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Ownership Structure

Governance Bodies

Duties of Governance Bodies

Remuneration model

Risks management

Sustainability management

Ethics and values

governance model

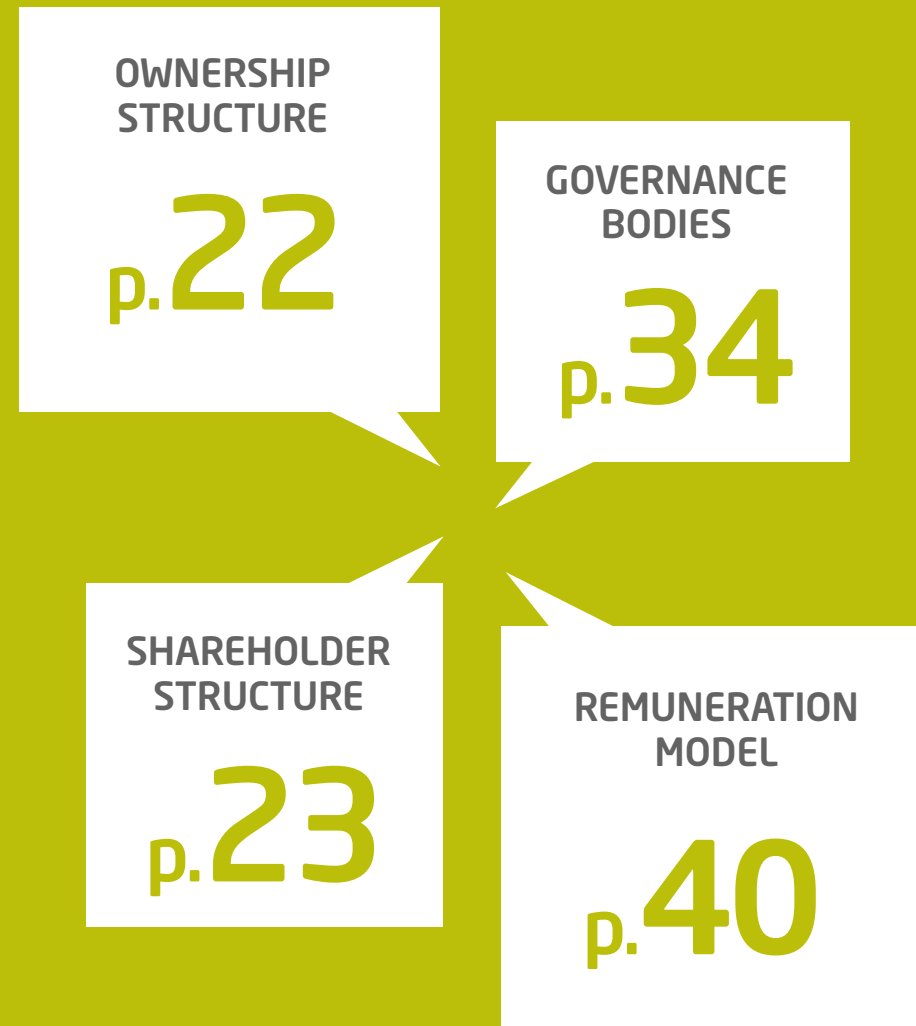


GOVERNANCE MODEL

The Indra administration model consists of a set of principles that underpin the company's management system and establish:

- ♦ An appropriate distribution of rights and responsibilities between the various company participants
- ♦ Control mechanisms to guarantee the efficient and ethical management of the company (creation of value and satisfaction of shareholder interests)

Indra has several governance bodies and adheres to a set of standards designed to guarantee good governance and contribute to the company's growth. Accordingly, every year Indra reviews the composition, operations and governance standards of the Board of Directors and its committees in order to ensure that they comply with the best practices in this regard.



2.1 OWNERSHIP STRUCTURE

At December 31, 2013 the company's share capital was €32,826,507.80, fully subscribed and paid up, and represented by 164,132,539 ordinary shares with a nominal value of €0.20 each, all of the same class. All the shares are officially listed on the four Spanish stock markets.

The **ordinary shares** have been listed on the **continuous market** since March 23, 1999 in the Information and Communication Services sector and the Electronics and Software subsector, and since July 1, 1999 Indra has also been listed on the selective **IBEX 35** index, which includes the 35 most representative companies, in terms of market capitalization and liquidity, from the Spanish stock market. At December 31, 2013, the share weighting on the IBEX 35 was 0.46%.

Moreover, on April 14, 2000 MEFF Renta Variable started contracting Call and Put options on the company's ordinary shares.

Indra also forms part of major international indices such as the Dow Jones STOXX Broad Market Index, which includes the main European listed companies, and the STOXX Europe Technology and IT Services indices, which list the leading European technological shares. Similarly, since

September 18, 2006 Indra's shares have been listed on the Dow Jones Sustainability World Index (DJSWI) and the Dow Jones STOXX Sustainability Index (DJSI STOXX), both of which select companies that make the greatest effort to adapt their activities to meet sustainability criteria from among the largest companies in the world and in Europe, respectively.

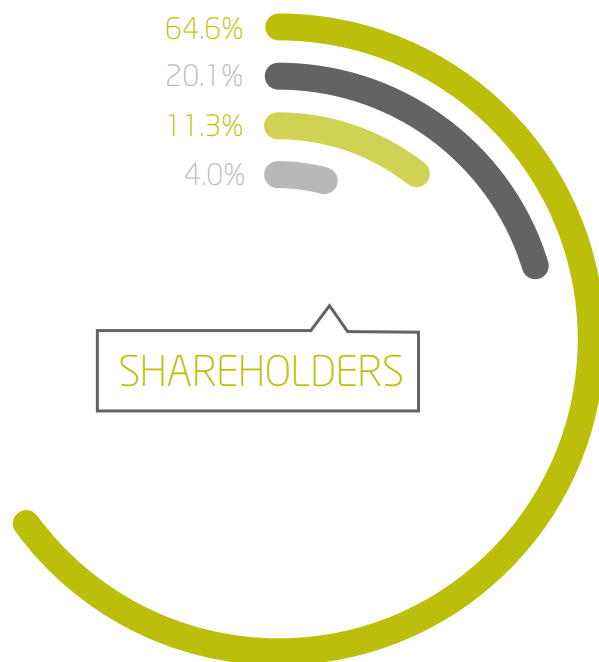
Lastly, in October 2013 the company issued a five-year convertible bond worth up to €250 million in shares. The bonds carry a nominal annual interest of 1.75%, paid twice yearly. The initial conversion price was fixed at €14.29 for each Indra share (a 30% premium).

1st COMPANY
IN ITS INDUSTRY



8 years on the
DJSI INDEXES

2.1.1 SHAREHOLDER STRUCTURE



Free-Float

105,921,402 64.6%

Sociedad Estatal de Participaciones Industriales

33,057,734 20.1%

Alba Participaciones, S.A.

18,587,155 11.3%

Casa Grande de Cartagena

6,566,248 4.0%

The company does not have a nominal register of its shareholders and therefore the shareholder composition can only be identified through the information that shareholders communicate directly or publicly announce, in line with the current legislation regarding significant stakes (which obliges shareholders to declare stakes of over 3% of the share capital), and through the information supplied by the company Iberclear, which Indra compiles for its general shareholders' meetings.

In line with the aforementioned practice, the information obtained by the company reveals that at December 31, 2013 the principal shareholder was Sociedad Estatal de

Participaciones Financieras (SEPI), with a 20.1% stake that it acquired from Banco Financiero y de Ahorros (Bankia) in August 2013. Alba Participaciones, S.A was the second largest shareholder with 11.3% of the shares (the same as last year), while Casa Grande de Cartagena had a 4.0% stake in the company, having reduced its position by 1 percentage point since last year. Additionally, in August 2013 Liberbank placed its 5% stake on the market (following the sale of Bankia's shares to SEPI). Two foreign institutional investors, Fidelity USA and Invesco, also have a considerable stake in the company, holding 10.0% and 5.5% of its shares, respectively.

2.1.2 DISTRIBUTION OF THE SHARE CAPITAL

According to the information from the General Shareholders' Meeting of June 2013, the share capital distribution by share tranche is as follows:

Number of ordinary shares owned por	Shareholders	Total Shares	Stake in the share capital
Hasta 500	67,825	7,718,726	4.70%
De 501 a 2,000	7,256	7,270,730	4.43%
De 2,001 a 5,000	1,288	4,048,845	2.47%
De 5,001 a 10,000	411	2,978,788	1.81%
De 10,001 a 20,000	201	2,901,084	1.77%
De 20,001 a 30,000	77	1,861,338	1.13%
De 30,001 a 50,000	49	1,971,895	1.20%
De 50,001 a 100,000	33	2,232,269	1.36%
De 100,001 a 500,000	75	15,880,443	9.68%
De 500,001 a 2,000,000	16	15,813,540	9.63%
More than 2,000,000	9	101,454,881	61.81%
Total	77,240	164,132.539	100.00%

At December 31, 2013 Indra held **103,558 of its own or treasury shares**, representing 0.06% of the total number of company shares.

2.1.3 STOCK MARKET INDICATORS

Main stock market indicators

Total No. of shares (12-31-2013)	164,132,539
No. of ordinary shares in free circulation -free-float- (12-31-2013)	105,921,402
Nominal share value	0.20€
.....	
Average daily trading in shares	1,066,104
Average daily trading (in thousands of euros)	11,244
Trading days	255
Trading frequency	100%
Minimum daily trading (in shares) (May 27th)	135,938
Maximum daily trading (in shares) (August 6th)	33,387,126
Total actual trading (thousands of €)	2,867
Total annual trading (in shares)	271,856,598
Total traded shares over total ordinary shares	166%
Total traded shares over ordinary shares in free circulation	257%
.....	
Minimum annual closing share price (March 4th)	8.933
Maximum annual closing share price (October 21)	12.640
Closing share price (December 31st)	12.155
Average share price at close	10.586
Market capitalization at 31st December (thousands of €) €)	1.995
.....	
Net earnings per share (EPS) (in euros)	0.706
Cash flow per share (CFPS) (in euros) (1)	1.521
Book value per share (in euros) (1)	6.913
.....	
Share price/EPS (PER) (2)	17.22
Share price/CFPS (PCF) (2)	7.99
Share price/Book value per share (2)	1.76
EV / Revenues (3)	0.90
EV / EBITDA (3)	9.11

2.1.4 TRADING VOLUME

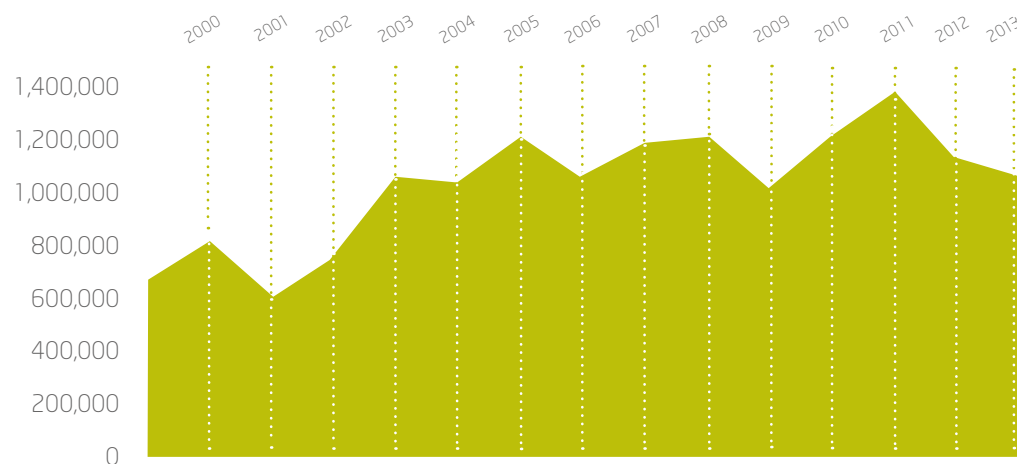
trading frequency

100%

The trading frequency of shares was **100%** throughout the year.

