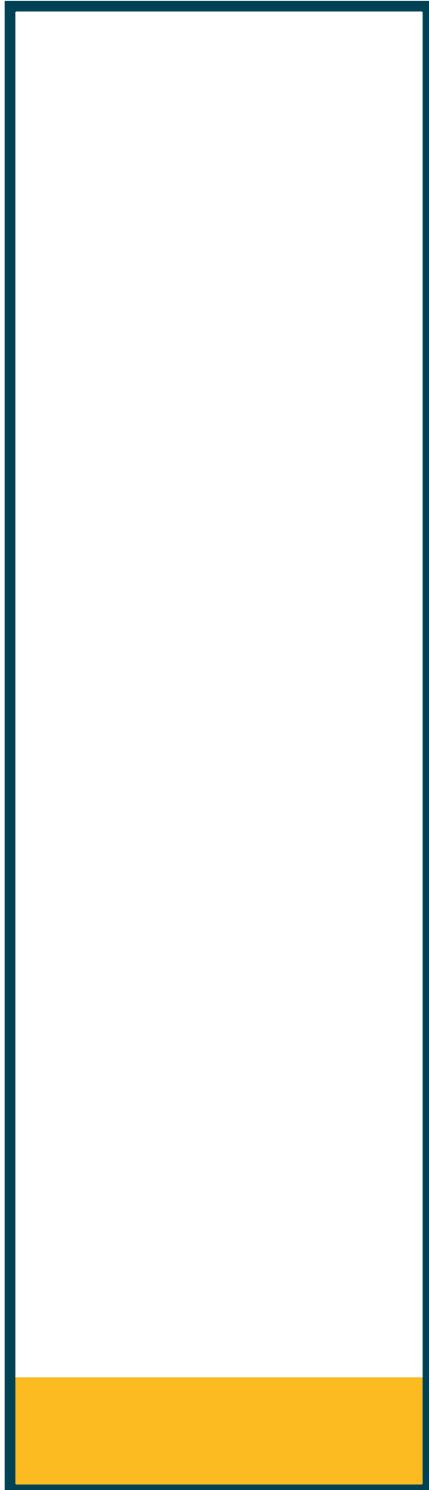


indra



Sustainability

Climate Change risks and opportunities analysis according to the TCFD framework

May 2024

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Executive Summary

Indra is committed to combating Climate Change and protecting the environment as stated in its [Sustainability Policy](#) and [ESG Plan 2024-2026](#). In order to fulfil this commitment, the company has analysed its Climate Change risks and opportunities according to the **Task Force on Climate Related Financial Disclosure** framework.

This report describes: i) Indra's governance and risk management model in relation to Climate Change; ii) the key findings of the company's analysis of physical and transition risks and opportunities, iii) the strategy and measures adopted by Indra to ensure the resilience of the business and its transition for a low-carbon economy; in order to ensure an **accurate reporting of the results of Indra's Climate Change commitments** and the **governance and risk management context** under which these results were achieved.

Climate change issues are supervised by the **Board** and the **Sustainability Committee**, which is the highest decision-making body in the company and defines **Indra's Climate Change strategy**. The effective integration of the Climate strategy is the responsibility of the Chief Sustainability Officer and the Sustainability Unit.

Indra's Climate Change strategy is focused on **identifying and analysing its main climate risks** (see [Table 1: Climate Change risk analysis](#)) and **opportunities**, (see [Table 2: Climate Change opportunities analysis](#)):

- **Physical risks analysis:** evaluation and identification of the impacts that the gradual changes in climate (temperature, rainfall, floods) and the potential extreme weather events may have on the facilities and operations of the company.
- **Transition risks analysis:** assessment on how the company can move towards a low-carbon economy identifying the strategy to follow in terms of compliance with environmental legal requirements, reduction of emissions and energy efficiency, among others. This analysis includes the risks that may arise from economic changes and legislation, as well as those associated with investors, markets, or reputational aspects.

The **climate scenarios** used as reference, in both qualitative and quantitative terms, are:

- **IEA Stated Policies Scenario (STEPS)**, which provides a more conservative benchmark for the future, as it does not take for granted that governments will reach all the announced goals.
- **IEA 2°C Scenario (2DS)**, which describes an energy system consistent with emissions trajectory that recent climate science research indicates would give an 80% chance of limiting global temperature increase to 2°C.
- **IEA Net Zero Emissions by 2050 Scenario (NZE)**, which shows what is needed across the main sectors by various actors, and by when, for the world to achieve net zero energy related and industrial process CO₂ emissions by 2050.
- **IPCC RCP 2.6 "very stringent" pathway**, which calls for reducing emissions by 2020 and reaching zero by 2100 to keep temperature rise below 2°C and states that transition risks are the most relevant.
- **IPCC RCP 8.5** "business as usual" scenario, which illustrates that physical risks are the most relevant due to the increase in climate-related phenomena and chronic phenomena of Climate Change.

A key finding of the analysis is that the main climate risks that could affect Indra relate to transition risks

Indra's **main transition risk** relates to the **potential financial, reputational, and competitive** impact of increasingly stringent **climate-related regulations** around the world. These **compliance risks** can have a macro impact on the company and could affect the company's access to capital and markets.

Also, **Indra is exposed to several acute physical risks** due to the fact that the company's operations are based on the deployment of projects in multiple locations. However, the main risks of Indra's physical locations are related to temperature increases, extreme heat events and droughts, risks to which the **company is not particularly vulnerable**. Nevertheless, at an operational level, Indra is taking steps to make its operations more climate resilient.

With the aim of **progressively minimizing the impact of the risks of Climate Change** that may affect its business, Indra is implementing **contingency and risk mitigation mechanisms** (see [Table 3 Indra's Climate Change adaptation measures](#)). All aspects related to Climate Change are **fully integrated into the company's strategy** via the initiatives defined as part of the **ESG Plan 2024-2026**, which contains a specific pillar for the Environment and Climate Change.

In terms of **climate change opportunities**, Indra is **well positioned** to harness each of the ones identified thanks to its **highly innovative portfolio of products and services** and its efforts to improving its ESG performance and making more efficient and sustainable its operations and supply chain. The company is also implementing a strategy in order to take advantage of the opportunities that Climate Change poses (see [Table 3 Indra's Climate Change adaptation measures](#)).

Indra's material environmental risks and opportunities are published annually in the **corporate Sustainability Report** and in the Indra's responses to **the CDP Climate Change questionnaire**.

TCFD recommendations in a nutshell

TCFD Recommendations	Disclosure	Further information / references
Governance		
Disclose the organisation's governance of Climate Change-related risks and opportunities		
<p>a) Board oversight of risks and opportunities related to Climate Change.</p>	<p>At Indra, the Board of Directors is the highest and most important body responsible for Climate Change governance and oversight of the company's sustainability management, including its climate strategy.</p> <p>The Sustainability Committee is the delegated body that reports directly to Indra's Board of Directors and aims to address climate challenges and opportunities and facilitate the inclusion of climate-related criteria as part of the company's decision-making process.</p>	<ul style="list-style-type: none"> - Page 41 of the Sustainability Report 2023 - Response to CDP Climate Change 2023 (C1. Governance)
<p>b) Description of management's role in analysing and assessing risks and opportunities related to Climate Change.</p>	<p>At management level, the Chief Strategy Officer (CSO) ensures the effective integration of the climate strategy into the company's management strategy.</p> <p>The CSO leads the Corporate Sustainability Unit and oversees the implementation of the initiatives included in the ESG Plan, including regular analysis of climate-related risks and opportunities.</p>	<ul style="list-style-type: none"> - Page 41 of the Sustainability Report 2023 - Response to CDP Climate Change 2023 (C1. Governance)
Strategy		
Disclose the actual and potential impacts of Climate Change-related risks and opportunities on the organisation's business, strategy, and planning, where such information is material		
<p>a) Description of risks and opportunities related to Climate Change identified by the organisation in the short, medium and long term.</p>	<p>Based on an analysis of several Climate Change scenarios, Indra has identified its main physical and transition risks and opportunities.</p> <p>Indra's main transition risk is related to the potential financial, reputational, and competitive impact of increasingly stringent climate-related regulations around the world.</p> <p>In addition, Indra is exposed to several acute physical risks due to the fact that Indra's operations are based on the deployment of projects in multiple locations.</p> <p>In terms of Climate Change opportunities, Indra is well positioned to take advantage of them with its highly innovative technological solutions in the fields of mobility, energy, smart cities, and digitalisation.</p>	<ul style="list-style-type: none"> - Pages 41-50 of the Sustainability Report 2023 - Response to CDP Climate Change 2023 (C2. Risks and opportunities)

TCFD Recommendations	Disclosure	Further information / references
<p>b) Description of the impact of Climate Change-related risks and opportunities on the organisation's business, strategy, and financial planning.</p>	<p>The Climate Change risks and opportunities identified by the company could affect the company's resilience at various levels throughout its value chain.</p> <ul style="list-style-type: none"> ▪ At a macro level, Indra does not operate in a high emission or energy intensive industry, but the company may be indirectly affected through its value chain. In addition, with operations in more than 140 countries, there is a compliance risk that requires an important level of control. ▪ At a financial level, access to capital markets is increasingly dependent on a company's ability to successfully manage sustainability issues. Indra therefore addresses financial risk through its sustainability strategy and an ambitious carbon reduction target aligned with an SBT methodology. ▪ At the market level, Indra needs to have a deep understanding of its customers' expectations regarding climate-related risks and low-carbon product opportunities. Indra has a range of key enabling technologies that contribute to a low carbon economy and is working to become a climate resilient supplier. ▪ At an operational level, Indra is taking steps to address climate resilience by ensuring the resilience of its work centres and providing alternatives such as remote certification of project milestones. In addition, Indra is working on the climate resilience of its supply chain, as disruptions could affect the delivery of services to clients. 	<ul style="list-style-type: none"> - Page 41-50 of the 2023 Sustainability Report - Response to CDP Climate Change 2023 (C2. Risks and opportunities and C3. Business Strategy)
<p>c) Description of the organisation's resilience under different climate scenarios.</p>	<p>Indra has carried out an analysis of the risks and opportunities related to Climate Change in relation to the company's activities by analysing the following scenarios IEA STEPS, IEA 2DS, IEA NZE, IPCC RCP 2.6 and IPCC RCP 8.5. This analysis allowed the identification of climate-related risks and opportunities for the company's activities over a 30-year period starting in 2019.</p>	<ul style="list-style-type: none"> - Page 41-42 of the 2023 Sustainability Report - Response to CDP Climate Change 2023 (C.2 Risks and opportunities and C3. Business Strategy)
<p>Risk management</p>		
<p>Disseminate how the organisation identifies, assesses, and manages risks related to Climate Change.</p>		
<p>a) Processes for identifying and assessing risks related to Climate Change</p>	<p>Indra undertakes a thorough analysis of the risks and opportunities related to Climate Change that may affect the company. The identification of key environmental risks and opportunities is carried out by internal experts from corporate support departments, using a combination of analysis, tools and processes, and with the support of external experts.</p>	<ul style="list-style-type: none"> - Pages 41-50 of the 2023 Sustainability Report - Response to CDP Climate Change 2023 (C2. Risks and opportunities)
<p>b) Processes for managing Climate Change-related risks</p>	<p>With the aim of progressively minimising the impact of Climate Change risks that may affect its business, Indra is implementing contingency and risk mitigation mechanisms throughout the company (e.g., resilience of work centres and business continuity) and its value chain (e.g., procurement strategy). In addition, the company has implemented an ambitious carbon reduction goal, supported by the ESG Plan, to facilitate the company's transition to a low-carbon economy. Indra is well positioned to take advantage of the opportunities offered by enabling technologies that contribute to a low-carbon economy. The company is conducting an analysis of the contribution of the current portfolio of activities to Climate Change mitigation and adaptation objectives in line with the EU Green Taxonomy.</p>	<ul style="list-style-type: none"> - Pages 41-50 and 74-80 of the 2023 Sustainability Report - Response to CDP Climate Change 2023 (C2. Risks and opportunities)

