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Corporate
Social
Responsibility Report
2016



indra

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01

Letter from the Chairman & CEO



Dear shareholders,

I write to you to provide you with a review of 2016 for our company, and to outline the progress we made over the last year.

With the release of the previous Corporate Social Responsibility report, I set forth a set of restructuring actions and initiatives that we had already started implementing, with a view to completing a far-reaching overhaul and resizing of the company from the business, financial and operating perspectives. Over the last year we fine-tuned and intensified these changes, driving forward and finalizing several programs, while also planning and kicking off fresh initiatives.

The ultimate goal of these initiatives is to shape a profitable and financially robust company that is attractive to shareholders, investors and employees, with the unswerving ambition of securing sustainable and ordered growth. We made progress in 2016: Indra is today a more profitable company, operationally and financially stronger, and with better governance, control and risk management mechanisms in place.

In terms of results, Indra has expanded its project portfolio thanks to increased order intake. There was a recovery in terms of profitability, with a positive EBIT margin of 6% and cash generation of 184 million euros. From the operating point of view, all of the main restructuring initiatives have been concluded and are now beginning to bear fruit.

However, the financial and business climate in 2016 was not entirely conducive to growth in some of our key regions and sectors.

While we can be satisfied with our achievements, challenging aspects such as depressed oil prices for the third consecutive year, which affects our export markets, and the Spanish government's failure to approve General State Budgets, along with the rapid pace of technological progress in our industry, and a highly demanding competitive framework, all require that we work tirelessly drive growth and improve our strategic capabilities in order to successfully compete going forward. The global strategic climate demands absolute diligence and vigilance in terms of our performance, and fills us with energy and determination as we embark on the considerable work ahead.

One of the main strategic challenges facing Indra is the need to drive profitability, especially in our IT business, amid an increasingly global and aggressive competitive climate. This is the context for our takeover bid on 100% of shares of Tecnocom, of which you are aware.

A well-executed integration will ensure that the acquisition of Tecnocom is absolutely beneficial for Indra. The purchase will create the leading IT firm in Spain with revenue of close to €3.2 billion, and the foremost provider of tech solutions in markets such as Financial Services, Energy, Industry, Public Administrations, Transport and Defense.

The complementary nature of Indra and Tecnocom, and the great affinity between the two, guarantee successful integration, in which perfect execution will be paramount in order to secure all of the potential synergies that render the move so appealing in terms of generating value for our shareholders.

In other matters, during 2016 Indra consolidated and ramped up the improvement and transformation initiatives envisaged in its strategic plan. Said actions cover all of the company's various areas.

First of all, regarding action to strengthen commercial and competitive aspects at Indra, we have seen our standing with key clients grow ever more robust. We continue to perfect and enhance our innovative offering, ensuring that our solutions remain at the forefront of the industry.

All aspects relating to employees are critically important to Indra, both in terms of human resources planning and management, and the need to attract and retain talent. Several core initiatives have been introduced in this regard, such as the Corporate University, specific career plans for specific groups, and a program to attract young professionals to the company, while we also continue our endeavors to perfect and improve resource and project management and planning tools.

Looking at operations and efficiency, we have worked on designing and implementing new plans and tools for overseeing operations, output, manufacturing and procurement management, seeking to drive further excellence, standardization and efficiency in project execution and delivery.

Standout aspects include new initiatives to extend and shore up cultural change at all levels of the organization, seeking to establish improved mechanisms to support decision-making, management and compensation, in a professional climate where integrity, transparency, responsibility and a results-centric approach are paramount.

Finally, I would like to emphasize the importance of our robust corporate governance system. During 2016 the Board of Directors and its committees examined and introduced a number of improvements, including the following:

- Adapting the company's internal regulations to the latest legislative amendments (new Audit Law and Market Abuse Regulations)
- The Board of Directors approved a more stringent independent director replacement interval of nine years, rather than the statutory twelve-year period, in order gradually drive renewal of the Board's membership

- Ramping up dialog with our stakeholders
- Maintaining a very high degree of compliance with good governance recommendations
- Strengthening the company's risks management system by setting up a specific risk coordination unit

Here I would like to underscore just how much more deep-rooted the culture of compliance has become at Indra over the last two years. Specifically, in 2016 we ran numerous information campaigns, with classroom and online sessions for all professionals on the Penal Risk Prevention Model and Code of Ethics and Legal Compliance. And it is very satisfying to see Indra's employees grow increasingly confident in the company's compliance mechanisms.

Having said this, there is plenty still to do in all areas. We must persist in our efforts, remain focused on our priorities, and continue to drive improvements at the company to build an ever stronger and more profitable organization.

I am certain that next year we will make further progress in this direction, just as we have in the last, and that we will successfully generate all the anticipated value for our clients, our employees and, in particular, our shareholders.

I would like to finish by thanking all the professionals at Indra for their extraordinary efforts each and every day to improve our company's standing and extend our solutions around the world.

Fernando Abril-Martorell

02

Business Model

Key financial figures

Business model

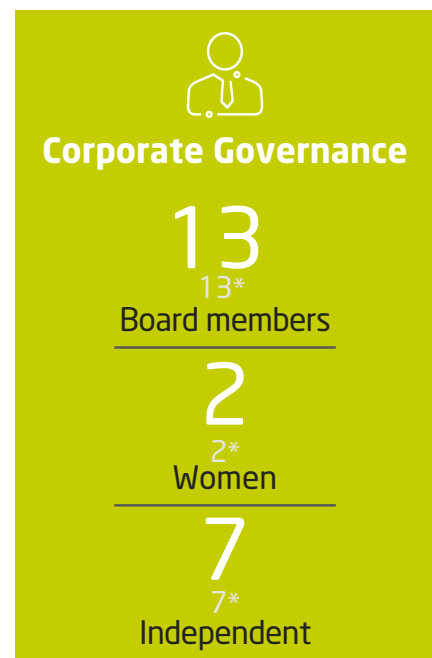
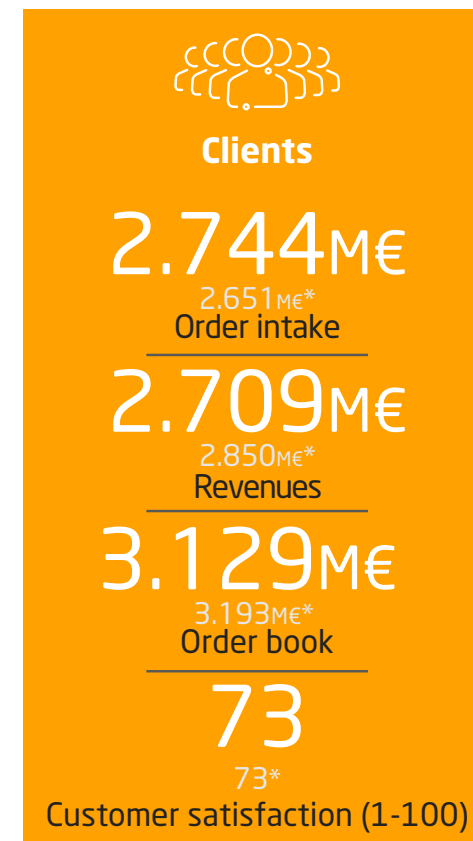
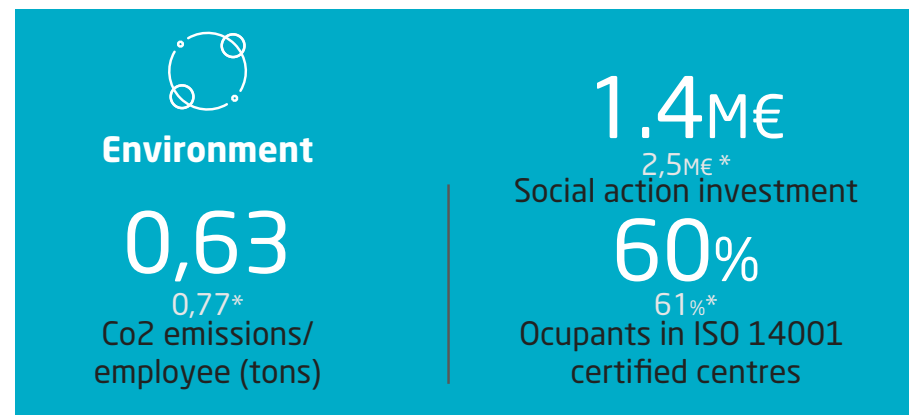
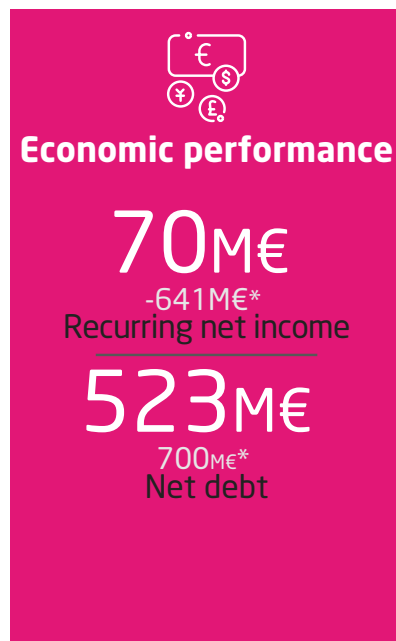
Main brands

Trends

2015-2018 Strategic Plan



Key financial figures



(*) 2015 data

Business model

Indra is one of the major global consulting and technology companies as well as the technological partner for key operations of its clients' businesses around the world.

It offers a comprehensive range of proprietary solutions and cutting-edge services with optimal technological capabilities, supported by a corporate culture of reliability, flexibility and adaptation to client requirements.

Indra is a world leader in the development of comprehensive technological solutions in fields such as Defense & Security, Transport & Traffic, Energy & Industry, Telecommunications & Media, Financial Services, Public Administrations and Healthcare. Through its Minsait unit it provides solutions to the challenges posed by digital transformation.

Indra offers a comprehensive range of proprietary solutions and high added-value cutting-edge services, helping clients to resolve their most critical issues and enhance their processes, efficiency, profitability and brand differentiation.

Leading technology for core business operations

In-depth know-how on key business processes of our clients

Leading proprietary product portfolio linked to core **business processes**

Strong client orientation

Unique culture of **flexibility and adaptability** to client needs

Focus on **long term partnership** with clients

TECHNOLOGY



SOLUTIONS



CLIENTS



PROFESSIONALS



Balanced and resilient portfolio

Activity in different sectors with different key drivers and cycles
IT across industries, Transport and Defence

Diverse portfolio of projects and solutions, with a balanced risk and return profile

Capacidades y habilidades diferenciales en sus profesionales

Solid know-how on core technologies and vertical industries

Global experience with **local implementation** teams



Indra is the world leader in developing integrated technological solutions around the world in **Transport and Defense:**

- **Transport & Traffic:** air traffic management systems; navigation and surveillance systems; rail, port and airport management systems; urban traffic and transportation systems; and highway traffic, tunnel and toll systems.
- **Defense & Security:** a leading position in air surveillance, military simulation, electronic defense and satellite communications

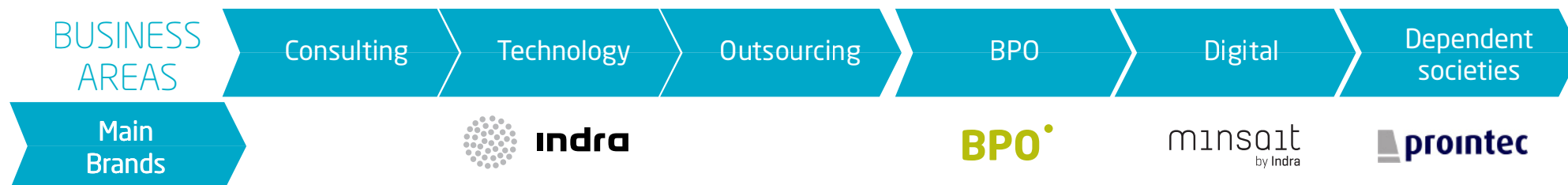


It is also a leader in **Information Technology**, through an offering of unique management solutions for entities in sectors such as:

- **Energy and Industry:** leadership in power generation, distribution and commercial management solutions; and for hotels, etc.
- **Telecommunications & Media:** solutions for business support operations and systems; and for digital TV and the new media
- **Financial Services:** a leading offering in key insurance and banking systems; and operational transformation and process efficiency services
- **Public Administrations and Healthcare:** cutting-edge examples in healthcare management platforms, management systems for education and justice, and a comprehensive offering in electoral processes

- **Digital Transformation: Minsait** is Indra's business unit that addresses the challenges posed by digital transformation for clients, with an offering providing immediate and tangible results for companies and institutions

Main brands



Trends

Indra has identified the following important trends in its environment that may influence its business activity in the short, medium and long term

DEFENSE AND SECURITY

Recovery of the global investor cycle, boosted by the growing climate of uncertainty and local conflicts

- Europe: possible growth and renewed boost to strategic autonomy and the development of the EU's Common Security and Defense Policy
- Spain: new investment cycle with the launch of major programs responding to the needs of the Spanish Defense industry

Indra is heading up the development of the Spanish Space Surveillance and Tracking System (S3T) as part of the European Space Surveillance and Tracking program

Growing focus on high value-added segments

- Growing demand in areas in which Indra already has a significant presence: radars, C4ISR (Command, Control, Communications, Computers, Intelligence, Surveillance & Reconnaissance), electronic defense, satellite communications and flight simulation

- Strong growth expected in other segments where Indra hopes to play a key role, such as Cyberdefense and Unmanned Aerial Vehicles (UAVs)

Indra participates in the Government of Galicia's Civil UAVs Initiative to improve the services provided by the public administrations: fight against forest fires, maritime surveillance and salvage, environmental conservation, detection of spills at sea, and land planning.

Growth shifting to emerging markets

Growth shifting to emerging markets, with increasing self-sufficiency for local industry, making it necessary for Indra to export technological transfer processes with the support of local partners.

TRANSPORT & TRAFFIC

Strong growth in the rail sector

Boosted by increased demand: over 40% rise in passengers and over 30% in freight in ten years; boosted at European level by the Shift2Rail public-private innovation program in the rail sector.

Indra is a member of the Governing Board of Shift2Rail, the main European rail transport research initiative

Growing trend for sensorization, connectivity and automation in road and urban traffic

- Greater automation requires IT Solutions that provide interconnectivity between vehicles and the control center, boosting the IoT (Internet of Things)
- Growing development of smart payment (pay-as-you-go), traffic control and safety systems
- Digitalization and multimodal integration of ticketing systems
- Development of analytics capacities

to make the best use of mass data on transport

Indra heads up AUTOCITS, one of the main projects that will test autonomous driving on European roads

Short-term competitive stability in ATM (Air Traffic Management) and technological renewal with impact within a period of between five and ten years

- Single European Sky program to unify technology for navigation and control of the air space, as well as the plans already launched in the United States and Australia for the use of new technologies

Indra is one of the most important partners in the multinational SESAR program and the iTEC alliance, which are the pillars for constructing the future Single European Sky

- Prospects for improved growth in Asia

Indra is one of the main promoters of the modernization of Air Traffic Management infrastructure in the Asia-Pacific region

- Global need for systems based on space surveillance infrastructure and greater interoperability

Strong competitive pressure drives the need to maximize efficiency

- Increased weight of private finance and public-private schemes
- Increased competition, pressure on margins and the need to optimize costs

INFORMATION TECHNOLOGY

Focus on high value-added products and services

- Exponential growth in the digital segment (IoT, Cloud, Big Data, Analytics, etc.), which will lead to a profound transformation of the IT markets
- Significant activity in corporate operations in the digital area, in addition to the development of alliances with research centers and ecosystems through external collaboration
- Energy Solutions, Financial Services and Healthcare will grow above the average of the global IT solutions market

Indra's Energy solutions have been implemented in more than 140 companies in over 45 countries, with more than 100 million customers at global level

Growing shift toward Cloud technology

- Development of infrastructures (IaaS - Infrastructure as a Service) and high-capacity, high speed and high security platforms for operating its Cloud solutions (PaaS - Platform as a Service)

Firm commitment to competitiveness and efficiency in the short term through offshoring and in the medium term through automation and robotization

- Special impact on services such as: BPO, IT Outsourcing, Testing...
- Expenditure on automation is expected to multiply fivefold between 2015 and 2020
- Automation is estimated to bring savings of over 35% in onshore processes and over 10% in offshore processes

2015-2018 Strategic Plan

The 2015-2018 Strategic Plan is the roadmap defined for transforming and developing the company. It is organized into six strategic lines

Enabler for strategy implementation



06. Cultural change to be more focused on profitability

Growth accelerators



05. Growth in new businesses

Base for sustainable and profitable growth



02. Products and projects portfolio

03. Go-to-market strategy

04. Delivery model

Short term must-dos



01. Cost reduction to capture savings and increase Indra's competitiveness

The Strategic Plan is deployed through a set of actions organized into 17 projects and 47 initiatives. Each initiative is associated with a complete action plan, including the team responsible, objectives and implementation schedule. The implementation of the Plan is monitored through the Strategic Project Management Office, which periodically reports to the Chairman & CEO, the President & COO and to the Management Committee. Below is the most significant progress made in 2016 in the different sections of the Strategic Plan

01

Plan for cost reduction and **increased competitiveness**

The market environment is increasingly demanding in terms of prices. This makes it necessary to focus as much as possible on competitiveness and efficiency. The nature of Indra's activities calls for a highly flexible cost structure: at times, to adapt to some increasing demands with respect to price; and at times to absorb demand volatility. The actions undertaken in this section are geared to this aim:

- The restructuring and optimization process for the organization has been completed
- Significant progress has been made in reducing production costs and other general costs through measures such as the review of the company's purchasing model
- New procedures have been developed for approving bids and controlling the execution of projects. They have structurally reduced the company's risk profile
- The implementation of the Global Business Services (GBS) project has been completed. Through a new global network of Shared Service Centers, it introduces a new model for providing corporate services to deal with the needs of businesses, supporting the coordination and integration of functions and activities and improving efficiency, quality and control

02

Product and project portfolio, commercial strategy and delivery model: **Basis for sustainable and profitable growth**

These sections include actions geared to strategically increase the capacity of Indra's businesses to generate revenue and margins and to strengthen its commercial and competitive position. To this end, the progress made aims to optimize the product and project portfolio, focus the business strategy on higher value-added products, and continue the steady development of our production and delivery model. The most significant steps forward have been:

03

- A profound reflection on the strategic product map of the different Indra businesses
- A complete review, transformation and implementation of the company's offering of services
- Implementation of plans for the commercial transformation of the vertical businesses to streamline the product portfolio and define the best go-to market strategy for each sector and geography
- Progress in the implementation of a global operational transformation plan. Its aim is to achieve a more orderly management of operations and thus maximize operational efficiency and make tools available for continuous improvement
- Continued development of the global production model towards a more competitive mix, introducing re-industrialization and offshoring levers. In turn, all the potential offered by process automation and robotization is being steadily adapted and incorporated into the service offering

04

05

Growth in new businesses: **growth accelerators**

As the reorganization and structural improvement phase of efficiency is completed and the foundations are laid for sustainable growth, Indra is making progress towards the goal of exploiting the growth potential of the company's businesses. To this end, February 2016 saw the launch of Minsait, Indra's business unit that integrates its technology and consulting solutions in the Digital Transformation segment. The greatest possible focus and effort is being maintained in Minsait's deployment phase. After its initial launch in Spain, it is being expanded to key geographical areas for Indra, such as Mexico and Italy.

Indra's ambition for growth is not limited to digital businesses; it extends to all the company's core business areas.

In 2016, having laid the foundations for a properly restructured and efficient organization with improved risk management mechanisms, Indra was prepared to grasp the global opportunities that its solid capacities can generate, and translate them into orderly and profitable growth. It has therefore been highly alert to potential strategic alliances that could boost its go-to-market capability and even create opportunities to enrich its offering and client base via external deals, which it has not ruled out as its financial position becomes more stable.

The strong commitment to innovation must maintain the company's solid technological leadership amid the disruptive technological changes that are taking place, in which Indra wishes to play a central role together with its clients. To this end, it has launched a new open innovation model, designed to strategically broaden its ability to generate and capture attractive ideas for the company's new offering (see Chapter 10, *Innovation*).

06

Cultural change with a focus on profitability: **the enabler for implementing the strategy**

Cultural change is a key element in the implementation and consolidation of the overall strategic plan. Indra is a diverse company from the geographical, functional and cultural point of view. Its priority is therefore to advance on all fronts and develop the company's culture in line with the values that are fundamental to the success of the Plan:

- Focus work on increasing shareholder returns and cash generation
- Push for a culture of integrity, rigor and accountability in project execution, and of robust shared assessment of risks (see Chapter 5 *Compliance*)
- Recognize the performance and talent of professionals according to their differences, with career tracks, training plans and compensation adapted to each person's profile and objective contribution (see Chapter 8 *Professionals*)

03

Stakeholders

CSR Model

Stakeholders

Stakeholder Relations

Material Aspects

Value Creation Model

Commitment to the SDGs



Corporate Social Responsibility Model

Indra is a business project developed with a medium and long-term vision that requires responsible behavior with respect to its main stakeholders.

Indra has a Corporate Social Responsibility model that is decentralized into the different management units and integrated at corporate level. This means the activities and objectives are implemented and aligned across the whole organization.

Among the duties of the Appointments, Remuneration and Corporate Governance Committee is to analyze periodically the policy, internal regulations, procedures and practices relating to Corporate Social Responsibility, as well as the level of adaptation to the rules, recommendations and national and international practice in this area.

The Committee proposes any changes on matters of Corporate Social Responsibility it considers appropriate to the Board of Directors and informs the Board about the information the company discloses in relation to this matter.

The Communication, Branding, and Corporate Social Responsibility Division is charged with implementing the company's strategy in this area and with executing the Corporate Social Responsibility Master Plan, while regularly reporting to the Appointments, Remuneration, and Corporate Governance Committee.

Corporate Social Responsibility Policy is Indra's corporate framework of reference for guaranteeing responsible behavior.

Indra's Corporate Social Responsibility vision is to be an innovative and responsible company in its stakeholder relations

Indra's Corporate Social Responsibility Policy, as approved by the Board of Directors, is available at: <http://www.indracompany.com/en/indra/responsabilidadsocial-corporativa>.

The Corporate Social Responsibility Master Plan is the basis for management of sustainability at the company. It has been revised annually since 2003 with the participation of the teams responsible for relations with each group of Indra's stakeholders.

The aim is to strengthen communication listening channels, and in this way to integrate the opinion of the different stakeholders in a quickly changing environment. The Plan establishes the right framework so that Corporate Social Responsibility may assist innovation and be in line with business objectives.

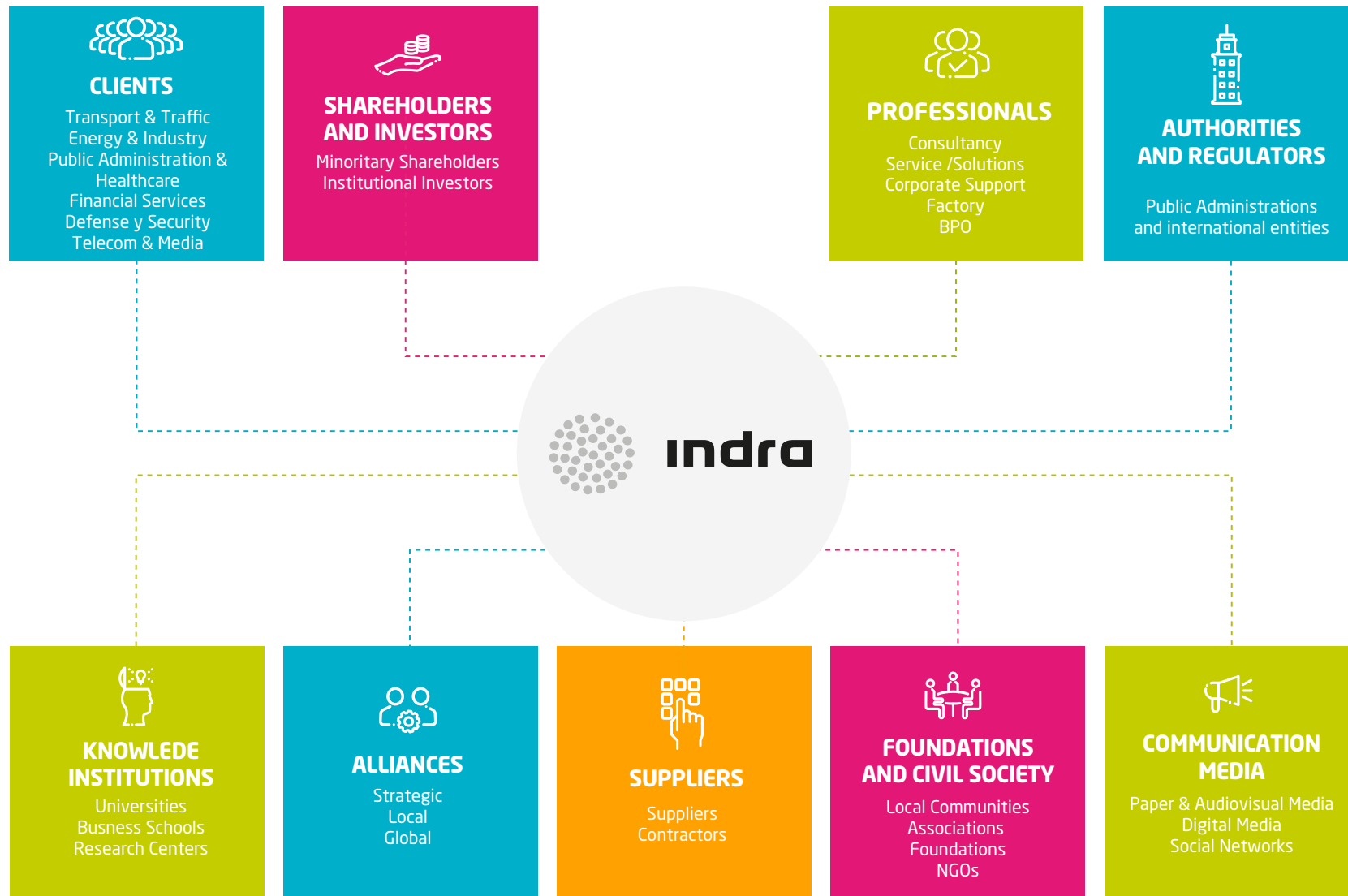
In turn, every year the material issues and specific practices for action by the company are identified for each stakeholder group. Indra's Corporate Social Responsibility objective

is to achieve sustainable development for the company, integrating its stakeholders and contributing to the creation of value for society. This is achieved through its principles for action.

Corporate Social Responsibility principles for action in Indra



Stakeholders



Stakeholder Relations

One of the strategic objectives of the Corporate Social Responsibility Policy is collaboration and dialog with stakeholders to contribute to the creation of shared value.

Stakeholder relations allow Indra to identify what aspects are considered most relevant and the new trends in the area of sustainability.

The Corporate Social Responsibility Master Plan identifies and prioritizes the initiatives designed to improve relations with each of the stakeholders, reviewing it periodically to ensure it is aligned with the company's Strategic Plan and its policies.

Stakeholder expectations are taken into account when prioritizing the initiatives in the Corporate Social Responsibility Master Plan.

In line with the requirements of ISO 9001:2015 standard, Indra works to identify and understand stakeholder expectations as key points for the assessment and determination of risks and opportunities for the company.

The values that rule the relationship with interest groups are



Transparency







Responsibility



Dialogue

CHANNELS FOR COMMUNICATION AND DIALOG WITH STAKEHOLDERS

Indra maintains various channels for communication, participation, and dialog open to its stakeholders, which are reviewed and updated continuously

| Stakeholder | Commitment | Communication mechanisms | Key indicators |
|--|--|--|--|
|  CLIENTS | Leadership and innovation Efficient management Quality Information security and privacy Ethics and transparency | Indra and Minsait websites Stands at trade fairs Direct relations through account managers Complaint and claim management Satisfaction survey | Client satisfaction Accidentally disclosed client information Number of complaints related to loss of information and breaches of client data |
|  SHAREHOLDERS AND INVESTORS | Value creation Good governance and risk control Fluid and transparent dialog Equal treatment and non-discrimination | Shareholder's Office Shareholder/investor email Website: Shareholders Shareholder's Magazine Roadshows and one-to-one meetings Earnings reports and videoconferences (quarterly) (*) See policy on investor relations available at http://www.indracompany.com/en/accionistas/corporate-policies | Meetings with institutional investors Number of phone queries answered Number of one-to-one meetings Number of visits to the Shareholder Magazine |
|  PROFESSIONALS | Professional development and recognition Equal opportunity The work/life balance Guaranteed health and safety at work Freedom of association Ethical and responsible behavior | Internal communication, Indraweb corporate portal Dialog with workers' representatives Welcome Plan Assessment interview Direct Channel | Number of Direct Channel communications Number of visits to the corporate intranet |
|  REGULATORS AND AUTHORITIES | Regulatory compliance Innovative solutions | Dialog through professional associations Institutional encounters Specific solutions | Presence in sector-specific associations |

| Stakeholder | Commitment | Communication mechanisms | Key indicators |
|--|---|--|---|
|  <p>UNIVERSITIES AND RESEARCH CENTERS</p> | <p>Collaboration to generate mutual benefit</p> <p>Exchange of knowledge</p> <p>Talent attraction</p> | <p>Collaboration agreements</p> | <p>Investment in R&D&i</p> <p>Number of agreements</p> |
|  <p>PARTNERS</p> | <p>Collaboration to generate mutual benefit</p> | <p>Definition of governance models for the main alliances</p> | <p>Volume of business</p> |
|  <p>SUPPLIERS</p> | <p>Compliance with the Code of Ethics</p> <p>Compliance with contractual commitments</p> | <p>Contractual negotiations and relations</p> <p>Surveys</p> <p>Supplier portal</p> | <p>Percentage of purchases from local suppliers</p> |
|  <p>FOUNDATIONS AND CIVIL SOCIETY</p> | <p>Ethical business activity</p> <p>Environmental protection</p> | <p>Collaboration with foundations (see Social Action)</p> | <p>Investment in Social Action</p> <p>Number of environmental complaints</p> |
|  <p>THE MEDIA</p> | <p>Information transparency</p> | <p>Indra and Minsait websites</p> <p>Press rooms</p> <p>Press releases</p> <p>Periodic contacts</p> <p>Telephone or face-to-face service</p> <p>Contacts with executives</p> <p>Attendance at media events</p> <p>Social networks</p> <p>Infographics</p> <p>Videos</p> <p>Corporate reports</p> | <p>Visits to press rooms</p> <p>Downloads</p> <p>Number of press releases</p> <p>Impacts in the media</p> |

Online and **social media** presence

Minsait has its own social media channels. Over 900 content items were published in 2016 and 30,000 interactions were registered with users. The business unit now has over 26,000 followers in the social media (Twitter, LinkedIn, YouTube and Slideshare).

