the Board of Ason Inmobiliaria de Arriendos, S.L. and (vii) member of the Board of Móstoles Industrial, S.A.

**B.1.41 Please specify whether there is a procedure whereby Board members can contract external advisory services, and provide details if applicable:**

YES

**Explanation of procedure**

Article 27 of the Board regulations establishes that, to obtain appropriate information and advice regarding the exercise of their duties, Board members may ask the Company to engage 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 Board member.

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

- (i) the Board does not require any external advice for the performance of the duties designated to external members;
- (ii) the related cost is not reasonable considering the size or the importance of the problem; 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 regulations 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 on request by a Vice-Chairman or one third of the Board members, 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 at the discretion or on request by the chair of the Committee in question).

**B.1.42 Please specify whether there is a procedure for providing information to Board members to allow them to prepare for meetings of administration bodies with sufficient notice. If so, explain the procedure:**

YES

**Explanation of procedure**

Article 14 of the Board regulations establishes that the Board must prepare an annual schedule of ordinary 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 must always be sent out, except in urgent circumstances, no less than three days prior to the date of the meeting. In accordance with article 11 of the Board regulations, the Chairman of the Board must ensure that Board members receive appropriate information on the issues to discuss suitably in advance of the meeting in question.

Article 26 of the Board regulations also establishes that any Board member has ample authority to obtain information on any aspect related to the Company, to examine the

books, records, documents and any other background details on the Company's operations, and to inspect all the Company's facilities.

Additionally, article 30 of the Board regulations establishes that all Board members are responsible for the diligent procurement of information on the Company's position and development, and preparing for the meetings of the Board and any Committees to which they belong.

**B.1.43 Please specify whether the Company has established rules whereby Board members must provide information on and, if applicable, resign in any circumstances that may damage the Company's standing and reputation. If so, provide details:**

YES

**Explanation of rules**

Article 24 of the Board regulations establishes that any Board member that enters any of the circumstances established in this article must inform the Company as soon as he or she becomes aware of the situation. The circumstances stipulated include the following: (i) if the continuation of member 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 or severe negligence or misconduct, procedural, penal or administrative action is taken by the Securities Market supervisory authorities and may involve disciplinary proceedings, provided that this event could seriously affect the Company's standing and reputation.

**B.1.44 Please specify 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 established in section 124 of the Spanish Companies Act.**

NO

**Please explain whether the Board of Directors has examined the case. If so, please explain and provide reasons for the decision taken as to whether the Board member in question should continue in his or her position.**

NO

Decision taken	Reasoned explanation

**B.2 BOARD OF DIRECTORS' COMMITTEES**

**B.2.1 Please provide details of all committees of the Board of Directors and their membership:**

### EXECUTIVE OR DELEGATE COMMITTEE

<b>Name</b>	<b>Position held</b>	<b>Category</b>
MR JAVIER MONZON DE CACERES	CHAIRMAN	EXECUTIVE
MS ISABEL AGUILERA NAVARRO	MEMBER	INDEPENDENT
MR JOAQUIN MOYA-ANGELER CABRERA	MEMBER	INDEPENDENT
MR JUAN MARCH DE LA LASTRA	MEMBER	PROPRIETARY
MR LUÍS LADA DÍAZ	MEMBER	INDEPENDENT
MEDIACIÓN Y DIAGNÓSTICOS, S.A.	MEMBER	PROPRIETARY
MR REGINO MORANCHEL FERNANDEZ	MEMBER	EXECUTIVE
MS ROSA SUGRAÑES ARIMANY	MEMBER	INDEPENDENT

### AUDIT COMMITTEE

<b>Name</b>	<b>Position held</b>	<b>Category</b>
MR MANUEL SOTO SERRANO	CHAIRMAN	INDEPENDENT
CASA GRANDE DE CARTAGENA, S.L.	MEMBER	PROPRIETARY
MS ISABEL AGUILERA NAVARRO	MEMBER	INDEPENDENT
MS MONICA DE ORIOL ICAZA	MEMBER	INDEPENDENT
PARTICIPACIONES Y CARTERA DE	MEMBER	PROPRIETARY

INVERSIONES, S.L.		
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#### **APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE**

<b>Name</b>	<b>Position held</b>	<b>Category</b>
MR JOAQUIN MOYA-ANGELER CABRERA	CHAIRMAN	INDEPENDENT
MR DANIEL GARCÍA-PITA PEMÁN	MEMBER	INDEPENDENT
MEDIACIÓN Y DIAGNÓSTICOS, S.A.	MEMBER	PROPRIETARY
MS MONICA DE ORIOL ICAZA	MEMBER	INDEPENDENT
MR SALVADOR GABARRÓ SERRA	MEMBER	PROPRIETARY

#### **B.2.2 Please indicate whether the Audit Committee assumes the following functions:**

Supervision of the process of preparation and the completeness of financial information relating to the Company and, where appropriate, the Group, reviewing compliance with regulatory requirements, the proper scope of the consolidated Group and the correct application of accounting principles.	YES
Regular review of the internal control and risk management systems, to ensure that the main risks are properly identified, managed and communicated.	YES
Verification that the internal audit service is both independent and efficient; proposal of the selection, appointment, re-election and dismissal of the head of the internal audit service; proposal of the budget for this service; receipt of regular information on its activities; and verification that senior management considers the conclusions and recommendations contained in its reports.	YES
Implementation and supervision of a mechanism 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.	YES

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 this auditor is hired.	YES
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.	YES
Confirmation that the external auditor is independent.	YES
In the case of groups, encouraging the assumption of responsibility by the group auditor for the audit of group companies.	YES

### **B.2.3. Please describe the organisational and operational rules and areas of responsibility assigned to each Board committee.**

In accordance with article 17 of the Board Regulations, if nothing is specifically stipulated on it, the Committees will regulate their own procedures and they will appoint a Chairman from their members. It will act as Secretary of the same the Secretary or the Vice-secretary of the Board.

The Committees will meet if the Chairman of each Committee called for a meeting after receiving a proposal from the Chairman of the Board, any of the Vice-chairmen or from more than a half of the members of the Committee to celebrate a meeting.

The Committees must inform the Board about the issues discussed and the agreements adopted in their meetings. In this regard, the Chairman of each Committee will inform, in the immediately after meeting of the Board of Directors, about the actions took by each Committee. The decisions adopted in the Committees will be considered agreement proposals or reports to the Board of Directors, except if they are adopted by the Delegate Committee.

The Committees will be validly held when the majority of its members attend the meeting, present or duly represented. The agreements will be approved by absolute majority and in case of a tie the Chairman will have a casting vote.

The Committees will annually prepare a performance plan and a schedule of ordinary meetings, despite the fact that extraordinary meetings can be held. They will also prepare a report of activities. They will inform the Board about all the above mentioned.

Any member of the senior management or any employee of the Company must attend to a meeting of the Committees and assist and inform the Committees if the Chairman of the Committee requests its presence. The Committees could also request to attend their meetings to the external auditors of the accounts of the Company. For a better performance of their functions the Committees will be able to ask for external advice.

### **EXECUTIVE OR DELEGATE COMMITTEE**

In accordance with article 18 of the Board regulations (which states that the number of directors needs to be established in each case by the Board, the minimum number being four and the maximum being nine), the Delegate Committee has eight members and must be chaired by the Chairman of the Board or, if the Chairman of the Board is not a Committee member, by the Managing Director.

The composition of the Delegate Committee is required to reflect, to a reasonable extent, the composition of the Board and the proportions established in the Board between the different categories of Board members.

The appointment of members of the Delegate Committee and the permanent delegation of powers to this Committee by the Board requires the favourable vote of at least two thirds of the Board members. Delegated powers may include all the powers of the Board except those that cannot, by law or by virtue of the Articles of Association and Article 5 of the Board regulations, be delegated.

Article 5 of the Board regulations stipulates that the Board cannot delegate powers that, in accordance with the law or the Articles of Association, must be exercised directly by the Board itself. The Board may not delegate the powers necessary for it to responsibly exercise its general supervisory function, such as the approval of:

- a) The Company's general strategies and, where appropriate, specific strategic plans, annual targets and budgets.
- b) The general policy for risk management and the definition of suitable control and reporting systems.
- c) The policy with for financing, own shares and shareholder returns.
- d) The corporate structure, including all the various activities in which the Company engages.
- e) Operations involving the acquisition and disposal of Company assets and corporate transactions of amounts exceeding Euros 30 million.
- f) Related-party transactions, in accordance with pertinent legal provisions and the stipulations of these regulations.
- g) The creation or acquisition of interests in special-purposes entities or entities domiciled in countries or territories classified as tax havens, and any other similar transactions that could prove detrimental to the Group's transparency.
- h) Operations that have an effect equivalent to the winding up of the Company.
- i) The conversion of the Company into a mere holding company through the allocation of its businesses and activities to subsidiaries.
- j) The policy for reporting to and communications with shareholders, markets, and the public in general, and in particular:

- i) the preparation and approval of the information that the Company issues publicly on an annual basis together with the financial statements submitted for approval by the shareholders at their General Shareholders Meeting; and
  - ii) the approval of the financial information that the Company is required to publish regularly in accordance with prevailing legislation.
- k) Proposals regarding directors' remuneration and the determination of the amount thereof, in accordance with the pertinent provisions of the Articles of Association and resolutions of the shareholders at their General Shareholders Meeting.
- l) The appointment, terms of contract – including indemnity clauses in particular – remuneration, dismissal, and performance monitoring of senior management personnel.
- m) General corporate responsibility policies.
- n) Corporate governance policies and rules governing the internal functioning of the Board and its Committees, and the evaluation of the quality and efficiency of its functioning and the work of the Board and its Committees.
- o) And all other matters specifically envisaged in the Board regulations.

