

## ANNUAL REPORT ON COMPENSATION OF DIRECTORS FOR LISTED COMPANIES

### **A** COMPANY COMPENSATION POLICY FOR THE CURRENT FISCAL YEAR

**A.1. Explain the company's compensation policy. Include in this section information regarding:**

- **General principles and foundations of the compensation policy.**
- **Most significant changes made in the compensation policy applied during the prior fiscal year, as well as changes made during the fiscal year to the terms for exercising vested options.**
- **Standards used to establish the company's compensation policy.**
- **Relative size of the variable items of compensation compared with fixed items, along with the standards used to determine each component of director compensation packages (compensatory mix).**

---

#### **Explain the compensation policy**

---

Compensation for members of the Board of Directors (hereafter the "Board") is determined in accordance with provisions contained in the Bylaws and the Board Rules as well as resolutions adopted at Annual Shareholder Meetings (individually, "Meeting").

It has been Company practice to periodically review compensation amounts and criteria for members of the Board (hereafter "Directors") in order to maintain them at market levels and consonant with best practices and recommendations in the field, taking into account Company characteristics, professional profiles of Directors, the dedication demanded for diligent performance of their duties and the responsibility they take on.

#### a) General Supervisory Function and Collaborative Decision Making

The current compensation system consists of the following principles and foundations:

- That compensation of External Directors should provide sufficient incentive for their dedication, qualifications and responsibility, but not so much that it undermines the independence of Independent Directors.
- The compensation plans for Directors other than Executive Directors shall not incorporate components tied to profits or stock price, with the goal of divorcing compensation from short term variables and objectives; payment of that compensation is to be entirely in cash.
- Taking into account the high attendance rate of Directors at Board and committee meetings and the fact that such posts demand dedication and availability of the highest order, compensation is to be based exclusively on fixed amounts determined by the responsibilities taken on by each Director.

- In the event that objectives made public by the Company are not met in any given fiscal year, compensation amounts shall be revisited and the Annual Shareholders Meeting shall be informed.

The Board has expressed its intention not to propose any changes to the current system during the period 2014 to 2016 unless specific circumstances warrant a review.

b) Administrative and Management Functions Delegated by the Board to Executive Directors.

Executive Directors receive additional compensation by virtue of their contractual relationships with the Company for carrying out the administrative and management duties which they have been assigned.

This additional compensation for Executive Directors is determined individually for each one by the Board upon proposal by the Nomination, Compensation and Corporate Governance Committee.

Since 2002, it has been Company practice to establish a medium term compensatory framework for Executive Directors, normally a period of three years.

The current compensatory framework was established for the triennial period 2014 to 2016 in accordance with the following principles and bases:

- That it be effective in attracting and retaining the best professionals, keeping their compensation in line with best practices and market conditions.
- That it promote retention of Directors and direct their management attention strictly and with special focus on the medium term, with a reasonable connection to changes in stock value exclusively during the medium term.
- That overall it take into account current conditions, outlooks, and sustainable growth objectives of the Company.

No changes have been made in compensation policy as regards general supervisory duties and collaborative decision making. As regards additional compensation for Executive Directors in payment for administrative and management functions delegated to them by the Board (as well as changes in the amount paid to the Managing Director as detailed in section A.3 below), the only change consists in establishment of standards and procedures to be applied in the event that it becomes evident in the future that some erroneous data were used in calculation of either annual or multiannual variable compensation (see section A.13 below).

No director owns or has any right to any Company stock options.

For membership on Board and its Committees, only fixed compensation is paid to the directors.

The compensation scheme for Executive Directors in payment for administrative and management functions delegated to them include components which are fixed and variable; annual and multiannual; in cash, in kind, and linked to market value; and are determined according to the following criteria:

- That fixed compensation remain constant for the three year period except in specific instances which warrant a review.
- That variable compensation represent a substantial portion of total compensation and be above market average.
- That the medium term compensation be significant.
- That compensation tied to market value be significant but not excessive.

Under the current compensation scheme, as for cash compensation, variable components represent twice the value of fixed amounts on an annual basis; compensation made by delivery of shares represents 25% of total annual compensation (being variable and medium term). Also, variable components represent 75% of the total; for the medium term it represents 50%.