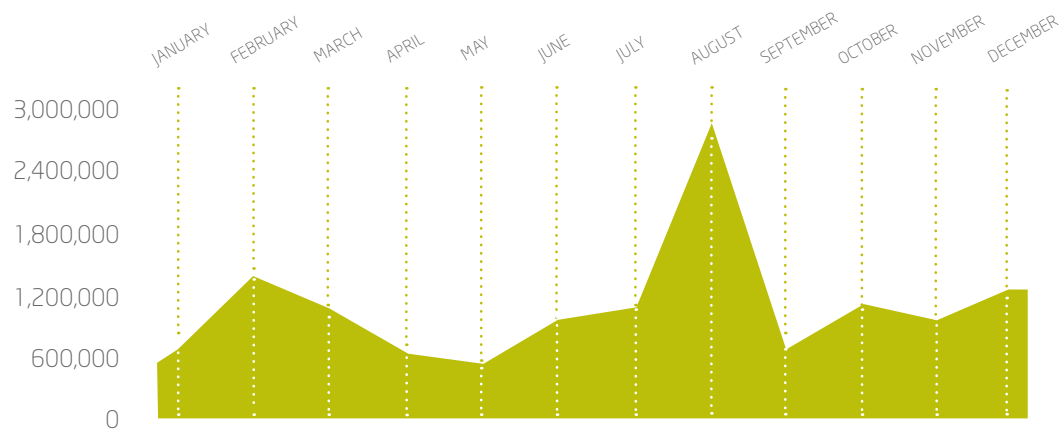
The average daily trading was **1,066,104**, down by 6% on the previous year.

272 million shares were traded on the market in 2013, which is equivalent to 1.66 times the total number of ordinary shares and 2.57 times the ordinary shares in free circulation (or free-float). The actual trading value was €2.867 billion, representing an increase of 18% on the previous year. The average daily trading and the monthly trends in 2013 are shown in the graph below:



Annual progress of the average daily trading volume (shares)

The information from 1999 includes the period from April to December and excludes the extraordinarily high volume traded in the week following IPO (March 23-30, 1999), which distorts the ordinary volume.



Monthly progress of the average daily trading volume (shares)

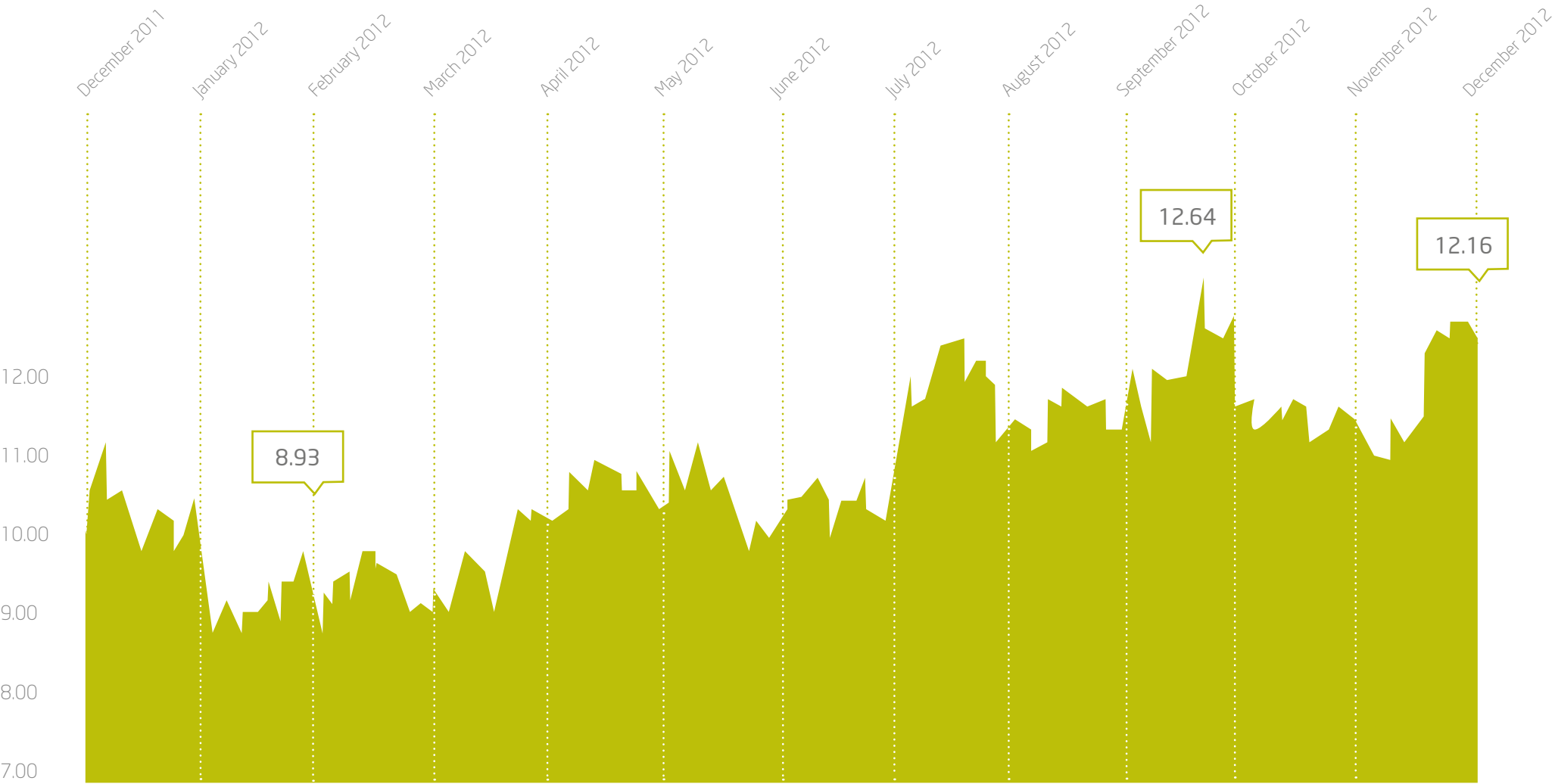
2.1.5 SHARE PERFORMANCE

The maximum, minimum, average and end-of-month closing prices of Indra's shares for each month of the year are shown below, along with a graph illustrating the share performance for the entire year:

INDRA: Monthly progress of the closing price in 2013

	Minimum	Maximum	Medium	Close of month
January	9.629	10.845	10.151	9.629
February	8.970	9.797	9.242	9.571
March	8.933	9.821	9.445	9.300
1 st part of the year	8.933	10.845	9.630	
April	9.191	10.285	9.602	10.210
May	10.120	10.750	10.467	10.175
June	9.864	10.870	10.367	9.941
2 nd part of the year	9.191	10.870	10.147	
July	10.065	10.580	10.317	10.200
August	10.300	11.970	11.492	10.965
September	10.850	11.560	11.288	11.085
3 rd part of the year	10.065	11.970	11.017	
October	10.845	12.640	11.796	12.170
November	10.915	11.445	11.224	11.230
December	10.830	12.225	11.444	12.155
4 th part of the year	10.830	12.640	11.498	

Intraday prices not included



Share performance of INDRA

Source: Bloomberg
Information for wealth tax return: The average share price in the fourth quarter of 2013 was €11.50 (published in Official State Gazette No. 53 of March 3, 2014).

2.1.5.1 TREASURY STOCK

At December 31, 2013 the parent company owned **103,358 shares directly, worth €1,258,000** (compared with 11,041 shares worth €111,000 at December 31, 2012).

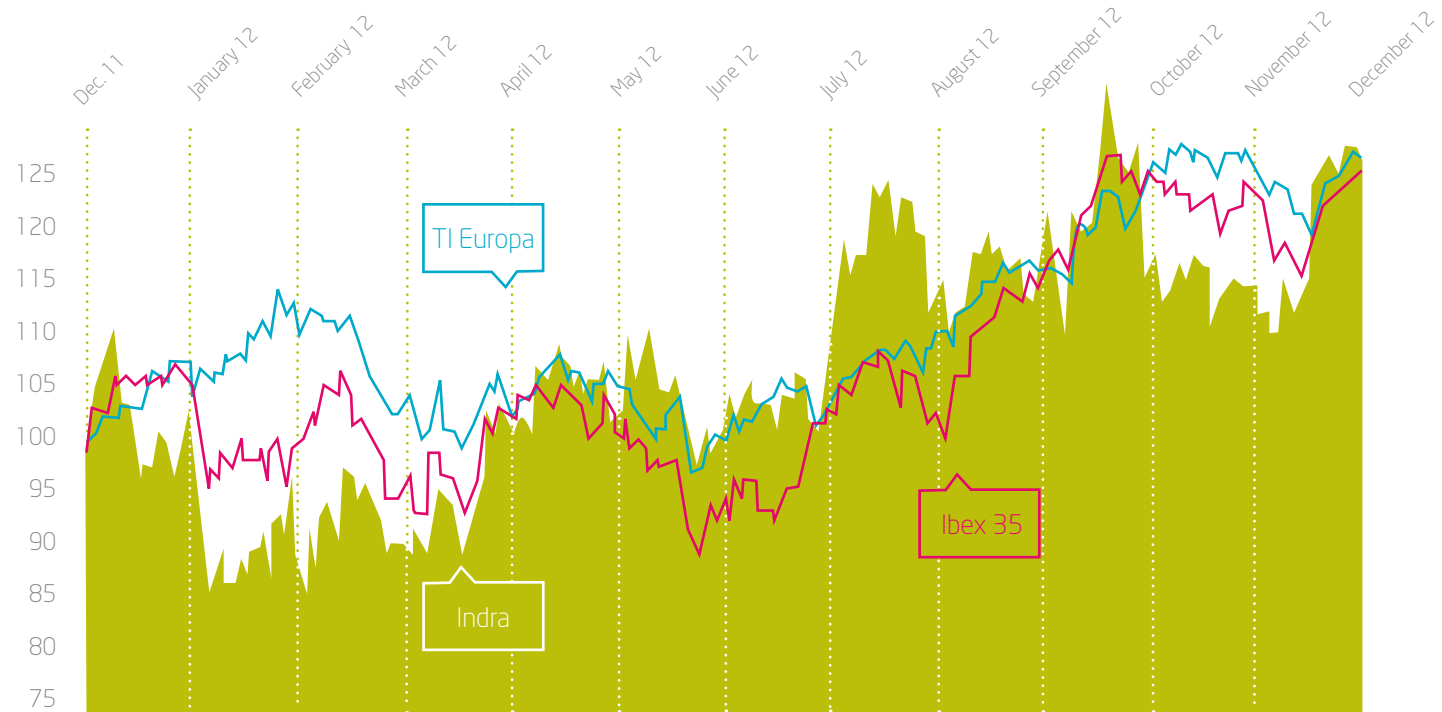
The balances and transactions in the treasury stock account for the six-month period are shown below:

	Balance on 31.12.12	High	Low	Balance on 31.12.13
Ordinary transactions in thousands of euros	111	109,031	(107,881)	1,258
Ordinary transactions in number of shares	11,041	10,291,495	(10,199,178)	103,358
% shares of capital	0.01			0.06

2.1.6 INDRA AND THE SECTOR

Source: Bloomberg

By the close of 2013, Indra's shares had accumulated an increase in value of 172% from the date of the IPO (March 22, 1999), compared to a slight loss in value of 0.4% in the IBEX 35 and of 1% in the European IT sector.



