



Report by the
Nomination,
Compensation and
Corporate Governance
Committee regarding the
Director Compensation
Policy 2021, 2022 y 2023
May 2021

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

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.

In connection with all of the above, the Committee considers it appropriate to replace the Remuneration Policy in force to date (approved at the General Shareholders' Meeting held on June 25, 2020) in order to establish the remuneration system corresponding to the new governance structure of the Company proposed to the General Shareholders' Meeting, where the roles of Chairman and Chief Executive Officers are separated and no executive functions are assigned to the Chairman.

This new Remuneration Policy shall remain in force for three financial years (2021, 2022 and 2023), though the Committee may propose a new policy to the Board of Directors, for approval by the General Shareholders Meeting, on an earlier date, if deemed appropriate.

In relation to the Executive Directors, the Policy is a continuation of the one in force, even though some adjustments are proposed to reinforce the alignment of the remuneration system with the Company's strategic priorities, with corporate governance recommendations and with the practices in comparable companies and sectors. For these purposes, the information received from institutional investors and proxy advisors has been taken into account, as well as the recommendations on director's remuneration of the Good Governance Code of Listed Companies approved by the National Commission of the Securities Market.

Regarding the Chairman of the Board of Directors (non-executive), the Policy establishes the fixed remuneration components, specific to the position.

In addition, for the purposes of preparing this Remuneration Policy, it has been taken into account the new requirements on remuneration policies introduced into the LSC by Act 5 of 12 April 2021, which amended the consolidated text of the Spanish Capital Companies Act and other financial regulations with regard to encouraging long-term involvement by shareholders in listed companies.

The main novelties of the Policy are the following:

- Adjustment of the fixed remuneration of each of the CEOs from € 550,000 to € 600,000 to reflect the greater scope of their responsibility derived from the new distribution of functions.
- Inclusion of the new features resulting from the appointment of a non-executive chairman, consisting of the definition of the items for which he will be remunerated and the applicable amounts.
- Review of the maximum amount of Medium-Term Remuneration, which rises from 133% to 150% of the target amount, and subsequent calibration of the required degree to which the targets linked to this payment item must be met.
- Introduction of the possibility of partial consolidation in the event of compliance or over-compliance with the operational objectives of the Medium-Term Incentive as a formula to reconcile the high level of demand of the objectives and as a tool for motivation and retention. Its application represents a very small percentage of said incentive (3%-6%), in no case will it increase the percentage of global achievement resulting from the evaluation carried out at the end of the period, nor does it imply the annual delivery of shares.
- Clarification of obligations to retain shares.
- Formalisation of the malus clause on variable remuneration.
- Disclosure of the causes of application of malus and clawback clauses.
- Decoupling from the Pre-Retirement and Long-Term Savings Plan of indemnification and compensation payments for termination of contract, in line with normal market practices.
- Amendment of the name of the Pre-Retirement and Long-Term Savings Plan.

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

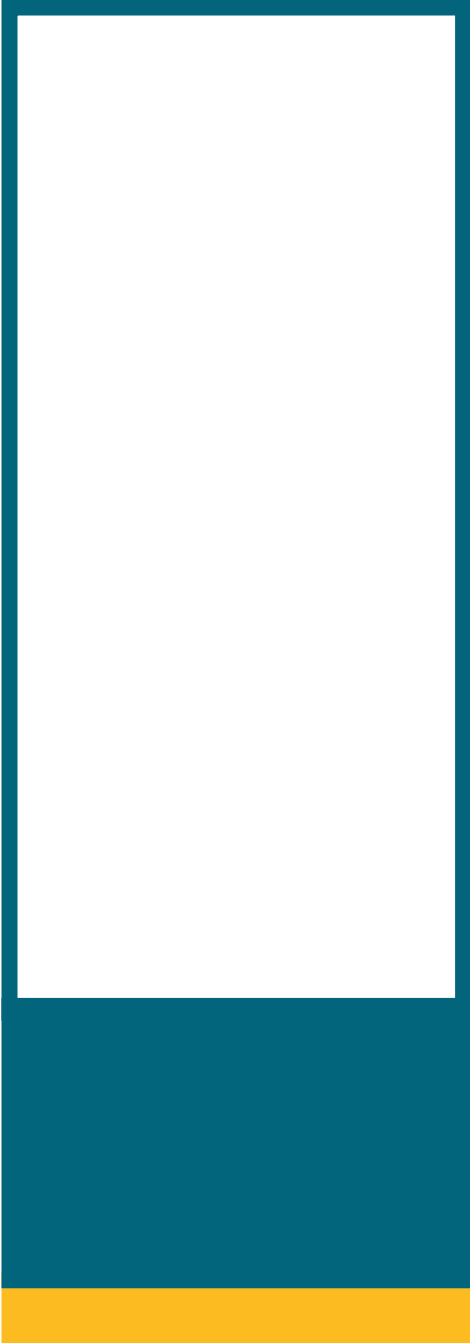
- has verified the adequacy and alignment of compensation with respect to the market, relying on compensation studies prepared by internationally renowned consulting firms;
- asserts that the proposal put forth by the Board is substantially in line with the provisions regarding corporations contained 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 2021 Annual Shareholders' Meeting together with the Proposal for the Director Compensation Policy.



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