

## EXHIBIT 1

### ANNUAL DIRECTOR COMPENSATION REPORT FOR LISTED CORPORATIONS

#### DETAILS IDENTIFYING ISSUER

<b>DATE OF FISCAL YEAR END</b>	11/30/2016
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#### **CORPORATE NAME**

ZARDOYA OTIS, S.A.

#### **REGISTERED OFFICE**

GOLFO DE SALONICA, 73, MADRID

## MODEL FOR ANNUAL REPORT ON DIRECTOR COMPENSATION IN LISTED COMPANIES

### A THE COMPANY'S COMPENSATION POLICY FOR THE CURRENT YEAR

A.1 Explain the company's compensation policy. This section will include information on:

- The general principles and bases of the compensation policy.
- The most significant changes made to the compensation policy in comparison to the policy applied in the preceding fiscal year, together with any changes made during the year to the conditions for exercising previously-granted options.
- The criteria employed and the composition of the comparable groups of companies whose compensation policies were examined in order to fix the company's compensation policy.
- The relative importance of items of variable compensation in comparison to fixed items and the criteria followed to determine the different components of the Directors' compensation package (compensation mix).

#### Explain the compensation policy

According to article 24 of the By-Laws and article 18 of the Board of Directors Regulations, the position of director of Zardoya Otis, S.A. (the "**Company**") will be remunerated.

During 2016, the criteria for the director compensation policy were similar to those applied in 2015. Said policy was approved by the Board of Directors and submitted to a consultative ballot at the General Shareholders' Meeting of May 19, 2016. The principles of the compensation policy are:

#### 1. Director compensation (as stipulated in the By-Laws)

Said article 24 of the By-Laws fixes global remuneration consisting of a share of 1.5% of the consolidated profit after tax with the limit of 1% of the consolidated profit before tax. This amount can only be taken from the liquid profit (after tax) after the legal reserves and the reserves provided for in the By-Laws have been covered and a dividend of at least 10% of the paid-up share capital has been recognized in the shareholders' favour. ("**By-Law Stipulated Compensation**"). Besides, By-Laws states that contracting a general liability insurance in the members of the Board of Director's favour and will be a part of the mentioned remuneration maximum limit.

This compensation will be distributed among its members in the manner freely determined by the Board of Directors in each annual period, depending on the duties and responsibilities attributed to each director, whether they sit on any Board committees and other objective circumstances deemed relevant.

Furthermore, article 18 of the Board of Directors Regulations establishes the principles or criteria that should be taken into account when fixing the compensation of external directors. In particular, it states that this compensation will be the amount deemed necessary to remunerate the commitment, abilities and responsibility required by the position, although it must not be so high as to compromise their independence.

In this respect, in line with the general trend towards keeping Board of Director compensation stable, we must highlight that, as has been the case for several consecutive years, the Board itself (after favourable report from the Nominating and Compensation Commission) has decided, as done in several previous consecutive years, to limit the total amount of the By-Law stipulated compensation to 1,200,000 euros for 2016 (100,000 euros more than in 2015).

This increase is because in the year 2016, (in contrast with the previous period) Mr José Miguel Andrés Torrecillas and Mr Patrick Blethon have held office for an entire year, starting on December 1, 2015 and ending on November 30, 2016.

## **2. Compensation of the CEO**

The compensation of the CEO (Mr Bernardo Calleja Fernández) for his executive duties in the Company is regulated in his contract with the Company, which was approved by at least two thirds of the Board of Directors (with the abstention of the CEO) and received a favourable report from the Nominating and Compensation Commission, in accordance with article 249 of the Capital Companies Law. Said compensation has both a fixed component (see A.3 section) and a variable one (see A.4 section).

## **3. Summary of compensation items**

The items of compensation applicable for the different types of director in the Company are summarized in the following table:

<b>Type</b>	<b>Number</b>	<b>Fixed compensation</b>	<b>Variable compensation</b>	<b>By-Law stipulated compensation</b>	<b>UTC long-term incentives plan</b>
<b>Executive director</b>	1	YES	YES	N.A.	YES
<b>Proprietary directors</b>	7	N.A.	N.A.	YES	N.A.
<b>Independent directors</b>	2	N.A.	N.A.	YES	N.A.
<b>Other external directors</b>	1	N.A.	N.A.	YES	N.A.