Both English and Spanish are used in communications from Indra and Minsait's global corporate profiles on the social media.

minsait
by Indra



www.indracompany.com received **2,903,526** visits in 2016

+ **300,000** followers in the different social media

+ **2,000** corporate content items were published in the social media in 2016

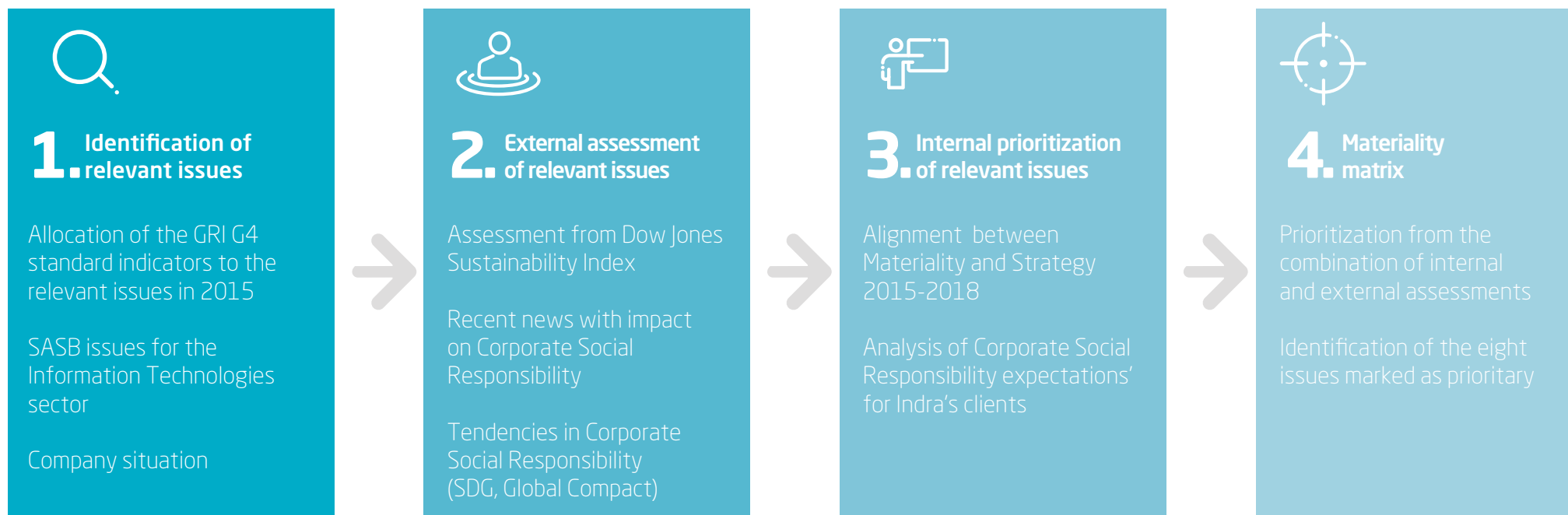
+ **50M** new users in 2016

Material aspects

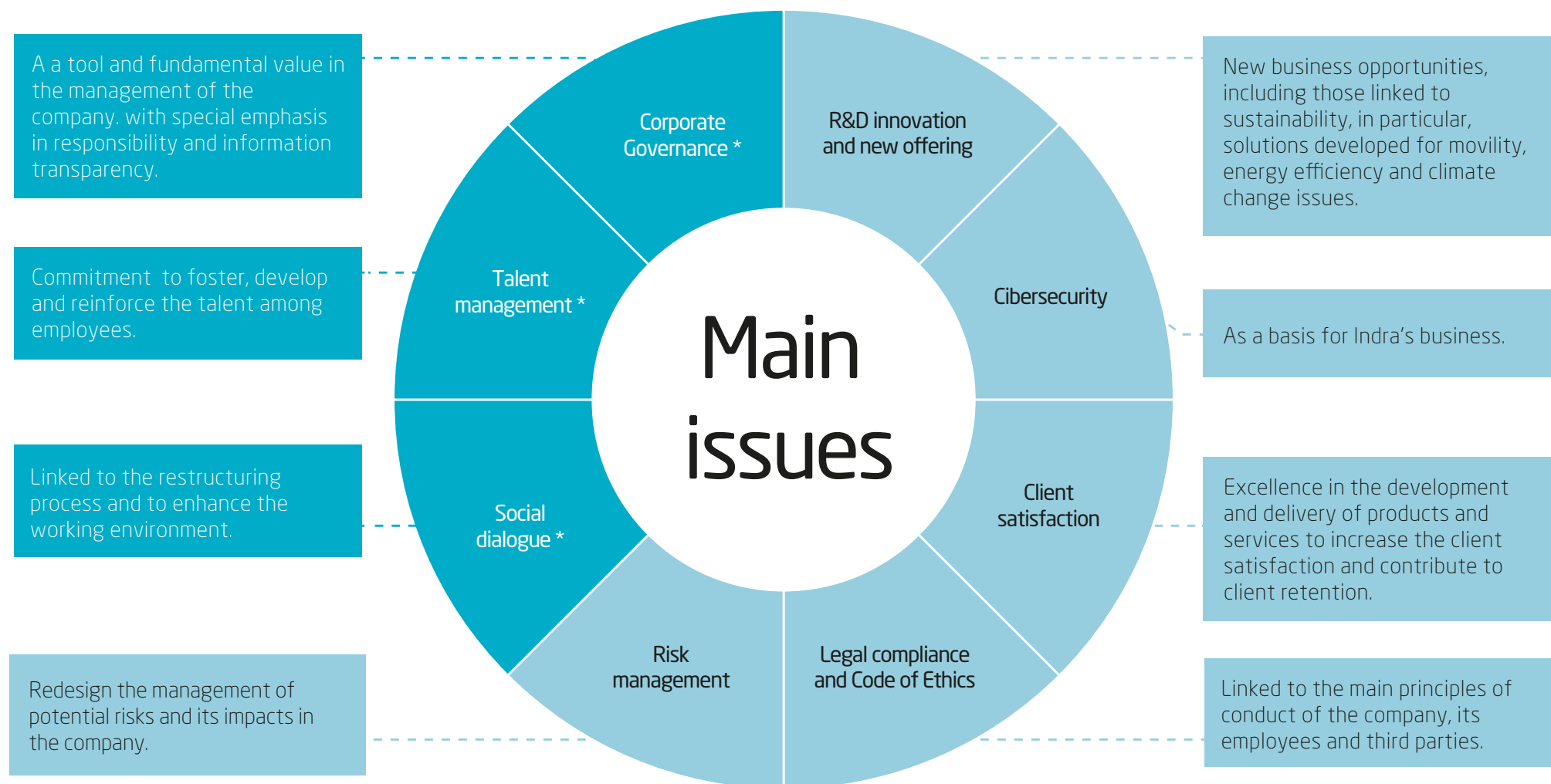
Since 2007, Indra has reviewed relevant aspects of its Corporate Social Responsibility that must drive its strategy and the drafting of the Annual Corporate Responsibility Report. This continuous process takes into account all the key issues for Indra's activities in the economic, social and environmental areas, and also considers its impact across the company's value chain. Indra believes it essential that materiality is aligned with the company's strategy and with

stakeholder expectations on Corporate Social Responsibility. This takes into account the requirements of each one of these groups and defines common objectives geared to detecting opportunities to strengthen our positioning and our clients' trust in us.

Phases of Materiality Analysis

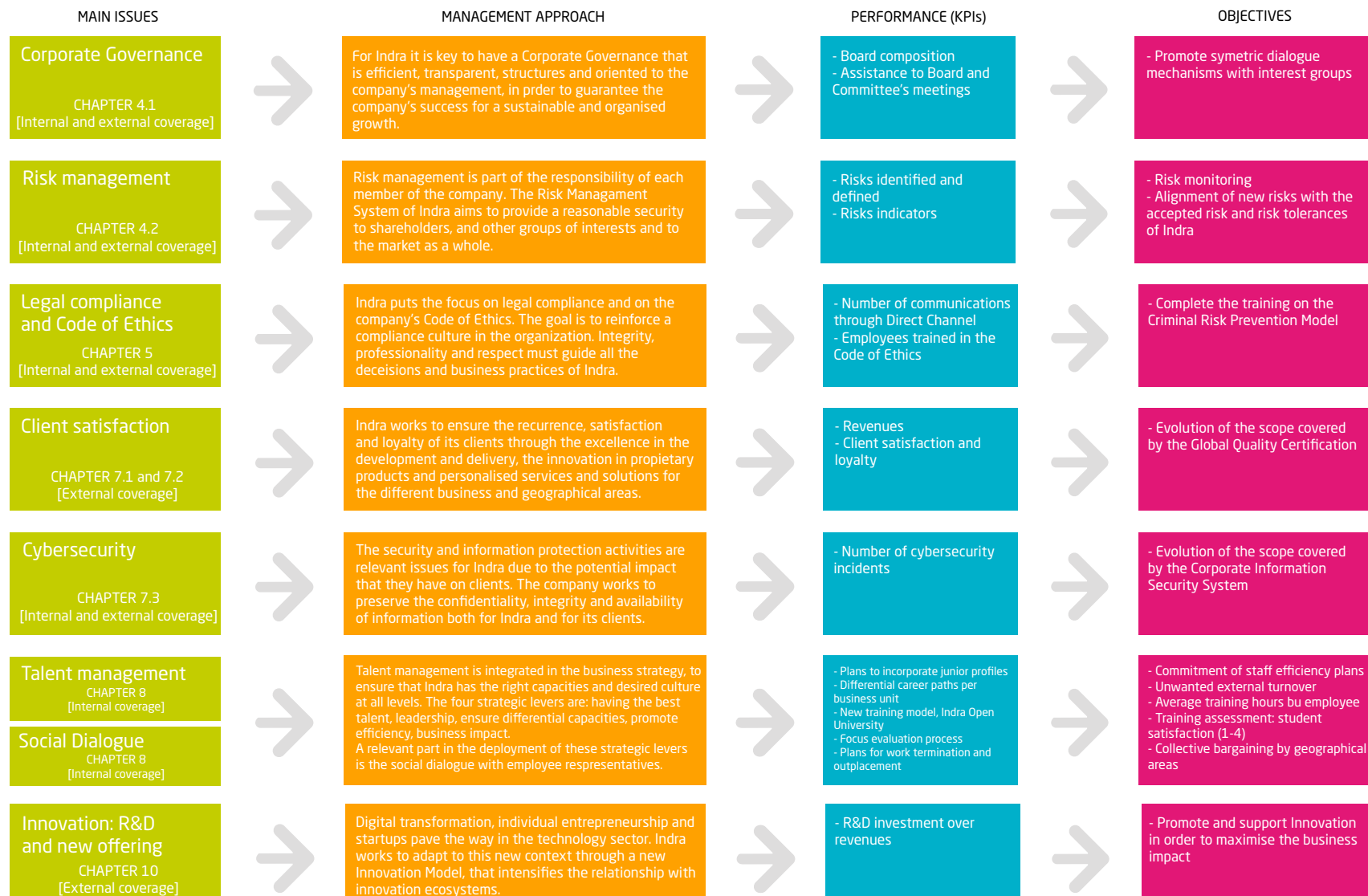


Indra's materiality analysis in 2016 has resulted in issues of great relevance for the company, which are the focus of this Corporate Responsibility Report. For this reason, specific information is provided about the company's performance with respect to these issues over the year.



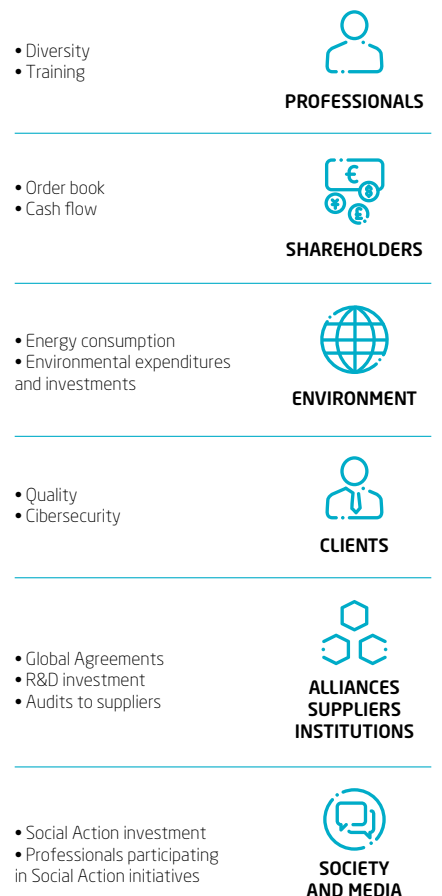
(*) Priority issues incorporated in 2016

This Corporate Social Responsibility Report addresses the eight issues identified by Indra as priorities.



Value Creation Model

RESOURCES

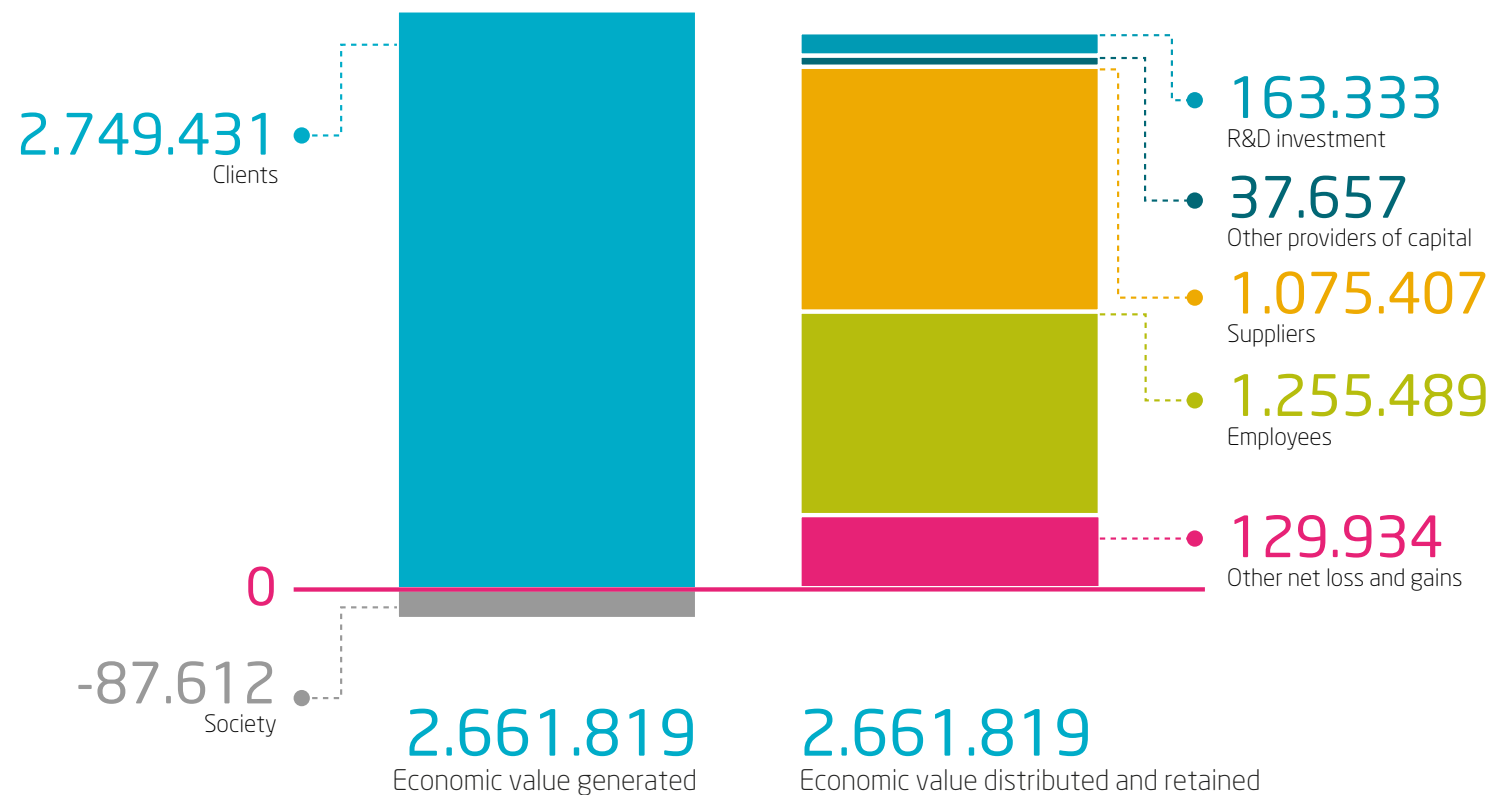


RESULTS



Indra's contribution to the communities in which it operates totaled €2,661 million in 2016. This information on economic value generated and distributed gives a basic indication as to how Indra creates wealth for its stakeholders.

Economic value generated, retained and distributed (in thousands of euros)



Commitment to the Sustainable Development Goals

The Sustainable Development Goals inspire and help explain how Indra contributes to the transformation of society through its offering

Main Sustainable Development Goals for Indra



Indra contributes to the [Sustainable Development Goals](#) (SDGs), mainly through the company's business offering and also through the corporate policies on diversity and inclusion, promoting gender equality and innovation in areas related to the SDGs.

Technology and digital transformation are key to achieving the SDG targets. Indra's products and solutions cut across the SDGs and address challenges in a variety of areas, putting technology and innovation at the service of the priorities identified by the United Nations.

To find out how Indra contributes through its offering and innovation to the Sustainable Development Goals, please see:

- Chapter 10 *Innovation*; relation between Indra's R&D projects and the SDGs
- Chapter 11 *Contribution to society*; impact of Indra's offering on the social and environmental SDGs

Indra also complies at corporate level with criteria aligned with other Sustainable Development Goals such as those relating to Gender Equality (SDG5), Decent Work and Economic Growth (SDG8), Reduced Inequalities (SDG10) and Partnerships for the Goals (SDG17).

04

Corporate Governance and Risks

Governance Model

Risk Management

***"Indra is today a stronger company with better mechanisms for governance,
control and risk management"***

Fernando Abril-Martorell
Chairman and CEO of Indra

Extraordinary General Meeting of Shareholders, February 2017

Governance Model

The existence of an effective, transparent and structured system of Corporate Governance geared to the management of the company's operations is essential to guarantee Indra's success through sustainable and orderly growth.

Indra's Governance Model is soundly organized into principles, internal regulations, codes and corporate policies, which constitute guidelines that ensure all aspects related to the business are carried out properly, in accordance with national and international Corporate Governance regulations, standards and best practices.

Principles of Indra's Corporate Governance Model



Efficiency

Guaranteeing and applying the necessary measures to allow members to act with unity of purpose and independent criteria, in the interests of the company and of its shareholders and maintaining the company's sustainability



Equity

Promoting two-way dialog channels with stakeholders, investors and other groups of interest



Respect for rights

Implementing measures to increase informed participation of shareholders and the proper exercise of their rights



Responsible compliance by managers

The Board must actively supervise and assume specific responsibilities that cannot be delegated. Compliance assessment
Design of Indra's strategy, supervision of the managers activities
Link with shareholders



Transparency

Ease the information needed by the market to follow the companies evolution
Commitment to dialogue with all the interest groups

Indra’s system of Corporate Governance is also a tool supporting proper risk control and management

The company’s internal regulations, codes and corporate policies

[Internal regulation for conduct in matters related to stock markets](#)

[Bylaws of Indra Sistemas S.A.](#)

[Code of Ethics and Legal Compliance](#)

[Board of Directors Regulations](#)

[Communication policy with shareholders, institutional investors and proxy advisors](#)

[Board of Directors Remuneration Policy](#)

[Regulation of the General Meeting of Shareholders](#)

[Corporate Social Responsibility Policy](#)

[Board of Directors Selection Policy](#)

Indra includes current Corporate Governance regulations and recommendations in its management model. There is a high level of compliance (89%) with the recommendations of the Code of Good Governance for Listed Companies. Specifically, Indra complies with all the recommendations applicable except for one. The reason for this is explained in the [Annual Corporate Governance Report](#) (section G)

INDRA'S GOVERNING BODIES

Indra's governing bodies are the Board of Directors and its Committees, together with the Management Committee. The duties of the Board and its Committees are included in the Board Regulations, which implements the provisions of the Bylaws on this matter.

Board of Directors

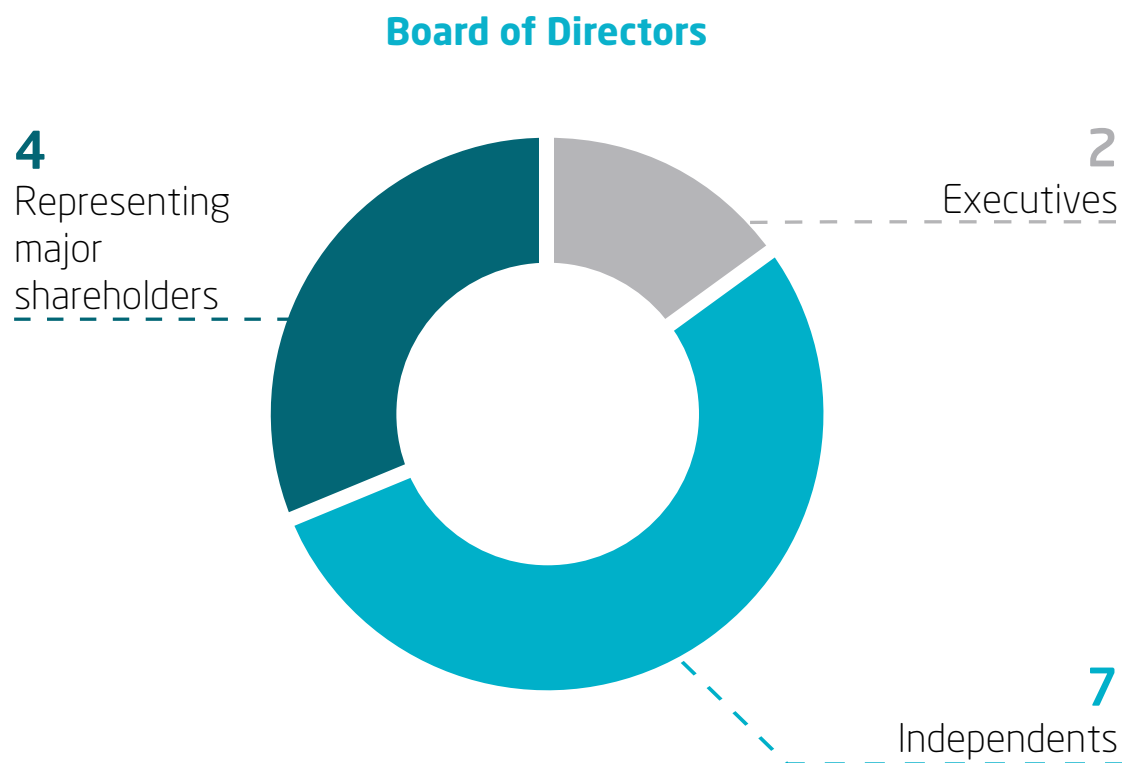
The Board is primarily concerned with supervision and ensuring that the executive bodies and management team (to whom it delegates the day-to-day management of the company) act in accordance with the strategies approved and the objectives defined.

Specifically, Article 26 of the [Bylaws](#) grants the Board the broadest powers to administer, manage and represent the company as it goes about its business, respecting at all times the principles of good faith and equal treatment for shareholders.

Articles 21, 22 and 26 of the Bylaws and Chapters II, III and X of the Board Regulations govern the functions of the Board, its criteria for action, qualitative and quantitative composition, the classes of directors and the duties of directors.

The size of the Board (13 members) is in keeping with the company's needs and its composition reflects the diversity of knowledge, gender and experience needed to be able to fulfill its duties efficiently, objectively and independently.

The proportion of independent directors and directors representing major shareholders is the right one and complies with the provisions of the Board Regulations (Articles 8 and 9) and with the Recommendations on Corporate Governance and international standards on this matter.



The Board reviews the composition of the governing bodies periodically to maintain the most appropriate structure for Indra's interests

| Name | Category | Board | Audit and Compliance Committee | Appointments, Remuneration and Corporate Governance Committee | Executive Committee (*) |
|---|------------------|-------|--------------------------------|---|-------------------------|
| Fernando Abril-Martorell Hernández | Executive | ✓ | | | ✓ |
| Daniel García-Pita Pemán | Independent | ✓ | | ✓ | ✓ |
| Javier de Andrés González | Executive | ✓ | | | ✓ |
| Isabel Aguilera Navarro | Independent | ✓ | | ✓ | |
| Juan Carlos Aparicio Pérez | Rep. maj. shlds. | ✓ | ✓ | | |
| Luis Lada Díaz | Independent | ✓ | ✓ | | |
| Juan March de la Lastra | Rep. maj. shlds. | ✓ | | | ✓ |
| Santos Martínez-Conde Gutiérrez-Barquin | Rep. maj. shlds. | ✓ | ✓ | ✓ | |
| Adolfo Menéndez Menéndez | Rep. maj. shlds. | ✓ | | ✓ | ✓ |
| Enrique de Leyva Pérez | Independent | ✓ | ✓ | | ✓ |
| Rosa Sugrañes Arimay | Independent | ✓ | | ✓ | |
| Alberto Terol Esteban | Independent | ✓ | ✓ | | ✓ |
| Ignacio Santillana del Barrio | Independent | ✓ | ✓ | | ✓ |

(*) Note: The Executive Committee was created in 2016 to replace the Strategy Committee

The [Board Regulations](#) comply with current national and international Corporate Governance law, recommendations and best practices. They establish the duty of dedication and set a maximum number of company boards to which the members of the Indra Board may belong. This figure varies according to whether they are executive directors (two additional boards) or non-executive (four additional boards). The Regulations also set out specific duties of directors in Article One, and covers the treatment of conflicts of interest and the ban on competition.

Directors are under the obligation to attend personally any sessions held, with absences kept to the bare minimum. If a director cannot attend a session, he/she must grant a proxy, preferably giving voting instructions. In the case of non-executive directors, the proxy must be granted to another non-executive director.

Audit and Compliance Committee

Indra has had an Audit and Compliance Committee since 1999. Its powers, composition and operating regulations are governed by the Board Regulations. The Committee's activity is included in the Annual Activity Report, which is made available for shareholders at the time of the General Meeting of Shareholders <http://www.indracompany.com/en/accionistas/audit-compliance-commission-activities-report>.

Appointments, Remuneration and Corporate Governance Committee

The powers, composition and operating regulations of this Committee are governed by the Board Regulations. The Committee's activity is included in the Annual Activity Report, which is made available for shareholders at the time of the General Meeting of Shareholders <http://www.indracompany.com/en/accionistas/nomination-compensation-corporate-governance-committee-activities-report>.

Executive Committee

The Executive Committee is made up of eight members (Article 17 of the Board Regulations establishes that it must be made up of the number of directors determined at any time by the Board, with a minimum of four and a maximum of nine). Four of its eight members are independent directors.

The Executive Committee is delegated all the duties of the Board, except for those that may not be delegated by the Law (articles 529 ter and 249 bis), the Bylaws and the Board Regulations.

In 2016 the Executive Committee met twice and dealt with matters including analysis of the company's operational issues, analysis of economic and financial information and monitoring of the most relevant issues reported to the Board.

Activities of the governing bodies in 2016

The [Annual Corporate Governance Report](#) provides information on Indra's Corporate Governance and the activities of its governing bodies. The rate of attendance by directors at meetings of the Board and its Committees is very high. In 2016 the Board held a total of 12 meetings, with an attendance rate of 94%. The Audit and Compliance Committee held 15 meetings, with attendance at 97%, and the Appointments, Remuneration and Corporate Governance Committee held 12 meetings, with attendance at 92%.

Assessment of the Board

In accordance with Article 13 of the Regulations, and based on the report issued by the Committee, the Board annually assesses its own performance and the quality of its work, as well as that of each Committee. Each of these bodies conducts its own assessment and drafts a Report about its activities and actions during the year, which is submitted to the Board. This year the Activity Report for 2016 of the Audit and Compliance Committee and the Appointments, Remuneration and Corporate Governance Committee will be published, together with the rest of the information reported to shareholders at the General Meeting of Shareholders.

In 2016 the review of the year 2015 was carried out through the normal internal procedure, similar to that in previous years. It consists of individual completion by each director of a questionnaire about the structure, composition and operation of the Board and its Committees.

In addition, the Board carries out an annual assessment of the work of the Chairman of the Board as such, and also as CEO, if applicable.

INDRA'S MAIN CORPORATE GOVERNANCE POLICIES

Board of Directors Remuneration Policy

The Board of Directors Remuneration Policy is adapted to international standards and the recommendations of the new Good Governance Code for Listed Companies, in accordance with recommendations 56 to 64 of the Code. The policy was approved by the General Meeting of Shareholders held in June 2015 and is valid for three years.

In compliance with the provisions of the Capital Companies Act, the remuneration of the Board is reviewed periodically to ensure there is a reasonable relationship with the size of the company, its economic situation and the market standards for comparable companies.

The Annual Report on Remuneration of Board Members is available to the public on the corporate website <http://www.indracompany.com/en/accionistas/annual-report-compensation-directors>.

Policy on communication and contact with shareholders, institutional investors and proxy advisors

One of the goals of the company's Corporate Governance policy is to promote meaningful dialog with shareholders, investors and other stakeholders.

The Board has approved a policy on communication with shareholders and proxy advisors which is public and can be viewed on the corporate website <http://www.indracompany.com/en/accionistas/corporate-policies>.

Board of Directors Selection Policy

The Board has a Directors Selection policy that forms part of the company's Corporate Governance rules. The Selection Policy ensures that proposals to appoint or re-elect directors are based on an analysis of the Board's needs and are for candidates who have the required skills. In 2016 the Appointments, Remuneration and Corporate Governance Committee played a key role in the processes of selecting Directors. It verified that these processes were carried out correctly and complied with the objectives set in the policy relating to gender diversity, which will be analyzed in this Report.

In 2016 the Board approved the rule that an independent director may only be proposed for re-election twice

This rule consists of not proposing for re-election any independent director to the General Meeting of Shareholders who has served in the position for three statutory terms (each of three years); in other words, independent directors may only be proposed for re-election twice.

This criterion takes into account the policies for gradual renewal of the Board, as followed by international investors and proxy advisors. It will be applied for the first time at the Ordinary General Meeting to be held in June 2017.

Corporate Social Responsibility Policy

The Appointments, Remuneration and Corporate Governance Committee analyzes Indra's policy and practices relating to Corporate Social Responsibility, as well as the level of adaptation to the rules, recommendations and national and international practice in this area.

The current policy has been approved by the Board of Directors and includes the principles and commitments that Indra assumes voluntarily in its relations with the different stakeholders.

TREATMENT OF GENDER DIVERSITY

Indra's internal regulations establish that the Board of Directors and the Appointments, Remuneration and Corporate Governance Committee are responsible for applying the criteria and policies designed to ensure there is gender diversity on the Board.

The current Board of Directors Selection Policy lays down the objective that by the year 2020 the number of female directors should represent at least 30% of the total number of Board members.

Risk Management

Indra's Risk Management System is a process driven by the Board of Directors and Senior Management. It must be followed by each and every one of the members of the organization, and aims to provide reasonable assurance of achieving established objectives, contributing value and a suitable level of guarantees for shareholders, other stakeholders and the market in general.

The Audit and Compliance Committee supervises the efficacy of the Risk Management System, and reports when necessary to the Board of Directors the conclusions obtained in the reviews carried out, submitting any proposals and recommendations it considers necessary.

In the first quarter of 2016 the Board of Directors reviewed the operation of the company's Risk Control and Management Policy, approving it in the terms proposed by the Audit and Compliance Committee.

Indra's Risk Management System is based on management by business units, processes, geographies and corporate areas. It is a core element of Indra's decision-making processes. It is a continuous and multi-directional process of risk identification, valuation and management that operates by monitoring the control activities and action plans that have been defined.



In 2016 Indra's risk catalog was made up of a total of 87 risks, identified and defined through analysis of the economic, operational, labor, social, etc. environment and identification of possible potential events.

The risks are classified into the categories of: external, financial, operational and compliance.

The risk assessment process is carried out qualitatively according to the probability of occurrence and impact, as established on defined assessment scales.

The assessment of each of the risks is carried out by one or more divisions in the company at both corporate level and the level of global markets and/or geographies.

According to the established consolidation model, the risk assessment matrix is obtained and represented graphically in the Indra risks map, broken down into four risk levels: critical, high, medium and low.

Indra's Risk Control and Management Policy is designed to achieve a moderate risk profile, through correct management. Thus once the risks map has been obtained and the result of the risks has been analyzed, the owners of the risks define the response strategy to be followed for each.

The risks that are outside the established tolerance levels are subjected to actions designed to return them to desirable levels. To provide information on the tracking and continuous monitoring of the risks, Indra has established numerous linked indicators (KRIs) in its Risk Management System. Indra has support and automation tools in place that make it easier to carry out the continuous process of risk identification, assessment and monitoring.

More information on risk management can be found in the Annual Corporate Governance Report (sections E and F), which is available on the corporate website <http://www.indracompany.com/en/accionistas/annual-report-corporate-governance>, and on the CNMV website www.cnmv.es.



05

Compliance

Audit and Compliance Committee

Criminal Risk Prevention

Code of Ethics and Legal Compliance

Training and Dissemination

Direct Channel

Anti-corruption

"Doing the right thing is an attitude based on principles and a firm commitment to strengthen the culture of compliance in the organization"

Fernando Abril-Martorell
Chairman and CEO of Indra

A message included in the *Hacer lo correcto* (Doing the Right Thing) campaign distributed to all the company's professionals

Audit and Compliance Committee

In Indra's global risk prevention model, the Audit and Compliance Committee (CAC) and the Compliance Unit (created in 2011) supervise the company's criminal risk prevention model.

In April 2015, the Compliance Unit (which until then had answered to the General Counsel) became exclusively dependent on the Board's Audit and Compliance Committee to guarantee its independence.

The Audit and Compliance Committee is the body that controls the criminal risk prevention model at global level, and the Compliance Unit is responsible for the global execution of the decisions made by the Committee, to which it answers and reports exclusively.

The Compliance Unit has the support and collaboration of the different units in the company to comply with the objectives of the criminal risk prevention model and particularly to develop specific research resulting from the communications received through the Direct Channel.

In addition, every year the Compliance Unit carries out activities related to criminal risk assessment to integrate them into the global risks map and to the update and evaluation of criminal controls.

Criminal risk prevention

Moreover, in 2015 and 2016 Indra's global criminal risk prevention model was updated to reflect the regulatory modifications introduced in Spain 2015 governing the criminal liability of legal persons. This process was completed in 2016 with the update of the model in all the international subsidiaries. The update has been validated by two external law firms.

Among the effects of the update of the model at international level in 2016 has been the identification of criminal risks (and other risks similar to criminal) in relevant subsidiaries, the drafting of the Criminal Risk Prevention Manual in the subsidiaries and the update and adaptation of the Code of Ethics and Legal Compliance, which is applicable to all Indra professionals and collaborators.

Strengthening the corporate culture of compliance and adapting it to an increasingly demanding international context



Code of **Ethics and Legal Compliance**

The latest update of the Code of Ethics and Legal Compliance was approved by the Board of Directors in December 2015. The Code of Ethics provides an unbreachable framework of reference for directors, executives, employees, representatives, suppliers and other third parties that provide services for Indra, or that in some way act on Indra's behalf, regardless in all cases of the territory in which they operate.

Integrity, professionalism and respect must guide all of Indra's business decisions and activities.

The Code of Ethics and Legal Compliance reflects the company's commitment to the International Declaration of Human Rights, the principles relating to the rights established in the Declaration of the International Labor Organization and the principles of the United Nations Global Compact.

The Code of Ethics and Legal Compliance is available at <http://www.indracompany.com/en/indra/code-ethics-legal-compliance>.

Training and **Dissemination**

In 2016 the Hacer lo correcto (Doing the Right Thing) campaign was run in Spain with the aim of making known the company's criminal risk prevention model and the Code of Ethics and Legal Compliance, as updated through the online and on-site training sessions.

In October 2016, 90% of the employees in Spain had already taken the course in the Code of Ethics and Legal Compliance.

In 2017 it is expected to extend training on the criminal risk prevention model to the international subsidiaries through on-site and online training sessions. The aim is to end the campaign in mid-2017 with a satisfactory percentage of professionals trained, similar to that in Spain.