**A.2 Information regarding preparatory work and the decision-making process used to determine the compensation policy and the role, if any, played by the compensation committee and other supervisory bodies in crafting the compensation policy. This information shall include any mandate given to the compensation committee, its composition, and the identity of external advisors whose services have been used to define the compensation policy. Describe the class of directors, if any, who participated in determining the compensation policy.**

---

#### **Explain the process for determining the compensation policy**

---

In accordance with the Board Rules, proposals regarding compensation policy for Directors, as well as specific schemes to be implemented and their components and amounts, are drafted by the Nomination, Compensation and Corporate Governance Committee and brought before the Board of Directors for a decision within the framework and limits established by the Bylaws, resolutions of Shareholders, and Board Rules or, when warranted, submitted to the Shareholders at Annual Meetings.

In order to draft their proposals, the Nomination, Compensation and Corporate Governance Committee periodically analyses trends and best practices in compensation policies for directors and senior managers and evaluates the appropriateness of Company policies as well as considering its own experience in applying them.

The Nomination, Compensation and Corporate Governance Committee has regularly availed itself of the advice of independent and well respected experts in this field. These experts were PwC and Egon Zehnder for the review and proposal approved in 2011 and in effect up to and including 2013; Mercer, PwC and Spencer Stuart were

used for the review and proposal drafted and approved for the current fiscal 2014, which is expected to remain in effect up to and including fiscal 2016.

In 2011 the said experts opined that “the compensation criteria and amounts are adequate and follow best practise and the most recent recommendations in these matters” and stated that this opinion remained valid for 2012 and 2013.

The opinion of the experts advising the Committee in 2014 stated that “the compensation policy applied by Indra to the Board and its Committees was clearly in line with best practices in Spain and internationally, and showed a high level of transparency” and that, so far as executive director compensation is concerned specifically, that “the compensation scheme, its amount, and the weight given to its components are appropriate to their responsibilities and are in line with best international practices and consistent with those of comparable Ibex 35 companies.

The members of the Committee are exclusively outside Directors, the majority Independent, and the Chairman is always Independent. Currently, it is composed of five members, three of them Independent and the other two Proprietary Directors representing the two largest shareholders of the Company.

During meetings of the Board in which proposals related to compensation specific to Executive Directors are considered, those Directors are not present, nor do they participate in any manner in making related decisions.

**A.3 State the amount and nature of fixed compensation components, with a breakdown, if applicable, of amounts given to executive directors for the performance of their management duties; of additional compensation as chair or member of a committee of the board; of fees for attending meetings of the board and its committees; or other fixed compensation paid for being a director, as well as an estimate of the resulting fixed annual compensation. Identify any non-cash compensation and the criteria for awarding it.**

---

**Explain the nature of the fixed compensation components**

---

Compensation for general supervisory and collaborative decision making duties consists, as has already been indicated, exclusively in a fixed amount received by each Director considering the responsibility and dedication required, and determined in accordance with the following: 100 m€ for membership on the Board; 30 m€ for membership on the Executive Committee; 50 m€ for membership on the Audit and Compliance Committee; and 30 m€ for membership on the Nomination, Compensation and Corporate Governance Committee, the chairmen receiving 1.5 times the indicated amounts. The amounts were established with the goal of making average Director compensation approximately 150 m€.

Without affecting the fact that the fixed amount of Director compensation be paid entirely in cash, all of the Directors have informed the Company of their decisions to

dedicate a significant portion of the amounts received (around 30% of gross proceeds, which amounts to approximately 50% of net compensation for a natural person Director) towards the purchase of Indra shares, promising as well to keep those share so long as they remain at their posts.

So far as additional compensation for Executive Directors for their administrative and executive management function is concerned, the annual fixed compensation is paid in cash in the following amounts: 1,000 m€ for the Chairman (which has remained the same since 2011) and 550 m€ for the Managing Directors (which was 450 m€ for the previous triennial period).