The Board of Directors does not currently have any plans to change the decision-making process for drawing up the compensation plan (compensation mix) of the directors in forthcoming years.

The criteria applied by the Company to establish its compensation policy are consistent with those generally applied by other listed companies.

Regarding the relative importance of the variable compensation items (as described in section A.4 below) in comparison with fixed components (as described in section A.3 below), it is necessary to highlight the fact that former represented in 2016 a 40% of the total.

A.2 Information on the preparatory work and decision-making process for determining the compensation policy and the role played, if applicable, by the Compensation Commission and other governing bodies in configuring the compensation policy. This information will include, if applicable, the mandate and composition of the Compensation Commission and the identity of any external advisors whose services were used to determine the compensation policy. Likewise, the classification of any directors who participated in defining the compensation policy must be stated.

<b>Explain the process for determining the compensation policy</b>
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**1. The role of the Board of Directors**

The Board of Directors approves the director compensation policy in the terms set forth by law and in the By-Laws, in accordance with article 3 of the Company's Board of Directors Regulations. Likewise, the Board of Directors approves the CEO's contract with the Company.

**2. The role of the Nominating and Compensation Commission**

In accordance with the Capital Companies Law, article 529 quidecies, and the Board of Directors Regulations, article 12 B) 2 (j), the Nominating and Compensation Commission must:

- (a) propose the director compensation policy to the Board of Directors;
- (b) propose the compensation policy for the CEO to the Board of Directors, together with his individual compensation and other conditions of his contract; and
- (c) ensure the compensation policy is respected.

Likewise, the Nominating and Compensation Commission reported favourably on this Annual Compensation Report at its meeting of February 21, 2017. At the same meeting, the Nominating and Compensation Commission prepared a director compensation proposal for 2017.

At the end of 2016, the Nominating and Compensation Commission had the following composition:

<b>Name</b>	<b>Position</b>	<b>Type</b>
Mr Jose Maria Loizaga Viguri	Chairman	Independent
Mr Philippe Delpech	Deputy Chairman	Proprietary
Mr José Miguel Andrés Torrecillas	Member	Independent
Otis Elevator Company	Member	Proprietary
Mr Pierre Dejoux	Member	Proprietary

**3. The role of the General Shareholders' Meeting**

Likewise, article 24 of the Company's By-Laws and article 529 novodecies of the Capital Companies Law state that the director compensation policy will be submitted for the approval of the General Shareholders' Meeting at least every three years, as a separate item on the Agenda. Said proposal of the compensation policy for the Board of Directors submitted to the General Meeting must contain the reasons therefor and be accompanied by a specific report from the Nominating and Compensation Commission. Both these documents will be made available to the shareholders on the

Company's website as from the time when notice of the General Meeting is given. The shareholders may also ask for them to be given or sent to them free of charge.

Furthermore, the director compensation policy thus approved will remain in force during the three annual periods following the period in which it is approved by the General Meeting. Any amendment or replacement thereof during said period will require the prior approval of the General Shareholders' Meeting in accordance with the procedure established for its approval.

The final provision of Law 31/2014 of December 3, which amended the Capital Companies Law to improve corporate governance, states, in its Transitional Provision, that, in the event that the first Ordinary General Shareholders' Meeting held on or after January 1, 2015 were to approve, on a consultative basis, the director compensation report, the Company's compensation policy contained therein will be deemed to have likewise been approved.

Therefore, the 2015 Annual Director Compensation Report was submitted to the Ordinary General Shareholders' Meeting held on May 19, 2016 in a consultative ballot.

#### **4. Other**

During the annual period to which this report refers, the Company did not use the services of external advisors to determine the compensation policy for its directors and, consequently the Board of Directors itself, with the participation of all its members, and the Nominating and Compensation Commission are the bodies responsible for designing, approving and implementing the compensation policy, under the supervision of the General Shareholders' Meeting.

A.3 State the amount and nature of the fixed components, with details, if applicable, of the executive directors' compensation for performing senior management duties, any additional compensation for the chairman or members of any Board committees, the per diem allowances for attending meetings of the Board and its committees, or any other fixed compensation for directors, together with an estimate of the annual fixed compensation to which the foregoing give rise. Identify any other non-cash benefits and the basic parameters for granting them.