The year 2013 represented a turning point in the global economic and financial situation. Economic growth in the United States was consolidated, the principal countries in the euro zone slowly began to shake off the recession, and the emerging countries—until recently the main driving forces behind growth worldwide—entered a slowdown. The main US indices experienced an increase in value of more than two digits, with the Dow Jones and the S&P 500 reaching record highs. The performance of the selective European share indices was quite uneven, with the German DAX at the top end of the spectrum

and the British FTSE at the bottom (DAX +25%; IBEX +21%; CAC +18%; MIB +17%, FTSE +14%).

In relation to the technology sector, the European companies experienced an average increase of 22%, but with considerable variations ranging from 1% to 50%. The STOXX EUROPE IT sector index closed the year with a gain of 26%. Indian and North American technology companies performed better than their European counterparts, nearly doubling their values in the case of the United States and more than tripling them in the case of Indian companies..

Both the IBEX and Indra experienced the same revaluation (+21% in both cases), following a similar trend throughout the year. Indra's shares were quite volatile during the first half of the year, but began an upward trend in the second half, finally closing the year with a gain of 21%.

The following graph compares Indra's performance with that of the IBEX 35 and with the average performance of the leading European IT Service companies (over a base of 100), showing a positive correlation between the three indices throughout the year.

2.1.7 DIVIDEND OF THE YEAR

The dividend proposed by the Board of Directors for approval at the General Shareholders' Meeting was €0.34 per share. Thus:

DIVIDEND PER SHARE CHARGED AGAINST THE 2013 FINANCIAL YEAR

Gross dividend per share	0.34
Variation in the ordinary gross dividend per share 2011	0%
% of dividends over net result (payout)	48%
Profitability per dividend (over 31.12.12 closing price)	2.8%

2.1.8 RELATIONS WITH SHAREHOLDERS AND INVESTORS

In 2013 Indra continued to develop an **active communication policy** in order to ensure the highest level of transparency and information for the financial markets, making numerous presentations to institutional investors and analysts in Spain, other countries in Europe, and the United States. A total of **356** investors were visited throughout the year.

Meetings were also held with proxy advisors in order to analyze all the aspects related to the company's corporate governance, with a special focus on the commitment to create fluid channels of communication. The conclusions defined at these meetings were presented to the company's Board of Directors so that the members could examine stakeholder trends and assess the modifications to internal regulations in order to guarantee compliance with the corporate governance recommendations.

At December 31, 2013 the breakdown of recommendations from the 28 analysts was as follows: **32% positive**, 14% neutral and 54% negative. Their recommended average target price was €11.23 per share.

In order to respond to shareholders' questions and information needs, Indra has created a specific department for them, the Shareholder Office (Tel: +34 914 809 800; email: accionistas@indracompany.com). In 2013 this telephone number dealt with 1,151 inquiries related to

a wide variety of matters connected to the company's business, its growth forecasts, the dividend, the Shareholders' Meeting, the share price etc.

Furthermore, the Shareholder magazine continues to provide a specific channel of communication, targeted at minority shareholders in particular.

Meanwhile, the "Shareholders and Investors" section of indracompany.com provides the requisite contents stated in Circular Resolution 1/2004 of March 17 issued by the Spanish Stock Market Commission (CNMV), which implements the Transparency Act, as well as other useful information for shareholders and investors. It also offers the option of joining an email distribution list, and the Shareholder Office automatically sends subscribers all the information the company publishes externally: press releases, statements, material facts, financial results, and the annual report.

The aforementioned "Shareholders and Investors" section of the website provides detailed and up-to-date information about the company:

- ◆ Key financial figures and financial and stock market information
- ◆ Corporate governance information
- ◆ Quarterly financial statements in both PDF and Excel

format to facilitate management of the information

- ◆ Information regarding dividends
- ◆ The latest presentations for investors and analysts
- ◆ The investor's diary, including an annual calendar of scheduled events with analysts and investors and the planned dates for the publication of quarterly results
- ◆ Analysts' recommendations regarding Indra, including their latest report
- ◆ Information about the next Shareholders' Meeting and the meetings of the previous two years, as well as the option of following meetings online on the day they are held
- ◆ Annual report in PDF and interactive format for easy use

Indra is also a member of the Spanish Association of Investor Relations (AERI) and of the Spanish Issuer Association (EE), thus guaranteeing optimum communication practices with its shareholders and the financial community in general.

2.2 GOVERNANCE BODIES

As established by Indra's "Regulations of the Board of Directors and Its Committees", the company has three committees to which the Board of Directors delegates duties:

- ◆ **Delegated Committee**
- ◆ **Audit and Compliance Committee**
- ◆ **Appointments, Remuneration and Corporate Governance Committee**

The Audit and Compliance Committee and the Appointments, Remuneration and Corporate Governance Committee have powers regarding the **provision of information, advice and recommendations** to the board.

The three committees are obliged to inform the board of the matters discussed and agreements adopted at their meetings. Except in the case of the Delegated Committee, the decisions made by the committees are treated as recommended agreements or reports for the board.

In recent years the Board of Directors has dedicated more time to analyzing all the aspects related to the company's corporate governance, placing heavy emphasis on creating fluid channels of communication with shareholders and proxy advisors.

The duties of the board and each of its committees are described below.

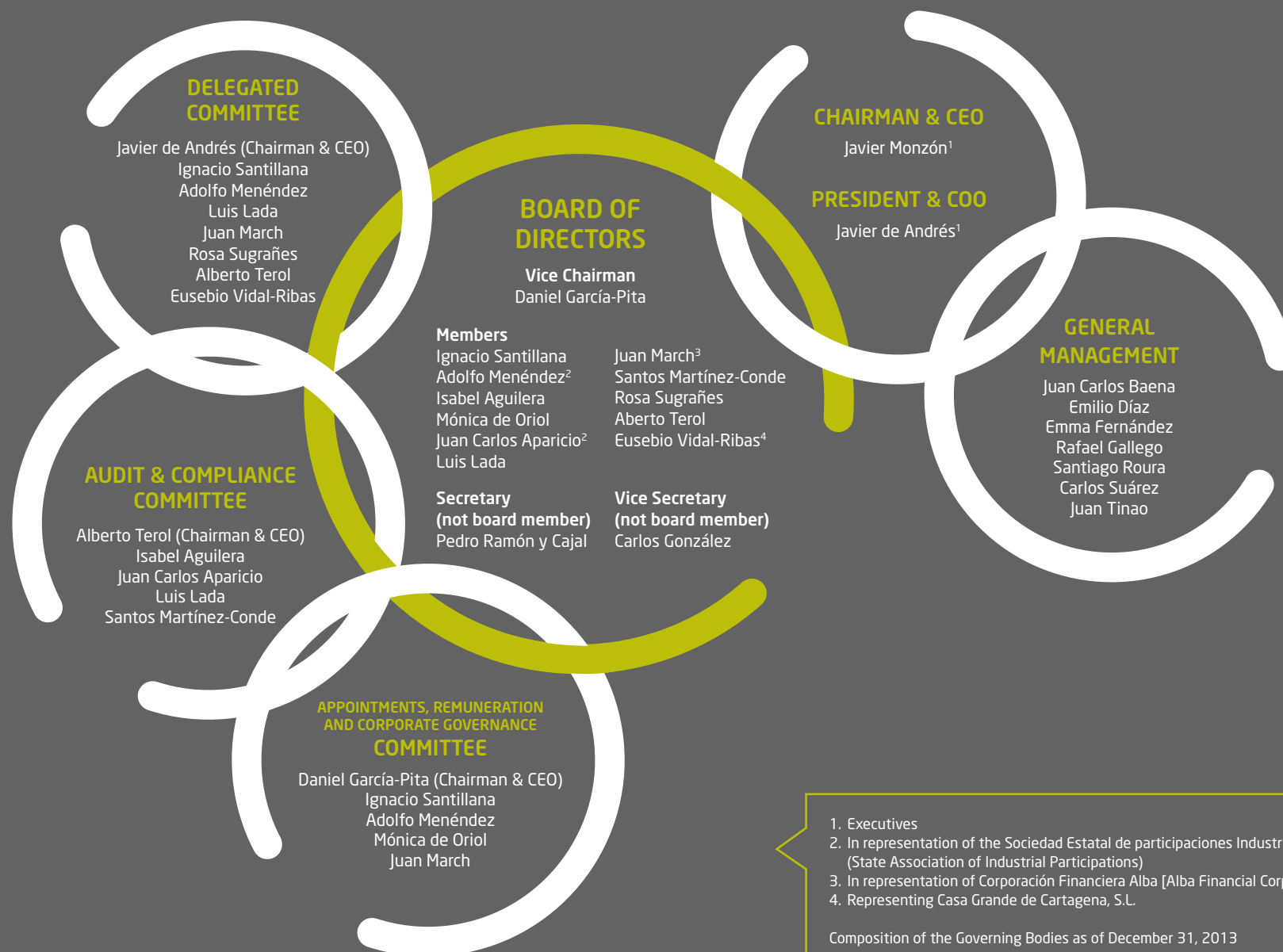
As indicated in Chapter C.1.6 of the [Corporate Governance Report](#), Article 9 of the Board Regulations establishes that [the Board of Directors and the Appointments, Remuneration and Corporate Governance Committee](#) are responsible for monitoring the use of criteria and policies designed to **encourage gender diversity on the board**. Moreover, Article 20.4.a) stipulates that the duties of the Appointments, Remuneration and Corporate Governance Committee include the obligation to support diversity in the recruitment of new board members.

Since these criteria were introduced in 2005, three independent female directors have joined the board (Isabel Aguilera in 2005, Mónica de Oriol in 2007 and Rosa Sugrañes in 2008).

The three female directors appointed to the board represent 21.42% of the total; 25% of non-executive directors (independent plus those representing major shareholders); and 43% of independent directors, which is the category where the Board of Directors and the Appointments, Remuneration and Corporate Governance Committee have the greatest scope of action as they assess a much larger number of potential candidates for appointment to the post of director.

In the case of the executive directors, both the Chairman & CEO and the President & COO are men. With regard to the directors representing major shareholders, the board and the committee may only recommend that shareholders consider the appointment of women as board members in accordance with their shareholding interest. Although this depends on whether there are women in the top management level in their respective organizations, given that it is in the company's interest for this category of shareholder to belong to that level.