#### **A.4 Explain the amount, nature and primary characteristics of the variable components of the compensation systems.**

**In particular:**

- **Identify each of the compensation plans of which the directors are beneficiaries, their scope, their approval dates, their beginning dates, the length of time they are in effect, and their main features. In the case of stock option plans and other financial instruments, the general features of the plan shall include information on the terms for exercising such options or financial instruments for each plan.**
- **Indicate any compensation under profit-sharing or bonus plans, and their purpose.**
- **Explain the fundamental parameters and rationale for any annual bonus plan.**
- **The classes of directors (executive directors, proprietary external directors, independent external directors or other external directors) who are beneficiaries of compensation systems or plans which include variable compensation.**
- **The rationale for such variable compensation systems or plans, the criteria for evaluating performance, and the components and evaluation methods for determining whether such evaluation criteria have been met, and an estimate of the monetary value of variable compensation to which the current compensation plan would give rise, based on the assumptions or goals used for its determination.**
- **If applicable, explain any established deferred payment periods and/or periods for retaining shares or other financial instruments.**

---

#### **Explain the variable components of the compensation systems**

---

The only variable components of Directors' compensation schemes are those for Executive Directors as they apply to their administrative and executive management functions, as follows:

- a) Annual variable compensation in cash, which is determined and is earned upon close of each fiscal year on the basis of 100% of fixed annual compensation for a satisfactory evaluation by the Board for meeting budget goals as well as management performance for each Executive Director.

In determining whether goals have been met, objectives made public at the beginning of each fiscal year are considered, as well as additional specific and overall quantitative and qualitative objectives.

Quantitative objectives take into consideration primarily the following parameters: sales, contracting, operating margins and net profit, investments, working capital, cash flow and net debt.

The most important qualitative objectives are those relating to development in key geographic areas, meeting goals for new business, acquisition and integration of acquired businesses, implementation of global delivery systems, improvements in efficiencies and cost reductions, human resource management processes, and quality in project execution.

The choice of specific objectives comes about based upon their importance and relevance for meeting global objectives for the business as a whole as well as the principal business segments of sales, vertical and geographic activity, and creation of sustainable value.

- b) Medium term variable compensation in cash, which is conditioned upon maintaining status as an Executive Director during the above mentioned three year period 2014 to 2016 and delivered at the end of the triennium based on an amount equal to three times fixed annual based salary for a satisfactory evaluation of the progress of the Company during that period and of management duties performed, taking into account progress towards and completion of medium term strategic objectives established for the period and taking into consideration as well progress of the Company in the context of the markets in which it operates and performance of the most important similarly situated companies in the sector.

Evaluation of the Chairman is based primarily on global parameters and objectives tied directly to matters of strategy; for the Managing Directors the parameters and objectives are more closely tied to operational development and specific action plans.

A detailed explanation of the criteria and metrics used to evaluate progress towards annual as well as medium term goals which determine variable compensation is contained in section E, below.

- c) Compensation by means of delivery of shares in each of the fiscal years for the 2014 to 2016 triennium is determined based upon an evaluation of management carried out the year before for each delivery of shares, and a satisfactory evaluation is to have an equivalent net value of 25% of gross annual compensation for each Executive Director, the number of shares to be determined by dividing said net compensation by the market price at the moment of delivery.

These shares ownership is not consolidated until the end of the triennial period and are conditioned upon the Executive Director's remaining during that time; for that reason they are considered medium term compensation. Furthermore, the Director agrees to retain ownership of the shares for at least three years after delivery.

This delivery of shares is subject to prior authorization at the Annual Shareholders Meeting scheduled to be held in June, 2014 just as share delivery for the 2011 to 2013 triennium was authorized during the 2011 Meeting.

**A.5. Explain the main features of any long term savings plans, including retirement and any other survival benefit, either wholly or partially financed by the company, and whether funded internally or externally, and provide an estimate of their cost or equivalent annual amount, stating the type of plan, whether it is a defined contribution or defined benefit plan, the conditions under which payment rights are vested in favour of directors, and their compatibility with any kind of severance payment for early retirement or termination of the labour relationship between the company and the director.**

**Indicate also any contributions to defined contribution pension plans on the director's behalf; or any increase in the director's vested rights in the case of contributions to defined-benefit plans.**

---

**Explain any long term savings plans**

---

No external Director is a beneficiary of any long term savings plan, pension or retirement plan, or any similar benefit.