Explain the fixed components of the compensation
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Mr Bernardo Calleja Fernández, the Company's Chief Executive Officer in 2016 and the Company's only executive director, received fixed compensation for carrying out executive duties. The fixed compensation, which, as stated in Section D.1 below, was 249,107 euros in 2016 and 209,600 euros in 2015.

Likewise, the contribution to the defined-contribution pension plan that the Company holds for the Chief Executive Officer, Mr Bernardo Calleja Fernández, must be included in the fixed components of director compensation. In 2016, this was 56,888 euros and 47,000 euros in 2015.

There is no extra compensation for holding the position of Chairman, no other bodies have been delegated by the Board of Directors (apart from the CEO) and no per diem expenses are distributed for attending Board meetings or meetings of the Nominating and Compensation Commission or Audit Committee. Notwithstanding, the duties and responsibilities attributed to each director, as well as whether they sit on Board committees and other objective circumstances deemed relevant will be taken into account when distributing the compensation among the directors.

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

In particular:

- Identify each one of the compensation plans of which the directors are beneficiaries, the scope thereof, its date of approval, its date of implementation, the term for which it is in force and its main features. In the case of stock option plans and other financial instruments, the general features of the plan must include information on the conditions for exercising said options or financial instruments for each plan.
- State any compensation that originates from profit-sharing or bonuses and the reason why it is awarded.
- Explain the basic parameters and grounds for any annual bonus system.
- The types of director (executive directors, external proprietary directors, external directors, external independent directors or other external directors) that are the beneficiaries of compensation systems or plans that include variable compensation.
- The basis of said variable compensation systems or plans, the criteria chosen for evaluating performance and the evaluation components and methods used to determine whether or not said evaluation criteria have been met, as well as an estimate of the total amount of variable compensation to which the current compensation plan would give rise, depending on the degree to which the assumptions or objectives taken as a reference are met.
- If applicable, state the periods for which an already-established payment may be deferred or delayed and/or the periods for which shares or other financial instruments, if any, may be retained.

<b>Explain the variable components of the compensation systems</b>
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##### **1. Statutory compensation**

As stated in section A.1 above, article 24 of the By-Laws stipulate compensation subject to certain quantitative limits, which is subsequently distributed by the Board of Directors among its members on the basis of certain criteria. This compensation policy is not in force for a specific period and, therefore, will remain in force until: (i) the Board of Directors approves a different compensation; or (ii) the General Shareholders' Meeting approves a different compensation.

In addition, we must highlight the fact that the Board of Directors unanimously adopted the following decisions at its meeting of July 26, 2016:

(A) To limit the total amount of the compensation stipulated in the By-Laws to 1,200,000 euros;

(B) To delegate the distribution of the By-Law stipulated compensation among the Company's directors to the Chairman of the Board, depending on the duties and responsibilities attributed to each director, as well as whether they sit on Board commissions, and other objective circumstances deemed relevant.

(C) Payment, at the end of the first six months of 2016, of 600,000 euros on account of the By-Law stipulated compensation.

By-Law stipulated compensation is fixed in accordance with the Company's profits.

## **2. Chief Executive Officer´s variable compensation**

The annual incentive established for Mr Bernardo Calleja Fernández in his executive capacity is 60% of his gross fixed annual salary. For payment of incentives, a payment coefficient is established, based on the results of the business units and calculated in accordance with the profit plan and cash flow generated. For the final coefficient, the performance of Mr. Bernardo Calleja Fernández in relation to the financial and non-financial objectives assessed when valuing his contribution to the results of the business during the year is taken into account.

The incentive paid in 2016 was 100 thousand euros, determined on the basis of his gross fixed salary at the time of calculation (240 thousand euros), with an incentive of 41.67%, representing a coefficient of 0.6944 on the amount established.

Within the Director´s compensation scheme, the director compensation plan includes the possibility that Mr Bernardo Calleja Fernández, in his capacity as an UTC Group executive, may receive a long-term incentive package on an annual basis (share-based compensation plan) from the UTC Group. The objective of this plan is to compensate executives who, due to their position, hold important management responsibilities and, with their effort and the attainment of the planned objectives, contribute to the long-term success of the corporation and its subsidiaries such as Zardoya Otis, S.A. The share plans are granted annually, depending on individual performance and the attainment of the objectives of Zardoya Otis, Otis and United Technologies Corporation. Said incentive plan is subject to the “Recharge Agreement” undersigned in september 2010 between United Technologies Corporation and Zardoya Otis, S.A.