The resolutions passed by the Committee in the performance of its functions have to be submitted to the Board in plenary session for ratification whenever the Chairman or a third of the members of the Delegate Committee consider this to be advisable, in view of the importance of the issue in question. The same rule applies to matters that the Board has referred to the Delegate Committee for study but reserved for itself the final decision-making authority.

In all other cases, resolutions passed by the Delegate Committee are valid and binding, with no need for subsequent ratification by the Board in plenary session.

### **AUDIT COMMITTEE**

In accordance with article 30.3 of the Articles of Association (which stipulates that this Committee must be comprised of a minimum of three and a maximum of five directors, all external), the Audit Committee comprises five external directors, three of which are independent directors.

The Chairman of the Committee is required to be an independent director and must be replaced at least once every four years, with the possibility of re-election once one year has elapsed from the date of his or her dismissal. When appointing the Chairman special consideration is to be given to the candidate's knowledge, skills and experience in the areas involved in the functions of this Committee.

If the Chairman is absent, the meeting has to be chaired by an independent director appointed for this purpose by the Committee, or by a director appointed by the Committee.

The responsibilities of the Committee are regulated on Article 30 of the Articles of Association and Article 19 of the Board regulations, and are as follows:

- a) Report to the shareholders at their General Shareholders Meeting on points raised by the shareholders regarding matters that fall within the Committee's area of competence.
- b) Submit to the Board of Directors proposals for the appointment of the external auditor and the related contractual terms, the scope of the auditor's mandate and, where appropriate, the revocation or non-renewal of appointment.
- c) Liaise directly with the external auditor and evaluate the development and results of its work, paying special attention to any issues that might pose a threat to auditor independence and any other issues related to the performance of the financial audit process, and maintain all other communications required by audit legislation and technical audit rules.
- d) Supervise the functioning of the Company's internal audit area.
- e) Know the workings of the financial reporting process and internal control systems and verify their adequacy and integrity.
- f) Supervise the preparation process and the integrity of financial information relating to the Company and, where appropriate, the consolidated Group, reviewing compliance with regulatory requirements, the proper scope of the consolidated Group and the correct application of accounting principles.
- g) Act as a channel of communication between the Board and the external auditor, 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 arbitrates in the event of any discrepancies 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.
- h) Report to the Board - prior to adoption of the corresponding decisions – on the creation or acquisition of conduit companies or companies domiciled in tax havens, and on any other transaction or operation that could jeopardise the Company's transparency.
- i) Review issue brochures.
- j) Report to the Board - prior to adoption of the corresponding decisions – on the financial information that the Company, as a listed entity, is required to publish on a regular basis. The Committee must ensure that the quarterly and six-monthly accounting statements are prepared using the same accounting standards as in the annual statements.
- k) Establish measures to safeguard the independence of the external auditor and, to this effect:

i) to propose that the Board file a relevant event report 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) to ensure that the Company and the auditor observe prevailing regulations on the provision of services other than audit services, in accordance with the provisions of article 43 of these Regulations, and;

(iii) if the external auditor resigns, to examine the circumstances leading to this resignation.

l) 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.

m) Regularly review the Company's internal control and risk management systems.

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

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

p) Consider suggestions from shareholders, directors and senior management personnel of the Company on matters within its area of competence.

q) Exercise all other functions attributed to it by the Board regulations or by the Board of Directors.

#### **APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE**

In accordance with Article 20 of the Board regulations (which stipulates that the Committee must be comprised of a minimum of three directors, all external), this Committee is made up of five directors, all external, the majority (three) of which are independent.

This Committee is required to be chaired by an independent director. When the Chairman is absent, meetings have 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 Managing Director have to be consulted and called to meetings of the Committee that deliberate on issues relating to senior management personnel other than themselves.

Notwithstanding any other tasks that may be assigned to it by the Board or its regulations, the powers of the Appointments, Remuneration and Corporate Governance Committee are as follows:

a) To report on the composition of the Board of Directors, subsequent Board membership profiles required and the criteria to be applied in the selection of members. The Committee is responsible for verifying that the selection procedures applied include criteria favourable to gender diversity in the composition of the Board.

b) To assess the extent to which the knowledge, skills and experience of proposed candidates for membership of the Board and its various Committees meet the required profiles, and verify compliance with applicable requirements considering the category of membership position in question.

The Committee is required to consider possible candidacies for vacancies on the Board suggested by other Board members.

c) To present to the Board, prior to the re-election of Board members, a report on the performance of their duties to date.

d) To verify annually that the category of Board membership position to which each director is appointed remains correct (his information must be included in the Annual Corporate Governance Report).

e) To 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) To report on proposals for the appointment or dismissal of the Secretary and Vice-secretary of the Board.

g) To present proposals to the Board for the remuneration system for Board members, the composition of this remuneration and the amounts, within the limits established in the Articles of Association and resolutions of the shareholders at their General Shareholders Meeting. The Committee is also required to report on the remuneration of the Secretary if this is a non-voting position.

h) To report to the Board on proposals for the appointment and dismissal of Company senior management personnel, and report – prior to approval by the Board – on the remunerative conditions thereof and the terms and conditions of their employment contracts with the Company, including clauses regarding compensation on termination of employment.

i) To present to the Board an annual assessment evaluating the performance by senior management personnel in their duties, including the Chairman if the Chairmanship is an executive position.

j) To propose the annual report on remuneration policy to be presented by the Board to the General Shareholders Meeting – prior to its issue by the Board – in accordance with Article 30 of the regulations, as well as the information on remuneration published by the Company.

k) To present a report to the Board of Directors for the purposes of the annual assessment of the Chairman of the Board.

l) To report to the Board of Directors – prior to approval by the Board – on related-party transactions with directors with significant shareholders or parties represented on the Board, senior management personnel or individuals related to any of the above.

m) To perform regular evaluations of the extent to which the Company's corporate governance rules, procedures and practices conform to national and international standards, recommendations and best practices.

n) To carry out an annual evaluation of the effectiveness of, and compliance with, the Company's Corporate Governance rules and procedures, and regularly review the corporate governance information that the Board of Directors is required to approve and include in its annual public report.

o) To propose to the Board amendments to the Company's Corporate Governance rules, explaining why it considers such amendments to be advisable.

p) To 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.

q) To consider suggestions on issues falling within its area of competence made by shareholders, directors or senior management personnel of the Company.

#### **B.2.4. Please indicate the advisory and consulting functions and any delegated powers corresponding to each of the committees:**

##### **Committee name**

APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE

##### **Brief description**

The function of this committee is primarily to advise and make proposals to the Board of Directors and, where appropriate, to the shareholders at their General Shareholders Meeting, in respect of issues falling within its area of responsibility, as listed in section B.2.3. above.

##### **Committee name**

EXECUTIVE OR DELEGATE COMMITTEE

##### **Brief description**

All powers of the Board of Directors are permanently delegated to this Committee, except for those that are reserved by law or by the Articles of Association for the Board and those foreseen in Article 5 of the Board regulations. The Committee is able to adopt executive resolutions when exercising these delegated powers. These powers are listed in detail in section B.2.3. above.

##### **Committee name**

## AUDIT COMMITTEE

### **Brief description**

The function of this committee is primarily to advise and make proposals to the Board of Directors and, where appropriate, to the shareholders at their General Shareholders Meeting, in respect of issues within its area of responsibility, as listed in section B.2.3. above.

### **B.2.5. Please indicate, where applicable, the existence of any regulations governing Board Committees, where these regulations may be consulted and any amendments thereto made them during the year. Please also state 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 Articles of Association and by the Board regulations, which are permanently available for consultation on the Company's website ([www.indra.es](http://www.indra.es)) and on the website of the National Securities Market Commission (CNMV).

No amendments have been made to the regulations governing these Committees during 2009.

These Committees, like the other Committees and the Board itself, prepares an annual report detailing its activities and initiatives taken during the year, as foreseen in the Board regulations. This report is submitted to the Board for its annual evaluation of its own operations and the quality of its work and that of its Committees.

In accordance with the recommendation made by the National Securities Market Commission (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 their Ordinary Shareholders General Shareholders Meeting on 25<sup>th</sup> of July 2009, along with the rest of the information made available to shareholders.

### **B.2.6. Please indicate whether the composition of the Executive Committee reflects the participation of the different categories of director in the Board of Directors:**

YES

## **C. RELATED-PARTY TRANSACTIONS**

### **C.1. Please state whether the approval - following a favourable report by the Audit Committee or other committee entrusted with this task - of transactions performed by the Company with directors, with significant shareholders or shareholders represented on the Board, or with persons related to any of the above, is reserved for the Board in plenary session:**

YES

**C.2. Please describe relevant transactions involving a transfer of resources or obligations between the Company or entities within its Group and the Company's significant shareholders:**

<b>Name of significant shareholder</b>	<b>Name of company or group entity</b>	<b>Nature of relationship</b>	<b>Type of transaction</b>	<b>Amount (in thousands of Euros)</b>
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	CONTRACTUAL	Finance expenses <sup>(1)</sup>	268
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	CONTRACTUAL	Other operations <sup>(8)</sup>	86,819
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	CONTRACTUAL	Repayment and cancellation of loans and lease contracts (lessor)	116
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	CONTRACTUAL	Financing agreements, loans and capital contributions (borrower) <sup>(6)</sup>	92,353
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	CORPORATE	Dividends and other distributions of profits	20,024
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	COMMERCIAL	Leases	35

CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	CONTRACTUAL	Repayment and cancellation of loans and lease contracts (lessor)	356
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	COMMERCIAL	Services rendered <sup>(3)</sup>	21,943
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	CONTRACTUAL	Commitments undertaken <sup>(7)</sup>	83,797
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	COMMERCIAL	Receipt of services <sup>(2)</sup>	127
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	CONTRACTUAL	Other expenses <sup>(4)</sup>	264
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	CONTRACTUAL	Finance income <sup>(5)</sup>	19
CORPORACION FINANCIERA ALBA, S.A.	ALBA PARTICIPACIONES, S.A.	CORPORATE	Dividends and other distributions of profits	10,012
CORPORACION FINANCIERA ALBA, S.A.	BANCA MARCH, S.A.	CONTRACTUAL	Commitments undertaken <sup>(7)</sup>	15
LOLLAND, S.A.	CASA GRANDE DE CARTAGENA, S.L.	CORPORATE	Dividends and other distributions	5,691

			of profits	
CAJA DE AHORROS DE ASTURIAS	CANTABRICA DE INVERSIONES DE CARTERA, S.L.	CORPORATE	Dividends and other distributions of profits	5,010
CAJA DE AHORROS DE ASTURIAS	VARIOUS GROUP COMPANIES	COMMERCIAL	Services rendered <sup>(3)</sup>	121
GAS NATURAL SDG, S.A.	VARIOUS GROUP COMPANIES	COMMERCIAL	Leases	1,728
GAS NATURAL SDG, S.A.	VARIOUS GROUP COMPANIES	CORPORATE	Dividends and other distributions of profits	5,006
GAS NATURAL SDG, S.A.	VARIOUS GROUP COMPANIES	COMMERCIAL	Receipt of services <sup>(2)</sup>	5,086
GAS NATURAL SDG, S.A.	VARIOUS GROUP COMPANIES	COMMERCIAL	Services rendered <sup>(3)</sup>	84,764

(1) "Finance expenses" relate to expenses and interest as a result of financial brokerage services and drawdown on credit facilities.

(2) "Receipt of services" refers to services contracted by Indra from the specified shareholder in the ordinary course of business.

(3) "Services rendered" reflect services for which Indra was contracted by the specified shareholder in the ordinary course of business.

(4) The amounts classified as "other expenses" are guarantee management expenses.

(5) "Finance income" is interest received by Indra on current deposits.

(6) "Financing agreements" relate to the maximum limit of credit facilities.

(7) "Commitments undertaken" relate to the maximum limit of guarantees and credit cards.

(8) "Other expenses" relate to the maximum limit of confirming, derivatives and commercial credits.

In the information published every six months, "other related parties" include transactions with Banco Inversis, S.A., in which Indra has a 12.77% interest and Caja Madrid a 38.48% interest.

**All significant transactions in which resources or obligations were transferred between the Company or Group companies and significant shareholders, please note that were authorised in accordance with the Board regulations and took place within the ordinary course of the Group's business and under market**

conditions. They do not represent, either individually or as a whole, a significant amount in relation to the Group's assets, financial situation and revenues.

**C.3. Please describe relevant transactions which involve a transfer of resources or obligations between the Company or entities within its Group and the directors or management personnel of the Company:**

Name of director or management personnel	Name of company or group entity	Nature of transaction	Type of transaction	Amount (in thousands of Euros)
MR JOAQUIN MOYA-ANGELER CABRERA	VARIOUS GROUP COMPANIES	COMMERCIAL	Leases <sup>(1)</sup>	253
MS MONICA DE ORIOL ICAZA	INDRA SISTEMAS, S.A.	COMMERCIAL	Receipt of services <sup>(4)</sup>	878
MR PEDRO RAMÓN Y CAJAL AGÜERAS	INDRA SISTEMAS, S.A.	COMMERCIAL	Leases <sup>(2)</sup>	188
MR PEDRO RAMÓN Y CAJAL AGÜERAS	Indra SISTEMAS, S.A.	COMMERCIAL	Receipt of services <sup>(3)</sup>	15

(1) The lease with the director Mr Joaquín Moya-Angeler relates to a building with an area of 4,226m2 located in Torrejón de Ardoz, rented from Inmoan, S.A., of which Mr Moya-Angeler is the sole shareholder. The lease contract was signed in 1999 for eight years and extended in December 2007 under the terms and conditions set forth therein. The terms of this lease were negotiated with Mr Moya-Angeler before his appointment as director of Indra, after which, at the request of Mr Moya-Angeler, the Board expressly authorised the transaction after a favourable report from the Appointments, Remuneration and Corporate Governance Committee.

(2) The lease with the director Mr Pedro Ramón y Cajal relates to a building with an area of 4,084.12m2 located in Alcobendas, rented from Edificios Alcobendas S.A., in which Mr Ramón y Cajal owns a 10% interest. The lease contract was signed at the end of 2005 and remains in force until May 2011, after which it may be extended until 2015. The amount declared reflects the rent paid for the first half of 2009, as Mr Ramón y Cajal ceased to be a member of the Board of the Company – and, consequently, a related party – in June 2009.

(3) The services received from Mr Ramón y Cajal are legal advisory services contracted by Indra from Ramón y Caja Abogados, S.L.P. of which Mr Ramón y Cajal is Chairman of the Board of Directors and a minority shareholder. As above, the amount declared reflects the amount invoiced in the first half of 2009.

(4) The services received from director Ms Mónica de Oriol comprise security services rendered by Seguriber, in which Ms Oriol holds an indirect share of 41.85% and is the sole administrator. Seguriber had a commercial relationship with Indra prior the appointment of Ms Oriol as Board member.

**All significant transactions in which resources or obligations were transferred between the Company or Group companies and its directors or management personnel, please note that all such transactions were authorised in accordance to the Board regulations and took place within the ordinary course of the Group's business and under market conditions. They do not represent, either individually or as a whole, a significant amount in relation to the Group's assets, financial situation and revenues.**

**C.4. Please describe 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 (in terms of their purpose and conditions) form part of the Company's ordinary business activities.**

**C.5. Please state whether the members of the Board of Directors have been in any situation during the year which is regarded as a conflict of interests pursuant to the provisions of Article 127.3 of the Spanish Companies Act.**

NO

**C.6. Please describe the mechanisms in place to detect, determine and resolve potential conflicts of interests between the Company and/or its Group and its directors, management personnel or significant shareholders.**

Board members are required by Article 33 of the Board regulations 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 stakes held in capital or office held or provision of services in/to other companies or entities which are, or may foreseeably become, competitors of the Company, or which are, or could foreseeably come to be, in a situation of conflict of interests with respect to the Company.

In the cases specified in the preceding paragraph, the Board, following a report from the Appointments, Remuneration and Corporate Governance Committee, is required to order the adoption of such measures as it considers necessary to safeguard the interests of the Company. If the director in question fails to act in accordance with such order, the Board is required to present the corresponding proposal for dismissal to the shareholders at their General Shareholders Meeting.

Board members must refrain from attending and taking part in any deliberations, decisions and resolutions involving matters in relation to which they are in a situation of conflict of interests.

The Company is required to make public any situations of conflict of interests in which Board members may find themselves, in the terms envisaged in applicable legislation.

Article 32 of the Board regulations stipulates that:

a) Board members 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, Board members may be released from the obligation to provide such compensation, although in this case the resulting gain is to be regarded as indirect remuneration requiring authorisation by the Board, following a report from the Appointments, Remuneration and Corporate Governance Committee.

b) Board members 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 Appointments, Remuneration 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) The Board members may not perform, for their own benefit, investment or any other operations linked to the Company's assets which have come to their knowledge through the performance of their duties, when the investment or operation 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) Board members 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 they may be involved, 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) Board members may not use the name of the Company nor use their status as directors thereof to carry out operations on their own behalf.

Similarly, Article 34 of the Board regulations stipulates that Board members 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.

### **C.7. Is there more than one Group company listed in Spain?**

NO

**Please name the listed subsidiaries:**

## **D - RISK CONTROL SYSTEMS**

### **D.1 General description of the Company's and/or Group's risk policy by detailing and assessing risks covered by the system together with the**

## justification of the adequacy of these systems to the profile of each type of risk.

Indra maintains a full risk map which includes different potential risks faced by the Company in the various areas of activity and geographical regions in which it operates. These risks are classified and assessed based on their probability of occurrence and the intensity of their financial impact. Once prioritised, the risks are managed internally through specific action plans. By managing its risk map the Company has implemented an active and dynamic process for the continuous identification, assessment and management of risk, with the aim of mitigating its impact.

The principal risks are grouped into the following categories:

- (i) Strategic risks
- (ii) Technical risks
- (iii) Economic and financial risks
- (iv) Physical risks
- (v) Human capital risks
- (vi) Legal, contractual and regulatory risks
- (vii) Health and safety risks in the workplace
- (viii) Environmental risks
- (ix) Information technology management risks

### (i) Strategic risks

Strategic risks affect decisions on how the Company is organised, its sales strategies, expansion (geographical and in terms of supply), R+D+i investment policy and knowledge management. Strategic risks also include any risks that may affect the Company's reputation and/or image.

All strategic decisions are taken by the corresponding governing bodies and subsequently reported to the different areas affected for application and monitoring. The Company has the sufficient organisation and tools to contrast the results obtained.

Indra also has a Code of Ethics and Professional Conduct, approved by the Board of Directors and the implementation and compliance of which is supervised by the Audit and Compliance Committee. Indra has used this code to disseminate the Company's commitment and responsibility to all levels of the organisation, making employees aware of the values and principles that should underlie all their actions.

The Audit and Compliance Committee has also supervised the establishment and launch of a direct communication channel (known as the "Canal Directo") allowing employees to consult or request clarification on the application of the Code of Ethics

and Professional Conduct, as well as to report any irregular behaviour or actions that breach the principles established therein.

(ii) Technical risks

This section identifies the risks relating to the generation and preparation of sales offers and the subsequent implementation of projects awarded to the Company in tender processes.