In addition, and in numerous internal speeches and corporate communications, the members of Indra's Senior Management have begun to pass on to the company's professionals the importance of developing a culture of compliance.

CORPORATE PRINCIPLES THAT GOVERN THE CODE OF ETHICS



DirectChannel

The Code of Ethics and Criminal Risk Prevention Manual establish the operational guidelines of the Direct Channel (canaldirecto@indra.es). Direct and exclusive access is available to this Channel by the Chairman of Indra's Audit and Compliance Committee and the Compliance Unit.

The Direct Channel constitutes the confidential mechanism that the company makes available to all Indra professionals and other collaborators to communicate any queries regarding the interpretation and application of the Code of Ethics and its implementation regulations, and any other illegal behavior or any irregularity or infringement detected in relation to the Code and its regulations.

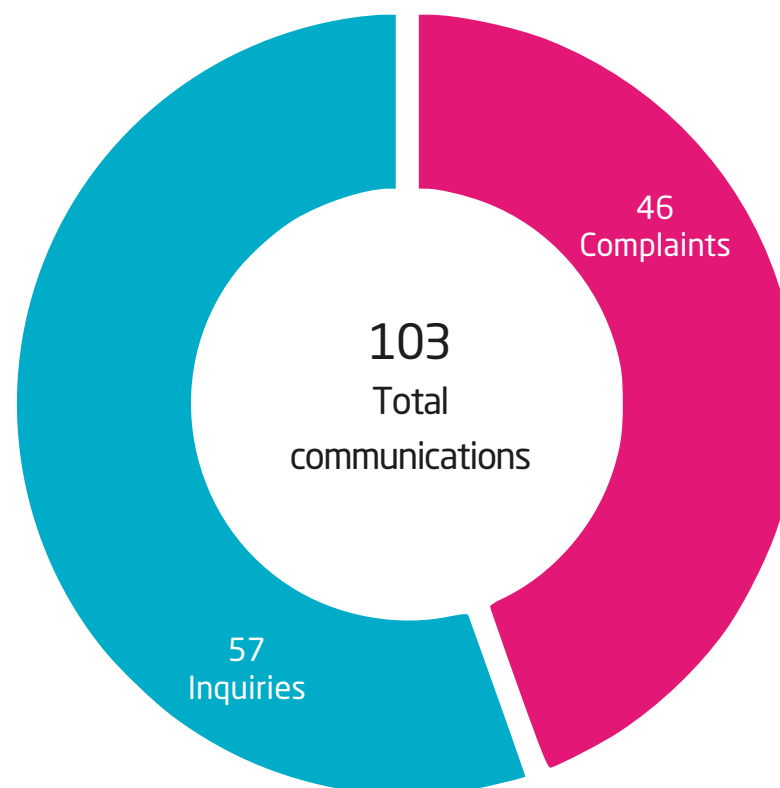
These communications can be made directly to the Direct Channel or may be received by other means.

When breaches are reported, the Compliance Unit conducts the necessary inquiries and informs the Audit and Compliance Committee, proposing any disciplinary or other measures that should be adopted. Disciplinary measures are adopted through the corresponding action by the Human Resources Unit.

In 2016 a total of 103 communications were received globally and duly admitted by the Compliance Unit, being processed through the appropriate procedural channels.

The increased number of communications with respect to the 71 received in 2015 demonstrates the growing confidence of Indra professionals in the company's compliance mechanisms directly related to the cultural change driven by Indra.

Communications through Direct Channel in 2016



Anti-corruption

Indra rejects corruption and any illegal practice and exerts its utmost efforts and commitment to comply with the law.

The company's Code of Ethics and Legal Compliance defines what is understood by corruption and bribery.

It also establishes standards for conduct and internal procedures relating to matters such as hiring commercial consultants, business hospitality and requests for donations and sponsorship. They serve as a guide to prevent illegal practices from being committed directly or indirectly, either by Indra professionals or third-party collaborators.

Finally, with respect to the risk of corruption and bribery, Indra's criminal risk prevention model establishes certain controls that are executed periodically in the company's different areas with the aim of mitigating these risks.

These controls are developed through a variety of internal policies and procedures.



06

Shareholders and Investors

Relational Model

Ownership Structure

Sustainability Indices

Shareholder structure

Stock Market Indicators

"We are focused on our strategic strengths, on our differential products and technological assets. We have an in-depth operational transformation plan underway, which is better aligned to the requirements and expectations of shareholders and investors"

Fernando Abril-Martorell
Chairman and CEO of Indra

Extraordinary General Meeting of Shareholders, February 2017

Relational Model

Indra firmly believes that shareholder relations constitute one of its most important areas of activity as a listed company.

In 2016 Indra continued with its active policy of communicating with shareholders and investors in order to ensure greater transparency of information to the financial markets. As has been happening for a few years, the company has carried out numerous presentations to institutional investors and analysts in Spain, other European countries and the United States. A total of 405 investors were seen to during the year.

Indra has continued to improve communication with investors and analysts and has maintained its videoconferences, timed to coincide with each publication of quarterly results. In 2016 videoconferences were made in the webcast

format, so that investors and analysts could follow the presentations.

Greater transparency: Videoconferences on quarterly results and webcasts to improve communication with investors and analysts

At December 31, 2016 the consensus of recommendations from the 26 analysts covering the company showed an improvement on the previous year: for example, the percentage of positive analyst recommendations increased from 35% in 2015 to 50% in 2016.

Indra has a specific department, the Shareholder's Office, in place to respond to shareholders' questions and need to be informed (Tel: 91 480 9800; email: accionistas@indracompany.com). In 2016 this telephone number dealt with 1,156 inquiries related to a wide variety of matters connected to the company's business, growth forecasts, the dividend, the General Meeting of Shareholders, share price, etc.

The Shareholder's Magazine continues to provide a specific channel of communication, targeted at minority shareholders in particular. As a measure to minimize environmental impact, Indra has continued the process of digitalization and online distribution of the magazine.

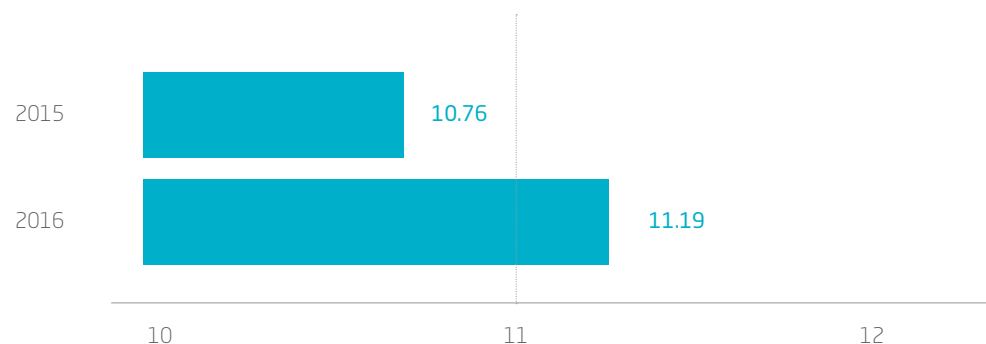
In addition to the contents required by Circular 3/2015 of June 23 and other CNMV regulations, the "Shareholders and Investors"

section of Indracompany.com provides useful information for shareholders and investors, as well as offering the option of joining an email distribution list. Thus the Shareholder Office automatically sends subscribers all the information the company publishes externally: press releases, statements, material facts, financial results, and the Annual Report.

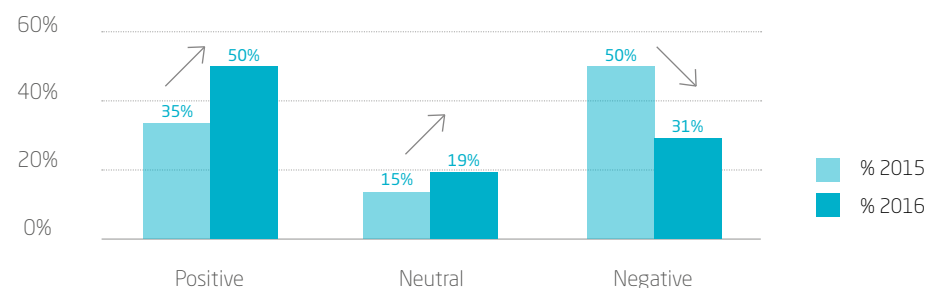
The aforementioned "Shareholders and Investors" section of the website provides detailed and up-to-date information about Indra.

All this information is available on www.indracompany.com/en/accionistas.

Target share price: euros/share



Analysts' recommendations



Ownership structure

Ordinary shares have been listed on the continuous market since March 23, 1999 in the Information and Communications Services sector and the Electronics and Software subsector.

Since July 1, 1999 Indra has also been listed on the selective IBEX 35 index, which includes the 35 most representative companies in the Spanish stock market in terms of market capitalization and liquidity.

Sustainability indices

Indra also forms part of major international indices such as S&P Global BMI, which includes global listed companies, and the STOXX Europe Total Market Small indices.

Similarly, since September 18, 2006 Indra's shares have been listed on the Dow Jones Sustainability World Index (DJSWI) which selects companies that make the greatest effort to adapt their activities to meet sustainability criteria at global level.

11 years on the Dow Jones Sustainability World Index. Member of FTSE4Good, CDP and VIGEO



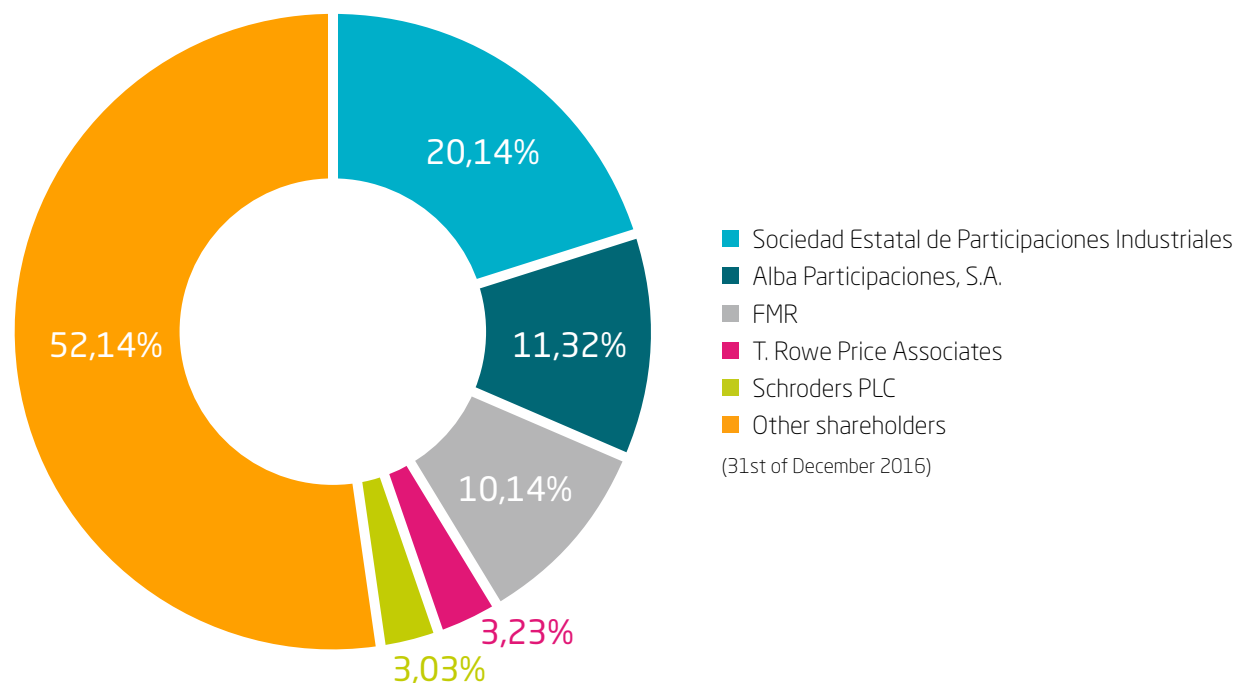
FTSE4Good



Shareholder structure

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 report, in line with the current legislation regarding significant shareholdings (which obliges shareholders to declare stakes of over 3% of the share capital), and through the information supplied by the company Iberclear, which Indra collects for its general meetings of shareholders.

The information obtained by the company reveals that its main shareholders with a stake of over 3% are: Sociedad Estatal de Participaciones Industriales (S.E.P.I.), with 20.1% (same as last year); Alba Participaciones, S.A., with 11.3% (same as last year); Fidelity Management Research with 10.1% (compared with 6.5% last year); T. Rowe Price Associates (no reference with respect to last year); and Schroders PLC, with 3.03% (compared with 3.11% last year).



| Shareholder | Shares | % Share Capital |
|---|--------------------|-----------------|
| Sociedad Estatal de Participaciones Industriales (SEPI) | 33,057,734 | 20,14% |
| Alba Participaciones, S.A. | 18,587,155 | 11,32% |
| FMR | 16,642,000 | 10,14% |
| T. Rowe Price Associates | 5,294,295 | 3,23% |
| Schroders PLC | 4,976,416 | 3,03% |
| Other shareholders | 85,574,939 | 52,14% |
| TOTAL shares | 164,132,539 | 100,0% |

Stock Market Indicators

Main stock market indicators in 2016

| | |
|---|---------------|
| Total no. of shares (12/30/2016) | 164,132,539 |
| No. of ordinary free-float shares (12/30/2016) | 85,574,939 |
| Nominal share value | 0.20 euros |
| Average daily trading volume (€) | 9,783,513 |
| Total traded value (€) | 2,514,362,959 |
| Total annual shares traded (no. shares) | 252,506,691 |
| Minimum closing share price (12/28/2016) | 7.68 |
| Maximum closing share price (09/15/2016) | 12.35 |
| Share price at year-end (12/30/2016) | 10.41 |
| Market capitalization at December 31 (thousands of €) | 1,709 |
| Net earnings per share (EPS) (in euros) | 0.427 |
| Share price/EPS (PER) (1) | 24.38 |
| Share price / Book value per share (P/B ratio) (1) | 4.52 |
| EV / Revenues (2) | 0.82 |
| EV / EBITDA (2) | 9.73 |

(1) Share price on December 31, 2016.

(2) Enterprise Value (EV) at year-end: stock-market capitalization on December 31 + company's net debt at the time.

TRADING VOLUME AND SHARE PRICE

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

The average daily trading fell to 982,516, down by 41% on the previous year.

252.5 million shares were traded on the market in 2016, which is equivalent to 1.54 times the total number of ordinary shares and 2.95 times the ordinary free-float shares.

The actual trading volume was €2,514 million, down 39% on the previous year.

Monthly closing price

| | Minimum | Maximum | Average | Close of month |
|-------------------------------|-------------|--------------|--------------|----------------|
| January | 8.18 | 9.09 | 8.59 | 9.05 |
| February | 7.68 | 8.99 | 8.26 | 8.44 |
| March | 9.48 | 10.51 | 10.02 | 10.23 |
| 1st quarter | 7.68 | 10.51 | 8.96 | |
| April | 9.77 | 10.70 | 10.32 | 10.23 |
| May | 9.74 | 10.31 | 10.05 | 10.25 |
| June | 8.65 | 10.21 | 9.56 | 9.49 |
| 2nd quarter | 8.65 | 10.70 | 9.97 | |
| July | 9.00 | 10.85 | 9.96 | 10.85 |
| August | 10.97 | 11.78 | 11.52 | 11.59 |
| September | 11.58 | 12.35 | 11.93 | 11.94 |
| 3rd quarter | 9.00 | 12.35 | 11.16 | |
| October | 11.28 | 12.27 | 11.68 | 11.29 |
| November | 9.45 | 11.00 | 10.21 | 9.75 |
| December | 9.69 | 10.44 | 10.14 | 10.41 |
| 4th quarter | 9.45 | 12.27 | 10.67 | |

Intraday prices not included

In 2016 the European indices posted a mixed performance (the FTSE gained 14.4%, the DAX 6.9%, and the CAC 4.9%; while the IBEX lost 2.0% and the MIB 10.2%). As was the case in 2015, 2016 was a very volatile year for equity in Europe, with the ECB stimulus policies and the Fed's decisions having a major impact. OPEC decisions have also impacted both the rise in the oil price and the stock market indices.

The year has also been marked by two political events: the United Kingdom's exit from the European Union (Brexit) and Donald Trump's election as President of the United States in November. Unlike the European indices, the main U.S. stock markets ended the year with strong gains (the Dow Jones was up 13.4%, S&P by 9.5%, and Nasdaq 7.5%), boosted by macroeconomic data and the Fed's decisions on the timetable for interest-rate hikes.

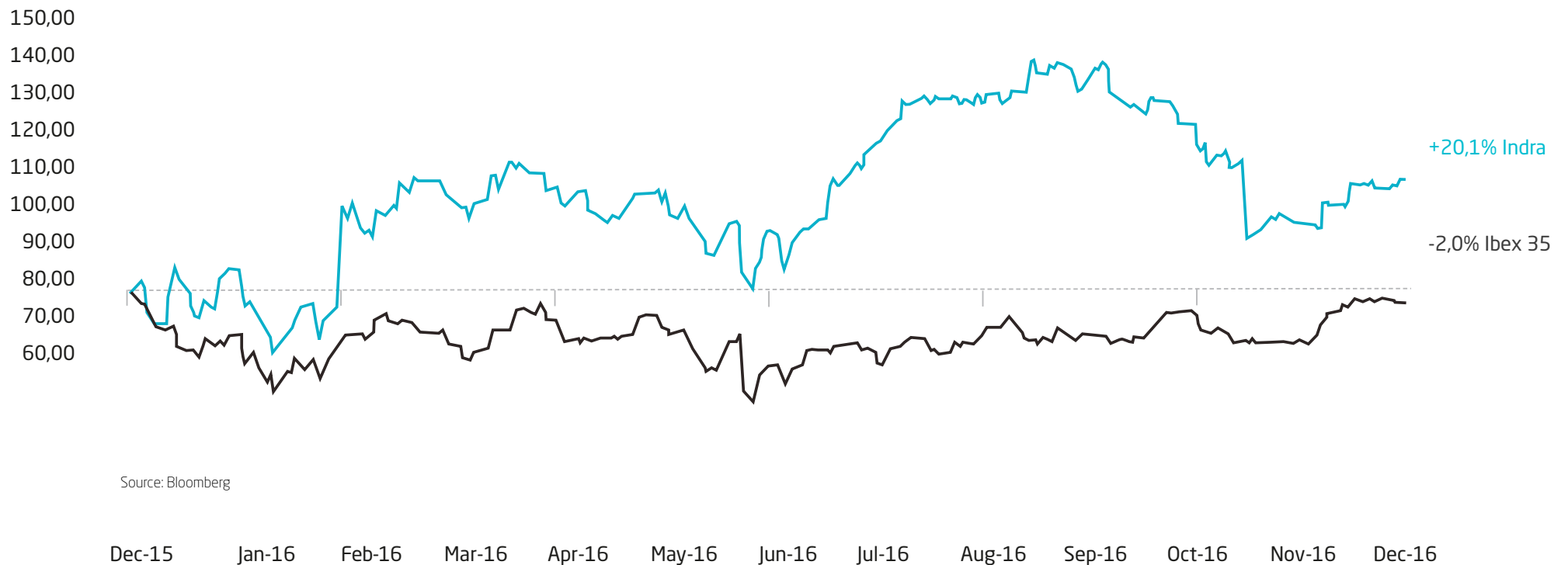
With respect to the technological sector, the performance of European companies has varied, ending the year with both gains and losses. The company with the biggest gains was Atos (up 29.4%), while the worst performer was GFT Technologies (down 32.5%).

The STOXX EUR IT index closed the year with a gain of 10%. North American technology companies made strong gains (37% on average), while Indian companies lost an average of 7%.

European IT companies were extremely volatile over the year. Indra gained 20.1%, making it the seventh best-performing company in the year.

The main events that have affected the share price over 2016 were: the presentation of Earnings for 2015, as well as the subsequent publications in 2016; progress made in the company's 2014-2018 Strategic Plan; and the company's various M&A operations.

Indra performance against the IBEX 35 (100 base as of 12/31/2016)



By the close of 2016, Indra's shares had accumulated an increase in value of 133% from the date of the IPO (March 22, 1999), compared with the 6% fall of the IBEX 35



07

Clients

High value-added offering

Quality

Cybersecurity

Indra's goal is to deploy the best solutions and most advanced technology across the world, with the highest levels of efficiency and competitiveness

High value-added offering

Indra has a broad and diverse portfolio of major clients with which to construct sustainable long-term relations. Among its main clients are major business groups, governments and public and public-private institutions in the jurisdictions in which it operates.

Indra implements strategic actions to ensure repeat clients that are satisfied and loyal. They focus on the following aspects:

- Excellence in development and delivery
- Innovation through proprietary products
- Customized solutions and services in all markets and regions

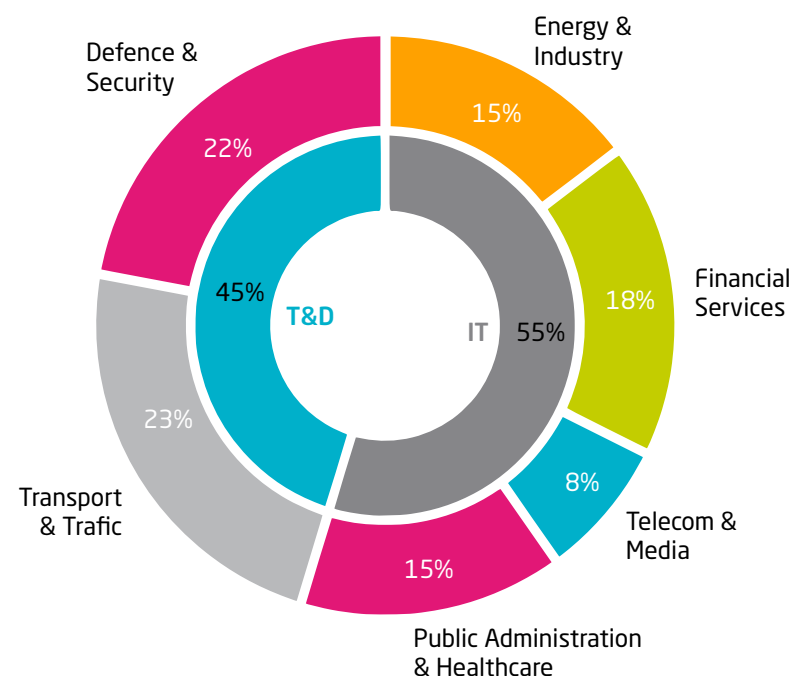
Indra offers clients proprietary solutions and advanced value-added technology services in fields such as Defense and Security, Transport and Traffic, Energy and Industry, Financial Services, Telecommunications and Media, and Public Administrations and Healthcare; and through its Minsait unit, Indra addresses the challenges posed by digital transformation.

Indra has an international presence with projects in more than 140 countries in geographical areas such as Spain, the Americas, Europe, Asia, the Middle East and Africa. International markets accounted for 57% of the company's total revenues in 2016.

The business projects in countries regarded as tax havens according to the OECD and EU lists must be analyzed by the Audit and Compliance Committee and the Board of Directors, which must submit the proposal to the General Meeting of Shareholders for approval.

The Annex "Tax contribution by country" breaks down information on the taxes paid and collected by Indra in the main geographies where it operates. It also shows details of its activities in countries of this kind.

Revenues by market



| Revenues by geography | (€M) | 2016 | | 2015 | | % change | |
|-----------------------|-------|------|-------|------|----------|----------------|----|
| | | % | (€M) | % | Reported | Local currency | |
| Spain | 1,164 | 43 | 1,223 | 43 | -5 | | -5 |
| America | 653 | 24 | 771 | 27 | -15 | | -8 |
| Europe | 524 | 19 | 493 | 17 | 6 | | 7 |
| AMEA | 368 | 14 | 363 | 13 | 1 | | 2 |
| TOTAL | 2,709 | 100 | 2,850 | 100 | -5 | | -3 |

minsait

by Indra

Minsait is the business unit created and launched by Indra in 2016 to speed up the development and marketing of solutions and services in the digital area, all of which form part of its clients' strategic agendas. It operates with a differential methodology, an extensive portfolio of business solutions, a proprietary sales and delivery model designed to generate short-term impact, and a flexible organizational structure based on multidisciplinary teams formed by specialists with highly specific profiles.

Minsait completes the offering of the rest of Indra's high-value vertical markets by gearing them to its clients' key businesses.

Minsait is Indra's response to the challenge of digital transformation

Business consulting | Technology | Digital Solutions



Foresee

-
New business
models



Engage

-
Value relationship
with clients and citizens



Empower

-
Empower operations
and technology

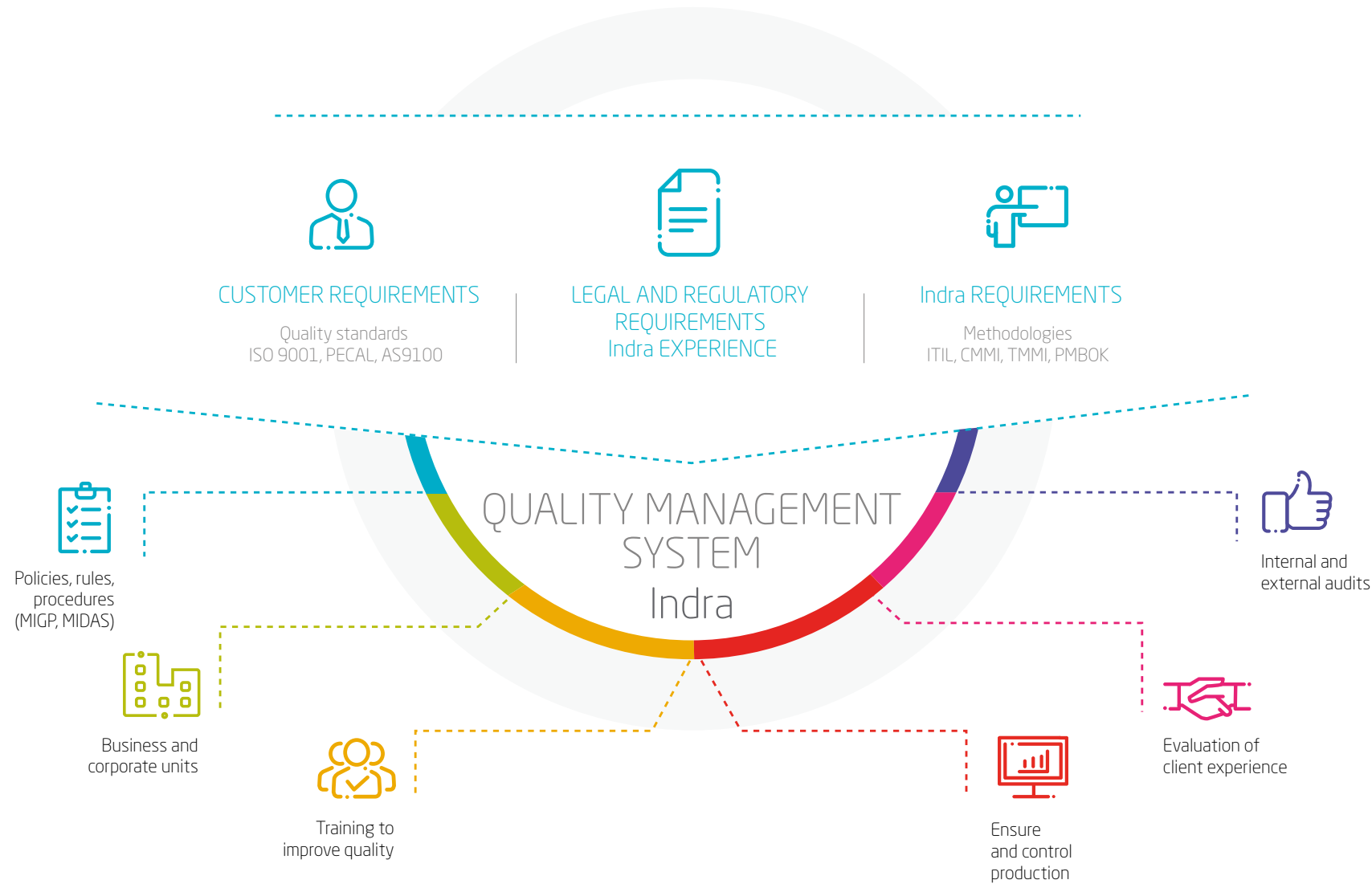


Protect

-
Protect the
digital footprint

Quality

The quality of Indra’s products and services is key for the success of its clients’ critical operations



Indra is the technological partner for its clients in key operations. This means that the quality of products and services have a direct impact on the success of these operations, and its leading position in its clients' markets.

Indra's Quality Management System is designed to satisfy their expectations in this area, complying with the high quality standards demanded by clients.

Taking as a starting point the standards most recognized in the markets where Indra operates, such as ISO 9001, they integrate the requirements of methodologies, standards and regulations that are applied to products (AS 9100, PECAL/AQAP, etc.) and others that Indra voluntarily complies with due to their added value (CMMI, TMMI, ITIL, PMBOK, ISO 20000, ISO 27000, etc.).

To these it adds the experience acquired by the company in the execution of large and complex projects.

A quality model geared to clients

To ensure client satisfaction, taking into account their needs and the volume and diversity of the operations it handles, Indra has developed a Project Management Methodology and a Methodological Framework for executing the operations, adaptable according to the type of business and operation.

In some cases, specific models are also developed to respond to requirements at client level. This results in policies, regulations and working methods applicable to each type of project.

The main goal of Indra's Quality Management System is to ensure projects and services are executed with the quality demanded by clients and the organization itself. This system plans the activities of assurance, monitoring and control of projects and initiates any actions for solutions and improvements that may be necessary.

Indra's Quality Management System is subject to permanent review, update and improvement, taking into account the inputs of the interested parties, particularly of the clients and professionals participating in the projects. In line with the company's strategy, specific quality improvement targets are set that are evaluated and reviewed every year to maximize the value contributed to the client.

IMPROVING THE CLIENT EXPERIENCE

In 2016 the quality strategy has focused on the priority objective of improving the company's competitiveness and sustainability, ensuring quality in products and services in line with the 2015-2018 Strategic Plan.

Quality is an essential factor for improving the levels of the company's competitiveness, sustainable growth and profitability.

Derived from these strategic lines in Indra in aspects where the impact of improving the quality of production is most significant, in 2016 progress was made to ensure that the Quality Management System should provide more information of value to the management and administration teams to ensure informed decisions can be made.

This has been done by planning the following actions:

- Scheduled reporting, with corporate indicators and joint monitoring of the actions to be carried out
- Focusing efforts on the quality of key processes, executing audit plans based on the corporate indicators and according to the nature of the projects
- Adaptation: new methodological frameworks adapted to the diversity of the company's operations and review of some of the existing ones.
- Progress: transition plans to the new versions of ISO 9001:2015, AS 9100:2015, AS 9110:2015, PECAL 2110:2016

- Continuous Improvement: actions to improve the efficiency and efficacy of operations according to the results obtained in monitoring the quality of the projects
- Negotiation with clients: improvement of the client experience

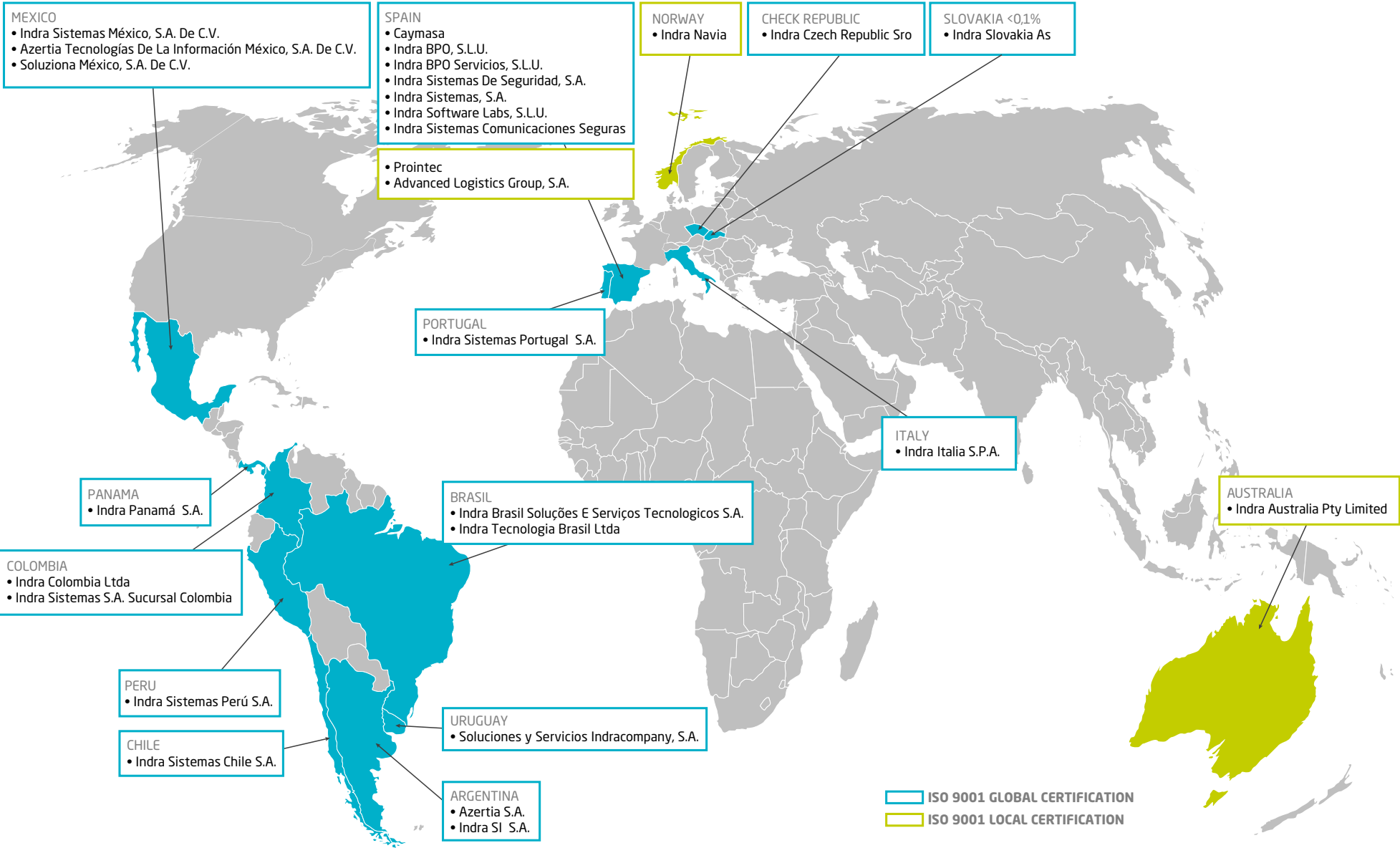
CERTIFICATIONS

In 2016 the scope of the Global Quality Certification was consolidated. The system covers 25 companies in 13 countries, accounting for close to 90% of group sales

As well as ISO 9001, in 2016 other certifications and accreditations have been obtained, such as ROD, EASA Part 21G and Part 145 and PERAM 145, and the renewal of the Madrid Excelente Seal.