The shares/stock options granted must be kept for a minimum period of three years (vesting) and, furthermore, in order for them to be executed, certain previously-established business objectives must have been attained.

In this respect, the valuation of the options granted to Mr Bernardo Calleja Fernández in 2016 is 70 thousand euros, under the following assesment criteria:

- (i) shares will be valued when handed to the Chief Executive Officer, as long as they are not subject to any subsequent condition (shares must be “vested” since the beginning)
- (ii) options will be valued at the moment of their execution by the Chief Executive Officer

This UTC long-term incentive package represented, for the whole of the Company Directors, the amount of 70 thousand euros during 2016 (since the only beneficiary of this plan is Mr. Bernardo Calleja Fernández).

Variable compensation is payable in the next year, once the annual Financial Statements have been formulated by the Board of Directors.

## **3. Other considerations**

Lastly, it is necessary to consider that:

(A) Regarding the types of director who benefit from the variable compensations systems, please see the chart summarizing the applicable items of compensation in accordance with the classification of the Company's directors in Section A.1 above, in relation to the applicable items of compensation in accordance with the Company's types of director.

(B) The basis of the variable compensation system and the methods for assessing performance used by the Company to distribute it may be found in the aforementioned articles 24 of the By-Laws and 18 of the Board of Directors Regulations.

(C) No periods of deferral or delay in payment of the compensation of the members of the Company's Board of Directors have been established

A.5 Explain the principal features of the long-term saving systems, including retirement and any other survivor benefits, financed fully or in part by the company, irrespective of whether the provision is made internally or externally, with an estimate of the amount thereof or equivalent annual cost, stating the type of plan, whether it is a defined-contribution or defined-benefit plan, the conditions under which the economic rights are consolidated in favour of the directors and its compatibility with any kind of indemnity for early rescission or termination of the contractual relationship between the company and the director.

Also state the contributions made in the director's favour to defined-contribution pension plans or the increase in the director's consolidated rights in the case of contributions to defined-benefit plans.

**Explain the long-term saving systems**

As mentioned in section A.3, the fixed component of director compensation includes the contribution to the defined-contribution pension plan that the Company holds for its CEO, Mr Bernardo Calleja Fernández, the amount of which was 57 thousand euros in 2016 and 47 thousand euros in 2015.

In this respect, the contribution for the pension commitment is drawn up in a defined-contribution pension insurance policy, where the Company makes an annual contribution in the month of November, calculated in two portions: the amount of 56,888.81 euros, composed of a first portion of 4,370.40 euros, equivalent to 7% of 62,434.24 euros (the amount fixed with the insurance company for 2016), plus a second portion of 52,518.41 euros, calculated by applying the 28% corresponding to the difference between the gross annual fixed compensation received by Mr Bernardo Calleja Fernández and the 62.434.24 euros established in the first portion. Therefore, the consolidation of the contributions and the timing of the respective attribution or accrual is based on the gross annual compensation.

A.6 State any indemnities agreed or paid in the event that a director ceases to hold office as such.

**Explain the indemnities**

The only Director entitled to receive indemnities is the CEO in case of contract termination, consisting in 45 days compensation per year since his appointment to CEO (i.e. february 14, 2012) until the date of termination of the contract. Said extinguishment compensation corresponds to the one initially held in his working relationship.

A.7 State the conditions that must be observed by the contracts of those who perform senior management duties as executive directors. Among others, information must be included on the term, the limits on the amounts of any indemnity, continuity clauses, notice periods and/or any other clauses relating to hiring bonuses, as well as indemnities or golden parachutes for the early rescission or termination of the contractual relationship between the company and the executive director. Include, among others, any no-compete, exclusivity, continuity, loyalty or post-contractual non-competition clauses or agreements.

**Explain the contract conditions of the executive directors**

The contract of the CEO (Mr Bernardo Calleja Fernández) received a favourable report from the Nominating and Compensation Commission and was approved by at least two thirds of the Board of Directors (with the abstention of the CEO), in accordance with articles 249 and 529 quincecies of the Capital Companies Law.



