



Regulations of the Board of Directors and its Committees for Indra Sistemas, S.A.

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I. General Provisions

Article 1. Purpose and Scope

1. The purpose of these Regulations (sometimes "Board Rules") is to govern the principles for action and rules of procedure for the Board of Directors ("Board") of Indra Sistemas, S.A. (the "Company") and its committees, in accordance with applicable law, the Bylaws, and best practices in the areas of national and international Corporate Governance.
2. The Board Rules apply to the Directors of the Company and, to the extent to which they are affected, to the Secretary and Vice-Secretary of the Board as well as senior managers of the Company.
3. Senior managers are those persons who perform senior management duties under the direct supervision of the administrative body, its executive committees or Executive Directors of the Company who are members of the Management Committee.

Article 2. Interpretation

1. These Regulations shall be construed in accordance with applicable legal and statutory rules as well as applicable principles and recommendations on Corporate Governance.
2. The Board shall have the responsibility for clarifying their meaning and for resolving any doubts that may arise in their interpretation and application.

Article 3. Effective Date; Amendment

1. These Regulations shall enter into force on the date of their approval or, if applicable, any amended form of them as adopted by the Board.
2. These Regulations may be amended at the request of the Chairman of the Board, of the Nomination, Compensation and Corporate Governance Committee, or one third of the number of Directors.
3. Any proposed amendment shall include a well-reasoned explanation for its motive and its scope, and be previously reported on by the Nomination, Compensation and Corporate Governance Committee.
4. The text of the proposal, together with the explanation and committee report referred to above, shall be attached to the call notice of the Board meeting where the amendment is to be discussed.

Article 4. Distribution

1. Persons subject to these Regulations are obliged to understand, follow, and enforce them. To this end, the Board Secretary shall provide them with a copy.
2. The Board shall take measures to ensure that shareholders, markets, and investors in general become aware of the Board Rules. To this end, the Annual Shareholders' Meeting will be informed, they shall be published on the Company's website, will be published as required by law, and will be submitted to all appropriate registries and supervisory bodies.

II. Mission of the Board of Directors

Article 5. Board Functions

1. Without prejudice to authority to be exercised at Annual Shareholders' Meetings ("Meetings"), the Board is the Company's highest administrative body and has the power to represent it as established by applicable law and the Bylaws.
2. The Board is responsible for supervision and control of the executive bodies and the management team to whom it delegates day to day management of the Company, as well as verification that they act in accordance with approved strategies and established objectives.
3. The Board may not delegate those responsibilities which are reserved for its direct authority in accordance with applicable law, nor may it delegate any other power necessary for the responsible exercise of its general supervisory and control function.
4. Administrative bodies and persons to whom authority has been delegated may, under exigent circumstances, make decisions on matters reserved for the Board, which shall be brought before the Board for ratification at the first Board meeting held after the decision is taken.
5. The Board shall take appropriate measures to ensure that:
 - a) No person or group of persons have decision-making power not subject to checks and balances.
 - b) No shareholder receives favourable or preferential treatment relative to other shareholders.

Article 6. Criteria for Board Action

1. The Board of Directors shall act always governed by the common purpose of promoting protection of the Company's interest, understood to mean attainment of a profitable and sustainable business in the long term which encourages its continuity as well as maximisation of the Company's financial value.
2. The Board shall see to it that Company management pursues Company interest as defined in the preceding paragraph and that it has proper incentives to do so.
3. In pursuit of creation of value and protection of Company interest, the Board will respect laws and regulations; act in good faith, ethically, and with respect for generally accepted good practices; and will seek to reconcile Company interests with the legitimate interests of customers, employees, suppliers, investors and other Company stakeholders that may be affected, as well as the impact of the Company's activities on the community as a whole.

III. Composition of the Board

Article 7. Classes of Directors

Directors are classified in accordance with criteria established by applicable law.

The Company, through its website, will keep the information about its Directors up to date.

Article 8. Qualitative Composition

1. In exercising its powers to propose nominees at Meetings as well as co-optation for coverage of temporary vacancies, the Board shall act on the criteria that Proprietary and Independent Directors represent a large majority of the Board and that the number of Executive Directors be the minimum necessary, considering the complexity of the Company and the percentage of Executive Directors' equity interest in the Company.
2. The Board shall also ensure that the percentage of Proprietary Directors as a total of non-Executive Directors is not greater than the percentage of the Company's capital represented by those Proprietary Directors. This criterion may be relaxed where: (i) there are few significant shareholders; or (ii) where there are several shareholders represented on the Board without ties to each other.
3. In order to strike a reasonable balance between Proprietary Directors and

Independent Directors, the Board shall consider the Company's shareholder structure, taking into account the magnitude of equity interest in absolute and comparative terms as well as the degree of permanence and strategic links of the shareholders with the Company.

4. The Board and the Nomination, Compensation and Corporate Governance Committee shall ensure that the selection of persons to serve as Director is carried out in accordance with a policy aimed at promoting an appropriate composition of the Board, which policy: (i) is concrete and verifiable (ii) is aimed at promoting diversity of knowledge, experience, age and gender while avoiding biases that may involve discrimination; and (iii) ensures that nomination proposals are based on the outcome of the prior analysis of the competencies required by the Board and conform to the Company's profile.

Article 9. Quantitative Composition

1. The Board of Directors shall consist of a number of Directors determined at a Meeting, within the maximum and minimum established by the Bylaws.
2. The Board shall make a proposal to the Meeting as to the number of Directors who, in accordance with the circumstances of the Company at all times, is most appropriate to ensure proper representation of shareholders and effective functioning of the Board.

