



indra

ACTIVITIES REPORT 2012

AUDIT AND COMPLIANCE COMMITTEE



TABLE OF CONTENTS



INTRODUCTION · 3

COMPOSITION · 4

DUTIES AND POWERS · 6

ACTIVITIES DURING FISCAL 2012 · 8

IN GENERAL · 8

PREPARATION AND DELIVERY OF
FINANCIAL STATEMENTS · 8

EXTERNAL AUDIT · 9

INTERNAL AUDIT · 10

INTERNAL CONTROL SYSTEMS AND
RISK MANAGEMENT · 11

ANTICIPATED ACTIVITIES
FOR 2013 · 16

INTRODUCTION

Indra has had an Audit Committee since 1999

For more than twelve years, ever since its shares began trading publicly, Indra has had in place a corporate governance system which has remained in continuous compliance with best national and international practices as well as applicable law.

An Audit and Compliance Committee (hereinafter the "Committee") has been part of the framework of this corporate governance system at Indra since 1999. Its powers, composition and operating rules have always been regulated by the Rules of the Board of Directors ("Board Rules") and have generally complied with and even exceeded that required by applicable law. Since its inception the Committee has vigorously undertaken the duties within its competence, as has been reported in the annual public reports on Corporate Governance of the Company.

After publication of Ley 44/2002, de 22 de noviembre, de Medidas de Reforma del Sistema Financiero ("Means for Reforming the Financial System", hereinafter the "MRFS"), which made it mandatory for all listed companies to form audit committees governed by the Company Bylaws ("Bylaws"), the Company took the means necessary to adapt its already existing Audit and Compliance Committee to the

new legal framework. As a result of this process, regulation of the Committee was incorporated into the Bylaws at the Annual Shareholders Meeting (in general "Meetings") held 28 June, 2003.

Approval of the Unified Code of Corporate Governance (hereinafter "Unified Code") in 2006 established a series of recommendations related to the function of audit committees; information and internal control systems; the relationship with the external auditor; and other matters which were incorporated into the Board Rules.

The Ley 12/2010 de 30 de junio, which amended the Ley de Auditoría de Cuentas ("Account Audit Statute"), the Ley del Mercado de Valores ("Spanish Stock Market Act" or "LMV") and the Ley de Sociedades Anónimas ("Spanish Corporations Act", later supplanted by the Ley de Sociedades de Capital "Spanish Stock Company Act" or 'LSC") made legally binding some of the recommendations contained in the Unified Code as they relate to audit committees, which recommendations Indra had already incorporated into its internal rules, primarily in the Board Rules. Additionally, the Report of the Panel of Experts regarding Internal Control System for Financial Information ("ICFR") of the Comisión Nacional del Mercado de Valores ("National Stock Exchange" or "CNMV") recommended new authority and responsibilities for audit committees relating to the supervision of these systems.

At the 2011 Meeting significant changes were made, primarily to the Bylaws, to incorporate the duties of the Committee contained in the above mentioned statute. Furthermore, the Board Rules were amended so that, in addition to powers granted to the Committee by the Bylaws, other matters contained in the Account Audit Statute were included.

Also, applying best practices of transparency in corporate governance, since fiscal 2003 the Annual Activities Report of the Audit and Compliance Committee at Indra has been made available to the Shareholders upon call of Meetings and may be reviewed on the corporate website as well as by request of a free copy from the Shareholder Office.

The present Activities Report of the Audit and Compliance Committee of Indra corresponds to fiscal 2012 and was approved at the Committee meeting held 26 February 2013, presented to the Board at its meeting held 21 March, 2013 and will be made available to the Shareholders upon call of the Meeting; first call scheduled for 19 June, 2013 and second call 20 June.

