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**Report by the Nomination,
Compensation and Corporate
Governance Committee regarding the
Director Compensation Policy**

May 2020

This Report is prepared by the Nomination, Compensation and Corporate Governance Committee (the "**Committee**") of Indra Sistemas, S.A. (hereinafter "**Indra**" or the "**Company**") in accordance with Article 529.19 of the *Ley de Sociedades de Capital* ("**Spanish Corporate Act**" or "**LSC**"), which provides that the Director Compensation Policy must be approved at a General Shareholders' Meeting at least once every three years and that the proposal for said Policy has to be justified and accompanied by a specific report from the Compensation Committee (hereinafter, the "**Report**").

In accordance with Article 529 *quindecies* of the LSC, the Committee is to propose the Compensation Policy as well as individual compensation and other contractual conditions of Executive Directors to the Board of Directors of the Company as well as ensure compliance with its terms. In addition, Article 19 of the Regulations of the Board of Directors ("**Board Rules**") provides that the Committee is responsible for periodic review of the adequacy of the compensation policy in force to the Company's strategy and creation of long-term value.

Pursuant to the above, the Committee has taken into account the current special circumstances arising from the COVID-19 global pandemic, which creates significant uncertainty for the future in different areas. The Committee therefore considers it appropriate to wait a few months to analyse developments and the medium/long-term forecasts arising from it as they may relate to the compensation model for Executive Directors in particular.

In this environment, the Committee understands that it is most reasonable for the Board to bring a proposal to the Annual Shareholders' Meeting for a Compensation Policy in which Medium-Term Compensation ("**MTC**") - which is the compensation element most influenced by this situation - is flexible to some extent so that, in view of the analysis in the coming months of the medium-term outlook, the Committee and the Board can adjust its characteristics and conditions so that MTC is as well suited to those perspectives and environment as possible.

It is also likely that as a result of this study and analysis the Committee and the Board will consider it appropriate to make more far-reaching changes to the Compensation Policy, in which case they would bring a corresponding proposal for amendment or replacement of the Policy to the 2021 Annual Shareholders' Meeting.

In light of the above, the Committee has decided to bring this Report to the Board of Directors regarding the Compensation Policy for Directors at Indra, approval of which is proposed to the 2020 Shareholders' Meeting.

The principles, foundations, structure and compensation elements of the proposed Compensation Policy are substantially the same as those that guided the previous Compensation Policy, comply with the provisions of the LSC and are adapted to national and international trends in compensation. The Compensation Policy also incorporates technical and stylistic improvements in some of its sections.

For the preparation of the Compensation Policy and this Report, the Committee:

- has verified the adequacy and alignment of compensation with respect to the

market, relying on compensation studies prepared by internationally renowned consulting firms;

- asserts that the proposal put forth by the Board is substantially in line with the provisions regarding corporations contained in section 4 of Article 217 of the LSC, which provides that:

“The compensation of administrators must in any event have a reasonable proportion to the importance of company, the economic situation at all times and market standards for comparable undertakings. The established compensation system should be aimed at promoting the long-term profitability and sustainability of the company and incorporate the precautions necessary to avoid excessive risk-taking and the reward of unfavourable outcomes.”

- has taken into account national and international trends and best practices in compensation policies for Directors and Senior Managers and taken into account the views of Shareholders and proxy advisors; and
- has analysed regulatory changes, developments in the regulatory system and supervision practices in compensation matters.

In light of the above, the Committee has concluded that the proposed Compensation Policy is in line with regulations, recommendations and best practices, following the criteria of good governance and transparency.

Accordingly, the Committee issues this supporting Report to be submitted for approval at the upcoming 2020 Annual Shareholders’ Meeting together with the Proposal for the Director Compensation Policy.