Indra is the first Spanish company to obtain the BS 11000 Certification on collaborative business relationships and to receive the highest IATA certification for projects improving customer experience in the airline sector

ISO 9001 Certifications



CLIENT SATISFACTION

Over 70% of the clients surveyed consider the value contributed by Indra is very relevant or strategic for their business development

Every year, Indra carries out a satisfaction survey on a representative sample of clients from all the markets, in the countries where the Global Quality System is in place.

Depending on the results obtained, the strong points and points for improvement are identified and general and specific action plans are implemented.

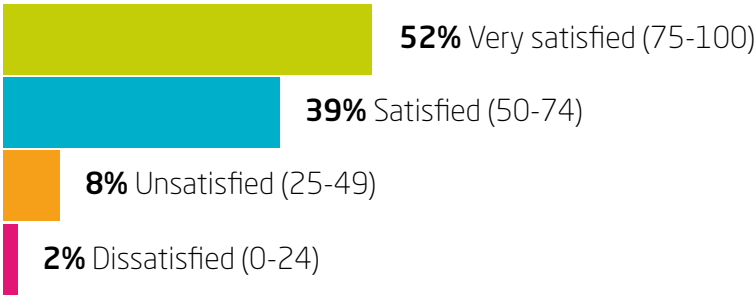
General rating

Customer satisfaction index

Global

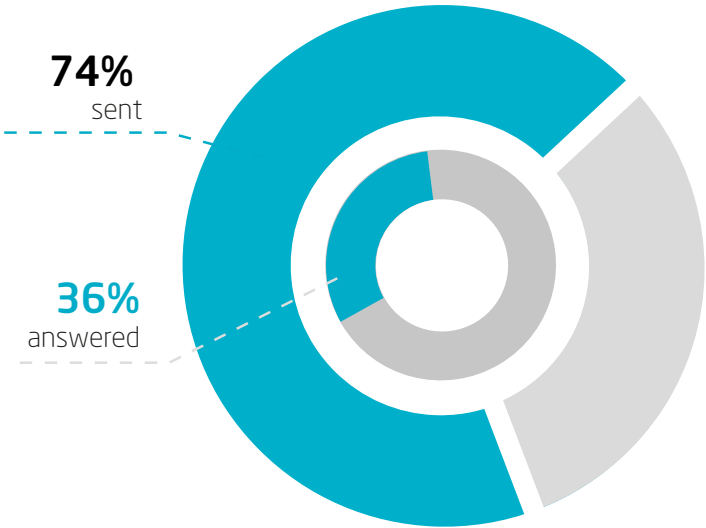


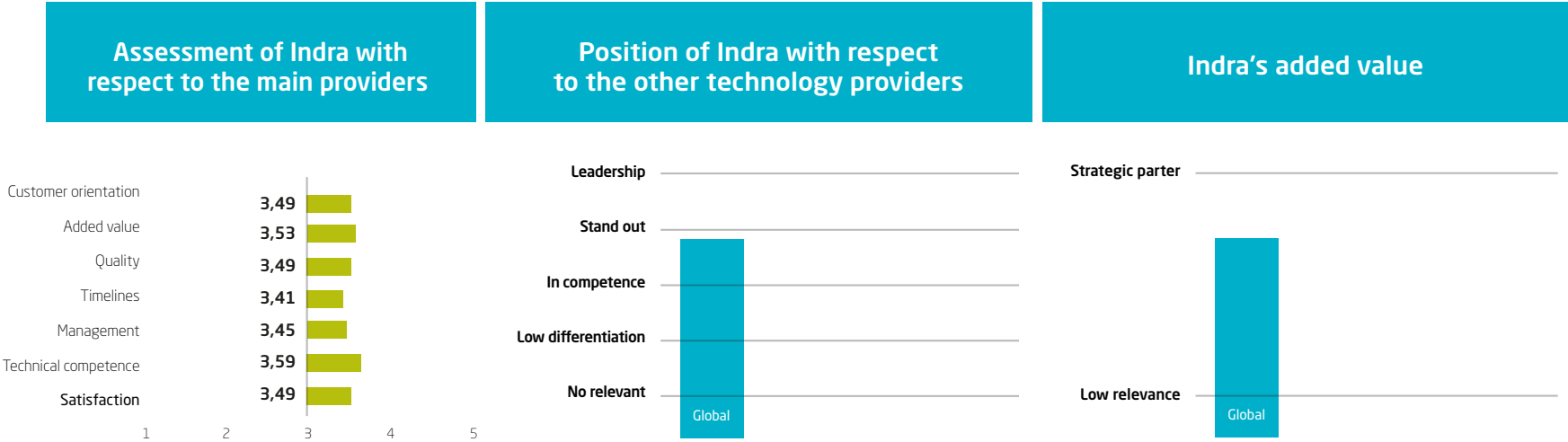
Distribution of assessment



Relevance of the questionnaire

Percentage over sales in 2016





Procurement

Likelihood to contract Indra again (%)

76%



Global

Recomendation

Likelihood to recomend Indra (%)

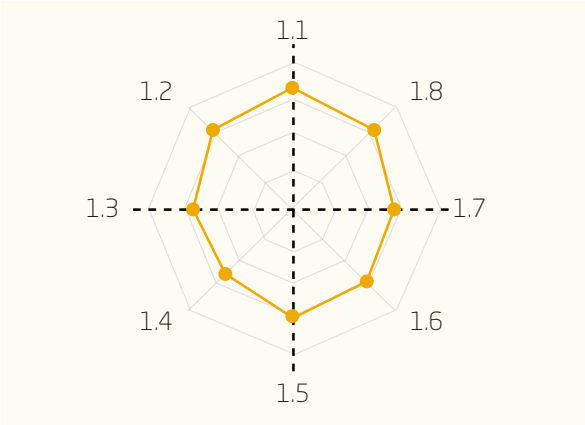
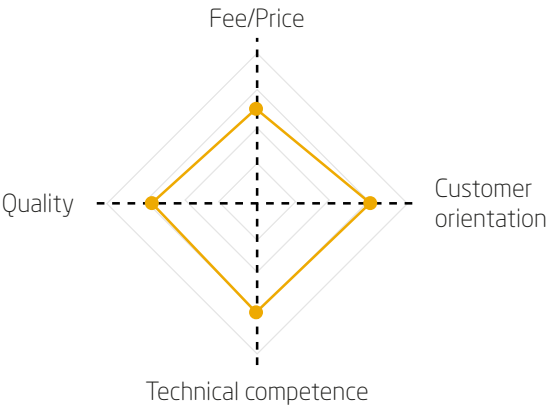
72%



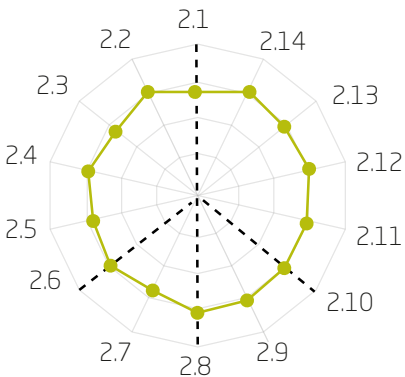
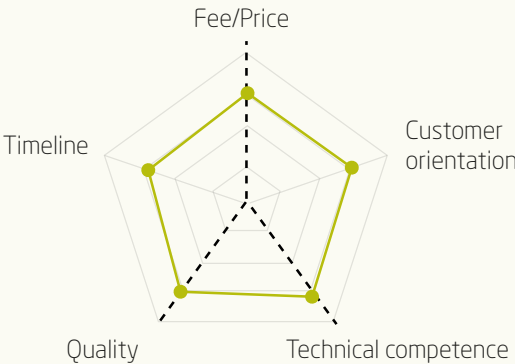
Global



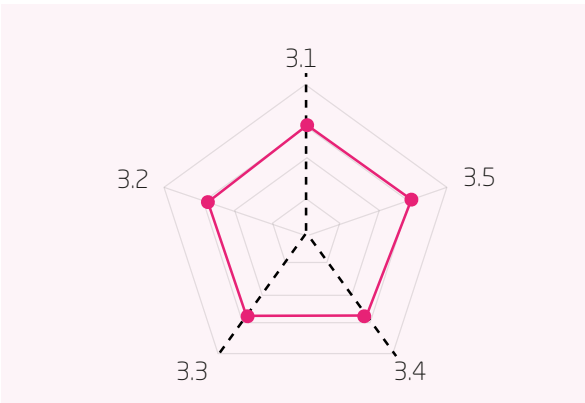
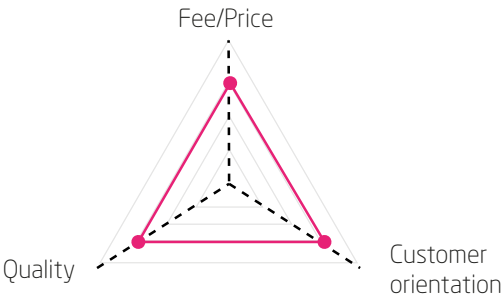
Satisfaction with the organization



Satisfaction with the working process



Satisfaction with the solution/service



Scale of 1 to 5
Correspondence with criteria assessed on page 58



Satisfaction with the organization

- 1.1 Knowledge and understanding of the activity and the sector.
- 1.2 Capacity to manage and execute major integrated projects/solutions.
- 1.3 Capacity to innovate.
- 1.4 Value for money of the bids.
- 1.5 Effectiveness of the administrative processes of billing, collection, etc.
- 1.6 Management and leadership capacity with different providers (JVs, partners, etc.).
- 1.7 Indra's methodology and procedures.
- 1.8 Involvement of the management team.



Satisfaction with the working process

- 2.1 Effectiveness of the bidding process (adjustment of the bid to needs, presentation within deadlines, etc.).
- 2.2 Mastery of the technologies.
- 2.3 Compliance with project deadlines.
- 2.4 Adjustment to the costs of the established plan.
- 2.5 Minimization of interferences produced by the projects on the client's normal activity.
- 2.6 Adequate level of information and communication.
- 2.7 Agility in problem resolution.
- 2.8 Ability to listen to the client.
- 2.9 Adjustment of the technical knowledge of the work team to the requirements of the project.
- 2.10 Motivation of the work team.
- 2.11 Degree of commitment to client objectives and requirements.
- 2.12 Technical and/or functional experience of the work team.
- 2.13 Monitoring of the agreed processes.
- 2.14 Competitiveness and involvement of the management team.



Satisfaction with the solution/service

- 3.1 Quality of products/services
- 3.2 User satisfaction with the project results.
- 3.3 Quality of the documentation delivered on the products, solutions and services supplied.
- 3.4 Return on investment: the project has helped create competitive advantages for the clients (improvement of processes, cost reductions, differentiation in the offering, etc.).
- 3.5 - Guarantee and after-sales service.

AUDITS

The internal and external audits by clients and certification bodies constitute one of the main tools Indra has to identify opportunities for improvement.

In 2016 more than 350 internal audits were conducted in different regions. Operations and projects have been selected for auditing according to defined corporate indicators (financial information, strategic risks, core regions, etc) and according to the type of production process.

A total of 22 audits have been received from our clients, such as DFS, NATS, ENAIRE (Air Traffic); RAYTHEON, EUROFIGHTER (Defense); BBVA, MAPFRE, Santander (Financial Services); GOL (Industry and Mass Markets), among others, and 12 audits by certification entities have been passed satisfactorily, including those carried out by Bureau Veritas, AENOR, DGAM and KPMG.

TRAINING TO IMPROVE QUALITY

With the aim of making progress in the continuous improvement of processes and activities, in line with our quality objectives, technical training is provided to the business production and development teams in management and improvement technologies such as CMMI, ITIL, PMBOK, Prince2, LEAN IT, Agile and Scrum.

PLAN FOR ASPECTS RELATED TO QUALITY IN 2017

In 2017 work will continue on the main Quality objectives, in line with the Corporate Strategy and the final goal of improving client satisfaction:

- Reporting: consolidation and improvement of reporting to management
- Progress: transition to new versions of ISO 9001:2015, AS 9100:2015, AS 9110:2015, PECAL 2110:2016, updates of the global certifications CMMI Maturity Level 3, and TMMI Maturity Level 3 and CMMI Maturity Level 5 (highest) in Air Traffic
- Continuous Improvement: submission of proposals to improve operational efficiency (proposing/implementing any improvements that reduce the number of production errors) and effectiveness (promoting process improvement and implementation of more practical and secure methodologies/techniques), as well as improvements in operational processes (particularly in Defense, Transport and Air Traffic).

Cybersecurity

For Indra, Cybersecurity is one of the most important issues in Corporate Social Responsibility. This is due to the impact of security protection and information protection activities on our clients.

That is why Indra has an Information Security Model in place whose aim is to preserve information confidentiality, integrity and availability for both Indra and its clients.

INFORMATION SECURITY MODEL

The basic pillar of the Information Security Model implemented in Indra is the Information Security Policy, which ensures that the company's security risks and requirements are identified and their impact on the company and business are assessed, with the most effective and consistent controls and procedures then being implemented to manage them. This ensures that Information Security is an integrated part of all the processes of the organization and its strategic planning.

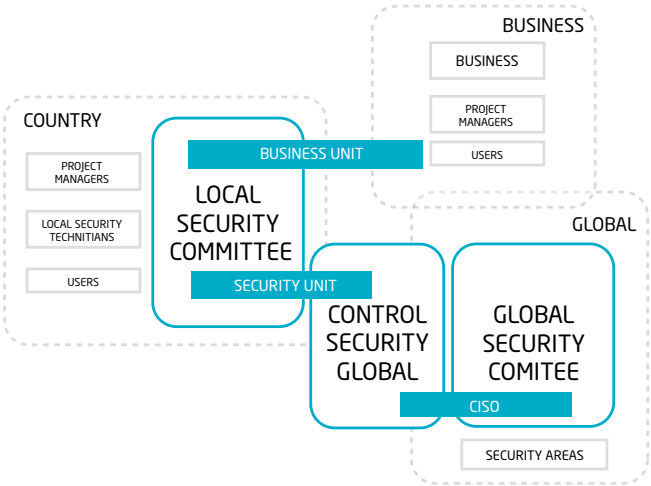
Indra's corporate Information Security Model is applicable to all markets and company areas, as well as to all Indra businesses, locations and subsidiaries. It is mandatory for the whole the Indra group. The model is based on internationally recognized standards such as ISO 27001 Information Security Management Systems (ISMS).

Indra's corporate Information Security Management System has been certified by AENOR since 2007 and covers the information systems relating to services such as: email, access to corporate services and systems, purchase management, production and sales processes.

The Indra parent company in Spain and the subsidiaries in Portugal and Mexico are certified.

Progress continues in the certification of other countries such as Peru, certified in 2016.

Security Management



Guarantees the coordination of Indra's information security by setting up a framework for management and responsibilities

Assesment and Audit



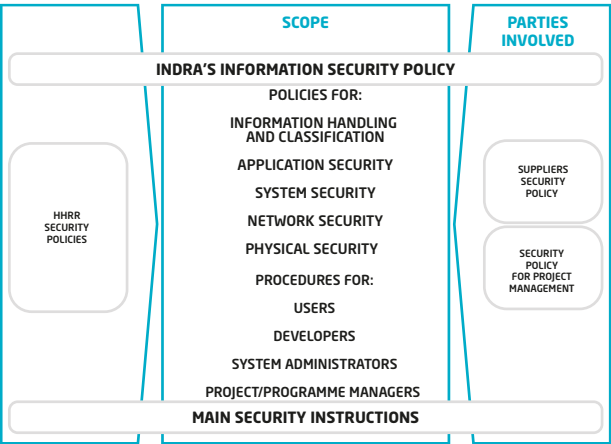
CYBER RISK | SECURITY STANDARDS | SECURITY REQUIREMENTS

Training and awareness



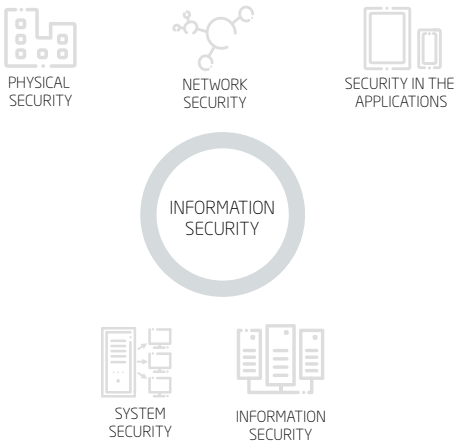
Security training and awareness

Safety Regulations



Establish the information security rules that must be met to mitigate risks

Tecnology and Security Services



Establish the controls needed to preserve information confidentiality and integrity and information and resource availability

CYBERSECURITY RISKS MODEL

In 2016 Indra put particular stress on enhancing Information Security in its projects. To do so it has created a model for quantifying Cybersecurity risks. Its main objective has been to establish a uniform and agile model that allows us to identify and assess these risks, together with the level of exposure to the main cyber-threats and vulnerabilities of projects, and based on this to establish appropriate action plans to mitigate them.

TRAINING AND RAISING AWARENESS

One of the most important pillars of the model is awareness and training in Information Security during all the phases of employment. This ranges from raising the awareness of new hirings through security sessions and courses, to annual training plans that are supplemented by other dissemination activities.

These complementary activities are: publication of news on the corporate intranet, sending email communications to users in the company, regular sessions held by CISO with those responsible for the market and the projects, day security awareness courses given by the Security Dissemination Service, etc.

In 2016 Indra enhanced the awareness and training actions in both markets and the company's internal areas. It implemented information campaigns and sessions to raise awareness of good security practices and to give guidelines for recognizing and dealing with cyberthreats such as APT, phishing, ransomware, etc.

PRIVACY AND PERSONAL DATA PROTECTION

Indra has a Data Privacy and Protection Policy that aims to guarantee the effective and uniform protection of the personal data processed.

In 2016 training sessions were held with the various internal corporate areas to spread awareness of the European regulatory framework applicable from 2018 as a result of the entry into force of the Regulation (EU) 2016/679 (GDPR).

Indra's security organization includes the Office for Data Privacy and Protection, which strives to ensure compliance with legislation in matters of data protection and privacy in two ways: by giving advice to both projects and the corporate area; and by auditing companies making up the group.

The audit work is carried out every two years and complies with the requirements established by law, guaranteeing that all the companies in Spain are adapted to the requirements defined in the corresponding legislation.

RECOVERY OF INFRASTRUCTURES AND IT SERVICES

It is worth noting that to ensure continuity in services defined as critical according to business impact analysis, Indra has defined a continuity management process based on ISO 27002 and ISO 20000. Its main objective is to ensure the recovery of technological infrastructures and IT services within terms and timeframes considered tolerable.

COLLABORATION WITH PUBLIC BODIES

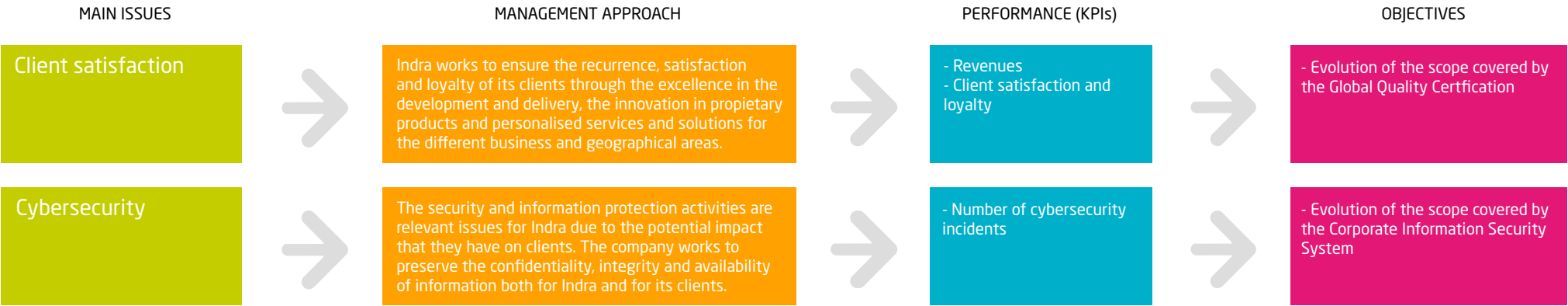
In the area of collaboration with public bodies, Indra has collaborated with and contributed to the publication of the standards ISO/IEC 29146 and ISO/IEC 24760 through the Spanish standards body AENOR. These standards provide a framework of uniformity for the management of identities and access control.

CYBERSECURITY PLANS FOR 2017

Cybersecurity actions for 2017 will focus on strengthening three basic pillars: Cybersecurity in operations, incorporating security at the commercial and operational phases, integration of the management of cyber-risks with the global management of the company's risks, and boosting the position of Chief Security Officer for markets; Cybersecurity in Indra, boosting security solutions

designed to protect critical information, such as mobile device management systems, data loss prevention solutions, multifactor authentication systems, and Big Data security solutions; and the creation of a culture of information security, raising awareness of information security among users by plans for regular awareness and information sessions to disseminate the

European data protection framework in the markets where the company provides services to clients, and promoting training through specific courses for secure development, team administration, etc.



08

Professionals

Having the best talent available

Ensuring differential capacities

Efficiency and impact on the business

Leadership

Recognition

Health, safety and wellbeing

Employee representatives



It is people who turn a company's transformation into reality. At Indra, in a period of profound change at the level of business and operating methods, professionals play a key role in achieving its strategic objectives.

Talent management is integrated into the business strategy to ensure that the business has the right capacity and culture needed in all areas. With this in mind, Indra works through four strategic levers: having the best talent; assuring the differentiated capacities needed by each business; developing leaders that in turn generate leaders; and basing all this on efficiency and creation of impact on the business.

Having the **best talent available**

Workforce by geographies

| Year-end workforce | 2016 | % | 2015 | % | % change on 2015 | |
|--------------------|--------|-----|--------|-----|------------------|-----|
| Spain | 18,951 | 55 | 20,251 | 55 | 55 | -6 |
| America | 12,091 | 35 | 13,558 | 37 | 37 | -11 |
| Europe | 1,632 | 5 | 1,582 | 4 | 4 | 3 |
| AMEA | 1,620 | 5 | 1,669 | 5 | 5 | -3 |
| TOTAL | 34,294 | 100 | 37,060 | 100 | 100 | -7 |

SMART START, A PROGRAM FOR INTERNS AND JUNIORS

The Smart Start program was implemented in 2016, in line with Indra's commitment to develop its professionals internally, combined with the need to incorporate new profiles that can respond to current business needs.

This is a program aimed at interns and young professionals. It incorporates an integrated training plan and assignments to innovative projects at the forefront of global innovation.

Smart Start has a global range, supporting Indra's commitment to value creation in the areas where it has set up operations, thus involving a commitment to local talent.

Thus, the launch in July 2016 of the program in Latin America (Argentina, Brazil, Colombia, Chile, Mexico and Peru) meant the incorporation of 400 young people who were completing their studies or had recently graduated from university.

In the first few months of 2017 the Smart Start program was launched in Spain, with the aim of incorporating 1,500 young professionals.

In addition, in 2017 work will be done to review the employment framework with the aim of guaranteeing that an attractive value proposition is available for candidates and professionals. The Welcome Program will also be adapted to the new profiles who enter the organization.

INDRA, AN ATTRACTIVE PLACE TO WORK

In 2016, Indra had an outstanding improvement in its attractiveness as a place to work among Spanish professionals. The company climbed 22 places (the biggest rise among Spanish companies) in the 11th edition of Merco Talent in Spain, which lists the companies with the biggest capacity to attract and retain talent in the country.

But it is not only Merco Talento that offers positive data on the company. The recently published Universum ranking places Indra as the third most attractive place to work in Spain in the software and IT industry, behind Google and Microsoft.

Ensuring differential **capacities**

NEW CAREER PLANS DIFFERENTIATED BY BUSINESS

A transformation that is so profound as that experienced by Indra implies an equally strategic reflection on the profiles required and their possibilities of professional development.

In 2016, a new career plan model was defined in collaboration with the heads of Indra's business units, based on clarity, mutual commitment, motivation and maximum development of the professionals.

The new career plan model represents greater differentiation and specialization in activities for each career, adapted to the rest of the people management processes and policies.

The new Indra model also allows each professional to know at any time what the company expects from them.

The implementation of the new careers began in 2016 and will be extended throughout 2017.

ASSESSMENT OF PERFORMANCE, CAPACITIES AND RESULTS

Indra has a variety of performance assessment models, according to the company's business characteristics, in which 72% of the professionals take part.

In 2017, the model has developed to adapt to the requirements of each of the career plans in terms of skills to evaluate, frequency of the process, etc. It now also incorporates assessment by project, which will make available multi-source and more frequent feedback.

These assessments will be used as an input in the annual process, and thus improve its objectivity.



- With the launch of the new model of Corporate University, called Indra Open University, Indra has transformed the company's training model, offering a more strategic response to the challenges faced by the organization.

Learning together
makes us better



Indra
Open
University

- Indra Open University is divided into six schools: Strategy and Innovation; Leadership and Culture; Business Development and Commercial Excellence; Digital Transformation; Technology; and Processes, Efficiency and Profitability. Each school is a lever supporting the achievement of the strategic objectives through the development of professional capacities and skills

- The key differential feature of Indra's Corporate University is the high level of involvement by Senior Management. Both the rectors and directors of the schools are members of Senior Management. They determine the training strategy and objectives in order to anticipate the needs of professionals and the market in the different areas.



Indra Open University

Indra Open University places each employee at the core, ensuring that the training received is relevant and of quality, and that the student's experience at the university is satisfactory.

One example of this alignment with the strategy is the "Program of essential concepts in operational management" aimed at professionals who manage projects and services, executives, and commercial and production managers. The aim is to foster correct management of all the company's projects, thus ensuring Indra's leading position as a technological partner for its clients. In 2016 more than 1,400 people were trained in Spain and Latin America, and this number will increase in 2017.

Each professional will have a training pathway for his or her career plan, which will accompany them from their entry into the company until they are established in it. It will include mandatory and recommended courses in different schools that develop the skills they will require throughout their career. This sequence of courses combines various methodologies that make the pathways more dynamic, stimulate the employees who are beginning their career and

awaken interest in training. In addition, professionals receive technical and functional training, as well as the relevant certifications they may require, regardless of the course they are following.

The pathways are completed with programs that cut across all the courses aimed at critical groups in the organization. In 2016 a number of programs were developed to boost leadership in Indra: the Global Leader Program, aimed at groups with responsibilities in geographic areas or a number of countries. It allowed them to use their critical capacities to the full in these positions and to share good practices and lessons learned among those taking part. Another example is New Director, aimed at new hirings and promotions for the company's management team.

A significant importance is also given in Indra's Corporate University to formal virtual training

and training resources open to all employees and collaborators. This commitment to the virtual world allows professionals to access training and share their experience and knowledge at any time and from any place, supported by the generation of a common culture at global level.

Indra's corporate Open University is levered on collaboration in knowledge management, with a broad range of internal experts, and with the participation of social learning through Indra's shared network of knowledge, the Virtual Campus.

This knowledge management is not limited to knowledge generated within the company. Indra Open University also aims to be open to all contributions from experts outside the organization. Proof of this is the tool Smarty, which was launched in 2016 with the aim of making available to professionals the best contents on the Internet, selected by internal experts.

DIVERSITY MANAGEMENT
TO PROMOTE DIFFERENCE

Indra is aware that its success depends on its professionals, and understands the obligation to value these professionals for their capacity, effort and talent, without resorting to any type of judgment or discrimination in relation to race, gender, religion, political leanings, nationality, age, sexual orientation, civil status, disabilities, social origin, or any other personal circumstances.

This respect for difference and equal opportunities is recognized in the Code of Ethics and the Corporate Diversity Policy, and in all the talent management processes.

Indra has a number of initiatives for managing diversity. In 2016, Indra Open University launched the Diversity Management community, which aims to raise awareness among all professionals of the benefits of having diverse teams, breaking stereotypes and prejudices and making available tools to improve management.

In 2016, according to data from Merco Talento, diversity management is the third most highly rated variable by Indra professionals in Spain. In addition, a diverse workforce implies a range of personal situations that Indra in Spain supports through a number of programs: A policy for a work/life balance (the fourth highest-valued variable by professionals in the Merco Talento study), a flexible remuneration program, segmented health campaigns, and life and disability insurance.

Indra demonstrates its commitment to diversity through participation in initiatives designed to promote various forms of diversity, such as gender and race diversity, and equal opportunity. In Spain, Indra has been awarded the Equality Seal from the Ministry of Health, Social Services and Equality. At international level, Indra participates in the Women's Empowerment Principles promoted by UNIFEM. In South Africa the company has received the Broad-Based Black Economy Empowerment level 2 certification.

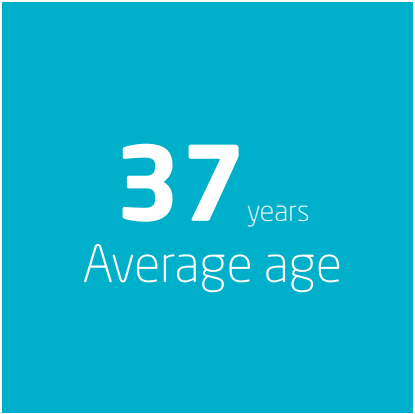
Diversity without labels



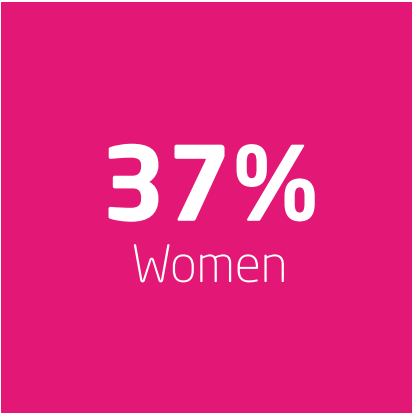
CULTURAL



AGE



GENDER



Efficiency and impact on the **business**

IMPROVEMENT IN THE CULTURE OF EFFICIENCY

2016 has been a year marked by cost restraint and savings. A fundamental lever for achieving these savings has been the execution of the agreement negotiated with the legal representatives of the workers at Indra Sistemas SA in relation to the rationalization of job positions in Spain, concluding in December 2016.

In the end, the agreement affected 1,589 professionals. To ensure it was executed responsibly, voluntary redundancies were offered first (65.6% of cases), together with the promotion of alternative measures and the protection of sensitive groups (people with disabilities, with special family situations, etc.). In addition, assistance was provided to improve the employability of the rest of those affected.

In February 2016 the job regulation agreement in CAYMASA came to an end, with 131 workers affected.

In July 2016 Indra BPO Servicios concluded the process of negotiating the company's restructuring agreement. It was related to the reception of a notification from a client that decided to cancel all the customer operations services that Indra BPO Servicios had been providing. The result was 354 terminations of permanent employment contracts and 71 relocations.

A rigorous process of authorizing vacancies was implemented at the same time. This guarantees an exhaustive internal search is carried out among Indra professionals before deciding on an external incorporation.

The greatest recruitment effort has been carried out for profiles with no experience, as a clear commitment to young talent, in line with current business needs.

SYSTEM OF VARIABLE REMUNERATION TO SUPPORT COMPLIANCE WITH THE STRATEGY

Indra's variable remuneration scheme aims to encourage the fulfillment of the company's global targets and those of each business unit through the achievement of individual targets.

The model has developed in 2016 to increase transparency and recognition of professionals who make the biggest contribution. The aim is for Indra to have a model that provides better incentives and is focused on the strategic objectives of the business. This model is applied to 15% of the professionals.

Leadership

REVIEW OF EXECUTIVE AND MIDDLE-MANAGEMENT TALENT

Indra is focused on the generation of management, monitoring executive capacities and fostering actions that develop leaders. With the executive and middle-management review process, the aim is to achieve the following targets:

- Promote greater knowledge of the executive and middle-management team by Senior Management, with a comprehensive vision that helps generate a single management culture
- Combine the development of people with the medium-term needs of the organization, managing proactively the executive talent needed for business growth

The annual review of the executive capacities map for more than 400 executives and middle managers was carried out in 2016. It was based on criteria of contribution and potential, and defined the most appropriate action plans in each case.

