

ZARDOYA OTIS S.A.

REPORT ON THE OPERATION OF THE NOMINATING AND COMPENSATION COMMISSION IN THE REPORTING PERIOD ENDED NOVEMBER 30, 2019

1. Introduction

The purpose of this report is to review the evolution of the Nominating and Compensation Commission of Zardoya Otis, S.A. (the "**Company**") and the composition, duties and operation thereof, as well as to provide a summary of its actions in the 2019 reporting period.

2. Formation and evolution of the Nominating and Compensation Commission

At its meeting of July 28, 2010, the Board of Directors was informed of the changes contained in the new Law 12/2010 of June 30 on Account Auditing. This amendment introduced a new feature that had to be included in the Regulations of the Company's Board of Directors, which was that at least one of the members of the Audit Committee had to be an independent.

In addition, the Unified Good Governance Code expressly stated that companies could not classify a director who did not meet the minimum conditions established by said Unified Code as "independent", i.e. directors who "*had not been proposed for either appointment or renewal by the Nominating Commission*" could not be classified as independents. Although none of the provisions of the Law expressly made the Nominating Commission mandatory (unlike the Audit Committee), the need to have a Nominating Commission derived indirectly from the new legal requirement for at least one independent director to form part of it.

As a consequence of the foregoing, the Board of Directors decided to create the Nominating and Compensation Commission, which held its first meeting on September 8, 2010.

The General Shareholders' Meeting held on May 24, 2012 approved a new revised text of the Bylaws, which sought to update and make technical improvements to how the Company operated and its organizational structure.

Likewise, as a consequence of the new developments in the legislation introduced by Law 31/2014 of December 3, which amended the Capital Companies Law in order to improve corporate governance, the Ordinary General Shareholders' Meeting held on May 26, 2015 approved the amendment of certain articles of the Bylaws, including the new article 24 (ter)

which regulated the composition, competences and performance of the Nominating and Compensations Commission. Furthermore, in the same year, the Board of Directors passed a resolution to amend the Regulations of the Board of Directors accordingly.

Article 529 quaterdecies of Royal Legislative Decree 1/2010 of July 2, whereby the revised text of the Capital Companies Law (the “Capital Companies Law”) was approved, article 24 bis of the Company’s Bylaws and article 12 of the Regulations of the Company’s Board of Directors establish that *“the Nominating and Compensation Commission will be formed solely by non-executive directors appointed by the Board of Directors, at least two of whom must be independent directors. The chairman of the Nominating and Compensation Commission will be appointed from among the independent directors who form part of the Commission”*.

In consequence, taking into account the fact that there was only one independent director on the Nominating and Compensation Commission at that time, subsequent to a proposal and report in favour from the Nominating and Compensation Commission, the Board of Directors unanimously passed a resolution to appoint the independent director Mr José Miguel Andrés Torrecillas as a new member of the Nominating and Compensation Commission thus, the number of independent directors on the Nominating and Compensation Commission increased to two, one of which was its Chairman (Mr Jose Maria Loizaga Viguri).

As a consequence of the National Securities Market Commission’s (CMNV) publication of the Good Governance Code of Listed Companies on February 18, 2015, the Ordinary General Shareholders’ Meeting held on May 19, 2016 passed a resolution to amend several articles of the Bylaws, the Regulations of the General Shareholders’ Meeting and the Board of Directors decided to amend the Regulations of the Board of Directors, in order to introduce some of the recommendations contained in said Good Governance Code.

Nowadays, the Nominating and Compensation Commission is formed by 5 members, being the number of independent directors increased to two, one of which is its Chairman. The Company decided to maintain the number of members in 5 though the decision could have been to decrease the number of members to 3 in order to have majority of independents (as it is legally mandatory in the case of the Audit Committee), but the reason to maintain the number in 5 is double: (i) the Company considers that 40% of independents should be enough to warrant the independency of the goals of the commission, and (ii) the Company considers it worth to be able to have the experience and opinions of 5 members.

3. Composition of the Nominating and Compensation Commission

The composition of the Nominating and Compensation Commission as of November 30, 2019 was as follows:

Chairman

Mr José Miguel Andrés Torrecillas (independent director)

Deputy Chairman

Otis Elevator Company (proprietary director) represented by Ms Nora Lafreniere

Members

Ms Eva Castillo (independent director)

Ms Robin Fiala (proprietary director)

Mr Patrick Martin (proprietary director).

