



# CONTENTS

|   |  |    |
|---|--|----|
| 1 | Introduction   | 02 |
| 2 | 2008 Corporate Governance Report   | 03 |
| 3 | Audit and Compliance Commission<br>2008 Activities Report                | 20 |
| 4 | Company Bylaws   | 29 |
| 5 | Regulations for General Shareholders' Meetings                           | 37 |
| 6 | Regulations for the Board<br>of Directors and its Committees             | 42 |
| 7 | Internal Code of Conduct on Matters Relating<br>to the Securities Market | 55 |

# INTRODUCTION

This document includes the relevant information in order to let the public know the rules and system of Corporate Governance of Indra, relating to which this company has been applying a policy of maximum attention since 1999, with the aim of it being adapted at all times to best practises and national and international recommendations on the subject.

Following publication by the CNMV of the Unified Code of Good Governance, a review process of Company Corporate Governance rules was carried out with the aim of adapting them to the recommendations contained in the said Code. The fruit of this review process carried out in 2007, were the modifications to article 30 of the Bylaws and article 12 of the Regulations of the Annual General Shareholders Meeting of the said year, as well as a new full text (as a revised version), duly ordered and systematised, of the Board Regulations, which was approved by the Board at the end of the 2007 financial year. The Ordinary General Shareholders Meeting of 2008 was given an account of this process in accordance with that set out in Article 115 of the Securities Market Act.

As in each year, the *Appointment, Compensation and Corporate Governance Committee* has informed the Board in its session of 23rd April, prior to its evaluation by them, on the efficiency and compliance with the corporate governance rules and procedures of the Company, concluding that the said rules, due to the recent review process of the same, do not require any modification. The Board has assumed this recommendation.

On the occasion of this Shareholders Meeting, as we have been doing since 2005, the Company has made available to its shareholders procedures so that they may exercise and delegate their vote or confer their representation by electronic and remote means. These same procedures will be applied in the Ordinary General Shareholders Meeting of 2009.

Finally it can be stated that in this document the entire set of rules that govern the Corporate Governance of the Company are brought together- Bylaws, the *Regulations of the Annual General Shareholders Meeting*, the Board Regulations and *Internal Rules of Conduct regarding matters relating to the stock market*- together with the Annual Corporate Governance Report and the Annual Report of the *Audit and Compliance Committee Actions* corresponding to the 2008 financial year, which allows a global vision and an accurate assessment of the Corporate Governance system of Indra, which has been complying with best practises and recommendations on the subject since 1999, as has been constantly publically recognized by analysts and investors

# 2008 CORPORATE GOVERNANCE REPORT

|   |    |
|---|----|
| Presentation  | 04 |
| Ownership Structure of the Company                            | 04 |
| Governance and Administration of the Company                  | 05 |
| Compensation of Directors and Senior Managers                 | 14 |
| Transactions with significant shareholders and with Directors | 18 |
| Treasury Stock  | 18 |
| Market Disclosure and Shareholder Communication Policy        | 19 |
| Relations with the External Auditor                           | 19 |



## 1. PRESENTATION

This Report has been approved on a voluntary basis by the Board of Directors of the Company and agreed by the *Appointment, Compensation and Corporate Governance Committee*, with a view to making available to its shareholders and to markets generally the most important information on Corporate Governance, organised systematically and so as to allow comparative analysis with information provided in previous years, as has been the Company's practice since 2003.

Without prejudice to the foregoing, the Company has also published an Annual Report on Corporate Governance for 2008, according to the provisions of the *Securities Market Act*, in the format required by the Spanish National Securities Market Commission (*CNMV-Comisión Nacional del Mercado de Valores*). This document, pursuant to the new wording of article 202.5 of the Spanish Corporations Act (*Ley de Sociedades Anónimas*), forms part of the Company's Management Report for the 2008 financial year.

The policy of Indra regarding corporate governance has been since 1999 to have a set of rules and practices with the goal not only of complying at all times with applicable regulations, but also of promptly adopting the latest recommendations and best practices in this field.

Applying this policy, and in accordance with the provisions of its own regulations, the Board of Directors reviews each year the level of compliance with and the efficiency of the Company's corporate governance standards and rules. This has resulted in numerous amendments and adaptations to these standards and rules since they were first approved in 1999, in line with legislative changes and new recommendations on corporate governance. Full information on all these changes was provided to the corresponding Annual General Shareholders Meetings.

Following publication by the CNMV of the Unified Code of Good Governance, a process of review of the Company's corporate governance rules was carried out with the aim of adapting them to the said code. The fruit of this process of review carried out in 2007, were the modifications to article 30 of the Bylaws and article 12 of the *Regulations of the Annual General Shareholders Meeting*, approved by the Annual General Shareholders Meeting in the said year, as well as providing a new full text (as a revised version), duly ordered and systematised, of the Board Regulations, which was approved by the Board at the end of 2007. In accordance with that set out in article 115 of the Securities Market Law, the amendments made to the Board Regulations were reported to the 2008 Ordinary General Shareholders Meeting.

The corporate governance system and norms that Indra has in place have consistently followed, broadly and in depth, all recommendations of codes of good governance specifically applicable to the Spanish market. Section F of the above-mentioned Annual Report on Corporate

Governance, in the format required by the CNMV, lists the degree of compliance with each of the recommendations included in the aforementioned Unified Code.

Without prejudice to the other information that the Company publishes on some of the issues set out in this Report, this Report contains detailed information on: the shareholding structure of the Company; the composition, regulation and competencies of its governing bodies; detailed remuneration of members of the board of directors and senior management; transactions with significant shareholders and directors; policy and operations as regards proprietary shares; shareholder and market disclosure policy and activities; and the Company's relations with its auditors.

## 2. OWNERSHIP STRUCTURE OF THE COMPANY

### 2.1 Significant shareholders

The Company does not have a register showing names of shareholders, so it can only get to know the composition of its shareholding from information provided directly by shareholders to the Company or published in compliance with current regulations on significant shareholdings, and from information provided by Iberclear, which the Company obtains when it holds its Annual General Shareholders Meetings.

From information available in the CNMV public registries or information reported to the Company by shareholders themselves, we know that as at December 31st, 2008 the following shareholders each directly held 3% or more of the capital of Indra: Caja Madrid (19.78%); Unión Fenosa (18.01%); Casa Grande de Cartagena (5.68%); and Cajastur (5.00%).

As of the date of preparation of this Report, Caja Madrid has communicated that its holding in the Company's capital amounts to 20%.

As at December 31st, 2008 members of the Board of Directors held personally, directly or indirectly, a total of 428,036 shares in the Company, equivalent to 0.26% of the registered capital. At the closing price for Indra shares at the end of the 2008 financial year this holding was equal to 3.31 times the amount of the global gross annual remuneration of the Board of Directors.

On the date of formulation of this Report the number of shares held personally by the members of the board of directors continues being the same as at December 31st 2008.

## 2.2 Shareholder agreements

The Company is not aware of any pacts or agreements among shareholders of the Company aimed at consolidating stakes in the Company or concerted exercise of voting rights or in any other way affecting their interests as shareholders of the Company.

## 2.3 Limitations on shareholders' rights

There is no stipulation in the Company Bylaws, nor in the Board or Meeting Regulations or any other rules established by the Company, limiting the acquisition of a significant share in the capital of the Company, the exercise of the corresponding voting rights or the appointment or removal from office of directors by the Annual General Shareholders Meeting, except for the requirement included in the Bylaws regarding the holding of at least one hundred shares in order to be entitled to attend the General Shareholders Meeting.

## 3. GOVERNANCE AND ADMINISTRATION OF THE COMPANY

Governance and administration of the Company is carried out by the General Shareholders Meeting, the Board of Directors and its Committees, and Senior Management.

### 3.1 General Shareholders Meeting

The competences and the regulation of the operation of the General Shareholders Meeting are contained in the Spanish Corporations Act, the Bylaws and the Board Regulations.

The Bylaws are a faithful reflection of the legal regulations on general shareholders meetings contained in the *Spanish Corporations Act*, there being no majority or reinforced quorum requirements other than those stipulated in the said Act.

The applicable legal and statutory requirements are included in the *Regulations of the General Meeting of Shareholders*, together with a number of principles and procedures established by the Company to facilitate informed and active participation by shareholders in the shareholders meetings, that go beyond those required by law. Thus, through these Regulations, the Company aims to provide shareholders with an effective instrument enabling them to become acquainted with all their rights and the way their exercise is regulated.

In accordance with the provisions of the Bylaws and of the *Regulations of the General Meeting of Shareholders*, the Company will make adequate arrangements at the 2009 General Ordinary Shareholders Meeting for shareholders to be able to exercise their voting and representation rights by electronic means and remote communication, as it has done since 2005.

## 3.2 Board of Directors

### 3.2.1 Regulation and competences

The composition, faculties, and functioning of the Board of Directors are regulated by law, by the Bylaws, and specifically by the Board Regulations.

The rules regarding the board of directors, contained in the Bylaws and in the Board Regulations, faithfully reflect those stipulated by law, there being no requirements for reinforced majorities or quorums other than those required by law for reaching any agreements.

The Board Regulations, which were completely revised and updated at the end of 2007, regulate the composition, action principles and operating rules of this body, including a comprehensive list of directors' rights and duties, aimed at enabling the Board to perform its functions efficiently.

Those regulations establish as a policy of the Board the delegation of the day to day running of the Company to the executive bodies, concentrating its activity on the general supervision and control function. For that purpose, the regulations specifically state that the following responsibilities must be directly exercised by the Board, and thus may not be delegated:

- a) General strategies of the Company and any specific strategic plans, as well as annual objectives and budgets.
- b) General risk management policy and the definition of control and information systems appropriate to such policy.
- c) Policies regarding financing, treasury stock and shareholders' compensation.
- d) The organisational structure of all the Company's various activities.
- e) Operations involving the acquisition and disposal of the Company's assets and corporate operations whenever they exceed the amount of 30 million Euros.
- f) Related party transactions, in accordance with the provisions of the law and of the Board Regulations.
- g) The establishment of or acquisition of shareholdings in special purpose vehicles or entities resident in countries or territories considered as tax havens, as well as any other analogous transactions which could affect or impinge on the transparency of the group.
- h) Operations whose effect is equivalent to the liquidation of the Company.
- i) The transformation of the Company into a mere holding company by shifting its businesses and activities into subsidiaries.
- j) Disclosure and communication policy vis-à-vis shareholders, the markets, and the general public, and specifically:
  - i) Draft and approval of the information released each year by the Company together with the Annual Accounts submitted for approval of the General Shareholders Meeting and

- ii) Approval of the financial information that the Company has to publish periodically in accordance with legislation in force.
- k) Proposals for directors' compensation and establishment of the resulting amounts in accordance with the Bylaws and the relevant resolutions of the General Shareholders Meeting.
- l) Appointment, terms of employment, including in particular compensation clauses, remuneration, dismissal, and control of senior managers' performance.
- m) General Corporate Responsibility policies.
- n) Policies regarding Corporate Governance and the internal operating rules of the Board and its Committees, as well as the evaluation of the quality and efficiency of its operation and actions.
- o) And all other responsibilities specifically contemplated in the Board Regulations.

Without prejudice to the foregoing, the Board will in any case report to the General Shareholders Meeting any decisions within the scope of its aforementioned competences that might be of particular significance for the conduct of the Company's business, and will submit decisions for approval or ratification by the General Shareholders Meeting if and when it considers this appropriate.

Also in accordance with the rules set out in the Board Regulations, the Board, based on reports by the Appointment, Compensation and Corporate Governance Committee, analyses with particular care any situations involving a possible conflict of interest.

In the same way, the Board Regulations regulate in detail the treatment of transactions with related parties, which require authorisation by the Board of Directors, subject to a report from the Appointment, Compensation and Corporate Governance Committee, except where:

- (i) they are recurring transactions carried out in the ordinary course of business of the Company and executed on market terms, in which case the Board authorises the corresponding generic line of operations;
- (ii) the related party transaction simultaneously meets the following three conditions:
  - a) that they are transactions in the ordinary course of business of the Company;
  - b) that they are executed on market terms; and
  - c) that the amount does not exceed 1% of the consolidated annual revenues of the Company, in the case of transactions with shareholders, or 30% of average annual compensation per director in all other cases.

Chapter 5 includes detailed information on related party transactions carried out by the Company during 2008 financial year.

### 3.2.2 Composition

The 2008 Ordinary General Shareholders Meeting agreed to re-elect the eight directors who were appointed or re-elected in 2005, whose mandate was due to come to an end. Hence, renewed in their position were the executive Directors (Chairman and Managing Director), the two Proprietary Directors representing the shareholder interests of Caja Madrid (Mediación y Diagnósticos, S.A. and Participaciones y Cartera de Inversión, S.L.) and the Independent Directors Ms. Aguilera, Mr. Moya-Angeler, Mr. Ramón y Cajal and Mr. Soto.

Prior to the approval of the re-election proposals by the General Meeting, their character and the previous performance of each of them in the position was checked and analysed by the Appointment, Compensation and Corporate Governance Committee. In the case of those Directors that are legal entities, the analysis referred to their individual representatives.

The said Shareholders Meeting furthermore agreed to appoint a new independent director, Ms. Rosa Sugrañes to replace the also independent director Mr. Francisco Constans Ros, who stated his intention at the beginning of 2008 not to renew his position. This appointment was produced applying the policy of gradual and progressive renewal of independent directors, explained in section 3.2.4. below.

In July 2008, Mr. Mariano Pérez Claver replaced Mr. Matías Amat as individual representative of Mediación y Diagnósticos, S.A., Proprietary Director representing the Caja Madrid interest following a favourable report from the Appointment, Compensation and Corporate Governance Committee.

Regarding the appointment of this new director, both the Board and the Appointment, Compensation and Corporate Governance Committee, apart from carefully assessing the candidate's professional experience and profile, took into account the gender diversity policies which must be applied in the selection of people to perform positions on the Board, as established in the Board Regulations.

Following these appointments, on December 31st 2008 the Board was formed by 15 directors, 13 of whom were outside directors and two were executive directors (the Chairman and the Managing Director).

Of the 13 outside directors, six are Proprietary Directors, two of them representing the shareholder Caja Madrid interest; another two, shareholder Unión Fenosa interest; one the shareholder Casa Grande de Cartagena interest, and another one the shareholder CajAstur interest. The remaining seven directors are independent directors, one of them being the Vice-chairman, in accordance with the Board Regulations.

|                        |           |
|------------------------|-----------|
| <b>Total Directors</b> | <b>15</b> |
| External Directors     | 13        |
| Independent            | 7         |
| Proprietary            | 6         |
| Executive Directors    | 2         |

The detailed list of directors on December 31st, 2008 is as follows:

| <b>Name</b>                                   | <b>Position</b>   | <b>Type</b>                              |
|---|-------------------|--|
| Mr. Javier Monzón                             | Chairman          | Executive                                |
| Mr. Pedro López Jiménez                       | Vice-chairman     | Significant shareholder (Unión Fenosa)   |
| Mr. Mariano Pérez Claver <sup>(1)</sup>       | Vice-chairman     | Significant shareholder (Caja Madrid)    |
| Mr. Manuel Soto                               | Vice-chairman     | Independent                              |
| Mr. Regino Moranchel                          | Managing Director | Executive                                |
| Ms. Isabel Aguilera                           | Director          | Independent                              |
| Mr. Felipe Fernández <sup>(2)</sup>           | Director          | Significant shareholder (Caja Asturias)  |
| Mr. Luis Lada                                 | Director          | Independent                              |
| Mr. Honorato López Isla                       | Director          | Significant shareholder (Unión Fenosa)   |
| Mr. Joaquín Moya-Angeler                      | Director          | Independent                              |
| Ms. Mónica de Oriol                           | Director          | Independent                              |
| Mr. Pedro Ramón y Cajal                       | Director          | Independent                              |
| Mr. Estanislao Rodríguez-Ponga <sup>(3)</sup> | Director          | Significant shareholder (Caja Madrid)    |
| Ms. Rosa Sugrañes Arimany                     | Director          | Independent                              |
| Mr. Eusebio Vidal-Ribas <sup>(4)</sup>        | Director          | Significant shareholder (Casa Grande C.) |

(1) On behalf of Mediación y Diagnósticos, S.A.

(2) On behalf of Administradora Valtenas, S.L.

(3) On behalf of Participaciones y Cartera de Inversión, S.L.

(4) On behalf of Casa Grande de Cartagena, S.L.

Since the Chairman of the Board is also the chief executive of the Company, the Vice-chairman of the Board, elected from among the independent Directors, has faculties to coordinate these Directors, to call Board meetings and to place items on the agenda of the meetings, as well as to send information to the Directors. He also chairs the Board when it deals with the Chairman's annual evaluation.

As at December 31st, 2008, the six proprietary directors held important positions in their respective organisations:

- Mr. Felipe Fernández, age 56, has a degree in Economic Science and Business Studies from the University of Bilbao. He began his career as a professor at the University of Oviedo, later occupying various positions of responsibility in the Government of the Principality of Asturias. He also held a number of different management positions in Hidrocantábrico, and was Chairman of Gas de Asturias. Since January 2004 he has been General Manager of Caja de Ahorros de Asturias and a Director of Infocaja, Ahorro Corporación and Hidrocantábrico Energía.
- Mr. Honorato López Isla, age 61, obtained a Civil Engineering Degree from the Escuela Técnica Superior de Madrid and a degree in Senior Management (PDG) from IESE Business School. With Unión Fenosa since 1972, he has been General Sub-Manager of the Information Systems, Telecommunications and Technical Secretariat departments, Managing Director of Unión Fenosa Distribución, S.A., Chairman of Soluziona, and Chairman of R Cable y Telecomunicaciones Galicia S.A. He is Managing Director and first Vice-chairman of Unión Fenosa. Besides being a member of the Circle of Businessmen, he also belongs to the Latin American Business Observatory and is Chairman of the APD (Association for Management Progress) in the Northwest area.
- Mr. Pedro López Jiménez, age 66, is a Civil Engineer and obtained a Senior degree in Management (PDG) from IESE Business school. He has been Chairman of Endesa, General Manager for Harbours in the Sub-secretariat of the Ministry of Public Works and Urban Planning, and a Director of Unión Fenosa and Enher. He was also a Director of the National Industry Institute (INI), Director and General Manager of Empresarios Agrupados, and Construction Manager for Centrales Térmicas (power stations). He is a founding member of the CEOE and a member of its first executive committee, and founder and first chairman of the FEIE (Business Federation of the Electric Industry). He is a Director and member of the Executive Committee of ACS Actividades de Construcciones y Servicios, S.A., Vice-chairman of Dragados S.A. and Chairman of Unión Fenosa.
- Mr. Mariano Pérez Claver, age 53, has a degree in Economic Science and Business Studies from the University of Seville. He has a long career in the Caja Madrid Group, and is, since 2004, the Managing Director of the Caja Madrid Financial Corporation and General Manager of Caja Madrid. Apart from forming part of many boards both in entities in which Caja Madrid has a holding and outside of the group, he is trustee of the Foundation of the Complutense University in Madrid and of the Autónoma University of Madrid foundation.
- Mr. Estanislao Rodríguez-Ponga, age 52, is an economist, and was a national tax inspector from 1982 until 1989. He has held various executive positions in different companies, financial institutions and public entities, his long and broad experience in government having included the positions of Secretary of State for the Treasury and Chairman of the Spanish Government Lottery and Gaming Commission and of the National Tax Agency (AEAT). He



is currently the Vice-chairman of Caja Madrid and sits on the boards of a number of other companies. He is also a member of the Spanish General Council of Colleges of Economists.

- Mr. Eusebio Vidal-Ribas, age 54, has a degree in Economic Science from the University of Barcelona, and several professional qualifications from US trading organisations. He began his career with Merrill Lynch, later occupying various management positions in companies in the financial sector such as Benito y Monjardín, Banco Urquijo, and Metlife. He is currently director and General Manager of Casa Grande de Cartagena S.L., to which he joined in 2003 as Investment Manager.

On the proposal of the shareholder Unión Fenosa, the Board of Directors, according to the provisions set out in article 138 of the Spanish Corporations Act and with a favourable report from the Appointment, Compensation and Corporate Governance Committee, adopted a resolution in March and will also agree in May, to appoint respectively as directors of the Company Mr. Salvador Gabarró Serra and Mr. Rafael Villaseca Marco to replace Mr. Pedro López Jiménez and Mr. Honorato López Isla. The new Directors have also replaced as Chairman and Managing Director respectively of the said shareholder. The ratification of these designations will be submitted to the 2009 Ordinary General Shareholders Meeting. The professional profiles of Mr. Gabarró and Mr. Villaseca are the following:

- Mr. Salvador Gabarró Serra, age 73, has a doctorate in Industrial Engineering from the Polytechnic University of Catalonia and qualified by the IESE. He spent a large part of his career at Roca Radiadores where, after holding different positions, was appointed General Production Manager in 1969 and Manager in 1974. He retired in 2000 after becoming 65 years old. He has been director of Gas Natural since 2003 and Chairman since October 2004.

He is also First Vice-Chairman of La Caixa and Director of Enagás. Since March 2009 he is Chairman of Unión Fenosa. He has also been Director of Caixabank Francia, advisor to the Chairman of Corporación Roca, member of the Board of Barcelona Chamber of Commerce and member of the Barcelona Economics Society (Círculo de Economía de Barcelona).

- Rafael Villaseca Marco, 58 years old, Industrial Engineer from the Polytechnic University of Catalonia and MBA from IESE. He has performed his professional career in diverse companies where he has been director of Gas Natural SDG, S.A., Managing Director of Grupo Panrico, Chairman of Túneles y Accesos de Barcelona, S.A., Chairman of Túnel del Cadí, S.A.C., Chairman of Infraestructuras, S.A., Chairman of Grupo INISEL (hoy INDRA), Managing Director of Nueva Montaña Quijano, S.A., Director of Gas Natural and Director of Amper, S.A. From 2005 he has been Managing Director of Gas Natural. Likewise, he has been Chairman of the IESE Alumni Association.

The seven independent directors are highly reputed professionals with wide business experience, with no ties to significant shareholders or to the Company's management team. Their professional profiles as of December 31st, 2008 are as follows:

- Ms. Isabel Aguilera Navarro, age 48, is an architect and town planner, with an MBA from the Instituto de Empresa and a General Management Programme diploma from the IESE Business School. She has developed her career in various information technology companies such as Olivetti, Compaq, Hewlett Packard, Airtel (Vodafone), Dell, where she was Chairman and General Manager for Spain, Portugal and Italy, NH Hoteles, where she was General Manager, and Google Inc., where she was also General Manager for Spain and Portugal until January 2008. She is Chairman of General Electric for Spain and Portugal.
- Mr. Luis Lada Díaz, age 59, is a telecommunications engineer with a long career in the Telefónica Group, where he has been Chairman of Telefónica Móviles and Telefónica de España. He has also been a director and leading member of numerous companies and forums relating to the IT sector. He is an advisor to the company TELDAT, S.A. and director in Telefónica I+D and other companies.
- Mr. Joaquín Moya-Angeler Cabrera, age 59, who has a degree in mathematics and an MBA from Massachusetts Institute of Technology (MIT), spent a large part of his professional career with IBM, which he joined in 1977, taking charge of various activities, both operational and supervisory, in Spain, Europe and Saudi Arabia, being Chairman of IBM Spain from 1991 to 1994. From 1994 to 1997, he was Chairman of the Leche Pascual Group, and from 1999 to 2002 Chairman of Meta4. Currently, he is chairman, director and investor in several European and American companies.
- Ms. Mónica de Oriol de Icaza, age 47, has a doctorate in economic sciences and business studies from the Complutense University of Madrid, and a London School of Economics degree. For many years she has successfully combined her business career with her teaching activities as a professor at the Complutense University of Madrid, in the University Studies Centre (CEU) and at Saint Louis University in the US. She is the founder (1989), Chairman and main shareholder of Grupo Seguriber.
- Mr. Pedro Ramón y Cajal Agüeras, age 55, has a degree in Law and is a public prosecutor currently on leave. He has wide experience in the practice of administrative and mercantile law. He was General Sub-manager for Resources in the Ministry of the Treasury. Since 1994, he has been a partner in the law firm Ramón y Cajal Abogados. He also currently sits on the boards of various companies.
- Mr. Manuel Soto Serrano, age 68, graduated in Economics and Business Management. He was Chairman of the World Council of Partners of Arthur Andersen, and one of its international managing partners. He is currently Vice-chairman of Banco Santander and a director of Corporación Financiera Alba and of Cartera Industrial REA, S.A.
- Ms. Rosa Sagrañes Arimany, age 51, has a degree in business administration. Founding shareholder and Chairman of the Board of Directors of Iberia Tiles. She was member of the

Board of Directors of Florida East Coast Industries from 2006 until the company was sold. She is director of Transatlantic Bank of Miami (Grupo Banco Sabadell) and of the Rosa Gres Group of Barcelona.

In order to ensure that the Secretariat and Committees of the Board of Directors perform independently and adequately, it has been the Company's policy to appoint as Secretary a reputable lawyer who is not employed by the Company and with no connections other than with the Board of Directors itself. During 2008, Advocate Daniel García-Pita Pemán continued to perform the role of Secretary of the Board.

### 3.2.3. Annual check on Director's continuing status.

In accordance with the provisions of the Board Regulations, in the last two financial years the Appointment, Compensation and Corporate Governance Committee carried out a review of the current status of each of the directors, concluding that all directors - and in particular those designated as independent - had maintained their status unchanged during 2007 and 2008.