The specific conditions contained in this contract are as follows:

- Term: for as long as Mr Bernardo Calleja Fernández is the CEO of the Company.
- Indemnity for early dismissal or termination by the Company: 45 days' compensation per year from he was appointed as the Company's CEO (i.e. February 14, 2012) until the date of termination of the contract.
- Exclusivity agreement: during the time the contract is in force, unless he has the express prior authorization of the Board of Directors, Mr Bernardo Calleja Fernández will work exclusively for the Company and, if necessary, for any other UTC Group company.
- Continuity or loyalty agreement: none

A.8 Explain any supplementary compensation accrued by the directors in consideration for the services rendered other than those inherent to the position.

**Explain the supplementary compensation**

With the exception of the Chief Executive Officer, the only executive director of the Company, none of the other members of the Board of Directors have rendered services to the Company other than those inherent to their positions. Please see Sections A.3 and A.4 above regarding the specific characteristics of this supplementary compensation received by the Chief Executive Officer for this reason.

A.9 State any compensation in the form of advances, credits, guarantees granted, mentioning the interest rate, their basic features and any amounts that may be repayable, as well as any obligations acquired on the directors' behalf as a guarantor.

**Explain the advances, credits and guarantees granted**

The Board of Directors agreed the payment on account, at the end of the first six months of 2016, of 600,000 euros on account of the By-Law stipulated remuneration.

Prior to its approval, the Audit Committee reported favourably on said advance payment, taking into account that: (i) the Company had sufficient funds; (ii) on the latest statement of financial position, dated November 30, 2015, the needs of the legal reserve and the By-Law stipulated reserve were fully covered; and (iii) the meeting of the Board of Directors held on March 22, 2016 approved payment of the first interim dividend charged to the 2016 profit for a gross amount of 0.080 euros per share with a par value of 0.10 euros, which was paid on April 11, 2016.

The Company has not granted any compensation to the directors in the form of credits or guarantees.

A.10 Explain the main features of any compensation in kind.

**Explain the compensation in kind**

The Company has not awarded any compensation in kind to the directors (except for the pension plan in favour of the CEO described in Section A.5 above).

A.11 State any compensation accrued by a director due to the payments made by the listed company to another company to which the director provides his/her services, when said payments are intended to remunerate the director's services to the company.

**Explain any compensation accrued by a director due to the payments made by the listed company to another company to which the director provides his/her services**

As shown in the chart included in Section D.1 below, some of the proprietary directors do not receive the above mentioned By-Law stipulated compensation, which is, instead, received by Otis Elevator Company on their behalf.

A.12 Any other item of compensation apart from the foregoing, irrespective the nature thereof or the group company that settles it, especially when it is classified as a related-party transaction or payment thereof distorts the accurate picture of the total compensation accrued by the director.

**Explain the other items of compensation**

No compensation items are settled by Group entities other than those explained above.

A.13 Explain the measures adopted by the company in relation to the compensation system in order to reduce exposure to excessive risks and adjust it to the company's long-term objectives, values and/or interests. This will, if applicable, include mention of: preventive measures to ensure that company's long-term results are taken into account in the compensation policy, any measures that establish an appropriate balance between the fixed and variable compensation components, measures adopted in relation to those categories of personnel whose professional activities have a material effect on the company's risk profile, repayment formulas or clauses to enable the company to claim the return of any results-based variable compensation components when said components were paid on the basis of figures that have since clearly been shown to be inaccurate, and, if applicable measures in place to avoid conflicts of interest.

**Explain the actions adopted to reduce risks**

The current composition of the Board of Directors (63.64% of its members were proprietary directors in 2016) guarantees that the director compensation policy takes the results that should be obtained by the Company in the long term into account.

Thus, with the sole exception of the executive director, who receives additional fixed compensation for performing executive duties in the Company, the compensation of the Board of Directors is variable in its entirety and, therefore, is based on the Company's results. Furthermore, the quantitative limits contained in the Company's By-Laws and Board of Directors Regulations help to necessarily link director compensation to the Company's best long-term interests. Likewise the compensation policy is approved by the Board, subsequent to a report from the Nominating and Compensation Commission, and is submitted to the Company's General Shareholders' Meeting.