Indra has established the following means of minimising risks of this type:

- An entire organisation focused on preventing project management risks, from the initial offer presented to the customer to the final delivery of projects, understood as a basic management unit. A noteworthy aspect in the scope of prevention is the set of procedures carried out prior to making a decision on the presentation of offers, including analysis and review by the supply committee, which comprises the areas of operations and management control.

The presence of a specific directorate-general for management control is also notable in this field. It is responsible for following up on all pre-contractual and contractual project stages, and providing information to management and business units on a timely basis and anticipating and assessing all risks.

- Full regulations for the entire Group, together with a project management method divided into two stages: pre-contract and implementation. This method includes the definition of a risk plan and its subsequent follow-up to assess and manage risks from the supply stage and subsequently during implementation, right up to the final delivery of the solutions or services contracted by the customer.
- Tools based on internal information systems, designed to follow up risks, provide information and control all pre-planned key parameters, the risk plan and its monitoring, implementation deadlines and compliance with established milestones, technical and financial progress, follow-up of projected expenses, invoicing, payment, etc. These systems include a series of indices and alarm mechanisms with the aim of anticipating any problems that may prevent projects for developing as planned and managing them in a timely manner.
- An internal audit area responsible for verifying and assessing compliance with regulations, to achieve the continuous improvement of internal control processes in all the Group's areas and companies. Annual planning of internal auditing activities is based on a prior definition of the risk map, prioritising its actions based on the latter.

In 2009, the Company has continued with its intense programme of communication, training and implementation of regulations, methods and computerised project management tools, both in Spain and in its international subsidiaries. This effort has been essential to ensure appropriate internal control and risk prevention in all the Group's companies.

Indra has also continued to strengthen the knowledge of its professionals in project management methodology, continuing to gain PMP (project management professional) certification. To date, over 150 professionals have been certified since this initiative began, making Indra the Spanish company with the largest number of PMPs.

The audit and compliance committee regularly reviews the internal control systems described each year through meetings with their managers and using the information transmitted by the internal audit area.

(iii) Economic and financial risks

The main aims of the Indra Group's risk management are: to ensure the availability of necessary funds to meet financial undertakings and protect the Euro value of the financial flows expressed in foreign currencies with which Indra operates; and to prevent, as far as possible, the impact on the Company's business of risks derived from the economic environment, such as fluctuations in the price of materials, services and/or labour, fall in demand, the potential insolvency of customers or suppliers, the loss of significant customers, etc.

The volatility of foreign exchange markets and the increasing globalisation of the Group mean that the risk of foreign exchange transactions is more significant for Indra. The management of foreign currencies is centralised in the cash flow area and subject to strict internal regulations that require, from the outset, the hedging of the net flows of all projects underway to guarantee expected profitability and avoid this being compromised by the fluctuation of exchange rates.

Liquidity to tackle financial commitments arising from transactions and capital requirements is ensured by committed and flexible loan policies contracted with various financial entities. Indra negotiates centrally from the cash flow area, obtaining these short-term loans at the best market prices.

Variation in interest rates may affect the effective cost of drawdowns on loan policies, increasing debt costs. To manage risks arising from interest rate fluctuations, the Company considers the possibility of using hedging instruments existing on the market.

Any exceptions to these regulations, in relation to both exchange rate hedges and fluctuations in interest rates, must go through special authorisation mechanisms.

With regard to potential risks derived from the economic environment, Indra has short, medium and long-term planning systems that enable it to anticipate potential risks sufficiently and prepare the necessary measures (organisation, international expansion, hedging of insolvency risks, etc.) in advance, allowing it to continue maintaining sufficient revenue and profitability levels.

A noteworthy aspect in this matter is the purchases area, which is centralised for all the Group's business units and subsidiaries and has two aims: to optimise purchases (by negotiating framework agreements, planning delivery deadlines and optimising prices) and to ensure internal control by verifying the need for each purchase, synergies between different units, sources of supply and the liquidity of suppliers.

The internal audit area is responsible for, inter alia, monitoring the correct application of internal regulations in the treasury and purchases areas, and reporting the results of reviews to the Audit and Compliance Committee.

(iv) Physical risks

Indra has a specialised service for managing business and equity risks and civil liability risks. It aims to define the coverage policy for these risks by means of internal prevention and, when the risk in question can be insured, transfer to third parties (insurance companies).

This department prepares a full risk map by separating insurable risks, for the quantification of their impact and subsequent transfer to insurance companies, and risks that cannot be insured, for coverage using specific prevention regulations. All accident risks and all kinds of liability (products, operation, professional, management, etc.) are covered. The proper definition of these risks provided by the map in relation to Indra's activity ensures their correct coverage and/or prevention.

(v) Human capital risks

Our biggest asset is formed by the more than 25,000 Indra professionals all over the world. Our excellent talent management processes form one of the cornerstones of Indra's strategy, and are an essential tool to retain our professionals.

Indra has therefore continued to review and approve people management tools and processes, ranging from performance assessment and estimation of potential to our general training and development plan, including remuneration and staff planning processes to give us the best means to manage our employees' careers appropriately.

In this way, we aim to attract, retain, and motivate the best professionals at all times, avoiding any loss of talent that could limit our capacity to successfully tackle the important challenges awaiting us in the future.

(vi) Legal, contractual and regulatory risks

The General Secretariat is responsible for ensuring the full legal security of the Company's businesses and activities by actively identifying and managing legal risks to prevent them from materialising.

The General Secretariat also monitors strict compliance with the legal and administrative obligations applicable to Indra as a listed company, as well as with the most demanding recommendations and standards established by good corporate governance practices.

As well as supervising the legal obligations that Indra shares with all companies (independently of the sector in which they operate) and compliance with the regulatory framework applicable to all listed entities, the Company also focuses on a specific risk area that relates to its activity: knowledge protection.

The Group's knowledge in certain areas, services and solutions is one of Indra's most valuable intangible assets. All professionals, in particular the General Secretariat, are responsible for protecting this knowledge.

In accordance with the Code of Ethics and Professional Conduct, all employees are obliged to protect the results of work performed and information generated within the Company, whether this be software, hardware or computer or technological applications in the broadest sense, including know-how. Specifically, the General Secretariat deals with safeguarding the Group's intellectual and industrial property and its know-how by means of:

- appropriate contractual protection in relationships with customers and suppliers.
- active management of industrial property rights by registering and monitoring patents and trademarks, and defending these against illegal infringement by third parties.
- active management of copyright by implementing the protection measures considered most appropriate for each asset and the scope of the protection required.

(vii) Health and safety risks in the workplace

Indra undertakes to comply with applicable health and safety in the workplace legislation, not only in terms of organising health and safety responsibilities into a hierarchical structure but also in aiming to encourage a culture of prevention in all activities carried out by the Company, always from a perspective of continuous improvement.

Indra's specialised resources include its own joint prevention department, comprising specialised professionals who provide centralised services to Group companies, and external services specialised in health and safety in the workplace and occupational medicine, which provide support and advice and are integrated into Indra's prevention management.

The joint prevention department reports to human resources management personnel specialised in the management of this kind of risk, responsible for health and safety in the workplace activities and co-ordinating initiatives involving external specialists.

With the aim of verifying the efficiency of the preventive management system, regular external audits are performed by entities accredited by the Ministry of Labour, enabling us to establish action plans and adjustment policies aimed at continuous improvement in the area of health and safety in the workplace.

(viii) Environmental risks

Although Indra is not considered to pose a notable risk to the environment (due to the nature of its activities), the Company has established systems to manage and prevent this type of risk and continues to apply and improve its environmental policy in its different work centres. Indra's activities focus on intensive solutions and services in the use of communications and information technology, and therefore do not include contaminant processes. However, given the size of the Company and its presence in different countries, it is inevitable that its activity will produce a certain impact on the environment. Indra is aware of this, and is therefore committed to limiting the negative effects that this impact may produce as much as possible. The Company also ensures

that environmental protection is considered when carrying out all its activities, thereby complying with its corporate social responsibility commitments.

This undertaking forms part of the implementation of an environmental management system based on UNE-EN ISO 14001 in the most important Indra work centres, with efforts concentrated at first in the largest centres. In addition to certification obtained in prior years for the centres in Finca (Pozuelo de Alarcón), Aranjuez, Barcelona (calle Roc Boronat), Anabel Segura (Alcobendas-Madrid) and Ciudad Real, in 2009 two further centres were certified: Barcelona-Interface and La Coruña.

As well as the three companies already certified as they operate in the above-mentioned centres (Indra Sistemas, Indra Bmb and Indra Software Labs), in 2009 we gained certification for Indra Espacio and Indra Sistemas de Seguridad.

With regard to international subsidiaries, in 2009 an important milestone was reached in Indra's corporate and environmental system globalisation plan, with ISO 14001 certification for the first work centres of Indra Colombia in Bogotá and Indra Portugal in Lisbon, the latter with an integrated quality and environmental system (ISO 9001 and ISO 14001).

Indra has therefore now certified 11 Spanish centres and the two aforementioned international centres, and the Company aims to continue obtaining certification for its centres in Spain and abroad in 2010 and thereafter.

Indra's quality and environment directorate, which is responsible for the implementation of the environmental management system, ensures that uniform criteria are applied and the environmental policy is followed through compliance with the requirements of general manuals and procedures. This system which, as stated above, is based on UNE-EN 14001 and scrupulous compliance with prevailing legislation, minimises as much as possible the risk of any Indra work centres having a significant impact on the environment and, consequently, any consequent legal problems.

(ix) Information technology management risks

At Indra the protection of information and the technological assets for processing and/or managing information is vitally important, and we understand the information and knowledge that support it to be the foundations of our business.

Therefore, the management of information security and associated technological assets is based on internationally recognised standards, specifically on international regulation UNE-ISO/IEC 27001, in which Indra was recently certified by AENOR with advanced progress.

