

EXHIBIT I

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED CORPORATIONS

**DETAILS IDENTIFYING
ISSUER**

DATE OF F.Y. END

November 30, 2012

Tax Id Code. A-28011153

Corporate name: ZARDOYA OTIS, S.A.

**MODEL FOR ANNUAL CORPORATE GOVERNANCE REPORT OF
LISTED CORPORATIONS**

For a better understanding of this specimen report and completion hereof, it is necessary to read the instructions on how to complete it included at the end of this report. The column containing the Tax ID Code, Number or similar, which shall be non-public, must be filled out in all cases where such information is necessary to complete the data of individuals or legal persons.

Tax ID or similar code or number (NIF, CIF)	Other information
A-28011153	

A OWNERSHIP STRUCTURE

A.1. Complete the following table on the company's share capital:

Date of latest modification	Share capital (€)	Number of shares	Number of voting rights
June 14,2012	38,524,149,90	385,241,499	385,241,499

In the event that different classes of shares exist, state this in the following chart:

Yes ☐ No ☒

Class	Number of shares	Nominal unit value	Number of voting rights per share	Different rights

A.2. Details of the direct and/or indirect owners of significant shareholdings in your company at the year-end date, excluding Board Members:

Name or corporate name of shareholder	Number of direct shares	Number of indirect shares (*)	% of total share capital
United Technologies Corporation (UTC)	0	192,659,576	50.01

(*) Through:

Name or corporate name of the direct owner of the shareholding	Number of direct voting rights	% of total voting rights
United Technologies Holdings, S.A.S.	192,659,576	50.01
Total	192,659,576	50.01

State the most significant movements in the shareholder structure that took place during the F.Y.:

Name or corporate name of the direct owner of the shareholding	Number of direct voting rights	% of total voting rights

A.3. Complete the following charts on the members of the Board of Directors of the company who hold voting rights corresponding to shares therein:

Name or corporate name of Director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Euro-Syns S.A.	41,683,407	3,816,325	11.811
Loizaga Viguri, José María	206,353	1,938	0.054
Abajo García, Mario	1,125,649	0	0.292
Calleja Fernandez, Bernardo	5,000	0	0.001
Harvey, Lindsay	10	0	0
Dejoux, Pierre	10	0	0
Messina, Angelo	1	0	0

(*) Through:

Name or corporate name of the direct owner of the shareholding	Number of direct voting rights	% of total voting rights
CENON Investments S.L.	3,816,325	0.991
Jiménez Martínez, María Paz (Spouse)	1,938	0.001
Total	3,818,263	0.992

% of total voting rights held by the Board of Directors	12,158
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Complete the following chart of the members of the Board of Directors of the company who hold rights over company shares:

Name or corporate name of Director	Number of direct option rights	Number of indirect option rights	Equivalent number of shares	% of total voting rights

A.4. State, if applicable, any family, commercial, contractual or corporate relationships that exist between the owners of significant shareholdings, to the extent that these are known to the company, unless they are of little relevance or are derived from ordinary business or trading:

Names or corporate names related	Type of relationship	Brief description
Euro-Syns, S.A.	Family	This director is a company controlled by the Zardoya family

A.5. State, if applicable, any commercial, contractual or corporate relationships that exist between the owners of significant shareholdings and the company, unless they are of little relevance or are derived from ordinary business or trading:

Names or corporate names related	Type of relationship	Brief description
United Technologies Holdings, S.A.S.	Commercial Contractual Corporate	At November 30, 2012, United Technologies Corporation (UTC) held 100% shares of Otis Elevator Co. and 50.01% of Zardoya Otis, S.A.. through United Technologies Holdings S.A.S. . Zardoya Otis S.A. has commercial and contractual relations with Otis Elevator Company and United Technologies Corporation (UTC).

A.6. Indicate whether any paracorporate (shareholders') agreements affecting the Company pursuant to the provisions of Section 112 of the Securities Market Law [Ley del Mercado de Valores – LMV] have been reported to the Company. If so, briefly describe them and list the shareholders bound by the agreement:

Yes ☒

No ☐

Parties to agreement	% of share capital affected	Brief description of agreement
Euro Syns, S.A. and United Technologies Holdings, S.A.S.	2.103%	<p>On August 3, 2012, Euro Syns, S.A. and United Technologies Holdings, S.A.S. signed a syndication agreement whereby Euro Syns, S.A. agreed to syndicate 8,458,074 shares in Zardoya Otis, S.A. representing up to approximately 2.103% of the share capital. % (after the capital increase decided by the Extraordinary General Shareholders' Meeting held on January 30, 2013)..</p> <p>This syndication agreement was signed in the interests of the transaction for the acquisition of Grupo Ascensores ENOR, S.A., in order for UTH to be, at any given moment, the holder of more than 50% of the voting rights of Zardoya Otis, S.A., so that the UTC Group can continue to consolidate Zardoya Otis, S.A. after the capital increase approved by the Company's Extraordinary General Shareholders' Meeting held on January 30, 2013.</p> <p>Likewise, to guarantee the obligations contained in the syndication agreement, Euro Syns, S.A. signed a share</p>

		<p>pledge agreement with United Technologies Holdings, S.A.S. whereby 8,458,074 shares in Zardoya Otis, S.A. owned by Euro-Syns, S.A. were pledged in favour of United Technologies Holdings, S.A.S. Pursuant to the provisions in the new article 9 of the By-Laws, the voting rights of the pledged shares are held by the pledge, i.e. United Technologies Holdings, S.A.S.</p> <p>A transcription of the clauses of the syndication agreement that affect the voting rights or restrictions that affect the free transferability of Zardoya Otis, S.A. was duly provided to the National Securities Market Commission (CNMV) on January 30, 2013 in Relevant Fact No. 181,717,</p>
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State, if applicable, any actions that have been arranged between the shareholders of your company that are known to the company:

Yes ☐ No ☒

Parties to agreement	% of share capital affected	Brief description of agreement

In the event that there was any change or breach of said agreements or arranged actions during the F.Y., state this expressly.

A.7. State whether there exists any natural or legal person that exercises or can exercise control over the company pursuant to article 4 of the Stock Market Act. If so, identify them:

Yes ☒ No ☐

Name or corporate name
United Technologies Corporation

Comments
At November 30, 2012, it was the indirect owner (through the French company United Technologies Holdings S.A.) of 50.01 % of the shares of Zardoya Otis, S.A.

A.8. Complete the following charts on the company's treasury stock:

At year-end date

Number of direct shares	Number of indirect shares (*)	% of total share capital
46,231	0	0,011

(*) Through:

Name or corporate name of the direct	Number of direct shares
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owner of the shareholding	
Total:	

Give details of any significant variations, pursuant to the provisions of Royal Decree 1362/2007, , that took place in the F.Y.:

Notification date	Total direct shares acquired	Total indirect shares acquired	% total of share capital
12 July, 2011	176,619	0	0.048

Profit/(loss) obtained in the F.Y. on treasury stock transactions	0
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A.9. Give details of the conditions and/or periods of the authorization(s) provided by the General Meeting of Shareholders to the Board of Directors to acquire or transfer the treasury stock:

The Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. held on May 24, 2012 unanimously approved the proposal to authorize the Board of Directors to, without consulting the General Shareholders' Meeting beforehand, directly or indirectly acquire shares in Zardoya Otis, S.A. up to the maximum percentage of the share capital allowed by law at any given moment and for the maximum period likewise allowed by law, as from the date on which the aforementioned Ordinary General Shareholders' Meeting was held. The acquisition price of said shares may not be lower than 2 euros per share or higher than 25 euros per share and the Board is expressly authorized to set aside the reserves required under article 148 of the Capital Companies Law.

In addition, the Extraordinary General Shareholders' Meeting of Zardoya Otis, S.A. held on January 20, 2013 unanimously approved to authorize the Board of Directors, pursuant to the provisions of article 149 of the current Capital Companies Law, either directly or through any group companies, to accept its own shares as a pledge or any other type of guarantee, within the limits and meeting the same requirements as are applicable to the acquisition thereof.

Specifically:

- The maximum number of shares to be accepted as pledges shall not exceed 10% of the Company's share capital.
- The shares accepted as pledges shall be free of all charges and encumbrances, fully paid up and not attached to compliance with any obligation the beneficiary of which is not the Company.
- Term of the authorization: the authorization shall be in force for the maximum period allowed by Law at any given moment, as from the date of this Extraordinary General Shareholders' Meeting.
- When carrying out these transactions, the rules on the subject contained in the Company's Internal Code of Conduct shall likewise be met.

This authorization in no way amended –but, rather, complemented- the authorization granted as per the first paragraph above.

A.10. State, if applicable, any legal restrictions or restrictions imposed by the By-Laws on the use of voting rights, together with legal restrictions on the acquisition or transfer of holdings in the share capital.

Indicate whether there are legal restrictions on the exercise of voting rights:

Yes ☐ No ☒

Maximum percentage of voting rights that a shareholder may exercise due to legal restrictions	N/A
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Indicate whether there are by-law restrictions on the exercise of voting rights:

Yes ☐

No ☒

Maximum percentage of voting rights that a shareholder may exercise due to by-law restrictions	N/A
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Maximum percentage of voting rights that a shareholder may exercise due to by-law restrictions	N/A
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A.11. State whether the shareholders acting at a General Shareholders' Meeting have approved the adoption of breakthrough measures in the event of a public tender offer pursuant to the provisions of Law 6/2007:

Yes ☐

No ☒

If applicable, describe the approved measures and the terms on which the restrictions will become ineffective.

B STRUCTURE OF THE COMPANY'S GOVERNING BODIES

B.1. Board of Directors

B.1.1. State the maximum and minimum number of Directors provided for in the By-Laws:

Maximum number of directors	15
Minimum number of directors	3

B.1.2. Complete the following chart with the members of the Board:

Name or corporate name of Director	Representative	Position on the Board	Date of first appointment	Date of latest appointment	Election procedure
Abajo García, Mario		Chairman	05-31-1985	05-23-2011	General Meeting
Loizaga Viguri, José María		Deputy Chairman	02-23-1973	05-23-2011	General Meeting
Calleja Fernandez, Bernardo		Director & C.E.O.	02-28-2012	05-24-2012	General Meeting
Otis Elevator Company	Bill, Johan	Director	05-30-1984	05-23-2011	General Meeting
Messina, Angelo		Director	06-30-2005	05-23-2011	General Meeting
Dejoux, Pierre		Director	01-26-2012	05-24-2012	General Meeting
Harvey, Lindsay		Director	06-24-2009	05-23-2011	General Meeting
Zardoya Arana, Francisco Javier		Director	05-27-2009	05-23-2011	General Meeting

Euro-Syns, S.A.	Zardoya Arana, María Luisa	Director	05-31-1996	05-23-2011	General Meeting
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Total number of directors	9
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State any Directors who left the Board during the period:

Name or corporate name of Director	Status of the director at the time of vacancy	Date of vacancy
Pedro Sainz de Baranda Riva	Director and CEO	02-28-2012

B.1.3. Complete the following charts on the members of the Board and their classification:

EXECUTIVE DIRECTORS

Name or corporate name of Director	Commission that proposed appointment of the Director	Position in the company's organization chart
Bernardo Calleja Fernández	Nominating Commission	CEO

Total number of executive directors	1
Total % of Board members	11.111

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of Director	Commission that proposed appointment of the Director	Name or corporate name of significant shareholder represented or that proposed appointment of the Director
Messina, Angelo J.	Nominating Commission	United Technologies Holdings, S.A.S.
Dejoux, Pierre	Nominating Commission	United Technologies Holdings, S.A.S.
Harvey, Lindsay E.	Nominating Commission	United Technologies Holdings, S.A.S.
Otis Elevator Company	Nominating Commission	United Technologies Holdings, S.A.S.
Zardoya Arana, Francisco Javier	Nominating Commission	Euro-Syns, S.A. (Zardoya family)
Euro-Syns, S.A.	Nominating Commission	Euro-Syns, S.A. (Zardoya family)

Total number of proprietary directors	6
Total % of the Board	66.667

INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of Director	Commission that proposed appointment of the Director	Profile
Loizaga Viguri, José María	Nominating Commission	Deputy Chairman

Total number of independent directors	1
Total % of the Board	11.111

OTHER EXTERNAL DIRECTORS

Name or corporate name of Director	Commission that proposed appointment of the Director
Abajo García, Mario	Nominating Commission

Total number of other external directors	1
Total % of the Board	11.111

Give details of the reasons for which they cannot be deemed to represent a shareholding or be independent and of their ties with the company, its management and/or its shareholders.

Name or corporate name of Director	Reasons	Company, Manager or shareholder with whom the director has ties
Abajo García, Mario	Mr. Abajo meets all the requirements of art. 5 of the Board of Directors Regulations and section III, No. 5 of the Unified Code of Good Governance to be considered an independent member of the Board, except letter a), since he was an Executive Director less than five years ago.	Mr. Mario Abajo García is not an executive director, or employee or manager of any company.

State any variations in the classification of each Director that may have taken place during the period:

Name or corporate name of Director	Date of modification	Former classification	Current classification

B.1.4. Describe, if applicable, the reasons why proprietary directors have been appointed at the proposal of shareholders whose shareholding interest is less than 5% of share capital.

Name or corporate name of director	Reasons
N/A	N/A

State whether formal petitions for presence on the Board have been received from shareholders whose shareholding interest is equal to or greater than that of others at whose proposal proprietary directors have been appointed. If so, describe the reasons why such petitions have not been satisfied.

Yes ☐ No ☒

Name or corporate name of shareholder	Reason
N/A	N/A

- B.1.5. State whether any director has withdrawn from his/her position before the expiration of his/her term of office, whether the director has given reasons to the Board and by what means, and in the event that he/she gave reasons in writing to the full Board, describe at least the reasons given by the director:**

Name of director	Reason for withdrawal
Sainz de Baranda Riva, Pedro	Mr. Pedro Sainz de Baranda y Riva notified his resignation by letter, due to his appointment as Chairman of Otis Elevator Company on February 13, 2012. His resignation from the post of CEO took place at the Board of Directors meeting of February 28, 2012.

- B.1.6. State the powers, if any, that are delegated to the Chief Executive Officer/s:**

Name or corporate name of Director	Brief description
Calleja Fernández, Bernardo	The CEO holds all the powers that can be delegated in accordance with the law or By-Laws, with the exception of the purchase/sale of real estate as well as the financial disbursement faculty, limited to joint powers for 50 million euros per transaction

- B.1.7. Identify, if applicable, the members of the Board who hold positions as Directors or managers in other companies that form part of the group of the listed company:**

Name or corporate name of Director	Corporate name of group company	Position
Calleja Fernández, Bernardo	Otis Elevadores Lda. (Portugal)	Chairman of the Board of Directors
	Otis Maroc, S.A.	Chairman
	Acresa-Cardellach, S.L.	Chairman
Abajo García, Mario	Otis Elevadores Lda. (Portugal)	Director
Loizaga Viguri, José María	Otis Elevadores Lda. (Portugal)	Director
Zardoya Arana, Francisco Javier	Otis Elevadores Lda. (Portugal)	Director
	Puertas Automáticas Portis, S.L.	Chairman
Zardoya Arana, María Luisa (personal representative of the director Euro-Syns, S.A.)	Otis Elevadores Lda. (Portugal)	Director

- B.1.8. Give details, if applicable, of the Directors of your company who are members of the Boards of Directors of other companies outside your group that are listed on official stock markets in Spain, when this has been notified to the company:**

Name or corporate name of Director	Listed company	Position
Loizaga Viguri, José María	Actividades de Construcción y Servicios, S.A. (ACS)	Director, Executive Committee Deputy Chairman, Audit Committee Chairman, Nominating and Compensation Committee Chairman

	Cartera Industrial Rea, S.A.	Chairman
Zardoya Arana, Francisco Javier	Cartera Industrial Rea, S.A.	Director

B.1.9. Indicate and, if applicable, explain whether the Company has established rules regarding the number of boards of which its directors may be members:

Yes ☒

No ☐

Description of Rules
Article 19 of the Regulations of the Board of Directors expressly establishes the directors' duty to devote the time and effort necessary to perform their function efficiently.