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

Repealed

## C OVERVIEW OF THE IMPLEMENTATION OF THE COMPENSATION POLICY IN THE YEAR ENDED

C.1 Summarize the main features of the structure and items of the compensation policy applied in the year ended that gave rise to the details of the individual compensation accrued by each one of the directors shown in section D of this report, as well as a summary of the decisions made by the Board for application of said items.

### Explain the structure and items of the compensation policy applied in the year

The following is a summary of the structure and items of the Company's director compensation policy applied to the members of the Company's Board of Directors in 2016, including the amounts of the compensation for 2015 and 2014.

As stated above, the structure of the director compensation policy may be divided into: (i) those items of compensation that comprise the fixed income received by the members of Company's Board of Directors, which is only applicable to the Chief Executive Officer, the main features and procedure for application of which are described in Section A.3 above; (ii) the compensation stipulated in the By-Laws, the main features and procedure for application of which are described in Section A.1 above.

For further clarification, in addition to the chart describing the individual compensation accrued by each one of the directors as set forth in Section D.1 below, the breakdown of the compensation by item (in thousands of euros) for the years 2014, 2015 and 2016 may be summarized as follows:

Compensation item	2016	2015	2014
Salaries	249	210	192
Fixed compensation	0	0	0
Variable compensation	100	140	90
By-Law stipulated compensation	1.200	1.100	1.000
Share-based compensation plan	70	330	322
Cash compensation	1.619	1.780	1.604
Other compensation items	57	47	41
TOTAL	1.676	1.827	1.645

## D DETAILS OF INDIVIDUAL COMPENSATION ACCRUED BY EACH DIRECTOR

Name	Type of director	Accrual period 2016
MARIO ABAJO GARCIA	Other external	From Dec. 1, 2015 to Nov. 30, 2016
OTIS ELEVATOR COMPANY	Proprietary	From Dec. 1, 2015 to Nov. 30, 2016
PIERRE DEJOUX	Proprietary	From Dec. 1, 2015 to Nov. 30, 2016
EURO-SYNS S.A.	Proprietary	From Dec. 1, 2015 to Nov. 30, 2016
ALBERTO ZARDOYA ARANA	Proprietary	From Dec. 1, 2015 to Nov. 30, 2016
JOSE MARIA LOIZAGA VIGURI	Independent	From Dec. 1, 2015 to Nov. 30, 2016
BERNARDO CALLEJA FERNANDEZ	Executive	From Dec. 1, 2015 to Nov. 30, 2016
MARK GEORGE	Proprietary	From Dec. 1, 2015 to Nov. 30, 2016
PHILIPPE DELPECH	Proprietary	From Dec. 1, 2015 to Nov. 30, 2016
PATRICK BLETHON	Proprietary	From Dec. 1, 2015 to Nov. 30, 2016
JOSE MIGUEL ANDRES TORRECILLAS	Independent	From Dec. 1, 2015 to Nov. 30, 2016

D.1 Complete the following charts on the individual compensation of each one of the directors (including compensation for performing executive duties) accrued during the year.

a) Compensation accrued in the company to which this report refers:

**Cash compensation (in thousands of €)**

Name	Salaries	Fixed compensation	Per Diem	Short term variable compensation	Long term variable compensation	Compensation for membership of committees of the board	Indemnities	Other items	Total 2016	Total 2015
EURO-SYNS S.A.	0	0	0	0	0	0	0	50	50	50
MARIO ABAJO GARCIA	0	0	0	0	0	0	0	200	200	200
JOSE MARIA LOIZAGA VIGURI	0	0	0	0	0	0	0	200	200	200
OTIS ELEVATOR COMPANY	0	0	0	0	0	0	0	600	600	550
ALBERTO ZARDOYA ARANA	0	0	0	0	0	0	0	50	50	50
JOSÉ MIGUEL ANDRES TORRECILLAS	0	0	0	0	0	0	0	100	100	50
BERNARDO CALLEJA FERNANDEZ	249	0	0	100	0	0	0	57	406	397
PIERRE DEJOUX	0	0	0	0	0	0	0	0	0	0
MARK GEORGE	0	0	0	0	0	0	0	0	0	0
PHILIPPE DELPECH	0	0	0	0	0	0	0	0	0	0
PATRICK BLETHON	0	0	0	0	0	0	0	0	0	0
OTIS ELEVATOR COMPANY	0	0	0	0	0	0	0	600	600	550