TCFD Recommendations	Disclosure	Further information / references															
c) Integration of processes for identifying, assessing, and managing Climate Change-related risks	<p>Indra's climate risk management is integrated into the company-wide risk management and control system. The results of this analysis are presented to the Sustainability Committee and decisions are agreed on how to mitigate the risks or take advantage of the opportunities identified.</p>	<ul style="list-style-type: none"> - Pages 41-50 of the 2023 Sustainability Report - Response to CDP Climate Change 2023 (C2. Risks and opportunities) 															
<p>Metrics and targets</p>																	
<p>Disclose metrics and targets used to assess and manage risks and opportunities related to Climate Change, where such information is material</p>																	
a) Metrics used to assess risks and opportunities related to Climate Change.	<p>Indra uses GHG emissions as the main indicator of its performance and compliance with the climate objectives of the ESG Plan and the emissions reduction target. The Sustainability Master Plan takes a holistic approach to the company's environmental management and therefore addresses other targets and indicators related to environmental performance (water, energy, waste, materials). To take advantage of the opportunities presented by the Climate Change challenge, the company is analysing the alignment of its offer with the EU Climate Taxonomy.</p>	<ul style="list-style-type: none"> - Pages 74-80 and 136-143 of the 2023 Sustainability Report - Response to CDP Climate Change 2023 (C2. Risks and opportunities and C5. Emissions methodology) 															
b) Calculation of Scope 1, 2 and, where appropriate, Scope 3 GHG emissions and related risks	<p>Indra discloses its Scope 1, 2 and 3 emissions in the Sustainability Report. The main results in 2023 were:</p> <table border="1" data-bbox="488 987 1002 1193"> <thead> <tr> <th>Indra's carbon footprint</th> <th>2019 (Base year)</th> <th>FY2023</th> </tr> </thead> <tbody> <tr> <td>Scope 1</td> <td>2,733</td> <td>2,035</td> </tr> <tr> <td>Scope 2</td> <td>6,198</td> <td>1,182</td> </tr> <tr> <td>Scope 3</td> <td>507,063</td> <td>430,129</td> </tr> <tr> <td>GHG emissions</td> <td>515,994</td> <td>433,346</td> </tr> </tbody> </table>	Indra's carbon footprint	2019 (Base year)	FY2023	Scope 1	2,733	2,035	Scope 2	6,198	1,182	Scope 3	507,063	430,129	GHG emissions	515,994	433,346	<ul style="list-style-type: none"> - Pages 42-45 and 136-143 of Sustainability Report 2023 - Response to CDP Climate Change 2023 (C6. Emissions data and C7. Emissions breakdown)
Indra's carbon footprint	2019 (Base year)	FY2023															
Scope 1	2,733	2,035															
Scope 2	6,198	1,182															
Scope 3	507,063	430,129															
GHG emissions	515,994	433,346															
c) Targets used to manage climate risks and opportunities and performance against targets	<p>Indra has developed an ambitious emissions reduction roadmap for the company, which was approved by the Science Based Targets Initiative (SBTi) in 2021. Indra commits to reduce its absolute 1 and 2 GHG emissions by 50% by 2030 and 100% by 2040, and its absolute 3 GHG emissions from purchased goods and services, business travel and employee commuting by 14% by 2030 and 50% by 2040, compared to a base year of 2019, with the intention of achieving carbon neutrality by 2050. This ambitious target is supported by the ESG Plan 2024-2026, which addresses the initiatives needed to reduce the company's greenhouse gas emissions. Indra's performance against the target is disclosed in the Sustainability Report. Key achievements in 2023 were:</p> <table border="1" data-bbox="488 1630 1002 1832"> <thead> <tr> <th>Indra's carbon footprint</th> <th>FY2023</th> <th>Target 2023</th> </tr> </thead> <tbody> <tr> <td>Scope 1</td> <td>2,035</td> <td>2,186</td> </tr> <tr> <td>Scope 2</td> <td>1,182</td> <td>4,958</td> </tr> <tr> <td>Scope 3*</td> <td>430,129</td> <td>400,335</td> </tr> <tr> <td>GHG emissions</td> <td>433,346</td> <td>407,479</td> </tr> </tbody> </table> <p>(* Scope 3 most relevant categories, procurement of goods and services, business travel and commuting)</p>	Indra's carbon footprint	FY2023	Target 2023	Scope 1	2,035	2,186	Scope 2	1,182	4,958	Scope 3*	430,129	400,335	GHG emissions	433,346	407,479	<ul style="list-style-type: none"> - Pages 45-49 and 143 of the Sustainability Report 2023 - Response to CDP Climate Change 2023 (C4. Targets and performance)
Indra's carbon footprint	FY2023	Target 2023															
Scope 1	2,035	2,186															
Scope 2	1,182	4,958															
Scope 3*	430,129	400,335															
GHG emissions	433,346	407,479															

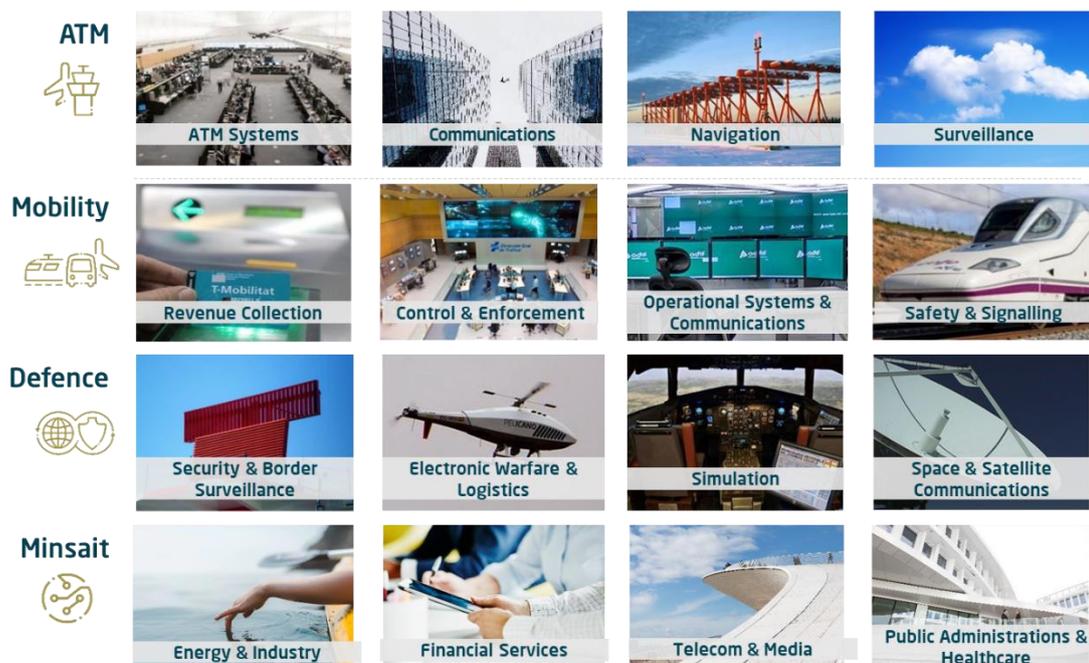
1 Governance

1.1 About Indra

Indra is one of the leading global technology and consulting companies and the technological partner for the core business operations of its customers worldwide. It is a **world-leader** in providing proprietary solutions in **specific segments of the Defence and Security, Air Traffic and Mobility markets** and a **leading firm in Digital Transformation and Information Technologies in Spain and Latin America**. Its business model is based on a comprehensive range of proprietary products, with a high-value, end-to-end focus and with a high innovation component.

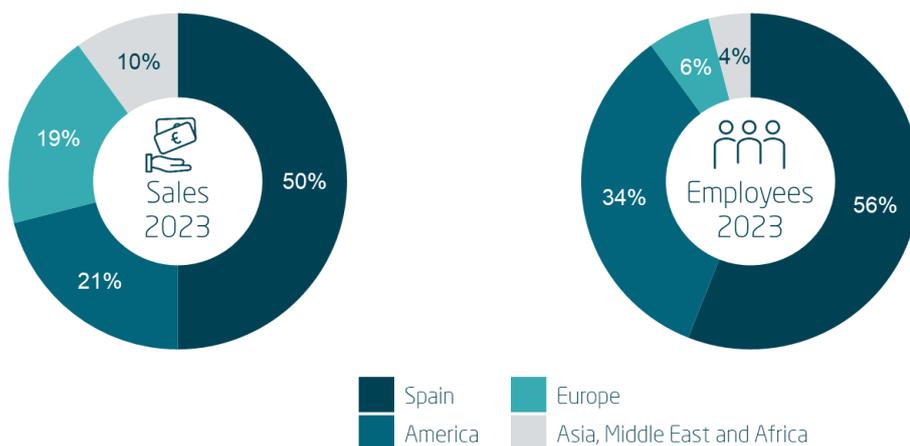


Indra's structure is divided into **four business divisions** that share a solid technological base: Defence, Air Traffic Management, Mobility and Information Technology, the latter operating under the Minsait brand. Technology lies at the heart of the company's business model in all its areas, which, however, have differentiated business dynamics.



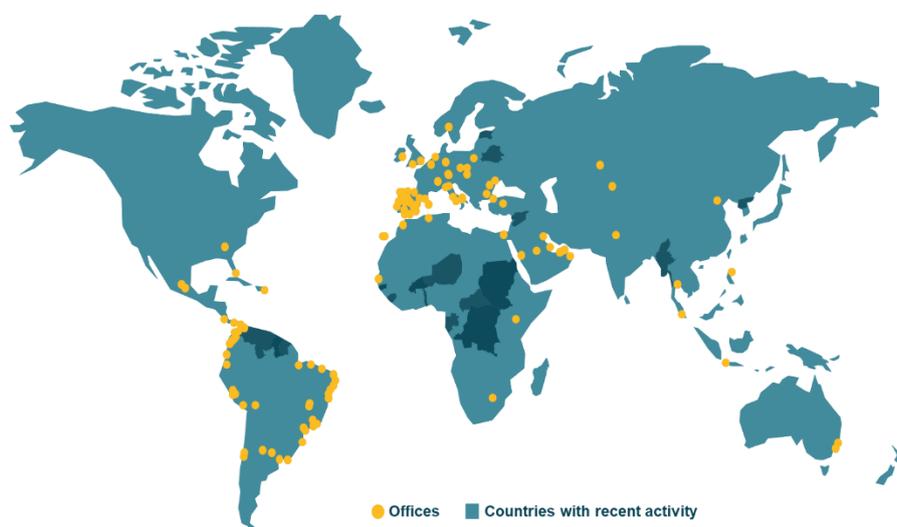
Indra operates locally in more than 50 countries, across which it employs over 57,000 people. In addition, its commercial activities spread across more than 140 countries, meaning that Indra's commitment to sustainable development has an almost global reach. Thanks to its far-reaching international presence, 50% of its annual sales come from outside of Spain.

Distribution of sales and employees by geographical areas



The company's headquarters are located in Spain, where Indra is the leading technology company in the industrial sector. However, the company also has a major presence in Latin America and Europe. Most part of Indra's sales and employees are concentrated in these three geographies, with more than 70% of its purchases made through suppliers based in Spain.

Indra's international presence



Indra's type of industry and the location of its offices directly determines the risks to which the company is exposed and the opportunities from which it can benefit, both analysed in this report.

1.2 Climate Change governance and management

At Indra, the **Board of Directors** is the highest and most important body responsible for Climate Change governance and supervision of the company's sustainability management, including the climate strategy.

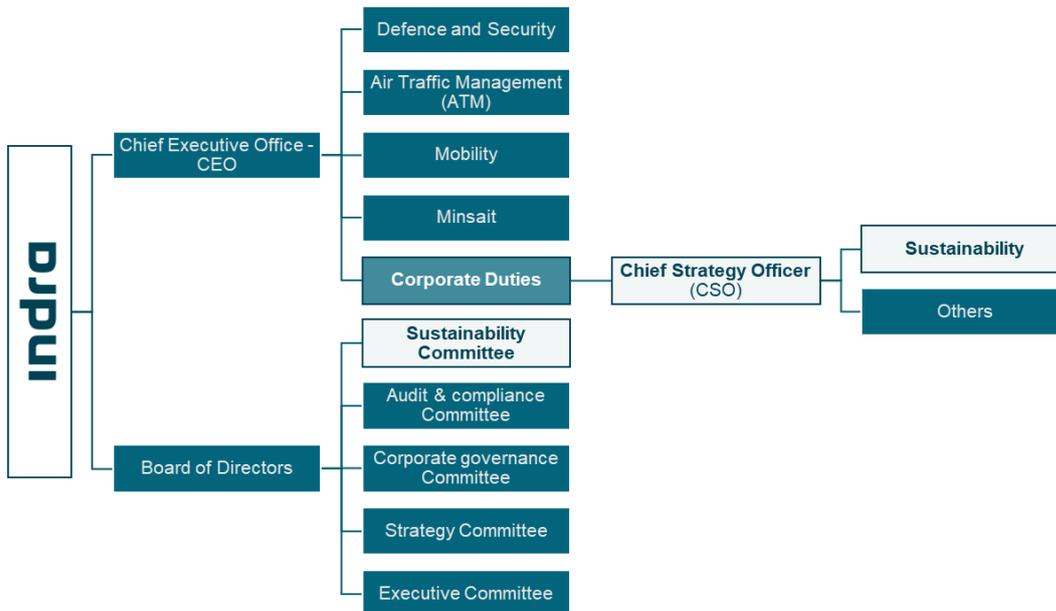
To this end, in December 2019 the Board approved the creation of a **Sustainability Committee** which reports to the Board of Directors. The Sustainability Committee aims to tackle the climate challenges that arise over the coming years and facilitates the inclusion of climate related criteria as part of the decision-making process of the company. It centralizes and oversees the performance of key indicators, as well as the management of climate-related risks and opportunities. Its functions include tracking the ESG Plan progress, designing the ambitious emissions reduction roadmap for the company, and supervising the objectives and principles of the Sustainability Policy.

The Sustainability Committee holds five scheduled sessions every year in order to monitor Climate Change performance and climate-related issues, therefore in all meetings Climate Change issues are part of the agenda.

The Board of Directors and the Sustainability Committee are Indra's largest decision-making and supervisory bodies on Climate Change. The management of climate issues is under the direction of the **Chief Strategy Officer** who belongs to the Management Committee and regularly reports to the Sustainability Committee and the Board on the policies, the main risks and opportunities and the company's performance and objectives in this area.

All aspects related to Climate Change are fully integrated into the company's strategy through the initiatives defined within the framework of the ESG Plan 2024-2026, which has a specific pillar of Planet and climate action. The Group's new Strategic Plan 2024-2026 has integrated these aspects into the cross-cutting Sustainability pillar.