IV. Board Positions

Article 10. Chairmanship and Vice Chairmanship of the Board

1. The Chairman of the Board shall be elected from among its members, following a report by the Nomination, Compensation and Corporate Governance Committee. Where the Chairman has the status of the Company's chief executive, the Board shall delegate to him the powers necessary for the effective performance of his post.
2. The Chairman of the Board shall exercise the chairmanship and representation of the governing and administrative bodies of the Company in accordance with the provisions of applicable law, the Bylaws and the Board Rules, and may delegate his powers in whole or in part as allowed by applicable law and the Bylaws.
3. The Chairman has the power to: (i) convene the Board of Directors and (ii) set the agenda for their meetings, chair them, and lead discussions.
4. The Chairman shall ensure that: (i) Directors receive adequate information on

matters to be discussed well in advance of Board meetings and (ii) Directors actively participate at Board meetings, safeguarding their freedom to advocate points of view and express their opinions, maintaining at all times effectiveness in the workings of the Board.

5. As the one responsible for the effective functioning of the Board, the Chairman shall: (i) draft an annual calendar of dates and issues to be discussed at regular meetings; (ii) organize and coordinate the regular evaluation of the Board; and (iii) ensure that sufficient discussion time is devoted to strategic issues.
6. The Board shall meet once a year to evaluate the work of the Chairman of the Board in his capacity as such and, separately, as chief executive, if applicable. During the discussions for that evaluation, the Chairman shall be absent and the Board chaired by a Vice-Chairman or the Lead Independent Director when appropriate.
7. The Board shall appoint a Vice-Chairman from among the Independent Directors, and may also appoint another Vice-Chairmen.
8. In the absence of the Chairman the Vice-Chairman will substitute and, if there be more than one, the earliest appointed shall preside. In the absence of the Vice-Chairman, the Lead Independent Director shall preside.

Article 11. Lead Independent Director

1. In the event that the Chairman is also an Executive Director, the Board of Directors shall elect a Lead Independent Director from the cohort of Independent Directors, Executive Directors abstaining.
2. The Lead Independent Director shall be empowered to do the following: (i) request the convening of the Board of Directors or the inclusion of new items on the agenda of a Board meeting already convened; (ii) meet with and coordinate non-Executive Directors; (iii) lead the regular evaluation of the Chairman of the Board; (iv) chair the Board of Directors in the absence of the Chairman and Vice-Chairmen, if any; (v) voice the concerns of non-Executive Directors; (vi) maintain contacts with investors and shareholders in order to understand their views and form an opinion regarding their concerns, in particular as regards corporate governance of the Company; (vii) coordinate the succession plan of the Chairman; and (viii) exercise any other powers invested under the Bylaws or these Regulations.

Article 12. The Board Secretary

1. The functions of Secretary of the Board shall be exercised by the person appointed by the Board. The Secretary of the Board need not be a Director. The appointment, compensation and dismissal of the Secretary shall be

approved by the Board, following a report from the Nomination, Compensation and Corporate Governance Committee.

2. The Secretary is responsible for: (i) assisting the Chairman in his work directed toward the proper functioning of the Board; (ii) facilitating receipt by Directors of information necessary for the performance of their duties well in advance of each Board meeting and in the appropriate format; (iii) providing legal advice to members of the Board; (iv) keeping the minute books and associated documents within the confines of the Company premises; and (v) reflecting in said minutes the proceedings of meetings, attesting to their contents and the resolutions adopted.
3. The Secretary of the Board shall ensure the substantive and procedural legality of the acts and resolutions of the Board and its committees; respect for its governing rules and procedures; and that the Board takes into account those corporate governance recommendations applicable to the Company in the course of its proceedings.
4. The Secretary shall also exercise all duties pertaining to him or her by applicable law and the Bylaws as regards calls to meeting and the constitution, adoption, certification, formalization and implementation of Board resolutions and those of its committees and shall be responsible for verifying that quarterly and annual financial reports have been signed by all Directors and forwarded to the *Comisión Nacional del Mercado de Valores* ("National Securities Exchange Commission").
5. The Secretary of the Board may simultaneously hold the position of in-house counsel to the Company. When he holds both positions simultaneously, appointment as counsel shall be made to a law professional of proven prestige and experience.
6. The Board may appoint a Vice Secretary, who need not be a Director, to assist the Secretary of the Board in his duties and substitute for the Secretary in the event of absence or vacancy in the post. The appointment and dismissal of the Vice Secretary shall be approved by the Board, following a report by the Nomination, Compensation and Corporate Governance Committee. Unless otherwise decided by the Board, the Vice Secretary shall attend its meetings.
7. In the absence of the Secretary and the Vice Secretary, a Director with legal education shall act in the Secretary's stead, appointment devolving upon the youngest such Director if there be more than one.

V. Proceedings of the Board

Article 13. Meetings of the Board

1. At the beginning of the fiscal year, the Board shall establish a calendar of dates and matters for discussion at the regular meetings which it plans to hold.
2. The Board shall meet at least eight times per year. However, the Chairman shall convene as many meetings as are necessary for the proper analysis and treatment of matters within the Board's purview.
3. The Chairman shall convene the Board if formally requested by a Vice-Chairman, one third of the Directors or the Lead Independent Director. In the absence of the Chairman, or if the Chairman does not honour the request without good cause within one month, any Vice-Chairman, Lead Independent Director, or Directors constituting at least one third of the members of the Board may call a meeting by production of an agenda with the matters to be discussed.
4. Any Director may propose matters to be discussed by the Board and insist on the inclusion of items on the agenda of Board meetings.
5. Call for ordinary meetings may be made by e-mail, letter or any other valid means where delivery is recorded and will be effective if it contains the signature of the Chairman or of the Secretary on the Chairman's behalf or on behalf of Directors who have initiated the call. The call shall be made, except in case of exigent circumstances, no later than three days before the date of the meeting.