When preparing the above table, the following have been considered:

- (i) The By-Laws compensation (i.e. a share of 1.5% of the consolidated profit after tax with the limit of 1% of the consolidated profit before tax) cannot be considered within the paragraph "Short term variable compensation". National Stock Commission criteria is that variable compensation must be restricted to remunerative concepts linked to the Director's individual performance. Consequently, the mentioned By-Laws compensation is included in "Other Items"
- (ii) The proprietary directors appointed upon proposal of UNITED TECHNOLOGIES HOLDINGS, S.A.S. ("UTC") (i.e. Mr Pierre Dejoux, Mr Mark George, Mr Philippe Delpech and Mr Patrick Blethon) do not receive the above mentioned By-Law stipulated compensation, which is, instead, received by Otis Elevator Company on their behalf.

UTC follows the policy that directors appointed upon its own proposal do not perceive a compensation for holding the position of director in the Group's companies. Additionally, any UTC company subsequently pays said compensations to the proprietary directors, without affecting their right to perceive a remuneration commensurate with their position and responsibilities.

## ii) Share-based compensation systems

Name / Tipology / Accrual period 2016	Stock options ownership at the beginning of FY 2016				Assigned stock options during FY 2016					Shares handed during FY 2016	
	Nº stock options	Nº affected shares	Exercise price (€)	Exercise period	Nº stock options	Nº affected shares	Exercise price (€)	Exercise period	Conditions for exercising	Price / Amount	
BERNARDO CALLEJA FERNANDEZ	Plan A 2013	7.600	7.600	75,4	10	N/A	N/A	N/A	N/A	N/A	N/A
	Plan B 2013	1.850	1.850	0	10	N/A	N/A	N/A	N/A	N/A	N/A
	Plan A 2014	40.100	40.100	101,0	10	N/A	N/A	N/A	N/A	N/A	N/A
	Plan B 2014	1.370	1.370	0	10	N/A	N/A	N/A	N/A	N/A	N/A
	Plan A 2015	6.300	6.300	103,3	10	N/A	N/A	N/A	N/A	N/A	N/A
	Plan B 2015	6.870	6.870	0	10	N/A	N/A	N/A	N/A	N/A	N/A
	Plan A 2016	N/A	N/A	N/A	N/A	11.900	11.900	85,8	10	Must be kept for a minimum period of 3 years	N/A
	Plan B 2016	N/A	N/A	N/A	N/A	2.390	2.390	0	10	Must be kept for a minimum period of 3 years	N/A

Name / Tipology / Accrual period 2016	Stock Options exercised during FY 2016				Due and non-exercised stock options	Stock Options at the end of FY 2016					
	Nº stock options	Nº affected shares	Exercise price (€)	Gross profit (€)	Nº stock options	Nº stock options	Nº affected shares	Exercise price (€)	Exercise period	Other exercise requirements	
BERNARDO CALLEJA FERNANDEZ	Plan A 2013	7.600	7.600	77,2	13,32	N/A	N/A	N/A	N/A	N/A	N/A
	Plan B 2013	1.850	1.850	0	56,87	N/A	N/A	N/A	N/A	N/A	N/A
	Plan A 2014	N/A	N/A	N/A	N/A	N/A	40.100	40.100	101,0	10	Must be kept for a minimum period of 3 years
	Plan B 2014	N/A	N/A	N/A	N/A	N/A	1.370	1.370	0	10	Must be kept for a minimum period of 3 years
	Plan A 2015	N/A	N/A	N/A	N/A	N/A	6.300	6.300	103,3	10	Must be kept for a minimum period of 3 years
	Plan B 2015	N/A	N/A	N/A	N/A	N/A	6.870	6.870	0	10	Must be kept for a minimum period of 3 years
	Plan A 2016	N/A	N/A	N/A	N/A	N/A	11.900	11.900	85,8	10	Must be kept for a minimum period of 3 years
	Plan B 2016	N/A	N/A	N/A	N/A	N/A	2.390	2.390	0	10	Must be kept for a minimum period of 3 years