### 3.2.4. Directors' years of service and criteria for renewal of the Board.

Directors' years of service are as shown in the following table:

|   | <b>Years of service (years)</b> | <b>Yr.last appointed</b> |
|---|---------------------------------|--------------------------|
| <b>Independent Directors <sup>(1)</sup>:</b>  |                                 |                          |
| Ms. Isabel Aguilera                           | 4                               | 2008                     |
| Mr. Luis Lada                                 | 2                               | 2007                     |
| Mr. Joaquín Moya-Angeler                      | 10                              | 2008                     |
| Ms. Mónica de Oriol                           | 2                               | 2007                     |
| Mr. Pedro Ramón y Cajal                       | 10                              | 2008                     |
| Mr. Manuel Soto                               | 10                              | 2008                     |
| Ms. Rosa Sugrañes                             | 1                               | 2008                     |
| <b>Proprietary Directors:</b>                 |                                 |                          |
| Mr. Mariano Pérez Claver <sup>(2)</sup>       | 1                               | 2008                     |
| Mr. Estanislao Rodríguez-Ponga <sup>(3)</sup> | 2.5                             | 2006                     |
| Mr. Salvador Gabarró <sup>(4)</sup>           | 0                               | 2009                     |
| Mr. Honorato López Isla <sup>(5)</sup>        | 2                               | 2007                     |
| Mr. Eusebio Vidal-Ribas <sup>(6)</sup>        | 2                               | 2007                     |
| Mr. Felipe Fernández <sup>(7)</sup>           | 2                               | 2007                     |
| <b>Executive Directors <sup>(8)</sup>:</b>    |                                 |                          |
| Mr. Javier Monzón                             | 16.5                            | 2008                     |
| Mr. Regino Moranchel                          | 8                               | 2008                     |

(1) The Bylaws set the term of tenure for directors at three years. The independent directors appointed by the General Shareholders Meeting in 1999 on the occasion of the Company's IPO were re-elected in 2002, 2005 and 2008 by the General Shareholders Meeting, in accordance with proposals by the Board based on favourable reports of the Nomination, Remuneration and Corporate Governance Committee.

(2) and (3) On behalf of Mediación y Diagnósticos, S.A. and Participaciones y Cartera de Inversión, S.L. respectively, both of which are subsidiaries of Caja Madrid, which has had two appointees on the Board since 1999. Years of service shown are those applying to the individual representatives.

(4) and (5) On behalf of Unión Fenosa, S.A.

(6) On behalf of Casa Grande de Cartagena, S.L.

(7) On behalf of Administradora Valtenas, S.L.

(8) Their re-election in 2002, 2005 and 2008 was approved by the General Shareholders Meeting, as proposed by the Board based on a favourable report by the Appointment, Compensation and Corporate Governance Committee.

Since 2005, the appointment and re-election of directors is performed by individual voting. The General Shareholders Meeting passed the appointment and re-elections which took place in 2008 with a number of votes in favour in all cases of over 99%.

In accordance with the principle established in article 22 of the Board Regulations regarding periodical renewal of the Board's composition, the Board of Directors agreed at the beginning of 2005 to apply the following principles, based on recommendations of the Appointment,

Compensation and Corporate Governance Committee: that independent directors should not serve more than four consecutive statutory three year terms, save for justified exceptions; and that the renewal process should take place in a gradual and progressive way.

The application of these principles began at the General Shareholders Meeting of 2005, where the appointment of Ms. Isabel Aguilera to replace the position of the independent director Mr. Moya Francés was agreed, and continued in 2007 with the appointment of Ms. Mónica de Oriol and Mr. Luis Lada to replace Mr. Manuel Azpilicueta and Mr. Juan Carlos Ureta and in 2008 with the appointment of Ms. Rosa Sugrañes to replace Mr. Francisco Constans.

### 3.2.5. Gender diversity policy

Previous to 2005, when appointing new directors, particularly independent directors, the Board has paid special attention to bringing about greater gender diversity in the Company's governing bodies. In this regard, the Board Regulations, in articles 9.4 and 20.4, establish that the Board and the Appointment, Compensation and Corporate Governance Committee shall take special care to see that in selecting people to perform the role of director, principles and policies applied are geared towards ensuring appropriate gender diversity among Board members.

The application of the said criteria began in 2005 with the said appointment of Isabel Aguilera as an independent director; it continued in 2007 with the appointment of, also as an independent director, Mónica de Oriol and in 2008 with that of Rosa Sugrañes with the same status.

The three female directors that form a part of the Board represent 20% of its members and 43% of the independent directors, that is in the category in which the Board has more capacity to make an impact upon applying the gender diversity policies.

It should be pointed out that, in the case of the executive directors, the Chairman and Managing Director have remained unchanged throughout this period, and that both are men. As far as shareholder directors are concerned, the Board and the Appointment, Compensation and Corporate Governance Committee can only recommend to shareholders that they consider designating women for being a director of Indra to represent their interests, and even this depends on there being women at the top level of their respective organisations, since it is the Company interest that Proprietary Directors are at that level. It is in the area of independent directors where the Board and the Appointment, Compensation and Corporate Governance Committee are better able to act, since they can consider a far wider selection of potential female candidates to fulfil the role of director.

### 3.2.6. Committees of the Board of Directors

In accordance with the provisions of the Board Regulations, the Board has established, with a view to its working more effectively, an Executive Committee, an Audit and Compliance Committee, and a Appointment, Compensation and Corporate Governance Committee, whose regulations and competences, composition and activities are detailed in the following sections. In each meeting of the Board of Directors, the Committee Chairmen inform the Board of the issues that have been dealt with and the decisions taken by their respective Committees.

Applying the principle established in article 17.2 of the Board Regulations, since 1999 the Board has endeavoured to achieve a reasonable rotation of independent directors on its various committees.

Following the appointment of new directors approved by the General Shareholders Meeting of 2008, as mentioned earlier, the Board of Directors, in accordance with a proposal made by the Appointment, Compensation and Corporate Governance Committee, agreed a new composition of its committees. Following these changes, of the three independent directors who have been in office since 1999, two have belonged at one time or another to the Executive Committee and to the Appointment, Compensation and Corporate Governance Committee and the other has belonged to all three committees.

### 3.2.7. Activity during the year and evaluation of its operation

In order to perform such of its functions as can not be delegated, and to monitor the work of the committees, the Board held eleven meetings in the course of 2008 financial year.

In each of the meetings, the Board monitors the Company's business and financial evolution, that of transactions with treasury stock and, of matters dealt with in the Board committees and their actions. In five of its meetings in the course of the year 2008, the Board specifically dealt with the main issues relating to the future development and growth strategy, analysing the market and sector environment.

For all issues to be dealt with, ample information is made available to directors sufficiently in advance of the meeting. Total time devoted by directors was in the order of 1,150 hours for the year, rising to 1,700 hours if time spent on committees is included. Attendance rates for board and committee meetings overall exceed 85%, with the following breakdown of attendance at meetings of each body: Board 85.45%; Executive Committee 89.77%; Audit and Compliance Committee 82.5%; and Appointment, Compensation and Corporate Governance Committee 86%.

In all cases where a director has not been able to attend personally, that director has delegated his or her representation to another director having the same status, indicating how to vote on the agenda items.

In general, directors keep the Appointment, Compensation and Corporate Governance Committee regularly informed of their other professional obligations, so that the Committee can assess whether such obligations are compatible with the dedication required of the directors.

In accordance with the provisions of the Board Regulations, the Board of Directors carries out an annual assessment of its own operation and of the quality of its work and that of its committees. For these purposes, each of these bodies carries out a self-assessment, and produces a report on its activities and actions during the financial year, which is submitted to the Board.

According to that set out in the Board Regulations, the independent directors channel their concerns and suggestions through the Vice Chairman chosen from amongst the independent directors and, to this end, he calls at least once a year a meeting exclusively for independent directors to deal with those aspects relating most to them. The Vice Chairman informs the Chairman of the Board and the chairmen of the committees of the conclusions of these meetings, in the framework of the evaluation process, referred to below.

To carry out the assessment for 2008, the Board of Directors considered necessary to resort once more to external advice, as had been the case in 2005, being of the opinion that the participation of external consultants in this process is efficient, in a company with the experience and history of Indra in this area, if carried out periodically (every two or three years or whenever changes in circumstances render it advisable). The Board has chosen Egon Zehnder International, a prestigious consultancy and professional service firm with experience in this area.

The evaluation carried out through a formal valuation process, performed individually by each director, of the multiple aspects relating to the structure, composition and operations of the Board and its Committees, as well as the efficiency and of its performance and the contribution of its members, evaluating a total of 72 variables. Likewise each director has had an individual interview with an external consultant.

The firm Egon Zehnder presented to the session of the Board a conclusions report, in which a positive opinion was given by them of the dedication, professionalism, performance and contribution of the Board of Directors and in which the strong points and potential areas for improvement were pointed out.

After this process, the Board believes the operations and quality of its work and that of its committees during the 2008 financial year merit a positive evaluation; without prejudice to which, the Board has agreed as a result of the said evaluation process, to review certain aspects of its operations in order to improve its future efficiency, amongst them the contents of the matters to be dealt with by the Delegated Committee and the distribution of time between matters of a formal nature and matters of strategic nature dealt with by the Board of Directors.

In the same manner in accordance with that set out in its Regulations, the Board annually carries out an evaluation of the Chairman in the said role –that is performed separately and independently to that which is also carried out in his position of first executive. The Chairman is not present in these evaluations, the Board being chaired by the Vice-President designated from amongst the independent directors.

On the proposal of the Appointment, Compensation and Corporate Governance Committee, the evaluation of the Chairman of the Board took into consideration principally: the exercising of the presidency of the Board in a sufficiently differentiated manner to that of the first executive; its performance so that the Board exercises in an effective manner its functions and competences, assuring that it submitted for consideration, having the adequate information, the areas envisaged in the Regulations and that the relevant questions be convenient for the Company; the promotion of the discussion and analysis of the different matters of its competence in order to adopt the pertinent resolutions; and the promoting of the relations with shareholders and investors and the information and transparency policies.

The Appointment, Compensation and Corporate Governance Committee suggested to take into account the assessment carried out on the 13 variables relating to the presidency included in the evaluation process of the Board.

On the evaluation carried out, the Board concluded unanimously with a very favorable evaluation of the performance of the Chairman of the Board of Directors in the 2008 financial year.

### 3.3 Delegated Committee

#### 3.3.1 Regulation and competences

The composition, faculties, and operation of the Delegated Committee have been regulated, since its establishment in 1999, by the Board Regulations, according to which all faculties of the Board that are capable of being delegated, except those indicated in the foregoing section 3.2.1 of this document, have been delegated to this committee.

Its main function is to ensure the continuous monitoring of the Company's business and operations, for which purpose it generally holds its ordinary meetings once a month.

### 3.3.2 Composition

In accordance with the Board Regulations, the composition of the Executive Committee should reasonably reflect that of the Board. In 2008 it comprised eight members, six of them outside directors (four of whom were independent directors) and two executive directors.

The list of names of the members of the committee as as 31 December 2008 is as follows:

| Name                     | Position | Type                       |
|--------------------------|----------|----------------------------|
| Mr. Javier Monzón        | Chairman | Executive                  |
| Ms. Isabel Aguilera      | Member   | Independent                |
| Mr. Honorato López Isla  | Member   | Proprietary (Unión Fenosa) |
| Mr. Regino Moranchel     | Member   | Executive                  |
| Mr. Joaquín Moya-Angeler | Member   | Independent                |
| Mr. Mariano Pérez Claver | Member   | Proprietary (Caja Madrid)  |
| Mr. Pedro Ramón y Cajal  | Member   | Independent                |
| Ms. Rosa Sugañes         | Member   | Independent                |

### 3.3.3. Activity during the financial year

In performing its functions, the Executive Committee met eleven times in the course of 2008. All documentation prepared for each meeting, together with the corresponding minutes, are placed at Directors' disposal before each Board meeting. In the course of 2008 the Committee dealt with 347 operational matters, with an aggregate value of €1,320 M.

## 3.4 Audit and Compliance Committee

### 3.4.1 Regulation and Competences

The composition, faculties, and operation of the Audit and Compliance Committee, which was created in 1999, are regulated by the Bylaws and by the Board Regulations, and comply with the express requirements of the law.

Its main functions are:

- To supervise the preparation process and integrity of financial information relating to the Company and, where applicable, the group, reviewing compliance with regulatory requirements, the appropriate delimitation of consolidation criteria and the correct application of accounting principles.
- To periodically review internal control and risk management systems so as to ensure that the main risks are properly identified, managed and reported.
- To maintain the independence and effectiveness of the internal audit function; to propose the selection, appointment, re-election, and dismissal of the person in charge of the internal

audit service; to propose the budget for this service; to receive periodic information on its activities; and to verify that senior management follow the recommendations of its reports.

- To establish and supervise a mechanism which allows employees confidentially, and if necessary anonymously, to report any potentially significant irregularities that come to their notice in the Company, particularly financial and accounting ones.
- To submit to the Board proposals for the selection, appointment, re-election or replacement of the external auditor, and the relevant contractual terms.
- To receive regular information from the external auditor on the audit plan and its results, and to ensure that senior management takes account of the auditor's recommendations.
- To ensure the independence of the external auditor.
- To get that the group auditor assumes the responsibility for the audits of the companies within the group.
- To inform the General Shareholders Meeting of matters within its competence.

### 3.4.2 Composition

In accordance with the Bylaws and the Board Regulations, the Audit and Compliance Committee must comprise exclusively outside directors. It has five members, three of whom are independent directors. As required by the Board Regulations, its chairman is one of the independent directors, and his maximum term of office is four years, although he may be re-elected after one year has elapsed since the end of his previous term. In July 2008 the Committee re-elected Mr. Manuel Soto as Chairman of this Committee following Mr. Francisco Constans' resignation as director and one year since he replaced him in the position. In his re-election, particular account was taken of his knowledge and experience of matters that are the specific competence of the Committee, backed up by substantial professional experience

As indicated, the composition of the committees was modified after the 2008 Ordinary General Shareholders Meeting following the appointments and re-elections approved therein.

The list of names of members of the committee as at 31 December 2008 is as follows:

| Name                           | Position | Type                       |
|--------------------------------|----------|----------------------------|
| Mr. Manuel Soto                | Chairman | Independent                |
| Ms. Isabel Aguilera            | Member   | Independent                |
| Mr. Honorato López Isla        | Member   | Proprietary (Unión Fenosa) |
| Ms. Mónica de Oriol            | Member   | Independent                |
| Mr. Estanislao Rodríguez-Ponga | Member   | Proprietary (Caja Madrid)  |

### 3.4.3 Activity during the financial year

In performance of its functions, the committee met eight times in the course of 2008, preparing an action plan for the year, as well as an annual report of its activities, which it submitted to the Board of Directors.

The Annual Report of its activities for the year 2008 will, as in previous years, be available to shareholders, investors, and the general public through the Company's website and its Shareholders' Office. All documentation relating to each meeting, together with the corresponding minutes, are available to the Directors before each Board meeting.

## 3.5 Appointment, Compensation and Corporate Governance Committee

### 3.5.1 Regulation and Competences

The composition, faculties, and operation of the Appointment, Compensation and Corporate Governance Committee have been regulated, since its establishment in 1999, by the Board Regulations.

Its main functions are:

- a) To advise on the composition of the Board of Directors, the professional profiles required for the Board, and criteria for selecting its members, taking care to see that the selection procedures incorporate criteria that favour gender diversity in the composition of the Board.
- b) To evaluate whether the knowledge, abilities, and experience of individuals proposed as members of the Board and of the various committees meet the required profiles, and whether requirements for the specific type of director in question are met.
- c) To submit to the Board reports on succession plans for the posts of Chairman and Chief Executive, and to supervise succession plans for senior managers.
- d) To advise the Board on proposals for appointment and dismissal of senior managers, and, subject to a prior approval by the Board, on their terms of remuneration and terms and conditions of their employment contracts with the Company, including compensation clauses in the event of termination of employment.
- e) To submit to the Board, prior to a re-election of any directors, a report on the performance to the said directors.
- f) To verify each year that the status of each director remains unchanged since the date of his appointment, and to include this in the Annual Report on Corporate Governance.
- g) To present proposals to the Board, within limits established by the Bylaws and by resolutions of the General Shareholders Meeting, regarding the system, components, and amounts of directors' remuneration.
- h) To present to the Board a report on the annual assessment of the Board Chairman and the performance of senior managers.

- i) To propose, for approval by the Board, the annual report on remuneration policy for submission by the Board to the General Shareholders Meeting, in accordance with the stipulations of article 29 of the Board Regulations, as well as information on remuneration published by the Company.
- j) To advise the Board in advance on all transactions with related parties - directors, significant shareholders, shareholders represented on the Board, senior managers, or persons related to any of the foregoing - which are submitted for the Board's approval.
- k) To perform an assessment on the efficiency and compliance with the Company's rules and procedures on corporate governance, suggesting amendments thereto as it may deem appropriate.

### 3.5.2 Composition

In accordance with the stipulations of the Board Regulations, the Appointment, Compensation and Corporate Governance Committee consists exclusively of outside Directors, who are five in number, independent directors constituting the majority. Its chairman is also an independent director.

As indicated, the composition of the committees was modified after the 2008 Ordinary General Shareholders Meeting following the appointments and re-elections approved therein.

The list of names of members of the committee on December 31st, 2008 is as follows:

| Name                     | Position | Type                       |
|--------------------------|----------|----------------------------|
| Mr. Joaquín Moya-Angeler | Chairman | Independent                |
| Ms. Mónica de Oriol      | Member   | Independent                |
| Mr. Luis Lada Lada       | Member   | Independent                |
| Mr. Pedro López Jiménez  | Member   | Proprietary (Unión Fenosa) |
| Mr. Mariano Pérez Claver | Member   | Proprietary (Caja Madrid)  |

### 3.5.3 Activity during the financial year

In order to carry out its functions, the Appointment, Compensation and Corporate Governance Committee met ten times in the course of 2008, preparing an action plan for the year, as well as an annual report on its activities, which was presented to the Board of Directors. All documentation prepared for each meeting, together with the corresponding minutes, are at directors' disposal before each Board meeting.

## 3.6. Senior Management

The Company's senior management holds the highest responsibility regarding the day-to-day management of the Company and of its group of companies. All management units, whether operational or support, depend on and report to senior management.

At the end of 2008 the General Managers Mr. Otero and Mr. Vilá ended their labour relationship with the Company.

The composition of the Senior Management at December 31st, 2008 is the following:

| Name                  | Position  |
|-----------------------|---|
| Mr. Javier Monzón     | Chairman  |
| Mr. Regino Moranchel  | Managing Director   |
| Mr. Javier de Andrés  | General Manager – Corporate Control, Purchases and Logistics Services |
| Mr. Juan Carlos Baena | General Manager – Finance and Corporate Development                   |
| Ms. Emma Fernández    | General Manager - Talent, Innovation and Strategy                     |
| Mr. Rafael Gallego    | General Manager - Transactions  |
| Mr. Ángel Lucio       | General Manager - Transactions  |
| Mr. Cristóbal Morales | General Manager - International                                       |
| Mr. Javier Piera      | General Manager - Transactions  |
| Mr. Santiago Roura    | General Manager - Transactions  |
| Mr. Joaquín Uguet     | General Manager - Transactions  |

## 4. COMPENSATION OF DIRECTORS AND SENIOR MANAGERS

### 4.1 Directors

In accordance with the provisions of article 27 of the Bylaws, directors compensation consists of a fixed allowance, the maximum amount of which is determined by the Annual General Shareholders Meeting, and profit sharing of the Company. It may also consist of the allocation of shares or stock options, subject to prior agreement of the Annual General Shareholders Meeting.

The General Shareholders Meeting agreed in 2005 to fix the maximum fixed allowance at €600,000 and to limit the profit sharing, fixed by the Bylaws at 1% of net consolidated profits, to a maximum of 1.4 times the amount of the fixed allowance, establishing that 50% of its gross amount will be received in shares of the parent company. This amount was based on a board of twelve members, which implied an average amount per director of € 50,000 per year by way of fixed allowance, and € 70,000 per year of profit sharing. This board agreement is valid and applicable for 2005, 2006 and 2007. The compensation scale approved excluded the stock options as a form of retribution of the members of the Board of Directors.

In 2007, the General Ordinary Shareholders Meeting resolved to increase the number of directors to 15, agreeing also to adjust the total amount of the Board's remuneration fixed by the Meeting for the period 2005-2007 to the new number of directors, and thus increasing the maximum amount of the annual fixed allowance to € 750,000 and maintaining the limit of

1.4 times this amount, i.e. € 1,050,000, for the maximum amount of profit sharing. However, since in the first half of financial year 2007 there were only fourteen directors, the Meeting exceptionally established the maximum amount of the fixed allowance for that year at € 725,000 and the limit for profit sharing at 1.4 times that amount, or € 1,015,000.

In accordance with the Board of Directors agreement, which is statutorily empowered to distribute amongst its members the global compensation set by the General Shareholder Meeting, during the period 2005-2007 the amounts authorized by it are distributed in the following manner:

- (i) Fixed allowance of € 27,000 for membership of the Board of Directors, € 15,000 for belonging to the Executive Committee, € 20,000 for being a member of the Audit and Compliance Committee and € 15,000 for being on the Appointment, Compensation and Corporate Governance Committee. The chairman of each committee – except in the case of the Executive Committee – receives an amount equal to 1.5 times the amounts indicated.
- (ii) The profit sharing was distributed equally amongst the directors, in proportion to the effective time they have been in the position during the financial year, being 50% of its gross amount paid in shares at market value. The directors have been committed to keep the shares while they remain in office.

In 2008, the General Meeting approved the Board's remuneration for a new three-year period (years 2008, 2009 and 2010). For a 15-member Board of Directors, the maximum amount of the annual fixed allowance of € 875,000 is established and the limit of 1.4 times this amount for the profit sharing, i.e. € 1,225,000.

The Board distributed the amounts authorised by the General Meeting amongst the directors as follows:

- (i) Fixed allowance of € 32,000 for membership of the Board of Directors, € 18,000 for belonging to the Executive Committee, € 24,000 for being a member of the Audit and Compliance Committee and € 18,000 for being on the Appointment, Compensation and Corporate Governance Committee. The Chairmen of each Committee – except in the case of the Executive Committee – receives an amount equal to 1.5 times the amounts indicated.
- (ii) Profit sharing continues to be distributed equitably among board members, in proportion to effective time in office during the financial year. The Board has the possibility to change the distribution if it is justified under the circumstances.

The Board has agreed year by year that, in the event of non-achievement of the growth and profitability objectives announced publicly in each financial year, it would reconsider the amount of profit sharing, and bring any resulting proposals before the General Meeting. This condition has not

been applicable in any of the financial years since this statutory remuneration was approved in 1999, the Company having fulfilled or exceeded its publicly announced objectives in every year.

The General Meeting also agreed that 50% of the gross amount of the profit sharing is to be received in shares at the market price at the time of payment. This implies that for a natural person director only 23% of the profit sharing is received in cash and only 55% of the total average remuneration. The Board has asked the directors to commit to maintain during the time that they remain in office the ownership of the shares and all of them have stated such compromise.

The above explained remuneration scale means an annual average compensation per directors of approximately €140,000 compared to approximately €120,000 which has been received since 2005. This significant increase means that the average remuneration per director in 2010 will be increased at an average annual rate since 2005 of 3.1%. Likewise, the maximum compensation of the Board, almost 60% will not be of fixed nature, being linked to profit generation on the part of the Company.

The Board considers that the compensation scheme in its global quantity as well as the average per director, is reasonable considering the comparative analysis carried out by the Appointment, Compensation and Corporate Governance Committee on market practices, in companies of the Ibx 35 comparable to INDRA as in other assimilated international markets, and equates to the characteristics of the Company, to the professional profiles it demands from its directors and the availability and dedication demanded for the diligent performance of the role.

The Appointment, Compensation and Corporate Governance Committee and the Board consider that the compensation approved by the General Shareholders Meeting for the directors complies with that set out in the Board Regulations being the remuneration of external directors adequate and of an incentive nature to compensate their dedication, qualification and responsibility, but does not constitute, in the case of the independent directors, an obstacle for their independence, as well as with the criteria that the assignment fixes relating to the total compensation is maintained within moderate amounts, its distribution attending to the different dedication required by each Board Committee.

The Board, through the Appointment, Compensation and Corporate Governance Committee, has asked the independent firm Egon Zehnder, with well known experience in this field, its opinion on the remuneration policy of the Company, stating to this respect that it considers it "adequate, prudent and in a compensation level adjusted to the characteristics and to the Company trajectory", considering likewise "that setting the remuneration for three year periods is convenient".