COMPOSITION

5 members

3 independent directors

An independent chairman & CEO

The Committee is an internal body of the Board of Directors; all of its members are also members of the Board. In accordance with the Board Rules and the Bylaws, the Committee must be composed exclusively of external Directors whose membership is to be between three and five. The current composition of the Committee is as follows:

Chairman

Mr. Alberto Terol

(Independent Director)

Members

CASA GRANDE DE CARTAGENA, S.L.¹

(Proprietary Director)

Mr. Luis Lada

(Independent Director)

PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L.²

(Proprietary Director proposed by Grupo Banco Financiero y de Ahorros, S.A.)

Mr. Ignacio Santillana

(Independent Director)

The Chairman of the Committee must be an Independent Director and, in accordance with Board Rules, acts as Secretary of the Committee and either Secretary or Vice Secretary of the Board.

Personal attendance at meetings of the Committee topped 85%, and was 90% for Independent Directors.

As can be seen from the list above, of the five external Directors who make up the Committee, three are Independent.

Fiscal 2012 saw the following changes in membership of the Committee:

- Substitution in July of the Independent Director Ms. Isabel Aguilera by Mr. Luis Lada, also an Independent Director, in accordance with standards for rotation criteria applied to Board committees in pursuant to Article 17 of the Board Rules.
- The month of July also saw the substitution of Mr. Estanislao Rodríguez-Ponga by Mr. Carlos Stilianopoulos as the natural person representative of Director Participaciones y Cartera de Inversión, S.L.

A brief professional profile of each of the members follows:

Alberto Terol

Born in 1955. Degree in Economics and Business Administration from the Universidad Complutense de Madrid. He began his career at Arthur Andersen where he was made partner and headed various projects. He was a member of the Board of Partners of Andersen Worldwide and of the Executive Committee in Europe. He has been Managing Partner of Garrigues-Andersen. He filled the post of head of Europe for Andersen for a year and a half, and was a member of the Worldwide Executive Committee. He was also a member of the Executive Committee for Deloitte, where he was head of Latin America and later of Europe, Middle East and Africa. Currently he is Chairman and CEO of several family businesses and Independent Director at OHL, S.A. where he is head of the Audit, Compliance and Corporate Social Responsibility Committee, as well as International Senior Advisor to BNP Paribas.

Luis Lada

Born in 1949. Telecommunication Engineer and Académico de Número of the Royal Academy of Engineering, with a long career in Grupo Telefónica where he was head of Telefónica Móviles and Telefónica de España. Additionally, he has been a director and leading member of many companies and organizations related to IT.

1. Representada por D. Eusebio Vidal-Ribas

2. Representada por D. Carlos Stilianopoulos

He is an advisor to Grupo Telefónica, Teldat, S.A. and Assia Inc., a Manager at Ribafuerte, S.L. and a member of the board of directors at Telefónica I+D, as well as Gamesa Corporación Tecnológica, S.A.

Ignacio Santillana

Born in 1948. Degree in Economics from the Universidad Central de Barcelona, Doctorate in Economics from the Universidad Autónoma de Madrid; Masters and Ph. D. in Economics from the University of Indiana.

On 1 September, 1999 he joined Grupo Prisa as Head of the New Technologies and Telecommunications Division. At Prisa he has been COO, as well as Director of Strategic Planning. Currently, he is non-Executive Chair of Grupo Santillana de Ediciones, S.L. and a member of the board of Prisa Radio, S.L. and of SER (Sociedad Española de Radiodifusión), S.L. Before that, he spent his career in the United States as Executive Vice President and member of the Executive Committee at GTE (now Verizon) and at Telefónica, where he worked ten years as CFO, CEO of Telefónica Internacional, and General Manager of Telefónica. Earlier, he was Chairman of the Empresa Nacional de Innovación (ENISA) and Economist at AEBP (Asociación Española de la Banca Privada).

He has combined his business career with an academic one, serving currently as professor of Economic Analysis at the Universidad Autónoma de Madrid.

D. Carlos Stilianopoulos

Holds a degree in Economics from Richmond University (United Kingdom). In 1990 he joined the Banco Español de Crédito in the Capital Markets division where he directed the Eurobond trading desk. In 1993, he joined Banco Santander de Negocios, where he was director ... of Origination, Distribution and Trading for Capital Markets. In 1997, he moved to Banco Santander as head of Origination and in December, 1998 he moved to Caja Madrid as head of the Origination and Syndication division and was later named Business Director of Capital Markets in 2000.