Consequently, Indra is one of the IBEX-35 companies with the highest proportion of independent female directors, which clearly demonstrates the company's commitment to gender diversity.





2.3 DUTIES OF THE GOVERNANCE BODIES

The **Board of Directors** comprises the following committees:

- **Delegated Committee**
- **Audit and Compliance Committee**
- **Appointments, Remuneration and Corporate Governance Committee**

The latter two bodies inform, advise and make recommendations to the board on the issues defined in each case.

In any case, all three committees must inform the board of the matters discussed and agreements adopted at their meetings. Accordingly, the chairman of each committee is required to communicate the deliberations to the first board meeting held after the corresponding committee meeting. Except in the case of the Delegated Committee, the decisions adopted by the committees are treated as recommended agreements or reports for the board.

The Board of Directors dedicates more and more time to analyzing aspects related to the company's corporate governance, which has led to the creation of fluid channels of communication with investors and proxy advisors.

The duties of the board and each of its committees are described below.

BOARD OF DIRECTORS

The Board of Directors is the company's highest governance body, except for the duties reserved exclusively for the General Meeting.

The board is primarily concerned with supervision and ensuring that the executive bodies and management team, in whom it delegates the day-to-day management of the company, act in accordance with the strategies approved and the objectives defined.

However, in accordance with Article 5 of the Board Regulations, it may not delegate any legal or statutory powers reserved for its direct knowledge, such as:

- ◆ **The annual strategy, objectives and budgets.**
- ◆ **The risk management policy and the definition of the control and information systems.**
- ◆ **The financing, treasury shares and shareholder remuneration policy.**
- ◆ **The corporate structure.**
- ◆ **The acquisition or disposal of assets worth more than 30 million euros.**
- ◆ **Related transactions, in accordance with legal and internal regulations.**
- ◆ **The creation or acquisition of stakes in special purpose entities or in territories regarded as tax havens**
- ◆ **The policy for communicating with shareholders, markets and public opinion in general. Specifically:**
 - » The preparation and approval of the Annual Accounts and the information submitted for the approval of the General Meeting.
 - » The approval of periodic financial information.
- ◆ **Recommendations regarding the remuneration of directors.**
- ◆ **The appointment and contractual conditions of senior managers.**
- ◆ **The general corporate responsibility policies.**
- ◆ **The corporate governance policies, the operating rules for the board and its committees, and their assessment.**

DELEGATED COMMITTEE

In accordance with Article 18 of the Board Regulations, the Delegated Committee is entrusted with all the powers of the Board of Directors, except for the aforementioned ones expressly reserved for that body, and is responsible for monitoring the company's business and operations.

In such cases where it is warranted by the importance of the matter, the agreements adopted by this committee are submitted for ratification by the full board. This also applies to any matters which the board sends to the Delegated Committee for examination but on which it reserves the right to make the final decision.

AUDIT AND COMPLIANCE COMMITTEE

The responsibilities and competencies of the Audit and Compliance Committee are stated in Article 31 of the Articles of Association and in Article 19 of the Board Regulations, as follows:

- ◆ **To supervise financial information**
 - » To supervise the preparation and submission of regulated financial information
 - » To inform the board about the periodic financial information which the company is obliged to publish. The committee ensures that all quarterly and six-monthly accounts are drawn up following the same accounting criteria as the annual accounts.
- ◆ **To review the internal control and risk management systems**
 - » To supervise the effectiveness of the company's internal control, internal audits, and risk management systems
 - » To monitor the independence and effectiveness of internal audits
- » To propose the chief auditor and the budget for the internal audit service
- » To ensure that senior managers act on the conclusions and recommendations contained in the reports prepared by the Internal Audit service
- » To establish and supervise the procedure for allowing employees to confidentially report irregularities of a potentially important nature to the committee
- ◆ **To manage relations with the external auditor**
 - » To act as a communication channel between the board and external auditors
 - » To assess the management team's response to recommendations
 - » To submit recommendations for appointing external auditors
 - » To assess the work of external auditors and its independence
- ◆ **To inform the board about the creation or acquisition of shell companies or companies registered in tax havens**
- ◆ **To review informative brochures for admission to securities trading**
- ◆ **To inform the General Shareholders Meeting about matters for which it is responsible**

APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE

The Appointments, Remuneration and Corporate Governance Committee is entrusted with the following responsibilities, in accordance with Article 20 of the Board Regulations:

- ◆ **To report on the composition and operation of the Board of Directors and Advisory Board**
 - » To report on the professional profiles required and the selection criteria. The committee must ensure that the selection procedures include criteria that promote gender diversity
 - » To assess the suitability of the knowledge, skills and experience of the individuals proposed
 - » To ensure that the nature/type of board members is maintained: independent, representing major shareholders and executive
 - » To submit a report to the board regarding the annual assessment of the chairman of the board
 - » Prior to re-election, to submit a report to the board regarding the chairman's performance in his/her post
 - » To report on recommended appointments or dismissals of the secretary and vice secretary of the board
 - » To submit recommendations to the board regarding the remuneration system, components and amounts for directors
 - » To inform the board about succession planning for the Chairman & CEO and senior managers

◆ **To review the corporate governance and corporate responsibility regulations**

- » To periodically analyze the company's policy, rules, procedures, practices, efficiency and compliance in the fields of corporate governance and corporate responsibility.
- » To make recommendations to the board about any necessary changes in the company's corporate governance regulations.

◆ **Composition and assessment of senior management:**

- » To inform the board about recommended appointments and dismissals of senior managers, their remuneration conditions, and the terms and conditions of their employment contracts.
- » To submit a report to the board on the annual performance evaluation of senior managers.

◆ **To give advance notice to the board about any transactions** related to directors, major shareholders or shareholders represented on the board, senior managers, and people associated with any of them.

◆ **To make recommendations to the board** about internal regulations governing the Advisory Board.

This is a summary of the duties carried out by Indra's governance bodies. For a detailed description, visit: <http://www.indracompany.com/accionistas/reglamentos-internos>

Indra's internal regulations are designed to guarantee the dedication and the **effective performance** of the board directors. One of the consequences in this respect has been an **attendance rate** for board meetings of around **90%** over the last five years. Moreover, in cases where directors cannot attend, they are obliged to delegate their voting

instructions, thereby guaranteeing the full protection of shareholders' interests.

In accordance with Article 35 of the Board Regulations, the process for recruiting directors pays particular attention to **the capacity to dedicate sufficient time to board duties**. To this end, candidates are obliged to inform the board of any other activities that may impact on their dedication to their duties as a director of the company. In relation to the number of other boards to which directors may belong, the general rule is that no director may serve more bodies than permit **adequate dedication** to his/her post as a director of the Indra board. This number is defined for each director, based on the professional and personal circumstances in each case and paying particular attention to the actual **dedication** required by the other governance bodies to which s/he belongs and the **performance** of executive

To resume...

The Delegated Committee is responsible for monitoring the company's businesses and operations.

The ACC supervises the financial information, reviews the internal control systems, and manages relations with external auditors.

The AR&CGC reviews its standards, elevates proposals to the board and reports on the composition and operation of the Boards and the transactions.

or other time-consuming duties at other organizations. Section C.1 of the Corporate Governance Report contains details about the directors' membership of other boards as well as their personal performance in 2013.

In the Corporate Governance Report contains details about the directors' membership of other boards.

For further information about the directors' performance in 2013, please see the Corporate Governance Report.

Directors membership of the governing bodies

	Category	Board of Directors	Delegated Committee	Audit and Compliance Committee	Appointments, remuneration and Corporate Governance Committee	Total number of bodies served
Javier Monzón	Executive	Chairman				1
Daniel García - Pita	Independent	Vice chairman			Chairman	2
Javier de Andrés	Executive	President & COO	Chairman			2
Ignacio Santillana del Barrio	Independent	Member	Member		Member	3
Adolfo Menéndez	Rep. major shareh.	Member	Member		Member	3
Isabel Aguilera	Independent	Member		Member		2
Mónica de Oriol	Independent	Member			Member	2
Juan Carlos Aparicio	Rep. major shareh.	Member		Member		2
Luis Lada	Independent	Member	Vocal	Member		3
Juan March de la Lastra	Rep. major shareh.	Member			Member	3
Santos Martínez-Conde	Independent	Member	Vocal	Member		2
Rosa Sugrañes	Independent	Member	Vocal			2
Alberto Terol	Independent	Member	Vocal	Chairman		3
Eusebio Vidal-Ribas	Rep. major shareh.	Member	Vocal			2

2.4 REMUNERATION MODEL

The aim of the Indra remuneration model is to establish incentives to ensure that the governance bodies are aligned with the company's strategy and objectives and with the sustainable creation of value in the short, medium and long term. To achieve this, Indra seeks what it regards as a reasonable balance between short and long-term incentives.

At the 2013 General Shareholders Meeting the company announced its decision to introduce a series of **modifications to the remuneration system for the Board of Directors and senior managers** in order to integrate the latest corporate governance trends in this respect. Specifically, Indra contemplates the following:

- ◆ The elimination of severance pay for Senior Management and its replacement by a contingency fund to guarantee similar payments
- ◆ The modification of Senior Management contracts

2.4.1 BOARD OF DIRECTORS

The remuneration for members of the Board of Directors is determined in accordance with the provisions of the Articles of Association and the Board Regulations, and in accordance with the resolutions adopted by the General Shareholders Meeting.

Indra periodically reviews the remuneration criteria and amounts for its directors to ensure that they reflect market levels at all time and are in line with the best practices and recommendations in this regard.

Remuneration structures are usually defined for three-year periods. The structure currently in force (2011-2013) was defined in 2011 based on advice from expert independent firms (Egon Zehnder and PwC).

Following the expert analysis and the recommendations of the Appointments, Remuneration and Corporate Governance Committee, the profit-sharing remuneration structure was abolished and the current remuneration for directors is therefore composed solely of a fixed salary determined in accordance with the position held on the board. The purpose of this measure is to separate the remuneration for directors from short-term objectives and variables.

However, all the directors have announced their decision to use a considerable part of their remuneration (a third of the gross remuneration, which is equal to approximately 50% of the net remuneration) to purchase Indra shares and keep them until the end of their term of office.

Meanwhile, the 2013 General Shareholders Meeting approved the modification of Article 27 of the Articles of Association, whereby the amount paid to executive directors for the performance of their duties now forms part of the total remuneration limit for the Board of Directors. This amount was previously regulated independently, and the modification has led to a review of the remuneration limit for the board.

For a breakdown of the total remuneration paid to each member of the Board of Directors in 2012, please see the Consolidated Annual Accounts Report or the [Annual Report on Remunerations of Board Directors and Senior Managers](#).



2.4.2 SENIOR MANAGEMENT

The remuneration for members of Senior Management is determined by the Board of Directors following recommendations from the Appointments, Remuneration and Corporate Governance Committee. Since 2002 Indra has established the remuneration framework for its senior

managers for medium-term periods, usually lasting three years. The remuneration framework currently in force spans the period 2011 to 2013 and is based on external advice from independent experts (Egon Zehnder). The objectives of the remuneration model are as follows:

- ◆ To motivate the continuity of senior managers
- ◆ To focus their management appropriately and competitively according to Indra's current position, prospects and objectives.