The breakdown of the total remuneration paid for each one of the members of the of the Board of Directors during the 2008 financial year, in their status as directors of the Company is indicated in the following chart:

#### DIRECTOR'S REMUNERATION (€) 2008

| DIRECTOR  | Fixed Allowance |                     |                                |   | TOTAL FIXED ALLOWANCE | PROFIT SHARING (50% in shares) | Total            |                |
|---|-----------------|---------------------|--------------------------------|---|-----------------------|--------------------------------|------------------|----------------|
|   | BOARD           | EXECUTIVE COMMITTEE | AUDIT AND COMPLIANCE COMMITTEE | APPOINTMENT COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE |                       |                                |                  |                |
| Adm. Valtenas (1)                                       | 32,000          | --                  | --                             | --  | 32,000                | 81,666                         | 113,666          |                |
| I. Aguilera   | 32,000          | 18,000              | 12,000                         | --  | 62,000                | 81,666                         | 143,666          |                |
| Casa Grande de Cartagena                                | 32,000          | --                  | --                             | --  | 32,000                | 81,666                         | 113,666          |                |
| F. Constans (3)   | 16,000          | 9,000               | 18,000                         | --  | 43,000                | 40,833                         | 83,833           |                |
| Mediación y Diagnósticos (2)                            | 32,000          | 18,000              | --                             | 18,000  | 68,000                | 81,666                         | 149,666          |                |
| L. Lada   | 32,000          | --                  | --                             | 18,000  | 50,000                | 81,666                         | 131,666          |                |
| H. Lopez Isla   | 32,000          | 18,000              | 24,000                         | --  | 74,000                | 81,666                         | 155,666          |                |
| P. López Jimenez  | 32,000          | --                  | --                             | 18,000  | 50,000                | 81,666                         | 131,666          |                |
| J. Monzón   | 48,000          | 18,000              | --                             | --  | 66,000                | 81,666                         | 147,666          |                |
| R. Moranchel  | 32,000          | 18,000              | --                             | --  | 50,000                | 81,666                         | 131,666          |                |
| J. Moya-Angeler   | 32,000          | 9,000               | --                             | 27,000  | 68,000                | 81,666                         | 149,666          |                |
| M. Oriol  | 32,000          | 9,000               | 24,000                         | 9,000   | 74,000                | 81,666                         | 155,666          |                |
| Part. y Cartera de Inversión (2)                        | 32,000          | --                  | 24,000                         | --  | 56,000                | 81,666                         | 137,666          |                |
| P. Ramón y Cajal  | 32,000          | 18,000              | --                             | --  | 50,000                | 81,666                         | 131,666          |                |
| M. Soto   | 32,000          | --                  | 30,000                         | 9,000   | 71,000                | 81,666                         | 152,666          |                |
| R. Sugañes (4)  | 16,000          | 9,000               | --                             | --  | 25,000                | 40,833                         | 65,833           |                |
| <b>TOTAL</b>  | <b>496,000</b>  | <b>144,000</b>      | <b>132,000</b>                 | <b>99,000</b>   | <b>871,000</b>        | <b>1,225,000</b>               | <b>2,096,000</b> |                |
| <b>Average remuneration per Director (15 directors)</b> |                 |                     |                                |   |                       | <b>58,067</b>                  | <b>81,666</b>    | <b>139,733</b> |

(\*) 50% of the indicated amount will be paid in shares.

(1) Representing Caja Asturias (2) Representing Caja Madrid (3) Director from July 2007 to June 2008 (4) Director since July 2008.



The total compensation of the directors in 2008 represented 0.77% of Net Consolidated Earnings and 0.83% of Consolidate Earnings before Tax of the said year, according to the annual accounts.

During the 2008 financial year no Company stock options have been granted in favor of the members of the Board of Directors due to their status as directors nor have they exercised during the said financial year, in the referred condition any stock option. At the close of the 2008 financial year the members of the Board of Directors were not, in their condition as directors, holders of any stock options of the Company.

The directors who are at the same time members of the Senior Management of the Company (executive directors) received additionally the corresponding salary in virtue of the labor relationship with the Company, which is independent, in accordance with that set out in the Bylaws, of the remuneration received in their status as directors. The amounts of the said salaries are taken into account in the following section.

#### 4.2 Senior Management

Remuneration of members of the Company senior management is determined, individually by the Board of Directors based on the recommendations of the Appointment, Compensation and Corporate Governance Committee.

The Board has set the remuneration of the senior management since 2002 for three-year periods. In 2007 the Appointment, Compensation and Corporate Governance Committee understood it necessary to analyze if, after the acquisitions of Azertia and Soluziona, because of the great importance of the same and due to the size and complexity of the activities of Company, the Senior Management was adequately dimensioned and compensated. In relation to the first, the Board proposed to appoint five new general directors, to approve the new remuneration conditions and apply the labor framework in force to the new senior management, that would amount to fourteen compared to nine previously in office. Relating to the second, acting with the assessment from the firm of independent experts Egon Zehnder, it reviewed the remuneration conditions of the senior management to verify if they compare with market levels, as well as with the previously mentioned criteria. The said review stated the existence of mismatches in the remuneration amounts, being relevant in some cases; the Committee, expecting a general review of the remuneration framework of senior management in 2008, proposed the Board to maintain the concepts and remuneration amounts set in 2005 unchanged and take these circumstance into account at the time of determining the amount the variable quantities corresponding to the 2007 financial year. The Board of Directors approved all of the

proposals referred to and raised by the Appointment, Compensation and Corporate Governance Committee.

As was expected, according to that previously indicated in the 2008 financial year the said Committee proposed to the Board, and this was agreed, to review the remuneration framework of the higher management for a new three-year period, comprising the financial years 2008, 2009 and 2010. To elaborate its proposal the Appointment, Compensation and Corporate Governance Committee took on the external assessment of the independent firm of experts Mercer to contrast with the market levels facilitated in 2007 by the firm Egon Zehnder previously referred to. The aim of this review was to assure that the concepts and remuneration amounts, as well as other elements that compose the labor relationship with the senior management, are in accordance at all times with market practices and allow motivating their permanence and orientating their management adequately and competitively in function of the present situation, perspectives and objectives of the Company.

The remuneration approved has similar components to those existing in the previous three-year period, some of an annual and others of a multi-annual nature.

The annual retribution is composed of: a fixed cash compensation; a variable one, equally in cash, in function of the level of meeting annual objectives set and of the evaluation of the management carried out by each senior manager; and payment in kind. The criteria of the Board is that the fixed remuneration is kept unchanged for the three year period indicated, except if specific circumstances recommend its review. The annual variable remuneration is determined at the close of each financial year on the basis of a percentage of the fixed annual remuneration set each year for each senior manager for a satisfactory evaluation on the part of the Board in meeting the budget and objectives, as well as their individual management, situating the central value of the said percentage in a range of between 10% and 2/3rds of the fixed annual retribution referred to.

The medium term remuneration is of a variable nature and is conditioned to remaining in the senior management of the Company until the end of the period that the same refers to and consists of an incentive linked to the evolution of the Company and on meeting the objectives and evaluation of the management of each senior manager, as well as the handover of shares and concession of stock options

For the determination of their terms and amounts of each one of the said components the following criteria have been maintained: that the variable remuneration represents a substantial part of the total remuneration; that the medium term remuneration has a relevant weighting; and that referencing to stock market value will be significant, but not excessive.

The Chairman and the Managing Director also have the condition of members of the Board of Directors, and as such executive directors. The compensation that corresponds to them in their

condition of senior management is independent, in accordance with that set by in the Bylaws, of the compensation received for their condition as directors.

In the 2008 financial year the total remuneration received by the three senior directors and their breakdown for each one of the concepts indicated as follows, are:

| <b>Annual remuneration</b> | Thousands of Euros |
|----------------------------|--------------------|
| Fixed remuneration in cash | 5,637              |
| Variable remuneration      | 3,815              |
| Remuneration in kind       | 280                |
| <b>TOTAL</b>               | <b>9,732</b>       |

Of the amounts indicated, a total remuneration in 2008 of €3,487M corresponds to executive directors representing the variable remuneration representing 50% of the total. The annual quantity referred to for total remuneration represents 1.29% of Net Consolidated Earnings and 1.39% of consolidated Earnings before Tax in the financial year, and represented 2.01% and 2.12% respectively in 2007.

The medium term cash remuneration is paid and received once the 2010 financial year is closed and has been set with an average central value, for the whole of the senior management, of twice the annual fixed remuneration for a satisfactory evaluation on the part of the Board of the evolution of the Company in the period 2008 to 2010 and the management carried out by each one of the senior management. The evaluation attends not only to meeting annual objectives but also, in a special manner, the development and consequences of the strategic objectives, and in the medium term so that this period establishes in each moment the Board will equally take into consideration the comparative evolution of the Company with respect to the markets in which it operates and of the principle comparable companies of the sector. The Company has set aside in 2008 for this concept € 3,640M, of which €1,710M corresponds to executive directors.

The medium term remuneration is effected through the handover of shares and granting of stock options having a joint equivalent value limited to the net amount that corresponds to a percentage of between 10 and 20% of the total gross remuneration of all the senior management in the period. The 2008 Ordinary General Shareholders Meeting approved the terms and conditions of the share handover and granting of stock options in favor of the senior management, agreeing (i) that the handover of shares is carried out in each one of the years 2008, 2009 y 2010, at the share market value at the time of the handover, the senior management having to maintain ownership of the shares for a 3 year period; and (ii) that the stock options will be granted in the first of the three years of the compensation period –that is, in 2008- with a price equal to market value at the time of the concession and a total duration

of 3 years 6 months, the period of exercising being 12 months from which 2 years and 3 months have passed (exclusion period) from the date of the stock options granting. According to the General Shareholders Meeting authorization, the Board of Directors, on the proposal of the Appointment, Compensation and Corporate Governance Committee, agreed:

- (i) to deliver to the senior manager a total of 43,022 shares, with a share value of € 16.78, market price on the delivery time, i.e. 30th September (this delivery of shares forms part of that made to a group of 150 managers for a total of 143,589 shares within the framework of the "2008-2010 Share Plan") and
- (ii) to grant 934,959 stock options over an equal number of Company shares, equivalent to 0.57% of its share capital. The option price is € 16.82, market price on the option grant, as established by the General Meeting, as the average value between 27th June and 26th September 2008. The stock options were granted on October 1st, 2008.

The Appointment, Compensation and Corporate Governance Committee has been recommending to the managers the acquisition, by their own means, of shares in the Company, in a way that they reach and maintain a stable shareholding in the capital of this equivalent to at least their annual remuneration. At the end of the 2008 financial year, the members of the Senior Management possessed 360,759 shares, with a market value on the said date equivalent to 1.1 times their annual global fixed remuneration.

The Board has requested through the Appointment, Compensation and Corporate Governance Committee, from the independent and recognized prestigious firm in this area Egon Zehnder its opinion on the remuneration of the senior management stating that is "adequate, with a moderate fixed remuneration and a highly weighted variable retribution as well as the relevance of medium term retribution, mainly linked to the evolution of the business", likewise considering "very convenient the fact of setting the criteria and remuneration framework for three year periods".

#### 4.3 Other benefits and compensations

Neither members of the Board of Directors nor senior managers received during 2008, nor as at year-end 2008 were they beneficiaries of, any other benefits, compensation or remuneration additional to those previously indicated, nor does the controlling Company or any of the companies in the Group have any contractual obligation with them with regard to pensions, or any loans or advances granted to them.

#### 4.4 Compensation clauses and non-competition commitments

All senior managers have signed contracts with the Company, regulating the terms applicable to their employment. These contracts have been authorised by the Board of Directors based on a favourable report and proposal by the Appointment, Compensation and Corporate Governance Committee,

and have also been submitted to the 2007 Annual General Shareholders Meeting. By virtue of the provisions of these contracts, senior managers have the right, in the event of termination of employment with the Company, except in the case of voluntary resignation or termination with due cause, to compensation equivalent to that established in article 56 of the Workers' Statute, that is, 45 days worth of their annual remuneration for each year of employment with the Company, with a limit of 3.5 times annual remuneration; and with a minimum amount of three times annual remuneration in the case of the Chairman and the Managing Director. Additionally, as has also been disclosed in public information and at the AGM, Executive Directors and General Managers of Transactions (including the international General Manager) have signed non-competition commitments, with a duration of two years from the end of their working relationship with the Company and with a compensatory amount of between 0.5 and 0.75 times their annual remuneration for each year of non-competition.

As has been previously explained, the general managers Mr. Otero and Mt Vilá terminated their labour relationship with the Company at the end of the 2008 financial year, and the terms established for such events were applied in both cases.

#### 4.5 Other public information regarding remuneration

The Company also publically informs on the remuneration of the Board and the Senior Management in the Management Report of the Annual Accounts corresponding to 2008, by means of the Annual Corporate Governance Report produced in the format required by the CNMV, as well as in the Annual Report on the Remuneration of the directors and senior management approved by the Board of Directors and which, conforming to that set out in the Regulations of the Board and the recommendations of the Unified Good Governance Code will be submitted to a consultative vote at the 2009 Ordinary General Shareholders Meeting as a separate point of order on the agenda.

#### 5. TRANSACTION WITH SIGNIFICANT SHAREHOLDERS AND WITH DIRECTORS

The Board Regulations establish that transactions with related parties require authorisation by the Board of Directors, based on a report by the Appointment, Compensation and Corporate Governance Committee assessing their compliance with the principle of equitable treatment of shareholders and that they are conducted on market terms in accordance with criteria set out in the Board Regulations and listed in section 3.2.1 above.

In the course of 2008, the Company carried out commercial and financial transactions and transactions involving the provision of professional services with shareholders Unión Fenosa, Caja Madrid and Caja Asturias and with companies related to them, as well as with companies linked to the directors Ramón y Cajal, Moya-Angeler and de Oriol.

All these transactions were authorised in accordance with the criteria set out in the Board Regulations and were carried out in the ordinary course of the operations of Indra and on

market terms, not representing, either collectively or individually, a significant amount in relation to the Indra's turnover or balance sheet totals.

The breakdown of these transactions by type is as follows:

| 2008                            |                       |                | Thousands of Euros |
|---------------------------------|-----------------------|----------------|--------------------|
| Nature of the transaction       | With shareholders (*) | With Directors | TOTAL              |
| Sale of goods and services      | 89,007                | --             | 89,007             |
| Purchases of goods and services | 4,980                 | 1,404          | 6,384              |
| Receipt of financial incomes    | 8                     | --             | 8                  |
| Cost of financial services      | 1,758                 | --             | 1,758              |
| <b>TOTAL</b>                    | <b>95,753</b>         | <b>1,404</b>   | <b>97,157</b>      |

(\*) Includes Inversis, a company in whose capital Caja Madrid and Indra have a joint majority shareholding

The Company also publishes detailed information in this regard, in compliance with the regulatory rules on half-yearly information to be sent to the CNMV, in the Management Report on the Annual Accounts and in the Annual Corporate Governance Report in the format required by the CNMV.

#### 6. TREASURY STOCK

In accordance with the provisions of the Internal Rules of Conduct Regarding Matters Relating to Stock Markets, the treasury stock policy followed by the Company pays special attention to ensuring that transactions with treasury stock do not affect the free price formation process in the market or favour particular shareholders of the Company.

Note 17 of the consolidated Annual Accounts contains a detailed explanation of the balances at the beginning and end of the year 2008, as well as the transactions with treasury stock during the year.

As regards the volume of ordinary transactions, carried out with a view to providing liquidity to the share and reducing fluctuations in its quoted price, transactions were carried out during 2008 with the following volumes and prices: purchase of 10,469,613 shares at an average price of € 16.35 and sale of 8,786,880 shares at an average price of € 17.04. Total purchases and sales carried out represent, respectively, 3.96% and 3.33% of the total volume traded during the year.

Regarding extraordinary transactions, in 2008, 230,422 shares at an average price of € 17.19 were transferred from treasury stock for ordinary transactions and subsequently allocated at that same price to various managers and senior managers of the Company as remuneration in kind.

The total direct treasury stock balance at the end of 2008 amounted to 1,695,924 shares (equivalent to 1.03% of the share capital), which corresponded entirely to the balance deriving on that date from ordinary transactions.

Additionally, the financial institution with which the Company signed the cover contract for the 2005 Stock Options Plan (ESOP), publicly announced at the time, and authorised by the General Shareholders' Agreement, maintains in its portfolio 2,261,000 shares (equivalent to 1.38% of the capital), which are considered as indirect treasury stock.

## 7. MARKET DISCLOSURE AND SHAREHOLDER COMMUNICATION POLICY

The policy of the Company is regularly to provide comprehensive information to its shareholders, to its investors, and to the market in general, applying at all times the principles of transparency and equitable treatment.

The Company has maintained numerous contacts with shareholders and interested investors, both through the Shareholder Office and through individual and collective meetings with analysts and institutional investors. During the year 2008, 29 firms issued financial analysis reports on the Company and it has held meetings with 349 institutional investors.

The Company includes on its website ([www.Indra.es](http://www.Indra.es)) a specific section called Information for Shareholders and Investors, through which it is possible to access directly all the financial information and information on Corporate Governance provided by the Company, the contents of which exceeds legal requirements and also enables direct communication with the Company.

## 8. RELATIONS WITH THE EXTERNAL AUDITOR

The Company's external auditor is KPMG Auditores, appointed annually by the General Meeting of Shareholders based on a proposal by the Board of Directors following a report from the Audit and Compliance Committee.

In accordance with the stipulations of articles 19 and 42 of the Board Regulations, the Company's relations with its external auditors are channelled through the Audit and Compliance Committee, which supervises their work and keeps watch on their independence, applying the criteria set out in the Board Regulations regarding the significance of the fees for the auditor firm and the rotation of the team in charge of audit work. This committee is also responsible for authorising, should it be necessary, the Company's contracting of other services with the auditor firm.

During the year 2008, total remuneration paid to the auditors amounted to € 985,000 of which € 896,000 related to audit services regarding the Annual Accounts of Indra and € 89,000 to other services, contracting of which was authorised on the basis of a prior favourable report from the Audit and Compliance Committee.

### **The Board of Directors,**

23rd April 2009

# AUDIT AND COMPLIANCE COMMISSION 2008 ACTIVITIES REPORT

|  |    |
|--|----|
| Introduction                                 | 21 |
| Composition                                  | 21 |
| Responsibilities and competences             | 22 |
| Activities in the 2008 financial year        | 23 |
| General                                      | 23 |
| Preparation and rendering of accounts        | 23 |
| External audit                               | 24 |
| Internal audit                               | 25 |
| Internal control and risk management systems | 25 |
| Forecast lines of action for 2009            | 28 |



## INTRODUCTION

Since the beginning of 1999 – when its shares were first listed on the stock market, Indra has had a corporate governance system adapted at all times to the current regulations and best practices, both national and international.

Within the framework of this corporate governance system, since 1999 Indra has had an Audit and Compliance Committee. Its competences, composition and rules of functioning have since then been regulated by the Regulations of the Board of Directors and, in general terms, have fulfilled and even exceeded that set out in the current legislation. This Committee has since then been performing intensive work in relation to the issues within its competence as shown by the annual public reports on the Company's Corporate Governance.

As a result of the publication of Act 44/2002, of 22nd November, on Reform Measures for the Financial System (*Spanish Finance Act*), which established that all listed companies had to set up audit committees and regulate them under their bylaws, the Company carried out the measures necessary in order to adapt its Audit and Compliance Committee to the new legal framework.

As a result of this process, the General Ordinary Shareholders Meeting of Indra held on 28th June 2003 agreed to give statutory character to the Audit Committee Regulations.

Furthermore, applying the best principles of transparency in corporate governance, since 2003 the Audit and Compliance Committee Annual Activities Report is available at the corporate website since the General Ordinary Shareholders Meeting is called or can be requested free of charge by the Shareholders Office.

The present Audit and Compliance Committee Annual Activities Report corresponding to the 2008 has been approved by this Committee at its session held on 24th February 2009, submitted to the Board of Directors session held on 26th February 2009 and will be available to the shareholders at the same time of the General Ordinary Shareholders Meeting notification which will held on first call on 24th June 2009 or on second call on 25th June.

## COMPOSITION

The Committee is an internal body of the Board of Directors, and its members are therefore directors. In accordance with the Board Regulations and the Company Bylaws, all of the members of the Committee must be external directors.

The number of members of the Committee, to be decided by the Board, shall not be less than three or more than five. The current composition of the Committee is as follows:

### CHAIRMAN

Mr. Manuel Soto

(Independent Director Vice-chairman of the Board of Directors)

### MEMBERS

Ms. Isabel Aguilera

(Independent Director)

Mr. Honorato López Isla

(Proprietary Director proposed by Unión Fenosa)

Mr. Estanislao Rodríguez-Ponga <sup>1</sup>

(Proprietary Director proposed by Caja Madrid)

Ms. Mónica de Oriol

(Independent Director)

According to that set out in the Board Regulations, the Secretary of the Board of Directors acts as Secretary of the Committee or, if not possible, its Vice-secretary.

Following the end of Mr. Francisco Constans' mandate as director and therefore as member and Chairman of this Committee, the Audit and Compliance Committee at its session held on July 22nd, and previous a favourable report issued by the Appointments, Remunerations and Corporate Governance Committee, chose from its members Mr. Manuel Soto as the new Chairman.

Furthermore, in order to cover the vacant position caused by Mr. Constans leave, and in application of the principle established in article 17.2 of the Board Regulations in virtue of which a reasonable rotation of the independent directors on the various Committees should apply, the Board of Directors, following a favourable report issued by the Appointments, Remunerations and Corporate Governance Committee, agreed to appoint the independent director, Ms. Isabel Aguilera, as new member of the Audit and Compliance Committee.

<sup>1</sup> Individual representative of the proprietary director Participaciones y Cartera de Inversión, S.L. appointed on proposal of the shareholder interest of Caja Madrid

## RESPONSIBILITIES AND COMPETENCES

The responsibilities and competences of the Audit and Compliance Committee are contained in article 30 of the Company Bylaws:

- a) To inform the General Shareholders Meeting about the questions regarding matters under the Committee responsibility that may arise during the meeting.
- b) Submit to the Board the proposals for the appointment of the external auditor and related contractual terms, the scope of the mandate and, if applicable, the revocation or non-re-election.
- c) To maintain direct relations with the external auditors, to assess the development and results of their work particularly in relation to those issues which may put at risk the independence of the auditors and any others relating to the account auditing process, as well as those other communications set out in the account audit legislation and in the technical audit regulations.
- d) Supervise the performance of the Company's internal audit.
- e) Know and review the suitability and integrity of the financial information process and the internal control systems.

Apart from the functions assigned by the Company Bylaws, article 19 of the Board Regulations provides for the following responsibilities:

- a) To supervise the preparation process and the integrity of the Company's financial information and, if applicable, of the consolidated group; revising compliance with the regulatory requirements, the suitable delimitation of the consolidation perimeter and the correct application of the accounting criteria.
- b) To serve as a communication channel between the Board and the external auditors, from whom it will regularly receive information about the audit plan and the results of its performance. It shall also evaluate the responses of the management team to the recommendations from the external auditors and shall mediate in the cases of disagreements between said parties in relation to the principles and criteria applicable in the preparation of the financial statements. The Committee should assure that the auditors of the parent company also assume the audits of all of the companies within the group.
- c) To inform the Board, prior to its adoption of the corresponding decisions, about the creation or acquisition of holding companies and those domiciled in tax havens, as well as about any other transaction or operation which could reduce the Company's transparency.
- d) To revise the prospectus for the securities admission to trading.
- e) To inform the Board, prior to it adopting the corresponding decisions, about the financial information which, because it is a listed company, the Company must publish on a regular basis. The Committee will check that the quarterly and six-monthly financial statements are formulated under the same accounting criteria as the annual statements.

- f) To establish measures to preserve the independence of the external auditors and, for such purpose:
  - i) Propose to the Board the corporate communication on the change of auditor, attaching a declaration about the existence of disagreements with the outgoing auditor and, if applicable, about its content;
  - ii) ensure that the Company and the auditors respect the current regulations on the rendering of services other than auditing services, in accordance with that established in article 42 of the Board of Directors Regulations and;
  - iii) in the event that the external auditors resign, examine the circumstances leading up to said event.
- g) To supervise the performance of the auditing contract, ensuring that the opinion in the annual accounts and the main contents of the audit report are drafted in a clear and precise manner.
- h) To regularly review the Company's internal control and risk management systems.
  - i) Ensure that the internal audit work is performed independently and effectively; proposing the selection, appointment, re-election and dismissal of the head of the internal audit service; proposing the budget for said service; receiving regular information about its activities; and checking that the senior managers take into account the conclusions and recommendations contained in its reports.
  - j) To establish and supervise the functioning of a procedure which allows the employees to confidentially communicate to the Committee the potentially important irregularities, particularly those of a financial or accounting nature, which they notice in the functioning of the Company.
  - k) To consider the suggestions formulated by the Company's shareholders, directors and senior managers about issues within its competence.

The current text of the Board of Directors Regulations results from an exhaustive revision performed by the Board of Directors in December 2007, from which the shareholders were duly informed at the Ordinary General Shareholders Meeting held on June 26th, 2008. Said revision was performed in order to adapt the Company's internal regulations to the most recent corporate governance recommendations (proposal of Directive COM 2005/685, Principles of Corporate Governance of the OECD and the Unified Code of Good Practice of the Spanish Stock Exchange Commission).

Within the framework of this revision process, the function to analyse and revise the degree of adaptation of the Company's Corporate Governance Regulations to the best practices in the matter, as well as the evaluation of their effectiveness the appointments, was conferred to the Remuneration and Corporate Governance Committee. Until December 2007, these functions had been performed by the Audit and Compliance Committee.

As can be seen by reading the chapter on Activities performed by the Committee during 2008, all of its responsibilities and competences have been performed as assigned in the Company Bylaws and the Board Regulations, being also discussed other additional issues considered appropriate for the performance of its functions and in the interests of the Company.

## ACTIVITIES IN THE 2008 FINANCIAL YEAR

### GENERAL

During 2008, the Committee, exceeding the minimum number of four sessions set out in the Company Bylaws, held eight sessions. This means that, according to the time necessary to prepare the sessions and their average duration, the members of the Committee have devoted during the 2008 nearly 220 hours to revise the issues within their competence.

The Committee's sessions are called with a week's previous notice, and along with the notification, documentation and information on the issues to be dealt with during such sessions are sent, so that they can be analysed with sufficient time by the members of the Committee.

Apart from bringing to the Board of Directors proposals on the issues within its competence, the Committee regularly reports to all of the Board on the issues dealt with during all of the Committee meetings held during the period that elapsed between sessions of the Board. During 2008, the Committee Chairman intervened at 8 of the 11 sessions held by the Board of Directors to report on the development of the Committee's activities during the financial year.