In May 2007 he was placed in charge of Treasury and Capital Markets at Caja Madrid until December 2010 when he was appointed CFO of Bankia.

In November, 2011, Mr. Stilianopoulos was named Director of Wholesale Business at Bankia, and is directly responsible for the Commercial accounts, Treasury, Capital Markets, Bankia Bolsa (brokerage) and Corporate Finance.

Eusebio Vidal-Ribas

Born in 1954. Degree in Economics from the Universidad de Barcelona and holds multiple U.S. FINRA licenses. He began his career at Merrill Lynch and later held various management posts in financial sector businesses such as Benito y Monjuardin, Banco Urquijo, and Metlife. He is Director and CEO of Casa Grande de Cartagena, S.L.U., which he joined in 2003 as Director of Investments.

DUTIES AND POWERS

A wide range of responsibilities and competencies

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

- a) Report to the Shareholders at a Meeting on points raised by the Shareholders regarding matters that fall within the Committee's area of competence.
- b) Supervise the functioning of the Company's internal controls, internal audit, and risk management systems, as well as discuss with external auditors areas of significant weakness in the internal control system detected during the audit.
- c) Supervise the preparation and presentation of regulated financial information.
- d) Deliver to the Board of Directors for submission to a Meeting proposals for the appointment of the external auditors as well as the terms of their employment, the scope of the auditor's mandate and where appropriate, dismissal or non-renewal of appointment.
- e) Liaise directly with the external auditor and evaluate

the development and results of their work, paying special attention to any issues that might pose a threat to auditor independence and any other issues related to the performance of the financial audit process, and maintain all other communications required by audit legislation and technical audit rules. In any event, the Committee should receive an annual written report from the external auditor confirming the auditor's independence of the Company or entities related directly or indirectly to the Company, as well as a report describing any form of services rendered to such entities by persons or organizations related to the external auditor in accordance with applicable law on audits.

f) Issue an annual report before the auditor's report each fiscal year in which the Committee expresses an opinion regarding the independence of the external auditor. This report must also describe the rendering of additional services described in the previous paragraph.

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

- a) Act as a channel of communication between the Board and the external auditor, from whom regular information is received on the audit plan and the results

of its implementation. The Committee also evaluates the management team's responses to the external auditor's recommendations and mediates in the event of any disagreement between the external auditor and the management team in relation to the principles and standards applied in the preparation of the financial statements. The Committee must encourage the auditor of the parent company to assume responsibility for the audits of all Group companies.

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

c) Review prospectuses for publicly traded instruments.

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

e) Establish measures to safeguard the independence of the external auditor to include:

i) propose that the Board file a relevant event report when there is a change of auditor, along with a statement relating any disagreements that arose with the outgoing auditor and, if applicable, the contents thereof;

(ii) ensure that the Company and the auditor observe applicable law on the provision of services other than audit services, in accordance with the provisions of Article 43 of the Board Rules, and;

(iii) should the external auditor resign, examine the circumstances leading to the resignation.

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

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

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

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

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

As can be seen in the section below describing the activities of the Committee during fiscal 2012, the Committee has carried out each and every one of the powers and duties assigned to it by the Bylaws and the Board Rules, including other matters which it considered appropriate for the exercise of its competencies and in the interests of the Company.

ACTIVITIES DURING FISCAL 2012

8 meetings

200 hours

Participation of the Chairman & CEO at 8 meetings of the Board of Directors

IN GENERAL

The Committee met eight times during fiscal 2012, more than the minimum of four required by the Bylaws. This means that, as a group, the members of the Committee spent about 200 hours in preparation for and attendance at meetings attending to matters within its purview during fiscal 2012.

Meetings are held on one week's notice and all members receive with their notices all of the documentation and information relative to the matters to be taken up at each meeting so that there is enough time for members of the Committee to analyze them.