Consequently, the Indra remuneration model consists of the following components:

ANNUAL REMUNERATION		MEDIUM-TERM REMUNERATION	
Fixed remuneration in cash and cash equivalents (Fixed for the 3-year period)	Variable remuneration in cash and cash equivalents subject to objectives¹ (Between 50% and 100% of the fixed remuneration) retribución fija)	Variable remuneration in cash and cash equivalents² Between 1.9 and 3 times the annual fixed remuneration	Variable remuneration in shares (Between 15% and 25% of the gross remuneration)

¹ **Objectives** (criteria for receiving variable remuneration))

Overall company

- Revenues
- Order intake
- Profitability
- Investments
- Working capital
- Net debt

Individual management

Financial:

- Revenues
- Order intake
- Contribution margin and profitability
- Investment
- Working capital

Non-financial:

- International development
- Generation of new offerings
- Acquisitions and integration of new businesses
- Implementation of processes
- Reduction in costs
- Mgmt. improvements

² **Objectives** (criteria for receiving variable remuneration)

- Annual objectives
- Strategic and medium-term objectives defined by the Board of Directors

The following criteria have been used to determine the terms and amounts of the remuneration components:

- ◆ The variable remuneration should represent a substantial and increasingly large proportion of the total remuneration.
- ◆ The medium-term remuneration should represent a significant and increasingly large element.
- ◆ The remuneration related to stock market value should be more significant, but not excessively so.

Indra believes that this remuneration model establishes incentives for guaranteeing the sustainable creation of value in the short, medium and long term. For further information on the remuneration model, see the Annual Report on Remunerations for Board Directors and Senior Managers.

2.5 RISK MANAGEMENT

Indra's Risk Management System is designed **to provide reasonable security while reaching set goals**, contributing value and a level of assurance sufficient for the shareholders, other stakeholders and the market in general

As part of its risk management policy, Indra has established a series of key operating principles aimed at improving its capacity to generate value:

Indra's Risk Management System is based on **management by business units, processes, geographies and corporate departments**, being an integral element in the decision making processes of Indra.

Protection of value

Indra defines risk management as a system for creating and protecting the value generated.

Methodology

Indra's risk management system is based on the methodological framework defined in COSO II, adapted to its own needs and specific characteristics.

GENERATE VALUE

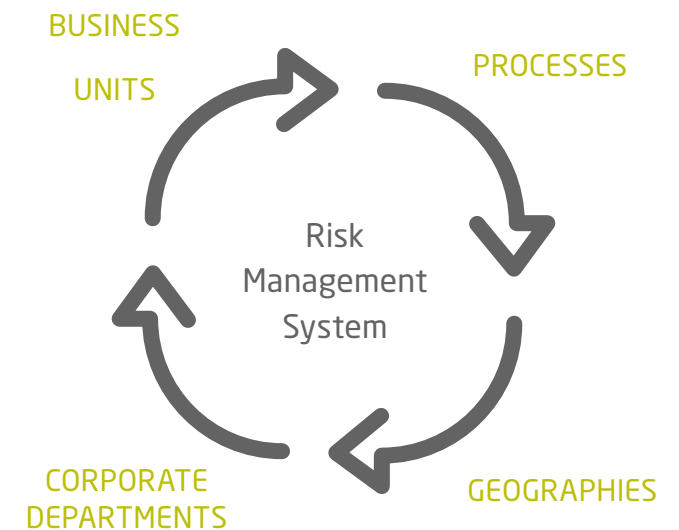


Integrity

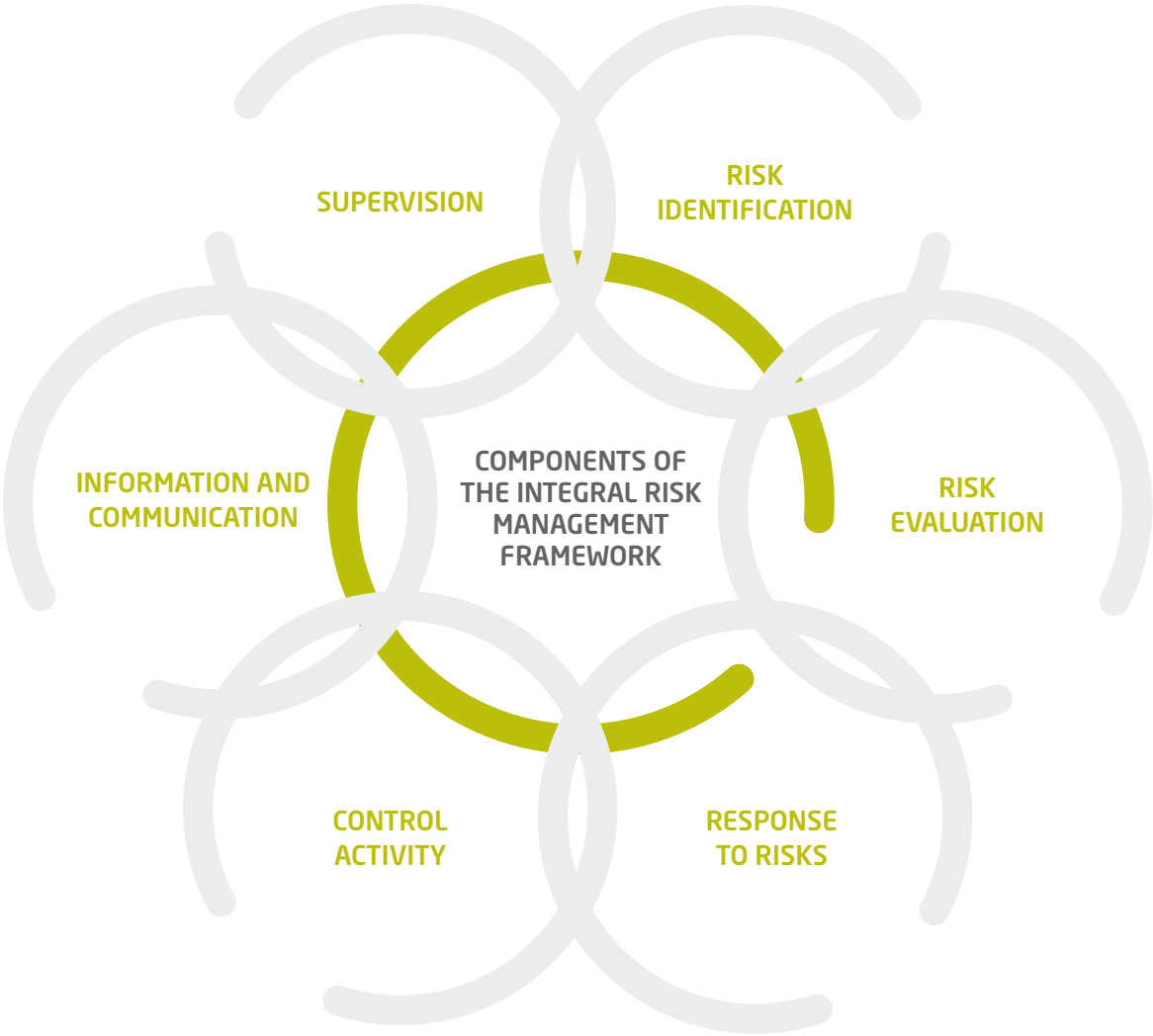
The risk management system encompasses the entire organization, including both the corporate structure and the individual business units, irrespective of their geographic location.

Independence

Indra's risk management system guarantees the appropriate separation of duties between the different elements within the organization.

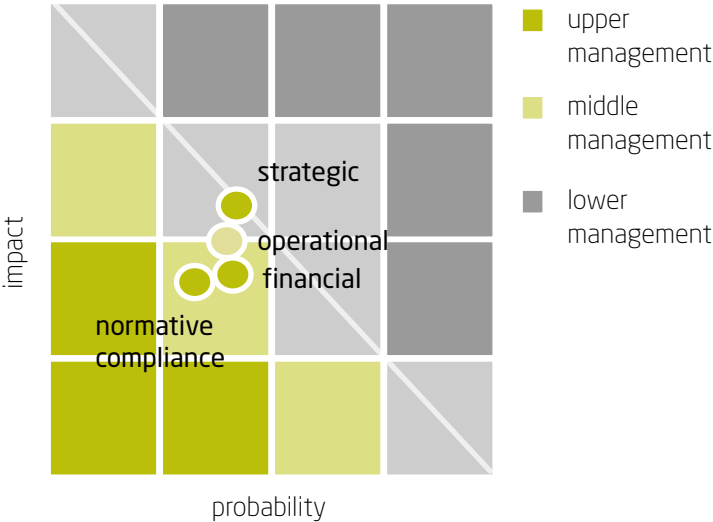


The methodology of the Risk Management System **consists in and assessing risks, as well as monitoring control activities and defined action plans**, allowing the reasonable management of the risks that Indra is exposed to.



The assessment of risks is done through a combination of quantitative and qualitative techniques, according to their probability of occurrence and their impact if they do materialize.

According to the **rating scales** established for each of these parameters (probability and impact), which will ultimately give rise to a risk assessment matrix in which each risk is defined according to **four levels**: critical risk level, high risk level, medium risk level and low risk level, represented on the company's Global Risk Map.



The policies and procedures applied to the Risk Management System of Indra are established and implemented to, among other factors, **ensure that risks are effectively responded to**.

Also, the Management of Risks adds **rigor to the identification of risks and selection of possible alternatives for responding to them**, thus reducing surprises and associated expenses or losses.

Strategic risks

- » The difficult national and international socio-economic and political situation has required Indra to establish new measures needed to mitigate the possible negative effect of low demand through expansion in new geographical areas and searching for new offers to develop.
- » Innovation and the anticipation of technological changes have also been basic pillars for facing the growing competition in the sectors where Indra operates.

Operative risks

- » Indra has a range of regulations to manage the precontractual and contractual phases of the projects as well as an Award Committee that analyzes and supervises the offers proposed for their submission.
- » The Company also has tools designed to monitor risks that supply information and allow for the control of key indicators identified during the planning of the project.
- » Within the scope of information security, Indra has established a series of mechanisms responsible for implementing the necessary measures for ensuring compliance with all of the established security policies.

Economic financial risks

- » P The formalization of operations coverage with financial entities, as well as purchasing financial instruments for the coverage of the interest rates of long-term bank financing are some of the tools used by Indra to mitigate economic-financial risks.

Regulatory compliance risks

- » P Indra has a Code of Ethics and Professional Conduct and its own joint prevention service made up of professionals specialized in the matters it centrally handles for different group companies and specialized external services.

For further information on the management of risks at Indra, please see the chapter entitled “E. RISK CONTROL AND MANAGEMENT SYSTEMS” in the Corporate Governance Report, in the Consolidated Annual Accounts Report.

2.6 SUSTAINABILITY MANAGEMENT

Corporate responsibility, as a means of guaranteeing the company's sustainability, should be integrated throughout the organization and aligned with our activities and objectives.