B.1.10. In connection with recommendation number 8 of the Unified Code, indicate the Company's general policies and strategies reserved for approval by the full Board:

	Yes	No
The investment and financing policy	X	
The definition of the structure of the group of companies	X	
The corporate governance policy	X	
The corporate social responsibility policy	X	
The strategic or business plan, as well as management objectives and annual budgets	X	
The policy regarding compensation and evaluation of performance of senior management	X	
The risk control and management policy, as well as the periodic monitoring of the internal information and control systems	X	
The dividend policy, as well the treasury stock policy and, especially, the limits thereto	X	

B.1.11. Complete the following charts on the aggregated compensation of the Directors accrued during the year:

a) In the company to which the present report refers:

Item of compensation	Figures in thousands of euros
Fixed compensation	194
Variable compensation	166
Allowances	0
Remuneration pursuant to By-laws	1,000
Stock options and/or other financial instruments	0
Other	145
Total	1,505

Other benefits	Figures in thousands of euros
Advance payments	0
Credits granted	0
Pension funds and plans: contributions	0
Pension funds and plans: obligations acquired	0
Life insurance premiums	0
Guarantees furnished by the company in favour of Directors	0

b) As a result of company Directors' belonging to other Boards of Directors and/or the senior management of group companies:

Item of compensation	Figures in thousands of euros
Fixed compensation	0
Variable compensation	0
Allowances	0
Remuneration pursuant to By-laws	0
Stock options and/or other financial instruments	0
Other	0
Total	0

Other benefits	Figures in thousands of euros
Advance payments	0
Credits granted	0
Pension funds and plans: contributions	0
Pension funds and plans: obligations acquired	0
Life insurance premiums	0
Guarantees furnished by the company in favour of Directors	0

c) Total compensation by type of director

Type of Director	By company (in thousands of euros)	By group
Executive directors	505	0
External proprietary directors	600	0
Independent external directors	200	0
Other external directors	200	0
Total	1,505	0

d) In relation to the profit attributed to the parent company:

Total compensation of Directors (thousands of euros)	1,505
Total compensation of Directors/profit attributed to parent company (expressed as a percentage)	0.831

B.1.12. Identify the members of senior management who are not also executive directors and state the total compensation accrued in their favour during the F.Y.:

Name or corporate name	Position
Fernández Fernández, Rafael Manuel	General Manager
Ramos, Jorge	General Manager
da Ascençao Oliveira, Domingos Edmundo	General Manager

Total compensation senior management (thousands of euros)	465
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B.1.13. State, on an aggregated basis, whether there exist guarantee or protection clauses in favour of the members of senior management, including executive directors of the company or its group, in the event of dismissal or changes in control. State whether these contracts must be notified to and/or approved by the governing body/ies of the company or its group:

Number of beneficiaries	0
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	Board of Directors	General Meeting
Body authorizing the clauses	N/A	N/A

	YES	NO
Is the General Meeting informed of the clauses?		X

B.1.14. State the process for fixing the compensation of the members of the Board of Directors and the relevant clauses of the By-Laws in this respect.

Process to set the compensation of the members of the Board of Directors and by-law provisions
<p>According to article 24 of the By-Laws and article 18 of the Regulations of the Board of Directors, membership of the Company's Board of Directors will be remunerated.</p> <p>Article 24 of the By-Laws states that the maximum global compensation for all the members of the Board will consist of a 1.5% share in the consolidated profit after tax, up to an upper limit of 1% of the consolidated profit before tax, which may only be taken from the liquid profit (after tax) after the needs of the Legal Reserve and the Reserves provided for in the By-Laws have been met and a minimum dividend of 10% of the paid-up share capital has been attributed to the shareholders. Taking out civil liability insurance in favour of the directors will form part of the aforementioned upper limit on compensation.</p> <p>Said global compensation will be distributed in the manner freely decided by the Board of Directors among the members thereof in each year, depending on: (i) whether they sit on any Board committees or other bodies; (ii) whether they hold specific positions on the Board; (iii) their attendance of Board meetings; and/or (iv) their commitment to the service of the Zardoya Otis, S.A..</p> <p>Furthermore, article 18 of the Regulations of the Board of Directors 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.</p> <p>The director compensation policy has not changed in comparison with the preceding year, using solely the criteria established in the aforementioned articles 24 of the By-Laws and 18 of the Regulations of the Board of Directors.</p> <p>Additionally, article 3 of the Regulations of the Board of Directors includes the approval of director compensation among the functions of the Board of Directors and the Company does not have a Compensation Commission.</p> <p>Neither has Zardoya Otis, S.A. used the services of external advisors to determine its director compensation policy and, therefore, the Board of Directors itself, with the participation of all its members, is the body responsible for designing, approving and implementing its compensation policy.</p>

State whether the full Board has reserved the right to approve the following decisions:

	YES	NO
At the proposal of the Company's chief executive, the appointment and, if applicable, the removal of senior managers, as well as their indemnity provisions.	X	
The compensation of directors and, in the case of executive directors, the additional compensation for their executive duties and other terms and conditions that must be included in their contracts.	X	

B.1.15. State whether the Board of Directors approves a detailed compensation policy and specify the matters covered thereby:

Yes ☒

No ☐

	YES	NO
Amount of fixed components, with a breakdown, if applicable, of fees payable for attendance at meetings of the Board and its Committees and estimated annual fixed compensation arising	X	
Variable compensation items	X	
Main characteristics of the social security systems, with an estimate of the amount thereof or equivalent annual cost .	X	
Terms and conditions that must be included in the contracts with executive directors performing senior management duties, which will include	X	

B.1.16. State whether the Board submits a report on director compensation policy to the vote of the shareholders at a General Shareholders' Meeting for consultative purposes.

If so, describe the relevant portions of the report regarding the compensation policy approved by the Board for the following years and the most significant changes experienced by such policies vis-à-vis the policy applied during the fiscal year, and provide an outline of the manner in which the compensation policy was applied during the fiscal year. Describe the role of the Compensation Commission and, if external advice has been provided, state the name of the external advisors that have given such advice:

Yes ☒

No ☐

Matters covered by the report on compensation policy
Zardoya Otis, S.A. prepares an Annual Director Compensation Report, which is approved by the Board of Directors and submitted to a consultative vote at the Ordinary General Shareholders' Meeting (after previous notification to the National Securities Market Commission). Zardoya Otis, S.A. submitted the Annual Director Compensation Report to a consultative vote for the first time at the Annual General Shareholders' Meeting held on May 24, 2012.
The content of the Annual Director Compensation Report is adapted to the provisions of the Securities Market Law, article 61, and likewise takes into account the Draft Circular of the National Securities Market Commission regarding the annual report on the remuneration of directors in listed corporations.
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Role of the Compensation Commission
The Company does not have a Compensation Commission

	YES	NO
Has external advice been provided?		X
Name of external advisors	N/A	

B.1.17. State, if applicable, the identity of the members of the Board who are also members of the Boards of Directors or management of companies that hold significant shareholdings in the listed company and/or companies belonging to its group:

Name or corporate name of director	Name or corporate name of significant shareholder	Designation
Mario Abajo García	Buga Otis Asansor Sanayi ve Ticaret A.S. [Turkey]	Vice Chairman of the Board and Member of the Board of Directors
	Otis Elevadores Lda. (Portugal)	Director
Angelo J. Messina	Asia Pacific Elevator Company [Delaware, USA]	Director
	Atlantic Lifts, Inc. [Delaware, USA]	Director
	Elevator Export Trading Company [Delaware, USA]	Director
	Otis Elevator Company (New Jersey)	Director
	Otis Elevator Company [Delaware, USA]	Director
	Otis Elevator International, Inc. [Delaware, USA]	Director
	Otis Elevator Korea [Korea]	Director
	Otis Elevator Overseas Limited	Director
	Otis Investments, L.L.C. [Delaware, USA]	Assistant General Manager; Member of Management Committee.
	Otis Pacifid Holdings B.V. (Netherlands)	Director
	United Technologies (Cayman) Holdings, Ltd. [Cayman Islands]	Director
	UTCL Investments B.V. [Netherlands]	Director
Pierre Dejoux	Otis Management GmbH [Alemania]	Supervisory Board Member
	Otis L.L.C [UAE]	Chairman
	Otis A/S [Denmark]	Director
	Otis Elevator Company Saudi Arabia Limited [Saudi Arabia]	Director
	Otis Elevator Company [Kuwait]	Director
	Otis NV [Belgium]	Director
	Otis Oy [Finland]	Director
	Otis S.A. [Switzerland]	Director
	Vtechnologies [Kenya]	Director
	Otis S.C.S [France]	Director
	Otis B.V. [Netherland]	Director
Pedro Sainz de Baranda Riva (until 02/13/2012)	Buga Otis Asansor Sanayi ve Ticaret A.S. [Turkey]	Director
	C. Veremis Otis S.A. [Greece]	Director
	Otis Elevadores (Portugal)	Chairman
	Otis Management GMBH (Germany)	Director
	Otis Maroc, S.A.S. (Morocco)	Director
	Otis S.p.A. (Italy)	Chairman
	Acresa Cardellach, S.L.	Chairman
	Ascensores Eguren, S.A.	Personal Representative of Director
	Conservación de Aparatos Elevadores Express, S.L.	
	Ascensores Ingar, S.A.	
Bernardo Calleja Fernandez	Buga Otis Asansor Sanayi ve Ticaret A.S. [Turkey]	Director
	C. Veremis Otis S.A. [Greece]	Director
	Otis Elevadores (Portugal)	Chairman
	Otis Management GMBH (Germany)	Director
	Zayani Otis Elevator Company W.L.L	Director
	Otis Servizi S.r.l.	Chairman
	Acresa Cardellach, S.L.	Chairman

Lindsay E. Harvey	"OTIS" spółka z ograniczona odpowiedzialnoscia [Poland]	Chairman
	Advance Lifts Holdings Limited [United Kingdom]	Director
	Advance Lifts Limited [United Kingdom]	Director
	Becker Lifts Limited [United Kingdom]	Director
	Budget Lift Services Limited [United Kingdom]	Director
	Combined Lift Services (Merseyside) Ltd. [United Kingdom]	Director
	English Lifts [United Kingdom]	Director
	Estec Limited [United Kingdom]	Director
	Evans Lifts Limited [United Kingdom]	Director
	Excelsior Lifts Limited [United Kingdom]	Director
	Express Evans Lifts Limited [United Kingdom]	Director
	Express Lifts (Overseas) Limited [United Kingdom]	Director
	Express Lifts Alliance Limited	Director
	I.L.S. Irish Lift Services Ltd	Director
	GB Lifts Limited (United Kingdom)	Director
	Key Elevators Limited (United Kingdom)	Director
	Lerman Oakland Lifts Limited [United Kingdom]	Director
	Lift Components Limited [United Kingdom]	Director
	Manor Lifts Limited [[United Kingdom]	Director
	MovemanSKG Limited [[United Kingdom)	Director
	Northern Lifts Services Limited [United Kingdom]	Director
	Oakland Elevators Limited [United Kingdom]	Director
	Oakland Elevators Limited (United Kingdom –Dormant)	Director
	OAo MOS Otis (Russia)	Director
	Orion Lifts Limited [United Kingdom]	Director
	OTIS (Isle of man) Limited	Director
	Otis Elevator Ireland Limited [Ireland]	Director
	Otis Elevator Pension Trustee Limited	Director
	Otis International Holdings UK Limited [United Kingdom]	Director
	Otis Investments Ltd. [United Kingdom]	Director
	Otis Limited [United Kingdom]	Director
	Otis UK Holding Limited [United Kingdom]	Director
	PDERS Key Lifts Limited [United Kingdom]	Director
	Porn Dunwoody (Lifts) Limited [United Kingdom]	Director
	Sirius Korea Limited [United Kingdom]	Director
	SKG (UK) Limited [United Kingdom]	Director
	The Express Lift Company Limited [United Kingdom]	Director
	Trent Valley Lifts Limited [United Kingdom]	Director
	Wadsworth Lifts Limited [United Kingdom]	Director
	Waygood Lifts Ltd. [United Kingdom]	Director
	Otis Management GmbH [Germany]	Director

	Otis Gesellschaft m.b.H. (Austria)	Director
José María Loizaga Viguri	Otis Elevadores Lda. (Portugal)	Director
Maria Luisa Zardoya Arana (Personal representative of the director Euro-Syns, S.A.)	Otis Elevadores Lda. (Portugal)	Director

Explain, if applicable, any significant relationships, other than those mentioned in the preceding caption, between the members of the Board of Directors and the significant shareholders and/or companies belonging to their groups:

Name or Corporate Name of Director	Name or Corporate Name of Significant Shareholders	Relationship
Messina, Angelo J.	United Technologies Corporation	He is an executive of the United Technologies Corporation Group
Harvey, Lindsay	United Technologies Corporation	He is an executive of the United Technologies Corporation Group
Dejoux, Pierre	United Technologies Corporation	He is an executive of the United Technologies Corporation Group
Otis Elevator Company	United Technologies Corporation	This company is controlled by United Technologies Corporation
Calleja Fernandez Bernardo	United Technologies Corporation	He is an executive of the United Technologies Corporation Group
Zardoya Arana, Francisco Javier	Euro-Syns, S.A.	Euro-Syns, S.A. is a company controlled by the Zardoya family
Euro-Syns, S.A.	Euro-Syns, S.A.	Euro-Syns, S.A. is a company controlled by the Zardoya family

B.1.18. State, if applicable, any modifications made to the Regulations of the Board of Directors during the F.Y.

Yes ☒

No ☐

Description of modifications
<p>In compliance with article 528 of the Capital Companies Law, at its meeting of April 17, 2012, the Board of Directors drew up a report explaining the amendments made to the Regulations of the Board of Directors.</p> <p>La reform of the Regulations of the Board of Directors is structured along two basic lines: (i) the convenience of adapting the Regulations of the Board of Directors to the new legislation introduced by Royal Legislative Decree 1/2010 of July 2, whereby the revised text of the Capital Companies Law was approved, and Law 25/2011 of August 1, which partially reformed the Capital Companies Law and incorporated Directive 2007/36/EC of the European Parliament and Council, of July 11, on the exercise of certain rights of shareholders in listed companies; and (ii) the updating and technical improvement of the wording of certain rules of the current Regulations of the Board of Directors, clarifying the wording and minimizing the need to make future amendments due to changes in the applicable legislation.</p> <p>The Chairman of the Company's Board of Directors explained the scope of the reform at the Ordinary General Shareholders' meeting held on May 24, 2012 and, in all other aspects, referred the meeting to the aforementioned report, which, to make it easier to compare the</p>

new wording of the amended articles with that in force previously, included, for information only, (i) a document that compared, in two columns, the original wording of the text and the wording approved for the new revised text of the Board of Directors Regulations; and (ii) a clean version of the new revised text of the Regulations of the Board of Directors..