The Committee brings to the Board proposals regarding matters within its areas of competence, and the Chairman immediately reports to the Board on all matters addressed

in each meeting held by the Committee between meetings of the Board. The Chairman of the Committee met with the Board eight times in his role as Chairman regarding the activities of the Committee during fiscal 2012.

The Committee also created an Annual Report of Activities for fiscal 2011, as it does every year, which report was approved by the Committee in its meeting held 21 March, 2012. This Report was uploaded to the Company website upon call of the Meeting held 21 June, 2012. The Chairman of the Committee attended the Meeting and was available to Shareholders in order to address any issues that they may desire to raise regarding matters within the Committee's competence.

In order to properly plan and organize its work, the Committee developed an Action Plan at the beginning of fiscal 2012, as it does every year, in which it scheduled the number of regular meetings to be held (eight) and the agenda for each meeting. The Committee met for each of the planned meetings, addressing all of the issues found in the annual Action Plan.

In accordance with the Action Plan for fiscal 2012, the Committee addressed the following matters and subjects:

PREPARATION AND DELIVERY OF FINANCIAL STATEMENTS

Supervision of the presentation of the Annual Accounts 2011 and the company's periodic public disclosures in 2012

1. Review of the Company's Annual Financial Statements

At its meeting held in March, 2012, the Committee reviewed the Management Report and the Individual and Consolidated Annual Financial Statements for fiscal 2011 before their preparation by the Board, giving a favourable opinion of same.

The Committee was informed by Company management that the format for presenting the financial statements

had changed from the year before because of changes in accounting rules; specific requests from the CNMV; and new reporting requirements contained in the Ley de Morosidad ("Arrearage Act").

2. 2. Review of Information Delivered Periodically to Markets and Supervisory Bodies

Before approval by the Board, the Committee reviewed the quarterly and semiannual financial statements submitted to the CNMV for fiscal 2012, verifying that their preparation was done using the same criteria as the annual financial statements.

In order to carry out its oversight duties regarding the creation and integrity of Company and consolidated Group financial information; compliance with legal requirements; proper scope of consolidation; and appropriate application of accounting standards of quarterly and semiannual financial statements to be presented by the CFO; the Committee examined application of appropriate accounting standards and criteria for presentation of financial information and made recommendations regarding the clarity, posting or presentation of some items.

In order to ensure timely compliance with the Company's obligations to present this information to the CNMV, the Committee met with the CFO at its meetings held in February, May, July and November.

EXTERNAL AUDIT

Proposed reappointment of KPMG to audit the annual accounts for 2012

1. Proposal of External Auditors

In performing its duty under the Bylaws of proposing to the Board designation of external auditors of the annual financial statements, as well as terms of engagement, scope of duties and, when applicable, dismissal or non-renewal of their contract, the Committee discussed the procedure for appointment of external auditors for the Company for fiscal 2012.

After a thorough evaluation of the qualitative and economic aspects of the external auditor's work, members of the Committee considered possible alternatives and decided the best proposal for accomplishing the above mentioned goals was that the Board re-elect KPMG as external auditor of the Company for the fiscal 2012 financial statements.

This proposal was then brought by the Board to the Annual Shareholders Meeting, where it was approved.

2. Audit Fees and Report Regarding Auditors' Independence

In discharging its duty to evaluate any issues that might put the independence of the auditors at risk, the Committee reviewed the amount of fees paid to the auditors and the items to which they pertained for fiscal 2012.

	1000's of Euros
Audit of Annual Financial Statements	1,145
Other Services	299
TOTAL	1,444

The Ley 12/2010 de 30 de junio requires that the Committee issue an opinion regarding the independence of the external auditor before the audit report is drafted. In order to compile this report the Committee met in March and analyzed compliance with the following criteria established by the Account Audit Statute and the Board Rules. The Committee:

- > Verified that the auditor was not involved in any circumstances, relationships or situations that might compromise its independence.
- > Analyzed the fees paid as a percentage of its gross billings and came to the conclusion that the fees paid by Indra did not affect its independence in any way.
- > Confirmed that, as required by applicable law, the auditor responsible for the work and the members of the external audit team rotated periodically.