Indra sees corporate responsibility as a means of guaranteeing its sustainability and something that should be integrated throughout the organization and aligned with our activities and objectives. Consequently, the company has established a decentralized corporate responsibility system across the various management areas, which is integrated throughout the organization.

The Appointments, Remuneration and Corporate Governance Committee, which reports directly to the Board of Directors, is responsible for analyzing Indra's corporate responsibility policies, regulations, procedures and practices. Similarly, one of the duties of the Board of Directors is to approve the general corporate responsibility policies. Corporate responsibility is handled by Emma Fernández, General Manager of Talent, Innovation and Strategy.

10 YEARS PLANNING CORPORATE RESPONSIBILITY

Ten years ago, Indra decided to reassess and boost its corporate responsibility actions in order to promote its role as a corporate citizen in line with its business objectives and to contribute value to society in general. This led to the Corporate Responsibility Master Plan, the purpose of which is to define uniform responsibility policies and actions for the entire organization and establish indicators to improve accountability and public communication.

Since its creation 10 years ago, the plan has been reviewed annually by the internal employees who are responsible for relations with Indra's stakeholders. The framework established by the master plan emphasizes corporate responsibility as a driving force for knowledge and innovation, aligned with the company's business objectives. Indra has a decentralized sustainability management model with input from the main corporate divisions.

The master plan sets out the company's requisite policies, programs and actions, which are divided into two broad areas:

- ◆ Stakeholder integration: Improving communication and listening channels
- ◆ Innovation in the company's management in order to improve sustainability

MANAGEMENT APPROACHES

In line with the requirements set out in the Global Reporting Initiative's Sustainability Reporting Guidelines (Version G4), at Indra we state our management approaches explicitly in terms of our economic performance, environmental management, labor practices and work ethic, human rights, impact on the community and society in general, and our product responsibility.

Resumen de los enfoques de gestión

 Economic Performance	 Environmental Management	 Labor practices and Work Ethic	 Human Rights	 Communities and Society	 Product Responsibility
Economic sustainability and profitability. Creation of wealth for society. Financial management and transparency. Creation of local knowledge-intensive employment. Partnerships with knowledge institutions and suppliers to create value.	Commitment to innovation for environmental sustainability. Minimizing the impact of processes and systems. Progressive ISO 14001 certification for all work centers. Reduction of energy and raw materials consumption.	People as the focus of innovation. Capture, development and retention of talent. Diversity of professionals (as described in the company's Code of Ethics and Professional Conduct) to leverage innovation. Code of Ethics and Professional Conduct.	Endorsement of the Global Compact since 2004. Commitment to the Universal Declaration of Human Rights, the ILO Declaration and OECD Guidelines Free market principles. Respect for the legal system in force in each country.	Innovation in technology solutions and services as a means of improving living conditions. Knowledge institutions as a strategic audience.	Development of customized solutions and services for clients, with a particular emphasis on adhering to the specific requirements of the applicable legislation. Policies and initiatives to ensure respect for clients' rights and the efficient management of client relations.

Since 2007 we have been reviewing these approaches by consulting and involving all the people responsible internally for managing relations with stakeholders. This process guarantees that our Corporate Responsibility Master Plan is constantly updated.

Indra has identified the following stakeholders:



2.6.1 RECOGNITIONS

SUMMARY OF EXTERNAL ASSESSMENTS REGARDING CORPORATE RESPONSIBILITY AT INDRA

Índices	Comments
DOW JONES SUSTAINABILITY INDICES (DJSI): WORLD AND EUROPE	Dow Jones Sustainability Indices (DJSI): World and Europe Indra has renewed its presence for the eighth year running and is the only company in the IT Services and Internet subsector that has remained on the world index since joining it in 2006. It has maintained its positive overall assessment in the economic, social and environmental dimensions thanks to the measures undertaken, and has increased its score in fields like innovation management, technology security and code of conduct.

REPUTATION MONITORS

Monitor	Comments
REPORT WATCH	2013: rank 208 - rating B 2012: rating B Top company in its sector and 2nd Spanish company in the global ranking of the world's Best Annual Reports.
MERCO RANKING	Merco LEADERS: Rank 17 (43 in 2012) Merco COMPANIES: On the closure date of this Report the 2013 edition of the Monitor had not been published. (17 in 2012) Merco PEOPLE: Rank 32 (28 in 2012) Once again, Indra was voted the most highly rated Spanish company in the consulting sector at the "2nd Edition of ABC Awards for Merco Leaders".

SUMMARY OF AWARDS AND RECOGNITIONS

Awards and recognitions	Comments
Corporate Responsibility Management	
CORPORATE SOCIAL RESPONSIBILITY OBSERVATORY	2013: On the closure date of this Report the 2013 edition of the Report had not been published. 2012: Rank 5; 1.84 points out of 4 2011: Rank 7; 1.77 points 2010: Rank 9; 1.66 points
BUSINESS SOCIAL RESPONSIBILITY OBSERVATORY	2013: Rank 4; 68 points out of 100 2012: Rank 3; 67 points out of 100 2011: Rank 3; 66 points 2010: Rank 3; 61 points The areas where Indra has obtained the highest scores are: ◆ Contribution to territorial development and social cohesion ◆ Overall effort in R&D&i investment and promoting the sustainable use of natural resources ◆ Products and services that address social needs and change initiatives to encourage responsible production and consumption The main areas for improvement are: ◆ Equal opportunities and the removal of all forms of discrimination ◆ Salaries and social benefits, profit-sharing, and fair and equitable treatment
Cients	Comments
INDRA MAINTAINS ITS RIGHT TO USE THE "MADRID EXCELENTE" GUARANTEE SEAL	The company has maintained the trust of consumers, the recognition of society in general, and the support of the Regional Government of Madrid since 2009.
Offer	Comments
THE SIMAULA PROJECT VOTED ONE OF THE BEST 100 IDEAS BY ACTUALIDAD ECONÓMICA	The magazine Actualidad Económica acknowledges the most innovative initiatives in fields like Training and Employment, Technology, Services, Energy and Finance.

SUMMARY OF AWARDS AND RECOGNITIONS

Offer	Comments
2012 MICROSTRATEGY PARTNER CHALLENGE INNOVATION AWARD	The award was granted for the Business Intelligence project that facilitated the implementation of iPads as work tools at Novartis.
PROJECT WITH THE GREATEST IMPACT IN EUROPE	The IMPONET R&D&i project was voted the project with the greatest impact in Europe by the steering committee of the European R&D&i program ITEA 2.
COMMUNITY BUILDING AWARD AT EUROPEAN LEVEL	The R&D&i project OPEES (Open Platform for Engineering of Embedded Systems) won the Community Building Award ITEA 2 for creating the open software repository PolarSys, currently active and constantly growing.
Talento	Comments
RANDSTAD RATES INDRA ONE OF THE MOST ATTRACTIVE EMPLOYERS IN SPAIN'S TELECOMMUNICATIONS SECTOR	The Randstad Awards are based on a survey of 7,000 working-age people who are asked their views on the largest 150 companies in Spain.
INDRA ONE OF THE TOP THREE EMPLOYERS IN SPAIN, ACCORDING TO JOB AND TALENT	The ranking is based on the copious data compiled during 2012 related to the number of job vacancies published and draws conclusions about which employers young Spaniards found the most attractive..
INDRA ONE OF THE BEST EMPLOYERS ACCORDING TO THE COLOMBIAN STUDY ZONAJOB	2013: Rank thirteen in the category rated by employees

SUMMARY OF AWARDS AND RECOGNITIONS

CONTRIBUTION TO THE COMMUNITY	Comments
"BEST LARGE COMPANY" AT THE EUROPEAN CSR AWARDS	Indra won the first Spanish edition of the European CSR Awards for its Consignos project and represented Spain at the European award ceremony held in Brussels in June.
FUNDACIÓN SERES AWARD FOR CORPORATE INNOVATION AND SOCIAL COMMITMENT	The 4th Edition of the Fundación SERES Awards for Corporate Innovation and Social Commitment rewarded Indra for its Accessible Technologies project that offers innovative solutions for facilitating access to technology and integrating people with disabilities.
ACKNOWLEDGED FOR CONTRIBUTING TO THE INTEGRATION OF GROUPS AT RISK OF SOCIAL EXCLUSION	Fundación Integra acknowledged Indra's efforts to hire people from groups at risk of social exclusion and people with disabilities.
SPECIAL MENTION AT THE FUNDACIÓN CASER DEPENDENCY AND SOCIETY AWARDS	Indra was rewarded for developing accessible technologies to encourage the social integration of people with disabilities.
FUNDACIÓN CÍRCULO DE ECONOMÍA FOR BUSINESS SPONSORSHIP AND PATRONAGE AWARDS	Rewarded for its Accessible Technologies: 12 research chairs in partnership with different universities, associations and foundations like Fundación Adecco in Spain and 40 R&D&i projects in this field.

2.7 ETHICS AND VALUES

In view of its exposure to the various risks associated with its operations and the demand from its stakeholders for information about the company's operating principles, Indra has periodically made public statements regarding its position on a range of business risks and corporate conduct, for example, about the risks of corruption and bribery, presence in tax havens, lobbying policies, the defense of human rights, relations with public administrations, and climate change.

In addition to these statements of principles, the company has also joined initiatives like the Global Compact (in 2011) and the Women's Empowerment Principles.

In general, the company applies its public commitments internally through its Code of Ethics and Professional Conduct and its Compliance Program.

The Code of Ethics and Professional Conduct is based on a series of principles drawn from the corporate values that govern the company's activities, use of resources, and the everyday actions of Indra employees.

Adherence to the code is mandatory for all employees, irrespective of the country, category, status or company to which they belong.

Following the rollout of the current Code of Ethics and Professional conduct at the end of 2009 and its subsequent implementation in the various Indra subsidiaries, we further developed the code by launching the **"Compliance Program"**, which contains the policies and procedures that set out the corporate values and principles.

This program represents another step forward in Indra's commitment to continuous improvement and the observance at all times of the highest standards of integrity and professionalism in its operations.

The Compliance Unit is the body responsible for resolving any issues that arise **in relation to the application and interpretation of the Compliance Program.**

The program was implemented in Spain in 2012 and, one year later, in most of the international subsidiaries in the countries where the company operates. Prior to extending the program to the international arena, it was reviewed and adapted to the local legislation and characteristics of each country.

The implementation of the program was accompanied by a series of training actions for the company's professionals both in Spain and in the Latin American subsidiaries. A new training strategy for professionals, comprising both face-

to-face and distance learning modules, has been planned for this year and the coming years and will include every subsidiary.

Indra plans to update the Compliance Program constantly by monitoring legal changes that impact on it or should at least be taken into account.

With regard to the Supplier Code of Ethics (launched in 2012), this will be included in the supplier approval process and will also apply to the nonprofit organizations that collaborate with the company.

In 2013 the number of communications received by the Compliance Unit (the body responsible for answering questions related to the use and interpretation of the Code of Ethics and Professional Conduct and the Compliance Program) was higher than the previous year. Altogether, **the unit received 40 communications** (excluding specific inquiries or queries).

Thanks to the implementation and dissemination of the procedures and policies associated with the Compliance Program, and the effectiveness of the channels for reporting incidents, in 2013 we were able to identify two cases of irregular conduct by professionals who were using the company's suppliers for their own benefit. Both cases were analyzed and resolved, and the corresponding disciplinary action was taken against the professionals involved.

