

**REPORT BY THE NOMINATION, COMPENSATION AND  
CORPORATE GOVERNANCE COMMITTEE OF INDRA  
SISTEMAS, S.A. ON RELATED PARTY TRANSACTIONS**

May 2017

This document contains the report of the Nomination, Compensation and Corporate Governance Committee of Indra Sistemas, S.A. ("Indra" or the "Company") on related party transactions in line with Recommendation 6 of the Good Governance Code of Listed Companies.

Pursuant to article 529 *ter* of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital* or "LSC"), the Board of Directors of Indra is vested in a non-delegable power to approve any transactions that the Company or companies in the Group conclude with directors or with significant shareholders or shareholders who are represented on the Board. In accordance with article 529 *quaterdecies* of the LSC, the Board has delegated to the Nomination, Compensation and Corporate Governance Committee of Indra a power to produce a report on related party transactions in advance of their being considered for approval. Articles 35 and 36 of the Regulations of the Board of Directors state:

**Article 35. Related transactions.**

*1. The Board, after a report from the Nomination, Compensation and Corporate Governance Committee and prior to its execution, must be aware of and give authorisation for any transaction carried out by the Company, either directly or indirectly, with anyone considered a related party under applicable law.*

*Such transactions will be evaluated as to whether the parties are treated fairly and in accordance with market conditions.*

*2. Notwithstanding the provisions of the paragraph immediately above, authorization must be given at the Annual Shareholders Meeting when it involves a transaction whose value exceeds 10% of Company shares.*

*3. For recurrent transactions carried out with clients during the Company's ordinary course of business under normal market conditions that are not significant, meaning that information regarding them is unnecessary in order to provide a faithful representation of the financial condition or the income of the Company, it will be sufficient if the Board give prior authorisation for the general terms of the transaction.*

*4. The authorisation described in the previous paragraphs will not be necessary, however, when the related party transaction meets all of the three following conditions:*

- a) it is performed under standard contractual conditions applicable to a large number of clients;*
- b) it is carried out at generally established prices or charges for anyone providing the service involved;*
- c) the amount of the transaction does not exceed 1% of the Company's annual income and, for transactions with Directors, it does not exceed twenty thousand euros.*

*5. In exceptional cases, when exigent circumstances so dictate, related party transactions may be authorised by the Chairman of the Board, when subsequently ratified by the Board at its next meeting.*

*6. In order for the Company to identify any related transactions in advance, Directors must keep the Board informed of any direct or indirect interests or significant influence they may have in companies or entities that have commercial or business relationships with the Company.*

*7. Directors affected by related transactions or who represent or are related to Shareholders so affected, in addition to refraining from exercising or delegating their vote, must not attend any meeting while the Board or the Committee involved discuss and vote on matters related thereto.*

*For transactions with Shareholders subject to decision at the Shareholders Meeting, the Board will evaluate whether to recommend that the Shareholders involved abstain from voting.*

#### **Article 36. Public information.**

*The Board must issue public reports on related party transactions carried out by the Company, complying at all times with the provisions of applicable law. To this end, the Board will have available a report from the Nomination, Compensation and Corporate Governance Committee.*

In relation to the foregoing, it is hereby stated:

- In 2016 all related party transactions carried out with significant shareholders and directors were approved as provided for in article 35 of the Regulations of the Board of Directors.
- These transactions were carried out in the ordinary course of the Group's business at arm's length, and they neither individually nor collectively represent a significant amount with respect to the Group's equity, financial position or revenue.
- The Company, pursuant to its policy of maximum transparency, discloses these transactions as part of the information that, as a listed company, it publishes periodically (interim reporting, annual financial statements and the annual report on corporate governance).

*For itemized information on these transactions, see sections D.2 and D.3 of the Annual Report on Corporate Governance available on the corporate website ([www.indracompany.com](http://www.indracompany.com)) and on the website of the CNMV ([www.cnmv.es](http://www.cnmv.es)).*