Additionally, in accordance with that contained in the Account Audit Statute, the external auditor expressly stated that it had maintained its independent status by letter dated 12 March, 2012.

Communication channel with the external auditor, evaluation of the auditor's work and independence

3. Oversight of the Financial Statement Audit Process

In fulfilling its role of guaranteeing compliance with the audit contract, during fiscal 2012 the Committee ensured that the opinion regarding the annual financial statements and main portions of the audit report were drafted in a clear and accurate manner by supervising the audit process for the financial statements from the planning stage through development and to its conclusion. The Committee evaluated this development and the results of the audit and the auditors' work, and thoroughly examined the reports created by the external auditors as they relate to:

- The final conclusions regarding the auditors' work on the fiscal 2011 financial statements.
- The final audit report regarding fiscal 2011 consolidated financial statements issued without qualification or reservation.
- The report on recommendations for improvement in administrative procedures and internal control stemming from the fiscal 2011 audit of the annual financial statements.
- Planning and preliminary work for the fiscal 2012.
- The preliminary audit report for the fiscal 2012 financial statements.

In order to make a proper evaluation of the above mentioned items, the partner at KPMG responsible for the audit met with the Committee five times at meetings held in February, March, May, September and December.

Auditor's satisfactory opinion regarding the effectiveness of the information and control levels

4. Evaluation of Compliance with the Recommendations Arising from the Audit of the Financial Statements

The overall opinion of the auditor is that the amount of information and control at the Company is effective and the auditor gave a satisfactory opinion in its report on recommendations for improvement in information control organization, processes and systems.

Also, pursuant to its responsibility for evaluating the response of the management team to the recommendations of the auditor, during fiscal 2012 the Committee reviewed implementation of the recommendations issued after the fiscal 2010 and 2011 audits of the financial statements and confirmed that the majority had been satisfactorily resolved.

The Committee analyzed the conclusions drawn from the reciprocal evaluation process between the KPMG team and the Indra team related to their working relationship during the fiscal 2011 financial statements audit, and concluded with a satisfactory opinion as a result.

INTERNAL AUDIT

Supervision of the internal auditing function

The Committee is responsible for supervising the work of Internal Audit of the Company and reviewing the appointment and substitution of those responsible.

Within the framework of this function, the Committee supervised the activities of Internal Audit Management during fiscal 2012, the last one of the current audit cycle (Integrated Audit Plan for 2008-2012).

Internal Audit reported to the Committee regarding implementation levels of the recommendations suggested from reviews it performed, recommendations yet to be put into effect, and the timetable for their completion.

As part of its oversight task, during 2012 the Committee reviewed the Annual Report of Internal Audit for fiscal 2011 and periodically evaluated the work accomplished and reports issued by Internal Audit during its assessment of various Company organizational areas and management and control processes.

Annual Report 2011 and annual internal auditing plan for 2012

The Committee approved as well the Annual Internal Audit Plan for 2012 and the implementation proposal so that it might be incorporated into the new Company Risk Management Map.

Among the tasks accomplished during 2012, some of the most notable are (i) review of processes and implementation of procedures in domestic and international subsidiaries (ii) review of implementation of recommendations from Internal Audit for subsidiaries in Brazil, Mexico, and Peru and (iii) work done evaluating ICFR for Indra Systems and its international subsidiaries.

Ms. Natalia Fernández was named new Chief of Internal Audit during fiscal 2012 to replace Mr. Odonel Hernández after he ended his employment relationship with Indra. The Committee reviewed the succession process and gave a favourable opinion of the new incumbent.

The Committee was informed regarding changes proposed by the new Chief for fiscal 2013, the most notable of which are (i) increase Internal Audit's role as advisors and consultants (ii) develop an Audit Plan based on global risks (iii) increase the amount of support work Internal Audit does for the Audit Committee, and (iv) improve coordination between Internal Audit and the external auditor.