The call shall always include the agenda of the meeting and shall be accompanied by information relevant to the matters to be discussed. Where, in the Chairman's view, it is inadvisable for reasons of confidentiality, additional information shall not accompany the agenda and the Directors shall be advised of the possibility of examining said information at the Company offices. Directors may also request the Chairman, the Secretary and the Vice-Secretary of the Board provide them with any additional information they deem necessary to carry out an adequate assessment of the matters to be discussed at the meeting.

6. Extraordinary Board meetings may be convened by any means referred to in the previous paragraph. The notice period and other requirements set out above shall not apply should, in the convenor's view, circumstances so militate.
7. Board meetings may be held in person, by videoconference, or other distance communication techniques and in such case shall be construed as being held at the Company offices. Additionally, the Board of Directors may adopt written resolutions without meeting when no Director objects.
8. Members of the management team and Company staff whose presence is required by the Chairman upon his own initiative or at the request of a Director shall be obliged to attend Board meetings as well cooperate with the Directors

and provide them with access to information available to them. The Board may also require attendance by the Company's external auditors at Board meetings.

9. The Board shall annually evaluate its own performance, the quality of its work, the effectiveness of its proceedings and the performance of its members based upon a report prepared by the Nomination, Compensation and Corporate Governance Committee. It shall also assess the performance of its committees based on the annual activities reports which they present to the Board.

The evaluation process shall be organised and coordinated by the Chairman of the Board together with the chairmen of all Board committees, as well as by the Lead Independent Director in the case of the evaluation of the Chairman of the Board.

Every three years the Board will be assisted in carrying out the evaluation by an external consultant.

Article 14. Meeting Procedures

1. Except where other attendance quora have been established by law or by the Bylaws, the Board shall be validly constituted when at least half plus one of its members are present or represented. If the number of Directors is odd, it is understood that a quorum exists more than half of the Directors are present.
2. Directors shall personally attend meetings and ensure that nonattendance occurs only when unavoidable.

In the event that a Director is unable to attend a meeting, he or she shall endeavour to grant a proxy with voting instructions.

Non-Executive Directors may only deliver a proxy to another non-Executive Director.

Proxies may be granted for each meeting by e-mail or by letter or any other valid means of recorded delivery.

3. Except where a different type of majority has been established by applicable law or by the Bylaws, resolutions shall be adopted by an absolute majority of votes of the Directors attending the meeting. In the event of a tie, the Chairman of the Board shall cast the deciding vote.

Article 15. Acts and Deliberations

1. Matters discussed and the resolutions adopted at Board meetings and meetings of its committees shall be recorded in a minute book which, once adopted, shall be signed by the secretary of the meeting with the approval of the person who

has acted as Chairman.

- 2 The minutes shall reflect the discussions held at the meeting and, upon request, statements by Directors. The draft of the minutes will be provided to the Directors sufficiently in advanced of the meeting of the administrative body that must approve them.

VI. Board Committees

Article 16. Board Committees

1. Without prejudice to delegations of authority issued on an individual basis, the Board shall form the following committees:
 - a) Audit and Compliance Committee.
 - b) Nomination, Compensation and Corporate Governance Committee.
 - c) Sustainability Committee.
 - d) Other committees deemed appropriate by the Board, including an Executive Committee with authority delegated by the Board.
- 2 The Board of Directors may agree to divide the authority of the Nomination, Compensation and Corporate Governance Committee into two different committees.
3. The Board, after a report from the Nomination, Compensation and Corporate Governance Committee, shall appoint the members of the committees taking into account their knowledge, skills and experience in the matters relating to the functions to be performed by each committee.

Without prejudice to the foregoing, the Board shall encourage rotation of Directors among the various committees.

4. Except as otherwise specified by these Regulations, committees shall regulate their own procedures and appoint a chairman from among their members. The Secretary or Vice-Secretary of the Board shall act as secretary.
5. Committees shall meet upon call by their Chairman or upon a request by the Chairman of the Board or any of the Vice-Chairmen, the Lead Independent Director or half plus one of the Directors.

The Board Secretary shall forward meeting requests and information on matters to be discussed at each meeting, in accordance with Article 13.5 of the Board Rules as it relates to the Board.

6. Committees shall be validly constituted when a majority of their members are

present or represented. Resolutions shall be adopted by an absolute majority of the members present, with tie votes decided by a vote of the Chairman.

Members of the committee shall personally attend meetings and ensure that non-attendance be minimized to the extent possible. In the event that any committee member is unable to attend, a proxy may be granted for each meeting by email or by letter or any other valid means where delivery is recorded.

7. Committees shall keep the Board informed of matters discussed and resolutions adopted at their meetings. To this end, the chairman of each committee shall report at the first Board meeting following the meeting of the relevant committee. Except in the case of the Executive Committee, and in other cases where permitted by law or the Bylaws, decisions taken by the committees shall be considered as proposals for resolution or information for the Board.
8. Committees shall create an annual calendar of dates and matters to be discussed at regular meetings, without prejudice to their ability to hold other, extraordinary meetings. They shall also create an annual proceedings report. The calendar and proceedings report shall be presented to the Board.
9. Members of the management team and Company staff whose presence is required by the committee shall be obliged to attend committee meetings as well as cooperate with the committee and provide it with access to information available to them, and such appearances may be made with no other staff member present in order to maintain necessary independence in the functioning of the committee. The committee may also require attendance of the Company's external auditors at committee meetings.
10. In order to enhance the performance of their duties, committees may seek the advice of external professionals, who shall be subject to the provisions of these Regulations.
11. Articles 13 through 15 and other provisions of the Board Rules relative to operations of the Board shall apply to the operations of Board committees, provided that they are compatible with the nature and function of the committees and favour their effective operation.
12. The Secretary of the Board shall make a copy of the minutes of meetings of the committees available to all members of the Board.