Executive directors are beneficiaries of an early retirement plan and long-term savings plan provided through a defined contribution fund outsourced by means of an insurance policy with individually determined contributions and contracted with a first tier insurance company. The only obligation for the Company is to make annual contributions to it. Contributions are determined as a percentage of total annual compensation (effective compensation as defined in their contracts), 15 % for the Chairman and 17% for the Managing Director, and will remain in effect so long as there is a contractual relationship with the Company and until each attains the age of sixty-two, at which time the Executive Director will receive the policy's cash value, whether or not he continues his professional relationship with the Company (or earlier should the employment relationship end through no fault of the Director, including change of control), in the form of cash, an annuity, or a mix of both.

The amounts estimated in 2014 for the early retirement and long term savings plan are 600 m€ and 374 m€ for the Chairman and the Managing Director, respectively. As indicated in Note 40 of the consolidated Report on Financial Statements for fiscal 2013, under the authorization granted at the Annual Shareholders Meeting held 27 June, 2013, the Board of Directors agreed to transfer to the above referenced plan, all amounts reserved by the Company up until then to cover the prior plan, which at the close of fiscal 2013 amounted to 21,110 m€, of which 11,500 m€ was for the Chairman and 3.400m€ for the Managing Director.

In order to facilitate comparison between years, in table a) iii of section D.1 below includes balances and provisions of the early retirement and long-term savings plans funded by the Company in fiscal 2012 and 2013 to cover payouts for Executive Director retirement plans which applied under the old system when their employment relationship with the Company ended.

Executive Directors are not beneficiaries of any pension plans or any other retirement, savings or deferred compensation plan other than described in the previous paragraph. Also, there are no golden parachutes or severance clauses which benefit Executive Directors in the event of termination of their contractual relationship.

**A.6 Indicate any severance benefits agreed to or paid in case of termination of duties as a director.**

---

**Explain the severance benefits**

---

Company directors do not have any rights to severance in the event of termination of duties as director.

**A.7. State the terms and conditions that must be included in the contracts of executive directors performing senior management duties. Include information regarding, among other things, the term, limits on severance benefit amounts, clauses regarding duration on the board, prior notice periods, as well as payments in lieu of prior notice, and any other clauses relating to hiring bonuses, as well as benefits or golden parachutes due to early retirement or termination of the contractual relationship between the company and the executive director. Include, among other things, any covenants or post-contractual non-compete, exclusivity, permanence, or loyalty clauses.**

---

**Explain the clauses in executive director contracts**

---

Executive Directors maintain a business relationship with the Company described in two contracts to provide services, which regulate the conditions applicable to their professional relationship with the Company for the performance of administrative and management functions delegated to them by the Board of Directors.

The contracts are of indefinite duration, with no golden parachute or severance clauses for their termination, and are terminable upon three months' notice (in the event of



breach, the other party will be entitled to receive an amount equivalent to the amount due for the uncompleted period).

The contracts require Executive Directors full availability and to sign a two year post contractual non-compete agreement payable at the end of the relationship with the Company (annual compensation to be paid at the rate of 0.75 times total base compensation).

**A.8 Explain any supplemental compensation accrued by directors in consideration of services provided other than those inherent in their position.**

---

**Explain the supplemental compensation**

---

There is no supplementary compensation for Company Directors.

**A.9. Indicate any compensation in the form of advances, credits and guarantees given, stating the interest rate, main features, and amounts eventually repaid, as well as the obligations assumed on their behalf as a guarantor.**

---

**Explain advances, credits and guarantees given**

---

The Company (including all of the companies in its group) has not given any type of credit, advance, or loan guarantee to Directors.

**A.10 Explain the main characteristics of compensation in kind.**

---

**Explain compensation in kind**

---

Compensation in kind is given only to Executive Directors pursuant to their contracts for carrying out administrative and management duties delegated to them and consist of a life and disability policy as well as health benefits; for the current fiscal year the cost to the Company will be 110 m€ and 16m€ for the Chairman and 26 m€ and 10 m€ for the Managing Director respectively.