The identification of risks inherent to the different assets (assets that are reviewed and assessed annually or in the event of any changes) basically follows this model:

- Information. Structured data that represent knowledge.
- Software. Applications that manage, analyse and transform data.
- Hardware. Technological platforms that support applications and data.

- Infrastructures.
- Means of storage.
- Communication elements.
- People.

The risk analysis procedure followed by Indra is based on knowledge of the vulnerabilities that may apply to the different assets and the likelihood that threats will materialise. We are therefore aware of the impact or, in other words, the degree of damage that may be caused to the asset, assessed in terms of loss of confidentiality, integrity and availability.

Once risks are identified, an action plan is established, identifying the measures and controls necessary to minimise these risks. These measures are grouped into the following sections.

- Security policy and regulations.
- Security technology.
- Monitoring and audit.
- Training and distribution of information on security.
- Compliance with data protection legislation.

With regard to the technological measures that guarantee risk management for the Company's assets, Indra has implemented a layered security model:

- Internet protection: firewalls, internet antivirus, content filter by category and intrusion detection waves.
- Perimeter protection: firewalls and intruder detection waves.
- Internal network: consoles for the detection and continuous monitoring of alerts in network traffic.
- Systems and platform protection: security is managed by means of antivirus consoles, critical security updates and management consoles for critical security events.
- Access: managed by an access control system based on roles and a public key infrastructure (PKI) by means of our single employee card, which guarantees user authentication and information confidentiality using signed and encrypted certificates.
- Applications: developed considering security requirements recommended by the industry.
- Communications: all elements are monitored (switches, routers, backbones, etc.), and platforms that facilitate mobility (Citrix, VPNs, wireless) have the same security measures as the other platforms.

- Vulnerability analysis dashBoard: a system allowing automatic observation, at executive as well as technical level, of the security levels of all the platforms that comprise Indra's systems.

All applications and critical business services are subject to a backup policy audited annually by AENOR and supported by a disaster recovery plan with a personal backup centre.

It should also be noted that, to guarantee compliance with all security measures, Indra has implemented an audit system that verifies the security status of all its systems and brings them into line with the confidentiality provisions of data protection legislation. The Company recently performed its two-yearly audit as required by law to verify compliance with regulations on security measures (Royal Decree 1720 of 21 December 2007). This audit covered Indra Sistemas and all its subsidiaries in Spain.

**D.2 Please specify whether any of the different kinds of risk (operational, technological, financial, legal, reputational or tax-related) that affect the Company and/or Group have occurred during the year:**

YES

**If so, please specify the circumstances that caused these and whether established control systems functioned correctly:**

**Risks that materialised during the year**

Cost delays and deviations during the implementation of certain projects

**Circumstances that caused this risk to materialise**

Unforeseen changes in scope, cost overruns and delays in the completion of project milestones

**Operation of control systems**

The continuous follow-up of risk plans for projects following Indra methods and alarm systems resulting from financial monitoring minimised the potential impact on cost and deadlines.

**D.3 Please specify whether any committee or other governing body is responsible for establishing and supervising these control devices:**

YES

**If so, give details of its functions.**

**Name of the committee or body**

Audit and Compliance Committee.

**Description of functions**

In accordance with article 5 of its regulations, the Board of Directors reserves, and cannot delegate, decisions on the general risk management policy and the definition of control and information systems used for this purpose.

This function of the Board of Directors is completed by the functions attributed to the Audit and Compliance Committee, which regularly reviews internal control systems and the Company's risk management.

In practice, the Audit and Compliance Committee meets twice a year with the managers of these control systems as well as the managers of some of the areas affected in order to ascertain and assess the effectiveness of the organisation, functions and activity and, if appropriate, issue recommendations.

All topics dealt with in the Committee's sessions, its analysis and assessment and any specific proposals for action are considered in a timely manner by the Board of Directors.

After these meetings, the audit and compliance committee gives express instructions to the internal audit department to carry out appropriate verification processes for compliance with these recommendations.

**D.4 Identification and description of processes for compliance with different regulations that affect your Company and/or Group:**

As explained in section D.1, the General Secretariat of the Company uses a preventive function to guarantee that legal obligations and the corresponding implications arising as a result of Indra's procedures are complied with and appropriately applied. This is achieved by monitoring compliance with applicable regulatory provisions (mercantile, administrative and securities market-related) and timely compliance with legal obligations that affect the different governing bodies of the Company. Control is also maintained by defining the legal terms governing commercial relations and the correct implementation of agreements adopted by governing bodies.

Exercise of this function is supervised annually by the Audit and Compliance Committee.

**E - GENERAL SHAREHOLDERS MEETING**

**E.1 Please specify and, where appropriate, provide details of any differences compared to the system of minimums foreseen in the Spanish Companies Act with regard to the quorum for calling the General Shareholders Meeting**

NO

	<b>% quorum different to that established in art. 102 of the Spanish Companies Act for general matters</b>	<b>% quorum different to that established in art. 103 of the Spanish Companies Act for special cases under article 103</b>

Quorum required for 1 <sup>st</sup> call	0	0
Quorum required for 2 <sup>nd</sup> call	0	0

**E.2 Please specify and, where appropriate, provide details of any differences compared to the system set out in the Spanish Companies Act for adopting corporate agreements.**

NO

**Please describe differences compared to the system set out in the Spanish Companies Act.**

**E.3. Please list the rights of shareholders in relation to General Shareholders Meetings which are different to those established in the Spanish Companies Act.**

The Company has recognised broader rights for its shareholders than the minimum content required by law. These rights are regulated by the General Shareholders Meeting regulations, which establish the following:

Right of information

In accordance with article 5 of the General Shareholders Meeting regulations, shareholders are entitled to extensive and specific information on the matters to be discussed and determined at the General Shareholders Meeting.

As soon as the Board knows the probable date that the next General Shareholders Meeting will be called and held, it issues a public communiqué to the Spanish Securities Market Commission and on its corporate website, enabling shareholders to propose matters for discussion or to be included on the meeting agenda, which they can do via the shareholders office or through the corporate website.

The Board of Directors should encourage informed participation of shareholders in the General Shareholders Meetings and take the necessary steps to ensure that the meeting effectively exercises its functions as per the law and the Articles of Association. Therefore, through its website and the shareholders office, the Company will provide detailed information on the call, the different items on the agenda and proposed agreements thereon. These communication channels will also enable shareholders to request clarification or additional information on these matters.

The Board of Directors will therefore complete the information required by law and the Articles of Association to the extent considered necessary. When corporate interest so advises, the Board may limit information made available to shareholders. Under no circumstances may information required by the law be restricted.

Since 2003 the Board of Directors has prepared a report that is made available to shareholders as soon as the General Shareholders Meeting is called. The purpose of this report is to inform shareholders in as much detail as possible of the content of the different items on the agenda of the General Shareholders Meeting, as well as the proposals that the Board of Directors intends to submit in relation to each item. Each of the Board's proposals is accompanied by explanatory information. While this is not compulsory, the Board considers that it helps shareholders to understand the proposals, facilitates their active and informed participation in the General Shareholders Meeting and enables them to cast a more informed vote. Except where required by law, this information aims to clarify rather than to comply with legal formalities.

Shareholders may also examine the documentation referred to in the previous paragraphs at the Company's head office, and can also request that this documentation be sent to their home free of charge.

Similarly, once the call for the General Shareholders Meeting has been published, a channel is set up enabling shareholders to make suggestions or proposals relating to the items on the agenda, or to request clarifications or additional information on these matters, through the corporate website or the shareholders' office.

#### Right of attendance

In accordance with article 6 of the General Shareholders Meeting regulations, all shareholders that can certify, at least five days before the scheduled meeting date, ownership of at least 100 shares may attend the General Shareholders Meeting; or, if this number of shares represents more than one per thousand of the share capital, the lowest number of shares that represents one per thousand. Shareholders with fewer shares may delegate the representation of these to a shareholder with right of attendance, or form a group with other shareholders to obtain the minimum required number of shares. The group should be formed specifically for each meeting and should be specified in writing. Grouped shareholders should confer their representation on one of shareholder of the group.

#### Exercise of representation and voting rights at the General Shareholders Meeting through distance voting

Article 14 (bis) of the Articles of Association and articles 6 and 8 of the General Shareholders Meeting regulations allow voting and representation rights at the General Shareholders Meeting to be exercised through the remote means of communication authorised in the General Shareholders Meeting regulations or approved in each case by the Board of Directors, provided that such means meet specific legal security requirements to guarantee the identity of the shareholder and the effective exercise of their rights. When the General Shareholders Meeting is called, details will be provided of the procedure and requisites to exercise the right in question and the remote means of communication that may be used in each case.

Since 2005, the Company has had a system in place, via its corporate website and ordinary mail, to enable shareholders to exercise these rights. The procedure for using these means is described in the call for each General Shareholders Meeting.

### Right of representation

Requests for delegation made by the Board shall offer the alternative of delegating to their Chairman or Vice-Chairman appointed from among the independent Board members.

### Right to participate in the meeting

Shareholders present at the General Shareholders Meeting will have the right to take the floor during the meeting, as established in article 11 of the General Shareholders Meeting regulations.

The Chairman will manage shareholder participation so that the meeting is held in an orderly manner, enabling shareholders to intervene on equal terms and express their opinion on each item on the agenda.

Any shareholder that intervenes may request that the full content of their participation be transcribed in the minutes, and that this transcription be provided to them.

## **E.4. Please specify any measures adopted to encourage the participation of shareholders in General Shareholders Meetings.**

These measures are detailed in section E.3 above.