The **Corporate Sustainability Unit** contributes to set the emissions and renewable energy targets in collaboration with other corporate units and defines the actions needed to meet the targets set and coordinates the monitoring procedures. The Sustainability Unit oversees the implementation of the initiatives included in the ESG Plan and monitors the progress of the KPIs set, planning corrective actions if needed. Close cooperation is established with the corporate units that have more impact in the achievement of the emission reduction targets of the company.



2 Strategy

2.1 Scenario Analysis

For the **study of the Climate Change resilience of the organization**, Indra has carried out an analysis of the company's Climate Change related risks and opportunities through scenarios analysis, in accordance with the recommendations of the TCFD.

In approaching the scenario analysis, the main questions Indra sought to answer was **how physical and transitional climate risks could affect the company's business model** throughout its value chain and **how Indra's business model should be to be aligned with the Paris Agreement**.

To this end, Indra has analysed the physical and transition risks and opportunities regarding the company's activity:

- **Transition analysis**, to assess how Indra can move towards a low-carbon economy identifying the strategy to follow in terms of compliance with environmental legal requirements, reduction of emissions and energy efficiency, among others. The company considers the risks and opportunities that may arise with economic and legislation changes, as well as those associated with investors, markets, or reputational aspects.
- **Physical analysis**, to identify the impacts that the gradual changes in the climate (temperature, rainfall, floods) and the potential extreme weather events may have on the facilities and operations of the company.

This analysis has been carried out in **five scenarios**, both in quantitative and qualitative terms and has enabled the identification of climate-related risks and opportunities for the Group's activities, **over a period of 30 years** beginning in 2019.

Scenarios	Description	Approach
IEA Stated Policies Scenario (STEPS)	Explores where the energy system might go without a major additional steer from policy makers. It provides a more conservative benchmark for the future, because it does not take it for granted that governments will reach all announced goals	In this scenario, there is a balance between transition and physical risks. Indra considers market risk as the most significant one, due to changing client behaviour, which will demand lower carbon products and services.
IEA 2°C Scenario (2DS)	Describes an energy system consistent with emissions trajectory that recent climate science research indicates would give an 80 per cent chance of limiting global temperature increase to 2°C.	In this scenario, there is a balance between transition and physical risks. Indra considers market risk as the most significant one, due to changing client behaviour, which will demand lower carbon products and services.

Scenarios	Description	Approach
IEA Net Zero Emissions by 2050 Scenario (NZE)	Shows what is needed across the main sectors by various actors, and by when, for the world to achieve net zero energy related and industrial process CO ₂ emissions by 2050 while meeting other energy related SDGs. It is consistent with limiting the global temperature rise to 1.5°C with no or limited temperature overshoot (with a 50% probability)	In this scenario, transition risks are the most relevant ones. Both market and regulatory risks are the ones with the highest impact on Indra.
IPCC RCP 2.6 "very stringent" pathway	Represents a "very stringent" pathway. According to the IPCC, RCP 2.6 requires that carbon dioxide (CO ₂) emissions start declining by 2020 and go to zero by 2100. RCP 2.6 is likely to keep global temperature rise below 2 °C by 2100.	In this scenario, transition risks are the most relevant ones. Both market and regulatory risks are the ones with the highest impact on Indra.
IPCC RCP 8.5 "business as usual" scenario	In RCP 8.5 emissions continue to rise throughout the 21 st century. RCP8.5, generally taken as the basis for worst-case Climate Change scenarios, was based on what proved to be overestimation of projected coal outputs. It remains useful for its aptness in both tracking historical total cumulative CO ₂ emissions and predicting mid-century (and earlier) emissions based on current and stated policies.	In this scenario, physical risks are the most relevant due to increased climate related events and chronic Climate Change phenomena

Indra favours the low warming climate models (2DS and RCP 2.6) because the company has endorsed the Science-Based Targets initiative (SBTi) and these scenarios were used in setting **Indra's Science Based Targets (SBT) that were approved by the SBTi in May 2021.**

This objective, together with Indra's decarbonisation plan developed in the ESG Plan 2024-2026, favours the goal of zero emissions in 2050 and models for limiting the temperature to 1.5°C. The company is committed to zero net emissions in 2050 and is currently in the process of formalising this commitment according to the SBTi methodology.

Detailed information of this analysis is also included in Indra's responses to the **CDP Climate Change questionnaire.**

2.2 Climate Change risks

Climate related risks include (1) **physical risks** such as the disruption of operations or destruction of property and (2) **transition risks** such as policy constraints on emissions, reputation risk, market demand and supply shifts.

Impact	Value Chain	Time horizon	Likelihood	Magnitude
Physical				
Acute				
Indra's business is based on rolling out projects in multiple locations that may be more exposed to several climate-related risks (e.g., weather events such as cyclones or floods). The company may suffer from reduced revenues due to reduced production capacity. Similarly, Indra may face increased operational expenses (OpEx) such as insurance premiums or clean-up costs, as well as breaches of contract that may result in economic penalties. Supply chain disruption and increased procurement costs are possible consequences of severe climate events.	Upstream, Direct operations; Downstream	Medium term	Very likely	Medium-High
Chronic				
Climate Change is causing extreme weather variability, changes in rainfall patterns, and rising average temperatures and sea levels. As a company operating in more than 140 countries, it is important to understand the chronic trends in Climate Change that may affect its sites and employees over time. All of these changes can result in reduced revenues due to reduced production capacity and increased capital expenditure (CapEx) to adapt facilities.	Direct operations	Long term	Likely	Medium
Transition				
Policy and Legal				
A large number of sustainability and Climate Change regulations have been passed in recent years and this trend is expected to continue. Indra is already complying with current regulations and is constantly monitoring new and forthcoming regulations in order to be up to date. However, if the company does not comply with current regulations, it may be exposed to fines .	Upstream; Direct operations	Short term	Very likely	Medium-High
Reputation				
Reputational risk is highly relevant to Indra as its success is based on its reputation, which has a direct impact on its ability to attract and retain talent and build long-term relationships with customers.	Downstream	Short term	Likely	Medium
Market				
Growing investor interest in ESG performance and shifting customer preferences towards green technology could result in lower revenues for Indra if the company is unable to understand and meet market expectations. The company's supply chain is also exposed to climate risks, such as supply chain disruption due to an extreme weather event or reduced availability of critical components, which can increase operational expenses (OpEx) .	Upstream, Direct operations; Downstream	Short term	Very likely	Medium-High
Technology				
As a technology provider, Indra is obliged to keep abreast of technological innovations that enable customers to achieve more energy-efficient operations and lower carbon emissions. Therefore, Indra faces the risk of losing business opportunities if it falls behind in the highly competitive development of technologies (energy savings, low-carbon services, etc.) and cannot meet market needs.	Direct operations Downstream	Medium term	Unlikely	Medium-High

Table 1: Climate Change risk analysis

Physical risks

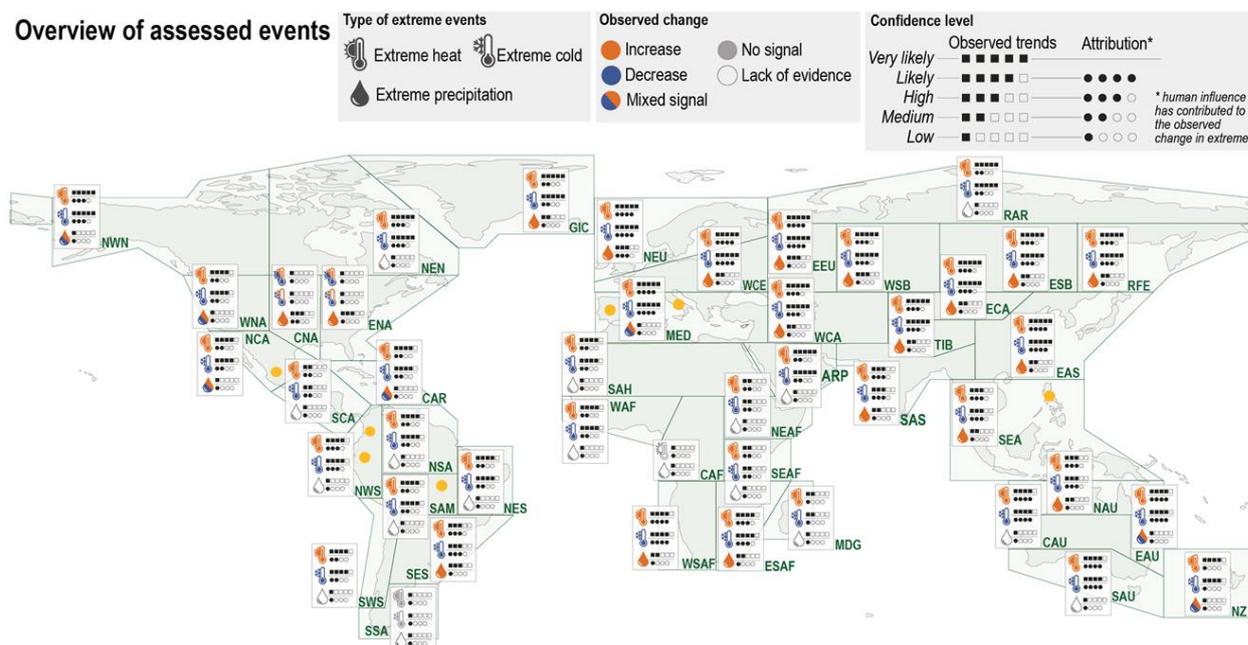
Indra's main physical risk is related to **business disruptions associated with any potential weather phenomena**. Any such weather phenomena could restrict access to the company's facilities, damage equipment, cause power cuts to the electricity supply and telecommunications networks or affect the company's utility supply.

The main potential **financial impacts associated with physical risks** are:

- **Decreased revenues** due to reduced production capacity because of **disruptions** associated with any potential weather phenomena.
- **Economic penalties** associated with **breaches of contracts** due to inability of conveying with the requirements established (e.g.: delivery deadlines) because of disruptions caused by climate events.
- Increased **operational expenditures** (OpEx) like **insurance premiums** because of its locations or recovery expenses associated with the damages causes by climate events.
- Increased **capital expenditures** (CapEx) destined to the **adaptation** of the company's **facilities** to chronic physical risks.

2.2.1.1 Acute physical risks

Driven by extreme weather events, acute physical risks are fully integrated into the group' Sustainability strategy. This type of risk can affect the company because part of the company's activity is based on rolling out projects using export models: Indra delivers projects on behalf of clients in multiple locations. Additionally, an extreme weather event could also impair the ability of Indra professionals' to safely travel and thus disrupt the ability to deliver its products/services (e.g.: to certify project milestones).



Note: Overview of observed changes for cold, hot, and wet extremes and their potential human contribution (Figure 11.4). "Weather and Climate Extreme Events in a Changing Climate. In Climate Change 2021", Sixth Assessment Report of IPCC (https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Chapter11.pdf) and main countries where Indra is present (+ 1,000 employees).

Thus, Indra is aware that the **main potential acute physical effect is linked with the geographical areas** where it operates, some of which have a significant level of exposure and vulnerability to extreme weather events.

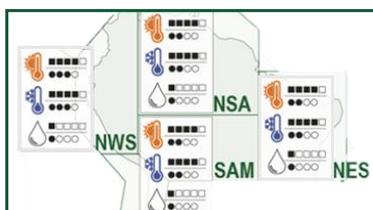
Within major regions where the company operates (+1,000 employees), most of the climate risks are related to **rising temperatures** and **extreme hot events**, in addition the company operates in other areas with certain risk of severe storms and tropical storms. The main climate risks by area are:



Mediterranean Area

Indra concentrates a large part of its activity in the Mediterranean region, where it has more than 30,300 employees in Spain and more than 2,100 in Italy. Climate models show a very high probability of a significant increase in

the intensity and frequency of **extreme heat events**, while extreme cold events will decrease. Models show an increase in the intensity of heavy precipitation and storms under scenarios of a global temperature increase of 2°C or more.



South America

In South America, Indra's operations are concentrated in Brazil (more than 8,100 employees), Colombia (more than 4,700) and Peru (more than 2,200). These regions are expected to experience an increase in the intensity and frequency of extreme heat events. In addition, Brazil has an elevated risk of **urban flooding**, particularly in the eastern zone (South

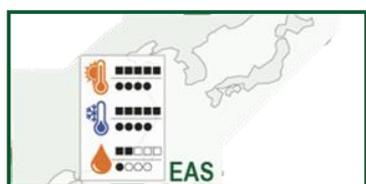
American Monsoon, SAM), which could increase due to the increase in the frequency and number of extreme precipitation events, especially in scenarios above 2°C. However, these events are not particularly relevant to Indra's operations, as its presence in Brazil is concentrated in São Paulo and Brazil, where the risk of urban flooding is lower.



Central America

In Central America, where Indra has more than 3,300 employees in Mexico, a significant increase in the intensity and frequency of extreme heat events is expected. However, an increase in heavy rainfall events is not expected. Mexico is located in an area with a high risk of tropical storms and

hurricanes. Climate models show a reduction in the number of events, but an increase in their intensity (wind speed and rainfall), even with a 1.5°C increase in global temperature, which increases the severity of such weather events.



Southeast Asia

Indra's main site in Asia is in the Philippines¹ (more than 1,600 employees), one of the most vulnerable locations to weather events. Although an increase in the number and intensity of extreme heat events is expected, the temperature increase will be much lower than the global average, but still significant. The

main climate risks in the region are an increase in the intensity of rainfall, especially in scenarios above 2°C, and an increase in the intensity of cyclones, which are already common in the area.