All the documentation was made available to the shareholders when the General Shareholders' Meeting of May 24, 2012 was to be held and was notified to the National Securities Market Commission (CNMV) in Relevant Fact No. 161,769.

B.1.19. State the procedures for appointment, re-election, evaluation and removal of Directors. Give details of the competent bodies, the procedures to follow and the criteria to be employed in each one of the procedures.

According to article 20 of the By-Laws, directors will be designated by voting pursuant to the rules established by law.

In this respect, it is not necessary to be a shareholder in order to be appointed as a director, except in the event of provisional appointment made by the Board of Directors itself pursuant to the provisions of article 244 of the Capital Companies Law.

In addition, article 13 of the Regulations of the Board of Directors states that Directors will be designated by the General Meeting or, provisionally, by the Board of Directors, pursuant to the provisions of the Capital Companies Law and the By-Laws.

Thus, the Board of Directors (i) shall, within the scope of its respective competencies, ensure that the persons chosen as candidates are persons with recognized competence and experience; (ii) establish an induction program for new directors that swiftly provides them with sufficient knowledge of the Company and its corporate governance rules; and (iii) likewise provide refresher training programs when the circumstances thus advise.

B.1.20. State the circumstances in which Directors are obliged to resign.

Firstly, article 15 of the Regulations of the Board of Directors states that directors will cease to hold office when the term for which they were appointed has elapsed or when the General Shareholders' Meeting thus decides, using the attributions conferred upon it by law or in the By-Laws.

Furthermore, in order to meet recommendations 30 and 32 of the Unified Code of Good Governance, article 15 of the Board of Directors Regulations provides that directors must tender their resignation to the Board and, if the latter deems it convenient, resign under any of the following circumstances:

- (a) When they are affected by one of the cases of incompatibility or prohibition provided for by law;
- (b) When they may damage the Company's prestige or reputation;
- (c) When they are accused or prosecuted or when a ruling for opening an oral trial in ordinary proceedings or a conviction in abridged proceedings is issued against them for a serious offence, in particular, one of the offences mentioned in article 213 of the Capital Companies Act;
- (d) When they are seriously rebuked by the Audit Committee or for having failed to perform their duties as directors; or
- (e) When an external proprietary director transfers its shareholding in the Company or when the shareholder that proposed the appointment of the director to the Company sells its shareholding in full or reduces it to a level that requires the reduction or elimination of its proprietary directors..

Members of any Committees or Commissions that may exist will cease to be so when they cease to be directors.

B.1.21. Explain whether the function of chief executive of the company is performed by the person holding the position of Chairman of the Board. If applicable, state the measures taken to limit the risks of accumulation of power by a single person:

Yes ☐

No ☒

Measures to limit risks

Indicate and, if applicable, explain whether rules have been established whereby one of the independent directors is authorized to request that a meeting of the Board be called or that other items be included on the agenda, to coordinate and hear the concerns of external directors and to direct the evaluation by the Board of Directors

Yes ☐ No ☒

Description of the rules

B.1.22. Are qualified majorities, other than those legally provided for, required for any type of decision?

Yes ☐ No ☒

State how the resolutions of the Board of Directors are adopted, stating at least the minimum quorum for attendance and the type of majorities required to adopt the resolutions:

Adoption of resolutions		
Description of resolution	Quorum	Type of majority

B.1.23. Explain whether there exist specific requirements, other than those relating to Directors, to be appointed Chairman:

Yes ☐ No ☒

Description of the requirements

B.1.24. State whether the Chairman has a casting vote:

Yes ☐ No ☒

Subjects for which the casting vote exists

B.1.25. State whether the By-Laws or the Regulations of the Board of Directors fix any age limit for Directors:

Yes ☐ No ☒

Age limit Chairman			
Age limit chief executive officer		Age limit Director	

B.1.26. State whether the By-Laws or the Regulations of the Board of Directors fix a limited term of office for independent Directors:

Yes ☐ No ☒

Maximum number of years of term of office	
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B.1.27. If the number of women directors is scant or nil, describe the reasons therefor as well as the initiatives adopted to correct such situation.

Description of reasons and initiatives
<p>At the 2012 year end, to which this report refers, Zardoya Otis, S.A. had a small Board of Directors. Of its 9 members, 6 are proprietary directors, one is an executive director, one is classified as "other external directors" (recommendation 11 of the Unified Code of Good Governance) and one is classified as "independent". At present, Ms. María Luisa Zardoya Arana is the personal representative of the director Euro-Syns, S.A.</p> <p>In its policy for choosing directors, Zardoya Otis, S.A. applies processes intended to avoid any discrimination that might limit the access of women to posts on the Board of Directors.</p> <p>In this respect, articles 5 and 12 B) 1 of the Board of Directors Regulations require that this body should ensure, within its competencies, that the choice of director candidates should include people who, in addition to meeting the legal requirements and those stipulated in the By-Laws for the position, possess the appropriate knowledge, prestige and experience to perform the functions that they are appointed to perform. And this is irrespective of their sex.</p> <p>Likewise, article 12 B) 2 e) of the Board of Directors Regulations states that one of the functions of the Nominating Committee is to ensure that, when new vacancies arise or new Directors are appointed, the selection procedures are not implicitly biased in any way that might imply some kind of discrimination and to report to the Board on gender diversity issues.</p>

In particular, state whether the Nominating and Compensation Commission has established procedures which ensure that selection processes are free from any implied bias hindering the selection of women directors and which allow for the free search for women

Yes ☒

No ☐

Describe the main procedures
<p>Article 12 B) 2 e) of the Board of Directors Regulations states that one of the functions of the Nominating Committee is to ensure that, when new vacancies arise or new Directors are appointed, the selection procedures are not implicitly biased in any way that might imply some kind of discrimination and to report to the Board on gender diversity issues.</p>

B.1.28. Indicate whether there are formal procedures for proxy-voting at meetings of the Board of Directors. If so, briefly describe them.

Article 22 of the By-Laws states that any Director may provide written authorization for another Director to represent him.

In addition, article 11 of the Regulations of the Board of Directors states that each director may authorize another director to represent him without any limit on the number of other directors that one director may represent at the Board meeting. Absent directors may authorize another director to represent them using any written means and telegrams, e-mails or faxes addressed to the Chairman of the Board of Directors are valid.

B.1.29. State the number of meetings held by the Board of Directors during the F.Y. Likewise, if applicable, state the number of times that the Board met without the presence of the Chairman:

Number of Board meetings	11
Number of Board meetings without the presence of the Chairman	0

State the number of meetings that the different commissions of the Board have held during the F.Y.:

Number of meetings of the Executive or Delegate Commission	N/A
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Number of meetings of the Audit Commission	8
Number of meetings of the Nominating and Compensation Commission	N/A
Number of meetings of the Nominating Commission	2
Number of meetings of the Remuneration Commission	N/A

B.1.30. Indicate the number of meetings held by the Board of Directors during the fiscal year at which not all of its members have been in attendance. Proxies granted without specific instructions must be counted as absences:

Number of absences of directors during the fiscal year (with representations but without specific instructions)	0
% of absences over total votes during the fiscal year	0

B.1.31. State whether the individual and consolidated annual accounts that are submitted to the Board for its approval are certified previously:

Yes ☐ No ☒

Identify, if applicable, the person/s who certified the company's individual and consolidated accounts to be formulated by the Board:

Name	Position

B.1.32. Explain the mechanism, if any, established by the Board of Directors to prevent the individual and consolidated accounts it formulates from being submitted to the General Meeting with qualifications in the audit report.

The Board of Directors controls, through the Audit Committee, the whole process of drawing up and formulating the annual accounts of Zardoya Otis, S.A. and its Group.

To date, the annual accounts (individual and consolidated) have never been submitted to the General Meeting with qualifications in the Audit Report.

In order to meet recommendation 53 of the Unified Code of Good Governance, article 12 of the Board of Directors Regulations states that the Board of Directors will endeavour to submit the accounts to the General Meeting of Shareholders without reservations or qualifications in the audit report and, in exceptional cases where these may exist, the Chairman of the Audit Committee and the auditors will provide the shareholders with clear explanations on the content and scope of said reservations or qualifications.

B.1.33. Is the Secretary of the Board of Directors a Director?

Yes ☐ No ☒

B.1.34. Describe the procedures for appointment and removal of the Secretary of the Board, stating whether the appointment and removal thereof have been reported upon by the Nominating Commission and approved by the full Board.

Procedure for appointment and removal
In accordance with article 8 of the Regulations of the Board of Directors, the Secretary will be designated by the Board of Directors.
The Secretary was appointed by the Board of Directors on April 13, 2011, with the prior favourable opinion of the Nominating Commission.
Neither the By-Laws nor the Regulations of the Board of Directors provide for any specific procedure for removal of the Secretary and, therefore, he will leave his post when the term for which he was appointed expires or when the Board of Directors so resolves with the vote in favour of a majority of its members.

	Yes	No
Does the Nominating Commission report on the appointment?	X	
Does the Nominating Commission report on the removal?	X	
Does the full Board approve the appointment?	X	
Does the full Board approve the removal?	X	

Is the secretary of the Board responsible for specially ensuring compliance with good governance recommendations?

Yes ☒

No ☐

Comments
In order to meet recommendation 18 of the Unified Code of Good Governance article 8 of the Regulations of the Board of Directors expressly provides that the Secretary of the Board of Directors must ensure that the resolutions of the Board of Directors:
(i) are in line with the letter and the spirit of the Laws and their implementing regulations, including those approved by the regulatory bodies;
(ii) are in accordance with the By-Laws of the Company and the Regulations of the General Meeting, the Board of Directors and any other body present in the Company; and
(iii) respect the rules or recommendations on good corporate governance in force at any given moment

B.1.35. Indicate the mechanisms, if any, used by the Company to preserve the independence of the auditors, the financial analysts, the investment banks and the rating agencies.

Zardoya Otis, S.A. has an internal Code of Conduct the ultimate purpose of which to protect the interests of those who invest in securities of Zardoya Otis, S.A. and avoid any situation where market abuse exists, establishing, in this respect, a set of rules applicable to the management and control of privileged and relevant information, the carrying out of transactions with securities of Zardoya Otis, S.A. itself, the carrying out of treasury stock transactions and detecting and handling conflicts of interest, among other issues.

In order to meet recommendation 50.2.c) of the Unified Code of Good Governance, article 12.A) 2 of the Regulations of the Board of Directors states that the Audit Committee must be in contact with the external Account Auditor in order to receive information on any matters related to the process of performing the account audit, such as the progress and findings of the audit program, must maintain with the external Account Auditor those other communications required by the account auditing legislation and technical audit rules and must check that the Company's senior management is acting in accordance with its recommendations. Likewise, the Audit Committee must receive information on any issues which may place the external Account Auditor's independence at risk.

To this effect:

- (i) the Company shall notify any change of auditor to the National Securities Market Commission (CNMV) as a relevant fact, accompanied by a statement of any disagreements that may have arisen with the outgoing auditor and, if such disagreements exist, the contents thereof;
- (ii) it shall be ensured that the Company and the external Account Auditor respect the current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, the other requirements designed to safeguard auditors' independence;
- (iii) the Company shall establish appropriate contacts with the account auditor to receive information on any questions which might place the latter's independence at risk, which will be examined by the Audit Committee, and any other issues related to the process of conducting the account audit, together with the matters provided for in the account auditing legislation and auditing rules. In particular, the Audit Committee will receive from the account auditors, on an annual basis, written confirmation of their independence in relation to the Company or any companies that may be related directly or indirectly thereto, together with confirmation of the additional services of any nature rendered to said companies by the auditors or by persons or entities related to the auditors, in accordance with the provisions of the Account Auditing Law;
- (iv) the Audit Committee shall investigate the issues giving rise to the resignation of any external Account Auditor; and
- (v) the Audit Committee shall issue an annual report, prior to the issue of the audit report, expressing an opinion on the independence of the account auditors. Said report shall also always make a pronouncement on the additional services to which point (ii) above refers.

Finally, in accordance with article 12 A) 2 g) of the Regulations of the Board of Directors, the Audit Committee must encourage the external group auditor to take on the auditing of all the group's companies.

B.1.36. Indicate whether the Company has changed the external auditor during the fiscal year. If so, identify the incoming and the outgoing auditor:

Yes ☐ No ☒

Outgoing auditor	Incoming auditor

If there has been any disagreement with the outgoing auditor, describe the content thereof:

Yes ☐ No ☒

Explanation of the disagreement
N/A

B.1.37. State whether the audit firm carries out work for the company and/or its group other than audit work and, if so, state the amount of the fees received for said work and the percentage of the fees billed to the company and/or its group that these represent:

Yes ☒ No ☐

	Company	Group	Total
Amount of work other than audit work (thousands of euros)	143	65	208

Amount of work other than audit work / Total amount billed by the audit firm (%)	42.69	27.66	36.49
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B.1.38. State whether the audit report on the Annual Financial Statements for the prior fiscal year has observations or qualifications. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of such observations or qualifications:

Yes ☐ No ☒

Description of reasons

B.1.39. State the number of years for which the current audit firm has been uninterruptedly auditing the annual accounts of the company and/or its group. Likewise, state the percentage represented by the number of years audited by the current audit firm in relation to the total number of years for which the annual accounts have been audited:

	Company	Group
Number of consecutive years	25	25
Number of years audited by the current audit firm / Number of years for which the company has been audited (%)	65.79	100.00

B.1.40. State the holdings of members of the Board of Directors of the company in companies that have the same, an analogous or a complementary type of activity to the activity that constitutes the corporate purpose of both the company and its group, when such holdings have been notified to the company. Likewise, state the positions or functions executed in said companies:

Name or corporate name of Director	Name of the relevant company	% shareholding	Position or functions
Loizaga Viguri, José María	Actividades de Construcción y Servicios, S.A. (ACS)	0.0408	Director, Deputy Chairman of the Executive Committee, Chairman of the Audit Committee and Chairman of the Nominating and Compensation Committee

B.1.41. State whether any procedure exists that allows the Directors to obtain external advice and, if applicable, give details thereof:

Yes ☒ No ☐

Details of procedure
Article 17 of the Regulations of the Board of Directors states that the Board of Directors may, with the broadest authorization, obtain any information or advice it may require on any aspect of Zardoya Otis, S.A. whenever it so requires to perform its functions. The right to information extends to subsidiary companies, both national and foreign, and will be channelled through the Chairman, who will handle the director's requests, providing him/her with the information directly, offering any appropriate contacts or arranging any measures that may be necessary for the examination requested. Likewise, In order to meet recommendation 24 of the Unified Code of Good Governance,

article 17 of the Regulations of the Board of Directors provides that, in order to be assisted in his/he functions, any director may request the engagement, at the Company's expense, of legal, accounting, financial or commercial advisors or other experts. The engagement must necessarily refer to specific problems of certain importance and complexity that arise in carrying out the director's duties.

The request for the engagement will be channelled through the Chairman or Secretary of the Board of Directors, who may make it subject to the Board's prior authorization, which may be refused when there are reasons to justify this, including the following circumstances:

- (i) When it is not necessary in order to correctly fulfil the functions entrusted to the directors.
- (ii) If the cost is not reasonable in the light of the importance of the problem and the Company's assets and income.
- (iii) If the technical assistance requested may be given adequately by experts and technical staff within the Company.
- (iv) If it may represent a risk to the confidentiality of the information that must be provided to the expert.