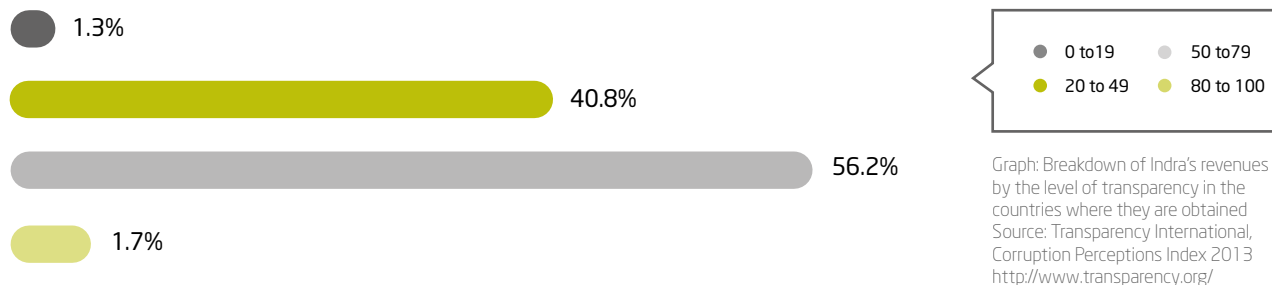
The main public commitments undertaken by the company in its various management areas are described below:

INDRA'S MANAGEMENT OF THE RISK OF CORRUPTION

Indra carries out operations in **138 countries around the world**, which means that it has had to deal with varying levels of transparency.

Specifically, **58% of Indra's revenues** in 2013 came from countries **with a transparency level score of more than 50 out of 100**, according to the index published by Transparency International.

Indra is aware that it must conduct its business activities not only in accordance with the law, free market conditions



Graph: Breakdown of Indra's revenues by the level of transparency in the countries where they are obtained
Source: Transparency International, Corruption Perceptions Index 2013
<http://www.transparency.org/cpi2013/results>

and fair competition, but also in an ethical and transparent manner.

To mitigate the risks of corruption and bribery in its activities, Indra has reinforced the implementation of its ethics and professional conduct policies. In 2009 we updated our Code of Ethics and Professional Conduct, and in 2011 we created the Compliance Unit to develop and implement the Compliance Program. The unit also provides annual training courses for the company's professionals on its policies and procedures.

The company has extended this commitment to all of its professionals through the Code of Ethics and Professional Conduct, whose third article expressly forbids its employees from "participating in any acts of bribery when dealing

with authorities and/or government employees, and from offering or granting to senior managers, employees and external partners any benefits or advantages of any nature that fall outside the realm of lawful market practices or which could be construed as being aimed at inappropriately influencing the normal progress of the commercial, administrative and professional relations in which Indra engages." Furthermore, the Compliance Program contains a set of specific policies and procedures designed to prevent and control these practices.

Indra also has an internal audit department, reporting to the Audit and Compliance Committee of the Board of Directors, which reviews the company's processes and units to determine whether the controls for mitigating the inherent risks are sufficient and function correctly.

SUPPORT FOR THE FREE MARKET AND FAIR COMPETITION

Indra's Compliance Program includes various policies aimed at ensuring that the company's behavior encourages **free market conditions and fair competition**, thus contributing to better quality goods and services on the market, reasonable price levels, and an efficient market structure. Among other aspects, the policies contained in the **Compliance Program govern professional courtesy**, donations and sponsorships, conflicts of interest, and public subsidies and grants.

In general, these policies aim to remove all types of restrictions to free competition and, specifically, those to which Indra is most exposed due to the type of activity it carries out: vertical agreements between buyers and sellers, and the fraudulent award of government grants. The technological services sector is extremely competitive and highly fragmented, which means that other types of restrictions to free competition, such as horizontal agreements between competitors and abuse of a dominant position, are much less likely.

Indra's activities are not particularly exposed to risks from unfair or abusive commercial practices because the services it provides are regulated by means of contracts based on requirements set by the clients themselves.

Moreover, contracts are often the result of bidding processes in which Indra openly competes with other companies. The aforementioned policies on respecting free market conditions and fair competition are further evidence of Indra's adherence to responsible marketing.

In any case, Indra manifests its commitment to responsible marketing by providing existing and potential clients with objective, complete, clear and accurate information about the solutions and services it provides. This applies to all the communications the company issues and all the channels it uses (website, press releases, media advertising, temporary architectural elements, commercial documentation, etc.).

Furthermore, Indra has implemented numerous policies and initiatives to ensure respect for clients' rights and to manage client relations appropriately. These policies and initiatives are described in detail in the Clients chapter of this annual report.

POLICY ON THE FOREIGN TRADE OF DEFENSE AND DUAL-USE MATERIAL

One of the objectives for most countries in the area of security is **to prevent the illicit sale of defense material and sensitive technologies to other countries** that might act against their security interests or become

involved in terrorist activities. Consequently, the export and import of defense and dual-use material is subject to governmental control on a national level.

Nearly all exports and a large proportion of imports of defense and dual-use material require special authorization or a license, and in the specific cases where this does not apply the client usually requires a certificate issued by the competent authority stating that the operation is not subject to authorization or a license.

In most countries there are also full or partial prohibitions on the export of defense and dual-use material to certain countries ("countries with embargoes").

Moreover, the processing of licenses and authorizations not only affects Indra as the exporter or importer, but also applies to its suppliers, which are required to obtain the necessary licenses or authorizations from their own countries for exporting their materials and technologies.

Indra is committed to the responsible trade of defense and dual-use technologies that contribute to stability, security and peace. Accordingly, the company's Compliance Program requires strict application of the legislation in force by all of its professionals.

POLICY ON INFORMATION SECURITY

Indra's Code of Ethics and Professional Conduct underscores the importance for the company, given the nature of its business, of **maintaining the confidentiality of the information it works with**, including know-how, intellectual and industrial property, and other intangible assets owned by Indra or any third parties it deals with. The code also requires all company professionals to properly use, maintain and manage the resources (technological, economic and material, among others) that Indra places at their disposal to assist them in their work.

In accordance with these general principles, the Compliance Program includes a general policy on information security with a special emphasis on Indra's industrial and intellectual property rights as well as those of third parties, the integrity of information systems, and data protection.

The Clients chapter of this report contains more detailed information about the company's policies and strategy as well as its performance in 2013 in this area.

ENVIRONMENTAL POLICY

In keeping with the interests and commitment of its Senior Management, Indra has established and

implemented an **Environmental Management System** based on the requirements of the UNE-EN ISO 14001 standard and EU Regulation 1221/2009 of the European Eco-management and Audit Scheme (EMAS) and its later editions.

Indra, a leader in Information Technology, is organized into two broad segments, Solutions and Services, which over the years have developed a profound understanding of the business and established strong relations with clients. The knowledge gained, along with the most advanced technology, allows Indra to create a distinct offer and develop unique solutions and services for each market segment.

The Indra Environmental Management System governs every activity undertaken in every one of the company's work centers.

Our environmental policy defines the commitment to carry out our activities within the parameters of sustainable development and to control and manage the environmental aspects these activities produce, especially the most significant ones.

Indra and its employees are committed to respecting environmental regulations and striving for continuous improvement vis-à-vis clients, the community and the authorities.

To fulfill these commitments and achieve the established objectives, Senior Management has defined the following fundamental principles:

- ◆ **Working** in a way that respects and protects the environment is a key factor underpinning all of our activities.
- ◆ **To ensure** compliance with applicable legal environmental requirements in accordance with the activity undertaken, the geographic location and the requirements voluntarily assumed by the organization.
- ◆ **To minimize** the environmental effects produced as a result of the activities carried out in our work centers with regard to waste, spills and atmospheric emissions.
- ◆ **To publicize** the Environmental Management System across the entire organization, encourage the active participation of all employees and include their suggestions for improvement as a means of promoting continuous improvement.
- ◆ **To achieve** client satisfaction.
- ◆ **To prioritize** prevention criteria over corrective actions in our procedures.
- ◆ **To maintain** an appropriate level of awareness among

all employees by promoting environmental training.

- ◆ To integrate the Environmental Management System with overall management systems.
- ◆ To define specific, measureable objectives and goals within the environmental program and review the degree of compliance at least once a year.
- ◆ To perform annual assessments of the environmental aspects derived from our activity in order to maintain and continuously improve the Environmental Management System.

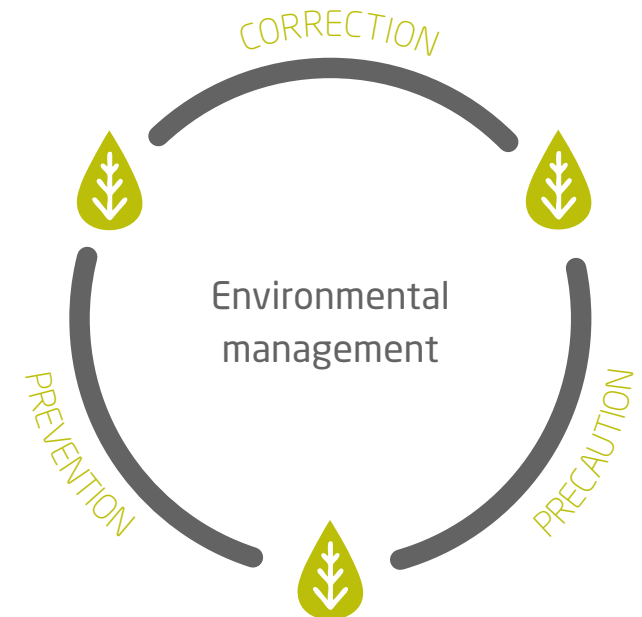
Furthermore, the identification and assessment of the environmental aspects allows the company to pursue **an environmental management policy based on the following three principles:**

- ◆ **Precaution:** Avoiding actions that may involve an environmental risk, irrespective of their potential seriousness if they occur.
- ◆ **Prevention:** Avoiding the environmental consequences associated with a specific action.

- ◆ **Correction:** Planning how to counteract the environmental consequences of a risk should it occur.

All Indra personnel have a responsibility to fulfill the environmental requirements, and **environmental management is therefore the result of a joint effort.**

Everyone who belongs to Indra accepts these principles and is responsible for putting them into practice. Management promotes environmental improvement and assigns the necessary resources to ensure the successful implementation of Indra's environmental policy.



2.8 ON RELATIONS WITH LOCAL COMMUNITIES AND THE ENVIRONMENT

RELATIONS WITH GOVERNMENTS

Indra believes that it must conduct its business activities not only in accordance with the law, free market conditions and fair competition, but also in an ethical and transparent manner.

As a company that operates in the global market, it is aware of the importance of acting independently of governments and political powers, whether national, regional or local. Indra's presence in all of the countries where it operates is governed **by respect for the local legislation and by cordial relations with public institutions and governments**, always in accordance with the **principles of transparency and ethical conduct**.

Given the range of the information technology services and solutions that Indra provides, the company's client base includes a wide variety of public institutions and administrations.

In this context, the fight against bribery and corruption is a major commitment. Only under this principle can we combat situations whose consequences might compromise the free market, cause instability, inequality or insecurity on all levels, and prevent socio-economic development to the detriment of those who are most vulnerable.