Moreover, the Committee drafted, as it does every year, an Annual Activities Report corresponding to the 2007 financial year, which was approved by the Committee at its session held on 12th March 2008. This Report was made available to the shareholders upon the calling of the Ordinary General Shareholders Meeting held on June 26th, 2008.

During the said Ordinary General Shareholders Meeting, the Chairman of the Committee intervened to inform the shareholders about the main tasks performed by the Committee during 2007, specially highlighting the following issues: formulation and audit of the annual accounts, preparation and communication to the Markets of the Company's periodical financial information, relations with the external auditor, supervision of the internal audit and financial information and internal control systems. The Committee Chairman also presented to the shareholders the proposal to re-elect KPMG as the Company's annual account auditors for the 2008 financial year which was adopted at that same Ordinary General Meeting.

Mr. Constans also informed the shareholders about not being the Committee Chairman anymore because of his resignation as director.

Regarding the Committee's task, it is necessary to point out that 2008 was a year of great relevance for the Company, especially due to the culmination of the effective integration of Azertia, Soluziona and Bmb businesses and activities. During this integration process, the Committee has ensured that Indra standards were maintained in the preparation of the Company's financial information, the suitability and integration of the economic information process and the good functioning of the internal control systems.

In order to properly organise its work, like every year at the beginning of the year, the Committee prepared an Action Plan for 2008, which set out the number of ordinary sessions to be held during said year (eight) and the content of each session.

In accordance with said Action Plan for the 2008 financial year, the Committee dealt with the following issues and matters:

### PREPARATION AND RENDERING OF ACCOUNTS

#### 1. Revision of the Company's annual accounts

In March, the Committee revised the Management Report and the Individual and Consolidated Annual Accounts for the 2007 financial year before being drawn up by the Board of Directors, rendering a favourable opinion regarding such.

In compliance with the responsibility to supervise the preparation and integration process of the financial information relating to the Company and the consolidated group and to supervise the compliance with the regulatory requirements, the correct delimitation of the consolidation perimeter and application of the accounting principles, the Committee has reviewed the accounting criteria and the registration principles of financial information applicable to the quarterly and six-monthly reports to be submitted to the Spanish Stock Exchange Commission (CNMV) before its presentation by the Company's General Finance and Corporate Development Manager.

#### 2. Revision of the periodic information to provide to the markets and their supervision bodies

Before its approval by the Board of Directors, the Committee reviewed the quarterly and six-monthly financial information corresponding to the 2008 financial year to be submitted to the CNMV, verifying that it has been drawing up under the same criteria as the annual financial statements.

In order to comply on time and in form with the Company's obligation to provide the CNMV with the quarterly and six-monthly financial information, the Committee called the General Finance and Corporate Development Manager to its sessions held in February, May, July and November.



During this financial year the General Finance and Corporate Development Manager informed the Committee about the new periodic reporting obligations established by Royal Decree 1362/2007, of October 19th, which develops the Spanish Stock Market Act in relation to the transparency requirements relating to the information about the issuers of securities listed on an official secondary market or other regulated markets in the European Union. These Regulations specify for each type of periodic report (annual report, six-monthly report and intermediate management declaration or quarterly report) the content, the dispatching period, the applicable accounting principles and the responsibility deriving from their preparation and publication. The Committee was also informed about the new official forms approved by the CNMV to submit this periodic financial information (Circular CNMV 1/2008).

The Company applied these new criteria to the annual financial information corresponding to the 2007 financial year submitting the information on the first quarter of 2008 using the new official forms approved by the CNMV.

## EXTERNAL AUDIT

### 1. Account auditors designation proposal

Exercising the responsibility established in the company bylaws of submitting to the Board of Directors the proposal for appointment of external account auditors, as well as their contracting conditions, the scope of their professional term of office and, if applicable, their revocation or non-renewal of such term of office, the Committee debated the process of appointing the Company's account auditors for the 2008 financial year.

After an in-depth assessment of the qualitative and economic aspects of the external auditor's services, the Committee members deliberated on the possible alternatives, agreeing to propose the Board of Directors the re-election of KPMG as the Company's external auditor to revise the annual accounts for the 2008 financial year. This proposal was in turn brought by the Board of Directors to the General Ordinary Shareholders Meeting, where it was approved.

### 2. Auditors Fees

Furthermore, and in compliance with its duty to evaluate those issues which may put the auditors independence at risk, the Committee supervised the amount of the fees paid to the external auditors during the 2008 financial year.

|                       | Thousands of euros |
|-----------------------|--------------------|
| Annual Accounts Audit | 896                |
| Other services        | 89                 |
| <b>TOTAL</b>          | <b>985</b>         |

The Committee authorised the contracting of KPMG for services other than the auditing of annual accounts, consisting on (i) legal advice on the application of the employment legislation in Brazil and (ii) a legal, tax and employment due diligence for a foreign company, the possible acquisition of which was being considered by the Company.

### 3. Monitoring of the development process of the annual accounts audit

While monitoring the annual accounts audit process, from the planning and development up to its conclusions, ensuring that the opinion in the annual accounts and the main contents of the audit report are drafted clearly and precisely, as well as the evaluation of the development and results of each audit and its work, the Committee examined and assessed in depth the reports performed by the external audits in relation to:

- The final conclusions of the annual accounts for the 2007 financial year.
- The final audit report of the consolidated annual account for the 2007 financial year; the auditor's opinion was issued without exceptions or reservations.
- The improvement recommendations report for the organisation, processes and information and control systems, deriving from the annual accounts audit of the 2007 financial year.
- The planning and preliminary work of the annual accounts audit of the 2008 financial year.
- The preliminary report on the annual accounts audit of the 2008 financial year.

In order to adequately assess the said aspects, the KPMG partner responsible for the audit appeared before the Committee on five occasions.

As a new feature of this financial year, the Committee received an informative session from KPMG about the new Spanish General Accounting Plan (approved by Act 16/2007, of July 4th, to reform and adapt the commercial accounting legislation to international standards). At said informative session, the Committee was informed about the consequences deriving from the new accounting plan, the changes on the accounting principles and the tax aspects deriving from this accounting modification.

### 4. Evaluation about the implementation of the recommendations deriving from the accounts audit

The auditor's general opinion is that the Company level of information and control is effective, and the conclusion of its report is satisfactory. Notwithstanding the above, for the 2007 financial year the auditors detected some minor issues which could be improved, principally in relation to the control procedures of the foreign subsidiaries recently incorporated into the Group, which have not their standards still adapted to those in Indra.

The Committee coordinated the communication to those responsible for each affected subsidiary of the recommendations issued by the auditor and supervised the monitoring of its adoption by said managers.

Likewise, during the 2008 financial year, in accordance with its responsibility to assess the responses of the management team to the recommendations issued by the auditor within the framework of his report, regarding internal control recommendations and comments, the Committee verified that, as the auditor himself was able to verify through the performance of audit works for the 2007 financial year, throughout 2008, the organisation had adopted nearly all of the recommendations issued by the auditor in his report corresponding to the auditing of the previous financial year.

### INTERNAL AUDIT

The Committee is responsible for supervising the functioning of the Company's internal audit and revising the designation and replacement of its responsible personnel. Within the framework of this supervision work, during 2008 the Committee has revised the presentation of the Annual Internal Audit Report for the 2007 financial year and quarterly assessed the actions performed and the reports issued by Internal Audit in the revision of the different organisational areas and the Company's management and control processes. For such purposes the Internal Audit Manager appeared on three occasions before the Committee during the year.

The main processes revised by Internal Audit during 2008, within the Integral Audit Plan for the 2008-2012 period, were: (i) in the project management areas; management of the information to clients and the monitoring of the commercial work of the Defense and Information Technology (IT) areas; management of the offers process; the establishment of plans to support the projects management; and the financial-tax-legal analysis of the offers; (iii) in the Human Resources department; the management processes of employee expenses and computer controls in said system and (iv) in other processes; the knowledge of customer satisfaction; the petition and planning of resources.

During this year Internal Audit has performed audits of the following subsidiaries: Europraxis and the Indra subsidiaries in Argentina, Brazil and Colombia.

The Committee was also informed about the evolution of the Internal Audit staff, which at the end of 2008 was made up of 10 people and also about the training received by this team in 2008 on the functioning of the corporate information systems, as an essential basis upon which to revise the information contained in said systems.

### INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The Committee is also responsible for knowing and checking the suitability and integrity of the economic information processes and the proper functioning of the Company's internal control and risk management systems.

Within the framework of this task, the Committee has met with those responsible for the Company's different corporate areas so as to be informed about their situation and functioning, as well as to supervise the functioning of the information and control processes. At these meetings, the Committee, apart from being informed about said issues, performed active supervision, issuing recommendations to improve the internal control and risk management processes and systems developed by these areas. The following area managers were called to the Committee sessions during 2008:

#### 1. Project manager

##### 1.1. Project management methodology

The Committee met with the General Corporate Control and Purchasing Manager, currently the head of the Indra project management method (MIGP), who reported on the progress in the development and application of this methodology which the Company introduced a few years ago and which has significantly helped project management.

This methodology allows for the projects to be managed by systematising their planning, as well as their monitoring in order to prevent and control deviations in the costs and periods for the execution of the projects, thereby facilitating not only the internal management from the economic point of view, but also the management of the quality of the products and services supplied by the Company.

During 2008 work has continued in training the personnel in charge of the management of the projects on the Methodology which is compulsory for all of the Company's projects. Training has been started of forty-four new Project Management Professional (PMPs), who together with those already certified now amount to seventy PMPs. The PMPs are increasingly in demand by the customers for the management of their projects. On the other hand, training has been started for 1,500 new projects managers in the project management methodology.

During 2008 seminars have been held on the Methodology in the Latin American subsidiaries and project management offices have been set up in México, Argentina, Brazil, Chile and Colombia which act in coordination with the parent company, so that the MIGP is applied throughout Indra's subsidiaries worldwide.

Other improvement actions performed during 2008 were the publication of a new on-line version of the Methodology, the development of e-learning to train and incorporate into the

Methodology new functions about: closure processes, lessons learnt, treatment of intellectual and industrial property rights and the improvements in the monitoring of commercial operations.

## 1.2. Quality and Environment Department

The Committee met with the Corporate Innovation and Quality Manager who, together with the General Talent, Innovation and Strategy Manager reported on the main actions performed by the Quality and Environment Department during the financial year.

At this session, the Committee was informed about the Quality Management System and about the organisation entrusted with managing the said system, dealing both with the Corporate Quality, globally applicable in the Company, and the Quality Engineering, specific for each area of operations. The organisation of Quality Engineering reflects the organisation of the areas of operations that it supports, and its function is to ensure that the contractual specifications demanded by the customers are fulfilled.

The Committee had the opportunity to check that the Defence and Transport and Traffic markets have procedures and perform very advanced quality engineering, deriving from the higher demands of the customers of these markets which have a long tradition of quality and also dedicate their own economic and human resources to monitoring and controlling compliance with their specifications.

The Committee was also informed about the continuous performance of internal quality audits on projects and horizontal areas, which provide information about the Quality Management System degree of implementation. The Company also performs assessment of the quality management systems of the most important subcontractors.

A monographic session was held in December on the quality management model in areas of Information Technology to which attended the aforementioned managers and the Technical and Quality Strategy Manager of the Information Technologies department.

As regards the Environment area, the Innovation and Quality Manager focused his presentation on this area's objectives, mainly to obtain the ISO 14001 certification in those centres which still have not obtained it.

## 2. Risk management and Insurance

The Committee met with the General Corporate Control and Purchasing Manager and with the Risks and Insurance Manager who informed them, as they do every year, about the Company's risk management and insurance policy in 2008.

The Committee was informed about the 2008 General Insurance Plan including details about the types of insurance contracts (asset/operational, civil liability, transport and goods), as well as their cover, insured capital and premiums.

In relation to the Risks Map, a schedule has been defined to update it, which covers not only the insurable risks but also all of the Company's operations. This work will include risk identification and evaluation phase, another development phase and a final phase to approve and prepare the action plan, which will be developed during the first six-months of 2009.

## 3. Consolidation and monthly closure processes. Accounting manual.

The Committee revised together with the Administration Manager the monthly closure and consolidation process, which was adapted in 2008 to the new legally established periodic information criteria, as well as the new official forms for presenting said approved information to the National Stock Market Commission.

Indra's Accounting Manual has been adapted to the new Spanish General Accounting Plan. Like every year, the external auditor has revised the Company's degree of compliance with the Accounting Manual, without identifying any significant incidents.

## 4. Administration and taxation

The Administration Manager also presented to the Committee the most relevant actions performed during 2008 by the Administration Department.

This year it is important to highlight the active participation of this department in implementing the corporate systems in the Latin American subsidiaries and those in other geographic areas.

In the Taxation Department, the active contribution in the preventative analysis of the commercial offers and in the merger processes which have been performed in the foreign subsidiaries was pointed out.

## 5. Purchases

The Committee met with the General Corporate Control and Purchasing Manager and with the Purchasing Manager, who reported to the Committee the main actions performed in the Purchasing Department during 2008.

Amongst the improvement actions that have been performed, we can highlight the recoding and updating process for the delivery periods and prices for the articles in the application of purchasing management.

The following has been done in relation to suppliers: a definition of the strategic suppliers, endorsing them as such in order to give them special monitoring; tailored planning of the long-term stockpiling needs to better manage both the periods and prices; and the strengthening of the Suppliers Portal, including new functions like managing the subcontracting offers and automatic monitoring and invoicing functions.

We should finally emphasize the successful start-up of the SCM Department (supply chain management) and its high degree of coordination with the Purchasing Department, as well as the implementation of a warehouse management process, reusing available and surplus articles and identification of a catalogue of mass-use components and their minimum stock.

## 6. Treasury

The Committee met with the Company's Treasury Manager to revise in detail its actions during 2008, which particularly involve revising the treasury of the Latin American subsidiaries.

In 2008, the Treasury Manager visited the main subsidiaries (Mexico, Colombia, Venezuela, Argentina and Chile) to evaluate in situ the organisation of the treasury and their ordinary procedures and working capital management policies. Following a diagnosis, a series of measures have been adopted based on a financial focus of the Treasury Department, the implementation of a basic cash management procedure, the development of banking relations with a group focus and the emphasis on managing the working capital.

## 7. Human Resources

### 7.1. Internal codes of ethical and professional conduct

The Committee, like every year, checked compliance with the Company's current Professional Code of Conduct. The text of this code is being profoundly reviewed so as to adapt it to the new trends in corporate social responsibility, and to the culture of the different companies which have recently joined Indra.

### 7.2. Human Resources Department.

The General Talent, Innovation and Strategy Manager and the Human Resources Manager met with the Committee to report on the main actions by the Human Resources Department during the 2008 financial year.

They explained the general objectives within the scope of human resources, which cover (i) definition and implementation of a HR strategic plan; (ii) harmonising the conditions and finalising the legal merger process with Azertia and Soluziona and (iii) Indra's position as an attractive employer.

The principle milestones reached during the year were the implementation of a new people management scheme in line with the business and the adaptation of the other human resources processes to this management scheme; the starting-up of talent recruitment and equality policies (negotiation of the equality plan and establishing new conciliation and flexibility measures); the management of the labour relations in the harmonisation of conditions and negotiation of agreements; and the preparation of a HR strategic plan for the 2008-2010 period.

Moreover, according to the Company's current internationalisation process, measures have been established to accompany this process.

## 8. Internal systems

The Committee met with the Company's Internal Systems Manager who reported on the objectives achieved in 2008, particularly the following: the adaptation of the management systems to the new General Accounting Plan; the performance of developments to support the new people management scheme; the development of the risk management plan for the projects; the inclusion in the Suppliers' Portal of the subcontracting services together with the monitoring and automatic invoicing functions; development of the warehouse management application and the system to control management requirements in the supply chain starting-up new portals on the Intranet (Indra Bmb, Indra Software Labs, Quality and Environment, Brand and Technology); the revision of the Infrastructure, Networks and Services Master Plan, encouraging the use of new technologies and the performance of periodic security technical audits and compliance with the data protection regulations.

It was also emphasised that in 2008 Indra obtained the Information Security Management System certification (access control and corporate security) in ISO 27001 granted by AENOR.

## 9. Management control

The Committee revised this department's main actions during the 2008 financial year together with the General Corporate Control and Purchases Manager, with emphasis on the introduction of Group's control systems and procedures in the foreign subsidiaries from Azertia and Soluziona.

The introduction and compliance with these procedures was subsequently revised by Internal Audit which visited the main subsidiaries. At the same time, the corporate purchasing, employee expense liquidations and subcontracting control systems have been introduced into the main subsidiaries.

In relation to the project control systems, the Committee was informed of the incorporation of a risk management model both during the pre-contractual and the contractual period of the projects.

#### **10. Intellectual and Industrial Property Rights Management**

The Business Legal Advice Manager revised together with the Committee the main aspects relating to the management of the Company's Intellectual and industrial property rights (IPRS) during 2008.

During this year, the Company has performed intense activity to renew and protect the corporate image, including registering its trademark in various new countries where the Company is present.

Moreover, in coordination with the managers of the operations departments, the existing patents have been monitored and intense work has been carried out to identify new patents.

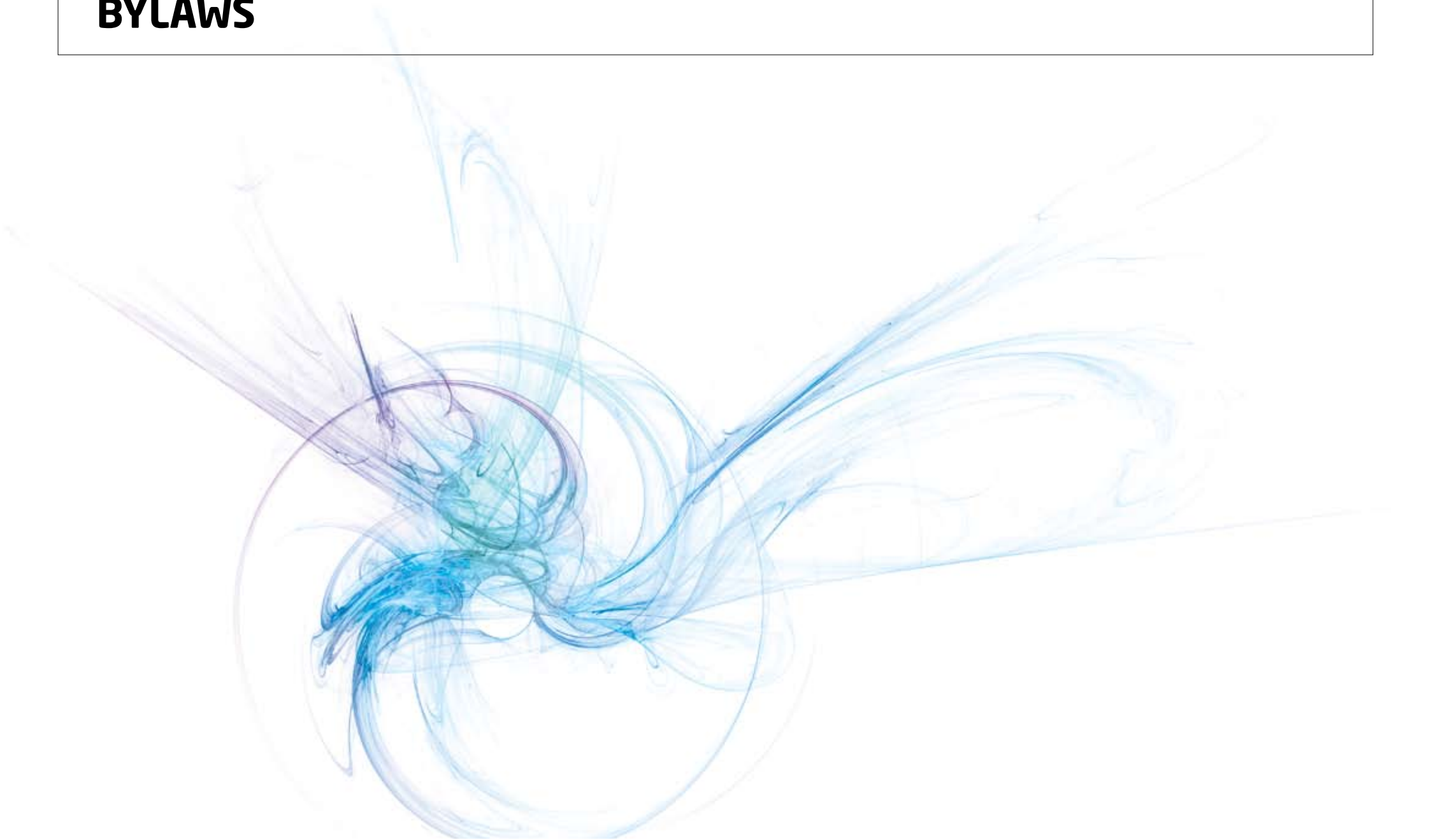
Finally, as regards software protection, the software notarial deposit policy has been maintained, as have the training and awareness actions in the operations departments and the inclusion of detection measures on the existence of intellectual property in the project management tool.

In order to reinforce the monitoring by the Committee of the adoption by the Company's management team of the recommendations made by Internal Audit within the framework of its revisions, during the sessions held in 2008 with the different department managers, in the event that any of these departments has not adopted any of the recommendations made by Internal Audit in the agreed periods, these managers had to inform the Committee of the reasons for such delay.

#### **FORECAST LINES OF ACTION FOR 2009**

In accordance with the Action Plan of the Audit and Compliance Committee for 2009, which it passed at the beginning of this year, the Committee envisages holding 8 ordinary sessions, in which, apart from the issues which are revised every year, it wishes to place special emphasis on the Company's internationalisation process in order to ensure that said process maintains the high levels of adaptation and integration of the financial information preparation process and the good functioning of the control systems which are now commonplace in the Company.

# COMPANY BYLAWS



**Article 1.-** The Company shall operate under the name of "Indra Systems, S.A." and it shall be governed by these Company Bylaws and, in all matters upon which the said Bylaws are silent, by the Spanish Corporations Act and such other legal provisions as may apply to it.

**Article 2.-**

1. The Company has as corporate purpose:
  - a) The design, development, production, integration, operation, maintenance, marketing and repair of systems, solutions and products -including automotive vehicles, ships and aircraft- that make use of information technologies (computer, electronics and communications), as well as any part or component thereof and any kind of services relating to any and all of the foregoing, including the necessary works to be installed, being applicable to any field or sector
  - b) The provision of professional services in the fields of strategic and management consultancy, technology consultancy and training addressed to any sector or field, including the drafting, preparation and execution of any kind of studies and projects and the management, technical assistance, technology transfer, commercialisation and administration of such studies, projects and activities.
  - c) The provision of outsourcing services related to any kind of activities or processes in connexion with any field or sector.
2. The activities included in the company's corporate purpose may be developed in Spain and abroad, even indirectly, by any of the forms admitted legally and, in particular, through the ownership of stocks or participations in other companies or legal entities with a corporate purpose identical, analogous, accessory or complementary to the foregoing activities.

**Article 3.-** The Company shall have its registered office in Alcobendas (Madrid), at Avenida de Bruselas 35, and it is authorized to establish branches, agencies, delegations and representative offices wherever it may be deemed necessary, in any part of Spain and abroad, on a resolution of the Management Body of the Company.

The Management Body may also resolve to move the Company's registered office within the same city limits.

**Article 4.-** The Company shall have perpetual succession, and shall commence its operations on the date of execution of its public deed of incorporation, without prejudice to the provisions in Article 15 of the Spanish Corporations Act.

**Article 5.-** The Company's capital amounts to € 32,826,507.80 (thirty two million eight hundred and twenty six thousand five hundred and seven euros and eighty cents), represented by 164,132,539 ordinary class shares, of par value € 0.20 (twenty cents) each,

numbered consecutively from 1 to 164,132,539, both inclusive, and represented by means of book entries.

The share capital is entirely subscribed and paid up.

The book entries will depict the characteristics that shares must fulfill according to the law and that would be applicable to this way of representing the shares.

**Article 6.-** A share confers on its rightful holder the status of shareholder and shall entitle the shareholder to a right to share in the Company's profits, rights of pre-emption and a right to vote at General Meetings, as provided for in Article 48 of the Spanish Corporations Act, as well as any other rights therein acknowledged. The aforementioned rights shall be exercised in accordance with Articles 25 and 41 of Royal Decree 116/92 of 14 February, or by such provisions which may replace them.

With the exception of that provided for in the Act, in the event of a non-monetary contribution to capital in a new issue of shares, wherein the new shares are only paid up to part of their par value, the Board of Directors is authorized to fix the date or dates and any other conditions for the paying-in of the unpaid portions of the par value of the shares.

Whilst the shares are quoted on the Stock Exchange, the keeping of the book register of said shares shall pertain to *Servicio de Compensación y Liquidación de Valores* [Spanish Securities Clearing and Settlement Service], which shall keep the Central Registry, and its member entities, in accordance with the terms of the applicable legal provisions.

Shares may be transferred by any of the methods recognized by law, according to the type of share, and pursuant to the regulations governing the transfer of shares represented by means of book entries.

**Article 7.-** The shares are indivisible. Co-owners are obliged to designate one sole person to exercise the rights of a shareholder, and are jointly and severally liable to the Company for such obligations, pursuant to Article 66 of the Spanish Corporations Act.

In addition, shares held in co-ownership shall be registered in the appropriate book register against the names of all the co-owners.

**Article 8.-** In the event of an usufruct over shares or a pledge of shares, the provisions contained in Articles 67 to 71 and Article 72 of the Spanish Corporations Act shall apply, respectively, as well as the provisions contained in Articles 13 and 39 of Royal Decree 116/92 of 14 February, or such provisions which may replace them.