The Audit Committee and Nominating Commission may obtain external advice when they deem this necessary in order to perform their functions.

Likewise, the Chairman may, as an exception, temporarily restrict access to certain information, informing the Board of this decision.

B.1.42. State whether there exists a procedure that allows the Directors to obtain the information required to prepare the meetings of the governing bodies in sufficient time and, if applicable, give details:

Yes ☒

No ☐

Describe the procedure

Board meetings are, in practice, called 20 days in advance, although the minimum period included in article 10 of the Regulations of the Board of Directors is 10 days before the date fixed for the meeting.

The notice of the meeting, which will be sent by letter, e-mail, telegram or fax to each one of the directors at the address they have provided for this purpose, must also attach the Agenda and provide the directors with the information necessary to prepare to items to be considered at each meeting. For matters in which the Audit Committee is involved, the latter will meet before the Board meeting, which it will subsequently inform, and will obtain such information and call such persons from the Company, auditors, etc. that it deems necessary in order to fulfil its functions appropriately.

Likewise, article of the Regulations of the Board of Directors states that any director may obtain, with the broadest authorization, any information or advice they he/she requires on any aspect of the Company whenever that this is required in order to fulfil his/her functions. The right to information covers subsidiaries, both national and foreign, and will be channelled through the Chairman of the Board of Directors, who will handle the requests of any director and provide the information directly, offering the appropriate contacts or taking any measures necessary for the examination requested.

In order to meet recommendation 16 of the Unified Code of Good Governance article 6 of the Regulations of the Board of Directors expressly provides that the Chairman of the Board is responsible for ensuring that all the directors receive sufficient information to prepare the items to be discussed at each meeting of the Board of Directors.

B.1.43. State whether the Company has established any rules requiring Directors to inform the Company —and, if applicable, resign from their position— in cases in which the credit and reputation of the Company may be damaged. If so, describe such rules:

Yes ☒

No ☐

Describe the rules	
Articles 15 and 19 of the Regulations of the Board of Directors follow recommendation 32 of the Unified Code of Good Governance.	
1.	Article 15 of the Regulations of the Board of Directors states that directors are obliged to tender their resignation to the Board of Directors and formalize it if the latter sees fit in the following cases: <ul style="list-style-type: none"> (i) When they are affected by any of the circumstances for incompatibility or prohibition provided for by law; (ii) When they may damage the Company's prestige or reputation; (iii) When they are accused or prosecuted or when a ruling for opening of an oral trial in ordinary proceedings or a conviction in abridged proceedings is issued against them for a serious offence, in particular, any of the offences mentioned in article 213 of the Capital Companies Law; (iv) When they are seriously rebuked by the Audit Committee or for having breached their duties as Directors; or (v) When an external proprietary director transfers its shareholding or when the shareholder that proposed the appointment of the director to the Company sells its shareholding in full or reduces it to a level that requires the reduction or elimination of its proprietary directors.
2.	Article 19 of the Regulations of the Board of Directors states that the directors are obliged to notify the Board of Directors as soon as possible and, if applicable, resign, in the event that any of the circumstances that may affect them and may damage the Company's prestige and reputation arise, in particular, if they are prosecuted in criminal proceedings.

B.1.44. State whether any member of the Board of Directors has informed the Company that he has become subject to an order for further criminal prosecution upon indictment or that an order for the commencement of an oral trial has been issued against him for the commission of any of the crimes contemplated in article 229 of the Capital Companies Law:

Yes ☐ No ☒

Name of Director	Criminal Case	Comments

Indicate whether the Board of Directors has analyzed the case. If so, provide a duly substantiated explanation of the decision adopted regarding whether or not the Director should remain in office:

Yes ☐ No ☐

Decision adopted	Duly substantiated explanation
N/A	

B.2. Commissions of the Board of Directors

B.2.1. Give details of all the commissions of the Board of Directors and the members of said commissions:

EXECUTIVE OR DELEGATE COMMITTEE

Name	Position	Type of shareholder
There is no executive or delegate committee		

AUDIT COMMITTEE

Name	Position	Type of shareholder
Loizaga Viguri, José María	Chairman	Independent
Messina, Angelo J.	Member	Proprietary
Harvey, Lindsay	Member	Proprietary

NOMINATING AND COMPENSATION COMMISSION

Name	Position	Type of shareholder
There is no nominating and compensation commission		

NOMINATING COMMISSION

Name	Position	Type of shareholder
Harvey, Lindsay	Chairman	Proprietary
Loizaga Viguri, José María	Member	Independent
Otis Elevator Company (Johan Bill)	Member	Proprietary

COMPENSATION COMMISSION

Name	Position	Type of shareholder
There is no compensation commission		

B.2.2. State whether the Audit Committee has the following duties:

	Yes	No
To monitor the preparation and the integrity of the financial information relating to the company and, if appropriate, to the group, checking compliance with legal requirements, the appropriate demarcation of the scope of consolidation, and the correct application of accounting standards.	X	
Periodically review the internal control and risk management systems, in order for the main risks to be properly identified, managed and made known.	X	
Ensure the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of the internal audit service; propose the department's budget; receive regular reports on its activities; and verify that senior management takes into account the findings and recommendations of its reports.	X	
Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate, anonymously, potentially significant irregularities within the company that they detect, in particular financial or accounting irregularities.	X	
Submit to the Board proposals for the selection, appointment, re-election and replacement of the external auditor, as well as the contractual terms under which it should be hired.	X	

Regularly receive from the external auditor information regarding the audit plan and the results of the implementation thereof, and verify that senior management takes its recommendations into account.	X	
Ensure the independence of the external auditor.	X	
In the case of groups of companies, favour the auditor of the Group as the auditor responsible for audit work at the companies that form part thereof.	X	

B.2.3. Provide a description of the rules of organization and operation and of the responsibilities attributed to each one of the commissions of the Board.

A) AUDIT COMMITTEE

1. Competencies

According to article 24 bis of the By-Laws, the competencies of the Audit Committee are:

- (a) To inform, through the Chairman, at the General Meeting of Shareholders on issues raised thereat on subjects in which it is competent.
- (b) To propose to the Board of Directors, for submission to the General Meeting of Shareholders, the appointment of the external auditor to which article 264 of the Capital Companies Law refers.
- (c) To supervise the Company's internal audit services.
- (d) To keep informed of the Company's financial information and internal control systems.
- (e) To keep in contact with the Auditor to receive information on any issues that may place said Auditor's independence at risk and any other matters related to the process of conducting the account audit and to exchange the other communications provided for in account auditing legislation and technical auditing rules with the Auditor.
- (f) Any other functions attributed to it in the Regulations of the Board of Directors.

In order to meet recommendations Nos. 45, 48, 49, 50, 51, 52 and 53 of the Unified Code of Good Governance, article 12 A) of the Regulations of the Board of Directors states that the competencies of the Audit Committee are as follows:

- (a) To report, through its Chairman, to the General Shareholders' Meeting with respect to matters relating to its functions raised thereat by the shareholders.
- (b) To propose to the Board of Directors, for submission to the General Shareholders' Meeting, the recommendations for the selection, appointment, reappointment and removal of the external account auditor and its engagement conditions.
- (c) To supervise the efficiency of the Company's internal control, internal audit and risk control systems and, in particular: (i) to monitor the independence and efficacy in its functions of the internal audit services; (ii) to propose the selection, appointment, reappointment and removal of the head of internal audit services; (iii) to propose the budget of said services; (iv) to receive regular report-backs on their activities; (v) to review the annual work program and the yearly activities report of the internal audit services; (vi) to be informed of any incidents arising during the implementation of the internal audit services' yearly work program, (vii) to verify that senior management acts in accordance with the conclusions and recommendations contained in their reports, and (viii) to discuss any significant weaknesses detected in the internal audit system in the course of the audit with the account auditors.
- (d) To be informed of and to monitor the process of preparing and presenting financial information on the Company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidated group and the correct application of accounting principles, ensuring the integrity thereof.

- (e) To review internal control and risk management systems on a regular basis, so that main risks are properly identified, managed and disclosed. In particular, control and risk management policy shall identify, at least:
 - (i) the different types of risk (operational, technological, financial, legal, reputational, etc.) the Company is exposed to, including contingent liabilities and other off-balance sheet risks among the financial and economic risks;
 - (ii) the determination of the risk level the Company sees as acceptable;
 - (iii) the measures in place to mitigate the impact of the identified risk events, should they occur; and
 - (iv) the internal reporting and control systems which will be used to control and manage said risks, including the aforementioned contingent liabilities and off-balance sheet risks.
- (f) To be in contact with the external Account Auditor in order to receive information on any matters related to the process of performing the account audit, such as the progress and findings of the audit program, to maintain with the external Account Auditor those other communications required by the account auditing legislation and technical audit rules and check that the Company's senior management is acting in accordance with its recommendations. Likewise, to receive information on any issues which may place the external Account Auditor's independence at risk. To this effect:
 - (i) the Company shall notify any change of auditor to the National Securities Market Commission (CNMV) as a relevant fact, accompanied by a statement of any disagreements that may have arisen with the outgoing auditor and, if such disagreements exist, the contents thereof;
 - (ii) it shall be ensured that the Company and the external Account Auditor respect the current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, the other requirements designed to safeguard auditors' independence;
 - (iii) the Company shall establish appropriate contacts with the account auditor to receive information on any questions which might place the latter's independence at risk, which will be examined by the Audit Committee, and any other issues related to the process of conducting the account audit, together with the matters provided for in the account auditing legislation and auditing rules. In particular, the Audit Committee will receive from the account auditors, on an annual basis, written confirmation of their independence in relation to the Company or any companies that may be related directly or indirectly thereto, together with confirmation of the additional services of any nature rendered to said companies by the auditors or by persons or entities related to the auditors, in accordance with the provisions of the Account Auditing Law;
 - (iv) the Audit Committee shall investigate the issues giving rise to the resignation of any external Account Auditor; and
 - (v) the Audit Committee shall issue an annual report, prior to the issue of the audit report, expressing an opinion on the independence of the account auditors. Said report shall also always make a pronouncement on the additional services to which point (ii) above refers.
- (g) To encourage the group auditor to take on the auditing of all the group's companies.
- (h) To establish and supervise a mechanism whereby employees can report, confidentially and, if seen fit, anonymously, any potentially serious irregularities that they note within the Company, especially financial and accounting irregularities. The Chairman of the Audit Committee shall inform the Board of Directors on any reports received at the first Board meeting following receipt thereof.

- (i) To supervise compliance with the internal codes of conduct and corporate governance rules and recommendations in force at any given moment.
- (j) To inform the Board of Directors, before the decision-making, on the following issues:
 - (i) the financial information that the Company must periodically disclose. The Committee shall ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review;
 - (ii) the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of an analogous nature whose complexity may detract from the transparency of the group; and
 - (iii) related-party transactions.
- (k) Any others that may be attributed to them by the By-Laws, the Regulations of the Board of Directors, the Board of Directors itself or the Law.

2. Rules of organization and operation

In accordance with article 24 bis of the By-Laws, the rules of organization and operation of the Audit Committee are as follows:

First. The Audit Committee shall meet at least once quarterly and whenever the Chairman considers convenient or at least two members of the Committee so request.

Second. The Committee is a collegiate body and its decisions shall be adopted by a majority of its members. Resolutions adopted by the Audit Committee shall be notified to the Board of Directors by sending it the full contents of the minutes of the meetings of this Committee.

Third. The Audit Committee may require the presence at any of its meetings of any officer or employee of the Company (and may order them to appear without the presence of any other officer, in which case, their attendance shall be requested through the General Manager), any executive director, the external account auditor or the legal advisor to the Board of Directors.

Fourth. The Committee shall review the financial information that is sent on a quarterly basis to the National Securities Market Commission (CNMV).

Fifth. The Board of Directors is competent to develop, expand and complete the rules on the composition, operation and competencies of the Audit Committee in all aspects not specified in these By-Laws by drawing up internal regulations of the Audit Committee, which must respect the provisions of these By-Laws and the law.

In order to meet recommendations numbers 44 and 51 of the Unified Code of Good Governance, article 12 of the Regulations of the Board of Directors states that the rules of operation of the Audit Committee are the following:

- (a) The Audit Committee shall meet at least once quarterly and whenever the Chairman considers convenient or at least two members of the Committee so request.
- (b) Meetings of the Audit Committee will reach a quorum when a majority of the members are present or represented. Its decisions shall likewise be adopted by a majority of the members.
- (c) The Chief Executive Officer shall provide the Audit Committee with the information it requires to perform its duties in relation to the directors and senior management of the principal companies in which interests are held.
- (d) The Audit Committee shall have free access to any kind of information or documentation held by or available to the Company that it considers necessary in order to perform its duties.
- (e) The Committee may require the presence at any of its meetings of any employee or officer (and may order them to appear without the presence of any other officer, in which case, their attendance shall be requested through the

General Manager), any executive director, the external account auditor and/or the legal advisor to the Board of Directors.

- (f) Minutes of Audit Committee meetings shall be taken and a copy shall be sent to all the members of the Board and to the Board of Directors, sending the full contents of the minutes of the Committee meetings. Furthermore, the Chairman of the Audit Committee shall, if applicable, report on any decisions and/or significant events that may have occurred at the Committee meetings at the first Board meeting to take place after the Committee meeting in question.
- (g) The Committee shall review the financial information that is sent on a quarterly basis to the National Securities Market Commission (CNMV).
- (h) The Board of Directors shall discuss the proposals and/or reports presented by the Audit Committee.

In the absence of any specific rule, the provisions of the Regulations of the Board of Directors on the operation thereof shall be applicable to the Audit Committee to the extent that they are not incompatible with the nature of the latter, in particular, the rules on calling the meetings, delegating another Director as a representative, universal meetings, written ballots without holding a meeting, the persons acting as chairman and secretary of the meetings and the approval of the minutes thereof.

B) NOMINATING COMMISSION

1. Competencies

According to article 12 B) 2 of the Regulations of the Board of Directors, the Nominating Commission shall have the following competencies:

- (a) To assess the skills, knowledge and experience necessary on the Board and, consequently, to define the functions and abilities necessary in the candidates who are to cover any vacancies and assess the time and effort required for them to carry out their duties well.
- (b) To report on proposals for designating the internal positions to be held by the members of the Board of Directors and propose the members that should compose each of the Commissions to the Board of Directors.
- (c) To examine or organize, in the manner seen fit, the succession of the Chairman and the chief executive and, if applicable, to make proposals to the Board so that said succession takes place in an orderly and well-planned manner.
- (d) To report on the appointments and removals of members of senior management that the Company's chief executive proposes to the Board.
- (e) To ensure that, when new vacancies arise or new Directors are appointed, the selection procedures are not implicitly biased in any way that might imply some kind of discrimination and to report to the Board on gender diversity issues.
- (f) Any others that may be attributed to them by the By-Laws, these Regulations, the Board of Directors or the Law.

The Nominating Commission shall consult the Chairman and the Company's chief executive, especially in relation to issues concerning the executive directors.

Any Director may request the Nominating Commission to consider potential candidates to cover vacancies on the Board, so that it may decide on their suitability

2. Rules of organization and operation

In accordance with article 12 B) 3 of the Regulations of the Board of Directors, the Nominating Commission shall observe the following rules of organization and operation::

- (a) The Nominating Commission shall meet before any Board of Directors meeting at which a proposal is to be put to the General Shareholders' Meeting for the appointment, removal from office, re-election or ratification of a Director and before any Board of Directors meeting at which it is planned to co-opt a Director to cover a vacancy. The Nominating Commission shall likewise meet whenever

the Chairman considers it necessary or when at least two members of the Commission so request.