**A.11 State the compensation received by the director by virtue of payments made by the listed company to a third party to which the director provides services, if such payments are intended to provide compensation for services rendered to the company.**

---

**Explain the compensation received by the director by virtue of payments made by the listed company to a third party to which the director provides services**

---

None.

**A.12 Any form of compensation other than those listed above, of whatever nature and from any member of the group, especially when it is deemed to be a related party transaction or when its payment obscures an accurate view of the total compensation accrued by the director.**

---

**Explain other forms of compensation**

---

There are not additional compensation components.

**A.13 Explain the actions taken by the company regarding the compensation system in order to reduce exposure to excessive risk and align it with the long-term goals, values, and interests of the company, including any reference to: measures intended to ensure that the compensation policy takes into account the long-term results of the company, measures which establish an appropriate balance between fixed and variable components of compensation, measures adopted with respect to those categories of personnel whose professional activities have a significant impact on the entity's risk profile, repayment formulae or clauses allowing demand of the return of variable compensation components of compensation based on results if such components have been paid based on data that is later shown to be clearly inaccurate, and measures provided to avoid any conflicts of interest.**

---

**Explain actions taken to reduce risk**

---

As explained in section A.1 above, the director compensation system for oversight and control duties is designed with the express goal of divorcing this compensation from short term goals and variables.

Also, as regards specifically compensation for Executive Directors, a significant amount of weight has been given to medium term components and an appropriate balance between fixed and variable components, as explained in sections A.1, A.3 and A.4, with a moderate amount of weight in the above referenced compensation given to market value (which also applies exclusively to medium term compensation).

The procedures for determining goals and for assessing their achievement endow the Board and the Nomination, Compensation and Corporate Governance Committee with the sole authority to act and make decisions in this matter and emphasize its correlation with sustainable value in the medium and long term.

Current control and compliance programs in the Company establish oversight mechanisms and checks and balances in order to avoid the concentration of decision making power in areas or in persons which might cause a higher impact from risk to the company as well as avoiding, or if applicable, managing, conflicts of interest which may arise.

The Board of Directors of the Company has resolved that, should it be discovered afterward that any variable payments were made based upon erroneous data, whether annual or multiannual, a clawback provision allows a claim for return of compensation improperly made and for any other remedy the Board may consider appropriate as allowed by law. These procedures are governed by Board Rules under the framework of provisions dealing with conflict of interest.

## **B COMPENSATION POLICY FOR FUTURE FISCAL YEARS**

**B.1 Provide a general forecast of the compensation policy for future fiscal years that describes such policy with respect to fixed components and attendance fees and compensation of a variable nature, the relationship between compensation and results, benefit programs, contract terms for executive directors, and the most significant changes expected in compensation policy relative to prior fiscal years.**

---

### **General forecast of the compensation policy**

---

As indicated in section A.1 above, the Board of Directors expects that the policy in effect for the current fiscal year, as described in that section, will remain in force for fiscal 2015 and fiscal 2016. It is expected that the components and criteria for fixed compensation (described in section A.3) and variable compensation (described in section A.4) will remain the same as well.

Additionally, no modifications in either the current long term savings plan (long term early retirement and savings plan described in section A.5) or the Executive Director contractual framework (described in section A.7) are expected.

**B.2 Explain the expected decision making process for design of the compensation policy for future fiscal years, and the role, if any, played by the compensation committee.**

---

### **Explain the decision making process for design of the compensation policy**

---

The decision making process for design of the compensation policy is described in section A.2, above.

Although, as indicated in section B.1 above, no modifications to either the policy in force for the current fiscal year or to the systems, components or amounts currently established are anticipated, in the event that action in that regard should be taken, the same processes and procedures described in section A.2 would be applied, with the same amount of responsibility and involvement on the part of the Nomination, Compensation and Corporate Governance Committee as detailed in that section.

**B.3 Explain the incentives created by the company in the compensation system to reduce excessive risk and to align it with the long-term goals, values and interests of the company.**

---

**Explain the incentives created to reduce risk**

---

The procedures and activities put into place in this regard are explained in section A.13 above, and the Company expects them to remain in place and in force in the next fiscal years.