**Article 9.-** The Company, on a resolution of the Shareholders' Meeting, adopted in accordance with the requirements of Article 103 of the Spanish Corporations Act, may issue common and mortgage-backed or other types of debt securities, within those limits as established in the aforementioned Act.

The debt securities issued by the Company shall be represented by means of book entries in accordance with Article 29 of Royal Decree 116/92 of 14 February, or such provisions which may replace them, whenever it requests admission to listing on the Stock Exchange.

**Article 10.-** The governance, management and representation of the Company shall pertain, with full and sovereign powers to resolve all business of the Company, to the shareholders in General Meeting, and by permanent delegation thereof, in the manner provided in these Bylaws, to the Board of Directors.

**Article 11.-** The Shareholders Meeting, duly called in accordance with provisions of these Bylaws and the current applicable law, shall represent all the shareholders and have all the powers of the Company, and its resolutions are, of course, mandatory and binding on all shareholders, including dissidents and those who have not participated at the meeting, once the corresponding minutes have been approved in accordance with these Bylaws.

**Article 12.-** The Annual Shareholders Meeting shall be held, within the first six months of each financial year, to review the management of the company by the Board of Directors, approve the annual financial statements of the preceding financial year, and decide on the proposed application of company earnings and any other matter included on the Agenda. All other Shareholders Meetings shall be considered Extraordinary Shareholders Meetings and shall be held on a resolution of the Board of Directors or when requested to do so by shareholders who represent, at least, five per cent of the capital stock.

Those shareholders who request an Extraordinary Shareholders Meeting to be called, must address the appropriate request to the Management Body of the Company, duly verifying they hold a number of shares which represent at least five per cent of the Company's capital stock, and they must also state precisely which are the matters to be dealt with at said Meeting. Where this is the case, the Shareholders Meeting shall be called to be held within thirty days following the date on which the request by means of official record was received from the shareholders who requested the same, and the agenda must include those matters which form the subject of the request, and any others which the Management Body may approve.

**Article 13.-** Both Annual and Special Shareholders Meetings shall be called on a resolution of the Body entrusted with the management of the Company, by way of a notice published in the Official Gazette of the Commercial Registry and in one of the daily newspapers of greatest

circulation in the province where the Company's registered office is located, at least one month prior to the date scheduled for the meeting.

The notices must set forth the place, date and time scheduled to hold the meeting on first call and a statement regarding the matters to be discussed at the meeting. In addition, the notice may include the date and time, if appropriate, on which the Meeting shall be held on second call. There shall be a period of time of, at least, twenty-four hours, between the first notification and the second notification.

Those shareholders representing at least 5% of the capital stock can request that a complement to the notice to call any General Shareholders Meeting shall be published, in order to include one or more points in the agenda. This right shall be exercised by sending a certified notification that shall be received at the company's registered office within the five days following the date when the notice of the General Shareholders Meeting was published.

The complement to the notice shall be also published at least 15 days in advance to the date scheduled for the General Shareholders Meeting. The lack of publication of the complement in such timeframe shall determine the nullity of the General Shareholders Meeting.

**Article 14.-** Those shareholders who can show that they own, at least, a hundred shares may attend the General Shareholders Meeting –or if said number of shares represents more than a one-thousandth part of capital stock, such lesser number of shares which may represent a one-thousandth part of the capital stock – five days prior to the date on which the General Shareholders Meeting is to be held. Those shareholders who own a lesser number of shares may grant their proxies for their shares to another shareholder who has the right of attendance, or pool their shares with those of other shareholders in order to make up the required minimum. Such a pooling arrangement shall be especially formed for each particular General Shareholders Meeting and be in writing. Shareholders who form a pool shall grant their proxies to one member of their pool.

In order to exercise the right of attendance, the shareholders may, at any time as from the date of publication of the notice of the meeting to the date on which the General Shareholders Meeting is to be held, request the corresponding eligibility certificate or similar document from the member entities of SCLV, so that their shares may be registered against their names on the corresponding register book entries, in order to obtain, where appropriate, the corresponding admission card from the Company.

Any shareholder entitled to attend may be represented at the General Shareholders' Meetings through another person who need not be a shareholder. Such representation, which will be



conferred specially for each Meeting, may be given by any of the procedures foreseen in Law or in the present Bylaws.

**Article 14 (bis).**- The right to attend General Shareholders Meetings, as well as the rights to vote and be represented by a proxy, may be exercised by means of such forms of remote communication devices as may be stipulated in the Regulations for Shareholders Meetings or approved from time to time by the Board of Directors, in view of their complying with the security aspects required in accordance with legislation to ensure the identity of the shareholders in question and the effective exercise of their rights. The notices announcing the General Shareholders Meetings will detail the procedure and requirements whereby the right in question may be exercised by means of the telecommunications devices that may be used in each case, in accordance with the provisions of the present article.

**Article 15.-** The Members of the Board of Directors must attend the Shareholders Meetings. The managers and experts of the Company may be expressly summoned by the Board of Directors to attend the Shareholders Meeting. In any case, even though they are not shareholders, those attending may take part in the discussions in order to report to the Assembly, but they shall not have a right to vote.

**Article 16.-** The Shareholders Meeting shall be held in the municipality where the Company's registered office is located and the Chairman of the Board of Directors shall preside over the Meeting, or in his/her absence, one of the Vice-Chairmen, and if they are absent, by such director which the Board may appoint, or else such shareholder which the Shareholders Meeting may appoint.

The Secretary of the Shareholders Meeting shall be the Secretary to the Board of Directors, and in his/her absence, the Vice-Secretary to the Board of Directors, and if both are absent, such shareholder in attendance at the meeting who may be appointed by the Shareholders Meeting for this purpose.

The Chairman of the Shareholders Meeting shall have the authority to acknowledge the validity of the document authorizing the proxy, and that the requirements to attend the Shareholders Meeting have been complied with.

**Article 17.-** In order for the Shareholders Meeting to constitute a quorum, at least twenty- five per cent of the voting capital stock shall be required to be in attendance, either in person or by proxy, on first call. On second call, the Shareholders Meeting shall be set up whatever the voting capital stock in attendance. Notwithstanding, in order for the Shareholders Meeting to adopt resolutions regarding a new issue of shares, an increase or reduction of capital, a reorganization of the Company, a merger, a de-merger, the dissolution of the company and, in general, any

amendment to the Company Bylaws, at least fifty per cent of the subscribed voting capital stock shall be required to be in attendance on first call, and twenty-five per cent of said capital stock shall be required to be in attendance on second call.

**Article 18.-** Notwithstanding the provisions of the foregoing Articles, the Shareholders Meeting shall be deemed to constitute quorum in order to discuss any matter and fully authorized to adopt all kinds of resolutions, with no need for any other requirements, so long as all the paid-up capital stock is present or represented and those in attendance unanimously agree to hold the Shareholders Meeting.

**Article 19.-** Each share gives the right to cast one vote and the resolutions of the Shareholders Meeting, both Annual and Special, shall be made by a majority of validly cast votes, the only exception to this rule being those cases in which the Act or these Bylaws require the favourable vote of other types of majorities.

**Article 20.-** The Minutes of the sessions of the Shareholders Meetings shall be compiled by the Secretary, and a list of those in attendance shall appear in the heading, pursuant to Article 111 of the Act, and shall contain a summary of the discussions, the literal text of the resolutions adopted and the results of the votes taken. The Minutes shall be transcribed in the corresponding Minutes Book especially reserved for Shareholders Meetings and must be approved by those in attendance at the end of the session, or within the period of the fifteen days following, by the Chairman and two shareholders who shall act as scrutineers, one representing the majority and the other the minority, and they shall be signed by the Chairman and Secretary of the Shareholders Meeting, as well as the two shareholders who acted as scrutineers, where appropriate.

The Minutes which have been approved in either of these two ways shall be enforceable as from the date of their approval.

**Article 21.-** The Company Management is entrusted to the Board of Directors which shall act as a collegiate body.

To be appointed a Manager or a Director, it is not necessary to be a shareholder.

The Board of Directors shall be composed of a minimum of eight members and a maximum of sixteen, and the Shareholders Meeting shall decide the exact number.

**Article 22.-** The Directors shall serve in their posts for a term of office of three years.

Any vacancies that arise on the Board, which do not occur as a result of the expiry of a term of office, shall be filled on an interim basis, by a person appointed by the Board itself, from among the shareholders of the Company, until the first General Shareholders Meeting meets.

Directors must resign from their posts in those circumstances provided for in those regulations which have been approved by the Board, pursuant to the power conferred on the Board by Article 141.1 of the Spanish Corporations Act.

**Article 23.-** The Board of Directors shall meet in accordance with the regulations that the Board itself approves, pursuant to the power conferred on it by Article 141.1 of the Spanish Corporations Act, which is, at least, once a year. With the exception of those cases in which, pursuant to said power, an alternative is established, the calls shall be made by the Chairman at least two days prior to the date on which the meeting shall be held. Providing that a meeting has been requested by one third of the members of the Board, the Chairman shall not delay the call for more than thirty days as from the date on which the request was made in writing.

**Article 24.-** Any director may be represented at the meetings of the Board by granting the corresponding proxy in writing to another member of said corporate body who shall attend that specific meeting.

With the exception of those cases wherein specific attendance requirements have been laid down in relation to quorums, the Board of Directors shall be deemed quorate when one-half plus one of the directors are in attendance, whether in person or by proxy.

Resolutions shall be adopted by a majority of votes of those directors in attendance, whether in person or by proxy; in the case of a tie, the Chairman of the Board of Directors shall have a second or casting vote. However, when such resolutions refer to the appointment of Managing Directors or permanent delegation of authority of the Board, these resolutions shall require the favourable vote of two-thirds of the members of the Board of Directors.

**Article 25.-** The Minutes of the meetings of the Board of Directors shall be approved in one of the following ways, depending on the decision taken by the Board at the same meeting:

- by favourable vote of the majority of the members of the Board of Directors, present or represented, at the end of the session;
- by two directors, in attendance at the meeting, within the period of fifteen working days following the date the meeting was held;
- by favourable vote of the majority of the members of the Board of Directors, at the next meeting of the Board of Directors.

**Article 26.-** The Board of Directors is the management body of the Company and represents the Company, in litigation and otherwise, in all matters pertaining to its business activities, its trading activities, and its objects, and it is, therefore, entrusted with all the powers and authority which it may require in order to fulfil the objectives of the Company, to exercise the

management of the Company at the highest level with the broadest powers possible, without prejudice to sovereignty reserved, by law and these Bylaws, for the Shareholders Meeting, whose resolutions the Board must comply with.

By way of illustration and not limitation, and not requiring any further resolutions of the Shareholders Meeting, the Board of Directors has the power:

- a) To call General, Ordinary and Extraordinary Shareholders Meetings and perform all the resolutions approved by the same.
- b) To manage and organize the Company and such business activities and property which comprise its assets, and to attend to the management of the same at all times.
- c) To appoint and dismiss all the Company personnel, setting their salaries and any other pertinent benefits.
- d) To submit those projects to the Shareholders Meeting, which it considers as useful to the Company.
- e) To introduce and expand the Company's business activities in relation to all or any of the objects stated in the second article of these Bylaws.
- f) To accept credit and loans from banking and other institutions, including providing mortgage or pledge security and to act as guarantor or surety for third-party liabilities.
- g) To produce the annual Balance Sheet which is to be presented to the Shareholders Meeting, on the relevant report from shareholder-auditors, where appropriate, and to propose such part of the earnings as it may deem appropriate to be applied to discharge accounts and amortizations, pending obligations and all kinds of reserves.
- h) To make a proposal to the Shareholders Meeting regarding the dividends to be paid to the shareholders, according to the balance in said Balance Sheet.
- i) To distribute interim dividends from the earnings of the current financial year, after complying with the provisions in Articles 213 and 216 of the Spanish Corporations Act.
- j) To buy, sell, exchange, lease and in any other way enter into contracts in relation to all types of real and personal property, real rights and special properties, as well as over any service or installation work which may be necessary to the objectives of the company, to create, restructure and cancel mortgages and all types of real rights.
- k) To present offers and proposals at public tenders and auctions called by any Ministry or official bodies of the State, Province, Municipal Council, Regional Government Authorities and the Department of Social Security, as well as any other public or private bodies, both in Spain and abroad.
- l) To create deposits, sureties and all kinds of security with the State, Tax Authority and the General Depository Office and any other public or private bodies, as well as to cancel them, receive any amounts and to make all kinds of payments.
- m) To fully represent the Company in litigation and otherwise, before the State, the Province and Local Councils, Authorities, Courts, Civil Servants, Trade Unions, Official Departments

and Bodies, at any level and in any jurisdiction and before all kinds of natural and legal persons; to grant and revoke powers of attorney of all kinds; and to execute and legalize all types of public and private legal instruments which are relevant to the proper performance of its duties, to bring all types of actions, to exercise all types of rights, to make all types of appeals, both ordinary and extraordinary, including cassation and further appeals.

- n) To sign and act on behalf of the Company in all kinds of banking and financial operations with Banks and Savings Banks, to open and close credit and current accounts, and to use them in broadest sense possible, requesting balances, setoffs, liquidations, making transfers of funds, yields, credits and securities, using any trading or money transfer procedure, to create, accept and cancel deposits and security interests, all of which may be performed together with the Bank of Spain and other official banks as well as with private banking institutions, both in Spain and abroad, and savings banks; to sign letters of credit and any other documents in relation to commercial business and trading, in its capacity as drawer, acceptor, guarantor, endorser, or holder of the same.

It shall be understood that the aforementioned list of powers is only by way of illustration and not limitation, and that the Board of Directors has been granted all the pertinent powers which are necessary in order to manage and trade as a business, except for those which are expressly reserved for the Shareholders Meeting.

**Article 27.-** The remuneration of the Board of directors shall be fixed by the Shareholders Meeting annually or for such longer period of time as the Board itself may decide, and shall consist of a fixed amount and a share in the net profits of the Company. The share in the net profits shall amount to 1% of the consolidated earnings for the financial year attributable to the Company, and may only be charged to the net profits of the Company, providing that all the other requirements provided for in Article 130 of the Spanish Corporations Act have been complied with.

The payment of the remuneration may be made in the form of Company shares, stock options or be directly linked to the company share price value, if so resolved by the Shareholders Meeting, which shall, at least, express the allegations established in Article 130 of the Spanish Corporations Act.

The Board of Directors is empowered to distribute an overall compensation fixed by the shareholders Meeting among its members.

The remuneration provided for in this article is compatible with and independent of any salaries, emoluments, indemnities, pensions or compensation of any kind, established in general or in particular for those members of the Board of Directors who have an employment relationship with the Company –either normal or special for top management- or one for the rendering

of services, which relationship is compatible with their status as members of the Board of Directors, notwithstanding that such remuneration concepts shall have to be stated in the Annual Report in the terms provided in Article 200.12 of the Spanish Corporations Act and any other applicable legal provision.

**Article 28.-** The Board of Directors shall elect one of its members to the post of Chairman, who shall also act as the Chairman of the Shareholders Meeting and the Company, and it may also, if it be deemed necessary, elect one or more Vice- Chairmen to substitute for the Chairman in a case of absence or necessity. In those cases, where no Vice-Chairmen have been elected, the substitute of the Chairman of the Board shall be a Director appointed by the Board itself.

The duties of the Chairman or his substitute shall be the following:

To call the meetings of the Board of Directors; to ensure that the formalities laid down in these Bylaws and the regulations contained in the Act are observed, in the way the meetings of the Board of Directors and the Shareholders Meetings are notified and held; to preside as chairman of the meetings of the Board of Directors and the Shareholders Meetings, to direct the discussions which are the subject of the agenda and to resolve any regulatory doubts which may arise, to authorize by signing the minutes of the meetings of the Board of Directors and the Shareholders Meetings and countersign the certifications and extracts of said minutes, which have been issued and witnessed by the Secretary.

**Article 29.-** The Board of Directors shall also appoint a Secretary, who shall also be the Chairman of the Shareholders Meeting and the Company; a director may be appointed to the post, and shall be called Director-Secretary, or a person who is not a member of the Board, but in this case the person appointed shall not have the right to vote. In addition, the Board may appoint a Vice-Secretary, who does not have to be a Director or a shareholder, in a case of necessity or when the Secretary is absent.

The duties of the Secretary or, where appropriate, the Vice-Secretary shall be the following: to assist the Chairman and to participate in the meetings of the Board of Directors and the Shareholders Meetings, to draw up the lists of those in attendance and the minutes, which he/she shall authorize by signing the same, witnessing the contents thereof, by means of certifications which are to be issued with the countersignature of the Chairman.

**Article 30.-**

1. The Board of Directors of the Company may delegate, totally or partially, those powers which have been granted in relation to the management and administration of the property of the Company, management of its business activities, powers of representation of the same, with the authority to sign on behalf of the Company and to manage and invest its funds, to one or more persons,

who are members of the Board who shall be appointed as Managing Directors, or to non-members who shall be attorneys-in-fact and known as Managing Directors, Managers, Executives and others which have a similar meaning, by means of granting the necessary powers of attorney. The Board of Directors of the Company may also delegate certain powers, temporarily or permanently, to other attorneys-in-fact.

2. The Board may thereby appoint from its directors a Delegate Committee with management and general representation powers, as well as other committees entrusted with competences in specific matters or issues.

In no case, it will be delegated the powers that cannot be delegated in accordance with the Law, and those established in the rules that the Board approves in light of its powers arising from article 141.1 of the Spanish Corporations Act.

3. In any case, The Board of Directors will appoint an Audit and Compliance Committee. The number of members of the Committee may not be inferior to three or higher than five and will be established by the Board of Directors. All the members of the Audit and Compliance Committee must be non-executive Directors of the Company.

The Audit and Compliance Committee will appoint a president among its members. The duration of its term in office will be of four years maximum, and may be re-elected once a period of one year after its cessation has elapsed. It will also designate a secretary that will not necessarily be a member of the Committee.

Without prejudice of other tasks that the Law assigns, the General Meeting or the Board of Directors may assign it, the Audit and Compliance Committee will have the following basic functions:

- a) Inform the General Shareholders Meeting about the issues that the shareholders raise in matters falling within the scope of the Committee's competencies.
- b) Submit to the Board the proposals for the appointment of the external auditor and related contractual terms, the scope of the mandate and, if necessary, the revocation or non-renovation.
- c) Liaise directly with the external auditors, evaluate the development and results of their work paying special attention to those issues that may risk the auditors' independence and any other issues related with the development process of the financial audit, as well as any other communications set forth in the legislation of the financial audit and in the technical audit rules.
- d) Supervise the performance of the Company's internal audit.
- e) Acknowledge and check the adaptation and integration of the financial information process and of the internal control systems.

The Audit and Compliance Committee will meet periodically depending on the needs and, at least, four times a year. Annually, it will elaborate a work plan of whose contents will inform the Board. A report will be written about the matters discussed in each session, of which the Board will be informed. The sessions will be called by the President of the Committee.

It will be obliged to attend all the sessions of the Audit and Compliance Committee and to cooperate and give access to the information that any member of the management team or the staff of the Company may have. The Committee may also request the attendance to its sessions of the external auditors.

The Board of Directors may confer other competencies to the Committee depending the Company's needs in each moment.

**Article 31.-** The financial year of the Company will coincide with the natural year.

**Article 32.-** Within the first three months of each financial year, the Managers shall prepare the annual financial statements and the management report for the previous financial year. The financial statements shall be comprised of the Balance Sheet, the Profit and Loss Account and the Annual Report.

The annual financial statements shall comply with the applicable legal provisions and whenever it is so required, they shall be audited by the auditors appointed by the Shareholders Meeting.

As from the date of notification of the General Meeting, whereat the annual financial statements and the management report shall be submitted for approval, the members may obtain from the Company, free of charge and at once, a copy of said documents and the Auditors' Report, if this document is obligatory.

**Article 33.-** The profit from each financial year shall be the balance as shown in the Profit and Loss Account for the same period, and shall be distributed in the following way:

- a) A sufficient amount shall be set aside for the Company's tax liabilities.
- b) An amount shall be allocated to the reserve funds as required by Law, the amount of which shall be in accordance with applicable provisions of the Law.
- c) The remainder shall be placed at the disposal of the Shareholders Meeting, to be distributed as dividends to the shares or applied to such purpose as it deems fit, and the Board of Directors shall make the appropriate proposal in relation to this purpose.

**Article 34.-** On a resolution of the Shareholders Meeting, adopted in accordance with the current applicable law and these Bylaws, the Company may merge with or take over any other company, and reorganize itself as a general partnership [*sociedad colectiva*], general and limited partnership [*sociedad comanditaria*] or as a limited liability company.

**Article 35.-** The Company shall be dissolved for those causes as provided in Article 260 of the Spanish Corporations Act, whenever it cannot comply with its particular objects, and at any time on a resolution of the Shareholders Meeting which has been expressly and specifically called for this purpose.

**Article 36.-** Once the dissolution of the Company has been duly resolved, the words "In Liquidation" shall be added to the company name, and the directors shall cease to hold office. Thereafter, the Shareholders Meeting shall appoint an uneven number of liquidators, who shall discharge the functions as provided in Article 272 of the Spanish Corporations Act.

**Article 37.-** Once the liquidators have wound-up the current business activities, realized the Assets, fulfilled the Company's duties, paid or provided security for its Liabilities, and prepared the liquidation financial statements, they shall submit said statements to be considered by the Shareholders Meeting for approval, and once approved, the net amount resulting therefrom shall be distributed among the shares in accordance with the provisions in Article 277.2 of the Spanish Corporations Act, thereby liquidating and terminating the legal existence of the Company and cancelling its registration in the Commercial Register.

# REGULATIONS FOR GENERAL SHAREHOLDERS' MEETINGS

## CHAPTER I. PRELIMINARY

Article 1. The relationship of the Company with its Shareholders

## CHAPTER II. CALLING OF THE MEETING

Article 2. Types of General Shareholders' Meetings

Article 3. Procedure and notice period

Article 4. Agenda

Article 5. The shareholders' right to information

## CHAPTER III. ATTENDANCE AT THE MEETING

Article 6. Right to attend

Article 7. Accreditation as a shareholder

Article 8. Proxy

## CHAPTER IV. HOLDING AND CONDUCT OF THE MEETING

Article 9. Place and quorum of attendance

Article 10. Chairman and Secretary of the Meeting. Attendance of the Audit and Compliance Committee.

Article 11. Participation of the shareholders at the Meeting

Article 12. Voting of the resolutions

Article 13. Conflicts of interest with shareholders

## CHAPTER V. MINUTES OF THE MEETING

Article 14. Minutes of the Meeting

## CHAPTER I. PRELIMINARY

### Article 1. The relationship of the Company with its shareholders.

The relationship of the Company with its shareholders is governed by the principles of equal treatment of shareholders, transparency, and the supply of extensive and continuous information, so that all shareholders may have sufficient knowledge of the situation of the Company and may exercise their rights in full.

The two basic channels through which this information is available are the Company's website (*www.Indracompany.com*), especially the Investor Relations section, and the Shareholders Office (Avenida de Bruselas, 35, Alcobendas, telephone: 91 480 98 00, fax: 91 480 98 47, email: *accionistas@Indra.es*).

These Regulations are proposed in order to ensure that shareholders can participate more fully and effectively in General Shareholders Meetings, and they contain the various applicable requirements established in the law and the Company Bylaws, as well as such other rules and procedures which the Company has decided to abide by, so that all shareholders may have access to the regulations in one single text set out systematically.

The General Shareholders Meeting, called in accordance with the Company Bylaws and applicable law, shall represent all shareholders and shall exercise the full powers of the Company, and its decisions shall be binding on and mandatory for all shareholders, including those who voted against said decisions and those who were not present at the meeting.

## CHAPTER II. CALLING OF THE MEETING

### Article 2. Types of General Shareholders' Meetings

The General Shareholders' Meeting shall ordinarily meet every year within six months of the close of the financial year for the purposes of examining the management of the Board of Directors, approving the financial statements of the preceding financial year and approving a resolution regarding the allocation of the earnings thereof and any other matter included on the Agenda. The General Shareholders Meeting shall meet in an extraordinary session in all other circumstances where a meeting is called: following a decision by the Board of Directors or at the request of shareholders holding at least five percent of the Company's capital stock.

Shareholders requesting the calling of an Extraordinary Shareholders' Meeting shall address the corresponding request to the Board of Directors of the Company, duly proving ownership of the shares they hold, which shall represent at least five percent of the capital stock, and specifically stating those matters which are to be addressed at the said Meeting.

### Article 3. Procedure and notice period

General Shareholders Meetings, whether annual or extraordinary, shall be called following a resolution of the Board of Directors of the Company, by way of a notice published in the Official Gazette of the Mercantile Register and in one of the daily newspapers with the greatest circulation in the province where the registered office is located, at least one month prior to the date scheduled for the meeting.

The notice calling the meeting shall state the place, date and time for the meeting on first call and the points of the Agenda and shall also indicate the date and time for the meeting to be held on second call, if necessary. At least twenty-four hours shall elapse between the first and second calls.

Those shareholders representing at least 5% of the capital stock can request that a complement to the notice to call any General Shareholders' Meeting shall be published, in order to include one or more points in the Agenda. This right shall be exercised by sending a certified notification that shall be received at the company's registered office within the five days following the date when the notice of the General Shareholders Meeting was published.

The complement to the notice shall be also published at least 15 days in advance to the date scheduled for the General Shareholders Meeting. The lack of publication of the complement in such timeframe shall determine the nullity of the General Shareholders Meeting.