- (b) Meetings of the Nominating Commission will reach a quorum when a majority of the members are present or represented. Its decisions shall likewise be adopted by a majority of the members.
- (c) The Chief Executive Officer shall provide the Nominating Commission with the information it requires to perform its duties in relation to the directors and senior management of the principal companies in which interests are held.
- (d) The Commission shall have free access to any kind of information or documentation held by or available to the Company that it considers necessary in order to perform its duties.
- (e) The Commission may require the collaboration of any Director, member of senior management or employee of the Company and/or its group to enable it to better perform its functions.
- (f) Minutes of Nominating Commission meetings shall be taken and a copy shall be sent to all the members of the Board and to the Board of Directors, sending the full contents of the minutes of the Commission's meetings. Furthermore, the Chairman of the Nominating Commission shall, if applicable, report on any decisions and/or significant events that may have occurred at the Committee meetings at the first Board meeting to take place after the Commission meeting in question.

In the absence of any specific rule, the provisions of the Regulations of the Board of Directors shall be applicable to the Nominating Commission to the extent that they are not incompatible with the nature thereof, in particular, the rules on calling the meetings, delegating another Director as a representative, universal meetings, written ballots without holding a meeting, the persons acting as chairman and secretary of the meetings and the approval of the minutes thereof.

B.2.4. State, if applicable, the authority in relation to advice or consultation and, if applicable, the delegations that each of the commissions holds:

Name of commission	Brief description
Audit Committee	Advice: the Audit Committee may obtain external advice when it deems this necessary in order to carry out its functions.
	Consultation: the Committee may require the presence at any of its meetings of any employee or member of management (and also require them to appear without the presence of any member of management, in which case the requirement for attendance must be made through the General Manager), any executive director, the Account Auditor or the Legal Advisor to the Board of Directors.
	Powers: The Board of Directors does not hold any powers delegated by the Board of Directors.
Nominating Commission	Advice: The Nominating Commission may have free access to any kind of information or documentation that Zardoya Otis, S.A. that it considers necessary in order to perform its functions.

	Consultation: the Nominating Commission may require the collaboration of any director, manager or employee of the Company or its Group to assist it in its functions.
	Delegations: the Nominating Commission does not hold any powers delegated by the Board of Directors.

- B.2.5. State, if applicable, the existence of any regulations of the commissions of the Board, the place in which they are available to be consulted and any amendments that may have been made during the year. Also, state whether any annual report has been prepared voluntarily on the activities of each commission.**

Audit Committee

The Audit Committee has the competencies and rules of operation transcribed above. The annual financial statements include a summary of the main points discussed by the Audit Committee in the year ended November 30, 2012. All this information is available on the Company's website (www.otis.com/site/es-esl/Pages/InformacionparaAccionistasInversores.aspx), which, in turn, contains a heading relating to "Board Commissions" within the "Corporate Governance" section.

Article 24 bis f9 of the By-Laws states that the Audit Committee's competencies are not only those set forth in said article, but may be complemented by the contents of the Regulations of the Board of Directors.

Nominating Commission

The Nominating Commission has the competencies and rules of operation transcribed above. The annual financial statements include a summary of the main points discussed by the Audit Committee in the year ended November 30, 2012. All this information is available on the Company's website (www.otis.com/site/es-esl/Pages/InformacionparaAccionistasInversores.aspx), which, in turn, contains a heading relating to "Board Commissions" within the "Corporate Governance" section.

No annual report is drawn up on the activities of the Nominating Commission.

- B.2.6. State whether the composition of the executive commission reflects the participation of the different Directors in the Board in accordance with their classification:**

Yes ☐ No ☒

If not, explain the composition of the executive commission
There is no executive commission.

C RELATED TRANSACTIONS

- C.1. State whether the Board in full has reserved the power to approve, after a favourable report of the Audit Committee or any other committee entrusted with such duty, transactions carried out by the Company with Directors, with significant shareholders or shareholders represented on the Board, or with persons related thereto:**

Yes ☒ No ☐

Article 12 of Board Regulations, states that the Audit Committee will inform the Board of Directors prior to decisions of the Board on related transactions.

- C.2. Give details of any relevant transactions that represent a transfer of resources or obligations between the company or companies belonging to its group and the company's significant shareholders:**

Name or corporate name of significant shareholder	Name or corporate name of the company or company belonging to its group	Nature of the transaction	Type of relationship	Amount (thousands of euros)
United Technologies Holdings, S.A.S.	Otis Elevator Company	Contractual	License Agreements (<i>"Intellectual Property License Agreement"</i>)	21,161
United Technologies Corporation (parent company)		Contractual	Recharge Agreement	139

The Group has been party to a technical assistance agreement (*"Intellectual Property License Agreement"*) with Otis Elevator Company since 1999. This Agreement allows the company to use the trademarks and have access to the Research and Development and global product development activities. The cost of this Agreement is a royalty of 3.5% of sales to final customers.

Additionally, in September 2010, a *"Recharge Agreement"* was signed with United Technologies Corporation (UTC), which concerned the possibility that certain Zardoya Otis, S.A. executives who were also considered to be UTC group executives, since they held important management responsibilities, should benefit, depending on their performance and the attainment of joint objectives of Zardoya Otis, Otis Elevator Company and United Technologies Corporation (UTC), from the UTC long-term incentive plan, which includes UTC share-based compensation schemes. The Agreement is applicable to incentives assigned as from December 1, 2010. The cost, approved by the Audit Committee, is included in employee benefit expenses, generating a credit account with UTC Group companies (shown as other provisions in the statement of financial position). For 2012, the expense was EThs 139 (*EThs 390 in 2011*), relating to the fair value of the assets to which it is indexed, which was EThs 650.

C.3. Give details of any relevant transactions that represent a transfer of resources or obligations between the company or companies belonging to its group and the company's Directors or management staff:

Name or corporate name of the directors or management staff	Name or corporate name of the company or company belonging to its group	Nature of the transaction	Type of relationship	Amount (thousands of euros)

C.4. Give details of any relevant transactions performed by the company with other companies belonging to the same group, when these are not eliminated in the process of preparing financial consolidated statements and do not form part of the company's ordinary trade in terms of their purpose and conditions:

Corporate name of group entity	Brief description of transaction	Amount (thousands of euros)
Otis Elevator Group	Imports (from)	36,673
Otis Elevator Group	Exports (to)	127,734
Otis Elevator Group	Financial income (from)	0
Otis Elevator Group	Invoicing (to) R&D of Zardoya Otis, S.A.	747

C.5. Identify, if applicable, any situations of conflicts of interest that affect the company's Directors, as provided for in article 127 ter of the Spanish Corporations Act.

Yes ☐

No ☒

Name or corporate name of the director	Description of the conflict of interest situation

C.6. Give details of the any mechanisms established to detect, determine and solve any possible conflicts of interest between the company and/or its group and its Directors, management staff or significant shareholders.

In accordance with article 229 of the Capital Companies Act, directors affected by a conflict of interest shall refrain from participating in resolutions or decisions that concern the operation to which the conflict refers.

Article 19 of the Regulations of the Board of Directors formally establishes the obligation for the directors to abstain in the event that a situation arises in which their personal interests and those of the Company enter into conflict.

Additionally, article 10 of the Internal Code of Conduct on Matters relating to the Stock Markets, approved and updated by Zardoya Otis, S.A., states that directors, members of management and significant shareholders are obliged to inform the Secretary of the Board of Directors on any possible conflicts of interest to which they are subject. Any doubt on the possibility of a conflict of interest must be consulted with the Secretary of the Board of Directors before any decision that may affect said conflict is adopted.

The Secretary is responsible for keeping an updated register of conflicts of interests. The Secretary may periodically request the persons subject to the Internal Conduct Regulations on Matters relating to the Stock Markets to provide written confirmation that no conflicts of interest exist or that no new conflicts have arisen.

According to article 10.4 of the Internal Code of Conduct, In the event of a conflict of interest that the Secretary has been unable to solve and that requires authorized intervention, it will be submitted to the Board of Directors, which will take the following rules into account in order to decide:

- (a) In the event of conflict between the directors, members of management or significant shareholders and Zardoya Otis, S.A., the interests of the Company will prevail.
- (b) In the event of conflict between Zardoya Otis, S.A. and a shareholder or customer or between the two latter, the fair criterion of the Board will be applicable.

At any event, persons affected by a conflict must govern their conduct by the principles of abstention and independence.

C.7. Is more than one company of the Group listed in Spain?

Yes ☐

No ☒

Identify the subsidiaries listed in Spain:

Listed subsidiaries
N/A

State whether they have publicly and accurately defined their respective areas of activity and any possible business relationships among them, as well as those between the listed dependent company and the other companies within the Group:

Yes ☐

No ☐

Describe the possible business relationships between the parent company and the listed subsidiary, and between the subsidiary and the other companies within the Group
N/A

Describe the mechanisms established to resolve possible conflicts of interest between the listed subsidiary and the other companies within the Group:

Mechanisms for the resolution of possible conflicts of interest
N/A

D RISK CONTROL SYSTEMS

D.1. General description of the risk policy of the company and/or its group, providing details of and evaluating the risks covered by the systems, together with an explanation of why said systems are appropriate for the profile of each type of risk.

Section F) attached to this Annual Corporate Governance Report presents a description of the main features of the internal control and risk management systems in relation to the financial reporting process. In particular, the risk policy of the Company and its consolidated group is described in points F.1) to F.5).

D.2. Indicate whether any of the various types of risks (operational, technological, financial, legal, reputational, tax-related, etc.) affecting the Company and/or its Group materialized during the fiscal year.

Yes ☒ No ☐

If so, indicate the circumstances giving rise to them and whether the established control systems have worked:

Risk that occurred during the fiscal year	Circumstances giving rise thereto	Performance of control systems
Risk on accounts receivables	Deterioration in the economic situation	The Group has customer credit risk analysis policies, as well as regular debt monitoring procedures conducted by the departments involved in debt collection.

D.3. Indicate whether there is any committee or other decision-making body in charge of establishing and supervising these control mechanisms.

Yes ☒ No ☐

If so, describe its duties:

Name of Committee or other Body	Description of duties
Board of Directors	The Board of Directors is responsible for approving the risk management and control policy.
Audit Committee	The Audit Committee is responsible for periodically reviewing the internal control and risk management systems, so that the main risks are properly identified, managed and disclosed.

D.4. Identification and description of processes for compliance with the different regulations that affect your company and/or its group.

Zardoya Otis, S.A. has an Internal Audit Department, with systems and processes that are intended to evaluate, monitor, mitigate or reduce the main risks of the Company and

its consolidated group by preventive measures and alerts of possible situations of risk. The Company has the risks that affect assets and liability covered by the appropriate insurance policies.

Likewise, it has processes that ensure control of any risk that may stem from trading operations. The exhibit attached hereto sets forth information on the internal control and risk management systems in greater detail.

E GENERAL MEETING

- E.1. State the quorum required for the valid assembly of the General Meeting fixed in the Spanish Corporations Law. Describe how it differs from the system of minimums provided for in the Spanish Corporations Law (now Capital Companies Law).**

Yes ☒ No ☐

	Quorum % different from that established as a general rule in article 102 of Corporations Law	Quorum % different from that established in arts. 194 and 201 of Capital Companies Law for the special cases of arts. 194 and 201 of said Law
Quorum required in 1st call	60%	Two thirds of the subscribed capital with voting rights (66.66%)
Quorum required on 2nd call	50%	50%

Description of differences
The qualified quorums mentioned in the above chart are required.

- E.2. State and, if applicable, describe whether the system for adopting corporate resolutions differs from the system provided for in the Corporations Law (now Capital Companies Law).**

Yes ☐ No ☒

Describe the differences from the system provided for in the Corporations Law (now Capital Companies Law):

	Qualified majority other than that established in art. 194 of Capital Companies Law for the cases described in art. 201 Capital Companies Law	Other cases of qualified majority
% established by the entity for the adoption of resolutions		
Describe the differences		
N/A		

- E.3. List any shareholders' rights in relation to the General Meetings that differ from those provided for in the Spanish Corporations Law (now Spanish Companies Law).**

There are no shareholder rights in relation to General Meetings other than those provided for in the Capital Companies Law..

- E.4. State, if applicable, any measures adopted to promote shareholder participation in the General Meetings.**

All the shareholders of Zardoya Otis, S.A. may attend the General Shareholders' Meeting pursuant to the provisions of article 5 of the Regulations of the General Meeting. Likewise, in accordance with article 10 of the Regulations of the General Meeting, all shareholders are entitled to participate, with voice and vote, in the deliberations at the General Meeting, with no type of limitation on the use of voting rights.

In addition to the rights to request a meeting be called, to attend and to designate a representative included in the By-Laws, Zardoya Otis, S.A. applies a policy of encouraging shareholders to participate in the General Meeting of Shareholders with the following measures:

- The General Meeting of Shareholders takes place on premises with the best conditions for holding and following the meeting, with a large capacity, located in the centre of the city where the registered office is located..
- All the documentation necessary for preparing the General Meeting of Shareholders is made available to the shareholders, both on the Company's website and at the registered office.
- Possibility that the shareholder may grant proxy and notify said proxy to the Company by: (i) written postal correspondence or any other written means that, in the opinion of the Board of Directors in a decision adopted previously in this respect, allow the identity of the shareholder granting the proxy and that of the proxy-holder or holders that he/she designates to be duly verified ;or (ii) through any means of electronic distance communication deemed appropriate by the Board of Directors, guaranteeing the security of the communications and identification of the shareholders and their proxies when drawing up the rules, means and procedures for granting proxy through distance communication are drawn up.
- A mechanism is established for distance participation, whereby any shareholder with the right to attend and vote may issue a distance vote on the items on the Agenda of the General Meeting using the following means of distance communication: (i) written postal correspondence or any other written means that, in the opinion of the Board of Directors in a decision previously adopted in this respect, in a decision adopted previously in this respect, allow the identity of the shareholder t granting the proxy and that of the proxy-holder or holders that he/she designates to be duly verified; or (ii) through any means of electronic distance communication deemed appropriate by the Board of Directors, guaranteeing the security of the communications and identification of the shareholders and their proxy-holders when drawing up the rules, means and procedures to establish the specific mechanism to vote before the General Meeting, in accordance with article 521.2.c) of the Capital Companies Law.
- Establishment of an electronic shareholders' forum which all the shareholders may access with due guarantees, in order to facilitate communication before the General Meetings of Zardoya Otis, S.A. that are called are held.

In accordance with article 16 of the By-Laws, the Chairman of the General Meeting is responsible for chairing the deliberations, yielding the floor, in strict order, to all the shareholders who have so requested in writing and then to those who request it orally.

E.5. State whether the position of Chairman of the General Meeting coincides with the position of Chairman of the Board of Directors. Give details, if applicable, of the measures adopted to guarantee the independence and correct operation of the General Meeting:

Yes ☒

No ☐

Details of the measures

To ensure that the General Meeting of Shareholders is conducted in an orderly manner, the relevant measures of caution and protection are in place, including access control systems and other measures necessary to ensure that the meeting runs correctly.