Article 17. The Executive Committee

1. If constituted, the Executive Committee shall be delegated all or part of the powers of the Board, except those which may not be delegated in accordance with applicable law, the Bylaws and these Regulations.
2. The Executive Committee shall consist of the number of Directors determined

from time to time by the Board, with a minimum of four and a maximum of nine members, and shall have at least two non-Executive Directors, one of whom shall be Independent.

The chairman and secretary of this committee shall be the Chairman and Secretary of the Board of Directors. If the Chairman of the Board is not a member of the committee, another Executive Director member of the committee shall be chairman.

3. The appointment of its members and the permanent delegation of powers by the Board shall require the favourable vote of at least two thirds of Directors.
4. Resolutions adopted by the Executive Committee shall be valid and binding without the need for further ratification at a plenary meeting of the Board unless ratification is legally mandated or, given the importance of the matter, at the discretion of the chairman or one third of the members of the Executive Committee, the chairman decides to submit it for ratification.

Article 18. The Audit and Compliance Committee

1. The operations of the Audit and Compliance Committee shall be in accordance with applicable law, the Bylaws and these Regulations.
2. The Audit and Compliance Committee shall consist exclusively of non-Executive Directors, with a minimum of three and a maximum of six. A majority of its members shall be Independent Directors and shall appoint a chairman from among them. In the absence of its chairman, meetings shall be chaired by the Independent Director appointed by the committee.
3. The Chairman shall be replaced at least every four years, without prejudice to his continuing as a member of the committee, and may be re-elected as Chairman after a period of one year has elapsed since stepping down from the post.
4. Taken as a whole, committee membership, and in particular selection of its chairman, shall be predicated on the members' knowledge and experience in accounting, auditing, internal control and risk management, both financial and non-financial.
5. The committee shall have the following duties, in addition to those assigned to it by law.

5.1 With regard to information and internal control systems:

- a) Supervise and evaluate the financial and non-financial risk control and management systems of the Company and its group as well as the process of preparing and submitting financial and non-financial information contained in the annual and interim financial reports made public, and oversee regulatory compliance, the proper scope of

consolidation, and the proper application of accounting practices.

- b)** Supervise internal audit, risk control, and management and compliance staffing, competence and activities, specifically: (i) ensure their independence; (ii) propose selection, appointment, compensation and dismissal of their respective managers; (iii) receive regular information on their activities; (iv) approve their annual budgets and work plans and monitor their implementation; and (v) verify that senior management takes into account the conclusions and recommendations of their reports.

With regard to the internal audit area, the committee will ensure that its activity is mainly focused on relevant risks, including reputational risks.

In the area of risk management, the committee shall verify that appropriate mechanisms are established for monitoring financial and non-financial risks, including operational, technological, legal, social, environmental, political and reputational risks.

- c)** Establish and supervise the operation of a means by which employees and other Company stakeholders such as Directors, shareholders, suppliers, contractors or subcontractors may communicate confidentially and, when appropriate, anonymously, potentially significant irregularities, including financial and accounting irregularities, related to the Company or its group, and that respects the rights of the complainant and the accused.
- d)** Ensure that established internal control policies and systems are implemented effectively.

5.2 With regard to the external auditor:

- a)** Ensure that the accounts that the Board of Directors submits to the General Shareholders' Meeting are drawn up in accordance with accounting regulations and the audit report does not contain reservations or qualifications.
- b)** In the event of resignation, examine the circumstances that motivated it.
- c)** Ensure that the compensation of the external auditor for its work and that arising from other business relationships with the Company do not compromise its quality or the auditor's independence.
- d)** Ensure that the Company properly communicates any change of auditor through legally established channels and accompanies such communication with a statement regarding the possible existence of material disagreements with the outgoing auditor and their content.
- e)** Ensure that the external auditor holds an annual meeting with the full Board of Directors to report on the work performed and changes in the accounting and risk environments of the Company.

- f)** Ensure that the Company and the external auditor comply with applicable rules on the provision of services other than auditing services, limits on concentration of the auditor's business and, in general, rules on the independence of auditors, as well as authorising the procurement of those services.

5.3 Other functions:

- a)** Report to the Board on economic conditions and their accounting impact and, in particular and where appropriate, on the proposed exchange ratio for corporate restructuring activities that the Company intends to perform.
- b)** Take decisions regarding internal compliance and competence programmes and procedures approved and assigned to it by the Board, as well as monitor compliance with the Company's internal policies and codes of conduct ensuring that corporate culture is aligned with their purpose and values and propose amendments.
- c)** Supervise implementation of the communication policy with shareholders, institutional investors and voting advisors; relationships with other stakeholders; and the policy for financial, non-financial, and corporate information, which may form part of the communication policy, and propose amendments.
- d)** Report on non-arms' length transactions which must be approved at a Meeting or by the Board of Directors and supervise the internal procedure established by the Company.

Article 19. The Nomination, Compensation and Corporate Governance Committee

- 1.** Operations of the Nomination, Compensation and Corporate Governance Committee shall comply with applicable law, the Bylaws and these Regulations.
- 2.** The Nomination, Compensation and Corporate Governance Committee shall consist exclusively of non-Executive Directors, with a minimum of three and a maximum of six. A majority of its members must be Independent Directors, and the chairman shall be appointed from among them. In the absence of the chairman, the meeting shall be chaired by the Independent Director appointed for that purpose by the committee.
- 3.** The members of the committee shall be appointed with the goal of constituting a body with the knowledge, skills and experience appropriate to the functions they perform.
- 4.** The Chairman of the Board, if he is an Executive, or the CEO shall be consulted and called to meetings of the committee in which matters relating to senior managers other than themselves are discussed.