## **E.5 Please specify whether the position of Chairman of the General Shareholders Meeting is the same as the Chairman of the Board of Directors. Please provide details, as appropriate, of measures adopted to guarantee the independence and correct operation of the General Shareholders Meeting:**

YES

### **Details of measures**

To guarantee the correct operation and execution of meetings, and to ensure that shareholders exercise their rights appropriately and correctly, the General Shareholders Meeting regulations establish practices that the Chairman should follow at all times. The function of the Chairman is to moderate participation and ensure correct execution. All items on the agenda and proposed agreements submitted to the Board are analysed and approved by the Board at its plenary session, when it also decides upon the content and scope.

The Chairman of the Audit and Compliance Committee also attends the General Shareholders Meeting. During the meeting, this figure should inform on matters relating to the functions of this committee, as foreseen in the Articles of Association and the General Shareholders Meeting regulations.

Although not foreseen in the Company's internal regulations, the Chairman of the Appointments, Remuneration and Corporate Governance Committee also attends the General Shareholders Meeting and responds to any shareholder queries regarding matters falling within the scope of this Committee's competence.

**E.6 Please provide details of any amendments to the General Shareholders Meeting regulations during the year.**

**E.7 Please provide details of attendance at the General Shareholders Meetings held in the year to which this report refers:**

Details of attendance					
Date of General Shareholders Meeting	% physical presence	% in representation	% distance voting		Total
			Electronic vote	Others	
25/06/2009	49.063	20.000	0.015	0.000	69.078

**E.8 Please provide brief details of the agreements adopted at the General Shareholders Meetings held during the year to which this report refers and the percentage of votes with which each agreement was adopted.**

**FIRST.-** Examination and approval of the annual accounts and directors' report (including the information foreseen in article 116 bis of the Law Governing the Stock Market and the Annual Corporate Governance Report) of Indra Sistemas, S.A. and its consolidated Group for the year ended 31 December 2008, and the proposed distribution of profit.

Votes in favour: 99.71%

**SECOND.-** Approval, as appropriate, of the management of the Board of Directors

Votes in favour: 99.75%

**THIRD.-** Approval of the balance sheet approved in the first item of the agenda as the merger balance sheet. Approval of the merger of "EURO QUALITY S.L. (solely-owned company)" (absorbed company) and "Indra Sistemas, S.A." (absorbing company) in accordance with the merger project approved by the respective governing bodies. Agreement that the merger should be subject to the neutral tax system foreseen in Royal Legislative Decree 4/2004, of 5 March 2004, which approves the Revised Corporate Income Tax Law.

Votes in favour: 99.99%

**FORTH.-** Termination, appointment and re-election of Board members.

- Ratification of the appointment of Mr Salvador Gabarró Serra as a Board member, agreed by the Board of Directors of the Company in exercise of its capacity for co-opting in its session on 26 March 2009, and his appointment as a proprietary Board member representing the shareholding owned by Unión Fenosa for a statutory period of three years. Mr Gabarró's personal details will be stated in the agreement for the purposes of its inscription with the Mercantile Registry

Votes in favour: 98.21%

- Ratification of the appointment of Mr Rafael Villaseca Marco as a Board member, agreed by the Board of Directors of the Company in exercise of its capacity for co-opting in its session on 14 May 2009, and his appointment as a proprietary Board member representing the shareholding owned by Unión Fenosa for a statutory period of three years. Mr Villaseca's personal details will be stated in the agreement for the purposes of its inscription with the Mercantile Registry.

Votes in favour: 98.30%

- Approval of the termination of Mr Pedro Ramón y Cajal's position as a Board member with Mr Ramón y Cajal's express consent. Mr Ramón y Cajal's tenure has been terminated in application of independent Board member rotation criteria agreed by the Board. The shareholders' gratitude for his work during the period in which he held this position was expressly recorded in the minutes.

Votes in favour: 99.88%

- Appointment of Mr Daniel García-Pita Pemán as an independent Board member for the statutory period of three years. Mr García-Pita's personal details will be included in the agreement for entry into the Mercantile Registry.

Votes in favour: 99.55%

**FIFTH.-** Authorise the Board of Directors to acquire own shares directly or through subsidiaries.

Votes in favour: 99.82%

**SIXTH.-** Appoint auditors for the individual and consolidated annual accounts for 2009.

Votes in favour: 99.68%

**SEVENTH.-** Authorisations to execute in public deed.

Votes in favour: 99.99%

**EIGHTH.-** Annual report on the remuneration of Board members and senior management.

Votes in favour: 98.33%

**E.9 Please specify whether there is any statutory restriction that establishes a minimum number of shares required to attend the General Shareholders Meeting.**

YES

Number of shares required to attend the General Shareholders Meeting	100
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**E.10 Please specify and justify the Company's policies with regard to the delegation of votes in the General Shareholders Meeting.**

Shareholders may confer representation for attendance at the General Shareholders Meeting on any party, whether or not they are a shareholder. Representation should be conferred in writing specifically for each meeting.

When the Board or its members request the delegation of votes, shareholders are advised to give voting instructions for the different items and, in any event, indicate how the representative should vote if the shareholder does not give detailed instructions.

Requests for delegation made by the Board will offer the alternative of delegating to the Chairman or Vice-Chairman appointed from amongst the independent Board members.

In compliance with article 14 (bis) of the Articles of Association, for each meeting the Board of Directors will decide on the procedures for conferring representation by remote means of communication (including electronic means) which, in compliance with the security and efficacy requirements of this article, should at all times be compatible with the state of the art.

**E.11 Please state whether the Company is aware of institutional investors' policy for participating, or otherwise, in company decision-making:**

YES

**Describe the policy**

Partial. For each general shareholders' meeting, the Company contacts institutional investors to request their participation in the meeting or, failing this, to request that they delegate their representation, as well as to ascertain their position and criteria regarding the different items on the agenda.

The Company is periodically in contact with institutional investors, whereby it conveys its interest in the latter playing an active role in the General Shareholders Meeting and maintaining fluid communication with the Company.

**E.12 Please specify the address and access route to corporate governance content on the website.**

[www.indra.es](http://www.indra.es)

The investor relations section contains the “Corporate Governance” and “General Shareholders’ Meeting” chapters.

## **F - EXTENT OF FOLLOW-UP OF CORPORATE GOVERNANCE RECOMMENDATIONS**

Please specify the Company’s level of compliance with recommendations from the Unified Code of Good Governance.

Where the Company fails to comply with any of these, explain the recommendations, rules, practices or criteria that the Company applies.

**1. That the Articles of Association 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.9, B.1.22, B.1.23 and E.1, E.2

Complies

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

**a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other Group companies;**

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

See sections: C.4 and C.7

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 by the shareholders at their General Shareholders Meeting; 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.**

Complies

**4. That the detailed proposals for agreements to be adopted at the General**

**Shareholders Meeting, including the information referred to in recommendation 28, be made public when the meeting is called.**

Complies

**5. That in the General Shareholders Meeting votes should be cast separately on items that are substantially independent, enabling shareholders to exercise their voting preferences separately. This rule should apply particularly in the following cases:**

**a) When appointing or ratifying Board members, when votes should be made on an individual basis;**

**b) In the event of amendments to the Articles of Association, for each article or group of articles which are substantially independent.**

See section: E.8

Complies

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

See section: E.4

Complies

**7. That the Board execute its functions with a single purpose and independent criteria, treat all shareholders equally and be guided by the corporate interest, maximising the financial value of the Company in a sustained manner. The Board will also ensure that in its relationships with stakeholders the Company respects laws and regulations; that it complies in good faith with its obligations and contracts; that it respects the uses 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

**8. That the Board undertakes, as its core mission, to approve the corporate strategy and specific organisation for its implementation, and to supervise and ensure that management complies with established objectives and respects the statutory activity and corporate interest 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 remuneration and performance appraisal.**
- (vii) The risk management and control policy and regular monitoring of internal information and control systems.**
- (viii) The dividends and own shares policy, particularly with regard to restrictions.**

See sections B.1.10, B.1.13, B.1.14 and D .3

**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 indemnity clauses.**

See section B.1.14

- (ii) Remuneration of Board members and, in the case of executives, additional remuneration for their executive actions and other conditions that should be respected in their contracts.**

See section B.1.14

- (iii) Financial information which, as a listed entity, the Company is periodically required to publish.**

- (iv) All kinds of investments or transactions which are strategic in light of their large amount or special characteristics, except when they must be approved at the General Shareholders Meeting.**

- (v) The creation or acquisition of interests in special purpose entities or entities domiciled in countries or territories considered tax havens, and any other transactions or similar operations which, in light of their complexity, could undermine the Group's transparency.**

**(c) Transactions carried out by the Company with Board members, significant shareholders or those represented on the Board, or related parties (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. Transactions carried out under contracts with standard conditions that apply en masse to a large number of customers.**
- 2. Transactions carried out at prices or tariffs generally established by the party that acts as a supplier of the good or service involved.**
- 3. Transactions for an amount not exceeding 1% of the Company's annual revenue.**

**The Board is advised to approve related party transactions following receipt of a favourable report from the Audit Committee or other organisation commissioned for this purpose, as appropriate. The Board**

**members involved are recommended not to exercise or delegate their right to vote and to leave the meeting room while the Board deliberates and cast its votes.**

**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 delegated committee with subsequent ratification by the Board in plenary session.**

See sections: C.1 and C.6

Complies

**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 members.**

See section: B.1.1

Complies

**10. That proprietary and independent external Board members constitute a broad majority of the Board and that the number of executive Board members be the required minimum in relation to the complexity of the corporate Group and the percentage interest of executive Board members in the share capital of the Company.**

See sections: A.2, A.3, B.1.3 and B.1.14

Complies

**11. That in the event of any external Board member who may not be considered proprietary or independent, the Company should explain this circumstance and their relationships with the Company, its directors or shareholders.**

See section: B.1.3

Not applicable

**12. That, with regard to external Board members, the ratio of proprietary Board members to independent Board members should reflect the proportion between the share capital of the Company represented by proprietary Board members and the remaining share capital.**

**This strict proportional criterion may be extenuated in such a way that the number of proprietary Board members exceeds the number that would apply to the percentage of total share capital they represent:**

**1. In companies with high share capital 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 several shareholders are represented on the Board and are not related to one another.**

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

Complies

**13. That the number of independent Board members should represent at least one third of the total number of Board members.**

See section: B. 1. 3.