¹ According to the Global Climate Risk Index 2021 report, the Philippines is the 4th country in the Long-Term Climate Risk Index (CRI) of the 10 countries most affected by Climate Change from 2000 to 2019 (see: <https://www.germanwatch.org/en/cri>)

The risk of suffering damages or impacts in the workplaces located in high climate risk geographical areas due to extreme weather events consequence of Climate Change could lead to the subsequent need of recovery costs. *See section 3.3.1 Property resilience*

Indra's physical locations are not particularly vulnerable to physical impacts from Climate Change

Given that Indra's technology related services provide core services for many of its clients, they are the ones more susceptible to suffer the impact from a **potential business disruption**. If the activity of the company's workforce is disrupted, this might affect its ability to maintain business continuity for the services the company runs for its clients or to fulfil the milestones set for project delivery, thus leading to a potential breach of the contractual obligations agreed with clients, exposing the company to potential legal actions and penalties.

Hence, physical extreme weather events could damage the company facilities, thus increasing capital (reparation and protection of facilities) and operational costs (because of higher insurance premiums in high risks locations).

Whereas Indra is adapting its business to mitigate the previous exposed risks, **its supply chain could not be making the same efforts**. If climate related risks caused disruptions that suppliers were not prepared for, this could affect Indra's services to clients. Consequently, the climate resilience of Indra's suppliers is also important. *See section 3.3.4 Procurement strategy*

Supply chain disruptions and increased sourcing costs are a possible consequence of severe climate events. They could trigger an abrupt and unexpected shift in the availability of materials used by Indra to deliver products and services. The creation of long-term relationships with suppliers is a key factor in the successful development of the Group's business. However, greater dependence on any of these suppliers in the Group's operations could result in a reduction in its flexibility when dealing with unexpected adverse circumstances, like a severe climate event. Although, in general, due to industry standardization, compatible components or services could be sourced from a broad number of countries and suppliers, the real climate related risk regarding supply chain is a potential sharp increase in prices.

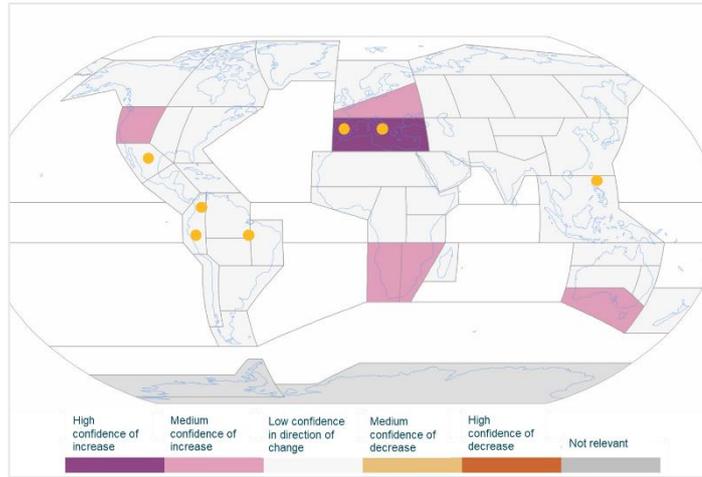
The company also considers the **risks of breaches of contract and potential legal actions from clients** in case it fails to deliver products or services due to climate-related events. Indra's contracts with clients, which would vary by client, could include terms and conditions requiring recourse if service level agreements or other productivity metrics are not met. Historically, this has not been a significant percentage as client contracts reflect the reality of the risk and the company has the right understanding with clients of its responsibilities so as not to take undue legal risk.

2.2.1.2 Chronic physical risks

As a company with operations in more than 140 countries, it is important to **understand the chronic trends that may impact Indra's locations** over time, especially those locations where Indra may be more heavily concentrated.

Although it is true that Indra's physical locations are not particularly vulnerable to physical impacts from Climate Change, it is worth mentioning that **Indra's facilities could be exposed to them in the long term** as heat waves and droughts are becoming more frequent. However, Indra selects consciously its facilities in order to mitigate these risks and facilitate the work of its employees. *See section 3.3.1 Property resilience*

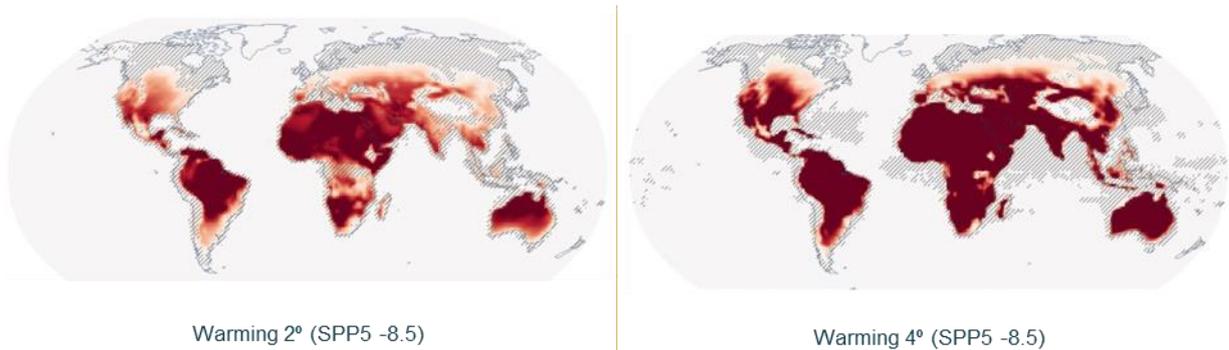
Moreover, chronic physical risks related to **water availability** due to droughts are **not highly relevant** to the company. The highest exposure to droughts, according to IPCC data, is concentrated in the Mediterranean area where Indra has two of its largest business centres, Spain (34,498) and Italy (2,182), however since its business does not make intensive use of water as it is only used for sanitary purposes. the effects on business are not considered to be high. Company suppliers are also not heavily dependent on water supply.



Note: Hydrological Drought projection from IPCC Interactive Atlas ([Interactive Atlas IPCC - Hydrological drought by region](#)) and main countries where Indra is present (+ 1,000 employees).

It is also important to note that **employees are also exposed to these chronic physical risks** and may suffer consequences such as respiratory problems due to increased levels of pollution, the spread of vector-borne diseases to previously colder areas (such as Southern Europe and Central America), loss of working capacity and productivity due to extreme temperatures and heat waves, or illness due to the emergence or re-emergence of diseases. See *section 3.3.3 Management systems*

Days with T° above 35°



Note: Comparison of "No. of days with temperature above 35°C" scenario with a temperature increase of 2°C and 4°C (IPCC 8.5 SSP5) ([IPCC Interactive Atlas - T° above 35°C by region](#))

Indra already operates in countries with hot temperatures, so the company has already taken measures to adapt its workplaces, such as air conditioning, and its operations, such as reducing working hours in summers period during the hottest hours.

Transition risks

Indra's main transition risks are related to **policy and regulatory changes**, the potential **reputational damage** of a weak commitment to climate action, changes in **market expectations and priorities** or keeping **abreast of technological innovations** that can result in less attractiveness of the company's business and products.

The main potential **financial impacts associated with transition risks** are:

- **Lower availability of highly demanded technological components** (e.g., with critical minerals) which would entail an **increase in production costs**.
- **Loss of customers** due to reputational damages and consequently a **decrease in revenues**.
- Emergence of **new costs associated with Climate Change**, e.g.: a carbon price market in the sectors where Indra operates, which would mean an **increase in operational expenditures** (OpEx)
- **Fines** if legal and policy requirements are not fulfilled.

2.2.1.3 Policy and legal risks

With operations across more than 140 countries there is a significant compliance risk from both the perspective of being aware of the **applicable legislation** and the ability of the company to **comply with this legislation**. See section 3.3.5 *Climate Change compliance*

Climate related regulations have become more stringent in recent years. This increased regulation becomes more relevant as more countries adopt **zero emission commitments** by 2050 and new legislation is required in the short term to put in place a pathway to achieve these commitments.

Upcoming regulations may require extraordinary efforts to ensure that the requirements are understood so that the company can comply accordingly. Indra analyses new legislative trends in order to **get ahead of new legal requirements** and monitors future **Climate Change legislation** in different regions, which could translate into penalties for companies as a result of increased emissions, increased energy consumption, etc.

Indra already complies with the **climate-related legal requirements** of local and international regulations. It is worth highlighting the following on-going and up-coming regulations:

- The **EU Taxonomy of Sustainable Activities** that requires companies to disclose the contribution of their portfolio of activities to the objectives of mitigation and adaptation of Climate Change. This regulation is also applicable to other environmental objectives.
- The Spanish **Climate Change and Energy Transition Law** entered into force on May 20th, 2021. This law enshrines into Spanish normative the target of reaching climate neutrality by 2050 at the latest. These goals will be reviewed upward periodically starting in 2023.
- The **EU Corporate Sustainability Reporting Directive** (CSRD) that extends the scope and obligations of the previous non-financial reporting regulations such as the Non-Financial Reporting Directive (NFRD) or the Spanish 11/2018 Law.
- The **EU Corporate Sustainability Due Diligence Directive** (CSDDD) that will require companies to act with due diligence to identify, remedy and prevent/mitigate potential adverse impacts on Human Rights and the environment in their operations, their subsidiaries and value chains.

Beyond the legal requirements, **Indra has embraced voluntary commitments regarding Climate Change**, like its zero emissions by 2050 commitment and purchase of green energy. These commitments are adopted as mandatory by the organisation and are part of Indra's decarbonisation strategy.

Looking to the future, Indra **could be affected by new legislation on transport and imports-exports** that governments deploy in order to meet the objectives of the Paris Agreement. This new legislation may affect the company because part of the company's activity is based on **rolling out projects using export models**: Indra delivers projects on behalf of clients in multiple locations.

- In relation to **transport potential legislation**, Indra could be affected by legislation **limiting or taxing business travel**, which would significantly affect the way the company carries out its direct operations. Therefore, Indra is seeking to **reduce business travel** as part of its **decarbonisation strategy** and is establishing **technological plans** that allow **remote working** or **remote certification** of project milestones so that the company can maintain its business model despite possible travel limitations.
- Regarding **import-export**, a potential regulation could impact the company in two ways: i) **Restricting imports of materials and/or products** (e.g., with taxes on products with a higher product carbon footprint) could limit the company's access to certain ICT components and equipment necessary for the development of its solutions and increase production costs; ii) **Stronger climate-related export legislation** could limit Indra's access to certain markets or increase the costs of exporting solutions to its customers. For this reason, Indra has implemented a plan to improve the eco-design of its products in order to reduce their environmental impact and carbon footprint. The company has carried out an LCA (life cycle assessment), as a pilot project, to incorporate eco-design techniques into the design process of the company's radars.

2.2.1.4 Reputation risks

Reputational risk is defined as the probability of negative events, public opinions, and perceptions, which adversely affect the company's income, brand, support, and public image. This is a transversal risk and is considered to be related to and interdependent with other risks.

Reputation risk is highly relevant to Indra because **the success of the company is based on its reputation** due to its work for public clients and its work across key economy sectors (e.g., energy, transport, security, health, public administrations, etc.). **Reputational damage** of a weak commitment to climate action could directly affects the ability to **attract and retain talent**, establish **long term relations with clients** and continue to **operate**.

It also represents an opportunity to positively enhance Indra's reputation by demonstrating its ability to deliver **products and services** needed for a **low carbon economy** while having an **optimal environmental performance**. *See section 3.3.7 Decarbonization pathway*

Indra is determined to **improve its environmental performance** and **transparency** in the reporting of climate related objectives and initiatives. The open communication with stakeholders about Indra's climate challenges and opportunities is considered of paramount importance to build a better reputation. *See section 3.3.6 Transparency and accountability*

To this end, the company proactively reports climate related information through various formal and informal channels:

- Sustainability Report verified by an external auditor (Deloitte)
- [Corporate website](#)
- Press releases and press notes
- CDP Climate Change questionnaire
- TCFD report

The company is also regularly monitored by the main ESG indices. The good results achieved by Indra help to build a good reputation and showcase the company's best practices in ESG, and in particular in Climate Change issues.

2.2.1.5 Market risks

In relation to market-related climate risks, Indra may be affected at various levels within its value chain:

- **Investors:** growing investor interest in the ESG performance of companies.
- **Customers:** shifts in customer preferences towards greener technologies
- **Suppliers:** disruption in supply and availability of critical components

Investor's priorities and increasing importance of ESG issues

The **increasing interest of investors in the ESG performance of companies** poses a challenge and a risk to those companies that fail to address the key concerns of investors in relation to sustainability performance and, in particular, to Climate Change. See *section 3.3.7 Decarbonization pathway*

Indra is a listed company that since 1999 has also been part of the IBEX35 selective index, which includes the leading 35 companies in the Spanish securities market in terms of market capitalization and liquidity. Therefore, it is in the interest of the company to keep a transparent relationship with its **shareholders and investors** to meet the widest possible eligibility criteria, including those related to sustainability/ESG and, particularly, to Climate Change, in order to **increase the company's access to capital markets**.

The sustainability performance of the company is periodically evaluated by the main ESG analysts of the market, such as S&P, Sustainalytics, MSCI, FTSE4Good or CDP. These assessments provide useful insights into stakeholder expectations and benchmark the company's performance against its peers. Feedback is carefully considered and used to improve the company's environmental and Climate Change strategies. See *section 3.3.6 Transparency and accountability*

Client priorities and shift towards greener technologies

As a technology and consultancy company, **understanding market expectations** is critical to Indra's success and its ability to protect shareholder value.