The prior Chief of Internal Audit and his successor attended three Committee meetings in 2012

INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT

Supervision to ensure the adaptation and integrity of financial information processes and the correct functioning of control and risk management systems

Among its responsibilities, the Committee has that of understanding and testing the adequacy and integrity of the financial information process and the proper function of internal control systems and risk management for the Company.

Within the framework of these tasks, the Committee met with those responsible for various departments of the Company in order to remain abreast of their status and operation as well as oversee the function of information and control processes. In these meetings, in addition to being informed regarding the matters mentioned above, the Committee was engaged in active supervision and issued recommendations for improvement of internal control and risk management processes and systems used in these areas. During 2012 the following department heads met with the Committee:

1. Global Risk Management Department and Internal Control Model

Review of the Internal Control Systems for Financial Information

Ley 12/2010 of 30 June provides that the Audit and Compliance Committee is responsible for the effectiveness of internal control within the company relating to the process of creating and presenting regulated financial information. In February, 2010 the CNMV published "Control interno sobre la información financiera de entidades cotizadas" ("Internal Control of Financial Information for Listed Companies") which contains 30 recommendations for implementing said controls.

Taking into account the interests of the markets, other stakeholders, and the recommendations of the above referenced document, Indra has established a voluntary review process for its Internal Control over Financial Reporting (hereafter "ICFR") with the following primary goals:

1. Achieve improvements in efficiency and security of financial information processes in order to minimize the possibility of error.
2. Follow new regulatory requirements in internal control and corporate governance matters and quickly adopt best international practices.
3. Position the Company a leader in internal control and corporate governance matters.

As a result of this process and in order to improve transparency and the quality of public ICFR information issued by the Company to the markets, Company management published a description of its ICFR following the sixteen core indicators recommended in the CNMV document. This description was made an Appendix to the Annual Report on Corporate Governance for fiscal 2011. Management also requested that the external auditor make a report in which it would give an opinion, within a reasonable degree of accounting certainty, and based upon auditing standards using as a frame of reference generally accepted internal control standards, whether the design and function of the Group's ICFR was effective or not at the close of fiscal 2011.

For its part, Company management implemented its own ICFR evaluation process in 2012. Each person in charge of controls identified in the Company's ICFR support system evaluated the design as well as effectiveness of said controls. Management of Internal Audit verified and validated the evaluation done by those responsible for controls.

Based upon the results of this process, Company management concluded that Group ICFR functions adequately, notwithstanding the fact that they established action plans to address some deficiencies that they found.

In 2012 the Audit Committee reviewed the results of the Annual ICFR Evaluation Process for fiscal 2011 and supervised the implementation work done after the annual evaluation.

Updating of Risk Map

The head of Global Risk Management met with the Committee twice in order to explain updating of the Risk Map, action plans associated with identified risks, and the status of implementation of ICFR, primarily in international subsidiaries.

Just as last year, attached to the Annual Report on Corporate Governance for fiscal 2012 is an appendix containing a description of the principal characteristics of control and risk management systems as they relate to the dissemination of financial information as well as the report issued by the external auditor on its suitability

2. Project Management

Improvements implemented in project management

The Committee met with the head of the Office of Project Management and the head of Management Control, who gave reports on activities accomplished in this area, in particular (i) development of a model in collaboration with HR which facilitates adjustment of management regimens to the complexity of projects (ii) updating of the general follow up and control procedures for bids ("Negocia") (iii) the new "Autoriza" system and (iv) the new "Mis Carteras" system.

Next, a report was given on the primary objectives of the area, highlighting (i) development of methodologies in project management (ii) review of current procedures with the Risk and Global Procedures department and (iii) implementation of means for improving the quality of data entered into the project management system.

Finally, the Committee received a report on the increase in the number of certified Project Management Professionals ("PMPs") within the context of the 2012 goals as well as the participation of Indra in international conferences.

3. Corporate Control

Evolution and improvement of the management control system for business operations

The Committee and the head of Corporate Control reviewed the development and improvement of management control systems in different phases of business operations.