In accordance with Article 8 of the Regulations for the General Shareholders' Meeting, the Chairman will preside and fix the order of the deliberations and speeches, decide on the manner in which votes are taken on the resolutions, handle any queries, clarifications or claims that arise in relation to the Agenda, the list of attendees, share ownership, delegations or representatives, the requirements for a valid quorum and/or the adoption of resolutions by the Meeting, or on the limit on voting rights in the By-Laws. Likewise, the Chairman will yield the floor to the shareholders who so request, withdrawing the right to speak or not granting it and concluding the debates when he considers the subject thereof to have been discussed sufficiently.

E.6. State, if applicable, any amendments made to the Regulations for the General Meeting during the year.

The Board of Directors put forward a report supporting the amendments made to the Regulations of the General Shareholders' Meeting, which was made available to the shareholders when the Ordinary General Shareholders' Meeting of May 24, 2012 was to be held.

La reform of the Regulations of the General Shareholders' Meeting is structured along two basic lines: (i) the convenience of adapting Regulations of the General Shareholders' meeting to the new legislation introduced by Royal Legislative Decree 1/2010 of July 2, whereby the revised text of the Capital Companies Law was approved, and Law 25/2011 of August 1, which partially reformed the Capital Companies Law and incorporated Directive 2007/36/EC of the European Parliament and Council, of July 11, on the exercise of certain rights of shareholders in listed companies; and (ii) the updating and technical improvement of the wording of the Regulations of the General Shareholders' Meeting, clarifying said wording and minimizing the need to make future amendments due to changes in the applicable legislation.

The Chairman of the Company's Board of Directors explained the scope of the reform at the Ordinary General Shareholders' meeting held on May 24, 2012 and, in all other aspects, referred the meeting to the aforementioned report, which, to make it easier to compare the new wording of the amended articles with that in force previously, included, for information only, (i) a document that compared, in two columns, the original wording of the text and the wording approved for the new revised text of the Regulations of the General Shareholders' Meeting; and (ii) a clean version of the new revised text of the Regulations of the General Shareholders' Meeting.

All the documentation was made available to the shareholders when the General Shareholders' Meeting of May 24, 2012 was to be held and was notified to the National Securities Market Commission (CNMV) in Relevant Fact No. 161,769.

The motion was adopted unanimously by the Ordinary General Shareholders' Meeting.

E.7. State the attendance figures for General Meetings held in the year to which the present report refers:

Attendance Figures					
Date of General Meeting	% physically present	% represented	% distance votes		Total
			Electronic vote	Other	
May 24, 2012	64.48	5.96	0	0	70.44

E.8. State briefly the resolutions adopted at the General Meetings held in the year to which the present report refers and the percentage of votes with which each resolution was adopted.

The Ordinary General Shareholders' Meeting (the only General Meeting held during the year ended November 30, 2012) was held on the second call on May 24, 2012. The Agenda was as follows:

1. Examination and approval of the annual financial statements and management reports of both the Company and its consolidated group for the year running from December 1, 2010 to November 30, 2011.
2. Application of the profit for the year running from December 1, 2010 to November 30, 2011.
3. Approval of the performance of the Board of Directors and, in particular, of the distribution of dividends charged to the profit for the year running from December 1, 2010 to November 30, 2011.
4. Approval of the distribution of a dividend charged to reserves for a gross amount of 0.120 euros per share.
5. Appointment of the auditors for the Company and its consolidated group for the year running from December 1, 2011 to November 30, 2012.
6. Ratification of Mr. Pierre Dejoux and Mr. Bernardo Fernández Calleja, who were appointed by co-option, as directors.
7. Share capital increase in a ratio of 1 new share for every twenty old shares by issuing bonus shares fully charged to the voluntary reserve and application to the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges for the listing of said shares. Amendment of article 5 of the By-Laws.
8. Approval, if applicable, of a new revised text of the By-Laws and rescission of the current By-Laws.
9. Approval, if applicable, of new Regulations of the General Shareholders' Meeting and rescission of the current Regulations.
10. Board's report on the amendments made to the Regulations of the Board of Directors since the last General Shareholders' Meeting in compliance with article 528 of the Capital Companies Law.
11. Ratification of the creation of the Company's corporate website for the purposes of article 11 bis of the Capital Companies Law.
12. Consultative ballot on the 2011 Annual Report on Director Compensation to which article 61 ter of the Securities Market Act refers.
13. Authorization to the Board of Directors for the direct or indirect derivative acquisition of treasury stock, within the limits and meeting the requirements set forth in article 146 and related articles of the Capital Companies Law.
14. Authorization to the Board of Directors to resolve to increase the share capital in accordance with article 297.1.b) of the Capital Companies Law, either on a single occasion or spread over several occasions, by a maximum amount equal to half the capital that exists at the time of the authorization, at any time within a term of five years as from adoption of the resolution by the General Shareholders' Meeting. Delegation for exclusion of preferential subscription rights in accordance with article 506 of the Capital Companies Law.
15. Delegation to the Board of Directors of the interpretation, rectification, execution, formalization and registration of the resolutions adopted.
16. Requests and questions.
17. Approval of the Minutes.

All the above motions were adopted unanimously.

E.9. State, if applicable, the number of shares required to attend the General Meeting and whether the By-Laws contain any restriction in this respect.

Yes ☐ No ☒

Number of shares required to attend the General Meeting	1
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E.10. State and justify the policies followed by the company in relation to the delegation of votes at the General Meeting.

According to article 15 of the By-Laws and 6 of the Regulations of the General Meeting, any shareholder may be represented at the General Meeting of Shareholders by another person, who need not be a shareholder, provided said authorization to represent is conferred in writing specifically for each General Shareholders' Meeting and complies with legal requirements.

The shareholder may grant proxy and notify this to the Company using the following means of distance communication:

- a) Written postal correspondence or any other written means that, in the opinion of the Board of Directors in a decision adopted previously in this respect, allow the identity of the shareholder granting the proxy and that of the proxy-holder or holders that he designates to be duly verified.
- b) Any electronic means of distance communication that may be deemed appropriate by the Board of Directors, provided that the means chosen duly guarantees the validity of the proxy granted and the identification of the shareholder and the proxy-holder or holders he designates.

At any event the Board is expressly authorized to develop the above provisions, establishing the rules, means and procedures appropriate to the state of the art for the distance granting of proxy. The implementing rules that the Board of Directors adopts under this section will be published on the Company's corporate website.

In order to attend the General Shareholders' Meetings, it will be an essential requirement to prove ownership of the shares through a certificate from Iberclear or one of the participating entities authorized thereby, issued five days prior to the date of the General Shareholders' meeting.

The directors must attend the General Shareholders' meetings. Managers, legally-empowered representatives, technical personnel and any other persons who, in the opinion of the Chairman of the General Shareholders' Meeting, should be present at the meeting because they are interested in the correct running of corporate matters may likewise attend. The Chairman of the General Shareholders' Meeting may, in principle, authorize the attendance of any other person he sees fit. The General Shareholders' Meeting may, however, revoke this authorization.

In addition, article 6 of the Regulations of the General Shareholders' Meeting states that any shareholder with the right to attend may grant proxy to another person, who need not be a shareholder. Proxy must be granted in writing specifically for each Meeting and will be subject to the terms, conditions and limitations established by law.

The granting of proxy by the shareholder and the notification of the proxy granted to the Company using means of distance communication shall only be deemed valid if made:

- a) By postal correspondence, sending to the address provided by the Company for this purpose the certificate of entitlement or equivalent document, together with the pertinent attendance, proxy and voting card, issued by Iberclear (or the participating entity thus authorized), duly signed and completed by the shareholder, or any other written means that, in the opinion of the Board of Directors in a decision adopted previously in this respect, allows the identity of the shareholder granting proxy and of the proxy-holder or holders he/she designates to be duly verified.
- b) Any electronic means of distance communication that may be deemed appropriate by the Board of Directors, provided that the means chosen duly guarantees the validity of the proxy granted and the identification of the shareholder and the proxy-holder or holders he/she designates. Proxy granted by these means shall be admitted when the electronic document whereby it is conferred includes the recognized electronic signature or the advanced electronic signature of the principal, in the terms set forth in current law. The user certificate must be obtained by the shareholder, at no cost to the Company, and must be in force when proxy is granted. Any shareholder who has an electronic

signature and meets the above requirements, identifying him/herself with said electronic signature, may grant proxy by means of an electronic communication in accordance with the instructions and procedures that are specified on the Company's website, which includes the forms to be used for this purpose.

In order to be valid, proxies granted by any of the aforementioned means of distance communication (postal or electronic) must be received by the Company at least 24 hours before the date on which it is planned to hold the Meeting on the first call. The shareholder granting proxy by postal correspondence or electronic distance communication undertakes to inform the designated proxy-holder of the proxy granted in her/her favour.

In the event that the shareholder is a legal person, it must simultaneously provide a notary's certificate stating that the person granting the proxy by postal correspondence or electronic distance communication holds sufficient powers to do so.

In the event that a shareholder grants proxy by postal correspondence or electronic communication sent to the Company, the directors or the Secretary of the Board, but does not include therein instructions for casting the vote or there are doubts as to the recipient or scope of the proxy, it shall be considered that: (i) the proxy is granted in favour of the Chairman of the Board of Directors or, in the event that the latter has a conflict of interest, in favour of the Deputy Chairman of the Board of Directors, unless otherwise stated by the shareholder; (ii) it refers to all the proposals on the Agenda; (iii) the vote is in favour of said proposals; and (iv) it likewise includes any points that may be raised off the Agenda, in respect of which the proxy-holder will vote in the manner he/she considers most favourable to the principal's interests.

On the day of the General Meeting, in the place where it is held, the designated proxy-holder must identify his/herself with his/her national identity card or passport, in force, so that the Company can check the proxy granted in his/her favour, accompanied by, if applicable, a copy of said proxy and, likewise if applicable, the notary's certificate of the powers of attorney. The proxy-holder may only vote on behalf of his/her principal by attending the General Meeting in person.

Proxy granted by postal or electronic correspondence may be declared null: (i) if it is expressly revoked by the shareholder, using the same means employed to grant the proxy, within the term fixed for granting it; (ii) by the shareholder attending the General Meeting in person; or (iii) due to transfer of the shares ownership of which conferred the right to grant the proxy and the right to vote, when the Company is aware of said transfer at least five days before the General Meeting is held. At any event, proxies granted after a distance vote has been cast shall be deemed not to have been granted.

A proxy-holder may represent more than one shareholder, with no limitation on the number of shareholders.

Likewise, an entity that provides investment services, in its capacity as a professional financial intermediary, may represent its clients –be they natural or legal persons- at the General Meeting under the terms and conditions and with the limitations established by law.

E.11. State whether or not the company is aware of the policy of institutional investors on participating or otherwise in the company's decisions:

Yes ☐

No ☒

Describe the policy

E.12. State the address and form of access to the corporate governance content of your web page.

The web page of Zardoya Otis S.A (www.otis.com/site/es-esl/Pages/InformacionparaAccionistasInversores.aspx) contains a "Corporate Governance" section. Among other documents, the Annual Corporate Governance Report for the year 2011, published in March 2012, is included.

The Annual Corporate Governance Report for the year 2012 will be duly published in the corporate web in March 2013.

F DEGREE TO WHICH THE CORPORATE GOVERNANCE RECOMMENDATIONS ARE FOLLOWED

State the degree to which the company follows existing corporate governance recommendations or, if applicable, any failures to follow said recommendations.

In the event that any of them is not met, explain the recommendations, rules, practices or criteria applied by the company.

1. **The By-Laws of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of the acquisition of its shares on the market.**

See sections: A.10 & A.11.

Complies ☒ Explain ☐

2. **When both the parent company and a company controlled by it are listed companies, they both provide detailed public disclosure on:**

- (a) **Their respective areas of activity, and any business dealings between them, as well as between the controlled listed company and other companies belonging to the group;**
- (b) **The mechanisms in place to resolve any conflicts of interest that may arise.**

See sections: C.6 & C.7.

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

United Technologies Corporation holds and manages the shares of its subsidiaries, which include Pratt & Whitney, Carrier Corporation, UTC Fire & Security Corporation, Otis Elevator Company, Sikorsky Aircraft, Hamilton Sundstrand Corporation and UTC Power Corporation.

United Technologies Corporation has the following Divisions (Business Units): Pratt & Whitney Division, United Technologies Research Division and United Technologies Corporate Headquarters Division.

If any potential conflicts of interest between Zardoya Otis, S.A. and its parent arise, the directors appointed at the request of United Technologies Corporation abstain from voting on the relevant resolution, as provided for in article 229 of the Capital Companies Law, and the Audit Committee must inform the Board of Directors, before any decision is adopted, on related transactions between the Company and its shareholders, directors or senior management. Likewise, the procedure described in section C.6 above will be applicable.

3. **Even if not expressly required under applicable commercial Laws, transactions involving a structural change of the company and, in particular, the following, are submitted to the shareholders at the General Shareholders' Meeting for approval:**

- (a) **The transformation of listed companies into holding companies through "subsidiarization", i.e., reallocating core activities to controlled entities that were previously carried out by the company itself, even if the latter retains full ownership of the former;**
- (b) **The acquisition or disposal of key operating assets, when it involves an actual change in the corporate purpose;**
- (c) **Transactions whose effect is tantamount to the liquidation of the company.**

Complies ☒ Complies in part ☐ Explain ☐

The Board of Directors does not expect any of these situations to arise in the near future. See article 3 (Functions) of the Regulations of the Board of Directors.

4. **Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information to which recommendation 28 refers, are made public at the time of publication of the notice of call to the General Shareholders' Meeting.**

Complies ☒ Explain ☐

See article 13 (Notice) of the By-Laws and article 4 (Notice) of the Regulations of the General Shareholders' Meeting..

5. **Matters that are substantially independent are voted on separately at the General Shareholders' Meeting, in order to allow the shareholders to express their voting preferences separately. This rule applies, in particular:**

- (a) **To the appointment or ratification of directors, which shall be voted on individually;**
- (b) **In the event of amendments of the By-Laws, to each article or group of articles that are substantially independent of one another.**

Complies ☒ Complies in part ☐ Explain ☐

See article 16 (Presiding Officials. Deliberations. Adoption of Resolutions) of the By-Laws and article 10 (Deliberations and Adoption of resolutions) of the Regulations of the General Shareholders' Meeting

6. **Companies allow split votes so financial intermediaries who are recorded as having shareholder status but act for the account of different clients can divide their votes in accordance with the instructions given by such clients.**

Complies ☒ Explain ☐

See article 10 (Deliberations and Adoption of Resolutions) of the Regulations of the General Meeting of Shareholders

7. **The Board performs its duties with a unity of purpose and independent judgment, affording equal treatment to all shareholders in furtherance of the corporate interests, which shall be understood to mean the optimization, in a sustained fashion, of the financial value of the Company.**

It likewise ensures that in its dealings with stakeholders, the Company abides by the laws and regulations, fulfils its obligations and contracts in good faith, respects the customs and good practices of the industries and territories in which it carries on its business, and upholds any other social responsibility standards to which it has voluntarily adhered.

Complies ☒ Complies in part ☐ Explain ☐

See article 3 (Functions) of the Regulations of the Board of Directors.