**C OVERALL SUMMARY OF THE APPLICATION OF THE COMPENSATION POLICY DURING THE FISCAL YEAR JUST ENDED**

**C.1 Summarise the principal characteristics of the structure and compensation items of the compensation policy applied during the fiscal year just ended leading to the breakdown of individual compensation received by each director as reflected in section D of this report, as well as a summary of the decisions made by the board in applying those items.**

---

**Explain the structure and compensation items of the compensation policy applied during the fiscal year**

---

The compensation policy and the structure and compensation items applied during the closed fiscal year 2013 were established by the Company for the three year period containing that year and the two previous ones 2011 and 2012 which, as indicated in section A above, are essentially the same as those which will continue to be applied for the new three year period (2014 to 2016) other than minor modifications indicated in section A.1, primarily adjustment of the amounts received by the Managing Director for whom at the moment of his appointment - which took place in 2011 and was expected at the beginning of that fiscal year - it was agreed that his initial pay scale would be below regular market rates for his new responsibility then progressively increase as he developed his career at his new position.

Therefore, the structure and compensation items applied in the fiscal year just closed are those described in detail in heading A above and in particular sections A.1, A.3 and A.4.

As regards annual and multiannual compensation items paid upon the close of fiscal 2013, the amounts received by the Board, upon recommendation of the Nomination, Compensation and Corporate Governance Committee, were determined applying the same criteria and procedures described in section A.4 above.

Performance and results for fiscal 2013, including a comparison with established overall goals for the same, was made public in the report of results on 26 February 2014. The report to investors of March, 2014 and available on the Company website shows graphically and in detail performance of each of the public objectives for this fiscal year.

Medium term strategic objectives established for the period 2011 to 2013 and contained in the Annual Compensation Report for 2012 are as follows: organic growth;

new offer; international development, primarily in Latin America, Asia and the Middle East; management of the Company in the Spanish market; investment parameters, working capital, cash flow and debt; number and distribution of global clients and large accounts; key organizational processes (human resource development, centres of production and excellence); succession plans for management teams and senior managers; and brand awareness and reputation and corporate responsibility.

In spite of the fact the Executive Directors were entitled to a greater amount as a result of their performance evaluations, both proposed to the Nomination, Compensation and Corporate Governance Committee and to the Board - which agreed - that they receive a lesser amount (80% of the annual amount and 85% for the multiannual component for a satisfactory evaluation) given the general economic and social environment in Spain where the Company is headquartered. As reported in the annual financial statements as well, since it is the regular practice of the Company to make an annual reserve for multiyear compensation obligations, 15% of the amounts reserved and allocated in the prior fiscal years of 2011 and 2012 were unused.

## **D** DETAIL INDIVIDUAL COMPENSATION PAID TO EACH DIRECTOR

**D.1 Complete the following charts regarding individual compensation for each director (including compensation paid during the fiscal year for executive duties) paid during the fiscal year.**

a) Compensation paid by the Company which is the subject of this report:

i) Cash compensation (in 1000's of €)

Name	Salary	Fixed Compensation	Per Diem	Short Term Variable Compensation	Long Term Variable Compensation	Compensation for Committee Membership	Indemnity	Other Items	Total Fiscal 2013	Total Fiscal 2012
J. Monzón	1,000	150	0	800	850	0	0	54	2,854	3,049
D. García-Pita	0	100	0	0	0	70	0	0	170	175
J. de Andrés	450	100	0	360	383	45	0	20	1,358	1,432
Mediación y Diagnósticos	0	67	0	0	0	40	0	0	107	160
Participación y Cartera I.	0	67	0	0	0	33	0	0	100	150
J. C. Aparicio	0	25			0	8			33	-
A. Menéndez	0	25	0	0	0	10	0	0	35	-
J. March	0	100	0	0	0	60	0	0	160	160