The Committee was informed about the implementation of control procedures internationally and how in certain geographic areas such as Latin America administrative and management control functions have been separated; a head of management control has been named for this region. Also, the ICFR implementation process for Mexico, Colombia and Brazil and the status of integration of control processes in Brazil was reported to the Committee.

4. Insurance Management

Insurance Plan 2012

The Committee received reports on the Insurance Programme for fiscal 2012 which incorporates the different types of insurance carried (property/casualty, liability, transport and freight, and employee insurance), coverage, premiums and limits, applicable preventative measures and loss rates in each category and management of insurance internationally.

5. Administration and Tax

Optimization of resources through the Prointec merger Price Waterhouse Coopers as tax advisor for Latin America Progress in the implementation of SAP Improvements in reporting application to integrate account information

The Chief Administrative Officer reported on the most important activities carried out during 2012 in his areas of responsibility.

As regards the Administrative Services Centre, the Committee was informed regarding integrated resource optimization as a result of the merger with Prointec.

In the tax area, PriceWaterhouseCooper has been engaged as tax advisor for Latin America.

In the process of Consolidation, implementation of the specific SAP module has progressed, as well as improvements in process standardization tools for preparation of annual financial reports for subsidiaries.

As regards branch offices and permanent establishments, improvements implemented in the reporting application for integration of accounting information was explained.

6. Purchasing and International Business

Implementation of a new procurement model

The Committee met with the head of Procurement and with the head of Corporate Resources, who reported to the Committee regarding the level of advancement in implementation of the procurement module during 2012, emphasizing the following activities:

- Adjustment of external resource costs
- Implementation of procurement functions in Latin America and consolidation of international deliveries
- Maximum exploitation of Sap potential

The Committee was informed that the increased volume resulting from the acquisition of Politec has necessitated the hiring of a head of procurement for Brazil.

Additionally, the Committee reviewed the procedures designed as a result of the implementation of ICFR.

7. Treasury

The Committee met with the Company Treasurer for a detailed review of accomplishments in his areas of responsibility during 2012.

The Committee received a report as well on the impact on Treasury from generalized credit restrictions, increases in financing costs, and stricter contracting conditions.

The Committee also learned of increased demand for financing solutions from clients making it necessary that Treasury deliver continuous support in business areas and concentrate on the detection of associated risks.

As regards resource organization, the appointment of a finance director for Brazil was noted due to the complexity and volume of operations there.

8. Human Resources

Map of technical and functional capabilities Progress in the identification and development of employees with high potential

The head of Human Resources for the Company met with the Committee in order to report on the Global management model for Human Resources, achievements during the fiscal year in management of talent, and objectives for fiscal 2013.

Regarding this, the Committee was informed on the design of a map of technical and functional capabilities oriented towards the better use of talent and an efficient allocation of resources that will permit anticipation of potential risks. This model is based on delegation of authority and user groups (UGR).

In addition, the Committee was given a report on control and process systems implemented in order to reach maximum efficiencies in human resource management. Advances made in the training model and in particular means of identification and development of high potential employees were explained to the Committee as well.

Finally, the Committee received a report on the successful implementation of on-line training by means of the company program "Compartiendo Conocimiento" ("Sharing Knowledge"), which has enabled a reduction in outside training.

9. Information Systems

Incorporation of cloud computing in systems
Integration of new devices and technology
Strategic Plan for Systems 2013-2015

The Committee met with the head of Corporate Resources and of Internal Systems who gave a report on the mission and principal processes in their areas, as well as the main objectives reached during the fiscal year, highlighting distribution of those processes to international subsidiaries, the incorporation of cloud computing, and the integration of new devices and technologies in the workplace.

The Committee analyzed control of permitted access and tools outside the workplace and its impact on security, and was informed about practices that place the Company at the forefront of cyber security.

Finally, the Committee was informed of the primary objectives for the future, including the project for a strategic IT plan for 2013-2015.