8. **The Board assumes responsibility, as its core mission, for approving the company's strategy and the organization required to put it into practice, and to ensure that Management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the full Board reserves for itself the right to approve:**

The company's policies and general lines of strategy, and in particular:

- (i) **The strategic or business Plan as well as the management targets and annual budgets;**
- (ii) **The investment and financing policy;**
- (iii) **The design of the structure of the corporate group;**
- (iv) **The corporate governance policy;**
- (v) **The corporate social responsibility policy;**

- (vi) The policy for compensation and assessment of the performance of senior managers;
- (vii) The risk control and management policy, as well as the periodic monitoring of internal information and control systems.
- (viii) The dividend policy and the policy regarding treasury stock and, especially, the limits thereto.

See sections: B.1.10 & D.3.

See article 3 (Functions) of the Regulations of the Board of Directors.

(a) The following decisions:

- (i) At the proposal of the chief executive of the Company, the appointment and, if applicable, removal of senior managers, as well as their severance packages.
- (ii) The compensation of directors and, in the case of executive directors, the additional compensation to be paid for their executive duties and other terms of their contracts.
- (iii) The financial information that the Company must periodically make public due to its status as listed company.
- (iv) Investments or transactions of all kinds which are strategic in nature due to the large amount or special characteristics thereof, unless approval thereof falls upon the shareholders at the General Shareholders' Meeting.
- (v) The creation or acquisition of interests in special -purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature whose complexity might impair the transparency of the group.

See section: B.1.14.

See article 3 (Functions) of the Regulations of the Board of Directors.

(b) Transactions made by the company with directors, with significant shareholders or shareholders with Board representation, or with other persons related thereto ("related-party transactions").

However, Board authorization need not be required in connection with related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard-form agreements applied on an across-the-board basis to a large number of clients;
2. They are conducted at prices or rates generally set by the party acting as supplier of the goods or services in question;
3. The amount thereof is no more than 1% of the Company's annual revenues.

It is recommended that related-party transactions only be approved by the Board upon the prior favourable report of the Audit Committee or such other committee handling the same function; and that the directors affected thereby should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes on the transaction.

It is recommended that the powers granted herein to the Board are conferred without the power of delegation, except for those mentioned under b) and c) above, which may, for urgent reasons, be adopted by the Executive Committee subject to subsequent ratification by the full Board.

See sections: B.2.3, C.1 & C.6.

Complies ☐ Complies in part ☒ Explain ☐

See article 3 (Functions) of the Regulations of the Board of Directors.

9. **In order to operate effectively and in a participatory manner, the Board ideally is comprised of no few than five and no more than fifteen members.**

See section: B.1.2.

Complies ☒ Explain ☐

10. **External directors, proprietary and independent, occupy an ample majority of the Board and the number of executive directors is the minimum necessary number, bearing in mind the complexity of the corporate group and the percentage interest held by the executive directors in the Company's share capital.**

See sections: A.2, A.3 & B.1.3.

Complies ☒ Complies in part ☐ Explain ☐

11. **If there is an external director who cannot be deemed either proprietary or independent, the company explains such circumstance and the links such director maintains with the company or its managers or with its shareholders.**

See section: B.1.3.

Complies ☒ Explain ☐ Not applicable ☐

The only external director who cannot be considered either proprietary or independent is Mr. Mario Abajo García, since he was the C.E.O. of the Company less than five years ago.

12. **Among external directors, the relation between the number of proprietary directors and independent directors reflects the proportion existing between the share capital of the company represented by proprietary directors and the rest of its capital.**

This strict proportionality standard can be relaxed so that the weight of proprietary directors is greater than would correspond to the total percentage of the share capital that they represent:

1. **In large cap companies where few or no equity stakes attain the legal threshold as significant, but there are shareholders holding interests with a high absolute value.**
2. **In companies with a plurality of shareholders represented on the Board but not otherwise related.**

See sections: A.2, A.3 & B.1.3.

Complies ☐ Explain ☒

The Regulations of the Board of Directors do not require the Board to include a minimum number of independent directors. The composition of the Board of Directors is appropriate to the composition of the shareholders and, at any event, meets the provisions established by law, in the Regulations of the Board of Directors and in the By-Laws.

13. **The number of independent directors represents at least one-third of the total number of directors.**

See section: B.1.3.

Complies ☐ Explain ☒

The Regulations of the Board of Directors do not require the Board to be formed by a minimum number of independent directors. The composition of the Board of Directors is considered appropriate to the composition of the shareholders and, at any event, meets the provisions established by law, in the Regulations of the Board of Directors and in the By-Laws.

14. **The status of each director is explained by the Board at the General Shareholders' Meeting at which the shareholders are to make or ratify their appointment and that such status is confirmed or reviewed, as the case may be, annually in the Annual**

Corporate Governance Report, after verification by the Nominating Commission. Said report also discloses the reasons for the appointment of proprietary directors at the proposal of shareholders controlling less than 5% of the share capital, as well as the reasons for not having accommodated formal petitions, if any, for presence on the Board from shareholders whose equity stake is equal to or greater than that others at whose proposal proprietary directors have been appointed.

See sections: B.1.3 & B.1.4.

Complies ☒ Complies in part ☐ Explain ☐

The Board of Directors explains to the General Meeting of Shareholders the status of each director whose appointment or ratification has been proposed. Zardoya Otis, S.A. created a Nominating Commission within the Board of Directors in 2010.

In F.Y. 2012, no formal petitions for presence on the Board of Directors were received from shareholders whose equity stake was less than 5%..

15. When women directors are few or non-existent, the Board explains the reasons for this situation and the measures taken to correct it ; and in particular, the Nominating Commission takes steps to ensure that, when new vacancies are filled:

(a) Selection procedures do not have an implied bias that hinders the selection of women directors;

(b) The company deliberately looks for women with the target professional profile and includes them among the potential candidates.

See sections: B.1.2 & B.1.27.

Complies ☐ Complies in part ☒ Explain ☐ Not applicable ☐

At the 2012 year end, to which this report refers, Zardoya Otis, S.A. had a small Board of Directors. Of its 9 members, 6 are proprietary directors, one is an executive director, one is independent and other is classified as "other external directors" as per recommendation 11 of the Unified Code of Good Governance. At present, Ms. María Luisa Zardoya Arana is the personal representative of the director Euro-Syns, S.A..

In this respect, articles 5 and 12 B) 1 of the Regulations of the Board of Directors require this body to try to ensure, to the extent of its competencies, that the choice of candidates for the position of director are persons who, in addition to meeting the legal requirements and those set forth in the By-Laws for the position, have the appropriate knowledge, prestige and experience to perform the functions that they are to carry out, irrespective of their sex.

Likewise, article 12.B) 2 e) of the Regulations of the Board of Directors states that one of the competencies of the Nominating Commission is to ensure that, when new vacancies arise or new directors are appointed, the selection procedures are not implicitly biased in any way that might imply some kind of discrimination and to report to the Board on gender diversity issues.

16. The Chairman, as the person responsible for the effective operation of the Board, ensures that directors receive adequate information in advance of Board meetings; promotes debate and the active involvement of directors during Board meetings; safeguards their rights to freely take a position and express their opinion; and, working with the chairmen of the appropriate committees, organizes and coordinates regular evaluations of the Board and, where appropriate, the Chief Executive Officer.

See section: B.1.42.

Complies ☐ Complies in part ☒ Explain ☐

According to article 11 of the Regulations of the Board of Directors, the Chairman is responsible for organizing the debate at the Board of Directors meetings and encouraging the participation of all the directors in the Board's deliberations.

Likewise, according to the Regulations of the Board of Directors, he must ensure that the directors receive sufficient information to prepare the items on the agenda at the Board meetings and channel any information requests submitted by directors.

Notwithstanding, given the shareholder composition and the structure of the Board (on which 6 of the 9 directors are proprietary directors, one is independent one is an executive director and the other belongs to the category of "other external directors"), the Board of Directors has not seen fit to date to make any formal evaluation of its performance.

17. **When the Chairman of the Board is also the chief executive of the company, one of the independent directors is authorized to request the calling of a Board meeting or the inclusion of new business on the agenda; to coordinate and hear the concerns of external directors; and to lead the Board's evaluation of the Chairman.**

See section: B.1.21.

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

18. **The Secretary of the Board takes particular care to ensure that the Board's actions:**
- (a) **Adhere to the letter and the spirit of laws and their implementing regulations, including those approved by the regulatory authorities;**
 - (b) **Comply with the company's bylaws and the Regulations for the General Shareholders' Meeting, the Regulations of the Board and other regulations of the company;**
 - (c) **Are informed by those good governance recommendations included in this Unified Code as the company has subscribed to.**

And, in order to safeguard the independence, impartiality and professionalism of the Secretary, his appointment and removal are reported by the Nominating Commission and approved by the full Board; and that such appointment and removal procedures are set forth in the Regulations of the Board.

See section: B.1.34.

Complies ☒ Complies in part ☐ Explain ☐

See article 8 (The Secretary of the Board of Directors) of the Regulations of the Board of Directors.

19. **The Board meets with the frequency required to perform its duties efficiently, in accordance with the calendar and agendas set at the beginning of the fiscal year, and that each Director is entitled to propose items of the agenda that were not originally included therein.**

See section: B.1.29.

Complies ☒ Complies in part ☐ Explain ☐

20. **Directors' absences are limited to unavoidable cases and quantified in the Annual Corporate Governance Report. And when there is no choice but to grant a proxy, it is granted with instructions.**

See sections: B.1.28 & B.1.30.

Complies ☒ Complies in part ☐ Explain ☐

21. **When directors or the Secretary express concerns about a proposal or, in the case of the directors, regarding the running of the company, and such concerns have not been resolved at a Board meeting, such concerns are recorded in the minutes at the request of the person expressing them.**

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

22. **The full Board evaluates the following on a yearly basis:**

- (a) **The quality and efficiency of the Board's operation;**
- (b) **On the basis of a report submitted to it by the Nominating Commission, how well the Chairman and chief executive of the company have carried out their duties;**

- (c) **The performance of its Committees, on the basis of the reports furnished by them.**

See sections: B.1.19 & B.2.5.

Complies ☐ **Complies in part** ☐ **Explain** ☒

Given the shareholder composition and the structure of the Board (on which 6 of the 9 directors are proprietary directors, one is an executive director, one is independent and the other belongs to the category of "other external directors"), the Board of Directors has not seen fit to date to make any formal evaluation of its performance.

23. **All directors are able to exercise the right to request any additional information they require on matters within the Board's competence. Unless the By-laws or the Regulations of the Board provide otherwise, such requests are addressed to the Chairman or the Secretary of the Board.**

See section: B.1.42.

Complies ☒ **Explain** ☐

See article 17 (Rights to information, inspection and advice) of the Regulations of the Board of Directors.

24. **All directors are entitled to call on the company for the advice they need to carry out their duties. The company provides sui table channels for the exercise of this right, which, in special circumstances, may include external advice at the company's expense.**

See section: B.1.41.

Complies ☒ **Explain** ☐

See article 17 (Rights to information, inspection and advice) of the Regulations of the Board of Directors.

25. **Companies organize induction programs for new Directors to rapidly and adequately acquaint them with the Company and its corporate governance rules. Directors are also offered refresher training programs when circumstances so advise.**

Complies ☒ **Complies in part** ☐ **Explain** ☐

See article 13 (Appointment of directors) of the Regulations of the Board of Directors..

26. **Companies require that directors devote sufficient time and effort to perform their duties efficiently, and, as such:**

- (a) **Directors apprise the Nominating Commission of their other professional duties, in case they might detract from the necessary dedication;**

See section: B.1.9.

- (b) **Companies lay down rules about the number of boards on which their directors may sit.**

See sections: B.1.8, B.1.9 & B.1.17.

Complies ☐ **Complies in part** ☒ **Explain** ☐

The Company has not seen fit to limit the number of Boards of Directors of which the directors may sit, in particular because many of the proprietary directors are executives of the parent group, United Technologies Corporation, and, therefore, are members of the Boards of Directors of other group companies.

27. **The proposal for the appointment or re-election of directors that the Board submits to the shareholders at the General Shareholders' Meeting, as well as the interim appointment of directors to fill vacancies, are approved by the Board:**

- (a) **On the proposal of the Nominating Commission, in the case of independent directors.**

- (b) Subject to a prior report from the Nominating Commission, in the case of other directors.

See sections: B.1.2, B.1.19 & B.2.1.

Complies ☒ Complies in part ☐ Explain ☐

28. Companies post the following director information on their websites, and keep such information updated:

- (a) Professional and biographical profile;
- (b) Other Boards of Directors of listed or unlisted companies on which they sit
- (c) Indication of the director's classification, specifying, for proprietary directors, the shareholder they represent or to whom they are related.
- (d) Date of their first and subsequent appointments as a company director; and
- (e) Shares held in the company and options thereon held by them.

Complies ☒ Complies in part ☐ Explain ☐

Zardoya Otis, S.A. posts the information on its directors on its website and keeps it updated.

29. Independent directors do not hold office as such for a continuous period of more than 12 years.

See sections: B.1.2, B.1.3 & B.1.26.

Complies ☐ Explain ☒

The Regulations of the Board of Directors do not currently impose this limitation and nor has Zardoya Otis, S.A. considered it appropriate in the light of existing circumstances and the shareholder structure.

30. Proprietary directors tender their resignation when the shareholder they represent sells its entire shareholding interest. The appropriate number of them do likewise when such shareholder reduces its interest to a level that requires the reduction of the number of its proprietary directors.

See sections: A.2, B.1.2, B.1.20 & B.1.43.

Complies ☒ Complies in part ☐ Explain ☐

See article 15 (Removal of Directors) of the Regulations of the Board of Directors.

31. The Board of Directors does not propose the removal of any independent director prior to the expiration of the term, set by the bylaws, for which he was appointed, except for good cause is found by the Board upon a prior report of the Nominating Commission. In particular, good cause shall be deemed to exist whenever the director has failed to perform the duties inherent in his position or comes under any of the circumstances described in section III.5 (Definitions) of this Code.

The removal of independent directors may also be proposed as a result of Tender Offers, mergers or other similar corporate transactions that entail a change in the equity structure of the Company, when such changes in the structure of the Board follow from the proportionality standard mentioned in Recommendation 12.

See sections: B.1.2, B.1.5 & B.2.1.

Complies ☒ Explain ☐

32. Companies establish rules obliging directors to report and, if appropriate, to resign in those instances as a result of which the credit and reputation of the company might be damaged and, in particular, they require that such directors report to the Board any criminal charges brought against them, and the progress of any subsequent proceedings.

If a director is indicted or tried for any of the crimes described in Section 124 of the Corporations Act, the Board examines the matter as soon as practicable and, in

view of the particular circumstances thereof, decides whether or not it is appropriate for the director to continue to hold office. And the Board provides a substantiated account thereof in the Annual Corporate Governance Report.

See sections: B.1.20, B.1.43 & B.1.44.

Complies ☒ Complies in part ☐ Explain ☐

See article 15 (Removal of Directors) of the Regulations of the Board of Directors.

33. All directors clearly express their opposition when they feel that any proposed resolution submitted to the Board might be contrary to the best interests of the company. And in particular, independent directors and the other directors not affected by the potential conflict of interest do likewise in the case of decisions that could be detrimental to the shareholders lacking Board representation.

When the Board adopts material or reiterated resolutions about which a director has expressed serious reservations, such director draws the pertinent conclusions and, if he chooses to resign, sets out the reasons in the letter referred to in the next Recommendation.

This Recommendation also applies to the Secretary of the Board, even if he is not a director.

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

See articles 8 (The Secretary of the Board of Directors) and 11 (Meeting Procedures) of the Regulations of the Board of Directors.