Complies

**14. That the Board of Directors explain the nature of each Board member to the shareholders at the General Shareholders Meeting, so that the shareholders may appoint or ratify the Board members, and that these details be confirmed or, where appropriate, revised each year in the annual corporate governance report after verification by the Appointments Committee. This report should also explain the reasons for the appointment of proprietary Board members at the proposal of the shareholders whose interest in share capital is less than 5%. It should also explain, where applicable, why formal requests from shareholders for attendance at the Board meeting were not honoured, when their interest is equal to or exceeds that of other shareholders whose proposal for proprietary Board members was honoured.**

See sections: B.1.3 and B.1 4

Complies

**15. That when the number of female Board members is minimal or nil, the Board should explain the reasons and the initiatives adopted to correct this situation. In particular, the Appointments Committee should ensure that, when vacancies arise:**

**a) The appointment process is unbiased so as not to hinder the selection of female Board members.**

**b) The Company specifically seeks and includes women with the desired profile among the potential candidates.**

See sections: B.1.2., B.1.27. and B.2.3.

Complies

**16. That the Chairman, as the individual responsible for the efficient execution of the Board, should ensure that Board members receive sufficient information in advance; should encourage discussion and the active participation of the Board members at the meeting, safeguarding their choice of stance and freedom of opinion; and should organise and coordinate, together with the chairs of the relevant committees, the periodical appraisal of the Board and, where appropriate, of the managing director or chief executive.**

See section: B.1.42.

Complies

**17. That when the Chairman of the Board is also the chief executive of the**

**Company, one of the independent Board members should be authorised to convene the Board meeting or include new items on the agenda; to coordinate and reflect external Board members' concerns; and to direct the Board's appraisal of the Chairman.**

See section: B.1.21

Complies

**18. That the Secretary of the Board of Directors endeavours to ensure that the operations carried out by the Board:**

**a) Are in line with laws and regulations in letter and spirit, including any approved by regulatory bodies;**

**b) Are in accordance with the Company's Articles of Association, the regulations of the Board of Directors and any other Company regulations;**

**c) Consider all recommendations on good governance included in this unified code approved by the Company.**

**Furthermore, to ensure the independence, impartiality and professionalism of the Secretary of the Board, any appointments to or dismissals from this position must be reported by the Appointments Committee and approved by the Board of Directors in plenary session. The aforementioned appointment and dismissal procedures must be included in the Board regulations.**

See section: B.1.34

Complies

**19. That the Board meets with the frequency necessary to perform its functions efficiently, in line with the schedule and agenda established at the beginning of each year. Board members should be able to propose that additional matters be raised that were not included in the initial agenda.**

See section: B.1.29

Complies

**20. That any failure to attend by a Board member must be exceptional and quantified in the Annual Corporate Governance Report. If necessary, the member must send a proxy with instructions.**

See sections: B.1.28 and B.1.30

Complies

**21. That, if a Board member or the Secretary reports concerns regarding any proposal or, in the case of members, the Company's progress, and the matter is not resolved by the Board, the concern must be stated for the record at the request of the individual who raised it.**

Complies

**22. 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 Appointments Committee, the performance of the Chairman of the Board and first executive of the Company;**
- c) The performance of the Board Committees, considering their reports.**

See section: B. 1. 19

Complies

**23. That all Board members may exercise their right to obtain any additional information on the Board's remit considered necessary. Unless the Company's Articles of Association or the Board regulations state otherwise, such information requests must be reported to the Chairman or Secretary of the Board.**

See section: B.1.42

Complies

**24. That all Board members are entitled to request that the Company provide sufficient advisory services to carry out their functions properly. The Company must decide on the most suitable way to exercise this right which, in particular circumstances, includes external advisory services at the Company's expense.**

See section: B. 1. 41.

Complies

**25. Companies should organise induction programmes for new Board members to acquaint them rapidly with the workings of the Company and its corporate governance rules. Board members should also be offered refresher programmes when circumstances so advise.**

Complies

**26. That companies request that Board members commit the time and effort necessary to perform their tasks efficiently. As a result:**

**a) Board members must inform the Appointments Committee of the rest of their professional obligations in case they could affect the member's required dedication**

**b) Companies must establish rules on the number of entities in which Board members may participate.**

See sections: B. 1. 8, B. 1. 9 and B. 1. 17

Partly complies

Article 34 of the regulations of the Board of Directors stipulates that Board members must commit the time and effort necessary to carry out their functions adequately. Board members are therefore required to inform the Board of any other activities that may affect their performance as a member of the Company's Board of Directors.

The Appointments, Remuneration and Corporate Governance Committee meets with the Board to consider these activities and determine whether the member can provide suitable dedication to the post; otherwise, the member is required to resign from his or her position on the Board, as set forth in article 24 of the regulations.

The criteria followed by the Company are based on Board members' availability and commitment to their functions, considering not only the number of Boards in which the member participates (not the most relevant aspect) but also other circumstances. One Board member may be part of a small number of Boards and not be sufficiently available, whereas another may be involved in a large number of Boards but also be able to dedicate sufficient time to the Company. The Company considers that to establish a maximum number of Boards in which a member can participate would be inconveniently inflexible, or that the number established would be so high that it would fail to fulfil the purpose of this recommendation.

**27. That any proposed appointments or re-elections presented by the Board to the shareholders at the General Shareholders Meeting, as well as any temporary appointments by co-opting, must be approved by the Board:**

- a) At the proposal of the Appointments Committee in the case of independent Board members.**
- b) With a prior report from the Appointments Committee, in the case of other Board members.**

See section: B. 1. 2

Complies

**28. That companies publish and update the following information on Board members on the Company website:**

- a) Professional profile and biography;**
- b) Any other Boards to which the member belongs, regardless of whether the companies are listed**
- c) Type of membership, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or are linked to.**
- d) The date of their first appointment as a member of the Company's Board of Directors, and any subsequent appointments, and;**
- e) The shares and options they own.**

Complies

**29. That the mandate of independent Board members may not exceed 12 years.**

See section: B.1.2

Complies

**30. That proprietary members 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 members representing this shareholder.

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

Complies

**31. That the Board of Directors may not propose the dismissal of any independent Board member before the completion of the statutory mandate period for which the member was appointed, unless a just cause is declared to the Board and a prior report has been prepared by the Appointments Committee. Specifically, just cause is considered to exist if the Board member has failed to complete the tasks inherent to his or her position or entered into any of the circumstances described in chapter III, section 5, of this Code.**

The dismissal of independent Board members may be proposed as a result of a public share offer, joint venture or similar operation implying 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 discussed in Recommendation 12.

See sections: B. 1. 2, B. 1. 5 and B. 1. 26

Complies

**32. That companies will set certain rules requiring that Board members inform the Board and, where appropriate, resign from their positions, in the event of any damage to the Company's standing and reputation. Specifically, members must be required to report any criminal actions with which they are charged, as well as the consequent legal proceedings.**

If a Board member is tried or called to court for any of the crimes set out in article 124 of the Spanish Companies Act, the Board must investigate the case as soon as possible and, based on the particular situation, decide whether the Board member 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: B 1.43 and B. 1.44

Complies

**33. That all Board members clearly express their opposition when they consider any proposal to go against the Company's interests. This must apply to both independent and other Board members who may not be affected by the 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 Board member has serious reservations, the Board member should be 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 full Board member.

Complies

34. That whenever, due to resignation or any other reason, a Board member leaves his or her position before the completion of the mandate, the member is required to explain the reasons for this decision in a letter addressed to all the members of the Board. Irrespective of whether the resignation has been reported to the Spanish Securities Market Commission as a relevant event, it must be included in the Annual Corporate Governance Report.

See section: B .1.5

Complies

35. That the remuneration policy approved by the Board must establish at least the following:

a) The components of fixed remuneration, with a breakdown, where appropriate, of the allowances received for participation in the Board and its Committees, as well as the estimated total annual fixed remuneration they comprise;

b) Variable remuneration, stating in particular:

i) The type of member to whom variable remuneration is paid, as well as an explanation of the relative weight of variable items compared to fixed remuneration components.

ii) The criteria used to assess results to determine whether members are entitled to receive remuneration in the form of shares, options or any variable component;

iii) Fundamental parameters and the basis of any annual bonus system or other benefits not paid in cash; and

iv) An estimate of the absolute amount of variable remuneration that will be paid out under the proposed remuneration plan, depending on the extent to which reference objectives or targets have been met.

c) The main characteristics of the benefits systems (for instance, complementary pensions, life insurance etc.), with an estimate of their equivalent annual cost.

d) Conditions that must be respected in the contracts of senior management personnel such as executive Board members, including:

i) Contract duration;

**ii) Notice period; and**

**iii) Any other clauses relating to contract bonuses, as well as indemnities or “golden parachute” agreements applicable on early rescission or termination of the contract between the Company and the executive Board member.**

See section: B. 1. 15

Complies

**36. That a limit is placed on the remuneration of executive Board members in the form of shares in the Company or Group companies, options or instruments relating to share value, variable remuneration linked to the Company’s performance or forecast systems.**

**This recommendation does not apply to share-based payments, provided that Board members maintain ownership of these shares until they leave their positions.**

See sections: A. 3 and B. 1. 3

Complies

**37. That external Board members receive sufficient remuneration to reward the dedication, qualification and responsibility inherent to their posts, but not so high as to compromise their independence.**

Complies

**38. That, in calculating any remuneration linked to profits, the Company considers any qualification included in the external auditor’s report that reduces profit for the year.**

Complies

**39. That the variable remuneration policy incorporates the necessary technical precautions to ensure that this remuneration rewards the professional performance of its beneficiaries and does not simply derive from the general development of the market or the Company’s activity sector, or any other similar circumstances.**

Complies

**40. That the Board presents a report on the policy for the remuneration of Board members for the shareholders to vote on as a separate point in the agenda at their General Shareholders Meeting, for the purposes of consultation. This report must be made available to shareholders, either individually or in any other way the Company considers convenient.**

**This report should focus particularly on the remuneration policy approved by the Board for the current year as well as, where appropriate, forecasts for the coming years. It should discuss all issues referred to in recommendation 35, except for any extreme circumstances in which disclosure may result in**

the divulgation of sensitive trading information. It should highlight the most significant changes in such policies applied during the year dealt with in the particular annual General Shareholders Meeting, and should also include an overall summary of how the remuneration policy was applied during the last year.