More than 100 of these professionals have taken part in additional assessment processes to gain more in-depth knowledge of their executive skills.

Recognition

As a result of all the measures included in this chapter, there has been an improvement in the productivity of human capital (personnel expenses/revenues) from two basic points of view.

Recognized as one of the companies with the biggest capacity to attract and retain talent



Recognized in Mexico with the Socially Responsible Company award for the third year running



In 2016 Indra has been recognized in the area of Human Resources management.



Recognized by Universum as the most attractive company to work for in Spain in the Software and IT industry



Recognized once more for its efforts to eliminate obstacles to equal opportunities with the Equality in the Workplace Emblem (DIE)

Health, safety and wellbeing

The health and safety of Indra professionals is a priority for the company. That is why it takes actions that go beyond strict compliance with legal obligations in this area, and incorporate wellbeing and the promotion of a culture of prevention in all activities carried out by the company.

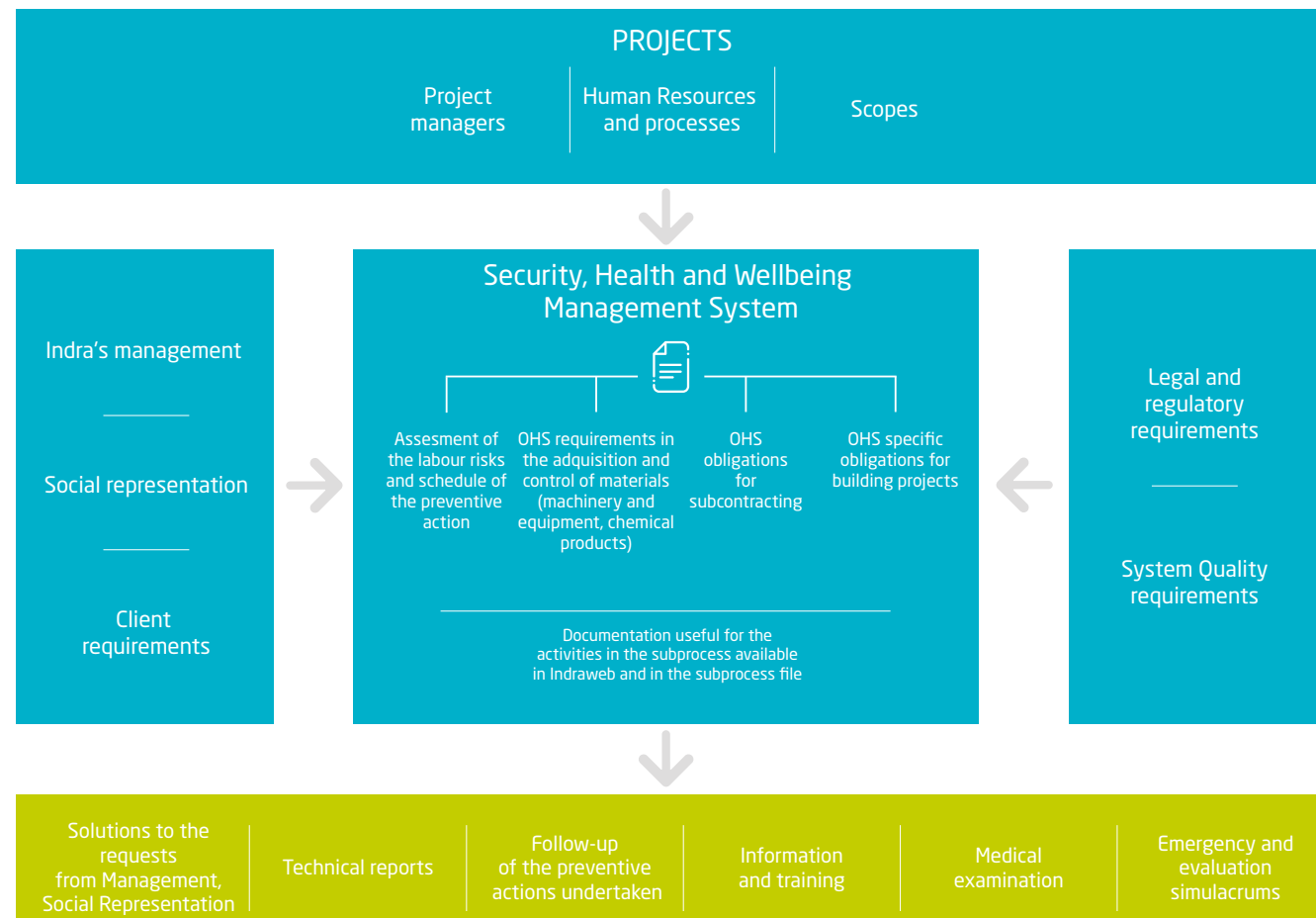
The activities carried out are geared to three core areas of action:

- Improvements in all aspects of health, safety and wellbeing
- Raising awareness of professionals and other stakeholders (suppliers, families, etc.)
- Good practice

Indra has established a Prevention Policy and Plan that is available to all employees on the Indraweb and is disseminated through specific training and communication actions.

The company's strategic commitment to ensure the highest possible level of safety, health and wellbeing for its professionals, including both those working for Indra and those who may be affected by its activity, is included in the company's Prevention Policy, Corporate Social Responsibility Policy and Code of Ethics and Legal Compliance.

PROCESS OF CONTINUOUS IMPROVEMENT AND AUDIT OF THE MANAGEMENT SYSTEM



HEALTH AND WELLBEING AWARENESS CAMPAIGNS

Indra promotes and conducts campaigns for health advocacy beyond the actions specific to occupational health. The aim is to help improve and promote health and general wellbeing through greater awareness on the part of employees of the importance of protecting their own health and avoiding risks, and of healthy lifestyle habits.

The campaigns are published for all employees on Indraweb and include informative material intended not only to share information, but also to encourage the motivation and personal skills necessary for the adoption of measures to improve health.

Preventive health campaigns

To promote a culture of prevention and achieve a work environment that is safe for all, activities are planned every year to raise awareness of the importance of protecting health and preventing risks. These activities include training the management team and supervising projects in which there are risks.

EXTENSION OF THE OCCUPATIONAL HEALTH AND SAFETY PROCEDURES TO SUPPLIERS

Indra's Prevention Plan includes a Supplier Approval System in relation to health and safety which sets out criteria to be complied with by suppliers in accordance with the risks that their activity entails.

Indra also establishes general procedures for activities in the field of construction or services provided by temporary employment agencies.

OCCUPATIONAL HEALTH AND SAFETY COMMITTEES

Indra has 39 Health and Safety Committees corresponding to the workplaces with over 50 workers in Spain, which account for more than 95% of the workers.

These joint Committees include workers' representatives who participate and collaborate actively in making decisions.

SAFETY FOR POSTED PROFESSIONALS

Indra is committed to go beyond the simple protection of professionals who are posted for reasons of work. It offers the SIGEDES service (a system of managing posted personnel) which covers aspects of physical safety, safety in the environment/projects, vaccinations, a 24-hour urgent phone line, and medical insurance.

MAIN ACTIONS

In 2016 the first pilot physiotherapy service has been launched with great success at the corporate headquarters in Arroyo de la Vega (90% occupancy). It is an in-company service that is tailored to the needs of Indra professionals at a competitive price. This service is planned to be extended to other centers in 2017.

Defibrillators have also been installed in four workplaces (Torrejón, Aranjuez, San Fernando and Arroyo de la Vega). This service is planned to be extended to more centers, giving coverage of more than 85% of the workforce in Spain in 2017.

In 2016 Indra's work on research, dissemination and implementation of occupational risk prevention was recognized with the PREVER award granted by the General Council for Industrial Relations and Work Sciences

Employee representatives

Indra respects the legal and cultural characteristics of each of the geographies in which it operates. In all cases it respects employees' right to freedom of association and labor union representation.

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, on the grounds of union membership.

For Indra it is important to maintain a continuous and transparent dialog with the social partners, encouraging their active participation in the company's guidelines and strategy.

In the case of important changes in operations, the necessary mechanisms have been established to inform the countries involved with due notice. Indra assesses the impact that operational changes may have on employees in advance, establishing a plan that includes communication with employees and their representatives. Even if there are no

legal obligations or workers' representatives, the company ensures it maintains regular communication with all the employees affected.

In Spain Indra has a total of 464 labor union representatives who liaise with the companies in the Group. The company facilitates their union activity in all aspects, including provision of materials, computers, union premises, etc.

In 2016, dialog has been promoted with all the labor unions to achieve fluid exchange of ideas. A significant Collective Agreement was signed with the labor unions CCOO, UGT and STC, representing over 64% of the members of workers' committees. This agreement regulates the procedure for use of Information Technology in the area of the company for communications of a labor, union or company nature between labor union sections and their members or workers in general.



09

Suppliers

Management Model

Objectives

Negotiation Channels

Supply Chain

Impact on the community



Suppliers

Indra is committed to the maintenance of stable long-term relations and to favoring contracts with local suppliers

Indra has defined a model of relations with its supply market based on commitment, transparency and the establishment of ties with suppliers, which it considers to be partners in its business.

A relationship with suppliers based on commitment and transparency

Indra's purchasing strategy involves criteria of Corporate Social Responsibility, and commitment by suppliers to the environment and to the company's Code of Ethics and Legal Compliance. In 2017 the suppliers must accept the company's Code of Ethics and Legal Compliance as part of the general contracting conditions.

In addition, Indra's general terms and conditions include a clause covering conflict minerals. A procedure has also been published in the Indra regulations that covers requirements relating to the REACH and RoHS regulations.

Management model

In 2016 a total of 1,058.8 million euros of goods and services were purchased through 6,868 suppliers through the award and approval channels. Of this total, 83% correspond to orders issued to local suppliers. Local suppliers are considered to be those where the supplier's country of origin (registered office) is the same as the country making the purchase.

Indra's supplier management model establishes a panel of suppliers that are classified according to their suitability to meet the quality and service levels required by Indra. Only classified suppliers can participate in the purchasing processes. The supplier panel can change as a result of:

- Approval of new suppliers
- Assessment and monitoring of existing suppliers as a result of the monitoring of action plans and development plans, analysis of surveys and changes in the performance indicators.

Each Indra supplier has an associated approval route according to the risk analysis and visits and audits made on them.

ESG criteria are taken into account in the choice and rating of suppliers

Indra applies environmental, social and governance (ESG) criteria when selecting suppliers, applying penalties to suppliers but not excluding them.

In 2016 progress continued on the established audit plan, designed to learn more about and improve the production processes of subcontractors, as well as establishing closer relations with them.

Supplier management model in Indra

1. Assessment of new suppliers proposed



2. Selection of approval route

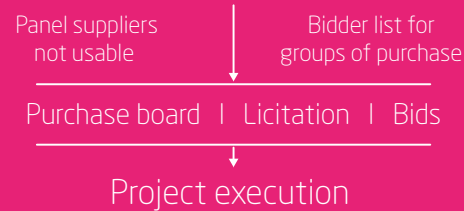


3. Execution of the approval process



PURCHASE | QUALITY | ENVIRONMENT | OHS

Exploitation of the panel of suppliers



4. Keep the Panel of Qualified Suppliers

| C | Description | C | Description |
|---|------------------------|---|--------------|
| A | Suitable | E | Not valid |
| B | With action plans | F | Not needed |
| C | With development plans | G | Not approved |
| D | To be eliminated | | |

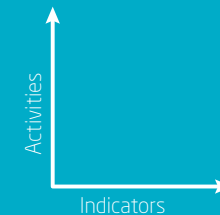


5. Follow-up and assesment

5.1. Follow-up



5.2. Assessment



MGMNT | OHS | ENV | QUALITY | PURCHASE

Rating process

The management of Indra suppliers aims to minimize the risks in the supply channel by maintaining and ensuring the availability of the best suppliers in terms of capacity and competence. The criteria analyzed that impact the rating of an available supplier are:

- Criticality: impact that the supplier may have on Indra's business
- Health: compendium of legal, economic, tax and financial aspects
- Technical competence: result of on-site audits, when the nature of the supplier requires them
- Performance: result of measurement and analysis of the level and quality of the service provided

In 2016 risk analysis was carried out of 77% of the total volume of purchases at global level and 83% in Spain.

Supply chain

Indra's supply chain has the following characteristics:

- Global strategy and local presence: the strategies, objectives, methodologies and work processes are global and are executed centrally with the support of local teams in the main geographical areas where the company operates
- Independence: the two units that execute the key purchasing processes are independent

Negotiation channels

Indra has two channels that support negotiations with suppliers:

- Tender Portal: for complex operations of high impact or value

- Offer module: for low impact or value purchases

The supplier portal is used to publish the orders awarded.

- Separate responsibilities:

1. The need is defined by the market units, which are not those that finally execute the purchase
2. The purchaser does not rate, does not certify, or pay, and does not decide on actions to take with respect to the suppliers
3. The certifier does not pay

- Planning according to changing needs through a model based on consensus and transparency
- Traceability and transparency: communication channels with suppliers allow the maintenance of traceability in the generation of competition and transparency in the whole negotiation process

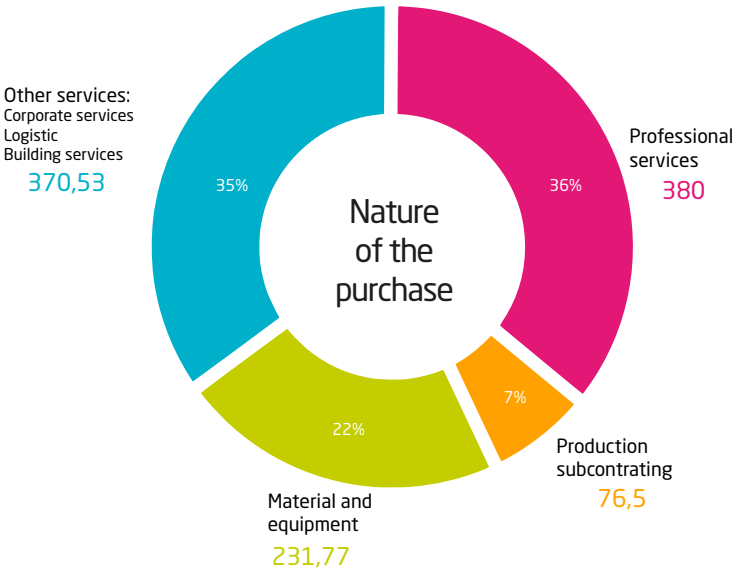
In 2016 Indra focused its purchases in low-risk countries, according to OECD criteria. In countries with moderate risk, Indra has its own teams in place that help mitigate this risk, such as in Brazil, Argentina and Colombia.

In 2016, to improve the supply chain management model, the organizational and operational Purchasing model already implemented in Spain was deployed in Latin America, with two objectives:

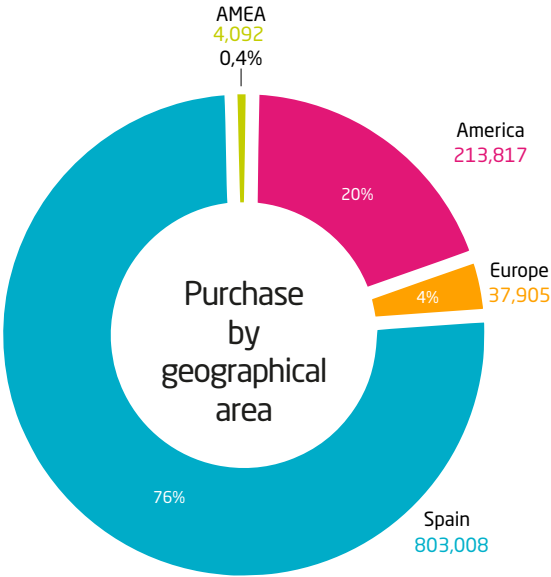
- Segmentation of functions and roles, for a more specialized and differentiated approach to the project requirements
- Implementation of corporate tools and the adaptation of the processes for a standard management

With the deployment of the organizational and operational model of the purchasing function in Latin America, 96% of the company's purchases are now covered.

Nature of the purchase
(million euros)



Purchases by geographic area
(million euros)



Geographic distribution of suppliers

| Geographic area | Percentage of purchasing volume | Percentage by number of suppliers |
|-----------------|---------------------------------|-----------------------------------|
| Spain | 60 | 43 |
| Europe | 15 | 16 |
| America | 23 | 36 |
| AMEA | 2 | 5 |

Impact on the **community**

83% of purchases are from local suppliers

In Spain over half the volume of company's purchases are made from more than 1,500 SMEs. Indra works to develop responsible and balanced relations with these companies.

Indra's confidence in the SMEs that form part of its supply chain is important for the development of the local business community.

| Geographic Area | Amount of local purchases (thousand euros) | Percentage of total purchases |
|-----------------|---|----------------------------------|
| Spain | 638,125 | 79 |
| Europe | 35,278 | 93 |
| America | 205,049 | 96 |
| AMEA | 3,798 | 93 |
| Total | 882,251 | 83 |

In Spain, collaboration with **SMEs** is key

10

Innovation

Innovation model

Alliances

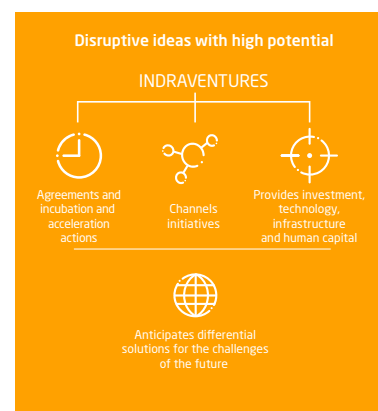
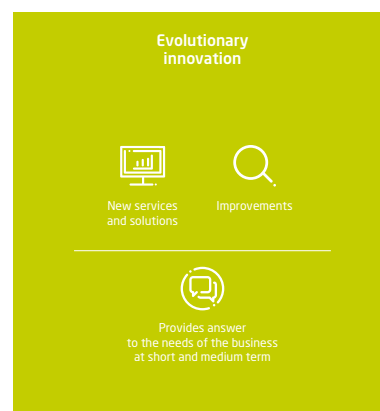
Impact on society



Innovation is a key element for Indra to offer value-added solutions for our clients' key businesses, in all the markets and geographic areas where it operates. The strong client-centric approach, its in-depth knowledge of key business processes, and its long-term relationships with clients, allows Indra to accompany them on their innovation processes, from the time it first reviews them.

163
million euros
invested in
innovation

Innovation model



INNOVATION FLOW

1. **Detection** of ideas and initiatives from the different identification mechanisms
 - Technical and business assessment (due diligence)
 - Filtering and selection of initiatives to be developed
2. **Negotiation** of general terms to sign a Memorandum of Understanding between interested parts
 - Set up of a collaboration framework (that can be updated along the cycle)
3. **Development** of the initiative according to the terms agreed
 - Realization of a pilot (MVP) and validation
 - Continuous follow up and assessment of the business plan fulfilment
4. **Assessment** of the success of the initiative in a no longer than a year term and next steps
5. **Integration** in the portfolio of Indra of those successful initiatives that provide added value to the offering

The technological sector is currently in a period of unprecedented dynamism, with continuous disruptive advances boosted by the wave of digital transformation and the growing relevance in this process of individual entrepreneurs and startups. This new environment demands new levels of dynamism, agility and flexibility from business and society in the form of innovation and relations with the entrepreneurial ecosystem.

At Indra we focus on adapting to the new context as a key factor that is essential if we are to remain at the cutting edge of technological innovation and provide a strategic boost to our capacity to generate, accelerate and incorporate new innovative and disruptive ideas into our offering of products and services.

Our response to this challenge has been the launch of a New Innovation Model, which represents a new approach to the innovative process that is more agile and flexible, while extending and reinforcing our mechanisms for relating with the ecosystem.

The fundamental objectives of this new model are:

- Convert innovation into the strategic lever that differentiates the Indra offering
- Focus innovation on the response to strategic business needs

- Transform Indra into an innovation hub that is recognized both internally and externally
- Capitalize on internal talent at Indra for generating differential and innovative initiatives
- Search for innovation wherever it is generated, supporting new ideas that mark the difference and entrepreneurs prepared to carry them out

The New Innovation Model involves a high level of commitment on the part of the company's Senior Management to ensure it impacts the business.

The new Innovation Committee, comprised of representatives of corporate Innovation and Strategy and Indraventures units, as well as representatives from all the business units and technology experts, will govern the model and supervise its operation.

This composition ensures there is a global and unified Innovation Plan in place that guarantees the alignment between R&D, strategy and offering, promotes cooperation and cross-cutting operation to maximize synergies between markets and generate a real impact in the business.

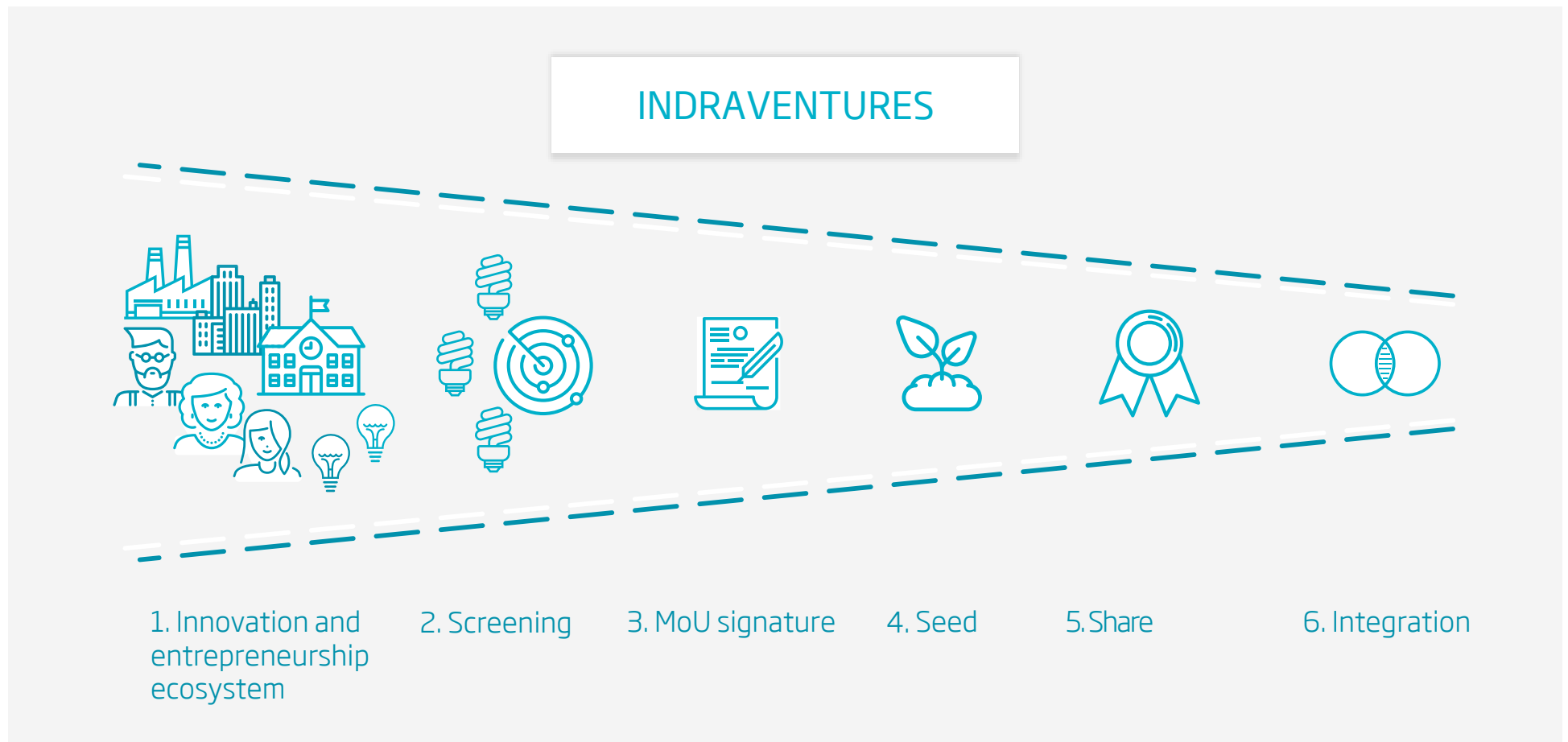
The aim is to boost disruptive innovation by the corporate areas and add it to more evolutionary innovation that is linked to current client needs as developed by the markets. Indraventures is the new unit created by Indra to develop the relations and investment with the innovative ecosystem formed by startups, spinoffs and university research groups, entrepreneurs and intra-entrepreneurs.

In permanent contact with external agents and with the company's professionals, Indraventures channels initiatives, collaboration agreements and actions for incubation and/or acceleration, with the aim of identifying, generating and incorporating a variety of innovative, disruptive and high-potential commercial solutions for Indra's offering. It participates in the development of the initiatives, facilitating for this purpose Indra's human capital, technology and infrastructures, as well as its global network of alliances, partners and clients, and its international capacity, according to the needs in each case.

Indraventures has an investment strategy focused on incipient ideas and initiatives in the development phase with needs for acceleration, looking to the specific needs of each initiative. In some cases it will make direct investments in various rounds of finance and may arrange higher investment by other mechanisms.

Among the other objectives of the new unit are to align and focus collaboration with universities with Indra's strategic and technological priorities by means of an assessment of emerging technologies and the capacity of technological centers, spinoffs and research groups.

Indraventures promotes and supports innovation both within and beyond Indra, aiming for collaborative development that can maximize the impact of the initiatives.



Indra professionals around the world form a unique global network of multidisciplinary experts. To activate, motivate and channel the talent of these professionals globally and in a structured way, Indraventures will develop a variety of initiatives to gather ideas on innovative products and services that have a commercial capacity and are capable of generate cross-cutting disruptive solutions that can be developed by the business units.

A variety of mechanisms and actions are available to do so by encouraging intra-entrepreneurship and a culture in which innovation is one of the key factors for each of the professionals in the company.

The plan is to launch regular challenges geared to finding a response to specific market needs, creating a corporate channel for collecting ideas, developing a community of innovators with professionals with a more proactive and innovative profile, creating a group of "visionaries" who identify possible new technologies and lines of research, creating multidisciplinary internal working groups specifically for the development and conceptualization of new lines of innovation, etc.

To get the professionals involved, Indraventures also implements an internal development model that allows direct participation by employees in the proposed idea, through part-time work on its development, and the assignment of additional resources and restructuring as a project. A number of mechanisms for recognition are also being designed to reward and stimulate participation and collaboration on the different proposals.

In December 2016 the first call for global innovators was launched. It is open to all the company's professionals who want to present disruptive ideas.

Four winning ideas have been selected from the innovators:

- One idea selected by the community: the ideas are published for assessment and voting by the company's professionals
- Three ideas selected by the Innovation Committee (with the participation of all the company's Markets/Units)

The key data from the first call for innovators are as follows:

- 466 ideas received
- 12,730 professionals involved (over 35% of the professionals in the company)
- The ideas proposed have received 9,385 votes
- 65,475 visits to ideas (each professional who accesses and visits at least five ideas)

Through the R&D Unit, the Model also offers, support and collaboration throughout the entire innovation life cycle.

Specifically, it monitors the company's innovative efforts and assists in obtaining financing by third parties on a global scale for R&D projects, from the internal planning stage to project completion.

Alliances

Indra shares with prestigious global allies the vision of being a technological benchmark and innovator in the sectors where it operates, through a joint development of business opportunities and long-term relations that boost growth and mutual benefit

MANAGEMENT MODEL

For the joint development of business opportunities, Indra has a global management model of alliances that are aligned with the company's strategic objectives. This model is characterized by a strategic management of alliances through a corporate governance model.

- Extension of local liaison capacities
- Boosting of joint innovation activities to generate a new offering that responds to present and future client needs

Indra is the first Spanish company to enter into a strategic alliance with General Electric, to promote new applications for the Industrial Internet

STRATEGIC ALLIANCES

In 2016, 37 agreements were reached with new technology partners, and existing agreements with the most strategic partners were reinforced, with the aim of boosting international growth, the company's innovative activity and business development.

The company has consolidated its relationship with its most strategic partners through the following actions:

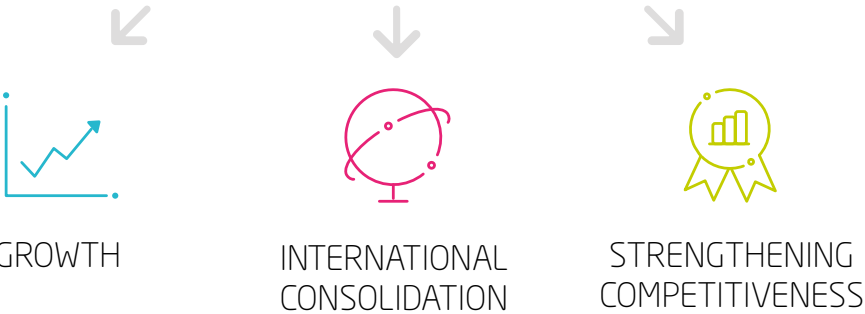
- Globalization and local adaptation of agreements, principally in Latin America
- Conclusion of beneficial license agreements at global level, with the aim of increasing the competitiveness of the business solutions involved

Indra has joined the program of General Electric's global alliances to work jointly on the development of the next generation of digital applications that will provide a service to a large number of industrial sectors, starting with energy (gas and oil). The alliance will make Indra the first Spanish company to work in Predix, the Industrial Internet operating system designed by General Electric. Elsewhere, Indra continues to work to forge new strategic alliances with other front-rank partners with the aim of boosting company's business and capacities.

| | | |
|----------------------------|---------------------|---------------------|
| CONSOLIDATED MANAGEMENT | STRATEGIC NATURE | GOVERNANCE MODEL |
|----------------------------|---------------------|---------------------|

↓

MANAGEMENT MODEL FOR ALLIANCES Indra



Impact on **society**

Indra is represented in innovation programs aligned with the company's growth strategy, always interested in those areas for activity where new technologies will be key. The significant convergence of Indra's main lines of innovation with the United Nations Sustainable Development Goals and the European Union's 2020 Horizon demonstrates Indra's commitment to create value in the markets where it operates



Healthy lifestyle and wellbeing

Indra is working on the development and implementation of digital Single Welfare History systems (the Amtega project) and on the development of augmented reality systems for spatial orientation of people with visual disabilities (the e-Glance project)

Indra's solutions are used by over 100,000 professionals in more than 5,600 health centers and hospitals, making it possible to schedule some 500,000 appointments every day.



E-GLANCE

PERSONALISED AND
PROACTIVE CARE

AUGMENTED REALITY
TO SERVE THE NEEDS OF
PEOPLE WITH DISABILITIES



Indra's solutions have been implemented by more than 140 electricity, water, oil and gas companies in more than 45 countries

Accessible, secure and sustainable energy model

Indra is involved in the areas of innovation over the whole energy life cycle, such as in the Smart Grids and monitoring in real time of hydrocarbon wells and fields (REMOIN) and in the progress on the detection of oil spills by mobile devices (RadosD).

REMOIN

RADOSD

OIL LEAK
DETECTION

OIL DEPOSIT
SENSING



Promotion of economic, inclusive and sustainable growth

Digitalization in areas such as the knowledge transfer (SeniorLudens), creation of methodological frameworks and technological environments for the governance of key developments and operations for the digital economy (GOVINDA) and full automation of testing in SMACT (Social, Mobile, Analytics, Cloud and Internet of Things) systems are examples of Indra's commitment to sustainable economic growth, where the digital economy plays a key role.



SERIOUS GAMES FOR
TRAINING AND
KNOWLEDGE TRANSFER

GOVERNMENT,
VALUE AND BUSINESS
ENGINEERING
IN DIGITAL ENVIRONMENTS

APPLICATION
TESTING



More resilient, inclusive and sustainable infrastructures

Indra is committed to more efficient transport modes and infrastructures through projects in areas such as: management of drone traffic, movement of autonomous vehicles (AUTOCITS) and the development of Big Data technologies for understanding and improvements in the management of transportation, boosting inter-modality (Transforming Transport project). Of note is the role Indra plays in key programs at European level in terms of innovation in the rail sector (Shift2Rail) and automated air traffic management (SESAR).

Communication and monitoring of satellites and missions in space, surveillance of objects in space, computation platforms and data focused on scientific communities and experience in engineering Cyber-Physical systems, are all examples of other areas where Indra plays a relevant role in the international innovation ecosystems.

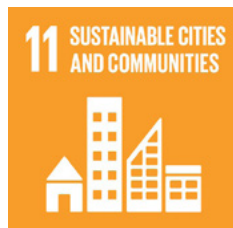
Indra is a global technological transport infrastructure supplier, as can be seen in the high-speed Mecca-Medina rail line in Saudi Arabia, and the expansion of the Panama Canal.



FUTURE AIR NAVIGATION.
SINGLE EUROPEAN SKY



NEW RAILWAY
TECHNOLOGIES



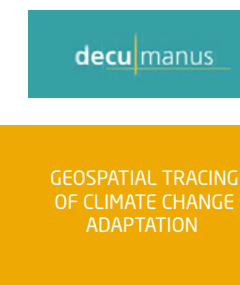
Inclusive, safe, resilient and sustainable cities

In the urban environment, of note is the research developed for the smart integration of small-scale energy storage technologies into the distribution networks, homes and commercial or industrial buildings (SENSIBLE), harmonization and standardization of different modes of urban transportation (HARMONY), and the design and development of management systems to visualize the energy behavior of cities in 3D (MIRE 3D).