At a macro level, **Indra does not operate in a high-emission industry**. As such, the company is less affected by market shifts in sentiments (e.g.: negative attention to carbon-rich companies). However, specific markets in which Indra operates, such as air transport or the oil & gas energy sector, may be affected by these changes in customer preferences, indirectly affecting the company and certain company's business division. See *section 3.3.7 Decarbonization pathway*

At an operational level, Indra works hard to be a **climate-resilient provider** and to deliver more **climate-efficient solutions**. Otherwise, consequences could be reduced revenues from lower sales. For example, in particular from the clients operating in the **Energy Sector** and from **Public Administration** there is an increasing demand for environmental-sustainable suppliers, establishing requirements related to environmental certifications (e.g.: ISO 14001) and carbon footprint measurement (e.g.: to provide audited carbon footprint such as ISO14064 and estimations of the emissions reduction path in a year-by-year basis).

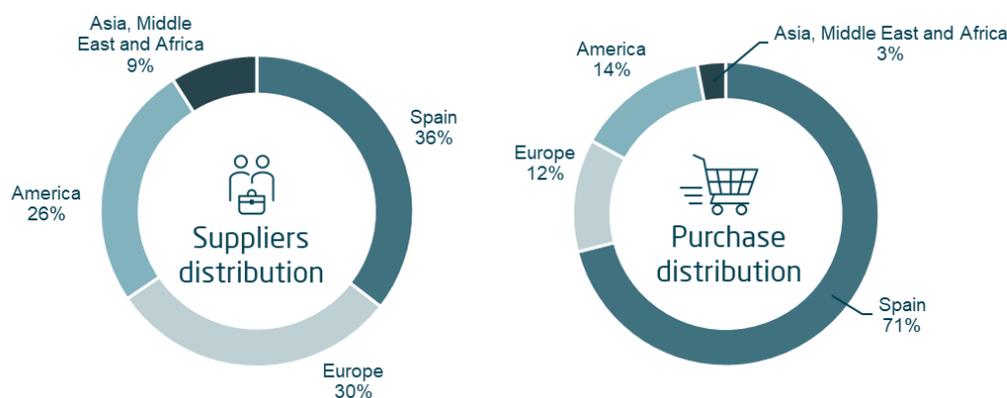
Indra proactively seeks to cooperate with its customers to achieve the goals set in the 2030 Agenda and the Sustainable Development Goals. To this end, the company is conducting a series of encounters with its most relevant clients in order to debate about the role of technology in the transition to a low carbon economy. See *section 3.3.8 Circular economy and 3.3.9 Low-carbon products and services*.

Supply chain performance and impact on sourcing costs

Indra's business model is based on a comprehensive offer of proprietary solutions with a high technological component. Therefore, the company may be affected by the **increase in production costs** due to a **lower availability of critical highly demanded components**. The impact on businesses has been felt mainly through delays in receiving orders and increased order costs. See section 3.3.4 *Procurement strategy*

The availability of technological components and, consequently, price variations may be caused by two main factors:

- On the one hand, **severe weather phenomena** can cause sudden and **unexpected supply chain disruptions**, hindering the company's access to the necessary technological components. Nevertheless, the supply chain of Indra relies heavily on **local suppliers** (78% at global level) and the climate risk analysis conducted does not show a high exposure to severe weather events as 36% of the suppliers are Spanish and they account for more than 70% of purchases.



- On the other hand, the **electrification** and **digitalisation** of various sectors of the economy such as industry and transport may lead to an **increase in demand for critical minerals** that are necessary for the manufacture of **ICT components and equipment**. This increase in demand in the medium term could hinder the supply of these minerals and lead to **price volatility**. The company's purchasing strategy as well as supplier liaison and partnership programmes are key to controlling production costs.

In Indra's case, the impact is mainly concentrated on the T&D business, which has a larger industrial component and is therefore more dependent on certain components and intermediate products (particularly semiconductors and, to a lesser extent, metal parts).

2.2.1.6 Technology risks

The Group is exposed to a number of technological risks that could have a significant impact on the Company in economic terms and from a credibility and image viewpoint. Technological risks are those associated with constant change in technology

As a technology provider, Indra is **committed to keeping abreast of technological innovations** that enable its customers to achieve more energy-efficient operations and lower carbon emissions.

Keeping the temperature rise below 1.5°C and meeting the commitment to net zero emissions by 2050 will require a technological breakthrough with high levels of innovation to facilitate the decarbonisation of many sectors of the economy. As these solutions are needed, innovation cycles need to be accelerated.

Indra faces the **risk of losing business opportunities** if the technologies used or developed by the company may become obsolete and fail to meet market needs, making it necessary to make a considerable effort to maintain the Indra's technological development (energy saving, low carbon services, etc.). See section 3.3.8 *Circular economy* and 3.3.9 *Low-carbon products and services*

The key to the unique solutions and services offered by Indra lies in **innovation**. In this context, it is necessary not only to accommodate constant technological changes but also to be able to anticipate them sufficiently in advance to be able to adapt the company's technological resources. in order to provide a quality, up-to-date, reliable and safe service to customers. Indra is developing novel technological solutions to tackle the climate challenges faced by sectors that are most relevant to achieve a low carbon economy:

- Air transport emissions must fall to 210MtCO₂ by 2050 from 1,019 Mt CO₂ (2019)²
- Cities consume 67% of global energy use³
- Renewables must account for more than 60% of power generation by 2030²
- Annual investment in low-carbon technologies must rises to USD 1.7 trillion in 2030².

² Net Zero by 2050. A Roadmap for the Global Energy Sector – International Energy Agency

³ Energy Technology perspectives 2017 – International Energy Agency
(https://www.oecd.org/about/publishing/Corrigendum_EnergyTechnologyPerspectives2017.pdf)

2.3 Climate Change opportunities

Due to Indra's type of business, specialised in the development of products and services with a technological and innovative core, the company is well positioned to harness the opportunities that Climate Change challenge poses. Indra is willing to take important steps and lead its clients to prepare and adapt to Climate Change.

In order to identify the opportunities related to Climate Change from those Indra will benefit, the company has analysed its offering of products and services, as well as the context of its business and has identified the following opportunities:

Opportunity	Value Chain	Time horizon	Likelihood	Magnitude
Market: reputation, access to financing and attraction of investment flows				
Indra complies with sustainability reporting regulations and works to anticipate new regulations. By reporting comprehensively on these issues, the company improves its transparency , builds investor confidence , and is better positioned to attract new investment flows and access financing .	Direct operations	Short term	Virtually certain	Medium-High
Market: access to new markets				
As sustainability and Climate Change have become increasingly relevant, Indra has started to participate in new opportunities related to Climate Change in each of its markets (Defence, Mobility, ATM, Information Technology) that would not otherwise exist. This can lead to increased revenues as the company is expanding its market share to other segments.	Direct operations; Downstream	Short term	Virtually certain	Medium-High
Products and services: development and/or expansion of low emission goods and services				
By expanding Indra's current portfolio to include new products and services that help mitigate and adapt to Climate Change , Indra can benefit from increased revenues and a better market position relative to competitors who may not have solutions that meet their customers' sustainability needs.	Direct operations; Downstream	Short term	Virtually certain	Medium-High
Products and services: development of new products or services through R&D and innovation				
As a technology company, Indra is constantly working to be at the leading edge of innovative technologies. The company therefore invests in R&D&I and works with other partners to develop the most innovative solutions, including sustainability requirements , which may be needed in the future. R&D&I is an opportunity that can result in an increase of revenues in the medium/long term and improve its competitiveness and positioning .	Direct operations; Downstream	Medium/ Long term	Very likely	Medium-High
Resource efficiency and energy source				
Indra is committed to environmental protection and is constantly working to improve its operational efficiency (including energy consumption or resource efficiency). This can reduce operational costs, emissions, sensitivity to changes in the cost of carbon, carbon footprint and environmental impact .	Direct operations	Medium term	Virtually certain	Medium
Resilience: supply chain				
Indra's commitment to sustainability extends throughout its supply chain , by incorporating corporate policies like the Sustainability Policy for Suppliers, which is mandatory for our suppliers. These types of measures contribute to making our supply chain much more robust and assure Indra's resilience .	Upstream, Direct operations; Downstream	Medium term	Very likely	Medium

Table 2: Climate Change opportunities analysis

Indra's main climate related opportunities is related with the technological and innovative core of company's products and services that would help society to tackle the challenge Climate Change poses. This can boost the company's positioning and facilitate access to new markets and the financial market.

The **main financial impacts** associated with **Indra's Climate Change opportunities** are:

- **Increased revenues** due to entry into new markets and development of new low-carbon products
- Better **access to capital markets** and **lower cost of financing** with lower interest rates
- **Reduced operational costs** thanks to our resource and energy efficiency policies and measures

Market: reputation, access to financing and attraction of investment flows

Indra complies with Sustainability reporting obligations and works to anticipate to new regulations. By reporting comprehensively on Sustainability issues, even anticipating to the obligations of current legislation. This represents an opportunity for the company as it allows to **improve transparency**, generate **trust among investors** and become **better positioned to attract new flows of investment and access to financing**.

In fact, Indra is already well positioned thanks to its efforts regarding ESG issues and has been recognised by several ESG analysts and indices. See section 3.3.6 *Transparency and accountability* and 3.3.7 *Decarbonization pathway* for more information on the measures taken to harness this opportunity.

Among Sustainability leaders in major ESG indices



Market: access to new markets

In recent years, the challenge of sustainability, and in particular the **challenge of adapting to and mitigating Climate Change**, has become increasingly important to society and consequently to businesses, and is **shaping the way in which companies plan their future actions and strategies**. As a result, companies are seeing how this dynamic is **creating new market opportunities** and how they can benefit from them. See section 3.3.8 *Circular economy* and 3.3.9 *Development of new products and services* for more information on the measures taken to harness this opportunity.

The management of the physical world is rapidly changing



Digitalization is reaching the physical world, breaking down the barriers between IT and OT



Exponential growth of connectivity and processing capacity



Transformation of value chains and the growing importance of sustainability

Operations in the physical world require a structural transformation, creating new opportunities and business models

Indra is harnessing this opportunity and has found place and demand **for new sustainable products and services** that would not exist if the worry for Climate Change and Sustainability did not exist among its clients.



Climate Change

We design space technology to fight climate change from space.



Sustainable Mobility

We apply Artificial Intelligence and Big Data to move towards a more environmentally friendly transport model and air, maritime, rail and road infrastructures.



Energy efficiency and renewable energy

Our technologies for the energy sector facilitate the digital transformation towards the energy transition.



Sustainable cities

We transform cities into Smart cities with lower environmental impact and circular economy models.

Products and services: development and/or expansion of low emission goods and services

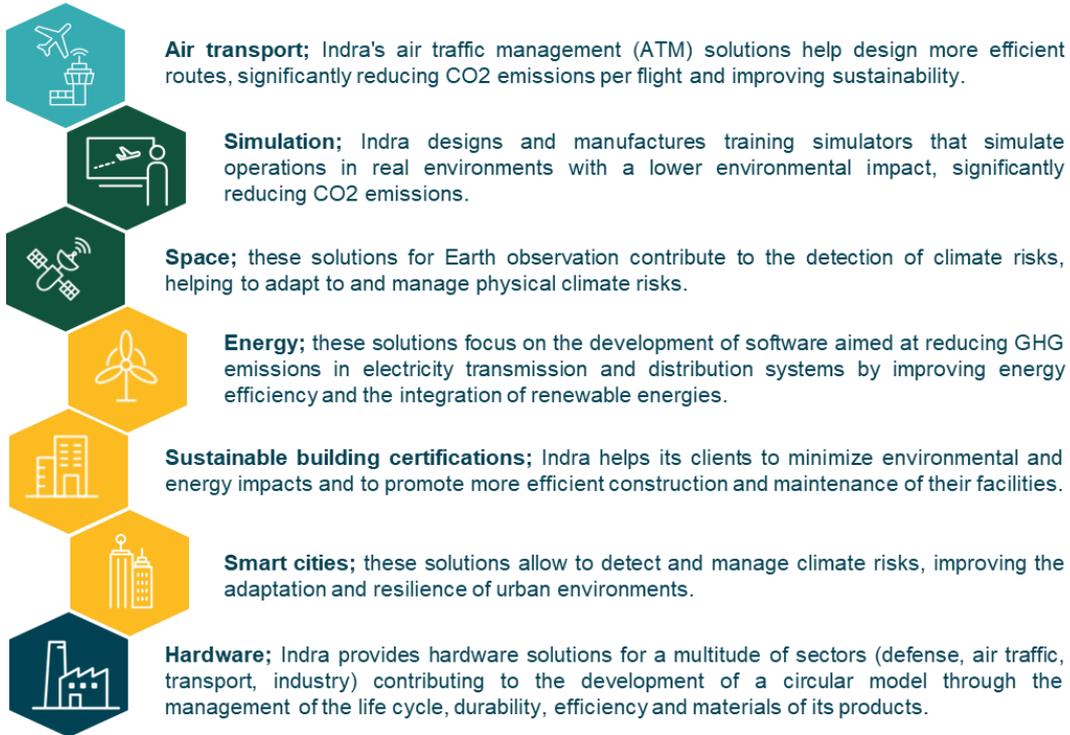
Indra can take advantage from the **development of products and services that can help adapt to Climate Change and mitigate its effects**, an opportunity that will attract new flows of investment in the short term and can result in an increase of revenues. *See section 3.3.8 Circular economy and 3.3.9 Low-carbon products and services* for more information on the measures taken to harness this opportunity.