5. The committee shall have the following duties in addition to those assigned to it by law:

- a)** Report on the selection policy for Directors approved by the Board and verify compliance annually.
- b)** Annually review compliance with the requirements of the category under which each Director was appointed, which will be noted in the Annual Corporate Governance Report.
- c)** Determine the competencies and knowledge necessary for the Board and periodically analyse its concurrence in Board membership.
- d)** Define the profile and abilities required for appointment or re-election of Directors prior to the start of the selection process and ensure the absence of any kind of discrimination or favouritism in recruitment of the best professionals.
- e)** Verify the content of the Annual Corporate Governance Report, and incorporate the Audit and Compliance Committee report relative to the sections of that report that are within its purview.
- f)** Ensure that non-Executive Directors have sufficient time availability for the proper performance of their duties.
- g)** Create the reports to be issued by the Board in carrying out the annual evaluation of its performance and the annual evaluation of the Chairman of the Board.
- h)** Design, organize and regularly update continuing education and onboarding programmes for new Directors.
- i)** Propose to the Board of Directors the Compensation Policy for Directors and periodically review whether it is consistent with Company strategy and the creation of long-term value.
- j)** Propose to the Board of Directors contractual terms for senior managers.
- k)** Present a succession plan for the Chairman of the Board, Executive Directors and the senior managers to be approved by the Board.
- l)** Verify the data regarding compensation of Directors and senior managers contained in corporate documents and, specifically, in the Annual Report on Directors' Compensation.
- m)** Periodically analyse Company policies, internal rules, procedures and practices in the area of corporate governance when supervision does not interfere with another committee, as well as their consonance with national and international standards, recommendations and best practices in these areas, and propose modifications.

- n) Report to the Board, prior to its approval, on the rest of the information made public by the Company related to matters within its purview.
- o) Ensure that conflicts of interest do not adversely affect the independence of advice provided to the committee by outside advisors.
- p) Periodically review Company policies and procedures on recruitment, retention, development and compensation of professional talent as an essential asset of the Company.
- q) Consult with the Chairman of the Board and if the Chairman is not an Executive Director, with the CEO, especially in matters relating to Executive Directors and senior managers.

Article 19a. The Sustainability Committee

1. The operations of the Sustainability Committee shall be in accordance with applicable law, the Bylaws and these Regulations.
2. The Sustainability Committee shall consist exclusively of non-Executive Directors with a minimum of three and a maximum of six. A majority of its members must be Independent Directors, and they shall appoint a chairman from among them. In the absence of the Chairman, meetings shall be chaired by the Independent Director appointed for that purpose by the committee.
3. Members of the committee shall be appointed in an effort to ensure that as a group they possess the knowledge, skills and experience appropriate for the duties they are to execute.
4. The committee shall have the following duties:
 - a) Guide, monitor and evaluate the degree of compliance with policies, good practices and specific action plans in the area of sustainability, particularly regarding corporate social responsibility, the environment, diversity, and integration, and ensure that they conform to the strategy and Master Plan approved by the Board of Directors.
 - b) Determine the general principles and criteria that animate the content of the Sustainability Report (non-financial information statement) in accordance with applicable law and international best practices in this area, and propose its contents to the Audit and Compliance Committee.
 - c) Periodically review the Company's sustainability performance, as well as its position in existing indices and metrics, taking particular account at all times of those aspects that are increasingly valued by the various stakeholders, and proposing measures for the Company to respond to them.
 - d) Report to the Audit and Compliance Committee on non-financial risks

related to matters within its purview.

- e) Supervise the management of intangible assets such as reputation, brand image, intellectual property and transparency, and propose improvement measures.
- f) Any other sustainability issues delegated to it by the Board.

VII. Appointment and Dismissal of Directors

Article 20. Nomination and Appointment of Directors

1. Directors shall be appointed, re-elected or ratified at Meetings without prejudice to shareholders' rights to proportional representation, in accordance with the provisions contained in the *Ley de Sociedades de Capital* ("Spanish Corporations Act") and the Bylaws.

Should vacancies occur during the period for which a Director was appointed, the Board may, by co-optation, designate a person to occupy the post until the next Meeting, if one is not already convened. If already convened, the Board of Directors may appoint a Director until the next Meeting following the one convened.

2. Proposal for appointment shall be for persons of recognized personal and professional character, with sufficient capacity to maintain proper dedication to the post and without other interests incompatible with their performance.

Directors may be natural or artificial persons. In all cases an artificial person Director shall appoint a single natural person as representative for the permanent exercise of the duties of office. The criteria for the suitability of Directors referred to in these Regulations shall apply to the natural person representative, who shall be subject to the same duties applicable to Directors under the law, the Bylaws and these Regulations. The proposal for a natural person representative shall be pursuant to a report of the Nomination, Compensation and Corporate Governance Committee. Removal of a natural person representative of an artificial person Director shall not take effect until a replacement is designated.

3. Proposals for the appointment, re-election and dismissal of Directors submitted by the Board to Meetings, as well as the provisional appointment decisions it adopts, shall be made upon proposal from the Nomination, Compensation and Corporate Governance Committee in the case of Independent Directors and the Board itself, after a report by that committee, in other cases.
4. The proposal or report of the Nomination, Compensation and Corporate Governance Committee shall classify the new Director into one of the defined

categories according to applicable law, and be accompanied by a supporting report from the Board containing the results of the analysis carried out on the skills, experience and merits of the proposed person, which shall be attached to the minutes of the Meeting or of the Board.

When the Board departs from the recommendation of the Nomination, Compensation and Corporate Governance Committee, it shall make the reasons known and record them in the minutes.

5. The Board and the Nomination, Compensation and Corporate Governance Committee, within the scope of their respective duties, shall exercise rigour in relation to those persons called to fill the post of Independent Director.
6. The Board shall propose to the General Meeting that proposals for the appointment or re-election of Directors be subject to individual vote on each of them.
7. From the time of publication of the call to Meeting, the Company shall publish continuously and keep up to date at least the following information on the website regarding persons proposed for appointment, ratification or re-election as members of the Board: (i) identity and CV; (ii) the proposed Director category noting, in the case of Proprietary Directors, the shareholder represented or with whom he is linked; and (iii) the proposal and reports referred to in the previous paragraphs.