When the Meeting is called at the request of shareholders holding at least five percent of the capital stock, the Meeting shall be called to take place within thirty days of the reception of the certified notice from the interested shareholders, and those points comprising the subject of the request shall be included on the Agenda, as well as any others which may be resolved by the Board of Directors.

Notwithstanding the foregoing, in general, as soon as the Board of Directors has specific knowledge of the probable date on which the next General Shareholders' Meeting is to be called and held, it shall announce this by way of a public announcement and via the Company's web page, so that shareholders may propose points to be addressed or included in the Agenda for the Meeting.

### Article 4. Agenda

The Agenda included in the call for the Meeting shall be drawn up by the Board of Directors, taking into account any suggestions and proposals received from the shareholders. The wording shall be clear and precise so that the items to be addressed and put to vote at the Meeting are easily understood.

Shareholders will be given the opportunity to make suggestions and proposals regarding the points included on the Agenda through the Company's web page and the Shareholders Office, and the Board of Directors shall decide on their appropriateness and the best manner for these to be presented at the Meeting and, where appropriate, put to vote.

#### **Article 5. The shareholders' right to information**

Shareholders have the right to receive extensive and accurate information regarding the points that are to be discussed and resolved by the General Shareholders' Meeting.

The Board of Directors shall promote the informed participation of shareholders at General Shareholders' Meetings and shall ensure that the General Shareholders' Meeting exercises its powers effectively in accordance with the Law and Company Bylaws.

Through its web page and the Shareholders' Office, the Company shall provide detailed information regarding the call, the content of the various points on the Agenda and the resolutions proposed under each one, and shall enable shareholders to seek clarification or additional information with regard to the said items through these channels.

For the foregoing purposes, the Board of Directors will complete, insofar as it deems necessary, any information required in accordance with the Law and Company Bylaws.

The Board of Directors may limit the information made available to the shareholders if required by the interest of the Company. The information required by law shall not be restricted under no circumstances.

Shareholders shall likewise be entitled to examine, at the registered office, the documentation placed at their disposal and referred to in the preceding paragraphs, and they may also request that the said documents be sent to their domicile free of charge, in the terms set forth by Law.

### **CHAPTER III. ATTENDANCE AT THE MEETING**

#### **Article 6. Right to attend**

All shareholders who can accredit ownership of at least 100 shares at least five days in advance of the date scheduled for the meeting may attend the General Shareholders' Meeting or, should said number of shares be in excess of 1/1000 of the Company's capital stock, such lesser number of shares that represents said 1/1000. Shareholders who hold a lesser number of shares may delegate the representation of said shares to a shareholder that is entitled to attend, or may pool their shares together with those of other shareholders in order to reach the required minimum. This pooling arrangement shall be undertaken specifically for each Meeting and shall be made in writing. Shareholders that pool their shares in this manner shall confer their representation on one of them.

In compliance with the contents of article 14(bis) of the Company Bylaws, for each Meeting the Board of Directors will provide the procedures for attendance by any remote communication means that fulfill the requirements for security and efficiency set forth in such article and are at all times compatible with the state of the art.

#### **Article 7. Accreditation as a shareholder**

In order to be able to attend the Meeting, shareholders shall prove their condition as such by depositing at the Company their certificate of share ownership or any other certificate document that evidence their ownership of the shares issued for these purposes by the depositary entities of the shares subsequent to the publication of the call.

#### **Article 8. Proxy**

Shareholders may attend General Shareholders' Meeting by proxy, which they may confer on any person, whether or not the said person is a shareholder. Said proxy shall be conferred in writing and specifically for each Meeting.

In proxy applications made by the Board of Directors or by members thereof, a recommendation will be made to shareholders to issue voting instructions regarding the various points on the Agenda, in all cases stating how the proxy holder will vote if the shareholder has not issued clear instructions.

Proxy applications made by the Board of Directors shall offer the alternative choice of representation by the Chairman of the Board of Directors or the Vice-Chairman appointed from among the independent Board members.

In compliance with the contents of article 14(bis) of the Company Bylaws, the Board of Directors will provide for each General Shareholders' Meeting the procedures for attendance by any remote communication means that fulfill the requirements for security and efficiency set forth in such article and are at all times compatible with the state of the technology art.

### **CHAPTER IV. HOLDING AND CONDUCT OF THE MEETING**

#### **Article 9. Place and quorum of attendance**

General Shareholders' Meetings shall be held at the place where the registered office is located.

General Shareholders' Meetings shall be validly constituted on first call when those shareholders in attendance, whether in person or by proxy, hold at least twenty-five percent of the voting capital stock. On second call the Meeting shall be constituted regardless of the capital stock in attendance.



However, in order for the Meeting to be able to validly approve the issue of debt securities, capital increases or decreases, reorganization, merger, spin-off or dissolution of the Company and, in general, any amendment to the Company Bylaws, shareholders holding at least fifty percent of the voting shares must be in attendance at first call, whether in person or by proxy. Upon second call, the attendance of twenty-five percent of such capital stock shall suffice.

Notwithstanding the foregoing, the General Shareholders' Meeting shall be deemed to have been called and validly constituted to address any item and with full powers to pass any kind of resolution, with no other requirements, if all capital stock is in attendance and the shareholders unanimously resolve to hold it.

#### **Article 10. Chairman and Secretary of the Meeting. Attendance of the Audit and Compliance Committee.**

The Shareholders Meeting shall be chaired by the Chairman of the Board of Directors, and in his absence by any one of the Vice-Chairmen, and as a last recourse, by the Director appointed by the Board itself or by the shareholder chosen by the Meeting itself.

The Secretary shall be the Secretary of the Board of Directors, and in his absence the Vice-Secretary, and in the absence of both, the shareholder in attendance at the meeting appointed by the Meeting.

The Chairman of the Meeting shall be deemed to have power to determine the validity of the proxies which have been conferred and compliance with the requirements for attendance at the Meeting.

The Chairman of the Audit and Compliance Committee, or in his absence, any other member thereof, shall report on the questions that the shareholders may raise at the General Shareholders' Meeting with regard to the matters within the competence of said Committee.

#### **Article 11. Participation of the shareholders at the Meeting**

The Chairman shall regulate the statements made by the shareholders in order to ensure that the Meeting proceeds in an orderly fashion and that those shareholders wishing to intervene may do so equally, and also so that they may express their opinions regarding each one of the points on the Agenda.

Throughout the Meeting the shareholders will have access to an easily-identifiable location where they may seek their turn in taking the floor. They may likewise request their turn in writing prior to the meeting.

The Board of Directors will furnish any information requested by shareholders in accordance with the provisions of the Law, the Company Bylaws and these Regulations.

Any intervening shareholder may request that the content of his statement be stated for the record in the minutes, and may also request a transcript of his statement.

#### **Article 12. Voting of the resolutions**

Each share is entitled to one vote, and resolutions at General Shareholders Meetings, whether Ordinary or Extraordinary, shall be approved by a majority of votes cast, without any further exception to this rule other than where the Law requires the affirmative vote of some special qualified majority.

The Board of Directors shall report at the beginning of the Meeting on the number of shares represented by members of the Board of Directors and on the percentage of the votes that they represent as a proportion of all votes in attendance at the Meeting.

The Chairman shall ensure that the various proposals put forward to the Meeting be voted on separately and in an orderly manner, irrespective of whether the statements regarding the various points have been made together or separately.

The Chairman shall decide on the order in which the various proposals made on one single point on the Agenda will be put to vote. Once a proposal has been approved, all those that are incompatible with it shall be excluded.

In general, voting shall be conducted by a show of hands, and the most appropriate method for recording the results of each vote in the minutes shall be decided upon freely. The Chairman, at his sole discretion or following a request made by a shareholder, may establish other voting procedures in order to ensure the reliability of the voting results.

In compliance with the contents of article 14(bis) of the Company Bylaws, for each Shareholders' Meeting the Board of Directors will provide the procedures for voting by any remote communication means that, fulfill the requirements for security and efficiency set forth in such article and that are at all times compatible with the state of the art.

Any shareholder may request his vote to be recorded in the minutes, for which purpose he must make an express request and identify himself properly.

Those who represent within the Shareholders Meeting more than one shareholder may fragmentise the sense of their vote, in accordance with the instructions they may have received from the shareholders they represent.

### Article 13. Conflicts of interest with shareholders

Where a conflict of interest may exist with a particular shareholder on a matter subject to decision by the General Shareholders Meeting, and when the Board has knowledge of this, it shall announce this publicly and recommend that the shareholder or shareholders involved abstain in the corresponding vote.

## CHAPTER V. MINUTES OF THE MEETING

### Article 14. Minutes of the Meeting

The Secretary shall compile the minutes for all General Shareholders Meetings, which shall include a list of those in attendance pursuant to section 111 of the Spanish Corporations Act, as well as a summary of the deliberations and a literal transcription of each one of the resolutions approved and the result of the votes for each.

The minutes shall be approved at the close of the meeting by those in attendance, or within fifteen days of the date of the meeting by the Chairman and two shareholders acting as scrutineers, one appointed by the majority and one by the minority, and this shall be formalized with the signatures of the Chairman and Secretary, in addition to the signatures of the two scrutineers, where appropriate.

The minutes approved in either of these two manners shall have executive force as of the date on which they are approved.

These minutes shall be recorded in the special Minutes Book for General Shareholders Meetings.

Shareholders may request copies of the minutes or certifications of the resolutions that have been approved, which shall be authorized by the Chairman and the Secretary.

# REGULATIONS FOR THE BOARD OF DIRECTORS AND ITS COMMITTEES

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- SECTION I. GENERAL ASPECTS OF THE REGULATIONS
  - SECTION II. MISSION OF THE BOARD
  - SECTION III. COMPOSITION OF THE BOARD
  - SECTION IV. BOARD POSITIONS
  - SECTION V. FUNCTIONING OF THE BOARD
  - SECTION VI. COMMITTEES OF THE BOARD
  - SECTION VII. APPOINTMENT AND REMOVAL OF DIRECTORS
  - SECTION VIII. DIRECTOR INFORMATION
  - SECTION IX. REMUNERATION OF DIRECTORS
  - SECTION X. DUTIES OF DIRECTORS
  - SECTION XI. TRANSACTIONS WITH DIRECTORS AND SHAREHOLDERS
  - SECTION XII. BOARD RELATIONS

## SECTION I. GENERAL ASPECTS OF REGULATIONS

### Article 1. Purpose.

1. The purpose of these Regulations is to regulate the business principles and operating standards of the Board of Directors of Indra Sistemas, S.A. (Indra) and its Committees, in accordance with the applicable legal provisions and its Bylaws, as well as by observing the best national and international practices of corporate governance.
2. The standards of conduct set forth in these Regulations for directors will also apply, to the applicable extent, to the Secretary and Vice Secretary of the Board, as well as to the company's Senior Management.
3. The company considers "Senior Management" as its executive directors and managing directors. The Board may assimilate this status to other directors outside such categories by virtue of the obligations set forth in these Regulations or in accordance with Corporate Governance recommendations.

### Article 2. Interpretation.

1. These Regulations are to be construed in conformity with the applicable legal and statutory regulations and the principles and recommendations of Corporate Governance in force in the markets in which the company operates.
2. The Board is responsible for clarifying any content and resolving any queries that may arise as a result of the interpretation and application of these Regulations.

### Article 3. Validity and modification.

1. These Regulations will enter into force on the date established by the approval agreement or by any subsequent modifications made by the Board.
2. These Regulations may be modified at the request of the Chairman of the Board, the Appointments, Remunerations and Corporate Governance Committee, or one third of the directors. In any case, proposed modifications must be accompanied by a justification thereof.
3. Any proposed modifications must be reported in advance by the Appointments, Remunerations and Corporate Governance Committee.
4. The text of the proposal, along with the aforementioned Committee report, must be attached to the invitation to the Board meeting to decide on the modification of these Regulations.

### Article 4. Distribution.

1. All directors, senior management and any other persons subject to these Regulations are obligated to be familiar with, assume, fulfil and ensure the fulfilment hereof. To this effect, the Secretary of the Board must provide all such persons with a copy of these Regulations.
2. The Board will adopt all the necessary measures to ensure shareholders, markets and general investors are aware of these Regulations. To this end, these Regulations will be communicated to the Shareholder's Meeting, published on the Company website, advertised through legal publicity channels and sent to the relevant registers and competent supervising authorities.

## SECTION II. MISSION OF THE BOARD

### Article 5. Functions of the Board.

1. Besides the powers of the Shareholder's Meeting, the Board is the company's highest ranking administrative body.
2. The Board focuses its activities on the general function of supervision, monitoring that the executive bodies and the management team, responsible for the ordinary running of the company, act according to the approved strategies and following the set targets.
3. The Board may not delegate any powers of which it is not legally or statutorily authorised to have direct knowledge. Similarly, the Board may not delegate other powers necessary for the proper performance of its general supervision, such as the approval of:
  - a) General Company strategies and, where appropriate, specific strategic plans, including annual budgets and targets.
  - b) General risk management policy and the creation of control and information systems adapted thereto.
  - c) Financing, treasury shares and shareholder remuneration policy.
  - d) The corporate structure of activities integrated into the Company.
  - e) Operations involving the purchase and availability of Company assets and corporate transactions over 30 million Euros.
  - f) Related transactions, in conformity with the law and with the provisions set forth in these Regulations.
  - g) The creation or acquisition of shares in special purpose entities or entities based in countries or regions considered as tax havens, including any other similar transactions that may reduce the transparency of the group.
  - h) Operations tantamount to the liquidation of the Company.
  - i) Transformation of the Company into a shareholder entity through the subsidiarisation of its business and activities.

- j) Company policy on information and communication with shareholders, markets and general public opinion, in particular:
- i) the formulation and approval of information published annually by the Company, along with the annual accounts subject to approval by the Shareholder's Meeting
- ii) the approval of financial information the Company has to publish periodically in accordance with the current legislation
- k) Directors' remuneration proposals and the determination of the resulting amounts in accordance with the Company's Bylaws and the relative Shareholder's Meeting resolutions.
- l) The appointment, terms and conditions of contract -particularly including indemnity clauses- remuneration, dismissal and control of Senior Management.
- m) General Corporate Responsibility policies.
- n) Policies regarding corporate responsibility and the rules governing the internal operations of the Board and its Committees, including any evaluation of the quality and efficiency of its functions and activities.
- o) Any others specifically set forth in these Regulations.

Without prejudice to the aforementioned, the Board will always consult the Shareholders' Meeting with regard to decisions concerning any such competences that may be particularly influential on the direction of the Company, and will subject such decisions to the approval or ratification of the Meeting if and when appropriate.

**4.** The Board will adopt suitable measures to ensure that:

- a) no person or group of persons holds any powers of decision not subject to checks and balances.
- b) no shareholder receives preferential treatment over the others.

**Article 6. Creation of value for shareholders.**

- 1.** The criteria that must prevail at all times in the conduct of the Board of Directors are the development and growth of the company, as well as the creation of value for company shareholders following criteria of sustainability and long-term outlook.
- 2.** The Board must encourage company management to pursue company development and growth following the indications in the previous paragraph, and that it is given the proper incentives to do so.

**Article 7. Other interests.**

- 1.** The creation of value in the interest of shareholders would need to be developed by the Board in respect of the requirements imposed by Law, satisfying all contracts and commitments with

customers, employees, suppliers, financial backers and other groups of interest to the Company in good faith, while ensuring business in general is conducted responsibly.

- 2.** The Board must also ensure that the Company applies the adopted principles of Corporate Responsibility.

**SECTION III. COMPOSITION OF THE BOARD**

**Article 8. Types of directors.**

- 1.** Directors may be executive or external.
- 2.** Executive directors are considered to be Managing Directors and other directors who, under any title, carry out management roles within Indra or in companies under the control thereof.
- 3.** Considered as external directors are all directors not in the executive category. Similarly, external directors may hold the roles of (i) controlling directors, (ii) independent directors or (iii) other external directors.

3.1. Controlling directors are those who hold or who represent a share holding equal to or greater than the amount considered legally significant, or who have been appointed due to their status as shareholders, either directly or through a representative, although their share holding was insignificant.

3.2. Independent directors are those who have been appointed based on their personal or professional status and who may perform certain functions without their independent status being affected by relations with the Company, its major shareholders or its executives.

To evaluate the aforementioned status of independence, the Board will follow the current recommendations and practices in regard to Corporate Governance, as well as any other relevant criteria.

3.3. Other external directors are non-executive directors who, in conformity with the provisions of this article, cannot be considered as either significant shareholder or independent directors.

- 4.** The nature of each director is explained by the Board before the Shareholders' Meeting, which must either finalise or ratify the appointment thereof. Similarly, on an annual basis and upon verification by the Appointments, Remunerations and Corporate Governance Committee, the Board will confirm or, if applicable, review the nature of each position, providing a record thereof in the Annual Report on Corporate Governance.

- 5.** Similarly, the Annual Report on Corporate Governance should identify the reasons for which:

- i) controlling directors were appointed to represent shareholders with a holding less than that considered legally significant
- ii) no responses were given to formal requests put to the Board from shareholders with a holding equal to or greater than others who were appointed as controlling directors.

#### Article 9. Qualitative composition.

1. The Board, in exercising its rights of proposal to the Shareholder's Meeting and of co-option for the provisional cover of vacancies, will act under the principle that external directors represent a wide majority over executive directors.
2. Similarly, within the group of external directors, the Board should seek to appoint the representatives of shareholders with a significant stake in the company as controlling directors.
3. In order to establish a reasonable balance between controlling directors and independent directors, the Board must focus on the company shareholder structure, considering, in absolute and comparative terms, the importance of share holdings, as well as the degree of permanence and strategic company connections of the holders thereof.
4. The Board, along with the Appointments, Remunerations and Corporate Governance Committee, must especially seek to ensure that the criteria and policies used in the selection of persons to be appointed as director focus on the existence of a natural diversity among Board members.

#### Article 10. Quantitative composition.

1. The Board of Directors will be made up of a number of directors determined by the Shareholder's Meeting, within the maximum and minimum limits set by the company Bylaws.
2. The Board should propose to the Shareholder's Meeting the number of directors, according to the different company circumstances, considered most suitable to ensure shareholders receive due representation and the body is run effectively.

### SECTION IV. BOARD POSITIONS

#### Article 11. Chairman of the Board.

1. The Chairman of the Board will be elected among board members. If the Chairman should be given the status of Company Executive, the Board will delegate the necessary powers to ensure the role is effectively fulfilled.
2. The Chairman of the Board will manage the chairmanship and representation of the company's governing and administrative bodies in accordance with the provisions of the current legislation,

the Bylaws and the present Regulations. Similarly, he may delegate all or part of his powers within the applicable legal and statutory limits.

3. The Chairman has the power to call forth the Board of Directors, draw up the agenda and direct discussions.
4. The Chairman must ensure that all directors receive adequate information on the matters to be discussed well in advance of Board meetings; he must encourage the active participation of the directors and direct Board meeting discussions, standing by his position and expression of opinion and keeping the Board running effectively at all times.
5. If voting should be tied, the Chairman will have the casting vote.
6. The Board will be called once a year to appraise the work of the Chairman of the Board in his position as Chairman and, separately, should he hold such position, as Chief Executive. If the Chairman should fail to call the annual meeting, it will be called by the Vice Chairman, appointed from among the independent directors. In such case, the discussions at the aforementioned appraisal, the Board will not be chaired by the Chairman, but by the Vice Chairman.

#### Article 12. Vice Chairman of the Board.

1. The Board must appoint a Vice Chairman from among the independent directors, and may also appoint other Vice Chairmen.
2. Unless clearly expressed otherwise, in the absence of the Chairman, the role will be filled by the Vice Chairman to be named in each instance by the Board and, if an agreement cannot be reached, by the oldest director.
3. The Vice Chairman appointed from among the independent directors will be in charge of:
  - i) calling the Board or including new points on the agenda, in accordance with the provisions of articles 11.6 and 14.2 of these Regulations
  - ii) chairing the Board meeting described in article 11.6
  - iii) coordinating and bringing forward any concerns of the external directors and, in particular, of the independent directors.

#### Article 13. Secretary of the Board.

1. The functions of Secretary and lawyer/adviser of the Board must be performed by a person appointed by the Board. The role of Secretary of the Board must not necessarily be filled by a director. If such role should include counsellor/adviser, it must be appointed to a legal professional with proven status and experience. The appointment, remuneration and removal

of the Secretary must be approved by the Board, based on a report from the Appointments, Remunerations and Corporate Governance Committee.

2. The Secretary will assist the Chairman in his duties to ensure the proper functioning of the Board, particularly focusing on providing legal advice to Board members, keeping minute books and any supplementary documentation thereto on file, and recording in said minute books the proceedings of the meetings and the resolutions adopted by each company body.
3. The Secretary of the Board must ensure the material and formal legality of all actions and resolutions of the Board and its Committees and guarantee that its procedures and rules of governance are respected.
4. He will exercise all the functions attributed to him by Commercial legislation and the company Bylaws in relation to the call, constitution, adoption, certification, formalisation and implementation of the Board and its Committees' resolutions.
5. The Secretary of the Board must ensure that the biannual financial report is signed by all directors and duly submitted to the Spanish National Securities Market Commission.
6. The Board may appoint a Vice Secretary to assist the Secretary of the Board in his duties or to replace him in the event of vacancy or absence. The appointment and removal of the Vice Secretary must be approved by the Board, based on a report from the Appointments, Remunerations and Corporate Governance Committee .
7. In the absence of the Vice Secretary, the duties of the Secretary of the Board will be carried out by a director with legal training; if there should be more than one, the duties will be carried out by the youngest.
8. Unless the Board should decide otherwise, the Vice Secretary will attend all Board meetings.

## SECTION V. FUNCTIONING OF THE BOARD

### Article 14. Meetings of the Board.

1. The Board will draw up an annual calendar of ordinary meetings and will issue a formal list of the matters to be discussed at each one.
2. Without prejudice to the previous paragraph, the Board will be called at the request of the Chairman as often as he should consider necessary for the proper functioning of the Company. The Chairman must call a Board meeting if formally requested to do so by a Vice Chairman or by one third of the directors. If the Chairman should be absent or fail to satisfy such request, the Board meeting may be called by any Vice Chairman.

3. Any director may propose matters to be discussed by the Board and urge their inclusion on the agenda at each meeting.

4. Ordinary meetings may be called by e-mail, post, fax, telegram or any other valid recordable means and must be authorised by the signatures of the Chairman, Secretary or Vice Secretary, the latter two cases by order of the Chairman. Except in the event of emergency or necessity, the meeting must be called at least three days before the date of the meeting.

The call must always be accompanied by the agenda and any other information relevant to the matters to be discussed. If it should be deemed inadvisable by the Chairman for reasons of confidentiality, such information will not be included and the directors must be given the chance to examine it on the company premises. Similarly, the directors may request that the Chairman, Secretary and Vice Secretary of the Board provide any additional information they consider necessary to carry out an adequate assessment of the matters to be discussed at the meeting.

5. Extraordinary Board meetings may be called by the Chairman or anyone replacing him, by any means, including by telephone. The notice period and other requirements specified in the previous paragraph will not apply, circumstances permitting.
6. Board meetings may be held without the physical presence of Board members by means of videoconference or other remote communication method, keeping a record of all procedures and voting in writing or other valid electronic means.
7. The Board will be called every year to appraise its functioning, the quality of its work and the performance of its members and each of its Committees, which, to that effect, will issue the Board with a report on their functioning during the year.

The appraisal will be organised and coordinated by the Chairman of the Board, together with the Chairmen of the Audit and Compliance Committee and the Appointments, Remunerations and Corporate Governance Committee .

### Article 15. Meeting proceedings.

1. Except for cases in which a legal and statutory quorum has been set, the constitution of the Board will be valid with at least half plus one of its members present either in person or in representation. If the Board is made up of an odd number of directors, the quorum will be sufficient if attended by the number of directors immediately above half.
2. If a director is unable to attend a meeting, he must seek a representative, who should be empowered to vote unless this is deemed unnecessary by the director. Said representation

may be conferred via email, letter, fax, telegram or any other valid and recordable method. Independent directors should seek representation from another director of the same status.

In any case, directors should only fail to attend when it is absolutely necessary. Information is given on attending meetings of the Board and its Committees in the Annual Report on Corporate Governance.

3. Except for cases of a legal and statutory voting quorum, resolutions must be adopted by absolute majority vote.

#### Article 16. Minutes and deliberations.

1. The matters discussed at meetings of the Board and its Committees must be duly recorded in a minute book which, once approved, must be signed by the Secretary of the meeting and approved by the Chairman or person acting as Chairman.
2. If the directors or Secretary should show reservation or doubt regarding any proposal or the running of the Company which is not resolved at the meeting of the Board, this should be recorded in the minutes, at the request of that person.

### SECTION VI. COMMITTEES OF THE BOARD

#### Article 17. Committees of the Board.

1. Without prejudice to individual delegations of power, the Board will make up the following Committees:

- a) Delegated Committee.
- b) Audit and Compliance Committee.
- c) Appointments, Remunerations and Corporate Governance Committee.

The latter two will have powers of information, consultancy and proposal of the Board in matters specified for each one in the following articles.

2. Following a report from the Appointments, Remunerations and Corporate Governance Committee, the Board will appoint Committee members based on the knowledge, aptitude and experience of each director in matters relating to the functions to be carried out by each Committee.

Without prejudice to the aforementioned, the Board will seek to rotate directors between the different Committees.

3. For anything not set forth in these Regulations, the committees will regulate their functioning and will appoint a Chairman from among their members. Committee secretary roles will be filled by the Secretary or Vice Secretary of the Board.

4. The committees will be called to meet by their Chairman, at the request of the Chairman of the Board, the Vice Chairman of the Board or half plus one of the Committee members.