In fact, Indra already has an offering of key enabling technologies (products and services) that contribute to this end. The company has carried out for second year in a row an analysis of its portfolio of products and services, following the requirements of the EU Taxonomy of Sustainable Activities regulation, whose objectives (especially “Adaptation to Climate Change” and “Mitigation of Climate Change”) coincide with the ones explained in this section. The mere existence of this Regulation highlights the importance of developing these kinds of products and shows how big the sustainability opportunity is for the company. The contribution of Indra’s current portfolio of activities to these objectives can be seen on Indra’s Sustainability Report 2023.

The figures obtained from the EU Taxonomy analysis do not mean that these are the only activities with which the company contributes to Climate Change, as they have been identified under the strict requirements and selected activities of the current EU Taxonomy Regulation.

Examples of Indra's current portfolio contribution to these objectives are:

Indra's contribution to the EU's environmental objectives



Products and services: development of new products or services through Research, Development, and Innovation

As a company that operates in highly competitive sectors with a high technological component, innovation is one of Indra's business model pillars. **Through innovation, the company expands its future offering and achieves a key differentiation from its competitors, even in Sustainability matters.** This is illustrated by the fact that one of the objectives of Indra's ESG Plan 2024-2026 is to develop responsible products & services through innovation as a response to present and future sustainability challenges. See *section 3.3.9 Low-carbon products and services* for more information on the measures taken to harness this opportunity.

Furthermore, since July 2023, the figure of the Chief Technology Officer (CTO) has been implemented at Indra, a clear and reinforced commitment to innovation from the company's governing bodies and management team.

Indra's innovation model is certified by the European quality standards CEN/TS 16555-1 Innovation Management System and the new Spanish standard UNE 166002:2021 R+D+i Management through AENOR. In 2023, these certifications associated with a total of 16 centres have been satisfactorily renewed, exceeding 95% of the company's innovation effort. Additionally, in 2023, Indra obtained, for the first time, the UNE 166006:2018 R+D+i Management: Surveillance and Intelligence System. The innovation model is detailed on the corporate website and its objectives are set out in the company's R+D+i Policy.

Through its innovative activity, the company stimulates technological and industrial progress in a multitude of key sectors for economic and social development and for the growth of the business fabric of the countries in which it operates. Indra is actively involved, together with the main industrial players in Europe, in the definition and implementation of a shared strategy to strengthen competitiveness, support inclusive and sustainable economic growth and reduce environmental impact through scientific excellence and the technological development of the most advanced technologies.

During 2023 Indra has continued participating very actively in different research and innovation programs, as well as in the European R&D&I ecosystem. The following projects are representative examples of the R&D initiatives and projects supported by Indra that contribute to mitigating and adapting to Climate Change. A more in-depth vision on Indra's participation in European R&D&I programmes can be found on section 7.4 of the 2023 Sustainability Report:

Horizon Europe: Indra takes part in the European Union's new Framework Program for Research and Innovation (R&I) running from 2021 to 2027, leading innovative projects that take on the EU's priorities for action, such as the ecological and digital transition or the achievement of the Sustainable Development Goals.



Smart Maritime and Underwater Guardian (SMAUG): within the framework of Horizon Europe, Indra coordinates this program, whose main objective is the underwater detection of threats in ports and their entry routes. The project is carried out through an integrated system capable of providing data related to threat analysis based on three main elements: port security infrastructures, advanced underwater detection systems and surveillance vessels.

TRANTOR: Indra collaborates in the development of this project that aims to develop the 5G network based on novel and secure satellite network management technologies that allow the demands and capacities of heterogeneous satellite traffic to be expanded in a cost-effective and dynamic manner. In this sense, the company's role is based on facilitating the integration of industrial solutions to operate and manage satellite networks, as well as assessing security risks and threats.

Post Quantum Cryptography Framework for Energy Aware Contexts (PQ-REACT): Indra participates in this initiative, which aims to develop and validate a framework for an agile and smooth transition from classical to post-quantum cryptography.

Europe's Rail: Indra is one of the 25 founding members of Europe's largest rail innovation program which, with a budget of 1,2 billion euros, aims to boost the digitalization and sustainability of the sector. As part of Europe's Rail Joint Undertaking, Indra will develop on a large scale new digital and sustainable solutions that place the train at the centre of the new green mobility.



Connecting Europe Facility program: Indra participates in projects aimed at developing high-performance, sustainable, and efficiently interconnected trans-European networks in the fields of transport, energy, and digital services.



CRETA, Mobility Control and Traffic Emission Reduction: is a catalyst for synergies between 5G technology, traffic emissions measurement and advanced analytics through artificial intelligence, for the optimal management of traffic mobility. Indra participates through the implementation of innovative ITS systems, supported by the use of 5G communication.



SESAR: Indra is a key partner in the Single European Sky ATM Research (SESAR), created by the so-called Single European Sky. The objectives of this are to triple current air traffic level capacity, reduce costs by 50%, increase safety by ten times and reduce fuel consumption, noise, and emissions per flight by 10%.

Within the SESAR program, the **ECHOES project**, co-led by Indra, aims to revolutionize the air navigation sector using space technology to make it more sustainable and achieve the decarbonization target set for 2050 and to provide a higher quality service in areas that cannot be covered by current terrestrial systems.

Indra is part of the **iTEC Alliance**, made up of the main European navigation service providers. Within this framework, the company has established itself as a technological partner in the development of the new generation of the iCAS system, deployed in Munich, one of the busiest and most complex airspaces in Europe. This deployment in Munich is part of the iTEC alliance's plan to move towards the Single European Sky.



FCAS: Indra plays a key role as industrial coordinator of the largest European defence programme aimed at developing the next generation of combat air systems, including the FCAS and the EuroDron. In addition to its role as Spanish industrial coordinator of the NGWS/FCAS, Indra leads the sensor pillar internationally and co-leads the two transversal pillars, in addition to being the leader of the combat cloud pillar in Spain.

Within the framework of the European Defence Fund, Indra has been selected in all the projects to which it was submitted, a total of fourteen, remaining as a leading company in two of them.

In total, Indra has 52 projects supported by the European Commission and Ministries of Defence, with a total funding of €164 million for the company and more than €80 million for other Spanish companies.



Resource efficiency and energy source

The Group's Sustainability Policy and Global Environmental Policy reflect the commitment to environmental protection and the commitment of continuous improvement in this matter.

Due to its business model, Indra's main environmental impacts are associated with energy consumption in the workplace – electricity consumption and climate control – and with greenhouse gas emissions associated with its supply chain, business travel and employee movements. However, this can be also considered as **an opportunity to work toward more efficient and sustainable operations** and definitely reduce the company's operational costs.

Regarding energy consumption, Indra has a Climate Change strategy which sets out initiatives across four core areas in order to be **more efficient in its operations**. See *section 3.3.7 Decarbonization pathway* and Indra Sustainability Report for more information on the measures taken to harness this opportunity.

- **Energy efficiency in the workplace:** optimise electricity consumption and climate control
- Increase use of **green energy**
- Include **environmental criteria in procurement procedures**
- Actively **encourage sustainable employee mobility:** reduce business travel and commuting.

These measures will help the company take advantage from this opportunity and limiting its GHG emissions, reducing its carbon footprint and environmental impact.

An illustration of the previous measures is the internal transformation towards the use of renewable energy⁴ or the commitment to making its offices and working spaces more sustainable⁵. In the same line, Indra works towards certifying its work centres and facilities under ISO 14001⁶ and ISO 50001 standards. See section 3.3.3 *Management Systems* for more information.



Lastly, Indra also commits with a **more efficient resource usage** by implementing LEAN methodologies in design, eliminating the use of resources from conflicting sources as established in its Sustainability Policy or managing efficiently its water resources. Therefore, efficiency in the use of resources is also an opportunity that the company is trying to seize to avoid potential problems of resource availability in the communities where Indra operates.

Resilience: supply chain

Indra's commitment to Sustainability extends throughout its value and supply chain, which contributes to making **our supply chain much more robust** and assure **Indra's resilience**. See section 3.3.7 *Decarbonization pathway* for more information on the measures taken to harness this opportunity.

An example of this is Indra's work towards the inclusion of ESG requirements in its procurement strategy. Indra looks specifically at the **ESG risks associated with suppliers and requires them to comply with Indra's Supplier Sustainability Policy** in order to determine the impact of its supply chain on sustainable development, as well as to identify any operational, legal or reputational risks that might arise from its cooperation with suppliers. The objective in carrying out an ESG screening of suppliers is not only to allow Indra to select those that perform best from a sustainability perspective, but also to motivate suppliers to improve their ESG performance, thereby increasing their competitiveness. See section 3.3.4 *Procurement strategy*

In addition to this, to improve suppliers' environmental performance, in 2023 the company's Environment Department offered to provide over 150 critical SME suppliers based in Spain with the tools and technical advice required to help them calculate their carbon footprints. These suppliers were offered free support from a consultancy specialising in environmental matters for a period of two months. Thanks to this initiative, 48 suppliers which did not previously calculate their carbon footprints have now published their first Carbon Footprint reports and acquired the capabilities they need to continue to perform this calculation going forwards.

4 Commitment to obtaining 90% of its office electricity from renewable sources at global level by 2026.

5 Investments to modernize the heating, ventilation or cooling systems of the facilities and inclusion of more efficient light sources to achieve greater energy efficiency.

6 ISO 14001 certification requires high standards on a range of environmental issues such as carbon emissions, energy consumption, waste management, recycling, water use and employee awareness. By the end of 2023, 100% of the manufacturing centers in Spain and 83% of the group's offices have obtained this certification.

3 Risk Management

3.1 Risk Governance Model

Indra's company-wide Risk Management and Control System is a process advocated by the Board of Directors and Senior Management, the responsibility of which falls upon every member of the company. The purpose of the system is to provide reasonable certainty regarding the achievement of the established objectives.

The Risk Management System, externally certified under the ISO 31000 standard since 2020, places a special focus on ESG risk assessment. This highlights that the company's Risk Control and Management System is compliant with the principles, processes, and best practices in terms of governance and accredits the effective integration of risk management across the group's operations, with the **special consideration of non-financial aspects related to its performance in matters of ESG and Climate Change** in the internal and external risk factor management process.

Within the framework of ISO 31000 detailed tests on the risks related to physical security, information security, supplier sustainability risks, supplier management, technological competition, investments and divestments have been carried out in 2023. At the geographical level, the implementation of the model in the three main countries in terms of sales has been audited. These tests include reviewing the policies, procedures, systems, and reporting that support risk management, as well as interviews with risk managers.

Risk Management Process



As part of the risk management cycle described above, Indra includes a timeline that allows identifying, assessing, and managing any risk that may have an impact on the business over the medium or long term and that may require specific measures regarding mitigation or response. The company also performs regular updates of risk identification via the different business units.

Indra has a Risk Management and Control Policy, which last review was conducted in 2023 (available in our [website](#)). In addition to the Policy, Indra also has policies and procedures in place for its main processes to ensure compliance with the legislation in force and the best risk management practices.

3.2 Climate Change risk and opportunity model

Indra has the commitment to combat Climate Change and protect the environment. To this end, the company has analysed the issues related to the environment and fight against Climate Change, following the framework of the **Task Force on Climate Related Financial Disclosure**.

Indra has a process for identifying, assessing, and managing Climate Change risks and opportunities. The company undertakes a more **in-depth analysis** of the **risks identified** and studies the **opportunities** in relation with Climate Change that may have an impact on the company.

The identification of the main climate risks and opportunities is carried out by internal experts from corporate support divisions, using a combination of analysis, tools and processes and with the support of external experts. The processes used to determine which risks and opportunities could have a substantial impact on the organization are:



Climate risk management in Indra is **integrated into the multi-disciplinary company-wide risk management process** and **global risk map**. The results of this analysis are presented to the Sustainability Committee and decisions are agreed to mitigate them or to take advantage of the opportunities identified.

This analysis is reviewed annually to adapt the risks and opportunities to the company's circumstances, such as changes in the market, stakeholder requirements or possible changes in the organization (e.g., new locations or business units).

3.3 Climate Change adaptation measures

With the aim of progressively minimizing the impact of the risks of Climate Change that may affect its business, Indra is implementing **contingency and risk mitigation mechanisms**.