S. Martínez-Conde	0	50	0	0	0	25	0	0	75	-
Casa Grande	0	100	0	0	0	40	0	0	140	150
J. de Andrés	450	100	0	360	383	45	0	20	1,358	1,432
Administradora Valtenas	0	50	0	0	0	15	0	0	65	130
I. Aguilera	0	100	0	0	0	33	0	0	133	159
L. Lada	0	100			0	80			180	151
M. de Oriol	0	100	0	0	0	30	0	0	130	130
I. Santillana	0	100	0	0	0	52	0	0	152	150
R. Sugrañes	0	100	0	0	0	55	0	0	155	160
A. Terol	0	100	0	0	0	80	0	0	180	175

**ii) Stock based compensation plans**

Name	Type of Plan and Effective Date	Ownership of Options at the Beginning of Fiscal 2013				Options Granted During Fiscal 2013					Shares Delivered During Fiscal 2013		
		Number of Options	Number of Affected Shares	Strike Price	Strike Period	Number of Options	Number of Affected Shares	Strike Price	Strike Period	Conditions for Exercise	Number of Shares	Price (€)	Amount (m €)
J. Monzón	Delivery of Shares 2013	0	0	0.00	n/a	0	0	0.00	n/a	n/a	49,204	10.0829	496
J. de Andrés	Delivery of Shares 2013	0	0	0.00	n/a	0	0	0.00	n/a	n/a	22,910	10.0829	231



iii) Long term savings plans N/A.

Name	Contribution by the Company during the Fiscal Year (1000's €)		Accumulated Balance (1000's €)	
	Fiscal 2013	Fiscal 2012	Fiscal 2013	Fiscal 2012
J.Monzón	500	1.000	11.500	11.000
J. de Andrés	475	925	3.400	2.925

iv) Other benefits (1000's €)

Directors	Compensation in the form of Advances, Loans Granted		
	Rate of Interest	Basic Terms	Amount to be Repaid
N/A			

Directors	Life Insurance Premiums		Guarantees Given by the Company to Directors	
	Fiscal 2013	Fiscal 2012	Fiscal 2013	Fiscal 2012
J.Monzón	38	36	0	0
D. García-Pita	0	0	0	0
J. de Andrés	10	9	0	0
Mediación y Diagnósticos	0	0	0	0
Participación y Cartera de Inversión	0	0	0	0
J. Carlos Aparicio	0	0	0	0
A. Menéndez	0	0	0	0
J. March	0	0	0	0

S. Martínez-Conde	0	0	0	0
Casa Grande	0	0	0	0
Administradora Valtenas	0	0	0	0
I. Aguilera	0	0	0	0
L. Lada	0	0	0	0
M. de Oriol	0	0	0	0
I. Santillana	0	0	0	0
R. sugrañes	0	0	0	0
A. Terol	0	0	0	0

**b) Compensation received by Directors for membership on the boards of other companies in the group. [N/A]**

**c) Compensation summary (1000's €)**

	Compensation Paid by the Company				Compensation Paid by Companies in the Group				Totals		
	Total Cash Payments	Value of Shares Delivered	Gross Profit on Options Exercised	Total Fiscal 2013	Total Cash Payments	Value of Shares Delivered	Gross Profit on Options Exercised	Total Fiscal 2013 for the Group	Total Fiscal 2013	Total Fiscal 2012	Contributions to Savings Plans during the Fiscal Year
J.Monzón	2.854	496	0	3.350	0	0	0	0	3.350	3.544	500
D. García-Pita	170		0	170	0	0	0	0	170	175	0
J. de Andrés	1.358	231	0	1.589	0	0	0	0	1.589	1.662	475
Mediación y Diagnósticos	107		0	107	0	0	0	0	107	160	0
Participación y Cartera I.	100		0	100	0	0	0	0	100	150	0

J. Carlos Aparicio	33			33					33	-	0
A. Menéndez	35			35					35	-	0
J. March	160		0	160	0	0	0	0	160	160	0
S. Martínez-Conde	75			75					75	-	0
Casa Grande	140		0	140	0	0	0	0	140	150	0
Administradora Valtenas	65		0	65	0	0	0	0	65	130	0
I. Aguilera	133		0	133	0	0	0	0	133	159	0
L. Lada	180		0	180	0	0	0	0	180	151	0
M. de Oriol	130		0	130	0	0	0	0	130	130	0
I. Santillana	152		0	152	0	0	0	0	152	150	0
R. Sugrañes	155		0	155	0	0	0	0	155	160	0
A. Terol	180		0	180	0	0	0	0	180	175	0
<b>Totales</b>	<b>6,027</b>	<b>727</b>	<b>0</b>	<b>6,754</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,754</b>	<b>7,056</b>	<b>0</b>