Combat climate change and limit its effects

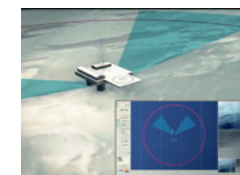
A significant part of the innovation projects presented in this report contribute directly and indirectly to the fight against climate change. It is worth noting Indra's experience in the deployment and use of geospatial information products that support the development and implementation of strategies to fight and adapt to climate change, in both urban areas (the Decumanus project) and natural ecosystems.





Sustainable use of land ecosystems and underwater life

Indra participates in this challenge through its environmental monitoring technologies, the development of Earth observation platforms, and its technology for the prevention, detection and analysis of forest fires. One example of an innovation project in this area is the development of a unique system for the early detection of hydrocarbons and the prevention of pollution of water environments devised in collaboration with Repsol (the HEADS project).

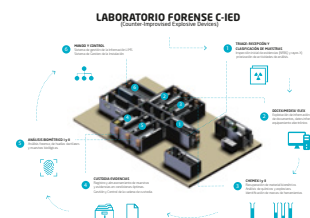


SECURITY FOR
FOSSIL FUEL LEAK
DETECTION

Peaceful and inclusive societies for sustainable development

Innovation in Indra is aligned with this goal through its participation in projects that promote the fight against cybercrime and cyberterrorism (CyberRoad), forensic laboratories for explosive artifacts (JDEAL), solutions for border control and a variety of simulators for the training of the military and police.

The judicial information systems developed by Indra have over 45,000 users in 13 countries



FIGHT AGAINST CYBERCRIME
AND CIBER TERRORISM

FORENSIC ANALYSIS
OF EXPLOSIVES

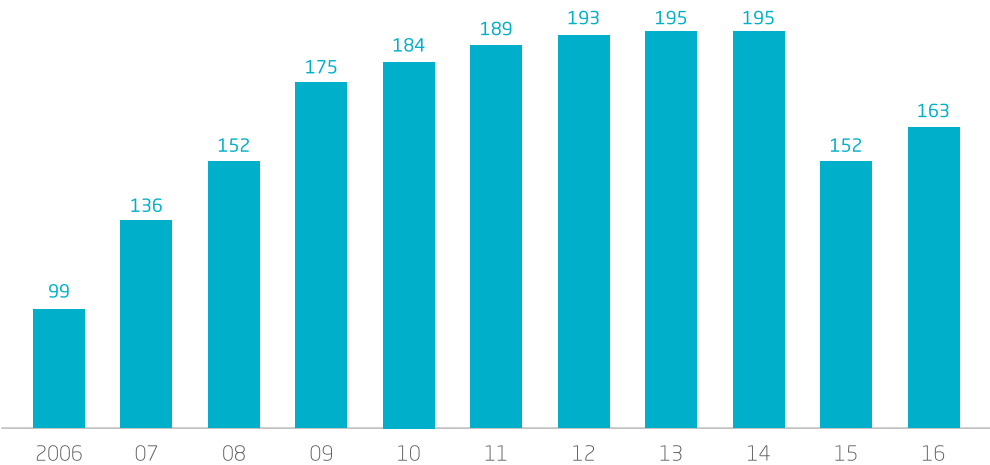
PROFESSIONAL TRAINING
IN THE AREA OF CIVIL
AND MILITAR DEFENCE

INDRA'S TRACK RECORD: A PERSISTENT EFFORT

Innovation is a key element for Indra's long-term sustainability. The level of commitment to this strategic principle is demonstrated by the company's intense and long-standing efforts in R&D.

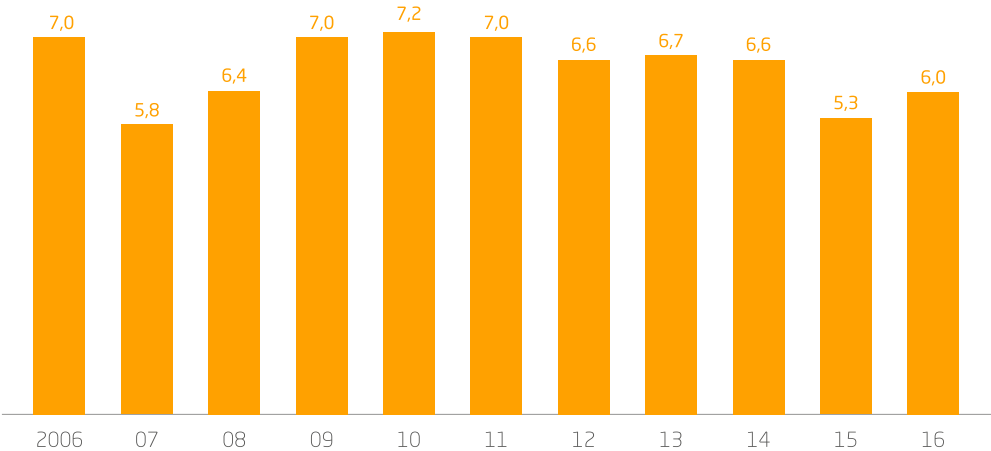
Annual investment in R&D (€ million)

2,254 million euros TOTAL CUMULATIVE R&D INVESTMENT*



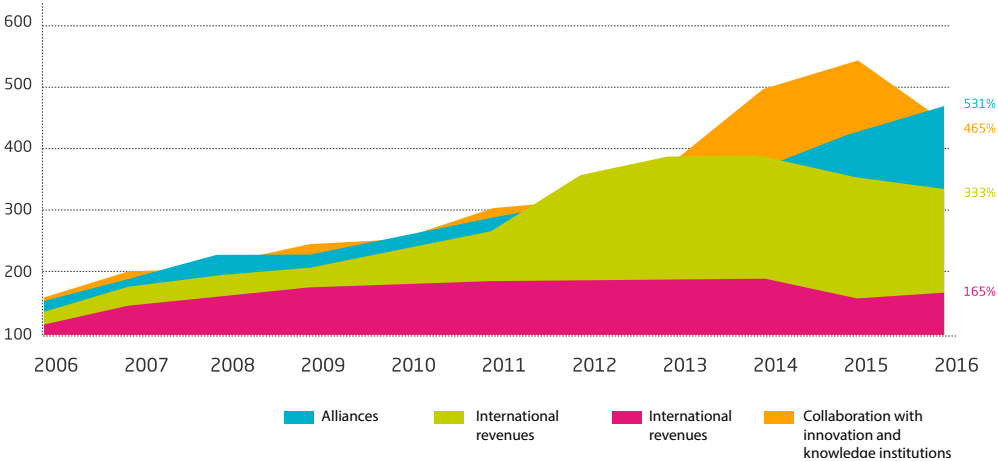
Over 1 billion euros invested in innovation over the last six years, and over 2 billion in the 21st century

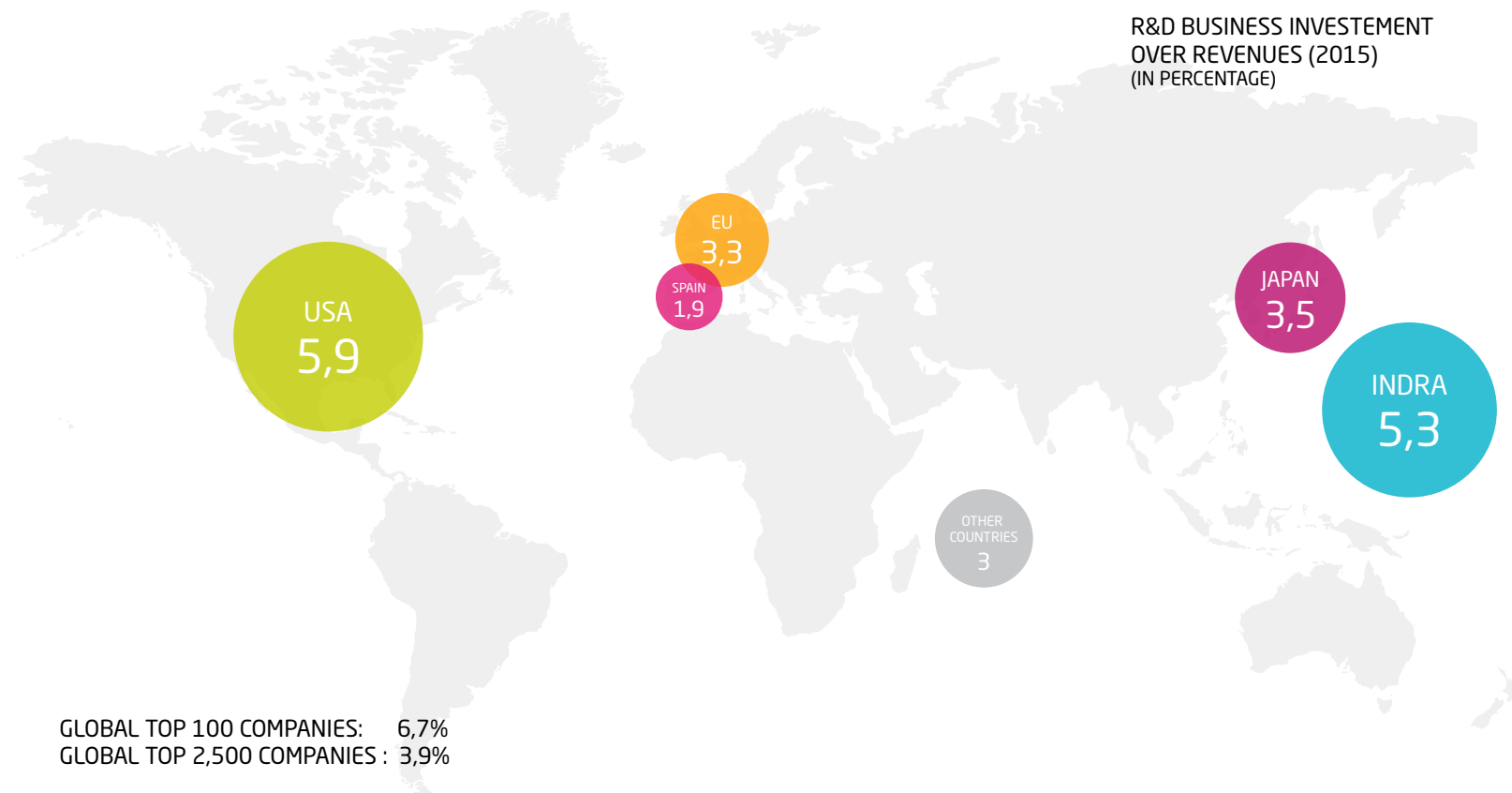
% innovative effort (R&D / Revenues)



Open innovation, key for internationalization

Data as percentage: 2006=100%





According to the latest published data, Indra remains in the business innovation rankings prepared and published by the European Commission (The 2016 EU Industrial R&D Investment Scoreboard). Indra has maintained a notable position in the ranking of the 112 companies in its sector (Software & Computer Services) at European level, and is second among Spanish companies.



11

Commitment to the Environment

Society

Environment



Society

As one of the major consulting and technology companies, Indra has solutions and services that are excellent tools for contributing to development, not only to the benefit of its clients but, in a much wider sense, the communities where it operates and society as a whole.

Technology and innovation, Indra's main contributions to a more inclusive society

Technology at the service of **society**

Indra develops technological solutions and services in many markets that are related to key areas for sustainable social development. The United Nations Sustainable Development Goals establish a series of goals and targets to which Indra contributes through its technology

www.indracompany.com/en/healthcare

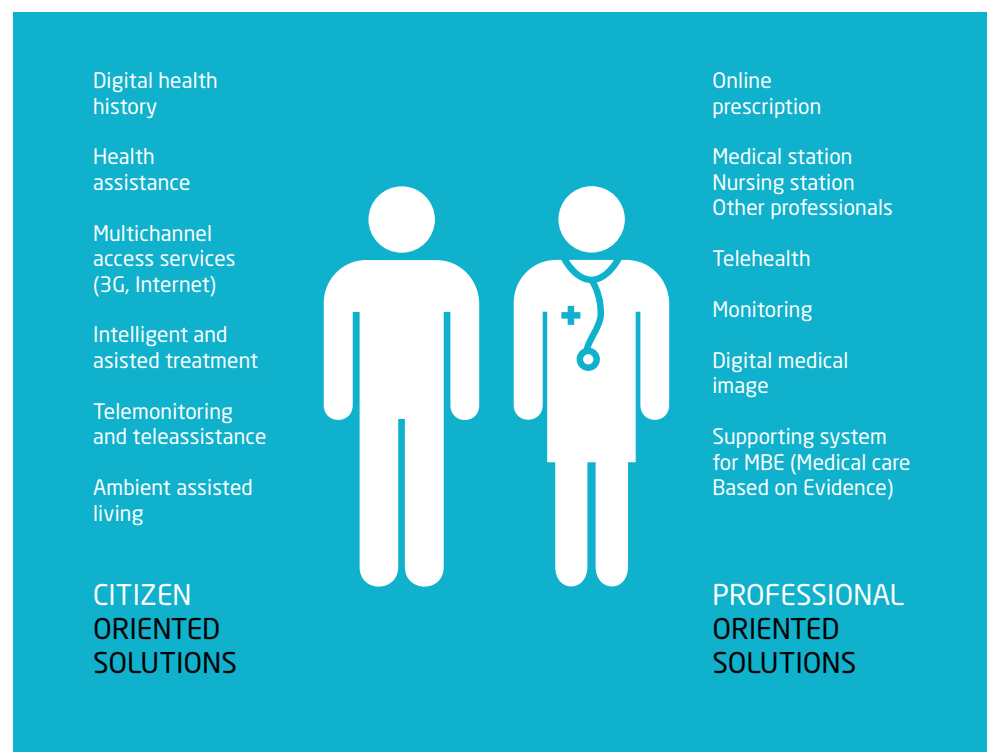


Currently 33 million people use health information systems developed by Indra

Digital health

The main aim of Indra's global healthcare model is to protect that most precious of assets: health. This digital healthcare model has been adopted by private and public sector organizations in a number of countries.

Of note is the application of technologies based on the Internet of Things (IoT) to monitor patients (the [SISENS](#) project) and remote care for the chronically ill (TELEA), both developed for the Galician Health Service (SERGAS).



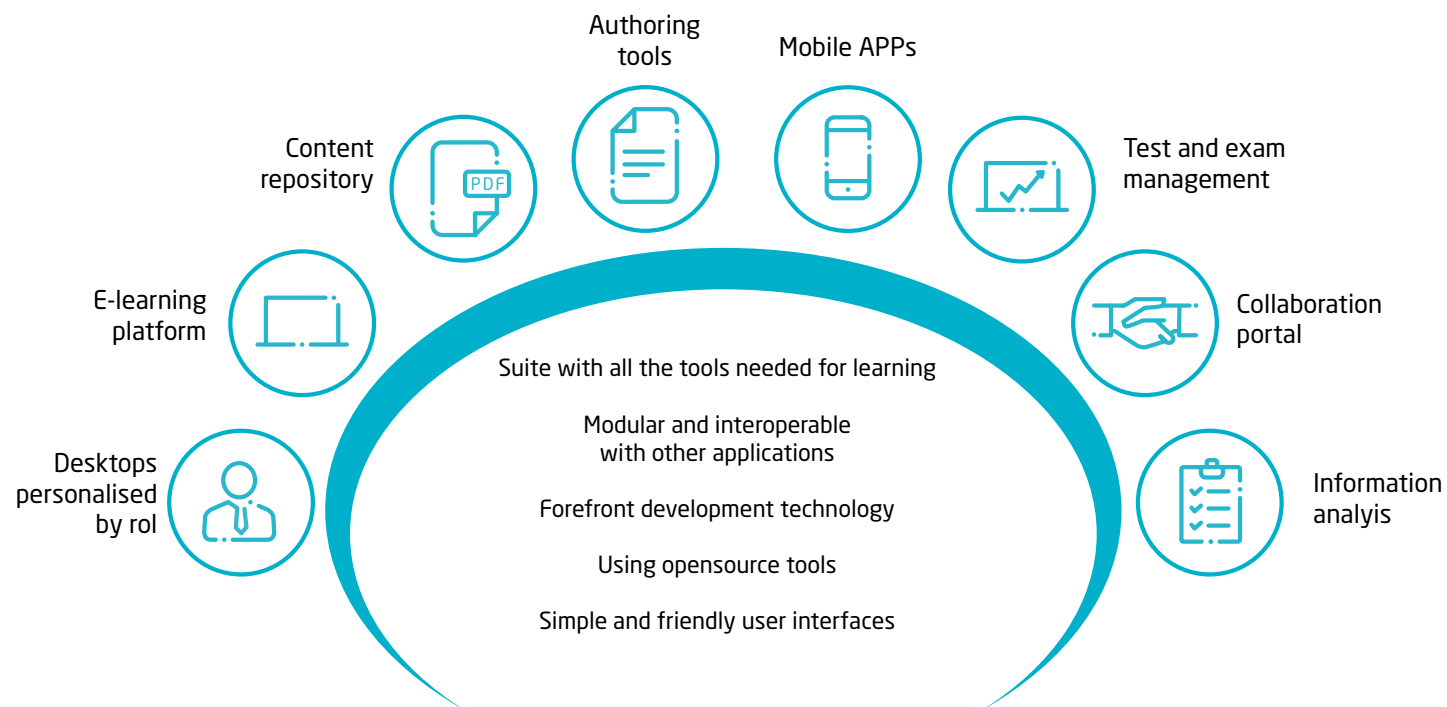


New training and educational experiences

Information technologies are tools that boost and facilitate the teaching and learning processes. Today they allow the creation of new educational environments that open up the possibility to develop new training and educational experiences, allowing new activities to be carried out that were unimaginable until now.

Indra makes technology available to education and training, working within university, non-university and any other environments where training is required with the support of a platform. Indra has an integrated In-ADAN solution for the management of learning and training and ADAN-Exámenes for the management of the assessment process.

Indra has implemented academic management solutions for over 5,200 educational centers that involve nearly 120,000 teachers and around seven million students





Efficient and safe infrastructures

Indra is committed to smart management solutions for infrastructures and buildings by integrating a variety of features, from energy management systems to safety management systems. By specializing in smart infrastructure management it can offer specific measures to resolve concrete needs in all kinds of environments and projects, benefiting users and people in general. <http://www.indracompany.com/en/smart-infrastructure>

Indra's experience in this field involves three areas of work:

- Smart management of critical infrastructures and large-scale projects <http://www.indracompany.com/en/special-infrastructure>

Design and implementation of smart management systems for the installations of the third set of locks in the Panama Canal

- Energy efficiency in the management of infrastructures <http://www.indracompany.com/en/energy-efficiency>

Implementation of smart video networks (CCTV) fed by renewable energy to monitor road infrastructure

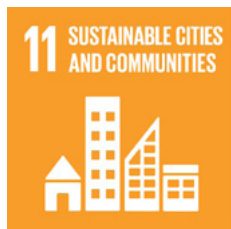
<http://www.indracompany.com/en/node>

- Optimization and simplification of operating and maintenance expenses <http://www.indracompany.com/en/smart-buildings>

Indra is one of the major companies in the world in advanced transport technology. Its solutions provide the maximum economic efficiency, respect for the environment and safety in the operation of transport infrastructures.

Indra is one of the world leaders in rail technology, a key global supplier of air traffic management solutions, one of the major companies in the world in smart technologies for road traffic management, and it has a broad experience in port traffic management systems.

Implementation of air traffic management systems in 4,000 installations in 160 countries, with 60% of the Chinese air space being controlled by Indra radars <http://www.indracompany.com/en/air-traffic>



Smart local environments

Indra's smart urban solutions are based on the FEEP [IoT & Big Data Platform Sofia2](#), the Minsait (Indra's digital transformation unit) IoT platform. It has an integrated infrastructure with the capacity for interoperability in real time, Big Data, Cloud deployment and scalability.



Indra has implemented smart tourism management platforms, called Smart Tourism, to transform mature tourist destinations into smart destinations. Examples of this are the projects for A Coruña, Toledo, the Rías Baixas region and the Camino de Santiago.

Indra's Smart Security solutions have considerably reduced incident response times and increased safety levels. Worth noting are the smart safety deployments in CEMELPA (Las Palmas de Gran Canaria Emergency Center), CISEM (Integrated Safety and Emergency Center of Madrid) and the CUCC (Single Coordination and Emergency Control Center) in Buenos Aires.

From the point of view of the transformation of e-government, of note is the [AMARA](#) suite, a modular e-Government platform that supports the activity of government, helping organize and improve the way citizens relate to the public administration and the internal management of the organization.

[iPARTICIPA](#) is an open government platform with a major innovation management component. It is a dynamic and comprehensive solution that covers the entire cycle of participation, communication and monitoring of valuable ideas in Open Innovation and Open Government projects. Models of Open Government, Open Innovation, Corporate Social Responsibility, Investor Relations and publication of vacancies in universities, already use [iPARTICIPA](#) as an open innovation platform.





Increasingly safe societies

In a globalized world, more robust security is of basic importance for society. New threats are constantly emerging and evolving, making security management an increasingly complex challenge.

Indra offers [security solutions](#) to deal with all kinds of threats. The company's offering allows public and private sector organizations, both military and civil, to identify threats before they materialize, preventing them from occurring and helping to protect infrastructures and minimize any potential damage.

Pioneers in secure identification systems: more than 30 million identity documents and cards issued in a number of countries, and automated biometric border control systems in airports and ports

As an example, to tackle problems with drug trafficking and saving lives at sea, Indra has participated in the development of integrated land and maritime surveillance systems that now protect more than 5,000 kilometers of borders for various European and Asian countries.

In cybersecurity, Indra's technological developments offer significant advantages for citizens, such as [digital security](#) (electronic ID and passport), fast-track border crossing and digital signatures.

Simulators manufactured by Indra provide learning and training for the security forces, drivers and pilots in risk-free conditions, thus allowing them to perform adequately and respond to any incident that may represent a safety risk.



Indra i-CSOC Cybersecurity operational center



Unpiloted marine surveillance aircraft P2006T MRI developed by Indra



Solutions for identifying people and controlling borders Indra Border Control System (i-BCS)

CONTRIBUTION TO SOCIETY THROUGH SOCIAL ACTION

Indra's social action is focused on the integration of people with disabilities and at risk of social exclusion

Combining innovation and technology, Indra aims to contribute to the social integration of disadvantaged groups. Specifically, Indra contributes to the employment integration of people with disabilities, for which it has established three core lines of action



Accessible Technologies

Innovative technology projects with universities and foundations for the labour and social integration of people with disabilities



Pro bono

Consulting and technology projects for free for Foundations and NGOs



Corporate volunteering

Training, coaching, mentoring and environmental activities undertaken by Indra professionals in collaboration with Foundations and NGOs



Integration of people with disabilities and under risk of social exclusion



INVESTMENT IN SOCIAL ACTION

1.46 millions of euros *

* 230,545 euros are linked to compliance in Spain with the General Law on the Rights of People with Disabilities and their Social Inclusion

Indra's social action is aligned with its strategy, contributing to the transformation of the company through boosting social initiatives that reduce the digital gap, helping create a more cohesive culture with a greater pride in belonging.

The development of projects in the area of social action creates synergies with Indra's talent management, as it helps improve the labor climate and increases the pride in belonging of professionals while giving them the opportunity to progress in their professional development and technological retraining. It also improves the employability of professionals who may be de-assigned from time to time. At the same time, in this context Indra's attractiveness and an employer is increased through its contact with universities.



ACCESSIBLE TECHNOLOGIES

9 Chairs

Interacting with stakeholders and helping them resolve their problems through technological solutions is in itself a focus of innovation. By collaborating with knowledge institutions in different parts of the world, technologies are tested for their possible future application in new businesses, thus reinforcing Indra's positioning.



CORPORATIVE VOLUNTEERING

373 Volunteers

Accessible Technologies

One of the cornerstones of Indra's social action is collaboration with knowledge institutions to devise innovative solutions that can help the integration of people with disabilities.

With respect to Accessible Technologies, in 2016 the first call was issued jointly with the Universia Foundation for subsidies for research projects applied to the development of technology in entities in the Spanish university system, with the aim of promoting the development of innovative technologies that improve the quality of life and social and labor integration of people with disabilities.

With this call for subsidies, Indra has opened up its Accessible Technologies to all the research entities and groups in Spanish universities. This initiative is part of its Corporate Social Responsibility that aims to reduce problems in digital access and puts technology at the service of people with disabilities.

Of note is the agreement to extend the University Chair Project in Spain (the [e-Glance](#) augmented reality project for the spatial orientation of people with visual disabilities) and the agreement for a new Chair with UTAD (the [Cicerón](#) virtual reality project to facilitate communication by people with Asperger's syndrome).

Pro bono and corporate volunteering projects

Through the pro bono projects developed at zero cost for non-profit organizations the aim is to improve the technological capacity of social institutions so that they can develop their work as efficiently as possible.

The professionals who participate in the pro bono programs have the opportunity to develop a technological project for an organization in the social sector while training and acquiring new skills. The projects for the Junior Achievement Foundation, the Food Bank and the Integra Foundation are some examples of this.

In 2016, a total of 373 Indra employees (206 in Spain and 167 around the world) took part in volunteering activities accompanied by over 50 other people including family members and clients.

In Spain 206 hours of volunteering were carried out during working and non-working hours, and up to 44 activities were carried out with social organizations in the countries where Indra operates.

For example, in Spain: Indra has collaborated on initiatives in favor of the Make a Wish Foundation and has joined the challenges with clients collaborating with the Food Bank and La Caixa Social Program.

Environment

Information Technology plays a key role in monitoring, managing and minimizing impact on the environment. Indra is aware that challenges such as the fight against climate change, conservation of resources such as water and the preservation of ecosystems, require technology to achieve the objectives set on the International Agenda.

Through its products and services, Indra provides a number of markets in which it operates with the tools for establishing more efficient management models and for monitoring the impact on the environment, facilitating the incorporation of environmental criteria into its clients' decision-making.

The diversity of the markets where Indra operates allows the deployment of technologies that support environmental management at local level (Smart Cities) and globally (Satellite Surveillance) in government (e-government) and in private companies (4.0 connected industry). As well as its [Environmental Policy](#), Indra imposes on itself the obligation to minimize its environmental impact through objectives, plans

and systems for environmental management in Spain and in the countries where its activity is more significant. Indra works to develop operations based on increasingly efficient procedures and environments. It involves its professionals and value chain in this effort.

INFORMATION TECHNOLOGY AT THE SERVICE OF THE ENVIRONMENT

Based on the development of its own high value-added solutions, participation in national and international research programs and co-innovation with clients, Indra offers a diversity of products and services that can reduce the impact on the environment.

More efficient and sustainable energy and mobility

Electric mobility, renewable energies, distributed generation, development of storage, and management of demand, will revolutionize the energy sector in this century and thus the fight against and adaptation to climate change.

Indra has more than 25 years of experience in [controlling the use of energy](#), optimization of assets and compliance with sustainability initiatives in the areas of management, distribution and sale of energy, oil and gas and water management.

The means having a comprehensive vision of the business in a key area in the fight against climate change. Its impact on the environment across its value change require high standards of control and risk management.

Unique global technology for the early detection of oil spills in the sea



Indra has integrated and modular solutions such as InGen that facilitate the management of renewable energy installations, management of reservoirs and river basins and optimal exploitation of water resources.

Indra's solutions cover the full water cycle, from conveyance to reuse, from measurement and sensorization to business information analysis, all focusing on constant optimization of water resources.

Indra's InGRID suite offers a modern model for controlling and managing energy and gas distribution networks, incorporating the smart grid concept into planning, development and maintenance processes as well as network operation (incident detection, maneuver management and event scheduling), customer notification management and mobility systems for work in the field.

InGRID also supports energy management processes, from taking and processing readings through to the calculation of electricity system energy balances, facilitating the control of distributed power consumption and enabling the location and reduction of technical and commercial losses.

InGRID also includes an energy service management platform based on an IoT (Internet of Things) architecture, which supports the provision of new services to the most important link in any smart grid chain (the customer) such as energy efficiency, distributed generation, storage and demand management.

The increase in population, the need for the mobility of goods and people and the economic need to promote transportation that has a lower environmental impact and greater levels of efficiency are critical aspects for the future of humanity.

In this respect it is worth noting Indra's role in deploying technologies for the [air traffic management](#), the operation of rail infrastructures, advanced traffic management and management of car fleets, management and operation of logistical and hydraulic port infrastructures, etc.

Indra is a pioneer in the implementation of 4D route air traffic management. This is a technology that makes it possible to establish direct routes, reducing flight time, fuel consumption and CO2 emissions



Increasingly sustainable local environments

Indra is committed to technology as an element that boosts and facilitates the sustainability of cities by promoting smart, efficient and integrated management of services.

Indra's Urban Platform allows the integration of multiple services, achieving a more efficient management of resources based on the Indra Smart Platform technological platform, which contributes capacity to develop cloud services, management of the Internet of Things (IoT) and mobility, Big Data and Social Business. The analytical capacities (Analytics) of the platform allow the monitoring in real time of the services provided by local councils, monitor citizens' perceptions and help in decision-making.

At the same time, geospatial technologies developed by Indra also act as a lever for detecting, preventing and understanding, thus contributing value and knowledge.

Projects such as the Smart Coruña Platform, where Indra has deployed FEEP IoT & Big Data Platform Sofia2, allow the local council to collect data such as environmental information and information on air quality, which can be cross-

checked in real time or with historical series from census data. It also facilitates access through deployed sensors to information on infrastructures and transport, information on consumption and energy efficiency, lighting, wind, the state of containers and recycling, etc.

Over 100 local institutions use Indra's smart management systems to improve their energy and water management, urban services and citizen services

In the area of smart mobility, Indra has solutions that improve the management of urban traffic and public transportation to encourage the use of the latter and increased inter-modality (the combination of different means of transport). In this way, they help improve the service provided to citizens, reduce the use of private vehicles, traffic congestion and the economic and environmental costs involved.

Indra develops smart mobility projects in major cities such as London, Medellín, Curitiba, Santiago de Chile, Manila, Kuwait City and Madrid



Other projects with an impact on local environments are the certification of sustainable buildings and the implementation of energy management systems, consultancy projects developed by Indra's Solutions for Sustainability team, which include the development of actions to improve the environmental performance of buildings in terms of energy efficiency, water management, environmental quality, sustainable plots, etc.



Technology applied to the protection of biodiversity and natural environments

In a context where geolocation of information is an asset of great value, Indra creates geo-referenced information solutions (GIS). Accessibility, standardization, interoperability and data distribution are key in these solutions. They integrate environmental and socio-economic components as a basis for understanding problems and providing alternatives in accordance with the needs and requirements of territories that are in a process of continuous change and subject to environmental impacts.

In this area, Indra heads up the [European G-Sextant project](#) for observation of the Earth, part of the European Copernicus program, one of the most important initiatives of the European Commission in the space sector. Copernicus will provide the EU with its own Earth observation capacity to monitor environmental progress and to manage security and emergencies.

As well as monitoring at global scale, Indra has developed technology for the prevention, detection and analysis of forest fires. The [FAEDO](#) solution helps those fighting fires on all fronts: early detection through thermal imaging analysis, tools for planning the tasks of extinction and subsequent analysis of the origin of the fire and extinction actions.

Technologies of this type, among others developed and implemented by Indra, are aligned with the strategies to fight and adapt to climate change, a phenomenon of global impact to be managed at local level.

ECO-EFFICIENCY IN OPERATIONS

Climate change

Indra accepts as scientifically proven that human activity, primarily through the process of burning fossil fuels, has a negative impact known as the greenhouse effect, which produces carbon, methane and nitrous oxide emissions. In this respect the Paris Agreements and their development through the agreements reached at the Marrakesh Climate Summit in 2016,

represent the start of a unique and irreversible global effort to maintain under control the average temperature of the planet through 2030. Indra recognizes this scenario and aims to be an active player in this collective effort.

Carbon footprint

Indra has an environmental impact derived from the energy consumption of the computers used to develop the solutions and services that it offers, and from the mobility of its professionals to provide services. Both aspects involve direct and indirect greenhouse gas emissions.

Currently Indra calculates and communicates its carbon footprint in its direct and indirect scope (Scope 1 and Scope 2), monitoring its global target for reducing greenhouse gas emissions.

Indra has established as its global objective a reduction of its CO2 equivalent emissions by 26% per employee between 2014 and 2020, using as a baseline the year 2013 and taking into account Scope 1 and Scope 2 (direct and indirect emissions)

Below is information on the energy profile of Indra based on energy consumption in recent years and its impact in terms of the carbon footprint.

| Energy consumption (Notes 1 and 2) | 2016 | 2016 Spain | 2015 |
|---|-------------|------------|------------|
| Diesel C (L) (Notes 3, 4 and 5) | 58,916 | 55,004 | 130,068 |
| Diesel C (kWh) | 582,087 | 543,437 | (*) |
| Natural gas (M3) (Notes 3 and 4) | 330,291(**) | 330,291 | 321,232 |
| Natural gas (kWh) | 4,030,501 | 4,019,501 | (*) |
| Electricity (kWh) (Note 4) | 73,024,801 | 57,200,938 | 78,857,529 |
| Total energy consumed (GJ) | 279,492 | | 301,566 |
| Intensity of energy consumption (Note 11) | 7.84 | | 7.80 |

(*) Starting in 2016 energy consumption of diesel and natural gas will also be reported in kWh.
(**) This information does not include consumption relating to the Almaty building (Kazakhstan), as these data are not comparable to the rest. This consumption represents 0.22% of natural gas consumption in the Indra Group.
[Notes on page 105](#)

Indra reports its performance with respect to the carbon footprint and reduction of emissions since 2014 to the Carbon Disclosure Project (CDP), an institution for the global reporting of environmental impacts and a benchmark for investors and purchasers when taking into account environmental impact in their decision-making processes. In 2016 Indra obtained a rating higher than the average of companies participating in the database of CDP suppliers at the level of both performance and commitment to suppliers.