### iii) Long-term saving systems

Name	Company's contribution for the period (thousands of €)		Amount of accumulated funds (thousands of €)	
	Period 2016	Period 2015	Period 2016	Period 2015
BERNARDO CALLEJA FERNANDEZ	57	47	442	322

**b) Compensation accrued by directors of the company from sitting on Boards of Directors of other group companies**

**i) Cash compensation (thousands of €)**

Name	Salaries	Fixed compensation	Per Diem	Short term Variable compensation	Long term variable compensation	Compensation for membership of committees of the board	Indemnities	Other compensation	Total 2016	Total 2015
EURO-SYNS S.A.	0	0	0	0	0	0	0	0	0	0
BERNARDO CALLEJA FERNANDEZ	0	0	0	0	0	0	0	0	0	0
MARIO ABAJO GARCIA	0	0	0	0	0	0	0	0	0	0
JOSE MARIA LOIZAGA VIGURI	0	0	0	0	0	0	0	0	0	0
ALBERTO ZARDOYA ARANA	0	0	0	0	0	0	0	0	0	0
OTIS ELEVATOR COMPANY	0	0	0	0	0	0	0	0	0	0
ANDRES TORRECILLAS, JOSÉ MIGUEL	0	0	0	0	0	0	0	0	0	0

**ii) Share-based compensation systems**

**iii) Long-term saving systems**



**c) Summary of compensation (thousands of €):**

The summary must include the amounts for all the items of compensation included in this report that were accrued by the director, in thousands of euros.

In the case of long-term saving systems, the contributions or provisions made to systems of this nature must be included:

Name	Compensation accrued in the company				Compensation accrued in group companies				Total		
	Total cash compensation	Amount of shares awarded	Gross profit on options exercised	Total 2016 Company	Total cash compensation	Amount of shares awarded	Gross profit on options exercised	Total 2016 Group	Total 2016	Total 2015	Contribution to saving systems in the period
BERNARDO CALLEJA FERNANDEZ	406	0	70,2	476,2	0	0	0	0	476,2	727	57
JOSE MARIA LOIZAGA VIGURI	200	0	0	200	0	0	0	0	200	200	0
ALBERTO ZARDOYA ARANA	50	0	0	50	0	0	0	0	50	50	0
EURO-SYNS S.A.	50	0	0	50	0	0	0	0	50	50	0
MARIO ABAJO GARCIA	200	0	0	200	0	0	0	0	200	200	0
OTIS ELEVATOR COMPANY	600	0	0	600	0	0	0	0	600	550	0
ANDRES TORRECILLAS, JOSE MIGUEL	100			100					100	50	
<b>TOTAL</b>	<b>1.606</b>	<b>0</b>	<b>70,2</b>	<b>1.676</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1.676</b>	<b>1.827</b>	<b>57</b>

D.2 Describe the relationship between the compensation obtained by the directors and the results or other measurements of the company's performance, explaining, if applicable, how variations in the company's performance may have affected the variation in the directors' compensation.

With the sole exception of the executive director, who receives additional fixed compensation for performing executive duties in the Company, the compensation of the Board of Directors is variable in its entirety and, therefore, based on the Company's results. Furthermore, the quantitative limits contained in the Company's By-Laws and Board of Directors Regulations have necessarily determined that director compensation is linked to the Company's best long-term interests.

In addition to said quantitative limits, as mentioned in Section A.4 above, at its meeting of July 26, 2016, the Board of Directors unanimously resolved to limit the total amount of the By-Law stipulated compensation to 1,200,000 euros.

D.3 State the result of the consultative ballot at the General Shareholders' Meeting on the annual compensation report for the preceding year, giving the number of votes against, if any.

	Number	% of total
<b>Votes issued</b>	333.871.402	73,80%

	Number	% of total
<b>Votes against</b>	25.407.824	7,61%
<b>Votes in favour</b>	308.343.929	92,35%
<b>Abstentions</b>	119.649	0,04%

## E OTHER INFORMATION OF INTEREST

If there is any other important matter concerning director compensation that it has not been possible to include in other sections of this report but that it is necessary to include to provide more complete and substantial information on the company's compensation structure and practices in relation to its directors, give a brief description thereof.

This annual compensation report was approved by the Company's Board of Directors at its meeting of February 21, 2017.

State whether any directors have voted against the approval of this report or abstained in relation thereto.

Yes

No X