In the case of an artificial person, the information shall include that corresponding to the natural person to be appointed for the permanent exercise of the functions of the office. This information will be kept up to date.

Article 21. Term of Office

Directors shall hold office for the period provided for in the Bylaws, without prejudice to Article 23.1, and may be re-elected one or more times for periods of equal duration.

The Board shall endeavour to implement measures aimed at achieving a reasonable periodic turnover of Independent Directors.

Article 22. Re-election of Directors

Proposals for re-election of Directors which the Board decides to submit to a Meeting shall follow the process provided for in these Regulations for the appointment of new Directors.

Article 23. Departure of Directors

1. Directors shall leave office when they are dismissed at a Meeting or when they communicate their resignation to the Company.

Where the Board proposes the dismissal of an Independent Director in advance of the end of the period for which he was appointed, its proposal shall be accompanied by clear justification and the underlying report of the Nomination, Compensation and Corporate Governance Committee.

2. Directors shall inform the Board and offer to resign whenever:
 - a) Any of the legally defined circumstances of incompatibility, prohibition or forced resignation arise.
 - b) They seriously violate their duties as Directors or commit acts or omissions contrary to the diligence and responsibility with which they must perform their duties.
 - c) They cannot maintain the dedication necessary for their effective performance.
 - d) The shareholder which the Proprietary Director represents sells his equity interest in full or decreases it to a level requiring a reduction in the number of Proprietary Directors appointed on his behalf.
 - e) In the case of Independent Directors, when conditions or circumstances change calling into question the independent status of the Director.
 - f) In the case of Executive Directors, upon termination for any reason of the management position associated with their appointment as Director.
3. In all cases the Director must inform the Company and resign if appropriate, when he is affected by a situation, whether or not related to his duties at the Company, that may harm the credit and reputation of the Company. In particular, he must inform the Board of any criminal case in which he is a suspect and of any proceedings in the case.

Having been informed or learned otherwise of the concurrence of any of the situations referred to in the preceding paragraph, the Board shall examine the case as soon as possible and decide, in light of its specific circumstances, after a report of the Nomination, Compensation and Corporate Governance Committee, whether or not to take any action (opening an internal investigation, requesting the Director's resignation or proposing his dismissal).

The Board of Directors shall give a detailed report in the Annual Report on Corporate Governance, unless there are special circumstances which justify not doing so, which will be recorded in the minutes.

4. In the event that any of the circumstances describe in paragraphs 2 and 3 above apply to a natural person representing an artificial person Director, the Director

shall immediately appoint a new natural person representative to replace him.

5. In the event that the Director does not submit his resignation in the cases described in the previous paragraphs, the Board shall submit a proposal for dismissal to the Meeting.
6. When a Director resigns, he shall deliver a letter to the other members of the Board explaining the reason for his resignation; in the event of dismissal of a non-Executive Director at a Meeting, the reasons for such dismissal shall be explained. These explanations shall be contained in the Annual Corporate Governance Report and, to the extent relevant to investors, the Company shall publish such as soon as possible, including sufficient reference to the reasons or circumstances provided by the Board.

Article 24. Duty to Abstain. Secret Ballot

1. The duty of loyalty obliges a Director to refrain from participating in deliberations and voting on resolutions or decisions in which he or a person linked to him has a direct or indirect conflict of interest whether in front of the Board or a committee of which he or she is a member.

Without prejudice to the foregoing paragraph, Directors are exempt from the duty to abstain regarding their designation to or removal from posts on the administrative body and similar bodies.

2. When deemed appropriate by the Chairman or upon request by a majority of attendees, votes on the appointment, re-election or dismissal of Directors may be conducted by secret ballot.

VIII. Director Information

Article 25. Right to Information

1. In the performance of his duties, the Director has the right to obtain from the Company the information appropriate and necessary for the fulfilment of his duties. In this regard, the Director shall enjoy the broadest powers to be informed about any aspect of the Company, to examine books, records, documents and preliminaries of Company operations, to inspect all its facilities and communicate with senior management of the Company. The right of information extends to affiliates, whether domestic or foreign.
2. In order not to disturb the day to day running of the Company, the exercise of the right to information will be conducted through the Chairman of the Board, who will respond to the Director's request by providing information directly to

him, offering him access to appropriate members of the organization or providing means for access to the desired information.

3. Directors will also be regularly informed of changes in shareholder structure as well as opinions that significant shareholders, investors and rating agencies have about the Company and its group.
4. Any Director may attend and participate in meetings of the Board committees of which he is not a member, but shall not have the right to vote, upon request to the Chairman of the Board or to the chairman of the respective committee.
5. The Company will facilitate Directors' acquisition and updating of information regarding the Company, including its corporate governance rules.

Article 26. External Advice

1. In order to count on adequate information and advice in the exercise of their duties, Directors may request the Company engage legal, accounting, financial or other expert advisors.

The engagement will necessarily deal with specific, significant, and complex matters presented to the Director in the performance of his duties.

2. The engagement request shall be addressed to the Chairman and authorised at a plenary session of the Board, which may refuse the request if it is established that:
 - a) It is not required for proper performance of the Director's duties.
 - b) The cost is unreasonable, in view of the significance of the matter and the financial situation of the Company.
 - c) The advice can be adequately provided by Company experts and technicians.
 - d) Confidentiality of the matter may be jeopardized.

IX. Director Compensation

Article 27. Director Compensation

1. The Board of Directors shall submit a compensation policy for Directors which complies with the compensation system provided for in the Bylaws for approval at a Meeting at least every three years, as a separate item on the agenda.