Energy efficiency

Indra's competitiveness is related to its capacity to carry out activities efficiently and sustainably. The search for energy efficiency is a constant in the day-to-day management of the company's facilities, with an approach geared to results and to the development of increasingly efficient, and thus increasingly sustainable, forms of management and consumption.

In 2014 energy saving measures were implemented at Indra's headquarters in Spain through an energy services company, aimed at reducing the consumption of electricity, natural gas, diesel and thermal energy. Among

the measures are strategies such as the optimization of working hours, introduction of time control devices and motion sensors, and regulation of cold/heat production systems. At the same time, lighting is being changed with the gradual introduction of LED lighting in the company's head offices.

In 2016 electrical power consumption has been cut by 5.7% in Indra's headquarters in Spain compared with the figure for the previous year

There has also been a notable effort with the change from diesel systems to natural gas, with a lower impact in terms of atmospheric emissions, as well as the implementation of free cooling systems in technical rooms and work spaces, with the resulting reduction in air conditioning use.

| Carbon footprint | 2016 | 2015 | Var. 2016 / 2015 as % |
|--|--------|--------|-----------------------|
| Direct CO2 emissions (tons of CO2e) (Note 6) | 785 | 958 | -18,0 |
| Indirect CO2 emission by consumed electricity (tons of CO2e) (Note 7) | 21,705 | 23,587 | -7,9 |
| Indirect CO2 emissions from the company's transportation by third-party vehicles) (tons of CO2e) (Notes 3 and 8) | 17,983 | 18,339 | -1,9 |
| Average workforce (Note 10) | 35,647 | 38,658 | -7,8 |
| Scope 1 (tons of CO2e) (Note 6) | 785 | 958 | -18,0 |
| Scope 2 (tons of CO2e) (Note 7) | 21,705 | 23,587 | -7,9 |
| Scope 1 + Scope 2 (tons of CO2e) | 22,490 | 24,545 | -8,4 |
| Scope 1 + Scope 2 + Scope 3 (tons of CO2e) | 40,473 | 42,883 | -5,6 |
| Intensity (Scope 1 + Scope 2 / Average Indra workforce) (Note 9) | 0.631 | 0.635 | -0,6 |

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Note 1

In 2015 and 2016 reported consumption and associated emissions were consolidated in accordance with the Operational Control approach defined by the Corporate Accounting and Reporting Standard for the WRI and WBCSD GHG Protocol.

Note 2

Reported consumption in each country is based on available information, so in some cases it has been obtained from consumption data that appear in the supplier bills, while in others it has been estimated according to supply costs, applying average rates.

Note 3

Over the 2016 reporting year for consumption and emissions, some minor inaccuracies have been detected in the reported data on consumption and emissions for 2015, and the necessary corrections have been made.

Note 4

The scope of the information includes all the countries where the Indra Group engages in business operations with its own facilities and associated energy consumption. In 2016 the Indra Group did not maintain facilities it had in 2015 in the following countries: France, Guatemala, Ireland, Latvia, Oman, the United States and Venezuela. Indra has considered that the impact on the

year-on-year change in 2015-2016 is not significant, and has therefore not recalculated the consumption and emission data for 2015 on comparable terms with 2016.

Note 5

The reduction in diesel consumption in 2016 is mainly due to the replacement of the boilers using diesel for natural gas boilers in the Torrejón de Ardoz facilities, which before this were responsible for over 65% of diesel consumption in the Indra Group. These measures have been taken within the framework of the actions promoting energy efficiency and reducing global emissions in the Indra Group.

Note 6

Includes emissions derived from direct energy consumption (natural gas and diesel), which correspond to Scope 1, as defined by the GHG Protocol standard. The World Resources Institute GHG Protocol Tool for Stationary Combustion, version 4.1 (May 2015 edition) has been used to calculate these emissions. It applies the emission factors of the 2006 IPCC Guidelines for national inventories of greenhouse gases. In 2016 consumption of natural gas and diesel were reported as volumes (m³ and L) and also as energy (kWh). To calculate emissions, the volume data (m³ and L) have been used, applying the corresponding factors.

Note 7

Includes the emissions derived from the consumption of electrical power, which correspond to Scope 2, as defined by the GHG Protocol.

The World Resources Institute GHG Protocol Tool for Purchased Electricity, version 4.9 (March 2017 edition) has been used to calculate these emissions. It applies the emission factors of the International Energy Agency (IEA) for 2014.

Note 8

Includes emissions derived from business trips made by employees by air, car and train. The scope of information corresponds to the business trips made by Indra employees in Spain. Employee business trips by plane and train have been obtained based on the data reported by the travel agency that manages their reservations for Indra and correspond to actual kilometers. The data on employee trips in own vehicles are provided by the Central Administration department, and correspond to the actual kilometers entered by employees in the internal trip repayment tool. Data on employee trips in rented vehicles are those provided by the Central Administration department and correspond to estimated kilometers according to the expenses incurred. These data include a percentage of under 10% of kilometers in cars on special leasing arrangements, reported jointly with rented vehicles.

The World Resources Institute GHG Emissions from Transport or Mobile Sources tool, version 2.6 (May 2015 edition) has been used to calculate these emissions.

Note 9

The intensity of annual emissions has been calculated as the ratio between Scope 1 and 2 emissions divided by the average workforce for the corresponding year.

Note 10

The average Indra workforce has been used.

Note 11

The intensity of the annual energy consumption has been calculated as the ratio between the total energy consumed (Gj) divided by the average workforce of the corresponding year.

Indra has an energy consumption control center at its headquarters at Arroyo de la Vega (Alcobendas, Madrid), where it monitors in real time electricity and natural gas consumption at a significant number of head offices, thanks to the installation of more than 200 automated meters in the buildings, which send information to the control center. It therefore continues committed to monitoring and energy management in real time of an increasing number of Indra centers, with the aim in the short term of monitoring installations located outside Spain.

In 2016 there was a cumulative reduction in gross consumption of 9,037,370 kWh on the 2013 figure, which implies a reduction of 15.39% in Spain

Environmental Management

Indra invests in systems that provide a better knowledge of its activity, allowing more informed decisions to be made about which aspects require more focused efforts and about how to cut down on consumption of raw materials, water and energy and reduce the quantity and harmfulness of the waste, effluents and emissions produced.

Some 60% of people in Indra buildings work in centers covered by certifications based on the ISO 14001 standard

Since 2003 Indra has certified workplaces under its environmental management system based on the ISO 14001 standard. Currently it has a total of 39 centers certified across the world, including centers in Spain, Colombia, Portugal,

Italy, Mexico, Brazil and Australia. In addition, Indra remains a member of the Community Environmental Management and Audit Scheme (EMAS III) for three of its centers: Arroyo de la Vega, Torrejón de Ardoz y San Fernando de Henares, thus reaffirming its commitment to carry out its business activity while minimizing the impact on the environment.

It should also be noted that the Indra headquarters in Arroyo de la Vega, Alcobendas, is certified under ISO 50001 standard.

In the corporate headquarters at Arroyo de la Vega, certified under ISO 50001 standard in 2016, electricity consumption has been reduced by 9.73% thanks to decisions made as a result of the energy audit and the activity of the maintenance company.

Exclusively environmental expenditure and investments are not relevant. They are basically related to compliance with environmental regulations and the Group's commitment in relation to the certification and maintenance of environmental management systems under the ISO 14001 standard at its workplaces. Investment in assets, even when at times they include environmental protection aspects, are classified exclusively by their overall nature and not their environmental nature.

Objectives of environmental performance

For 2017 efforts in environmental matters will be focused on adapting the environmental systems to ISO 14001:2015 standard to ensure certification based on the new standard. It is also expected to apply ISO 14001 certifications, implementing the standard in workplaces in Valencia and Peru.



Energy control center at Indra's corporate headquarters

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Annexes

About this Report

Indicators

Main collaborators

Tax contribution

GRI content

Materiality, SDGs, Global Compact, GRI

Verification by Deloitte



About this report

The 2016 Corporate Social Responsibility Report has been a great advance on previous years in terms of improved understanding of the relevant aspects for Indra in this area, its alignment with corporate strategy and the company's performance in this respect. This has resulted in a reformulation of some of the indicators that have historically been reported, the inclusion of new indicators associated with relevant aspects and the elimination of others that have either not been considered relevant, or were already reported in other corporate reports. Specifically, those indicators that have been subject to changes in their calculation methodology are specified in the corresponding sections of this report.

This report was prepared pursuant to the following standards:

- G4 Sustainability Reporting Guidelines from the Global Reporting Initiative (GRI), under the comprehensive option
- Accountability standard AA1000 APS (2008 version)
- United Nations Global Compact Progress Report, to which Indra has been a signatory since 2004

The economic, social and environmental information contained in this report has been independently verified by a third party. The scope, description of the work and the conclusions of this verification can be found in the Annex to the Report on Verification.

The information presented includes all companies in which Indra has financial control, unless otherwise indicated. For more details on the companies that make up Indra as of December 31, 2016, please see the Annual Consolidated Financial Statements for 2016 [G4-17] [G4-23] www.indracompany.com/en/accionistas/memoria-cuentasanuales.

Since its first Corporate Social Responsibility report in 2003, Indra has drafted this report every year with the participation of those internally responsible for relations with each of the company's stakeholders.

The information provided in this document comes from several management and information systems implemented in each of Indra's units. These units report their information to the Brand, Corporate Social Responsibility and Communications Department, which is responsible for coordinating them for inclusion in this report, as well as for preparing the Corporate Social Responsibility Master Plan. The information related to market trends or performance are based on opinions given by the company's experts.

The procedure for preparing the report ensures compliance with the principles of:

- materiality
- participation by stakeholders
- explanation of the sustainability context
- exhaustiveness

as well as the principles related to the quality of the report required by the G4 guidelines, such as:

- balance
- comparability
- accuracy
- timeliness
- clarity
- reliability

And it is in line with the three principles of AA1000 APS (2008)

- Inclusivity: a process of stakeholder participation has been developed that allows their involvement in the development of a responsible approach to sustainability management
- Materiality: the process of determining materiality represents an understanding of the material or relevant issues for Indra and its stakeholders
- Responsiveness: responding with actions and specific commitments to the material aspects identified

PARTICIPATION BY STAKEHOLDERS [G4-25] [G4-26]

Indra has a number of periodic consulting systems with its stakeholders (see Chapter 3 *Stakeholders* in this report).

Indra's Brand, Corporate Social Responsibility and Communications Department has held meetings with those responsible for relations with shareholders to identify the aspects to be included in the report and to follow up on the objectives established in previous years. The report has also been drafted with the participation of those responsible for operations designed to detect the value of Indra's commercial offering in relation to the UN Sustainable Development Goals.

RESPONSIVENESS [G4-27]

Through consultation processes and regular surveys Indra incorporates stakeholder expectations and values within its sustainability management. Indra publicly reports stakeholder expectations and values in various chapters of the Corporate Social Responsibility Report.

The purpose of Indra's Corporate Social Responsibility Master Plan is to summarize the primary actions aimed at addressing the identified stakeholder requirements, and to give standardized responses to the company's key stakeholders.

Indra tries to identify relevant content for its stakeholders at all times in order to gradually improve the content of this report. For example, for the first time this year the report includes details on how Indra contributes to the UN Sustainable Development Goals through its offering and the innovation projects it develops.

It also contributes as an Annex details of the tax contribution by country, in response to demands by various stakeholders and in anticipation of a possible legal requirement.

BALANCE [G4-22]

The 2016 Corporate Social Responsibility Report contributes data on positive aspects, those than can be improved, the company's success achieving targets and commitments established in the past, as well as future goals.

The process used to identify material issues also helps to ensure compliance with this principle of balance.

COMPARABILITY [G4-23]

The scorecard of indicators in this report includes a record of data since 2014 reflecting the progress made by the company. It also notes any change in the calculation methods or in the breakdown of the indicators. All the reformulations carried out are identified in the corresponding sections.

Specifically, in previous years, in the breakdown by geographic areas North America appeared grouped together with Europe. In 2016 a new geographic distribution was introduced that groups North America and Latin America together as the Americas. The data for previous years were not reformulated, given that the impact of this change is not significant.

DRAFTING OF THE REPORT

The stages in preparing this report were as follows: [G4-28]

1. The materiality assessment was updated to identify all relevant issues for the report [G4-22]
2. Interviews with those responsible for stakeholder relations
3. Formal request for information on the GRI (version G4) indicators and compilation of information on any policies, programs, initiatives and actions related to responsible value that may have been carried out during the year
4. Preparation and delivery of the report, upon completion, to each member of Indra staff responsible for relations with the different publics to confirm that all information concerning their areas of operations is reflected accurately
5. Verification by an independent third party

Indicators

| Indicator | 2014 | 2015 | 2016 |
|--|------|------|----------------|
| Compliance | | | |
| No. of communications via the Direct Channel | 48 | 71 | 103 |
| Employees trained in the Code of Ethics (%) | 57 | 47 | 55 |
| Employees trained in the Code of Ethics (m/f) (%) | - | - | 52 58 |
| Breakdown of employees trained in the Code of Ethics by category and by gender | | | |
| [1] Senior Management | - | - | 11 2 |
| Middle Management | - | - | 273 53 |
| Graduates and Highly Qualified Personnel | - | - | 11,521 5,311 |
| Administration | - | - | 879 1,381 |
| Operators | - | - | 258 87 |
| Other | - | - | 4 0 |
| Clients | | | |
| Client profile | | | |
| Client satisfaction and loyalty (1-100) | 72 | 73 | 73 |
| Cybersecurity | | | |
| No. of cybersecurity incidents | 1 | 1 | 0 |
| Accidentally revealed client information | 1 | 0 | 0 |
| No. of complaints related to lost client information and client privacy breaches | 1 | 0 | 0 |

| Indicator | 2014 | 2015 | 2016 |
|--|----------------|----------------|----------------|
| Professionals | | | |
| Year-end workforce | 39,130 | 37,060 | 34,294 |
| Workforce distribution by geography (%) | | | |
| Spain | 55 | 55 | 55 |
| Europe | 4 | 4 | 5 |
| America | 37 | 37 | 35 |
| AMEA | 4 | 5 | 5 |
| Breakdown of workforce by category and gender [1] | | | |
| Senior Management (m/f) (No.) | 11 3 | 11 2 | 11 2 |
| Middle Management (m/f) (No.) | 406 70 | 396 62 | 372 66 |
| Graduates and highly qualified personnel (m/f) (No.) | 21,597 9,795 | 20,163 9,188 | 18,630 8,483 |
| Administration (m/f) (No.) | 1,403 2,335 | 1,383 2,292 | 1,331 2,133 |
| Operators (m/f) (No.) | 1,642 1,832 | 1,330 2,199 | 1,196 2,060 |
| Other (m/f) (No.) | 24 12 | 26 8 | 8 2 |
| Diversity | | | |
| No. of nationalities | 97 | 108 | 109 |
| Local employees (%) | 96 | 97 | 97 |
| Total executives from local community (%) | 89 | 90 | 92 |
| Total executives from local community (%) by geography (%) | | | |
| Spain | - | - | 98 |
| Europe | - | - | 94 |
| America | - | - | 61 |
| AMEA | - | - | 57 |

| Indicator | 2014 | 2015 | 2016 |
|---|---------------|---------------|---------------|
| Disability [4] | | | |
| Employees with disabilities (%) | 1 | 1 | 1 |
| Workforce by age band (m/f) | | | |
| > 60 years | 324 99 | 288 83 | 275 76 |
| 55 to 60 | 923 391 | 808 361 | 843 392 |
| 50 to 55 | 1,523 814 | 1,507 817 | 1,533 794 |
| 45 to 50 | 2,243 1,221 | 2,130 1,149 | 2,150 1,189 |
| 40 to 45 | 3,774 2,266 | 3,735 2,301 | 3,570 2,257 |
| 35 to 40 | 4,863 2,814 | 4,513 2,589 | 4,087 2,370 |
| 30 to 35 | 5,601 3,053 | 5,115 2,817 | 4,302 2,422 |
| 25 to 30 | 4,256 2,263 | 3,797 2,233 | 3,397 2,049 |
| 20 to 25 | 1,507 1,005 | 1,301 1,194 | 1,320 1,097 |
| < 20 years | 69 121 | 115 207 | 71 100 |
| Remuneration | | | |
| Ratio between the initial standard salary and the minimum local salary for each country where significant operations are undertaken (%) [6] [7] [8] | | | |
| Brazil | - | - | 160.76 |
| Mexico | - | - | 1,013.34 |
| Spain | - | - | 199.05 |

| Indicator | 2014 | 2015 | 2016 |
|---|------|------|------|
| Ratio between the total annual compensation of the best paid individual at the organization in each country where significant operations are carried out and the total annual average compensation of the workforce (not counting the best paid individual) [6] [8] | | | |
| Brazil | - | - | 15.7 |
| Mexico | - | - | 20.2 |
| Italy | - | - | 5.6 |
| Spain | - | - | 90.5 |
| Norway | - | - | 3.4 |
| Ratio of the percentage increase of the total annual compensation of the best paid individual at the organization in each country where significant operations are carried out [6] [8] | | | |
| Brazil | - | - | 1 |
| Mexico | - | - | 4 |
| Italy | - | - | 2.2 |
| Spain | - | - | [10] |
| Norway | - | - | [11] |
| Commitment and motivation | | | |
| Average length of service | 6.46 | 6.65 | 7.21 |
| Total turnover (%) | 35 | 27 | 36 |
| External unwanted turnover (%) | 9 | 10 | 9 |
| External unwanted turnover by geographic area (%) | | | |
| Spain | 5 | 8 | 8 |
| Europe | 10 | 9 | 10 |
| America | 16 | 13 | 11 |
| AMEA | 10 | 11 | 13 |

| Indicator | 2014 | 2015 | 2016 |
|---|------|------|---------|
| External unwanted turnover by age band (m/f) (%) | | | |
| > 60 years | - | - | 4 1 |
| 55 to 60 | - | - | 1 1 |
| 50 to 55 | - | - | 3 2 |
| 45 to 50 | - | - | 4 3 |
| 40 to 45 | - | - | 6 3 |
| 35 to 40 | - | - | 9 5 |
| 30 to 35 | - | - | 15 11 |
| 25 to 30 | - | - | 21 16 |
| 20 to 25 | - | - | 19 9 |
| < 20 years | - | - | 6 7 |
| Breakdown of workforce by type of contract (%) | | | |
| Employees on permanent contract | 86 | 88 | 88 |
| Employees on temporary contract | 14 | 12 | 12 |
| Breakdown of workforce by working hours (%) | | | |
| Full-time employees | - | - | 86 |
| Full-time employees (m/f) | - | - | 95 71 |
| Part-time employees | - | - | 14 |
| Part-time employees (m/f) | - | - | 5 29 |
| Appraisal and promotion (%) | | | |
| Promoted employees | 19 | 20 | 15 |
| Promoted women (out of total promoted employees in the company) | 31 | 31 | 29 |
| Employees who have participated in the performance appraisal scheme | - | - | 72 |
| Employees (m/f) who have participated in the performance appraisal scheme | - | - | 59 80 |

| Indicator | 2014 | 2015 | 2016 |
|--|---------|-----------|-----------|
| Training and knowledge | | | |
| Students attending | 26,078 | 27,715 | 27,107 |
| Appraisal of the training: student satisfaction (1-4) | 3.6 | 3 | 4 |
| Total training hours (incl. online) | 945,746 | 1,250,694 | 1,273,562 |
| Online hours | 267,409 | 272,638 | 421,139 |
| Average hours by employee | 24 | 34 | 36 |
| Average hours (m/f) | - | - | 38 32 |
| Average hours by category [1] | | | |
| Senior Management | - | - | 28 |
| Middle Management | - | - | 53 |
| Graduates and highly qualified personnel | - | - | 39 |
| Administration | - | - | 20 |
| Operators | - | - | 23 |
| Others | - | - | 4 |
| Work/life balance [4] | | | |
| Employees who have used paternity/maternity leave (m/f) | - | - | 536 363 |
| Employees who have returned to work after paternity/maternity leave (m/f) | - | - | 494 328 |
| Retention after paternity/maternity leave (%) | | | |
| Accident rate (occupational accidents with or without sick leave, excluding to | 67 | 71 | 91 |
| or from work) by geography [5] | | | |
| No. of accidents | | | |
| Spain | 133 | 140 | 110 |
| Europe | 110 | 113 | 84 |
| America | 1 | 3 | 2 |
| AMEA | 22 | 24 | 24 |
| | 0 | 0 | 0 |

| Indicator | 2014 | 2015 | 2016 |
|---|--------|--------|--------|
| Frequency by geography [5] | 2.48 | 2.20 | 1.83 |
| Spain | 3.15 | 3.16 | 2.59 |
| Europe | 0.48 | 1.08 | 1.90 |
| America | 1.52 | 7.93 | 8.50 |
| AMEA | 0 | 0 | 0 |
| Incident rate by geography [5] | 4.40 | 3.83 | 3.29 |
| Spain | 5.27 | 5.24 | 4.31 |
| Europe | 0.91 | 2.15 | 3.46 |
| America | 3.14 | 1.89 | 1.97 |
| AMEA | 0 | 0 | 0 |
| Seriousness rate by geography [5] | 0.04 | 0.02 | 0.01 |
| Spain | 0.02 | 0.03 | 0.01 |
| Europe | 0.03 | 0 | 0 |
| America | 0.10 | 0.17 | 0.07 |
| AMEA | 0 | 0 | 0 |
| Average duration by geography [5] | 16.14 | 10.29 | 5.63 |
| Spain | 5.74 | 8.29 | 4.95 |
| Europe | 51.99 | 0.25 | 0.25 |
| America | 66.53 | 20.98 | 8.44 |
| AMEA | 0 | 0 | 0 |
| Fatal accidents | 0 | 0 | 0 |
| Training hours on health and safety | 36,634 | 35,717 | 21,907 |
| Collective negotiation by geography | | | |
| Employees covered by collective agreement (%) | 81 | 80 | 80 |
| Spain | 100 | 100 | 100 |
| Europe | 62 | 57 | 61 |
| America | 63 | 63 | 61 |
| AMEA | 0 | 0 | 0 |

| Indicator | 2014 | 2015 | 2016 |
|--|-----------|-----------|-----------|
| Suppliers | | | |
| Supplier distribution by geography (%) | | | |
| Spain | 5 | 36 | 43 |
| Europe | 13 | 20 | 16 |
| America | 34 | 29 | 36 |
| AMEA | 2 | 15 | 5 |
| Purchases from local suppliers (%) | 80 | 71 | 83 |
| New suppliers examined for environmental criteria (%) | - | - | 37 |
| New suppliers examined for terms related to employment practices (%) | - | - | 37 |
| New suppliers examined for criteria related to Human Rights (%) | - | - | 37 |
| New suppliers examined for criteria related to social impact (%) | - | - | 37 |
| Innovation | | | |
| Investment in R&D&i (€M) | 195 | 152 | 163 |
| Investment in R&D&i over revenues (%) | 7 | 5 | 6 |
| Economic contribution to society | | | |
| Investment in Social Action [2] | 2,103,240 | 2,561,549 | 1,465,605 |
| Environment | | | |
| Consumption of resources, generation of waste and emissions | | | |
| Drinking water from utilities (m3) [9] [12] [13] | 143,096 | 156,857 | 104,991 |
| Well water (m3) [9][13] | 8,401 | 9,154 | 11,034 |
| Hazardous waste (kg) [9][12][13] | 35,582 | 49,245 | 66,814 |
| Non-hazardous waste (kg) [9][12][13] | 621,590 | 909,447 | 1,038,195 |
| Occupants of environmentally certified centers (%) | 61 | 61 | 60 |

COMMENTS

[1] - The data for previous years are expressed in accordance with the workforce distribution by category updated and in comparable terms with the company's Annual Consolidated Financial Statements and Management Reports.

[2] - Of which 230,545 euros are linked to compliance in Spain with the General Law on the Rights of People with Disabilities and their Social Inclusion.

[3] - The calculation of the ratio of emissions per employee for this period based on the average workforce, in line with other metrics in this report.

[4] - The scope of this data is Spain.

[5] - The scope is 94% of the companies in the group.

[6] - The five countries accounting for 90% of revenues are used: Brazil, Mexico, Italy, Spain and Norway.

[7] - The minimum entry salary is calculated as the average of the salaries of the categories considered lowest in each country, as this is more representative than the official minimum wage of a single person, whose activity may not be representative of the activity carried out by the company.

[8] - A change in criteria for this ratio was calculated in 2016 to provide greater precision.

[9] - In centers with ISO 14001 standard certification.

[10] - In Spain the best paid individual in the organization has not had a salary increase, but the average increase of the rest is 0.95%.

[11] - In Norway the best paid individual in the organization has not had a salary increase, but the average increase of the rest is -0.27% (due to the lack of increase in the fixed remuneration and a reduction in the variable).

[12] - Reported consumption in each country is based on available information, so in some cases it has been obtained from consumption data that appear in the supplier bills, and in others it has been estimated according to supply costs, applying average rates.

[13] - Includes water and waste consumption of centers whose environmental management system is certified according to ISO 14001 standard, which corresponds to 39 centers, in Spain (24), Colombia (8), Portugal (2), Mexico (1), Brazil (1), Australia (2) and Italy (1).

Main collaborations

SECTOR-SPECIFIC ASSOCIATIONS

Transport

- UNIFE (International)
- ALAMYS
- RAILGROUP
- CETREN
- MAFEX
- ITS Spain

Defense and Security

- ASD (Europe)
- TEDAE

Energy and Industry

- ENERGYLAB

Telecom & Media

- TMForum (International)

Cybersecurity

- Chair in Cybersecurity

Quality

- Spanish Quality Association
- Spanish Standardization Association

ICT innovation and promotion

- AMETIC
- CITIC Foundation
- IESE International Foundation
- Tecnia Research Foundation

Listed companies

- Emisores Españoles

Institutional Relations

- Círculo de Economía
- Spanish Association of Consulting Companies

SOCIAL ASSOCIATIONS

- SERES
- Forética
- Integra Foundation

Tax contribution

In 2016 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 OECD and European Union:

- Bahrain: Indra has one subsidiary, whose opening was reported in the 2011 Annual Report, with 49 professionals who provide support for a major healthcare project
- Hong Kong: the main activity carried out in 2016 was a sensorization and communications project within the framework of the Coastal Surveillance System in SAR Hong Kong territorial waters. Another project with a lower cost volume has been developed through Indra Navia to prepare a study on air traffic in Hong Kong International Airport.

- Oman: Indra has expanded significantly in this country, driven by major infrastructure modernization projects, for example, the new Salalah airport, which operates entirely using Indra technology, and operation of the new control tower at Muscat international airport. The subsidiary has 18 professionals
- Panama: Indra's presence in this country consists of one work center with 172 professionals. Indra is undertaking major projects, such as the Panama Canal expansion project.

Additionally, in 2016 Indra carried out isolated activities in the countries or territories such as Andorra, Barbados, Belize, Cyprus, Curacao, Gibraltar, Malta, Mauritius, Monaco, Vanuatu and Western Samoa, which are also considered low-tax jurisdictions, according to the criteria of the institutions mentioned above.

The tax contribution by country is given below (*).

(*) The data on tax contribution have not been verified.

| Country | Total own taxes | Total third-party taxes | Total | Country | Total own taxes | Total third-party taxes | Total |
|----------------|-----------------|-------------------------|-------------|--------------------|-----------------|-------------------------|---------------|
| Spain | 412,910,666 | 498,332,635 | 911,243,301 | Dominican Republic | 1,648,306 | 1,702,752 | 3,351,058 |
| Spain | 412,910,666 | 498,332,635 | 911,243,301 | Puerto Rico | 126,760 | 17,247 | 144,007 |
| Germany | 8,267,888 | 2,862,642 | 11,130,530 | Paraguay | 6,376 | 0 | 6,376 |
| Portugal | 5,618,227 | 8,250,527 | 13,868,754 | Ecuador | 518,610 | 197,349 | 715,959 |
| Italy | 13,753,354 | 26,159,632 | 39,912,986 | Costa Rica | 880,005 | 95,579 | 975,584 |
| Ireland | 406,729 | 610,229 | 1,016,958 | Peru | 5,036,748 | 7,453,302 | 12,490,050 |
| UK | 2,960,946 | 6,463,474 | 9,424,420 | El Salvador | 255,170 | 85,859 | 341,029 |
| Greece | 4,289 | 0 | 4,289 | Argentina | 8,047,452 | 10,852,237 | 18,899,689 |
| Slovakia | 650,665 | 354,899 | 1,005,564 | Colombia | 14,000,633 | 18,569,391 | 32,570,024 |
| Turkey | 2,450,187 | 2,390,152 | 4,840,339 | Brazil | 40,793,592 | 24,991,096 | 65,784,688 |
| Norway | 6,935,542.50 | 5,398,744 | 12,334,287 | America | 104,692,702 | 98,285,888 | 202,978,590 |
| Czech Republic | 604,043 | 827,081 | 1,431,124 | Australia | 2,811,022 | 4,955,013 | 7,766,035 |
| Romania | 543,587 | 1,493,621 | 2,037,208 | Philippines | 4,925,194 | 5,162,432 | 10,087,626 |
| Poland | 92,380 | 247,156 | 339,536 | China | 468,209 | 447,526 | 915,735 |
| Moldavia | 174,533 | 137,002 | 311,535 | Indonesia | 48,212 | 244,135 | 292,347 |
| Lithuania | 87,685 | 344,011 | 431,696 | India | 154 | 459 | 613 |
| Latvia | 26,530 | 124,449 | 150,979 | Malaysia | 242,610 | 407,037 | 649,647 |
| Kazakhstan | 1,923,623 | 441,459 | 2,365,082 | Bahrain | 107,210 | 0 | 107,210 |
| Bulgaria | 936,371 | 568,983 | 1,505,354 | Saudi Arabia | 48,815 | 141,710 | 190,525 |
| Europe | 45,436,580 | 56,674,061 | 102,110,641 | Algeria | 598,108 | 2,490,622 | 3,088,730 |
| USA | 1,806,872 | 2,101,583 | 3,908,455 | Zambia | 17,462 | 68,455 | 85,917 |
| Canada | 121,198 | 76,268 | 197,466 | Tunisia | 12,402 | 0 | 12,402 |
| Panama | 1,078,795 | 1,692,702 | 2,771,497 | Morocco | 398,593 | 370,683 | 769,276 |
| Honduras | 29,274 | 0 | 29,274 | Kenya | 127,336 | 818,955 | 946,291 |
| Uruguay | 697,091 | 1,039,983 | 1,737,074 | South Africa | 200,000 | 60,000 | 260,000 |
| Chile | 4,648,726 | 7,732,519 | 12,381,245 | Oman | 33,838 | 0 | 33,838 |
| Mexico | 24,997,094 | 21,678,021 | 46,675,115 | AMEA | 10,039,165 | 15,167,027 | 25,206,192 |
| | | | | Total | 573,079,113 | 668,459,611 | 1,241,538,724 |

[1] The following are considered own taxes: corporate taxes, taxes related to employees/professionals (Social Security and similar), VAT, other taxes (tax on economic activities, vehicles, etc.).

[2] The following are considered third-party taxes: taxes on employees/professionals (income tax on employees and employee Social Security payments) and VAT collected.