The Secretary is responsible for sending out invitations to meetings and any information relating to the issues to be discussed, in conformity with the provisions of article 14.4 regarding the Board.

5. The constitution of each committee will be considered valid with the majority of its members present either in person or in representation. Resolutions must be adopted by majority vote; if voting should be tied, the chairman will have the casting vote.
6. The committees must keep the Board informed of the matters discussed and the resolutions adopted at the meetings. To this end, the chairman of each committee must report on the proceedings of the first meeting of the Board after the corresponding committee meeting. With the exception of the Delegated Committee, all decisions made by the committees must take into consideration any proposed resolutions or reports for the Board.
7. The committees must draw up an annual action plan and an ordinary meeting schedule, taking into account that other meetings of an extraordinary nature may be held. They must also draw up an activity report. The Board must be informed of all such documents.
8. The committee meetings must be attended, and collaboration and any information in his possession provided by, any member of the Company management team or staff whose presence is requested by the chairman of the corresponding committee or any member thereof, who may also request that said person attend without the presence of any other executive. Committees may also request the attendance at their meetings of external auditors responsible for the Company accounts.
9. In order to carry out their functions correctly, the committees may request consultancy from external professionals, to which the provisions of article 27 of these Regulations will apply.
10. The functioning of the committees of the Board will be governed by the provisions of articles 14 to 16 and all other stipulations in these Regulations related to the functioning of the Board, provided that they are compatible with the nature and function of the committees and are of benefit to their proper functioning.



11. The Secretary of the Board must send a copy of the minutes from committee meetings to all members of the Board.

#### Article 18. Delegated Committee.

1. The Delegated Committee will be composed of a number of directors determined in each case by the Board, with a minimum of four and a maximum of nine. The chairman of the Delegated Committee will be the Chairman of the Board or, if he should not be member, the Managing Director.

The qualitative composition of the Delegated Committee must reasonably reflect the composition of the Board with an established appointment of roles between the different categories of directors, meeting the criteria indicated in article 9 of these Regulations.

2. The appointment of members of the Delegated Committee and the permanent delegation of powers therein by the Board must receive the vote of at least two thirds of the Board members.
3. Said powers may include all powers of the Board except for those that are non-delegable according to the law, the Bylaws and these Regulations.
4. If made necessary by the importance of the case, at the judgement of the chairman or one third of the members of the Delegated Committee, resolutions adopted by the Committee in exercising its delegated powers will be subject to the ratification of the entire Board.

This will also apply for any matters the Board should send to the Delegated Committee for examination, who will hold the final decision in regard thereto.

In any case, the resolutions adopted by the Delegated Committee will be valid and binding without the need for further ratification by the entire Board.

#### Article 19. Audit and Compliance Committee.

1. The Audit and Compliance Committee must function according to that established by article 30 of the Company's Bylaws.
2. The Audit and Compliance Committee will be composed exclusively of external directors, the number of which is to be determined by the Board in accordance with the limits set forth in the Bylaws. The Chairman of the Committee must be an independent director, who must be replaced at least every four years and may be re-elected after a period of one year following the moment he left office.

The chairman must be appointed taking special account of his knowledge, aptitude and experience in the matters relating to the functions of the Committee.

3. In the absence of the chairman, meetings will be chaired by an independent director named by the Committee and, in his default, by any director named by the Committee.
4. In addition to the functions it is assigned under article 30 of the Bylaws, the Audit and Compliance Committee must:
  - a) Supervise the drafting and integrity of all financial information relating to the Company and, if applicable, to the consolidated group, looking for compliance with regulatory requirements, adequate demarcation of the consolidation perimeter and the correct application of accounting criteria.
  - b) Serve as a channel of communication between the Board and external auditors, from whom it will receive regular information on the audit plan and the results from the implementation thereof. It must also evaluate the management team's responses to external auditor findings and will arbitrate in the event of any discrepancies in relation to the principles and criteria applicable to the preparation of financial accounts. The Committee should encourage the auditors of the head company of the group to assume the responsibility of the auditors from all the companies therein.
  - c) Inform the Board, prior to its adoption of the corresponding decisions, of the creation or acquisition of holding companies or companies based in tax havens, and of any other transaction or operation that may reduce the transparency of the Company.
  - d) Check news circulars for entering stocks onto markets.
  - e) Inform the Board, prior to its adoption of the corresponding decisions, of any financial information that, due to its listed status, must be published by the Company periodically. The Committee must ensure all quarterly and six-monthly accounts are drawn up following the same accounting criteria as the annual accounts.
  - f) Establish measures for preserving the independence of external auditors and, to that effect:
    - I) notify the Board of any change of auditor as a significant event, accompanied by a declaration of the existence of disputes with the departing auditor and, where appropriate, describing their content;
    - II) ensure that both the Company and auditors respect the current legislation regarding the provision of services other than auditing, in accordance with the provisions of article 42 of these Regulations;
    - III) in the event of resignation of external auditors, examine the circumstances that may have caused it.
  - g) Monitor the fulfilment of the audit contract, ensuring that the forecast for the annual accounts and the main content of the audit report are drawn up clearly and precisely.
  - h) Periodically review the Company's internal testing and risk management systems.

- i) Maintain the independence and efficacy of the internal auditing function; propose the selection, appointment, re-election and removal of the internal auditing manager; propose a budget for the service; receive periodic information on its activities; and check that Senior Management takes into account the conclusions and findings of its reports.
- j) Set up and monitor the operation of a procedure that allows employees to notify the Board confidentially of any potential irregularities, particularly of a financial and accounting nature, that may appear within the running of the Company.
- k) Take into consideration any suggestions on Committee-related matters brought forward by Company shareholders, directors and Senior Management.
- l) Exercise all other functions attributed to it by these Regulations or by the Board of Directors.

#### Article 20. Appointments, Remunerations and Corporate Governance Committee.

1. Appointments, Remunerations and Corporate Governance Committee must be made up exclusively of external directors, with a minimum of three. The majority of its members, as well as the Committee chairman, must be independent directors.
2. In the absence of the chairman, meetings will be chaired by an independent director appointed by the Committee.
3. In any case, the Chairman of the Board, if executive, or the Chief Executive Director must be consulted and called to meetings of the Committee concerning matters relating to Senior Management other than themselves.
4. Without prejudice to any other duties assigned by the Board or the present Regulations, the Committee for Appointments, Remunerations and Corporate Governance must perform the following:
  - a) Report on the composition of the Board of Directors, the professional profiles necessary for the Board and its member selection criteria. The Committee must ensure its selection criteria follow criteria that favour general diversity in the composition of the Board.
  - b) Evaluate the suitability of the knowledge, aptitudes and experience of the persons put forward to form part of the Board and the different Committees in relation to the profiles required, as well as the satisfaction of requirements depending on the nature of the director involved.

The Committee must consider any suggestions for candidates to cover Board vacancies put forward by the other members of the Board.

- c) Submit to the Board, prior to the re-election of directors, a report on their previous performance in the role.

- d) Check, on an annual basis, that the character with which each director was appointed is retained, which should be mentioned in the Annual Report on Corporate Governance.
- e) Submit to the Board reports on the process of succession of the Chairman and chief executive, and monitor plans of succession of Senior Management.
- f) Report proposals for appointments or removals of the Secretary and Vice Secretary of the Board.
- g) Put forward proposals to the Board, within the deadlines specified in the Bylaws and by agreements with the Shareholders Meeting, on the system, components and quantity of the directors' remuneration. It must also report on the remuneration of the Secretary, if such a role should not be filled by a director.
- h) Inform the Board of proposals for appointments and removals of Senior Management and report, prior to approval by the Board, their terms of payment and the terms and conditions of their work contracts with the Company, including indemnity clauses for eventual severance.
- i) Submit to the Board a report on the annual evaluation of the performance of Senior Management, including the Chairman, if executive.
- j) Present, before it can be drafted by the Board, an annual report on remuneration policy to be submitted to the Shareholder's Meeting, in accordance with the provisions of article 29 of these Regulations, as well as any information made public by the Company relating to remuneration.
- k) Submit to the Board a report on the annual evaluation of the Chairman of the Board.
- l) Notify the Board in advance of any transactions connected to directors, significant shareholders or shareholders with representation on the Board, Senior Management, or any person associated with them, which must be subject to the approval of the Board.
- m) Perform a periodic analysis of the degree of adaptation of Company rules, procedures and practices in Corporate Governance to national and international standards, recommendations and best practices in this area.
- n) Annually evaluate the efficiency of and compliance with the Company's rules and procedures of Corporate Governance and revise all information related thereto in advance, which the Board must then approve and include in its annual public report.
- o) Submit to the Board any changes it considers necessary to Company rules on Corporate Governance, indicating the reasons for such changes.
- p) Submit to the Board, prior to its approval, any information made public by the Company in relation to matters concerning the Committee.
- q) Take into consideration any suggestions on Committee-related matters brought forward by Company shareholders, directors and Senior Management.

## SECTION VII. APPOINTMENT AND REMOVAL OF DIRECTORS

### Article 21. Appointment and designation of directors.

1. Directors must be designated, re-elected or ratified by the Shareholder's Meeting or the Board, in conformity with the provisions of the Spanish Public Limited Companies Act [*Ley de Sociedades Anónimas*] and the Bylaws.
2. Proposals for the appointment, re-election and removal of directors subjected by the Board for the consideration of the Shareholder's Meeting, and decisions on provisional appointments adopted thereby by virtue of the powers of co-option bestowed upon it by law, must be preceded by the corresponding report from the Committee for Appointments, Remunerations and Corporate Governance in the case of independent directors and by a report from said Committee in all other cases. In the case of independent directors, the provisions of section 3.2, article 8 of these Regulations must be taken into special consideration.

If the Board should overlook the recommendations of the Committee for Appointments, Remunerations and Corporate Governance, it must provide reasons for its actions which must be recorded in the minutes.

3. Proposed appointments must be persons of recognised personal and professional solvency, with sufficient capacity for dedication to the role and with no other interests that may be incompatible with it.

If the director should be a legal person, the director suitability criteria specified in these Regulations will apply to the physical person whom he represents, who will be personally subjected to obligations of confidentiality, loyalty and diligence established for directors under Spanish law, in the Bylaws and in these Regulations.

4. The Board and the Appointments, Remunerations and Corporate Governance Committee, within the scope of their respective competencies, should exercise strictness in relation to any persons called forward to cover independent director positions.
5. The Board must propose to the Shareholders Meeting that each of the proposals for the appointment or re-election of directors be put to vote.

### Article 22. Duration of the term of office.

Directors must perform their role for the period set forth in the Bylaws and may be re-elected. In any case, the Board must apply suitable criteria for the periodic renewal of independent directors.

### Article 23. Re-election of directors.

All proposals for the re-election of directors which the Board decides to submit to the Shareholders Meeting must be subject to a formal process equal to that used in the appointment of new directors, in accordance with the provisions set forth in these Regulations.

### Article 24. Removal of directors.

1. Directors must leave their position when dismissed by the Shareholder's Meeting, when they submit their resignation to the Company or once their designated term in office has expired, with the application of the provisions pursuant to article 145 of the Spanish Companies House [*Registro Mercantil*] Regulations.

In the exceptional event that the Board should propose the removal of an independent director before the end of his designated term of office, said proposal must be accompanied by a relative justification and a report from the Appointments, Remunerations and Corporate Governance Committee.

2. Directors found in any of the circumstances indicated below must notify the Company of such as soon as possible:
  - a) Those involved in any of the cases of incompatibility, prohibition or cause for removal or resignation specified under Spanish law.
  - b) Those having seriously violated their duties as director or carried out actions or fallen into omissions that go against the diligence and responsibility with which they should perform the role.
  - c) Those whose permanence in the role may jeopardise the interests of the Company or have a negative effect on the credit or reputation thereof or on the functioning of the Board.
  - d) When the reasons for which they were appointed should disappear.
  - e) Those who cannot maintain the necessary dedication to effectively perform the role.
  - f) When a shareholder represented by controlling directors should sell his entire holding or reduce it to a level that requires a reduction in the number of controlling directors assigned in representation of the interests thereof.
  - g) Those involved in or entering into criminal or administrative proceedings that may carry a disciplinary sanction for serious or very serious misconduct issued by Stock Market administrative authorities, which could seriously jeopardise the credit and the reputation of the Company.
  - h) In the case of independent directors, those whose conditions or circumstances should change, thus nullifying their independent nature.
  - i) In the case of executive directors, those removed, for any reason, from executive positions with which their appointment as director was associated.

3. Directors, regardless of the nature with which they were appointed, must make their position available to the Board under the conditions specified in the previous section and, at the request of the Board, submit their resignation.

If any director should fail to satisfy a Board requirement, the Board may forward a proposal for the dismissal thereof to the Shareholder's Meeting.

4. If any director should resign from his position before the end of his agreed term of office, he must explain his reasons for resignation in a letter sent to the other members of the Board.

The Company must describe the reasons for the removal of any directors before the end of their agreed term of office in its Annual Report on Corporate Governance.

#### Article 25. Objectivity and confidentiality of voting.

1. Any directors personally affected by proposals of appointment, re-election or dismissal must not participate in deliberations and voting in relation thereto.
2. If it should be deemed necessary by the Chairman or requested by the majority of attendees, voting procedures relating to the appointment, re-election or dismissal of directors may be held confidentially.

### SECTION VIII. DIRECTOR INFORMATION

#### Article 26. Powers of information,

1. The director will hold powers of information in regard to any aspect of the Company, is authorised to examine its books, registers, documents and any other records of company operations and may inspect all of its facilities. This right of information extends to subsidiary companies on both a domestic and foreign level.
2. In order not to disrupt the ordinary management of the Company, the exercise of powers of information must be channelled through the Chairman of the Board, who shall attend to director requests by directly facilitating information, and providing the appropriate mediators from within the organisation or arbitrating in measures to grant access to the desired information.
3. In exceptional cases, as a temporary measure, the Chairman may restrict access to specific information, in which case he must notify the Board of his/her decision.
4. Any director may attend, but without voting rights, meetings of Board Committees of which he is not a member, at the invitation of the Chairman of the Board or the chairman of the respective Committee.

5. The Board must facilitate director access to continuously updated information on the Company, as well as its rules of Corporate Governance.

#### Article 27. External consultancy.

1. In order to receive the best possible information and consultancy in exercising its functions, directors may request the assistance, through the Company, of legal or financial advisors, accountants or other professional experts.

Such appointments should only be made in regard to specific director issues that arise in performing the role.

2. The decision to appoint such experts must be communicated to the Chairman and may be vetoed by the Board if it should be proven:

- I) that it is not necessary for the functions assigned to directors to be carried out thoroughly;
- II) that the cost required is not rational given the significance or the extent of the problem;
- III) that the assistance or advice requested may be adequately provided by experts and professionals within the Company.

#### Article 28. Board Advisors.

The Board of Directors may appoint permanent consultants, either individually or as members of a Board of Advisors. If necessary, given the nature of a specific issue, the Chairman, through his own initiative or at the request of a Vice Chairman or one third of the Board members, may request the attendance of such advisors at meetings of the Board or its Committees; in the latter case, the chairman of the Committee may also be called to attend.

### SECTION IX. REMUNERATION OF DIRECTORS

#### Article 29. Remuneration of directors.

1. The remuneration of members of the Board is to be determined by the Shareholders Meeting in conformity with the provisions of the Bylaws. The Board, in conformity with said provisions and based on a report from the Appointments, Remunerations and Corporate Governance Committee, must put forward the corresponding proposals to the Shareholder's Meeting and issue to its members, following set criteria, the specified payment amounts.
2. Director remuneration must be congruous and separate from salaries, remunerations, indemnities, pensions or payments of any type established for executive directors, either individually or on a general level, based on their role or other nature within the Company.
3. The Board, with advice from the Appointments, Remunerations and Corporate Governance Committee, must ensure that the remuneration of external directors is sufficient to compensate

for the dedication, qualification and responsibility that the position holds, but at the same time does not constitute, in the case of independent directors, an obstruction to their independence.

If the proposed director remuneration should include the allocation of shares, the conditions must specify that the directors retain the ownership of such shares until their term of office ends.

4. The Board must draw up, after the date of the proposal put forward by the Committee for Appointments, Remunerations and Corporate Governance, an annual report on its director remuneration policy, specifying the criteria and foundations on which to determine such remunerations and the corresponding amounts for both the period in which the report is drawn up and, if applicable, for the subsequent periods, taking into account any relevant recommendations and the application of best practices.
5. The report drawn up by the Board, described in point 4 above, must be made available to shareholders and submitted annually to the Shareholder's Meeting.
6. Without prejudice to the provisions of the law, the Board, based on a report from the Committee for Appointments, Remunerations and Corporate Governance, must give its annual approval of information on director and Senior Management remunerations made public by the Company in the Annual Accounts Summary and Annual Report on Corporate Governance, with a breakdown of each item and the degree of individualisation in each case.

## SECTION X. DUTIES OF THE DIRECTOR

### Article 30. Duty of loyalty and diligent management.

1. In accordance with the provisions of Section II of these Regulations, the function of the director must be aimed at optimising and maximising the long-term, sustainable value of the Company.
2. The director must perform his role with the diligence of an organised business person and a loyal representative, and must:
  - a) Gain an in-depth knowledge of the situation and development of the Company, taking care to prepare meetings of the Board and Committees to which he belongs.
  - b) Attend meetings of the bodies of which he forms part and participate in the decision-making process.
  - c) Urge the issue of calls to extraordinary Board meetings or the inclusion of matters into the agenda of the first meeting to be held, whenever necessary in the interests of the Company.
  - d) Clearly express his objection to any proposals submitted to the Board that he believes go against the interests of the company or which may prejudice Company shareholders.

- e) Learn the obligations and limitations by which he is affected and fulfil his duties of communication and information to the Spanish National Securities Market Commission and any other monitoring and controlling bodies, in accordance with the applicable legislation.
- f) Carry out any specific assignment at the request of the Board or its Committees.

### Article 31. Duty of secrecy and confidentiality.

1. All directors, including after leaving their roles, must keep secret all information, data, documentation or records of a confidential nature of which they may be aware as a result of performing their role, ensuring they are not divulged or communicated to third parties.
2. Directors will be exempt from the duty of secrecy described in point 1 above in the following cases:
  - a) When permitted by the law in force, provided that in doing so they are not harming the interests of the Company.
  - b) When requested by the competent authorities or under legal obligation to issue information which they are supposed to keep secret in conformity with the provisions of this article. In such cases, the information must be disclosed according to the provisions of the applicable legislation.
3. If the director should be a legal person, the duty of secrecy will apply to the representative thereof, without prejudice to his obligation to inform the client.

### Article 32. Duty of loyalty.

1. All directors must fulfil the duties of loyalty stipulated under Spanish law and in the Bylaws and, moreover, will have the following obligations:
  - a) Directors may not make use of Company assets unless they are repaid in full; similarly, Company assets may not be used for personal financial gain.
 

In exceptional cases, directors may be exempt from the obligation to make such repayment, however, the resulting financial gain will be considered as an indirect remuneration and must be authorised by the Board, following a report from the Appointments, Remunerations and Corporate Governance Committee.
  - b) Directors may not use any non-public Company information for private purposes without prior authorisation from the Board, who must first request a report from the Appointments, Remunerations and Corporate Governance Committee.

The aforementioned must be understood without prejudice to the applicable regulations in each case from the Internal Code of Conduct in Matters Relating to the Company Stock Markets.

- c) Directors may not take personal gain from investments or any other operations connected to Company assets of which they may have knowledge as a result of the performance of their role if the investment or operation should have been offered to the Company or if the Company itself should be interested in carrying it out, unless such investment or operation should have been rejected by the Company without any mediation from the director.
- d) Directors must inform the Company of any event or situation that may harm the Company reputation and, in particular, any criminal matters in which they may be involved, including the opening of administrative procedures which may carry a disciplinary sanction due to serious or very serious misconduct issued by Stock Market administrative authorities, as well as any subsequent trial proceedings.
- e) Directors may not use the name of the Company or invoke their status as manager thereof to carry out personal operations.

#### Article 33. Conflicts of interest.

1. Directors must inform the Board of any situation of direct or indirect conflict that may arise in the interests of the Company, particularly including any shares in Company stock or, the performance of any role for or the provision of any service to other companies or entities which are or may become competitors of the Company or which may become involved in a conflict of interest with the Company.
2. In the cases specified in point 1 above, the Board, following a report from the Appointments, Remunerations and Corporate Governance Committee, may request that directors adopt any measures it considers necessary to preserve the interests of the Company. If the director should fail to satisfy this request, the Board may issue a proposal to the Shareholder's Meeting for his dismissal.
3. Directors must refrain from hearing and intervening in any deliberations, decisions and resolutions involving matters in which they have a conflict of interest.
4. The Company must make public any conflicts of interest in which directors may be involved under the terms pursuant to the applicable legislation.

#### Article 34. Dedication.

Directors must dedicate the necessary time and effort to carry out their functions correctly. To this end, they must inform the Board of any other activities that may significantly affect their dedication as a director of the Company.

#### Article 35. Indirect operations.

The regulations set forth in the present Section X apply to all companies and persons associated with the director under the terms pursuant to the legislation in force.

#### Article 36. Duties of the Secretary and Vice Secretary of the Board.

The regulations set forth in the present Section X also apply to the Secretary and Vice Secretary of the Board, on the supposition that they are not directors, to the extent considered reasonable to perform their functions.

### SECTION XI. TRANSACTIONS WITH DIRECTORS AND SHAREHOLDERS

#### Article 37. Related transactions.

1. The Board, based on a report from the Appointments, Remunerations and Corporate Governance Committee and prior to its execution, must be aware of and give authorisation for any transaction carried out by the Company either directly or indirectly with its directors, significant shareholders or representatives of the Board, Senior Management, the Secretary or Vice Secretary of the Board or any persons connected –in conformity with their legal definition– thereto.

Such transactions will be evaluated according to equality of treatment and market conditions.

2. For recurrent operations carried out during the Company's ordinary course of business and under market conditions, the Board must give authorisation in terms of generic operations in each case.
3. The authorisation described in the previous paragraphs will not be necessary, however, under each of the three following conditions:
  - a) That the transaction is made during the Company's ordinary course of business.
  - b) That the transaction is carried out under market conditions.
  - c) That the amount of the transaction does not exceed 1% of the Company's annual consolidated income for shareholder transactions, or 30% of the average annual remuneration per director in all other cases.
4. In exceptional cases, for reasons of urgency, related transactions may be authorised by the Delegated Committee and must receive ratification from the Board at the next meeting.
5. In order for the Company to identify any related transactions in advance, directors must keep the Board informed of any direct or indirect interests or significant influences they may have in companies or entities that have or are likely to enter into commercial or business relations with the Company.

6. Any directors affected by related transactions, as well as refraining from exercising or delegating their vote, must not attend any meeting while the Board or the Committee involved discuss and vote on matters in relation thereto.

For transactions with shareholders subject to the decision of the Shareholders Meeting, the Board must evaluate whether to recommend that the shareholders involved abstain from voting.

#### Article 38. Public information.

The Board must issue public reports on related transactions carried out by the Company, satisfying the provisions of the legislation in force at all times. To this end, the Board will have a report from the Appointments, Remunerations and Corporate Governance Committee.

### SECTION XII. BOARD RELATIONS

#### Article 39. Relations with shareholders.

1. The Board must stimulate and maximise Company communication with its shareholders and will arbitrate the suitable channels for putting forward any proposals they may draw up in relation to Company management.
2. Any public requests for the delegation of votes made by the Board or any of its members must clearly indicate how the representative will vote in case the shareholder should fail to give instructions subject to, in each case, to the provisions of Spanish law.

Directors may not exercise their right to vote in relation to represented shares if it should be prohibited by the applicable legislation.

3. The Board must encourage the informed participation of shareholders in Shareholder's Meetings and must adopt all the necessary measures so that the Shareholder's Meeting may effectively perform its functions in conformity with the law, the Bylaws and the Regulations for Shareholder's Meeting.

#### Article 40. Relations with institutional investors.

1. The Board must stimulate the exchange of regular information with institutional investors who form part of the Company shareholder base or are interested in doing so.
2. Under no circumstances may relations with institutional investors involve the disclosure of any non-public information, or put them in a privileged or advantageous situation over the other investors or shareholders.

#### Article 41. Relations with the markets.

1. The Board must ensure that the Company's public website (www.Indracompany.com) is kept up to date; any updated Company information that may be required by law, including any that the Board may consider to be significant in relation to the financial and stock markets.
2. The Board must guarantee the prompt satisfaction of the legislation in force regarding important information, conforming, therefore, with the provisions of the Internal Code of Conduct in Matters Relating to the Company Stock Markets.
3. The Board must approve and make public any information on its rules and practices relating to Corporate Governance, complying in all cases with the provisions of the legislation in force and responding to recommendations and best practices in regard to Corporate Governance.