Justification for the compensation policy submitted by the Board at a Meeting shall be provided, and it shall be accompanied by a specific report from the Nomination, Compensation and Corporate Governance Committee. The maximum annual compensation for Directors shall be determined at the Meeting, and this limit shall remain in force as long as it is not modified at a Meeting.

2. Subject to the maximum approved at a Meeting, the Board shall determine specific amounts to be received by each Director, applicable distribution criteria, frequency, and payment dates.
3. Executive Directors must enter into a contract with the Company containing compensation amounts for their executive duties, consistent with the compensation policy approved at a Meeting. Such contracts must be approved in advance by the Board with a favourable vote of two thirds of its members. The Director concerned shall not attend deliberations nor participate in the vote. The contract shall detail all the terms under which the Director is compensated for the performance of executive duties and shall be attached to the minutes of the meeting after approval.
4. With the advice of the Nomination, Compensation and Corporate Governance Committee, the Board shall ensure that Director compensation is adequate to attract and retain Directors with the profiles desired and reward the dedication, qualifications and responsibilities required by the post without compromising the independence of non-Executive Directors.
5. Upon proposal from the Nomination, Compensation and Corporate Governance Committee, the Board shall produce an annual report on the compensation of Directors with content required by applicable law and which shall be put to an advisory vote as a separate item on the agenda at a Meeting.
6. The Board will periodically approve the information on the compensation of Directors and senior managers that the Company must make public after a report of the Nomination, Compensation and Corporate Governance Committee and in accordance with applicable law.

X. Director Duties

Article 28. Duty of Diligence

1. A Director must perform his work and carry out those duties imposed by law, the Bylaws and these Regulations with the diligence of a dedicated businessman.
2. Directors shall possess proper dedication and take actions necessary for proper direction and control of the Company.

3. In performing his duties, a Director has a duty to demand and receive from the Company the information appropriate and necessary for the fulfilling his obligations.

Article 29. Duty of Secrecy and Confidentiality

1. The Director, even after leaving his post, shall maintain the secrecy of resolutions, information, data, documentation and proceedings learned as a result of the exercise of his post, which he must not disclose or communicate to third parties.
2. The following cases are exempt from the duty of secrecy referred to in the previous paragraph:
 - a) As permitted by applicable law.
 - b) As required by competent authorities or which the Director has a legal obligation to submit despite the information being subject to the secrecy requirement in accordance with the provisions of this article. In these cases, disclosure of information shall comply with the provisions of applicable law.
3. Where the Director is an artificial person, the duty of secrecy shall also rest with the natural person representative without prejudice to the obligation to inform his principle.

Article 30. Duty of Loyalty

1. In the performance of his duties, the Director will act with the loyalty of a fiduciary and act in good faith and in the best interest of the Society.
2. Violation of the duty of loyalty will result not only in the obligation to compensate for the damage caused to the Company treasury, but also to return to the Company any unjust enrichment obtained by the Director.

Article 31. Conflicts of Interest and Waiver

1. Directors shall take necessary measures to avoid confronting situations in which their interests, whether direct or indirect, may conflict with the best interests of the Company and their duties to the Company.
2. In particular, the duty to avoid conflicts of interest obliges the Director to refrain from:

- a) Carrying out transactions with the Company except in the case of non-material, routine transactions made under standard conditions for customers, understood to mean those transactions which need not be accounted for in order to express a fair picture of the assets, financial situation, and results of the entity in accordance with the provisions of these Regulations.
 - b) Using the Company's name or invoking his Director status to unduly influence the conduct of personal transactions.
 - c) Making use of Company assets, including the Company's confidential information, for private purposes.
 - d) Taking advantage of the Company's business opportunities.
 - e) Obtaining advantage or compensation from third parties other than the Company and its group for performance of the duties of his post, unless they are de minimis.
3. The provisions set out in paragraph 1 above shall also apply where the beneficiary of the prohibited acts or activities is a person linked to the Director.
4. For the purposes of these Regulations, persons linked to the Director shall be those considered as such under applicable law.
5. Directors shall communicate to the Board any direct or indirect conflict of interest that they or any person linked to them may have with the Company.
- They shall also communicate: (i) positions held on other boards of directors to which they belong, whether or not they are listed companies, as well as any other compensated activities performed regardless of their nature; and (ii) Company shares and share options which they own, either directly or indirectly.
6. Waiver of the obligations detailed in paragraph 1 above, when appropriate, shall require approval of the Board of Directors or at a Meeting in accordance with applicable law and the internal operating rules of the Company.
7. In the cases outlined in paragraph 1 above, the Board, shall require the adoption of measures which, in its view, are necessary to preserve the Company interest after a report from the Nomination, Compensation and Corporate Governance Committee. The Company shall make public instances of conflict of interest involving Directors in terms required by applicable law.

Article 32. Prohibition Against Competition

1. Directors may not conduct business or other activities which compete with the Company, whether actually or potentially, or which in any way places them in long term conflict with Company interests.

The above paragraph shall also apply if the beneficiary of such prohibited activity is a person linked to the Director.

- 2 The obligation not to compete with the Company may only be waived in the event that there is no reason to expect harm to the Company or the Company is expected to benefit from the profits obtained from the waiver. The waiver shall be granted by separate and express resolution at a Meeting.
- 3 Upon request by any shareholder, a decision will be made at a Meeting on the dismissal of a Director who engages in competitive activities with a material risk of harm to the Company.

Article 33. Dedication

1. In the exercise of his duties, the Director shall dedicate the time and effort necessary for his or her proper performance. To this end, he shall inform the Board of activities which may materially affect his dedication as a Company Director.
- 2 Generally, Directors may not belong to such a number of boards as to prevent or hinder them from devoting adequate dedication to their position as a Director in the Company. To this end, Directors shall comply with the following general limits:
 - a) Executive Directors may hold administrative positions in only two other listed companies.
 - b) Non-Executive Directors may hold administrative positions in only four other listed companies.