The Board should also inform shareholders about the role played by the Remuneration Committee when preparing the remuneration policy and, if external advisory services were employed, state the identity of the consultant used.

See section: B. 1. 16

Complies

**41. That the report must provides details on the individual remuneration of Board members during the year including, where applicable:**

**a) An individual breakdown of each Board member's remuneration, including, where appropriate;**

**i) Attendance allowances or other fixed remuneration paid to Board members;**

**ii) Any additional remuneration received for chairing or sitting on any of the Board's committees;**

**iii) Any profit-sharing or bonus amounts and the reason for which they were paid out;**

**iv) Contributions to defined contribution pension plans on behalf of Board members; or, in the case of defined benefit plans, any increases in the consolidated entitlement resulting from Board membership;**

**v) Any indemnities agreed or paid in the event of dismissal;**

**vi) The remuneration received from other Group companies due to membership of their Boards of directors;**

**vii) Remuneration of executive Board members in their condition as senior management of the Company;**

**viii) Any other remuneration item concept other than those mentioned above, independently of the Group company from which it was received, especially if it is considered to be a related-party transaction or its omission would distort the total remuneration received by the Board member.**

**b) An individual breakdown of the final shares, options or any other instruments related to share value received by Board members, including:**

**i) The number of shares or options paid out in the current year and the terms of exercising options;**

**ii) Number of options exercised in the year, indicating the total shares affected and the exercise price;**

**iii) The number of options to be exercised at year end, indicating their price, date and other requirements;**

**iv) Any modifications during the year to the conditions for exercising options already distributed.**

**c) Information on the relation between the remuneration received by executive Board members and the Company's profits or other performance measures during the year.**

Partly complies

The recommendation is fully complied with, except for disclosure of the individual remuneration received by executive Board members in their condition as senior management of the Company (section 41 a) vii)). This information is presented as a total, but with a full breakdown of details per remuneration item and a description of the indemnities agreed in the event of the dismissal of senior management personnel (section 41 a) v)). The Company understands that, in the case of senior management, providing individual amounts would not contribute relevant information to assess the remuneration of the management team, and considers that disclosing this information could lead to unfavourable consequences for Indra's goals as a result of its professional activity and the markets in which it operates. The Company does publish the detailed information requested with regard to the remuneration items received by each Board member in return for Board membership. It should be noted that since mid-2007 the Company has only had two executive Board members.

**42. That if there is a delegate or executive committee (hereinafter the "Delegate Committee"), the proportion of each different Board member category must be similar to that of the Board itself, and its secretary must be the Secretary of the Board.**

See sections B.2.1 and B.2.6

Complies

**43. That the Board must always be aware of the subjects discussed and decisions taken by the Delegate Committee and that all members of the Board receive a copy of the minutes to Delegate Committee meetings.**

Complies

**44. That the Board of Directors establishes, in addition to the Audit Committee required by Spanish Securities Market Law, a committee or two separate committees to deal with appointments and remuneration. The rules for the composition and functioning of the Audit Committee and the Appointments and Remuneration Committee or Committees must be included in the Board regulations, and include the following requirements:**

**a) That, in the appointment of members of these Committees, the Board must consider their knowledge, skills and experience and the tasks to be carried out by each committee. The Board must also discuss the Committees' proposals and reports, and Committees must appear before the first plenary session of the Board to report on their activities and answer all questions**

relating to the work performed.

**b) These Committees must only comprise external Board members, with a minimum of three. However, executive Board members or senior management personnel may participate in these Committees when committee members request their presence.**

**c) They must be chaired by independent Board members.**

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

**e) Minutes should be taken at all committee meetings and a copy sent to all members of the Board.**

See sections: B. 2. 1 and B. 2. 3

Complies

**45. That the supervision of compliance with the internal code of conduct and corporate governance regulations is the responsibility of the Audit Committee, the Appointments Committee or, if they exist as separate bodies, the Compliance or Corporate Governance Committees.**

Complies

**46. That the members of the Audit Committee, in particular its Chairman, are appointed considering their knowledge and experience of accountancy, audit and risk management issues.**

Complies

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

Complies

**48. That the person in charge of the internal audit function presents an annual work plan to the Audit Committee, reports on any issues that may arise during the implementation of this plan and presents an activity report at the end of each year.**

Complies

**49. That the control and risk management policy identifies at least the following:**

**a) The different types of risk (operating, technological, financial, legal, reputational etc.) faced by the Company, including under financial and economic risks any contingent liabilities and other off-balance sheet risks;**

**b) A fixed risk level deemed acceptable by the Company;**

**c) The measures planned 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: D

Complies

**50. That the Audit Committee is responsible for:**

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

**a) Supervising the preparation and completeness of financial information relating to the Company and, if applicable, the Group, ensuring that regulatory requirements are complied with, the scope of the consolidated Group is suitably defined and accounting criteria are correctly applied.**

**b) Regularly review internal control systems and risk management in order to identify, manage and recognise the main risks.**

**c) Ensure the independence and effectiveness of the internal audit function by proposing the recruitment, appointment, re-election or dismissal of the head of internal audit, drafting a budget for this department, regularly gathering information on its activities and verifying that senior management considers the conclusions and recommendations of its reports.**

**d) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with potential consequences - especially those of a financial or accounting nature - that they observe in the Company.**

**2. With regard to the external auditor:**

**a) Submit proposals to the Board relating to the selection, appointment, re-election or substitution of the external auditor, as well as the suggested terms of the contract.**

**b) Regularly gather information from the external auditor on the audit plan and the results thereof, ensuring that senior management takes any recommendations into consideration.**

**c) Ensure the independence of the external auditor by:**

**i) Ensuring that the Company files a relevant event report 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) Ensuring that the Company and its auditor observe prevailing regulations on the provision of non-audit services, restrictions to the concentration of the auditor's business and, in general, any other regulations established to assure auditor independence;**

**iii) If the external auditor resigns, making sure that the circumstances leading to this resignation are examined.**

See sections: B.1.35, B.2.2, B.2.3 and D.3

Complies

**51. That the Audit Committee may request the presence of any employee or manager of the Company, even without the presence of any other management figure.**

Complies

**52. That the Audit Committee reports 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 on a regular basis. The Committee must ensure that interim accounts are prepared applying the same accounting criteria 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 discredit 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: B.2.2 and B.2.3

Complies

**53. That the Board of Directors endeavours to submit the annual accounts to the shareholders at their General 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: B.1.38

Complies

**54. That the majority of the members of the Appointments Committee - or the Appointments and Remuneration Committee if both functions are combined in one body - are independent Board members.**

See section: B.2.1

Complies

**55. That, in addition to the functions indicated in the previous recommendations, the Appointments Committee is also responsible for the following functions:**

**a) Evaluating the competence, knowledge and experience required by the Board and, consequently, defining the functions and skills required by the candidates to fill a vacancy, as well as the time and dedication required to perform their duties.**

**b) Adequately examining or organising succession to the positions of Chairman and first executive and, when applicable, making proposals to the Board to ensure a well-planned and orderly succession.**

**c) Reporting on any appointments or dismissals of senior management personnel proposed by the first executive to the Board.**

**d) Informing the Board on gender diversity matters included in recommendation 14 of this Code.**

See section: B.2.3

Complies

**56. That the Appointments Committee consults the Chairman and the first executive of the Company, especially in relation to executive Board members. Any Board member may ask the Appointments Committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.**

Complies

**57. That, in addition to the functions indicated in the preceding recommendations, the Remuneration Committee is responsible for the following functions:**

**a) Proposing to the Board of Directors:**

**i) The remuneration policy applicable to Board members and senior management**

**ii) The individual remuneration of executive Board members and the terms and conditions of their contracts**

**iii) The basic conditions of contracts signed with senior management**

**b) Ensuring compliance with the remuneration policy established by the Company.**

See section: B.1.14 and B.2.3

Complies

**58. That the Remuneration Committee consults the Chairman and the first executive of the Company, especially in relation to executive Board**

**members and senior management.**

Complies

## **G. FURTHER INFORMATION OF INTEREST**

If you consider that any relevant aspects relating to the corporate governance procedures applied by your Company have not been dealt with in this report, please indicate below and provide details.

This section can be used to provide any other information, explanations or clarifications relating to previous sections of the report, provided that this information is relevant and not repeated elsewhere.

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

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### **Binding definition of an independent director:**

Indicate whether any independent director has, or has had in the past, a relationship with the Company, its significant shareholders or management personnel. If the relationship is/was significant, state whether it would mean that the director cannot be considered independent under the definition provided in section 5 of the Unified Good Governance Code:

NO

This Annual Corporate Governance Report has been approved by the Board of Directors of the Company in the meeting held on 18<sup>th</sup> of March 2010.

**Indicate whether any Board members voted against or abstained from voting on this report.**

NO