**D.2 Report the relationship between compensation received by directors and results or other measures of the entity's performance, explaining, if applicable, how changes in the company's performance may have affected changes in the compensation of the directors**

As explained in earlier sections, the Company does not consider it appropriate that Director compensation for general supervisory and collaborative decision making duties be tied to results or other performance parameters with the exception of closely supervised significant and nuanced quantitative goals for variable compensation components for Executive Directors, with greater weight given to those in the medium term. The amounts resulting from the close of fiscal 2013 for annual as well as multiannual variable component compensation are consistent with performance and profitability trends of the Company when compared to prior fiscal years.

**D.3 Report the results of the non-binding vote of the shareholders on the annual compensation report for the preceding fiscal year, indicating the number of votes against, if any:**

**ANNUAL COMPENSATION REPORT 2012**

	NUMBER	% OF TOTAL
VOTES CAST	120,880,296	100
VOTES IN FAVOR	119,387,138	98.77
VOTES AGAINST	821,345	0.67
ABSTAINING	671,813	0.56

**E OTHER INFORMATION OF INTEREST**

**If there are any relevant issues relating to director compensation that could not be included in the other sections of this report, but which should be included in order to provide more complete and lucid information on the compensation structure and practices of the company regarding its directors, list them briefly.**

- This report was drafted using the advice of J&A Carrigues, S.L.P.
- The annual financial statements contain detailed and comprehensive information regarding specific aspects relating to Director and senior management compensation as well as their contractual rights and obligations and in some cases expand upon and complement the information contained in the various sections of this compensation report.

Achievement levels for annual goals is evaluated in the following manner:

- Quantitative goals, which comprise a majority of the total, are evaluated in accordance with a chart giving compensation amounts which result from achievement levels of objectives. This chart is affected by comparing predicted

market developments and performance of market sector leaders at the time of establishing goals at the beginning of the fiscal year and the results obtained at the end.

Parameters and assumptions regarding the market are based on data and analysis of consultants and specialized publications such as Gartner, IDC and Jane's as well as trade organizations (in the case of Spain Ametic, AEC and Tedae). Similarly situated companies in the field for these purposes are primarily: Cap Gemini, Atos Origin, Tietoenator, Sonda (for Latin America), Accenture, IBM and CGI for data they provide in similar business activities as the Company, as well as Thales, Airbus Defence & Space and BAE Systems.

- Qualitative measurements, which are weighted significantly less than quantitative ones, are tied to annual evaluation results on performance for each pre-established component.
- Performance evaluation for objectives does not take into account the effects of extraordinary events.

Determination of goals is accomplished annually by the Board, as well as measurement and evaluation of their level of achievement, after proposal by the Nomination, Compensation and Corporate Governance Committee.

Determination of the level of achievement of medium term goals follows quantitative and qualitative criteria associated specifically with medium term strategic goals and timelines established by the Company during the fiscal year prior to the beginning of the triennium, which goals and timelines are reviewed annually in order to maintain them at all times in line with Company strategies.

Strategic medium term objectives for the current triennium are based on: strengthening the balance sheet; focusing on management of cash generation; consolidation of position in attractive emerging geographic markets with high potential, primarily Latin America and select countries in Asia and the Middle East; active management of the Spanish market; investment in providing more supply in the high yield markets of Security and Defence, Transportation, Healthcare, Financial Services, Energy, and Industrial, as well as cross-enterprise solutions (analytics, mobility, cloud and M2M); process efficiency and development of management resources.

Although the metrics used to evaluate attainment of medium term goals are different in their specifics from those used as annual goals, their application is carried out using similar methodology in that they are compared with general market trends for the industry and for similar companies.

---

This Annual Compensation Report was approved by the Board of Directors of the Company during its meeting held \_\_\_\_\_.

Indicate if any directors abstained or voted against approval of this Report.