Without prejudice to these limits, the Board shall assess in each case the personal and professional circumstances for each Director, in particular in the case of Proprietary Directors.

3. Failure to comply with the foregoing shall result in the application of the rules of Article 23, paragraph 2 of these Regulations.

Article 34. Duties of the Secretary and Vice-Secretary of the Board

The regulations contained in this Chapter X shall also apply to the Secretary and the Vice-Secretary of the Board, in the event that they are not Directors, to the extent that it is reasonable in the light of their duties.

XI. Transactions with Directors and Shareholders

Article 35. Non-Arm's Length Transactions

1. The Board is responsible for understanding and authorizing any direct or indirect transaction made between the Company and any related party as defined by applicable law prior to its execution and after a report from the Audit and Compliance Committee.

Transactions shall be evaluated from the point of view of equal treatment and market conditions.

2. Notwithstanding the above paragraph, authorization shall be required at a Meeting when the transaction reaches a value of more than 10% of Company assets.
3. In the case of recurrent transactions which take place in the ordinary course of the Company's business and are carried out under standard market conditions for customers and are of little relevance, understood to mean those transactions which need not be accounted for in order to express a fair picture of the Company's assets, financial situation and results, prior authorisation by the Board of the general line of activities concerned shall suffice.
4. The authorisation provided for in the previous paragraphs shall not, however, be required where the transactions in question simultaneously fulfil the following three conditions:
 - a) That they be made under contracts whose conditions are standardized and generally applied to a large number of customers;
 - b) That they be made at prices or fees generally established by the person acting as the supplier of the good or service concerned; and
 - c) That the transaction amount does not exceed 1% of the Company's annual income and in the case of transactions with Directors, does not exceed twenty thousand euros.
5. Exceptionally, under exigent circumstances, related party transactions may be authorised by the Chairman of the Board with subsequent ratification by the Board at its next meeting.
6. In order for the Company to be able to identify potential related transactions in advance, Directors must keep the Board informed if they have, directly or indirectly, significant interests or influence in companies or entities that do business with the Company.
7. Directors involved in non-arm's' length transactions or who represent or are linked to shareholders involved them, in addition to not exercising or delegating their vote, shall be absent from the meeting while the Board or the committee concerned deliberates and votes on them. In the case of transactions with

shareholders who are subject to a decision at a Meeting, the Board shall consider recommending that the shareholders concerned abstain in voting.

Article 36. Public Information

The Board shall report periodically on related party transactions carried out by the Company in accordance with applicable law after a report from the Audit and Compliance Committee.

XII. Board Relations

Article 37. Relations with Shareholders and Investors, Voting Advisers and Other Stakeholders

1. The Board will favour and promote a policy of communication and regular Company contact with its shareholders, institutional investors, brokers, voting advisors and the market in general, as well as a general policy of communication of financial, non-financial and corporate information in full compliance with insider trading rules and the principle of equal treatment of similarly situated shareholders, and will facilitate adequate channels for receiving proposals that they may make regarding Company management, guaranteeing continuity and accuracy in those communications.
2. Under no circumstances may relations with institutional investors result in the delivery to them of any non-public information that might provide them with competitive advantage over other investors or shareholders.
3. Public requests for delegation of votes made by the Board or any of its members shall be governed by the provisions of applicable law and the Rules of Procedure for Annual Shareholders' Meetings.
4. The Board will promote the informed participation of shareholders at Meetings and take all appropriate measures to help the Meeting effectively perform its duties according to applicable law, the Bylaws and the Rules of Procedure for Annual Shareholders' Meetings.

Article 38. Relations with Markets

1. The Board is responsible for keeping information required by applicable law updated on the corporate website, as well as information that it believes is relevant to financial and capital markets.

2. The Board shall ensure timely compliance with applicable rules on insider information and other material information, in accordance with the provisions of the Internal Rules of Conduct in Matters Relating to the Company's Securities Markets, as well as insider trading rules.
3. The Board will approve and make public information on its rules and practices in the area of Corporate Governance, complying at all times with applicable law and taking into account recommendations and best practices in the area of Corporate Governance.

Article 39. Relations with Auditors

1. The Board's relations with the Company's external auditors will be managed by the Audit and Compliance Committee.
2. Nonetheless, the external auditors shall attend any Board meeting where any audit report on financial information to be made public by the Company is to be presented, so that all Directors may have direct access to the auditors at the time of submission of the content and conclusions of those reports.

The Chairman of the Board may also demand the appearance of external auditors in front of the Board when he deems it appropriate or at the request of a Vice-Chairman, the Lead Independent Director or one third of Directors.

3. The Board will make every effort to submit to the Meeting the Company's annual financial statements without reservations or qualifications in the audit report. Should any exist, the Board shall request external auditors, if required, to report clearly on them to shareholders at the Meeting. The chairman of the Audit and Compliance Committee shall inform shareholders at the Meeting of the opinion of the committee as to the contents and scope of the qualification and shall make a summary of such views available at the time of call to Meeting.
4. The Board shall refrain from contracting the audit of the annual financial statements to any firm when circumstances arise which may compromise their independence according to criteria established by applicable law.
5. The Board shall publicly report on the overall fees that the Company pays to the audit firm for audit services with the frequency and content established under applicable law, and shall provide detailed and individualized information on additional services of any kind provided and the corresponding fees received by the external auditor or by persons or entities linked to it.
6. The audit firm, the audit professional responsible for the work, and members of the external audit team should rotate periodically in accordance with schedules established under applicable law and under circumstances, where appropriate, as determined by the Board after proposal from the Audit and Compliance Committee.

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