Moreover, taking into account the results of the risk and opportunities analysis carried out, Indra has defined the following **measures to manage the risks and harness the opportunities** associated with Climate Change:

Climate Change adaptation measures	Climate Change risks	Climate Change Opportunities
Work centres resilience		
<ul style="list-style-type: none"> Work centres weather exposure risk assessment Corporate insurance programme 	<ul style="list-style-type: none"> Acute physical risks Chronic physical risks 	<ul style="list-style-type: none"> Resilience: facilities and work centres
Business continuity		
<ul style="list-style-type: none"> Business continuity and disaster recovery plans Remote working and certification of project milestones 	<ul style="list-style-type: none"> Acute physical risks 	<ul style="list-style-type: none"> Resilience: facilities and work centres
Management Systems		
<ul style="list-style-type: none"> Monitor climate-related risks through EMS Monitor health-related risk through OHSMS 	<ul style="list-style-type: none"> Acute physical risks Chronic physical risks Market risks 	<ul style="list-style-type: none"> Resource efficiency and energy source
Procurement strategy		
<ul style="list-style-type: none"> Supplier engagement and partnership programmes Supplier Management Mode Supply chain monitoring 	<ul style="list-style-type: none"> Acute physical risks Market risks 	<ul style="list-style-type: none"> Resilience: supply chain
Climate Change compliance		
<ul style="list-style-type: none"> Code of Ethics and Legal Compliance Environmental compliance 	<ul style="list-style-type: none"> Policy and legal risks 	<ul style="list-style-type: none"> Market: reputation, access to financing and attraction of investment flows
Transparency and accountability		
<ul style="list-style-type: none"> Periodical ESG analysis Investor information 	<ul style="list-style-type: none"> Reputation risks Market risks 	<ul style="list-style-type: none"> Market: reputation, access to financing and attraction of investment flows
Decarbonization pathway		
<ul style="list-style-type: none"> Ambitious carbon reduction goal Sustainability Master Plan 	<ul style="list-style-type: none"> Reputation risks Market risks 	<ul style="list-style-type: none"> Market: reputation, access to financing and attraction of investment flows Resilience: supply chain Resource efficiency and energy source

Climate Change adaptation measures	Climate Change risks	Climate Change Opportunities
Circular economy		
<ul style="list-style-type: none"> Eco-design 	<ul style="list-style-type: none"> Market risks Technology risks 	<ul style="list-style-type: none"> Market: access to new markets Products and services: low carbon and new products and services through R&D&I Resource efficiency
Development of new products and services		
<ul style="list-style-type: none"> Sustainability Master Plan Innovation model Climate Change mitigation and adaptation portfolio analysis 	<ul style="list-style-type: none"> Market risks Technology risks 	<ul style="list-style-type: none"> Market: access to new markets Products and services: low carbon and new products and services through R&D&I

Table 3: Indra's Climate Change adaptation measures

Work centres resilience

In order to manage the **physical risks** that could affect the company's facilities, Indra takes into account the risk of exposure to extreme weather events when selecting its real estate and establishes **additional requirements for work centres and facilities** placed in locations with a **high risk** of being affected by extreme weather events.

In addition, through corporate's **insurance programme**, Indra takes out insurance policies against physical damage to the company's buildings and facilities and works closely with insurance companies to monitor weather-related risks and adjust coverage, as necessary.

Business continuity

One of the impacts of **physical risks** is the **potential for business interruption**, which could lead to a breach of contractual obligations agreed with customers.

Business continuity planning and disaster recovery are normal business practices that, when applied to climate risks, allow the company to ensure the continuity of services to its customers or to meet project delivery milestones, for example due to an extreme weather event.

Indra takes measures to ensure business resilience:

Continuity and disaster recovery plans	Proactively develop and test continuity and recovery plans to ensure that the company can meet its obligations to customers in the event of a disruption.
	Discussing with customers the need for redundant processes or systems, for example in different geographical locations
	Preparing contingency scenarios and work redeployment
	Establishing technology strategies and plans to increase resilience, such as migrating applications to the cloud (off-premise), remote working or remote certification of project milestones

Management systems

Management systems are an appropriate tool for managing risks related to Climate Change, both physical and transitional.

In order to monitor **environmental risks**, Indra has implemented an **Environmental Management System (EMS)** based on **ISO14001 standard and the European EMAS (Eco-Management and Audit Scheme) regulation**, for which internal and external audits are carried out on a regular basis.

Through the EMS, Indra not only manages key environmental issues such as carbon emissions or energy consumption, but also serves as a basis for carrying out environmental risk analyses to identify the business impact on the environment and define future steps for the transition to a low-carbon economy.

Indra has met its 2023 goal of having 100% of the Group's main facilities certified or in the process of being certified under the ISO 14001 standard. Moreover, 100% of the manufacturing sites in Spain and 83% of the group's offices are ISO 14001 certified or in the process of obtaining it.

The company also has the commitment to have its work centres with the highest energy consumption in Spain certified with ISO 50001 by 2026, which helps to evaluate and prioritize the implementation of new energy efficiency technologies and improve efficiency energy use, and energy consumption. Indra's corporate headquarters is already certified under this standard.

Risks associated with Climate Change, particularly **chronic physical risks**, have a significant impact on **human health**. For this reason, the company also has ISO 45001 certification for Occupational Health and Safety Management Systems (OHSMS) in its main companies in Spain and in the Group's subsidiaries in Italy, Brazil, Colombia, Peru, UK and Australia⁷, which guarantee the identification of risks related to workers' health and safety and the implementation of preventive measures to ensure safe and healthy working conditions.

Procurement strategy

Supply chain disruptions and **increased supply costs** are potential impacts of climate-related risks that could affect Indra's business continuity. The company is therefore taking steps to address both **physical** and **market transition risks** related to its supply chain.

While industry standardisation generally allows compatible components or services to be sourced from a wide range of countries and suppliers, the real climate-related risk in the supply chain is a **potential price spike**. The company addresses this risk through supplier engagement and partnership programmes.

In addition, since the major disruptions to global supply chains (particularly semiconductors) caused by the pandemic, Indra has implemented plans to mitigate global semiconductor shortages and continuously **monitors supply chains** to assess the need for additional measures. These mitigation plans facilitate the company's monitoring of other components that may be affected by similar situations in the context of the wider electrification of the economy.

On the other hand, while Indra is adapting its business to mitigate the risks outlined above, its **supply chain may not be making the same efforts**. To manage this risk and encourage change in its supply chain, Indra has a specific **supplier management model** in which it has integrated ESG principles at all stages.

⁷ 65% of Indra's employees are covered by a certified health and safety management systems.

Throughout 2023, the Purchasing Department has completed the implementation of the **global supplier sustainability assessment model** initiated in 2022. It is a model adapted to the global presence of the Group and organized around the ESG principles of sustainability and to the identification of any potential risks to the supply chain.

Climate Change compliance

As Climate Change regulations have become more active in recent years, **transition risks** related to **legal compliance** are one of the company's main climate challenges.

Indra has a company-wide compliance model that is structured through the Code of Ethics and Legal Compliance, which provides the framework of reference and commitment related to legal compliance and company policies. The Code of Ethics and Legal Compliance states that the company must "comply with environmental legislation in all territories where Indra is present and operates".

In order to comply, **the company keeps abreast of new** (emerging) climate-related reporting **guidelines** and **regulations** and new carbon/energy transition laws. In addition, Indra has processes and support tools (WORDLEX) in place to ensure that the company's country managers and environmental managers are informed and prepared to comply with legislation that has already come into force, as well as the regulatory landscape that lies ahead.

In terms of the environmental issues, the monitoring of compliance with legislation is structured through the **EMS based on the ISO14001 standard**, for which internal and external audits are carried out on a regular basis.

Transparency and accountability

Due to the **increasing importance of ESG issues** for customers, investors and society, Indra needs to **address reputational and market risks** related to Climate Change, which also represents an **opportunity** to be more prepared, resilient, transparent and reinforce investor confidence. Thus, the company is proactively working to improve transparency in reporting on climate-related targets and initiatives.

The company has included **Climate Change action plans as a key pillar of the company's ESG Plan 2024-2026**. One of the strategic pillars is the Planet and climate action Pillar, which relates to the environment and Climate Change and aims to "combat Climate Change and protect the environment" in line with the company's Sustainability Policy.

To manage these actions plans, the company has established the following actions:

- **Leadership and accountability;** in 2019 the company established the Sustainability Committee at the heart of the Board of Directors as a strong driver in the sustainability performance of the company.
- **Informing investors;** one of the fundamental roles that Indra must play with respect to climate is the provision of information, helping to ensure material information gets to the investor community in a timely manner.

Indra's sustainability performance is regularly assessed by the market's leading ESG analysts, such as S&P, FTSE4Good, MSCI, CDP or Sustainalytics, and the company carefully studies the areas for improvement highlighted by these assessments. In fact, **Indra is already well positioned** thanks to its ESG efforts and has been recognised by several ESG analysts and indices:

Participation in specific social and environmental assessments



"Advanced" level of reporting to the Global Compact

Indra has been a member of the Global Compact since 2004 and annually reports its progress in the implementation of the Ten Principles of the Compact and the Sustainable Development Goals.



Member of the Bloomberg Gender Equality Index

Indra is one of the 24 Spanish companies among the best in the world in promoting gender equality according to the Bloomberg Gender Equality Index.



Top Employer company

The Top Employer Institute has recognized Indra and Minsait as two of the best companies to work for in Spain for the fifth consecutive year.



SBT targets with 1.5°C ambition approved

Indra's emission reduction targets are set in accordance with the methodology of the Science Based Target Initiative with an ambition of 1.5°C and were formally approved in 2021.



Leadership level (A-) for climate performance

The company has received a leadership rating (A-) for its Climate Change strategy in 2023, which means being recognized as a leading company in the fight against Climate Change.



Low ESG risk and best performance in the sector

Indra has a low ESG risk rating (14.2/100) according to Sustainalytics, which demonstrates solid management of the company's most relevant ESG issues. Corporate governance performance stands out.

Prominent presence in major ESG indices



No. 1 in the industry on DJSI World in 2021, 2022 and 2023

87/100 overall rating points

In 2023, for the third consecutive year, Indra is the leader in the IT Services sector, achieving the highest score (100/100) in fiscal strategy, innovation, customer relations, emissions, resource efficiency, water and climate strategy areas.

AA sector rating on MSCI-ESG

AA Rating

Indra has the second-best score in this index, standing out for its above-average performance in corporate governance, emissions and opportunities in Clean Technology.



FTSE4Good

Percentil 85 of the Technology sector on Ftse4Good

4.2/5 overall rating points

Indra has the highest possible rating (100/100) in the categories of climate change, human rights, labor standards, anti-corruption and corporate governance.



Top 1% en EcoVadis

82/100 overall rating points

Indra stands out for its performance in environment (100/100) and in labor practices and human rights (90/100).

Decarbonization pathway

Looking to the future, the company is addressing **physical** and **transition risks** by setting an **ambitious carbon reduction goal** based on an SBT methodology. This ambitious target, supported by the **Sustainability Master Plan** and **Indra's EMS** based on the ISO14001 standard, will help the company to establish more efficient processes and operations that will support its continued leadership in a changing business and regulatory environment.

To reduce the potential impact, the company's **ESG Plan 2024-2026** includes energy measures aimed at both efficient and greener energy consumption and optimisation of travel costs and efficient upstream and downstream transport (logistics):



Energy efficiency and green energy consumption

Implement energy efficiency measures in working premises and, in particular, in production centres to reduce energy intensity. The company also has the goal to achieve 90% renewable energy at global level and to have its work centres with the highest energy consumption in Spain certified with ISO 50001 by 2026.



Reduction of travel costs

Reduce the impact that business travel has on the company's total Carbon Footprint, especially in scope 3 related emissions, it is key to reduce and optimize this category.



Optimization of logistics

The Lean Logistics program aims to optimize the needs for transportation between the company facilities, particularly between production centres located in Spain. To optimize upstream and downstream transport related emissions, Indra is also including emission related requirements in the purchase terms and conditions.

In addition, an **internal carbon pricing project**⁸ was set up in 2021 to measure and price the Group's CO₂ emissions. The aim of the project, which is supported by the Sustainability Committee, is to integrate the "CO₂ factor" into its business processes and decision-making procedures, thereby encouraging the implementation of measures to reduce greenhouse gas emissions

Circular economy

As a high value-add technology provider, Indra offers a wide range of proprietary solutions. Given the specific nature of its products, the company understands that **eco-design** is a key enabler for Climate Change mitigation and the development of low carbon products. For this reason, its main contribution to helping create a **circular economy** is as follows:

- **Improving durability:** Products are designed to have a long service life of 10 to 20 years, and are highly reusable, upgradeable, and repairable.
- **Reducing the presence of hazardous chemical substances:** The eco-design approach determines which materials and products to use while also laying out the technical criteria for their manufacture and use.
- **Increasing the recycled content and enabling high-quality remanufacturing and recycling:** Products are composed principally of hardware and electronics. These parts can be readily recovered at the end of the product's service life, meaning that on average, 94% of its components by weight can be reused or recycled.
- Increasing **energy efficiency** and **reducing product's carbon footprint**.

⁸ A shadow pricing model has been chosen for the project, meaning that a price of €65 is applied to every tonne of CO₂. More information on this initiative can be found in the Sustainability Report 2023

As part of the ESG Plan, **Indra is implementing a plan to increase the eco-design of its products.**

In 2021, as first steps, the company launched a **pilot project** aimed at incorporating eco-design techniques into the design process for the company's **radars** to reduce the environmental impact and continually improving its performance without affecting quality or its applications. As a result of the pilot project, the **life cycle emissions of the new radar design are 12.7% lower** than the previous product. In order to achieve this, a detailed LCA (life cycle assessment) was carried out that allows the company to identify eco-design methods and strategies that might be extrapolated to other areas and products.

As part of the Responsible Products & Services pillar, the ESG Plan aims to **incorporate eco-design criteria into all new products**. To this end, the company has established an eco-design training plan to train 100% of design and product development engineers by 2025. Other initiatives are also being introduced to Indra's Engineering and Technology processes in order to incorporate sustainability criteria into the design and development process:

- Updates to the product catalogue to include information on a product's energy consumption, service life and weight.
- Adjustments to product design, NPI (new product introduction) and gate review procedures following an evaluation.
- Automatic environmental footprint calculation being added to the PLM (product lifecycle management) tool.