General Standard Disclosures **GRI G4**

| Indicator | Description | Page/Direct reference | Scope | Revision | Observations/Notes |
|-------------------------------|---|---|-------|----------|---|
| Strategy and Analysis | | | | | |
| G4-1 | Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability. | 4-5. | Group | ✓ | |
| G4-2 | Provide a description of key impacts, risks, and opportunities. | 10-14,35-36. Indra Management Report 2016, Note 8. | Group | ✓ | |
| Organizational Profile | | | | | |
| G4-3 | Report the name of the organization. | Indra Consolidated Annual Accounts 2016, Note 1. | Group | ✓ | |
| G4-4 | Report the primary brands, products, and services. | 8-9,50-51. | Group | ✓ | |
| G4-5 | Report the location of the organization's headquarters. | Indra Consolidated Annual Accounts 2016, Note 1. | Group | ✓ | |
| G4-6 | Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report. | 50-51. Indra Consolidated Annual Accounts 2016, Annex I. | Group | ✓ | |
| G4-7 | Report the nature of ownership and legal form. | 44-45. | Group | ✓ | |
| G4-8 | Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries). | 50-51. | Group | ✓ | |
| G4-9 | Report the scale of the organization, including: • Total number of employees • Total number of operations • Net sale or net revenues • Total capitalization broken down in terms of debt and equity (for private sector organizations) • Quantity of products or services provided | 7-9,44-45,50-51,111. Indra Consolidated Annual Accounts 2016. Financial Situation Status, Consolidated Results Accounts y Note 26. | Group | ✓ | |
| G4-10 | Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries). | 69,111,114. | Group | ✓ | Information reported about own employees. |
| G4-11 | Report the percentage of total employees covered by collective bargaining agreements. | 116. | Group | ✓ | |
| G4-12 | Describe the organization's supply chain. | 75-79. | Group | ✓ | |
| G4-13 | Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain. | 69. | Group | ✓ | |

| Indicator | Description | Page/Direct reference | Scope | Revision | Observations/Notes |
|--|--|--|-------|----------|--------------------|
| Commitments to external initiatives | | | | | |
| G4-14 | Report whether and how the precautionary approach or principle is addressed by the organization. | 35-36. | Group | ✓ | |
| G4-15 | List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses. | 39,104. | Group | ✓ | |
| G4-16 | List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: <ul style="list-style-type: none"> • Holds a position on the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic | 119 Indra actively participates in lobby groups in which, according to its lines of business and plans, it expresses its opinion and defends its interests as a company, respecting the current public policies. You can find more information on this in the following link: https://lobbyfacts.eu/representative/a38d7453bc2d40a1af18a983de949d20 | Group | ✓ | |
| Identified Material Aspects and Boundaries | | | | | |
| G4-17 | a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report. | 108. Indra Consolidated Annual Accounts 2016, Note 1. | Group | ✓ | |
| G4-18 | a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content. | 22-24,108-109. | Group | ✓ | |
| G4-19 | List all the material Aspects identified in the process for defining report content. | 22-24. | Group | ✓ | |
| G4-20 | For each material Aspect, report the Aspect Boundary within the organization. | 22-24. | Group | ✓ | |
| G4-21 | For each material Aspect, report the Aspect Boundary outside the organization. | 22-24. | Group | ✓ | |
| G4-22 | Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements. | 108-109. | Group | ✓ | |
| G4-23 | Report significant changes from previous reporting periods in the Scope and Aspect Boundaries. | 108-109. | Group | ✓ | |
| Stakeholder engagement | | | | | |
| G4-24 | Provide a list of stakeholder groups engaged by the organization. | 17. | Group | ✓ | |
| G4-25 | Report the basis for identification and selection of stakeholders with whom to engage. | 16,109. | Group | ✓ | |
| G4-26 | Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process. | 18-20,109. | Group | ✓ | |
| G4-27 | Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns. | 19-20,22-24,109. | Group | ✓ | |
| Report Profile | | | | | |
| G4-28 | Reporting period (such as fiscal or calendar year) for information provided. | 108. | Group | ✓ | |
| G4-29 | Date of most recent previous report (if any). | 108. | Group | ✓ | |
| G4-30 | Reporting cycle (such as annual, biennial). | 108. | Group | ✓ | |

| Indicator | Description | Page/Direct reference | Scope | Revision | Observations/Notes |
|--|---|---|-------|----------|--------------------|
| G4-31 | Provide the contact point for questions regarding the report or its contents. | http://www.indracompany.com/en/indra/contact | Group | ✓ | |
| GRI Content Index | | | | | |
| G4-32 | a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option. c. Report the reference to the External Assurance Report, if the report has been externally assured. | 108,121-135,137-138. | Group | ✓ | |
| Assurance | | | | | |
| G4-33 | a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report. | 108-109,137-138. | Group | ✓ | |
| Governance | | | | | |
| G4-34 | Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts. | 31-33. | Group | ✓ | |
| G4-35 | Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees. | 16. | Group | ✓ | |
| G4-36 | Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body. | 16. | Group | ✓ | |
| G4-37 | Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body. | 108-109. | Group | ✓ | |
| G4-38 | Report the composition of the highest governance body and its committees. | 31-33. | Group | ✓ | |
| G4-39 | Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement). | 31-32. | Group | ✓ | |
| G4-40 | Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members. | 31-34. Regulations of the Board of Directors and its committees Indra Sistemas, S.A. | Group | ✓ | |
| G4-41 | Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders. | 31-34. Regulations of the Board of Directors and its committees Indra Sistemas, S.A. | Group | ✓ | |
| Highest Governance body's role in setting purpose, values and strategy | | | | | |
| G4-42 | Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts. | 16. | Group | ✓ | |
| Highest Governance body's competencies and performance evaluation | | | | | |
| G4-43 | Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics. | Regulations of the Board of Directors and its committees Indra Sistemas, S.A. | Group | ✓ | |

| Indicator | Description | Page/Direct reference | Scope | Revision | Observations/Notes |
|---|--|--|-------|----------|--------------------|
| G4-44 | <p>a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment.</p> <p>b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.</p> | 31,33-34. | Group | ✓ | |
| Highest Governance body's role in risk management | | | | | |
| G4-45 | <p>a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes.</p> <p>b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.</p> | 31,33-34. | Group | ✓ | |
| G4-46 | Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics. | 31,35-36. | Group | ✓ | |
| G4-47 | Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities. | 35-36. | Group | ✓ | |
| Highest Governance body's role in Sustainability Reporting | | | | | |
| G4-48 | Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered. | 16,31-33,109. | Group | ✓ | |
| Highest Governance body's role in evaluating economic, environmental and social performance | | | | | |
| G4-49 | Report the process for communicating critical concerns to the highest governance body. | 16. | Group | ✓ | |
| G4-50 | Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them. | 22-24. | Group | ✓ | |
| Remuneration and incentives | | | | | |
| G4-51 | <p>a. Report the remuneration policies for the highest governance body and senior executives.</p> <p>b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.</p> | <p>Indra Compensation Policy http://www.indracompany.com/en/accionistas/corporate-policies</p> | Group | ✓ | |
| G4-52 | Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization. | <p>31,33-34.</p> <p>Indra Compensation Policy http://www.indracompany.com/en/accionistas/corporate-policies</p> | Group | ✓ | |
| G4-53 | Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable. | <p>31,33-34.</p> <p>Indra Compensation Policy http://www.indracompany.com/en/accionistas/corporate-policies</p> | Group | ✓ | |

| Indicator | Description | Page/Direct reference | Scope | Revision | Observations/Notes |
|----------------------|---|-----------------------|-------|----------|--------------------|
| G4-54 | Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country. | 113. | Group | ✓ | |
| G4-55 | Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country. | 113. | Group | ✓ | |
| Ethics and Integrity | | | | | |
| G4-56 | Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics. | 30,34,39. | Group | ✓ | |
| G4-57 | Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines. | 38-41. | Group | ✓ | |
| G4-58 | Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines. | 40. | Group | ✓ | |
| ✓ | Disclosures assured according to the defined scope. Please find the External Assurance Report at pages 137-138 of the 2016 Corporate Social Responsibility Report. | | | | |

Specific Basic Content GRI G4

| Material issues identified | Indicator | Description | Page/Direct reference | Scope | Revision | Observations/Notes |
|-------------------------------------|-----------|---|---|------------------------|----------|-----------------------------------|
| ECONOMIC DIMENSION | | | | | | |
| Economic performance | | | | | | |
| | DMA | Management Approach. | 25. | | | |
| | EC1 | Direct economic value generated and distributed. | 26. | Group | ✓ | |
| | EC2 | Financial implications and other risks and opportunities for the organization's activities due to climate change. | 89,101-106. CDP (Risks and Opportunities Module). | Group | ✓ | Qualitative information reported. |
| Risk Management | | | | | | |
| Code of Ethics and Legal Compliance | EC3 | Coverage of the organization's defined benefit plan obligations. | Indra does not have special plans for retirement benefits or special situations for employees | Group | ✓ | |
| | EC4 | Financial assistance received from government. | Indra Annual Consolidated Report 2016 , Note 8 and 21. | Group | ✓ | |
| Presence in the market | | | | | | |
| Social Dialogue | DMA | Management Approach. | 68. | | | |
| | EC5 | Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation. | 112. | Spain, Mexico, Brazil. | ✓ | |
| Talent Management | EC6 | Proportion of senior management hired from the local community at significant locations of operation. | 111. | Group | ✓ | |
| Indirect economic consequences | | | | | | |
| Innovation: R&D and new offering | DMA | Management Approach. | 94,101. | | | |
| | EC7 | Development and impact of infrastructure investments and services supported. | 94-103. | Group | ✓ | |
| Risk Management | EC8 | Significant indirect economic impacts, including the extent of impacts. | 94-103. | Group | ✓ | |
| Purchasing practices | | | | | | |
| | DMA | Management Approach. | 75. | | | |
| Risk Management | EC9 | Proportion of spending on local suppliers at significant locations of operation. | 79. | Group | ✓ | |
| ENVIRONMENTAL DIMENSION | | | | | | |
| Materials | | | | | | |
| Not material | EN1 | Materials used by weight or volume. | N.A. | Group | N.A. | |
| | EN2 | Percentage of materials used that are recycled input materials. | N.A. | Group | N.A. | |
| Energy | | | | | | |
| | DMA | Management Approach. | 103 | | | |

| Material issues identified | Indicator | Description | Page/Direct reference | Scope | Revision | Observations/Notes |
|-------------------------------------|-----------|---|-----------------------|----------------------------|----------|---|
| Innovation: R&D and new offering | EN3 | Energy consumption within the organization. | 103. | Group | ✓ | Please find the related scope limitations and observations/notes at Page 105. |
| | EN4 | Energy consumption outside of the organization. | 104. | Group | ✓ | Information provided about CO2 emissions from third party vehicles. |
| | EN5 | Energy intensity. | 103. | Group | ✓ | Please find the related scope limitations and observations/notes at Page 105. |
| | EN6 | Reduction of energy consumption. | 103,104,106. | Group | ✓ | Information provided about implemented measures. |
| | EN7 | Reductions in energy requirements of products and services. | 101-103. | Group | ✓ | Information provided about developed solutions. |
| Water | | | | | | |
| | DMA | Management Approach. | 106. | | | |
| Code of Ethics and Legal Compliance | EN8 | Total water withdrawal by source. | 117. | Certified working centres. | ✓ | Please find the related scope limitations and observations/notes at Page 118. |
| Not material | EN9 | Water sources significantly affected by withdrawal of water. | N.A. | Group | N.A. | N.A |
| | EN10 | Percentage and total volume of water recycled and reused. | N.A. | Group | N.A. | N.A |
| Biodiversity | | | | | | |
| Not material | EN11 | Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value aoutside protected areas. | N.A. | Group | N.A. | N.A |
| | EN12 | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. | N.A. | Group | N.A. | N.A |
| | EN13 | Habitats protected or restored. | N.A. | Group | N.A. | N.A |
| | EN14 | Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. | N.A. | Group | N.A. | N.A |
| Emissions | | | | | | |
| Innovation: R&D and new offering | DMA | Management Approach. | 103. | | | |
| | EN15 | Direct greenhouse gas (GHG) emissions (Scope 1). | 104. | Group | ✓ | Please find the related scope limitations and observations/notes at Page 105. |
| | EN16 | Energy indirect greenhouse gas (GHG) emissions (Scope 2). | 104. | Group | ✓ | Please find the related scope limitations and observations/notes at Page 105. |

| Material issues identified | Indicator | Description | Page/Direct reference | Scope | Revision | Observations/Notes |
|-------------------------------------|-----------|---|--|-------|----------|---|
| Innovation: R&D and new offering | EN17 | Other indirect greenhouse gas (GHG) emissions (Scope 3). | 104. | Spain | ✓ | Please find the related scope limitations and observations/notes at Page 105. |
| | EN18 | Greenhouse gas (GHG) emissions intensity. | 104. | Group | ✓ | Information provided about the intensity of Scope 1 and 2 emissions. |
| | EN19 | Reduction of greenhouse gas (GHG) emissions. | 103, 104,106. | Group | ✓ | Indirect information provided through consumption reduction data. |
| Not material | EN20 | Emissions of ozone-depleting substances (ODS). | N.A. | Group | N.A. | N.A |
| | EN21 | NOX, SOX, and other significant air emissions. | N.A. | Group | N.A. | N.A |
| Effluent and waste | | | | | | |
| | DMA | Management Approach. | 106. | | | |
| Not material | EN22 | Total water discharge by quality and destination. | N.A. | Group | N.A. | N.A |
| Code of Ethics and Legal Compliance | EN23 | Total weight of waste by type and disposal method. | 117. | Group | ✓ | Please find the related scope limitations and observations/notes at Page 118. |
| Not material | EN24 | Total number and volume of significant spills. | N.A. | Group | N.A. | N.A |
| | EN25 | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. | N.A. | Group | N.A. | N.A |
| | EN26 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff. | N.A. | Group | N.A. | N.A |
| Products and services | | | | | | |
| Innovation: R&D and new offering | DMA | Management Approach. | 101 | | | |
| | EN27 | Extent of impact mitigation of environmental impacts of products and services. | 101-103. | Group | ✓ | Qualitative information reported. |
| Not material | EN28 | Percentage of products sold and their packaging materials that are reclaimed by category. | N.A. | Group | N.A | N.A |
| Regulatory compliance | | | | | | |
| | DMA | Management Approach. | 23-24 | | | |
| Code of Ethics and Legal Compliance | EN29 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. | There have been no significant fines or penalties for non-compliance with environmental regulations. Note 22 of the Consolidated Annual Accounts and Management Report 2016 of Indra Sistemas S.A. and subsidiaries. | | Group | ✓ |
| Transport | | | | | | |
| Not material | EN30 | Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce. | N.A. | Group | N.A | |
| General | | | | | | |
| | DMA | Management Approach. | 106. | | | |

| Material issues identified | Indicator | Description | Page/Direct reference | Scope | Revision | Observations/Notes |
|---|-----------|---|---|-------|----------|--|
| Code of Ethics and Legal Compliance | EN31 | Total environmental protection expenditures and investments by type. | Expenditure and investments of an exclusively environmental nature are not relevant, being mainly associated with compliance with environmental regulations and the Group's commitments in relation to the certification and maintenance of ISO 14001 environmental management systems in their work centers. Likewise, the investments in assets made by the Indra Group, even though they sometimes include aspects of environmental protection, are classified solely by their global nature and not by their environmental character. | Group | ✓ | Qualitative information reported. |
| Environmental evaluation of suppliers | | | | | | |
| | DMA | Management Approach. | 75. | | | |
| Risk Management | EN32 | Percentage of new suppliers that were screened using environmental criteria. | 117. | Group | ✓ | Information provided about the % of purchases from new suppliers evaluated in 2016 through the specified criteria. |
| | EN33 | Significant actual and potential negative environmental impacts in the supply chain and actions taken. | No such analyzes have been carried out, since in the approval process no significant environmental risks have been identified in the suppliers. | Group | ✓ | |
| Environmental claim procedures | | | | | | |
| | DMA | Management Approach. | 38-39. | | | |
| Risk Management | | | | | | |
| Code of Ethics and Legal Compliance | EN34 | Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms. | 40,110. | Group | ✓ | Information provided about the number of complaints received for all matters through the whistleblowing channel. |
| SOCIAL DIMENSION: Labour practices and dignity of labor | | | | | | |
| Empleo | | | | | | |
| | DMA | Management Approach. | 64. | | | |
| Talent Management | LA1 | Total number and rates of new employee hires and employee turnover by age group, gender and region. | 113,114. | Group | ✓ | No information provided about the hiring rate. |
| | LA2 | Benefit provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation. | There are no significant differences in benefits received by professionals depending on the type of contract. | Group | ✓ | |
| | LA3 | Return to work and retention rates after parental leave, by gender. | 115. | Spain | ✓ | |
| Relation between staff and management | | | | | | |
| | DMA | Management Approach. | 73. | | | |
| Social Dialogue | LA4 | Minimum notice periods regarding operational changes, including whether these are specified in collective agreements. | 73. | Group | ✓ | Qualitative information reported. |
| Health and safety in the workplace | | | | | | |
| | DMA | Management Approach. | 71. | | | |

| Material issues identified | Indicator | Description | Page/Direct reference | Scope | Revision | Observations/Notes |
|---|-----------|---|---|---|----------|--|
| Social Dialogue | LA5 | Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs. | 72. | Spain | ✓ | |
| | LA6 | Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender. | 115,116. | Several companies which cumulatively represent 94% of the employees. | ✓ | Information provided about own employees, not broken down by gender. |
| | LA7 | Workers with high incidence or high risk of diseases related to their occupation. | No professions with an elevated risk of disease have been identified. | Group | ✓ | |
| | LA8 | Health and safety topics covered in formal agreements with trade unions. | Indra complies with the obligations regarding occupational health and safety according to the applicable regulations. | Spain | N.A | |
| Training and education | | | | | | |
| Talent Management | DMA | Management Approach. | 65. | | | |
| | LA9 | Average hours of training per year per employee by gender, and by employee category. | 115. | Group | ✓ | |
| | LA10 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. | 65-67. | Group | ✓ | |
| | LA11 | Percentage of employees receiving regular performance and career development reviews, by gender and by employee category. | 114. | Group | ✓ | No broken down by professional category provided. |
| Diversity and equal opportunities | | | | | | |
| Corporate Governance | DMA | Management Approach. | 68. | | | |
| | LA12 | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group member. | 31-32,111-112. | Group, except disabled employees data, whose Scope is limited to Spain. | ✓ | |
| Equal remuneration between women and men | | | | | | |
| Social Dialogue | LA13 | Ratio of base salary and remuneration of women to men by employee category, by significant locations of operation. | The base salary is determined in the various collective agreements applicable to the companies of the Group and is not different depending on whether male or female. | Group | ✓ | Information related to the basic salary ratio only. |
| Talent Management | | | | | | |
| Continuous evaluation of supplier labor practices | | | | | | |
| Risk Management | DMA | Management Approach. | 75. | | | |
| | LA14 | Percentage of new suppliers that were screened using labor practices criteria. | 117. | Group | ✓ | Information provided about the % of purchases from new suppliers evaluated in 2016 through the specified criteria. |
| | LA15 | Significant actual and potential negative impacts for labor practices in the supply chain and actions taken. | No such analyzes have been carried out, since in the approval process no significant work risks have been identified in the revised suppliers. | Group | ✓ | |

| Material issues identified | Indicator | Description | Page/Direct reference | Scope | Revision | Observations/Notes |
|--|-----------|---|--|-------|----------|--|
| Labor practices claim procedures | | | | | | |
| Risk Management Code of Ethics and Legal Compliance | DMA | Management Approach. | 39. | | | |
| | LA16 | Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms. | 40,110. | Group | ✓ | Information provided about the number of complaints received for all matters through the whistleblowing channel. |
| SOCIAL DIMENSION: Human rights | | | | | | |
| Investment | | | | | | |
| Risk Management Code of Ethics and Legal Compliance | DMA | Management Approach. | 39. | | | |
| | HR1 | Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening. | No significant investment agreement has been closed, including human rights clauses. | Group | ✓ | |
| | HR2 | Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. | 39,110. | Group | ✓ | Information provided about the number of employees trained. |
| Non- discrimination | | | | | | |
| Social Dialogue Talent Management | HR3 | Total number of incidents of discrimination and corrective actions taken. | 40,110. | Group | ✓ | Information provided about the number of complaints received for all matters through the whistleblowing channel. |
| Freedom of association and collective bargaining | | | | | | |
| Risk Management | DMA | Management Approach. | 73. | | | |
| | HR4 | Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights. | 73. | Group | ✓ | Information provided about the related policy. |
| Child labor | | | | | | |
| Not material | DMA | Management Approach. | 39. | | | |
| | HR5 | Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor. | N.A. | N.A. | N.A. | |
| Forced labor | | | | | | |
| Risk Management | DMA | Management Approach. | 39. | | | |
| | HR6 | Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor. | 39. | Group | ✓ | Information provided about the related policy. |
| Security measures | | | | | | |
| Code of Ethics and Legal Compliance | HR7 | Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations. | At present there are no reporting systems for this data. | Group | N.A. | |
| Rights of the indigenous population | | | | | | |
| Risk Management | HR8 | Total number of incidents of violations involving rights of indigenous peoples and actions taken. | 40,110. No significant cases have been detected in this regard. | Group | ✓ | Information provided about the number of complaints received for all matters through the whistleblowing channel. |

| Material issues identified | Indicator | Description | Page/Direct reference | Scope | Revision | Observations/Notes |
|---|-----------|--|---|-------|----------|--|
| Evaluation | | | | | | |
| Risk Management | HR9 | Total number and percentage of operations that have been subject to human rights reviews or impact assessments. | In 2016 there have not been examinations or evaluations of this nature. | Group | N.A | |
| Evaluation suppliers in terms of human rights | | | | | | |
| | DMA | Management Approach. | 39. | | | |
| Risk Management | HR10 | Percentage of new suppliers that were screened using human rights criteria. | 117. | Group | ✓ | Information provided about the % of purchases from new suppliers evaluated in 2016 through the specified criteria. |
| | HR11 | Significant actual and potential negative human rights impacts in the supply chain and actions taken. | No such analyzes have been carried out, since no significant human rights risks have been identified in the approved suppliers in the approval process. | Group | ✓ | |
| Human rights claim procedures | | | | | | |
| | DMA | Management Approach. | 39. | | | |
| Risk Management | HR12 | Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms. | 40,110. | Group | ✓ | Information provided about the number of complaints received for all matters through the whistleblowing channel. |
| Code of Ethics and Legal Compliance | | | | | | |
| SOCIAL DIMENSION: Society | | | | | | |
| Local communities | | | | | | |
| Risk Management | S01 | Percentage of operations with implemented local community engagement, impact assessments, and development programs. | In 2016 no relevant program of this nature has been implemented. | Group | N.A. | |
| | S02 | Operations with significant actual and potential negative impacts on local communities. | No significant negative effects have been identified. | Group | N.A. | |
| Combatting corruption | | | | | | |
| | DMA | Management Approach. | 41. | | | |
| Risk Management | S03 | Total number and percentage of operations assessed for risks related to corruption and the significant risks identified. | 38,41. | Group | ✓ | Information provided about the policy and the internal procedures related to the matter. |
| Code of Ethics and Legal Compliance | S04 | Communication and training on anti-corruption policies and procedures. | 3,41. | Group | ✓ | |
| | S05 | Confirmed incidents of corruption and actions taken. | 40,110. | Group | ✓ | Information provided about the number of complaints received for all matters through the whistleblowing channel. |

| Material issues identified | Indicator | Description | Page/Direct reference | Scope | Revision | Observations/Notes |
|--|-----------|--|--|-------|----------|--|
| Public policy | | | | | | |
| | | | 41. | | | |
| Code of Ethics and Legal Compliance | SO6 | Total value of political contributions by country and recipient/beneficiary. | According to Indra's Code of Ethics and Legal Compliance "Indra will not directly or indirectly finance, in Spain or abroad, political parties or their representatives or candidates." | Group | ✓ | Information provided about the related policy. |
| Unfair competition practices | | | | | | |
| | DMA | Management Approach. | 38. | | | |
| Code of Ethics and Legal Compliance | SO7 | Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes. | Indra Consolidated Annual Accounts 2016, Note 22. | Group | ✓ | |
| Regulatory compliance | | | | | | |
| | DMA | Management Approach. | 38. | | | |
| Code of Ethics and Legal Compliance | SO8 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations. | Indra Consolidated Annual Accounts 2016, Note 22. | Group | ✓ | |
| Evaluation of social repercussions of suppliers | | | | | | |
| | DMA | Management Approach. | 75. | | | |
| Risk Management | SO9 | Percentage of new suppliers that were screened using criteria for impacts on society. | 117. | Group | ✓ | Information provided about the % of purchases from new suppliers evaluated in 2016 through the specified criteria. |
| | SO10 | Significant actual and potential negative impacts on society in the supply chain and actions taken. | 75-77. | Group | ✓ | Information provided about the internal procedures related to the matter. |
| Social impact claim procedures | | | | | | |
| | DMA | Management Approach. | 38. | | | |
| Risk Management | | | | | | |
| Code of Ethics and Legal Compliance | SO11 | Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms. | 40,110. | Group | ✓ | Information provided about the number of complaints received for all matters through the whistleblowing channel. |
| SOCIAL DIMENSION: Responsibility with regard to products | | | | | | |
| Health and safety of clients | | | | | | |
| | PR1 | Percentage of significant product and service categories for which health and safety impacts are assessed for improvement. | 52-54. | Group | ✓ | Qualitative information reported. |
| Code of Ethics and Legal Compliance | PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes. | Indra is not aware of the existence of claims, proceedings, fines or monetary or non-monetary sanctions, lawsuits or litigation, initiated or in process or that have been sentenced during the period between January 1, 2016 and December 31, 2016, relating to non-compliance with the client's safety regulations, of a relevant nature, involving damages or affecting Indra Sistemas, SA And subsidiaries. | Group | ✓ | |

| Material issues identified | Indicator | Description | Page/Direct reference | Scope | Revision | Observations/Notes |
|-------------------------------------|-----------|--|---|-------|--------------|-----------------------------------|
| Labelling of products and services | | | | | | |
| | PR3 | Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements. | 52-54. | Group | ✓ | Qualitative information reported. |
| Client Satisfaction | | | | | | |
| Code of Ethics and Legal Compliance | PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes. | Indra is not aware of the existence of claims, proceedings, fines or monetary or non-monetary sanctions, lawsuits or litigation, initiated or in process or that have been sentenced during the period between January 1, 2016 and December 31, 2016, relating to non-compliance with the relevant product and service information regulations, involving damages or affecting Indra Sistemas, SA And subsidiaries. | Group | ✓ | |
| | PR5 | Results of surveys measuring customer satisfaction. | 55. | Group | ✓ | |
| Marketing Communication | | | | | | |
| | PR6 | Sale of banned or disputed products. | Not reported. | Group | Not verified | |
| Code of Ethics and Legal Compliance | | | | | | |
| Risk Management | PR7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes. | Indra is not aware of the existence of claims, proceedings, fines or monetary or non-monetary sanctions, lawsuits or litigation, initiated or in process or that have been sentenced during the period between January 1, 2016 and December 31, 2016, relating to non-compliance with the relevant product and service information regulations, involving damages or affecting Indra Sistemas, SA And subsidiaries. | Group | ✓ | |
| Client privacy | | | | | | |
| Client Satisfaction | PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. | 110. | Group | ✓ | |
| Regulatory compliance | | | | | | |
| | DMA | Management Approach. | 38. | | | |
| Code of Ethics and Legal Compliance | PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services. | Not reported. | Group | Not verified | |



Disclosures assured according to the defined scope. Please find the External Assurance Report at pages 137-138 of the 2016 Corporate Social Responsibility Report.

Materiality, **SDGs, Global Compact, GRI**

| Indicators related to the eight material issues for Indra | GRI specific related indicators (i) | Global Compact related Principles (ii) | Sustainable Development Goals related (iii) |
|---|---|--|---|
| Corporate Governance | LA12 | P10 | |
| Risk Management | LA14, LA15, LA16, HR1, HR4, HR6, HR8, HR9, HR10, HR11, HR12, S01, S02,S03, S04, S05,S09,So10,So11,PR6,PR7 | | |
| Compliance | EC4, EN8, EN23, EN29, EN31, EN34, LA16, HR2, HR7, HR12, S03, S04, S05, S06, S07, S08, S011, PR1, PR2, PR3, PR4, PR6, PR7, PR9 | P2, P4, P5, P8, P10 | |
| Client satisfaction | PR4, PR5, PR8 | | ODS8 |
| Talent promotion and the labor climate | EC5, EC6, LA1, LA2, LA3, LA4, LA5, LA6, LA7, LA8, LA9, LA10, LA11, LA13, HR3 | P1, P2, P3, P4, P5, P6 | ODS5, ODS8, ODS10 |
| Innovation | EC7, EC8, EN3, EN4, EN5, EN6, EN7, EN27 | P9 | ODS7, ODS9, ODS11, ODS16 |
| Cybersecurity | | | ODS16 |

(i) Check description in GRI Table (pages 121 to 134)

(ii) Global Compact Principles

P1: Human Rights protection
P2: Non-infringement of Human Rights
P3: Freedom of association
P4: Forced labor
P5: Child labor
P6: Non discrimination
P8: Environmental responsibility
P9: Respect for the environment
P10: Anti-corruption fight

(iii) Sustainable Development Goals

ODS 5: Gender Equality
ODS 7: Affordable and Clean Energy
ODS 8: Decent Work and Economic Growth
ODS 9: Industry, Innovation and Infrastructure
ODS 10: Reduced Inequalities
ODS 11: Sustainable Cities and Communities
ODS 16: Peace, Justice and Strong Institutions



Deloitte Advisory S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Independent Assurance Report on the 2016 Corporate Social Responsibility Report of Indra

To the Board of Directors of
Indra Systems S.A:

Scope of our work

We have performed the review of the Corporate Social Responsibility Report 2016 (CSRR) of Indra Systems, S.A. and subsidiary companies (Indra), whose scope and coverage are defined in the Annex of the CSRR "About this report". Our work consisted on the review of:

- The reliability and adequacy of the contents of the CSRR to the GRI Sustainability Reporting Guidelines version 4 (GRI G4).
- The information included in the CSRR related to the application of the principles of inclusivity, materiality and responsiveness set out in the AccountAbility's AA1000 AccountAbility Principles Standard 2008 (AA1000APS).

Our review work has been done on the information of 2016. The information from previous years was reviewed by another assurance provider.

Review standards and procedures

We conducted a limited assurance engagement in accordance with International Standard on *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with Guidelines for engagements relating to the review of Corporate Responsibility Reports issued by the Spanish Institute of Certified Public Accountants to achieve limited assurance. Also, we have applied *AccountAbility's 1000 Assurance Standard (2008) (AA1000AS)* to provide moderate assurance on the application of the principles established in standard AA1000APS and on the sustainability performance indicators (type 2 moderate assurance).

Our work consisted in making enquiries to Management and certain business units of Indra involved in the preparation of the CSRR, and in carrying out the following analytical procedures and sample-based review tests:

- Meetings with Indra personnel to ascertain the principles, systems and management approaches applied.
- Review of the actions implemented in relation to the identification and consideration of the stakeholders during the year and of the stakeholders' participation processes throughout the analysis of the available internal information and third-party reports.
- Analysis of the coverage, materiality and completeness of the information included in the CSRR on the basis of the understanding of Indra of its stakeholders' requirements in relation to the relevant issues identified by the organisation and described in the CSRR "Material Aspects" chapter.
- Review of the information related to the management approaches applied and verification of the existence and scope of the Corporate Social Responsibility (CSR) policies, systems and procedures.
- Analysis of the adherence of the contents of the CSRR to those recommended in the GRI G4 and check that the contents included agree with those recommended by the standard.
- Review on a sample basis, of the quantitative and qualitative information related to the GRI G4 contents included in the CSRR and of their adequate compilation based on the data provided by the sources of information of Indra.

Deloitte Advisory, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 29.897, sección 8ª, folio 21, hoja M-538045, inscripción 1ª. C.I.F.: B-86466448.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Responsibilities of Indra Management and of Deloitte

- The preparation, presentation and contents of the CSRR are the responsibility of the Communication, Brand and Corporate Responsibility Direction of Indra, which is also responsible for the coordination of the reporting system of the information reported by the corporate Directions and business areas. The Appointments, Remunerations and Corporate Governance Committee of Indra is responsible for submit to the Board the information that the Company makes public in this matter.
- Our responsibility is to issue a limited assurance report based on the procedures applied in our review.
- This report has been prepared in the interest of Indra in accordance with the terms and conditions of our Engagement Letter.
- We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.
- Deloitte maintains, in accordance with the International Standard on Quality Control 1 (ISQC1), a global system of quality control which includes policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.
- Since a limited assurance is substantially less in scope than a reasonable assurance engagement, we do not provide reasonable assurance on the CSRR.
- Our team consisted of professionals with qualifications on the assurance on CSRR Reports and, specifically, on economic, social and environmental performance and stakeholders' participation processes assurance.

Conclusions

The "GRI Contents" section, within the Annexes of the CSRR, provides details of the contents reviewed and of the scope limitations of our review, and identifies any content that does not cover all the criteria recommended by the GRI G4. Based on the procedures performed and evidence obtained, except for the issues identified in the "GRI Contents", nothing has come to our attention that causes us to believe that:

- The CSRR has not been prepared, in all material aspects, in accordance with the GRI G4 guidelines, including the reliability and adequacy of the contents.
- Indra has not applied the principles of inclusivity, materiality and responsiveness as described in the "About this report" section, within the Annexes of the CSRR, in accordance with standard AA1000 2008 APS:
 - Inclusivity: it has been carried out the participation process for stakeholders that facilitates their involvement in the development of a responsible approach within the management of CSR.
 - Materiality: the process of determining materiality requires an understanding of the important or relevant issues for Indra and its stakeholders.
 - Responsiveness: Indra responds with specific actions and commitments related to the material issues identified.

Observations and Recommendations

Moreover, we presented to the Management of Indra our recommendations related to the areas of improvement in CSR management and to the application of the principles of inclusivity, materiality and responsiveness. The most significant recommendations, which do not modify the conclusions of this report, are summarized as follows:

Inclusivity and materiality

In 2016 Indra updated its materiality analysis, considering the Sustainable Development Goals and other matters related to CSR usually taken into account by investors. In 2017, it would be recommendable to improve this analysis with the update of the prioritisation criteria of the material issues based on their impact across the value chain.

On the other hand, 2016 is the second year of the Indra Strategic Plan 2015-2018. In this respect, it is advisable to progress, aligning the CSR Director Plan with the Strategic Plan of the Company and strengthening the CSR actions that have more influence in the achievement of the strategic goals of the company.

Responsiveness

In 2016, Indra approved the CSR Director Plan 2016-2017, which includes several initiatives and engagements of the Company with its stakeholders. The systematisation of this Plan's monitoring in 2017 should allow Indra to progress in its achievement and deepen its knowledge of the results achieved.

As a consequence of the new regulation on non-financial information, stemming from the European Directive 2014/95, and GRI's evolution towards a new set of reporting standards called "GRI Standards", Indra will have to set up, ahead of time, the actions deemed necessary to adapt its non-financial information reporting system to the new requirements and to train all the divisions and areas involved in the preparation of the CSRR, as well as to keep improving the internal control of this information.

On the other hand, Indra has been working on the measurement and mitigation of environmental impacts under its control. In order to improve the efficiency and competitiveness, it should continue to work towards the identification and measurement of the significant impacts of its products, services and supply chain.

DELOITTE ADVISORY, S.L.



Helena Redondo
Madrid, April 27, 2017