Secretary (non-member)

Ms Lorea García Jauregui (non-director).

4. Operation and duties

The internal operation of the Nominating and Compensation Commission and its duties are governed by article 24 (ter) of the revised text of the Bylaws and by the provisions of article 12 B) of the Regulations of the Board of Directors. Both documents are available on the Company's website.

5. Summary of activities carried out in the 2019 reporting period

In 2019, the Nominating and Compensation Commission performed the functions entrusted to it and had the information and documentation it deemed necessary in this respect at its disposal. Furthermore, the person/s the Committee Chairman saw fit attended and participated in the meetings, such as the Group Human Resources Manager and the Chief Financial Officer.

The Nominating and Compensation Commission considers that it has sufficient means to comply with the requirements of the legislation currently in force and enjoys the support of the Secretary of the Commission and Board of Directors, as well as the legal counsel to the Board, both of whom are responsible for ensuring the legality of the resolutions, decisions and deliberations that are adopted or take place at meetings of the Nominating and Compensation Commission

In 2019, the Nominating and Compensation Commission held six (6) meetings, with participation by all its members. All the meetings were chaired by the Commission Chairman Mr Jose Miguel Andrés Torrecillas, and all the members deliberated on and reported favourably or proposed to the Board of Directors on -among others- the following items:

1. Evaluation of the Nominating and Compensation Commission and the Board of Directors 2019.

In this regard, the Nominating and Compensation Committee prepares a report on the performance of the Board of Directors and the Commission itself, based on the responses given by the directors to the annual self-evaluation questionnaire of the Board and its Commissions. On the basis of these reports prepared by the Nominating and Compensation Commission (in addition to the report prepared by the

Audit Committee on its operation and performance), the Board of Directors evaluates and analyzes its content in order to establish an action plan for the areas or activities to improve as a result of these reports.

2. Review of the status of compliance with the action plan approved for the 2019 fiscal year to improve the activity as a result of the evaluation of the Board of Directors and the Nominating and Compensation Commission.
3. Review of the 2019 Director Compensation Report
4. Review of the 2019 Annual Corporate Governance Report, in respect of matter's within the Commission's scope.
5. Director compensation policy
 - Proposal to the Board of Directors for the directors and senior management compensation policy for 2020 (within the frameworks established by law, the Bylaws and the Remuneration Policy approved by the General Meeting for the years 2018, 2019 and 2020)
 - Proposal for long-term UTC share-based incentive plan.
5. Appointments. Reports in favour of the following appointments:
 - Management and monitoring of the succession process of the Chairman of the Board of Directors and proposal for the appointment of Mr. Bernardo Calleja Fernandez as the new Chairman of the Company, and proposal and report on the appointment of Coordinating Director.
 - Ratification of favorable report on Mr. Patrick Martin issued on the occasion of his appointment by co-option by the Board of Directors.
 - Proposal for the re-election of Mr. José Miguel Andrés Torrecillas as a member of the Board of Directors, as well as Chairman of the Nominating and Compensations Commission and vice chair of the Audit Committee.
 - Report on the proposal of reelection of Mr. José María Loizaga as a member of the Board of Directors.
 - Report on the proposal of re-election of Mr. Alberto Zardoya as a member of the Board of Directors.
 - Report on the proposal for re-election of Eurosyns, S.A. as a member of the Board of Directors, and of the maintenance of Mr. Pedro Sainz de Baranda as its representative.
 - Report on the proposal for the re-election of OTIS ELEVATOR COMPANY as a member of the Board of Directors, and the maintenance of Mrs. Nora Lafreniere as its representative.

- Report on the proposal for the re-election of Mr. Patrick Blethon as a member of the Board of Directors.
- Proposal of appointment of Mrs. Eva Castillo Sanz as a member of the Board of Directors, as well as Chair of the Audit Committee and vocal member of the Nominating and Compensations Commission.
- Report on the proposal for the appointment of Mr. Mark Eubanks as a member of the Board of Directors.
- Report on the proposed appointment by co-option of Mr. Mark Eubanks as a member of the Board of Directors.
- Report on the proposed appointment by co-optation of Mrs. Stacy Petrosky as a member of the Board of Directors and as a member of the Audit Committee.
- Report on the proposal for the appointment of Mr. Eduardo Montes Pérez as natural person representative of the Director EUROSINS, S.A.

Approved by the Nominating and Compensation Commission
in Madrid on February 27, 2020