#### Article 42. Relations with auditors.

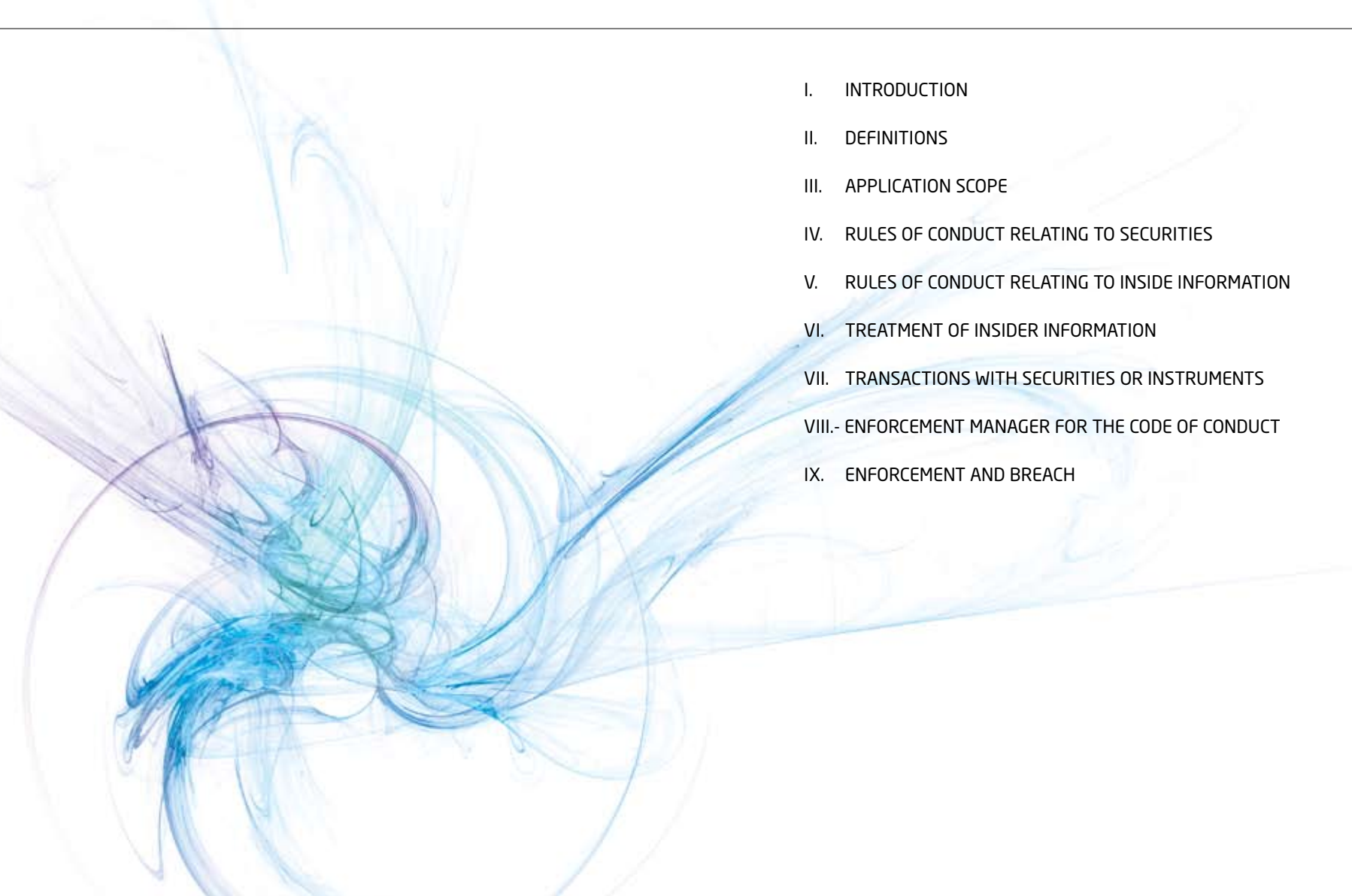
1. Board relations with the Company's external auditors must be channelled through the Audit and Compliance Committee, as set forth in the present Regulations.

Notwithstanding the aforementioned, account auditors must attend a Board meeting at least once a year, in which they must present an audit report for the corresponding annual accounts, in order to give directors direct access thereto at the moment the content and conclusions thereof are presented.

Moreover, the Chairman of the Board may request the intervention of external auditors on the Board if considered convenient or when requested by a Vice-Chairman or one third of the directors.

2. The Board must make every effort to submit to the Shareholders Meeting the Company's annual accounts in an audit report with no reserves or reservations whatsoever; in contrasting circumstances, the Board will request that any used external auditors communicate any relative details at the Ordinary General Meeting.
3. The Board will not entrust the annual accounts audit to firms whose estimated fees for carrying out all such services amount to more than ten per cent of the total income from the accounts during the last period.
4. The Board must publicly communicate, on a regular basis and in conformity with the applicable legislation at all times, the fees paid out by the Company to the audit firm for services other than auditing.
5. The auditor responsible for the work and the members of the external audit team must be rotated on a regular basis in accordance with the provisions of Spanish law and with criteria, if applicable, set by the Board at the request of the Audit and Compliance Committee.

# INTERNAL CODE OF CONDUCT ON MATTERS RELATING TO THE SECURITIES MARKET

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- I. INTRODUCTION
  - II. DEFINITIONS
  - III. APPLICATION SCOPE
  - IV. RULES OF CONDUCT RELATING TO SECURITIES
  - V. RULES OF CONDUCT RELATING TO INSIDE INFORMATION
  - VI. TREATMENT OF INSIDER INFORMATION
  - VII. TRANSACTIONS WITH SECURITIES OR INSTRUMENTS
  - VIII.- ENFORCEMENT MANAGER FOR THE CODE OF CONDUCT
  - IX. ENFORCEMENT AND BREACH



## I. INTRODUCTION

The Internal Code of Conduct in Matters relating to the Securities Market applicable to Indra Sistemas S.A and its Group of Companies, approved in 1999, was reviewed and modified in 2003 to adapt it to the novelties introduced by the Act 44/2002 of the Financial System Reform Measures.

After the recent enactment of the Royal Decree 1333/2005, which modifies the Securities Market Law regarding the market's abuse, the Board of Directors has carried out a new revision of the Code with the purpose to adapt it to the novelties and development introduced by such Decree.

This version of the Code was approved by the Board of Directors at its meeting held on May 11, 2006.

## II. DEFINITIONS

For the purpose of this Code, the following terms will be deemed to mean:

**Senior Management.**- People with the rank of General Manager and the executive members of the Board of Directors will be considered Senior Management.

**External Advisors.**- Individuals or legal entities, not directors or employees of Indra, who provide financial, legal, consultancy or any other kind of service to any of the Indra companies through a civil or commercial relationship.

**Confidential Documents.**- Written, computerized or any other kind of supports containing Inside Information.

**Indra.**- Indra Sistemas, S.A. and all its subsidiaries and companies in which it has holdings according to the situation laid down in section 4 of the Securities Market Law.

**Information/Relevant events.**- Any event, circumstance or decision which, if known, may reasonable affect an investor to buy or sell Securities or Instruments, and therefore, may noticeably influence the listed price thereof.

**Inside Information.**- Any concrete information which:

- refers directly or indirectly to Indra or any Security or Instrument (including those which have an application to be admitted for negotiation);
- is not available to the public, and;

- if made public could or could have noticeable influence its listed price in the market or organized commodity market.

Information will be considered concrete if: (i) it refers to a series of events or circumstances produced or that could be reasonably produced; and (ii) it is specific enough to allow concluding the possible effect of those events or circumstances on the listed price of the affected Securities or Instruments.

Also, it will be considered that a piece of information can noticeably influence the value when such information could be used by a reasonable investor as a base for his investment decisions.

**Related People.** Regarding the people bounded by this Code of Conduct, related people are considered to be:

- their spouses or partners in accordance with the applicable regulations;
- their children or their partner's children, both those under age subject to parental control and those of full age who are financially dependant on them, whether or not they live with the person bounded by the code;
- relatives that live with them or depend on them at least for a year before the date of the operation execution;
- any legal entity or any legal, trustee business effectively controlled directly or indirectly by the people bounded by this Code; or created to the benefit of the people bounded by this Code; or whose economic interests are equivalent to a large extent to those of the bounded person, or
- any person acting for and on behalf of the person bounded by this code who makes transactions on the Securities or Instruments. Such a condition is considered for those totally or partially covered by the risks inherent in the transactions carried out.

**Enforcement Manager.** Is the person responsible for applying and interpreting this Code in accordance with Chapter VIII.

**Securities and Instruments.** Securities and instruments are considered to be:

- Shares and their securities issued by Indra as well as any other kind of negotiable securities entitled to be acquired by conversion or exercising the rights they entitle, accepted for negotiation in a Securities Market or any other organized markets or that have an application to be accepted for negotiation in those markets.

- b) Obligations or any other securities issued by Indra that create a debt or that have been accepted for negotiation at a Securities Market or any secondary market or that have an application to be accepted for negotiation in those markets.
- c) According to the effects laid down in Section IV.1 of this Code, those financial instruments and contracts whether or not negotiated in a secondary market issued by Indra or that are entitled to the acquisition or subscription of those negotiable securities.

### III. APPLICATION SCOPE

**III.1.** Unless expressly stated otherwise, this Code of Conduct will apply to:

- (i) Members of Indra's Board of Directors as well as the people who regularly attend its meetings.
- (ii) Members of Indra's management team and Senior Managers.
- (iii) All members of staff attached to the Chairman's Office, Vice-Chairman's Office, Delegated Consultant, Council Secretariat and Legal Matters and Strategy and Business Development.
- (iv) Members of staff of Indra's Economic-Financial Management who participate or have access to the Company's economic-financial information before it is made public.
- (v) Members of the staff of the Senior Management secretary's office and members of the team of directors subject to the Code.
- (vi) Any other person who has access to inside information and that the Enforcement Manager may decide, in the light of the circumstances relating to any given case.

**III.2.** The Enforcement Manager will keep at all times an up-to-date list of the people subject to this Code of Conduct.

### IV. RULES OF CONDUCT RELATING TO SECURITIES

**IV.1.** The people subject to this Code of Conduct who hold any kind of Inside Information will strictly comply with the provisions laid down in section 81 of the Securities Market Act, in the regulations that developed it, in this Code of Conduct, and specifically until the information is made public and loses its inside nature. They shall avoid directly or indirectly the following conducts:

- (i) Prepare or execute any kind of operation on the Securities or Instruments that the information refers to.  
Preparation and execution of operations whose existence constitutes Inside Information are exempted; also, operations that are executed to comply with an expired obligation to buy or sell Securities or Instruments when this obligation is provided in an agreement signed before the person subject to this Code was in possession of the Inside Information, or other operations executed according to the applicable regulation.

- (ii) Communicate such information to third parties, except in the normal course of their work, profession, position or duties and complying in any case with the requirements laid on this Code of Conduct.
- (iii) Recommend or advice third parties to buy or sell Securities or Instruments or encourage another one to do so based on that information.

**IV.2.** In any case, it will be understood that the person concerned is in possession of Inside Information in the following cases:

- (i) Whenever he is aware of the economic-financial information to be sent quarterly to the Spanish National Security Market Commission (CNMV) before this information is made public as long as its content differs significantly from market expectations regarding those results or the targets made public by the company.
- (ii) Whenever he is aware or participates in the preparation stage of any event or circumstance that, if takes place and is made public, would become a Relevant Information.

**IV.3.** In general and without prejudice according to the Royal Decree 377/1991 on communication of significant participations in listed companies and to the Royal Decree 1333/2005 on matters of market abuse, the people subject to this Code of Conduct who carry out a transaction of selling or buying a Security or Instrument issued by Indra, must send a detailed report within fifteen days after the transaction's date to the Enforcement Manager, describing such operations, stating the date when it took place, the type of Security or Instrument, the type of transaction, the type of market where the transaction took place, quantity and price. Also, they shall communicate the resulting position at the end of the month in which this operation(s) took place.

When new people are to become subject to the Code, an initial notification will be made, listing any Securities or Instruments held as of that date.

Any transactions undertaken by Related People are considered equivalent to transactions on a person's own account, and must therefore be declared.

Similarly, the people subject to this Code of Conduct are obliged to give express instructions to the entities responsible for the management of their portfolios not to carry out any transactions with the Securities or Instruments without their prior knowledge.

**IV.4.** Under no circumstances may acquired Securities or Instruments be transferred on the same day where the transaction took place. The transfer of ownership of Securities or Instruments bought as a result of exercising purchase options or executing other plans for

purchasing granted by Indra are exempted from this prohibition, unless otherwise provided in the title of the concession.

**IV.5.** The Enforcement Manager is obliged to keep on file any communications, notifications, and any other action related to the obligations contained in this Code of Conduct. The data of such file will be strictly confidential. At least every six months the Enforcement Manager will ask the people subject to this Code to confirm the balances of the securities and bonds listed in the file.

## V. RULES OF CONDUCT RELATING TO INSIDER INFORMATION

**V.1.** Relevant Events/Information will be notified to the CNMV as soon as such a fact becomes known, a decision has been taken or the agreement concerned has been signed. The CNMV must be notified before the information is made public by any other means. The content of the information will be accurate, clear, complete and when the nature of the information requires it, expressed in quantitative terms so it does not confuse or mislead.

The information will also be made public on Indra's web page in the exact same terms as it was notified to the CNMV. The information available on Indra's web page will be easily accessible to the investor, and it will be comprehensible, free of charge and direct.

Whenever there is a significant change in the Inside Information that was communicated, there will be in the same way an immediate notification to the market.

The provisions of this paragraph shall apply without prejudice to the possibility of applying for exemption from publication in accordance with the provisions of section 82.4 of the Securities Market Act.

The study, preparation or negotiation acts, prior to the adoption of a decision and that are considered relevant will be exempted from this information duty as long as their confidentiality is protected. Particularly the following kind of acts could be covered by this exclusion:

- (i) negotiations in course, or circumstances related to them when the result or normal development of those negotiations could be affected by the public spreading of the information;
- (ii) decisions adopted or contracts signed by an Indra management body that will be effective upon the approval of another Indra's body, as long as the public spread of that information (including the lack of approval) occurs before having a final approval, and could risk or affect the correct evaluation from the market.

Despite the previous information, Indra shall immediately notify the information in case that it reasonably understands it cannot guarantee its confidentiality.

**V.2.** Relevant Events/Information will be notified to the CNMV by the Chief Financial Officer of Indra or by the Manager delegated in accordance with the procedures laid down by the current regulations, prior information to the Chairman of the Board and Enforcement Manager.

**V.3.** All people subject to this Code of Conduct shall refrain from supplying analysts, shareholders, investors or the media with information whose content might be considered to constitute a Relevant Event/Information and which has not previously or simultaneously been made public to the market in general.

In the event that for any reason the Inside Information is revealed, its content shall be immediately notified to the market in its full extent through a Relevant Event/Information release.

**V.4.** While study or negotiating stages or any event or circumstance that noticeable influence the list price of Indra's Securities or Instruments:

- (a) All people subject to this Code of Conduct involved in the process shall only pass on any of this information to those people within the Organization or outside if that may be strictly necessary and after obtaining authorization from the person responsible for the insider information. Consequently, they will deny access to this information to people who according to their position and duties shall not obtain it.
- (b) The Enforcement Manager will establish security measures to guard, file, access, reproduce and distribute the information, avoiding that such information may be used inappropriately or disloyally, and in that case, taking the necessary measures to amend the consequences from that action;
- (c) The Chief Financial Officer of Indra will oversee with special attention the price list of the Securities or Instruments and the news informed by economy specialists and the media that could affect them;
- (d) If any abnormal fluctuations occur in the price list or in the contracted volume of Securities or Instruments and there are reasonable indications that such fluctuation is the result of a premature, partial or distorted disclosure of the inside information, the Chief Financial Officer will immediately inform the Chairman of the Board and the Enforcement Manager and communicate the CNMV a Relevant Event/Information that clearly and accurately details the circumstance or operation related to the filtered Inside Information without prejudice to the provisions of section 82.4 of the Securities Market Act concerning exemption from publicity if this might affect the legitimate interests of the issuer.

## VI. TREATMENT OF INSIDER INFORMATION

**VI.1.** The treatment of insider information will conform to the following:

- (i) **Marking and Filing.**- All Confidential Documents must be clearly marked with the word “confidential”. Confidential Documents shall be filed separately from ordinary documents in different places designated for that purpose that will have special measures of protection to guarantee access solely to authorized staff.
- (ii) **Access.**- Access to Inside Information must be expressly authorized by the person responsible for Inside Information concerned. All people who have access to it, or who obtain copies of a Confidential Document will be included on the list of people with access to that Inside Information. An External Advisor will be required, in addition, to sign an undertaking of confidentiality in the format established, at any given time, by the Enforcement Manager.

In the event that people subject to this Code could have access to Inside Information through a channel different that the indicated in the previous paragraph, they must immediately inform the Enforcement Manager.

- (iii) **Distribution and Reproduction.**- Confidential Documents will always be distributed and sent using a secure means that will ensure that their confidentiality is maintained. The recipients of reproductions or copies of Confidential Documents shall refrain from making additional copies or disclosing the contents of any Confidential Document. The reproduction of a Confidential Document must be authorized by the responsible of the Confidential Information concerned.
- (iv) **Confidential Document Destruction.**- Confidential Documents and all their copies will be destroyed by any means that ensures the complete elimination of such Confidential Document.

Each Confidential Document will be removed from meeting rooms and common areas, paying special attention to annotations and graphics on boards and other similar supports..

- (v) **Verbal Communication.**- Inside Information must not be discussed in public places or areas where it may be heard by people who should not know about it.

Precaution will be extreme when communicating Inside Information through insecure means such as e-mail, using always encrypted and safety available means.

**VI.2.** Person Responsible for Inside Information.- For the purpose of this section, People Responsible for Inside Information shall mean all the people within the Indra organization who are responsible for the matter to which the Inside Information refers.

For each operation to which the Inside Information refers, the Responsible Person will keep an updated register (Initiated List) that will include:

- (i) all the people with access to such Inside Information;
- (ii) the reason why they are included in the register;
- (iii) the date in which each of them has had access to it, and
- (iv) the dates of creation and updating of each Initiated List and any other measure mandated by the current regulation.

Such Initiated List will be immediately updated by the Responsible Person:

- (i) when a new person must be added to the register; and
- (ii) when a person included in the access has no longer access to the Inside Information; in that case, the date when this circumstance occurs must be recorded.

The Responsible Person will also warn the people included in the Initiated List of the classified nature of this information, of their obligation to keep it confidential, of the prohibition of its use, of the penalties and sanctions as a consequence of inappropriate use, of their inclusion in the register and of the provisions stated by the Organic Law 15/1999 of December 13, on Personal Data Protection.

The Responsible Person of the Inside Information shall send a copy of each Initiated List and its updates to the Enforcement Manager within maximum 5 days from the date of its creation or updating.

**VI.3.** Central Register of Inside Information. The Enforcement Manager will keep an updated central register with the information obtained from each Person Responsible for Inside Information in accordance with the provisions laid down in the previous section.

The Enforcement Manager shall keep the data included in the register for at least five years from the date when it was last updated or recorded. Also he will make the information available to the CNMV when requested.

## VII. TRANSACTIONS WITH SECURITIES OR INSTRUMENTS

### Policy in relation to the Company's bought-back stock

**VII.1.** In general, transactions of Indra's Securities of Instruments will always be carried in accordance with the authorization granted by the General Shareholders' Meeting and not due to any purpose of involvement in the free process of forming market prices or favoring particular shareholders or investors.

**VII.2.** Transactions of Securities may be for the following reasons:

- a) Ordinary transactions, in order to give the Securities liquidity or reduce temporary fluctuations in the listed price.
- b) The execution of plans to buy or transfer ownership of the Securities and special transactions whose volume is significant and purpose is not one of those indicated in section a. above, in accordance with the resolutions adopted for that purpose by the Board of Directors.

**VII.3.** All the transactions referred to in section b) shall be notified to the CNMV and treated as a Relevant Event/Information.

The above stipulations are without prejudice to the information that the Company must provide pursuant to the provisions of the legislation concerning the notification of the acquisition of significant shareholding.

**VII.4.** It shall be the responsibility of the Chief Financial Officer of Indra to execute the plans and special transactions referred to in section VII.2.b. above, and to supervise the ordinary transactions involving Securities referred to in section VII.2.a, promptly informing Indra's Chairman.

The Company may entrust the execution of ordinary transactions to stockbroker companies and other members of the market.

The transactions of Indra's Securities or Instruments will be subject to clear criteria and measures to avoid that the decisions whether to invest or not may be affected by the spreading of the insider Information.

**VII.5.** As a consequence of ordinary transactions involving own shares, Indra cannot hold treasury stock that exceeds, at any given time, the limit fixed by the Board of Directors. Securities acquired in the course of executing the plans and special transactions mentioned on section VII.2.b above, will not be included to that limit. In the case of other securities, the Board of Directors shall fix the applicable limit in each case.

Without prejudice to the provisions of section VII.7. below, the Board of Directors shall be informed at each meeting about Securities or Instrument transactions occurred since the previous meeting.

**VII.6.** The Chief Financial Officer of Indra and the people that he designates within the Company shall be responsible for notifying official transactions involving Securities or

Instruments in accordance with the provisions in force, and for keeping adequate records of such transactions.

#### Volume of transactions involving Securities or Instruments

**VII.7.** In the case of the execution of the plans and special transactions referred to in section VII.2.b. above, the volume of the transactions involving Securities shall not exceed that laid down in the Board of Director's resolution. Any subsequent modification of such resolution shall be notified to the CNMV.

**VII.8.** Regarding the ordinary transactions not included in the previous section the following rules will apply to the volume of transactions:

- (i) The maximum daily trading volume shall not exceed 25% of the average volume traded on the SIBE fixing or order system within normal business hours over the previous ten sessions (not including in the calculation any Public Offerings or Takeover Bids made in such period).
- (ii) Exceptionally, in those isolated sessions in which the market displays greater volatility than its usual averages, the aforementioned volume may be increased, and the CNMV will be confidentially notified to this effect.

#### Price

**VII.9.** Purchase bids may be made at any price, provided that such price does not exceed the higher of the following: (i) the price at which the last transaction carried out by independent third parties would have been matched, and (ii) the price associated with the best independent offer to buy already made.

**VII.10.** Sale bids can be made at any price provided that said price is no lower than the lowest of the following: (i) the price at which the last transaction carried out by independent third parties would have been matched, and (ii) the price associated with the best independent offer to sell already made.

#### Trading

**VII.12.** In general, the aim will be to stagger Securities trading over the course of each session and to that end, except in exceptional circumstances observed by the Chief Financial Officer of Indra, and after consultation with the Chairman, the following guidelines will be followed:

- (i) Orders to buy and orders to sell will not be kept open at the same time.
- (ii) No purchase bids or sale bids that might set price trends can be made in the period of adjustment before the session opens. If, at the end of the adjustment period, the Security has not started trading, in order to fix a first price, a bid can be made to permit trading to start. This bid must necessarily be made on the basis of the prices associated with the

best purchase bid and sale bid existing, and that which is closest to the closing price on the previous day. In any case, the restrictions on volume established in the previous paragraphs will apply.

- (iii) During the periods of bidding care will be taken to avoid setting price trends. Exceptionally, in order to avoid abnormal fluctuations produced as a result of orders made by third parties during said bidding periods, transactions can be made tending to correct this deviation.
- (iv) Transactions in bought-back stock will not be arranged with companies belonging to the Group, their directors, significant shareholders or people designated by any of them, unless expressly authorized by the Board of Directors.
- (v) Trading in Securities should be done on the Computerized Trading System (SIBE) during normal business hours.

#### Scope and temporary modification of the above rules

**VII.13.** The above rules shall not apply to the following Securities operations, which must in all cases be authorized by the Chairman of Indra:

- (i) Those done on the SIBE using the special system of block contracting.
- (ii) Those that constitute special stock market operations.
- (iii) Those involving derivatives hedging on stock market indexes contracted with Collective Investment Institutions.
- (iv) Those resulting from arbitrage with futures and options on stock market indexes.

**VII.14.** In the case of urgent necessity, in order to protect the interests of Indra and its shareholders, the Chairman may temporarily decide to modify or suspend the application of the rules set out in this Chapter VII, informing the CNMV and the Board of Directors to this effect as soon as possible.

### VIII. ENFORCEMENT MANAGER FOR THE CODE OF CONDUCT

The Enforcement Manager is the person in charge of the application, interpretation and compliance of the provisions laid down in the Code of Conduct, and he will be the Manager of the Board Secretary Office and Legal Matters of Indra.

Particularly, the Enforcement Manager will carry out the following duties:

- a) Carry out and promote the compliance of this Code, interpreting the correct application of its rules.
- b) Propose measures that he considers adequate regarding information flow control, and in general, to the compliance of this Code and its inspiring principles at Indra, promoting the adoption of complementary rules and procedures to the effect.
- c) Receive from the people subject to the Code, communications and information projected in the Code, file them in order and take care of them adequately.

- d) Respond and solve all the consultations made by the people subject to this Code.
- e) Keep and update the registers that this Code refers to, and the relevant events informed to the CNMV.
- f) Verify that the informed transactions carried out in the market by people subject to this Code are not affected by inadequate access to Inside Information.
- g) Inform the Compliance and Audit Commission about all the relevant incidents related to the compliance of the provisions laid down in this Code. Nonetheless, at least every year, he shall provide general information regarding the compliance of the provisions of this Code.
- h) Establish periods of total prohibition of transactions of Securities and Instruments according to the circumstances that he can oversee.
- i) Perform any other duty assigned in accordance to the provisions laid down by this Code, and also, assign other people to collaborate with him for the performing of his duties.

The Enforcement Manager and his collaborators are obliged to guarantee the strict confidentiality of all the operations known by them in accordance to the duties assigned to them by virtue of this Code of Conduct.

### IX. ENFORCEMENT AND BREACH

**IX.1.** This updated version of the Code of Conduct in matters relating to the Securities Market will come into force on June 1, 2006. The Enforcement Manager will send it to the people subjected to it, who should confirm they have received it.

**IX.2.** Violation of the provisions of this Code of Conduct will be considered a professional misdemeanor, whose seriousness will be determined by the proceedings followed in accordance with the legislation in force.

The above is without prejudice to any infraction of the provisions of the Securities Market Act and its subsidiary legislation, or the civil or criminal liability that may incur in any given case by a person who violates this Code of Conduct.