Accordingly, Indra is committed to fighting bribery, facilitating payments and any form of active or passive corruption. It is also opposed to making contributions to political parties, and in light of its transparency and accountability policy, it publicly declares all contributions made to nonprofit entities.

INDRA AND LOBBIES

Lobbies are recognized and regulated in various markets. They constitute a legitimate means of relation with legislators and administrations, and are characterized by **the transparency and public disclosure** of their activities. Companies, as well as associations and organizations with commercial or other interests, such as nonprofit entities, hire professional lobbyists who operate on their behalf before legislative authorities and public representatives, informing them of the specific technical implications of a piece of legislation in one way or another for the entities they represent. Lobbying is completely legal in these markets, is always conducted with public knowledge—in terms of whom the lobbyists work for and the fees they receive as professionals—and is closely regulated, forming part of the legitimate activity that companies and other organizations are entitled to carry out in defense of their interests and as agents of public life.

In this area, Indra states that it does not carry out any actions aimed at modifying government policies. Indra's relations with administrations are exclusively based on commercial or administrative purposes, and are always conducted within the framework of the law. Specifically, Indra's subsidiaries in the US maintain commercial relations with law firms because that is the method used in that country to manage and obtain information about contracts, subsidies and grants.

These contributions are made in compliance with the applicable legislation and said activities are publicly declared. For further details about this matter, please visit: <https://lda.congress.gov/lc/home.aspx>

INDRA'S PRESENCE IN TAX HAVENS IN 2013

Indra's activities in countries regarded as tax havens is not fiscally motivated but is aimed solely at developing the company's international business, always with the approval of the Audit and Compliance Committee and the Board of Directors.

Specifically, in 2013 Indra had a significant presence or carried out projects in the following countries that are included on the latest list of tax havens published by the Tax Justice Network:

- ◆ **Philippines:** Indra employs over 850 professionals in the Philippines at a work center that forms part of the company's Software Labs and supports Indra's operations all over the world. The company also carries out major projects in this country, such as managing the commercial service for Manila's water companies (Maynilad and Manila Water) and modernizing the country's justice administration system. Moreover, Indra's commitment to the local community in the Philippines is evident in a number of social action projects. For further information, please visit <http://www.indracompany.com/pais/filipinas>
- ◆ **Panama:** Indra's presence in this country consists of one work center with 190 professionals. The company carries out major projects in Panama, such as modernizing the information management systems for the Panama Maritime Authority (AMP). For further information, please visit <http://www.indracompany.com/pais/panam%C3%A1/df>
- ◆ **Uruguay:** Indra has one work center with 90 professionals who provide support for the company's projects in the country, which include among others the air traffic management and aerial surveillance systems.
- ◆ **Bahrain:** Indra has one subsidiary, whose opening was noted in the 2011 Annual Report, with approximately

50 professionals who provide support for a major healthcare project.

Additionally, in 2013 Indra carried out isolated activities in the following countries or territories which the aforementioned institution also regards as tax havens: Andorra, Antigua and Barbuda, the Netherlands Antilles, Belize, Bermuda, Cyprus, Dominica, Gibraltar, Grenada, Ireland, Luxembourg, Malta, the Netherlands, Puerto Rico, the Seychelles, Singapore, Switzerland and Uruguay.

As a whole, Indra's 2013 revenues in places considered to be tax havens represented **3.6% of the company's total revenues**.

HUMAN RIGHTS AT INDRA

Indra maintains an active policy for managing the various aspects of work-related human rights that affect its business and relations with its professionals.

- ◆ **Child labor and forced labor:** given the nature of its activity, which requires highly qualified professional profiles, Indra has a low risk of incurring in child labor or forced labor, but it has nevertheless signed the Global Compact and openly manifests its opposition to all types of exploitation. In any case, Indra applies mechanisms to guarantee this: verifying the age of employees when they are hired, maintaining updated

information systems that contain the personal details of each employee, controlling the work days of each employee, etc. By way of example, this annual report contains a graph showing the age pyramid for Indra's professionals.

Moreover, Indra extends this commitment to its suppliers by means of the Supplier Code of Ethics.

- ◆ **Freedom of association and collective bargaining:** as one of the commitments acquired in the Global Compact, Indra respects the rights of its employees in terms of labor union membership and collective bargaining. Moreover, the Indra Code of Ethics and Professional Conduct establishes the following basic principles: equal opportunities, respect for all people, non-discrimination on any grounds, and, specifically, labor union membership.

The Labor Relations section of the Talent chapter in this report describes the relational model with unions in Spain.

The working conditions of Indra professionals are based on the industrial or collective agreements that are in place in the countries where the company has significant operations. Accordingly, in recent years, more than 75% of the company has been covered by a collective agreement.

Indra operates in certain countries where freedom of association is limited or persecuted. However, its activities in these countries are governed by the same general principles of respect for free association and collective bargaining.

- ◆ **Non-discrimination and equality:** in addition to the company's adherence to the Global Compact, Indra has implemented various policies and initiatives designed to guarantee non-discrimination and equality among its professionals.

The Code of Ethics and Professional Conduct manifests Indra's respect for diversity, all people and non-discrimination, and it encourages its professionals to adopt these principles. Furthermore, the code is reinforced by other policies, such as the Equality Plan, the Diversity Policy and the Protocol on Unacceptable Behavior.

- ◆ **Promotion and job security:** Indra is an important employer in the communities where it is established, and its commitment to creating and maintaining jobs is evident in the constant growth of its workforce in recent years. For example, in the period from 2009 to 2013, Indra's workforce grew at a compound annual rate of **10%**.

- ◆ **The occupational health and safety** of Indra's professionals and of those who carry out work on our behalf. Indra aims to ensure the highest possible level of safety, health and wellbeing for its employees and for anyone who could be affected by its actions. The company is therefore committed to complying with all the legal obligations regarding occupational risk prevention.

The Talent chapter in this annual report provides a detailed description of Indra's activities in the field of occupational health and safety in 2013.

- ◆ **Salaries, benefits and work days:** since 2005, Indra has implemented specific equality and work-life balance policies for each country where it is present. The Talent chapter in this annual report contains information about the company's policies in this area and the implementation of its equality and work-life balance program in 2013.
- ◆ **Training:** developing talent is a fundamental aspect for a company like Indra, which is made up of knowledge professionals. Training hours increased at an annual rate (compound annual growth rate) of 12% between 2009 and 2013.

The Talent chapter in this annual report contains information and indicators regarding Indra's performance in this area for 2013.

STATEMENT ON CONFLICT MINERALS

As part of its business operations, Indra develops electronic equipment and components that may contain elements such as tungsten, tantalum, tin or gold. Many electronic components acquired by Indra (components, circuits and connectors) are coated in tin or gold.

Indra is aware that many of the global reserves of such rare minerals are concentrated in countries such as the Democratic Republic of Congo, Rwanda, Uganda and Burundi, where many mining areas are under the control of guerrilla militias who exploit the local population to extract the minerals to fund their armed movements.

Indra believes that one of its responsibilities as a company is to avoid using minerals or components that have been extracted from these conflict mines, and it is committed to protecting human rights throughout its value chain.

Mining operators are at the very beginning of the Indra supply chain and the company is unable to trace the exact origin of all minerals. Therefore, in order to prevent the use of conflict minerals, Indra applies its own commitment to all direct suppliers, thus ensuring that the same policies are extended, link by link, throughout the supply chain.

In 2013 Indra began an assessment of its supply chain in order to obtain detailed information about the initiatives it needs to carry out. The company plans to introduce

improvements in its procurement process in 2014 aimed at ensuring that its electronic equipment and components are free of conflict metals.

POSITION ON CLIMATE CHANGE

Indra accepts that it has been scientifically proven that human activity, primarily through the process of burning fossil fuels, has a negative impact known as the greenhouse effect because it produces carbon, methane and nitrous oxide emissions.

Climate change and atmospheric pollution affect the natural, social and environmental systems that favor not only life on the planet but also economic growth on the global scale and, consequently, development and wellbeing.

Indra acknowledges that its activities have a major environmental impact derived from the energy consumption of the computers used to develop the solutions and services that comprise its offer, and from the travel of its professionals to deliver services. Both of these impacts lead to greater indirect emissions of CO₂ and other greenhouse gases.

Indra has taken full responsibility for minimizing its environmental impact by establishing specific policies and objectives for reducing greenhouse gas emissions.

Specifically, it has undertaken the following actions:

- ◆ **Measuring and controlling** its level of greenhouse gas emissions by performing periodic combustion analyses
- ◆ **Implementing energy efficiency measures**, green IT, responsible mobility of professionals and, in general, any action that reduces the energy consumed by the company, its professionals and its value chain
- ◆ **Publicly reporting its objectives**, actions and progress in the area of greenhouse gas emissions

The Contribution to the Community chapter in this annual report contains information about the specific actions undertaken in 2013.

All of this has led to a 37% reduction in CO₂ emissions per employee (including Scopes 1 and 2) between 2009 (the year Indra started measuring its CO₂ emissions) and 2013.

Indra also believes that technology can play an important role in combating climate change by contributing to a more efficient and rational use of energy. Accordingly, the company identifies commercial opportunities that promote the greater environmental awareness of its clients and a greater demand for technologies that allow organizations to be more energy-efficient.

Within its “solutions for sustainability”, Indra has a specific “energy and climate change” offer (link to <http://www.indracompany.com/soluciones-y-servicios/solucion/soluciones-para-la-sostenibilidad/9727/18046/energia-y-cambio-climatico>). Moreover, many of Indra’s solutions help reduce the environmental impact in the business sectors in which the company operates:

- ◆ Its “smart city” solutions contribute to more rational mobility and energy use.
- ◆ Its air traffic management solutions increase the efficiency of transport routes, which mitigates the environmental impact through reduced fuel consumption and CO₂ emissions.
- ◆ Its space solutions monitor the effects of climate change.
- ◆ Indra offers specific solutions for renewable energy companies.
- ◆ Its eBusiness solutions help reduce travel thanks to telematic processing.

DIGITAL DIVIDE

As a global company that operates on a worldwide scale in the area of information technology, Indra believes it is important to declare its position on the digital divide and its activity in this area, to which it can make decisive contributions as a company.

What is the digital divide?

The term “digital divide” refers to **difficulties or limits in terms of access to new information and communication technologies such as the Internet, cellphones and similar devices.**

It also refers to any differences that may exist between diverse groups of people in accordance with their ability to use these technologies effectively, based on their various levels of literacy and technological capabilities.

Finally, the digital divide concept is sometimes used to highlight differences between groups that have quality access to digital content and those who do not.

Although the digital divide usually stems from differences prior to actually accessing these technologies, the position adopted by the companies and organizations that work in this area is an essential element for reducing it.

Reasons for our commitment to minimizing the divide

As a global company, Indra operates in markets where

the digital divide has a varied scope and implications. Our objective is to try to minimize that variety. It is precisely because the profile of Indra’s services and solutions lies within the scope of new technologies that their social value must be highlighted. Consequently, one of the company’s objectives is to foster greater equality in their use and promote quality content, resulting in a better quality of life for everyone.