Development of new products and services

As a technology and consultancy company, understanding market expectations is fundamental.

In order to manage the risk of **failing to meet customers' climate requirements**, the company has included **Responsible Products & Services as a key pillar of its ESG Plan**, in line with the Sustainability Policy objective of "promote technology with impact on sustainable development". This pillar aims to give visibility to the company's products and services that contribute to mitigating and combating Climate Change, and also to create a new range of services that contribute to the sustainability of Indra's customers.

In addition, the **Employees, clients & other stakeholders pillar** also aims to strengthen the dialogue that the company establishes with its customers in order to **identify the main priority areas and requirements in terms of sustainability**. In this context, the annual customer satisfaction survey includes an assessment of the importance that customers attach to climate-related issues, such as carbon footprint or energy efficiency, in their relationship with Indra.

These two pillars, together with **Indra's innovation model**, **minimise the risks associated with technological development** and the loss of market opportunities. Innovation is one of the pillars of Indra's business model. Through its innovation strategy, the company aims to promote innovative technological ideas that respond to the challenges of the company's activities. The **Innovation Committee** is the governing body of the innovation model and is made up of the Strategy and Innovation Management, representatives of all business units and technology experts. Its mission is to **ensure alignment between innovation, strategy and offer**, promoting collaboration and transversality to maximise synergies between markets and generate a real impact on the company's business.

Indra is well positioned to take advantage of opportunities in enabling technologies (products and services) **that contribute to a low carbon economy**. On an annual basis, Indra conducts an analysis of the contribution of its current portfolio of activities to the objectives of Climate Change mitigation and adaptation, in line with the requirements of the EU taxonomy.

As a result of this analysis, **the company has identified key technologies in its portfolio** that contribute to Climate Change mitigation and adaptation, such as renewable energy technologies, microgeneration and smart grids, carbon efficient buildings, low carbon transport technologies and systems. These are critical to meeting the challenge of Climate Change and will attract new investment flows. Indra also sees an opportunity in the move to net-zero aviation, which relies on more efficient air traffic flows. Indra is a leading technology provider of innovative air traffic management systems that will enable more efficient operations and thus contribute to the desired reduction in aviation emissions.

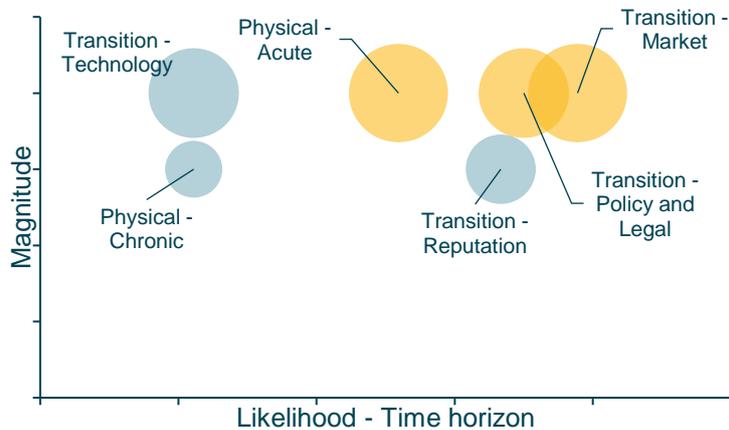
4 Metrics and Targets

Major risk and opportunities

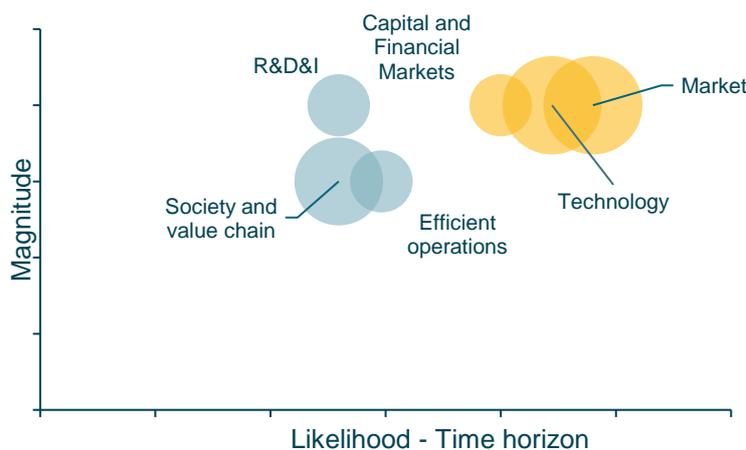
Considering the outcome of the Climate Change related analysis, the major risk and opportunities identified are:

- Indra's main **transition risk** is related to the potential **financial, reputational, and competitive impact** of increasingly stringent climate-related regulations around the world.
- Indra is **exposed to several acute physical risks** due to the fact that company's operations are based on the deployment of projects in multiple locations.
- Indra is well positioned to take advantage of them with its highly innovative technological solutions in the fields of **mobility, energy, smart cities, and digitalisation** in terms of **Climate Change opportunities**.

Climate related risk



Climate related opportunities



Methodological note: The prioritization of the Climate Change risks and opportunities identified is made according to the assessment of the probability, time horizon and magnitude (see tables in chapters 2.2. Climate Change risks and 2.3. Climate Change opportunities). The risks and opportunities have been represented in the above matrices according to their prioritisation, the size of the points representing their impact on the value chain. For better understanding, Indra's main risks and opportunities are shaded in "gold."

For the principal risks and opportunities identified, the company has set out the primary financial impact and the risk response / opportunity cost figure for each case:

Risk identifier	Primary financial effect of the risk	Time horizon	Anticipated financial effect	Primary response to risk	Cost of response to risk
Transition - Policy and Legal	Fines, penalties or enforcement orders	Short term	0,3 – 217.2 M€	Sustainability and environmental management and consultancy	1.01 M€
Transition - Market	Decreased revenues due to reduced demand for products and services	Short term	63 – 2,000 M€	ESG Plan 2024-2026	0.57 M€
Physical - Acute	Decreased revenues due to reduced production capacity	Medium term	10 - 15 M€	Business continuity plan and insurance	0.1 – 11.6 M€

Opportunity identifier	Primary financial effect of the opportunity	Time horizon	Anticipated financial effect	Primary opportunity cost	Opportunity cost
Market & Technology	Increased revenues resulting from increased demand for products and services	Short term	1.7 – 3.5 M€	R&D and commercial	9.8 M€
Capital and Financial Market	Increased access to capital at lower/more favourable rates	Short term	1.4 M€	Sustainability and environmental management and consultancy	0.57 M€
Efficient operations	Reduced indirect (operating) costs	Medium term	1.1 – 1.6 M€	ESG Plan 2024-2026	0.24 M€

Decarbonization road map

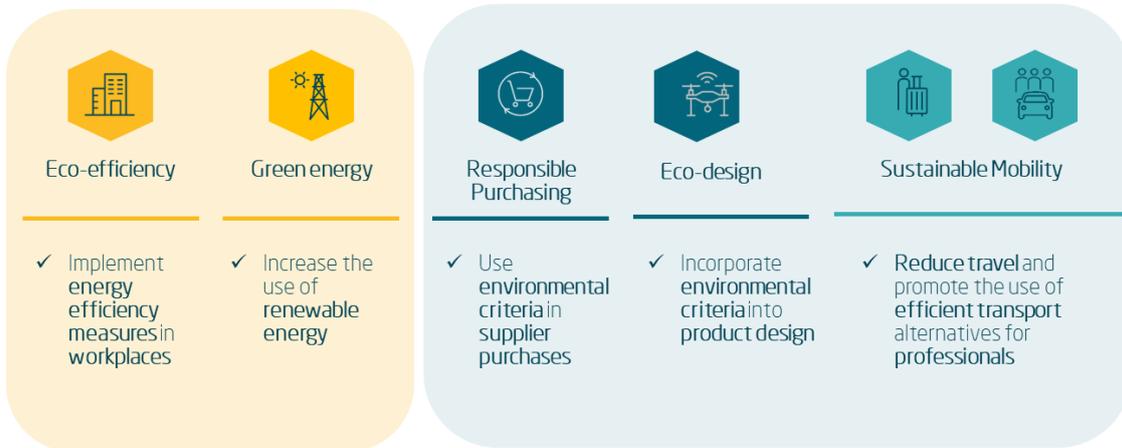
Indra recognises the importance for the company of reducing emissions and intends to be an active agent in this collective effort to reduce the impact of Climate Change.

To achieve this, in 2020, the Sustainability Committee designed an **ambitious emissions reduction roadmap** for the company, which was approved in 2021 by the Science Based Targets Initiative (SBTi) and sets science-based objectives for 2030 and 2040, with the intention of achieving carbon neutrality in 2050.

Indra commits to reducing absolute 1 and 2 GHG emissions 50% by 2030 and 100% by 2040 from a 2019 base year. Indra also commits to reducing absolute 3 GHG emissions from purchased goods and services, business travel and employee commuting 14% by 2030 and 50% by 2040 from a 2019 base year.

This ambitious target is supported by the **ESG Plan** and Indra's Environmental Management System on the ISO14001 standard. The ESG Plan 2024-2026 addresses the initiatives that are needed to reduce the company's GHG emissions, involving all the areas that are required to succeed in achieving them.

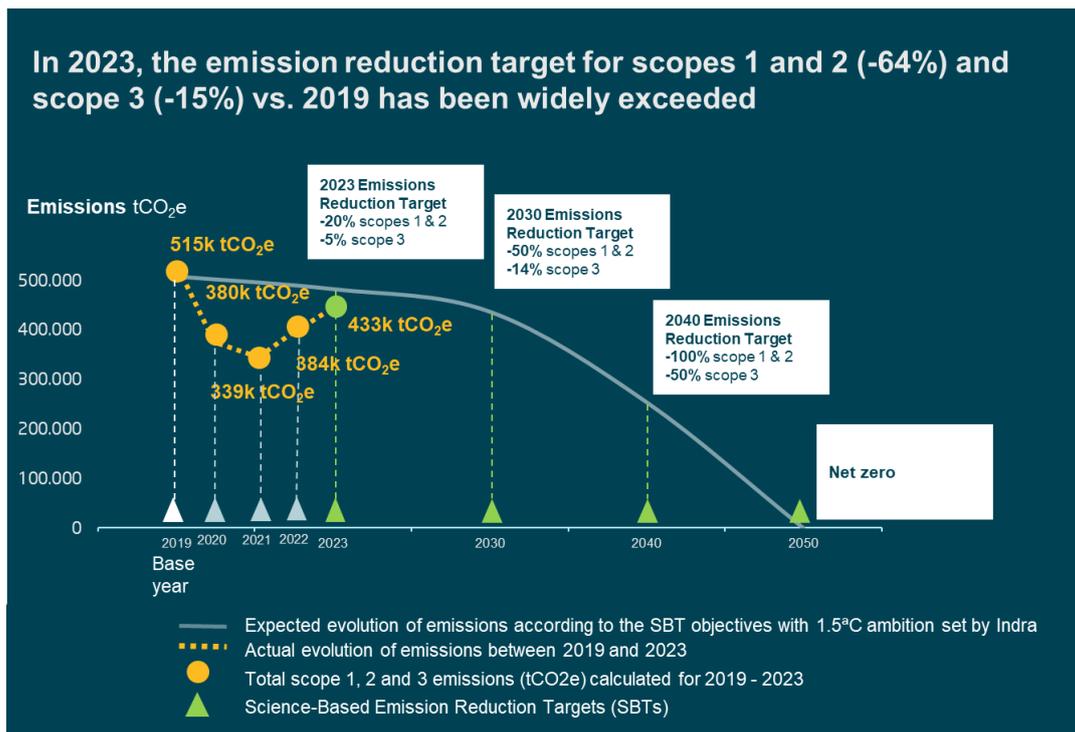
Keys to reducing Indra's main sources of emissions



Indra uses **GHG emissions as the main indicator of its performance** and compliance with the **ESG Plan** and the emission reduction target. The company monitors its GHG emissions and their evolution to manage the progress of its strategies and carry out risk management and disclose its Scope 1, 2, and 3 emissions via the Sustainability Report.

Emission calculations are based on the Greenhouse Gas Protocol (GHG Protocol), the accounting and reporting standard created by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). Main results can be seen below, this information is detailed in the Sustainability Report 2023.

Indra Group's carbon footprint (tCO ₂ e emissions)	2019	2020	2021	2022	2023	2023 vs 2019 (% reduction)
Scope 1. Direct emissions	2.733	1.764	1.759	1.681	2,035	-64%
Scope 2. Indirect emissions	6.198	2.923	1.897	1.211	1,182	
Scope 3. Indirect emissions	507.063	375.417	335.583	378.127	430,129	-15%



Indra's 2024-2026 ESG Plan takes a more **holistic approach to the company's environmental management** and therefore addresses other objectives and metrics related to environmental performance. This approach allows a more accurately assess and manage the risks and opportunities related to Climate Change. To this end, Indra monitors other environmental metrics as energy efficiency and purchasing green energy, circular economy and use of materials waste management, water consumption. The performance results of these indicators can be found in the Sustainability Report 2023.

As a technological company, Indra is well positioned to harness the opportunities that the Climate Change challenge poses. With the aim of monitoring its position, the company carried out **an analysis of the opportunities that Climate Change** offers for the company and see how well aligned Indra's product offering is with the EU's Climate Taxonomy. This information is detailed in the Sustainability Report 2023.

indra
At the core