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**REGULATIONS FOR THE  
BOARD OF DIRECTORS AND ITS  
COMMITTEES**

**INDRA SISTEMAS, S.A.**

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April 2012

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# Regulations for the Board of Directors and its Committees

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## **Section I. General Aspects**

### **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. Construction.**

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 construction 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 Nomination, Compensation 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 Nomination, Compensation 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 learn, 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 which it is required by law or the Bylaws to perform itself. Additionally, 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 to ensure the existence and duly application of the Internal control over financial reporting
- c)** General policy regarding finance; also finance activities in the ordinary course of business of the Company when those activities involve more than one hundred (100) million euros or special activities outside the ordinary course of business which involve more than thirty (30) million euros.
- d)** Treasury share and dividend policy.
- e)** The overall corporate structure which the Company shall use in order to accomplish its work.
- f)** Operations involving the purchase and/or sale of Company assets and corporate transactions over 30 million euros.
- g)** Non arms' length transactions as defined by law and the provisions set forth in these Regulations.
- h)** 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.
- 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)** Modification, removal or suppression of the corporate web site.
- m)** The appointment, terms and conditions of contract -particularly including indemnity clauses- remuneration, dismissal and control of Senior Management.
- n)** General Corporate Responsibility policies.

ñ) 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. Considered as executive directors are Chief Executive Officers 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 applicable law and 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 Nomination, Compensation 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 Nomination, Compensation 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/she may delegate all or part of his/her 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/she must encourage the active participation of the directors and direct Board meeting discussions, standing by his/her 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 final vote.
6. The Board will be called once a year to appraise the work of the Chairman of the Board in his/her position as Chairman and, separately, should he/she 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 Nomination, Compensation and Corporate Governance Committee.
2. The Secretary will assist the Chairman in his/her 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/her duties or to replace him/her 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 without justified cause in the term of one month, any Vice Chairman or the one third of Directors of the Board may call a Board meeting .
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 or of the Directors who have been promoted the meeting call. 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/her, 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 Nomination, Compensation 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/she 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) Nomination, Compensation 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 Nomination, Compensation 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 deciding 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/her 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, an other Executive Director member of the Delegated Committee.

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. At least one member of the Committee must be Independent and shall be appointed taking into account his or her knowledge and experience in the accounting, auditing or both.

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/her 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/her 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) 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.
  - b) 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.
  - c) Check news circulars for entering stocks onto markets.
  - d) 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.
  - e) 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.
- 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. Nomination, Compensation and Corporate Governance Committee**

**1.** Nomination, Compensation 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 Nomination, Compensation 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) Report on proposals for appointment or removal of members of the Board of Advisors. Bring to the board proposals for internal rules governing the workings of the Board of Advisors.
  - h) Put forward proposals to the Board, within the deadlines specified in the Bylaws and by agreements with the Shareholder's Meeting, on the system, components and quantity of the directors' remuneration. It must also report on the remuneration of the Secretary, if such 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)** Periodical evaluation of the Company's policy, rules, procedures and practices of Corporate Governance and Corporate Responsibility as well as the level of adaptation to the rules, recommendations and best national and international practices in this field.
- 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 Stock Companies Act [*Ley de Sociedades de Capital*] 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 Nomination, Compensation 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 Nomination, Compensation 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, will be necessary the appointment of one sole natural person for the representation. 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 Nomination, Compensation 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 Shareholder's 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 Shareholder's 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

In the exceptional event that the Board should propose the removal of an independent director before the end of his/her designated term of office, said proposal must be accompanied by a relative justification and a report from the Nomination, Compensation 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/her 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/her position before the end of his/her agreed term of office, he/she must explain his/her 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, with voice 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/her own initiative or at the request of a Vice Chairman or one third of the members of the Board of Directors, may require the attendance of the Board of Advisors or any of its members at meetings of the Board of Directors or its Committees; in the latter case, the chairman of the Committee may also be called to attend.

The Board of Directors, upon motion brought by the Nomination, Compensation and Corporate Governance Committee, shall issue rules which regulate the workings of the Board of Advisors.

**Section IX. Remuneration of directors**

**Article 29. Remuneration of directors.**

1. The remuneration of members of the Board is to be determined by the Shareholder's Meeting in conformity with the provisions of the Bylaws. The Board, in conformity with said provisions and based on a report from the Nomination, Compensation 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 compatible with and separate from salaries, remunerations, indemnities, pensions or payments of any type established for executive directors, either individually or as a group, based upon their labour relationship or other role within the Company.
3. The Board, with advice from the Nomination, Compensation 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 Nomination, Compensation and Corporate Governance, an annual report on director remuneration, giving clear, complete and understandable data regarding remuneration policy of the Company as approved by the Board
5. The report drawn up by the Board, described in point 4 above and drafted in accordance with applicable law and taking into consideration recommendations and best practices regarding such matters, must be made available to shareholders and submitted annually to a non-binding vote in a separate agenda item at the Shareholder's Meeting.
6. Without prejudice to the provisions of the law, the Board, based on a report from the Committee for Nomination, Compensation 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/her 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/she 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/her 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/she is affected and fulfil his/her 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/her 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 the financial benefit of the Director or related parties.

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 Nomination, Compensation and Corporate Governance Committee.

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

Additionally, Directors must inform the Board of direct or indirect investment of related parties in the stock of any company in the same, analogous or complementary line of business which forms part of the corporate purpose of Indra, as well as any position of responsibility or activities in such company.

2. In the cases specified in point 1 above, the Board, following a report from the Nomination, Compensation 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/her dismissal.
3. The affected Director must refrain from participating in any deliberations, decisions and resolutions involving matters or operations implicated in the 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. Non-Compete Clause**

Directors may not work for their own account or for third parties in any company in the same, analogous or complementary line of business which forms part of the corporate purpose of Indra without express authorization at a Shareholders Annual Meeting.

#### **Article 35. 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.

Regarding to the number of Boards in which the Director may participate, the general rule is that the Director should not participate in such number that may not allow him to carry out their functions correctly. Such number will be determined on a case by case basis considering the professional and personal circumstances of each Director, between others, the following: personal attendance to Indra Board and Commissions meetings, executive functions or other functions that requires a complete schedule dedication in other companies; and the real dedication that the Board of Directors in which the Director participates require.

The infringement of the above will imply the application of article 24 section 2 of these Regulations.

#### **Article 36. 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 37. 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 38. Related transactions.**

1. The Board, based on a report from the Nomination, Compensation 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 Shareholder's Meeting, the Board must evaluate whether to recommend that the shareholders involved abstain from voting.

#### **Article 39. 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 Nomination, Compensation and Corporate Governance Committee.

## **Section XII. Board relations**

#### **Article 40. 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 will be governed by applicable law and Rules of Procedure for the Shareholders Meeting.
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 41. 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 42. Relations with the markets.**

1. The Board is responsible to keep on the Company's public website (www.indra.es) updated to public disposal with the legal information and with such information that the Board considers relevant for stock and financial 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 43. 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 Shareholder's 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 General Ordinary 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.