10. Secretary General

Application of the risk control policy at Indra Brazil
Creation of Employment Legal Advisory service
Creation of the Contract Administration Unit

The Committee reviewed with the Secretary General departmental activities during the fiscal year, goals reached, and objectives for 2013.

The Committee received a report on the increased complexity of legal advice and significant upsurge in workload, which has made better control of legal risks necessary.

- > Legal Department Americas: application of risk control policies in the Brazilian company Politic (now called Indra Brasil) with the aim of aligning them with Indra's practices in this area and standardizing procedures.
- > With the creation of a Labour Law Department within the Corporate Legal Department, a rigorous outside contracting system has been put into place, which has resulted in a significant reduction in costs.
- > Creation of a Contract Management Unit within the Business Law Department and the hiring of a contract manager for the Energy market..

Among the objectives of the department, the most noteworthy are (i) control of legal risks in the operations and contracts areas at a time when they display a higher tolerance for risk in order to acquire business and (ii) consolidation of the Labour Law Department and the Contract Management Unit.

11. Management of Industrial and Intellectual Property Rights

Intense activity related to the protection of Intellectual and Industrial Property rights

The Chief in House Counsel presented the annual report for 2012 on management of Company intellectual property rights. In this fiscal year, the process begun in 2009 of revamping and protecting corporate branding was continued by means of trademark registry and registry of other corporate marks in the countries in which the Company does business. Additionally, a report was given regarding the tasks of patent oversight and identification and perfection of new patents; means of protecting software; and maintenance of software escrow; as well as training and continuing education in operational areas on the need to identify and protect the rights of intellectual and industrial property created by the Company.

12. Legal Compliance Unit

Implementation, development and dissemination of the Compliance Programme

The head of the Compliance Unit described the activities accomplished in 2012, the most significant of which were: (i) implementation of the Compliance Program; (ii) initiatives developed for awareness and dissemination of the program and (iii) creation of program specific rules.

The Committee also received a report on matters communicated through the complaint line "Canal Directo" as well as by other means.

13. Quality and Natural Environment

The head of Talent, Innovation and Strategy and the head of Quality and Innovation presented the structure and management model for corporate quality, quality engineering, and natural environment.

The Committee received a report regarding periodic quality audits done internally on projects and horizontal areas of the Company in order to understand the level of implementation of the model. It was also pointed out that the Plan for Quality Improvement had borne fruit with the evaluation of the subcontractors for the top ten markets in Defence and Transportation and Traffic.

The Committee was informed as well regarding receipt and maintenance of quality certifications from the major certifying bodies.

As regards Quality Engineering, the Committee was informed about the activities carried out in various markets, with special emphasis on the areas of Defence, Transportation and Logistics, which require more complex technological development, but have the greatest impact on improvement of tools to aid in management.

Development of natural environment management systems has allowed promotion of Indra's image as an environmentally responsible company and has converted it into a leader in its sector, improving at the same time its ranking in the Dow Jones Sustainability Index.

14. Defence, Transportation and Traffic, IT and International

Pursuant to the 2012 Action Plan, the Committee met individually with each of the Operations Managers in the areas of Defence, Transportation and Logistics, IT, and International.

The Committee received reports by the heads of each area regarding aspects related to internal control, work accomplished in updating the Risk Map and the degree to which ICFR has been implemented. They also described improvements implemented in control tools, methodology and procedures in each of the above cited areas, giving emphasis to the development of corporate rules and procedures to be applied in the various international subsidiaries, in particular those that were recently acquired.

Finally, the Operations Managers explained organizational changes that had been made in each of their areas of responsibility as well as internal control objectives.

ANTICIPATED ACTIVITIES FOR 2013

In accordance with the Action Plan of the Audit and Compliance Committee for 2013, approved by the Committee at the beginning of the current fiscal year, the Committee has planned to meet nine times in regular session during which, in addition to matters which are of a recurring nature every year, special attention will be paid to matters relating to risk control and in the supervision and implementation of procedures, particularly in international subsidiaries.