34. Directors who give up their place before their tenure expires, through resignation or otherwise, explain the reasons in a letter sent to all members of the Board. Without prejudice to such withdrawal being communicated as a significant event, the reason for the withdrawal is explained in the Annual Corporate Governance Report.

See sections: B.1.2 & B.1.5.

Complies ☐ Complies in part ☐ Explain ☒ Not applicable ☐

The Company does not see fit to impose the obligation to explain the reasons for their resignation upon the directors, notwithstanding their right to make the reasons for such resignation public

35. The compensation policy approved by the Board specifies at least the following points.

- (a) The amount of the fixed components, with a breakdown showing the fees, if any, for attending the meetings of the Board and its Committees and an estimate of the fixed annual fixed compensation they give rise to;
- (b) Variable compensation items, including, in particular:
 - (i) The classes of directors to which they apply, as well as an explanation of the relative weight of variable to fixed compensation;
 - (ii) Performance evaluation criteria used to calculate entitlement to compensation in shares, share options or any other variable component;
 - (iii) Main parameters and grounds for any system of annual bonuses or other non-cash benefits; and
 - (iv) An estimate of the absolute amount of variable compensation arising from the proposed compensation plan, as a function of the degree of compliance with benchmark assumptions or targets.
- (c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar systems), with an estimate of the amount thereof or the equivalent annual cost.
- (d) Terms and conditions that must be included in the contracts of executive directors performing senior management duties, which will include:

- (i) Duration;
- (ii) Notice periods; and
- (iii) Any other provisions relating to hiring bonuses, as well as indemnity or “golden parachute” provisions in the event of early or other termination of the contractual relationship between the company and the executive director.

See sections: B.1.13, B.1.14, B.1.15 & B.1.16.

Complies ☒ Complies in part ☐ Explain ☐

36. Compensation paid by means of delivery of shares in the company or companies that are members of the group, share options or instruments indexed to the price of the shares, and variable compensation linked to the company's performance or pension schemes is confined to executive directors.

This recommendation shall not apply to the delivery of shares when such delivery is subjected to the condition that the directors hold the shares until they cease to hold office as directors.

See sections: A.3, B.1.3 & B.1.14.

Complies ☒ Explain ☐

The compensation policy of Zardoya Otis, S.A. does not include the delivery of shares of Zardoya Otis, S.A. or other companies belonging to its group.

37. The compensation of external directors is such as is necessary to compensate them for the dedication, qualifications and responsibility required by their position, but is not so high as to compromise their independence.

See section: B.1.14.

Complies ☒ Explain ☐

See article 18 (Director compensation” of the Regulations of the Board of Directors.

38. The compensation linked to company earnings takes into account any qualifications included in the external auditor's report that reduce such earnings.

Complies ☒ Explain ☐ Not applicable ☐

39. In the case of variable compensation, compensation policies include technical safeguards to ensure that such compensation reflects the professional performance of the beneficiaries thereof and not simply the general performance of the markets or of the industry in which the company does business or circumstances of this kind.

Complies ☐ Explain ☒ Not applicable ☐

The variable compensation considered in the compensation policy of Zardoya Otis, S.A. is related only to the attendance of the meetings of the Board of Directors, the remuneration pursuant to the By-Laws being limited to the total amount of 1,000,000 euros.

40. The Board submits a report on director compensation policy to the vote of the shareholders at a General Shareholders' Meeting, as a separate item on the agenda and for advisory purposes. This report is made available to the shareholders separately or in any other manner that the Company deems appropriate.

Such report shall focus especially on the compensation policy the Board has approved for the current year, as well as on the policy, if any, established for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will emphasize the most significant changes in such policies with respect to the policy applied during the fiscal year prior to that to which the General Shareholders' Meeting refers. It shall also include an outline of the manner in which the compensation policy was applied in such prior fiscal year.

The Board also reports on the role played by the Compensation Commission in the preparation of the compensation policy and, if external advice was provided, it states the name of the external advisors that have given such advice..

See sections: B.1.14 & B.1.16.

Complies ☐ Complies in part ☐ Explain ☒

The maximum amount of the directors' compensation is fixed in article 24 (Remuneration of Directors) of the By-Laws and it is paid on the condition that a minimum dividend is paid to the shareholders and the legal reserves and those provided for in the By-Laws are met. In practice, the compensation is always lower than the sum provided for in the By-Laws. The mechanism for fixing the maximum compensation of the directors is described in more detail in section B.1.14 above.

Apart from the above, the Board of Directors makes its compensation policy public in the Annual Corporate Governance Report and the Annual Director Compensation Report. The latter will be issued after the end of the year to which this report refers and will be submitted to a vote (consultative) at the Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. as a separate item on the Agenda.

41. The Notes to the Financial Statements list the individual directors' compensation during the fiscal year, including:

- a) **A breakdown of the compensation of each director, to include where appropriate.**
 - i) **Attendance fees or other fixed compensation received as a director;**
 - ii) **The additional compensation received as chairman or member of a Board committee;**
 - iii) **Any compensation received under profit-sharing or bonus schemes, and the reason for the accrual thereof;**
 - iv) **Contributions on the director's behalf to defined-contribution pension plans; or any increase in the director's vested rights, in the case of contributions to defined-benefit plans;**
 - v) **Any severance package agreed or paid;**
 - vi) **Any compensation received as a director of other companies in the group.**
 - vii) **Compensation for the performance of senior management duties by executive directors;**
 - viii) **Any item of compensation other than those listed above, of whatever nature and provenance within the group, especially when it is deemed to be a related-party transaction or when the omission thereof detracts from a true and fair view of the total compensation received by the director.**
- b) **A breakdown of any delivery to directors of shares, share options or any other instrument indexed to the price of the shares, specifying:**
 - i) **Number of shares or options awarded during the year, and the terms and conditions for the exercise thereof;**
 - ii) **Number of options exercised during the year, specifying the number of shares involved and the exercise price;**
 - iii) **Number of options outstanding at the end of the year, specifying their price, date and other requirements for exercise;**
 - iv) **Any change during the year in the terms for the exercise of previously-awarded options.**
- c) **Information on the relationship, in such past fiscal year, between the compensation received by executive directors and the profits or other measures of performance of the company.**

Complies ☐ Complies in part ☐ Explain ☒

See sections: B.11, B.12, B.13, B.14, B.15 & B.16.

In compliance with the obligation introduced by Law 2/2011 on Sustainable Economy, Zardoya Otis, S.A. will publish an Annual Director Compensation Report for 2012 in terms similar to those employed in the 2011 Compensation Report..

42. **When there is an Executive Committee (hereinafter, "Executive Committee"), the breakdown of its members by director category is similar to that of the Board, and its secretary is the Secretary of the Board.**

See sections: B.2.1 & B.2.6.

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

43. **The Board is always kept informed of the matters dealt with and the resolutions adopted by the Executive Committee, and all members of the Board receive a copy of the minutes of the meetings of the Executive Committee.**

Complies ☐ Explain ☐ Not applicable ☒

44. **In addition to the Audit Committee mandatory under the Stock Market Act, the Board of Directors forms a single Nominating and Compensation Commission as a separate committee of the Board, or a Nominating Commission and a Compensation Commission.**

The rules governing the make-up and operation of the Audit Committee and the Nominating and Compensation Commission or committees are set forth in the Regulations of the Board, and include the following:

- (a) The Board appoints the members of such Committees, taking into account the background knowledge, qualifications and experience of the Directors and the responsibilities of each Committee, discusses its proposals and reports, and receives a report, at the first meeting of the full Board following the meetings of such committees, on their activities and the work.
- (b) These Committees are formed exclusively of external directors and have a minimum of three members. The foregoing is without prejudice to the attendance of executive directors or senior managers, when expressly resolved by the members of the Committee.
- (c) Committee Chairmen are independent directors.
- (d) They may receive external advice, whenever they feel this is necessary for the discharge of their duties.
- (e) Minutes are prepared of their meetings, and a copy sent to all Board members.

See sections: B.2.1, B.2.3 & B.2.6.

Complies ☐ Complies in part ☒ Explain ☐

The Company has created a Nominating Commission but not a Compensation Commission.

At any event, the rules of operation of the Audit Committee and Nominating Commission appear in the Regulations of the Board of Directors and include those to which points (a) to (e) above refer.

45. **Supervising compliance with internal codes of conduct and corporate governance rules is entrusted to the Audit Committee, the Nominating Commission or, if they exist separately, to the Compliance or Corporate Governance Committee.**

Complies ☒ Explain ☐

See article 12 (Formation of Committees) of the Regulations of the Board of Directors.

46. **The members of the Audit Committee and, particularly, the Chairman thereof, are appointed taking into account their background knowledge and experience in accounting, auditing and risk management matters.**

Complies ☒ Explain ☐

See article 12.A) 1 of the Regulations of the Board of Directors (Formation of Committees).

47. **Listed companies have an internal audit function which, under the supervision of the Audit Committee, to ensure the smooth operation of the information and internal control systems.**

See section: B.2.3.

Complies ☒ Explain ☐

See article 12.A) of the Regulations of the Board of Directors (Formation of Committees).

48. **The head of internal audit presents an annual work plan to the Audit Committee; reports to it directly on any issues arising in the execution of such plan; and submits an activities report to it at the end of each fiscal year.**

See section: B.2.3.

Complies ☒ Complies in part ☐ Explain ☐

See article 12 A) 2 (c) of the Regulations of the Board of Directors.

49. **Risk control and management policy specifies at least:**

- (a) **The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, including contingent liabilities and other off-balance sheet risks among financial or economic**
- (b) **The determination of the risk level the company sees as acceptable;**
- (c) **Measures in place designed to mitigate the impact of the risks identified, should they materialize;**
- (e) **The internal reporting and control systems to be used to monitor and manage the above risks, including contingent liabilities and off-balance sheet risks.**

See section: D.1.

Complies ☒ Complies in part ☐ Explain ☐

See article 12 (Formation of Committees) of the Regulations of the Board of Directors,

50. **The Audit Committee's role is:**

1. **With respect to the internal control and reporting systems:**

- (a) **To monitor the preparation and the integrity of the financial information relating to the company and, if appropriate, to the group, checking compliance with legal requirements, the appropriate demarcation of the scope of consolidation, and the correct application of accounting standards.**
- (b) **To periodically review internal control and risk management systems so main risks are properly identified, managed and disclosed.**
- (c) **To ensure the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of the internal audit service; propose the department's budget; receive regular reports on its activities; and verify that senior management takes into account the findings and recommendations of its reports.**
- (d) **To establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate, anonymously, potentially significant irregularities within the company that they detect, in particular financial or accounting irregularities.**

2. **With respect to the external auditor:**

- (a) To make recommendations to the Board for the selection, appointment, reappointment and replacement of the external auditor, and the terms of its engagement.
- (b) To receive regular information from the external auditor on the audit plan and the results of the implementation thereof, and check that senior management takes its recommendations into account.
- (c) To monitor the independence of the external auditor, to which end:
 - (i) The company reports a change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements with the outgoing auditor and the reasons for the same.
 - (ii) The Committee ensures that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, all other regulations established to safeguard the independence of the auditors;
 - (iii) In the event of resignation of the external auditor, the Committee investigates the circumstances that may have given rise thereto.
- d) In the case of groups, the Committee favours the auditor of the group assuming responsibility for the audits of the companies that form part thereof.

See sections: B.1.35, B.2.2, B.2.3, B.2.4 & D.1

Complies ☒ Complies in part ☐ Explain ☐

See article 12. A) (Formation of Committees) of the Regulations of the Board of Directors.

51. The Audit Committee may cause any company employee or manager to appear before it, and even order their appearance without the presence of any other manager.

See section: B.2.3.

Complies ☒ Explain ☐

See article 12. A) 3 (Formation of Committees) of the Regulations of the Board of Directors.

52. The Audit Committee reports to the Board, prior to the adoption thereby of the corresponding decisions, on the following matters specified in Recommendation 8:

- (a) The financial information that the Company must periodically make public due to its status as a listed company. The Committee should ensure that interim financial statements are prepared under the same accounting standards as the annual financial statements and, to this end, consider whether a limited review by the external auditor is appropriate.
- (b) The creation or acquisition of interests in special -purpose entities or entities registered in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
- (c) Related-party transactions, unless such prior reporting duty has been assigned to another supervision and control committee.

See sections: B.2.2 & B.2.3.

Complies ☒ Complies in part ☐ Explain ☐

See article 12 (Formation of Committees) of the Regulations of the Board of Directors.

53. The Board of Directors seeks to present the financial statements to the shareholders at the General Shareholders' Meeting without reservations or qualifications in the auditor's report and, in the exceptional instances where they

do exist, both the Chairman of the Audit Committee and the auditors give a clear account to the shareholders of the content and scope of such reservations or qualifications.

See sections: B.1.32 & B.1.38.

Complies ☒ Complies in part ☐ Explain ☐

54. The majority of the members of the Nominating Commission –or of the Nominating and Compensation Commission, if one and the same– are independent directors.

See section:: B.2.1.

Complies ☐ Explain ☒ Not applicable ☐

The Company currently only has one director who meets the conditions to be considered independent.

55. The Nominating Commission has the following duties, in addition to those stated in the earlier Recommendations:

- (a) To assess the qualifications, background knowledge and experience necessary to sit on the Board, defining, accordingly, the duties and qualifications required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
- (b) To examine or organize, in the manner it deems appropriate, the succession of the Chairman and the chief executive and, if appropriate, make proposals to the Board for such succession to take place in an orderly and well-planned manner.
- (c) To report on senior manager appointments and removals that the chief executive proposes to the Board.
- (d) To report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3.

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

As stated in section B.2.3, these competencies are included in article 12.B) 2 of the Regulations of the Board of Directors

56. The Nominating Commission consults with the Company' s Chairman and chief executive, especially on matters relating to executive directors.

And that any board member may request that the Nominating Commission consider possible candidates to fill vacancies for the position of director, if it finds them suitably qualified.

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

As stated in section B.2.3, these competencies are included in article 12.B) 2 of the Regulations of the Board of Directors (Formation of Committees).

57. The Compensation Commission is responsible for the following duties, in addition to those set forth in the earlier recommendations:

- (a) To propose to the Board of Directors:
 - (i) The compensation policy for directors and senior managers;
 - (ii) The individual compensation of executive directors and other terms of their contracts..
 - (iii) basic terms and conditions of the contracts with senior managers.
- (b) To ensure compliance with the compensation policy set by the company.

See sections: B.1.14, B.2.1.

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

58. The Compensation Commission consults with the Chairman and chief executive of the Company, especially on matters relating to executive directors and senior managers.

Complies ☐ Explain ☐ Not applicable ☒

G OTHER INFORMATION OF INTEREST

If you consider there to be any relevant principle or aspect in relation to the corporate governance practices applied by your company that has not been considered in the present Report, please mention it below and explain its content.

This section may include any other information, clarification or nuance related to the preceding sections of the Report, provided that it is relevant and is not repetitive.

Specifically, state whether the company is subject to corporate governance legislation other than the Spanish legislation and, if applicable, include any information that it is obliged to provide, other than the information required in the present report.

Binding definition of independent director:

Indicate whether any of the independent directors has or has had any relationship with the company, its significant shareholders or its managers which, had it been sufficiently significant or important, would have resulted in the director not qualifying for consideration as independent pursuant to the definition set forth in sub-section 5 of the Unified Code of Good Governance.

Yes ☐ No ☒

Name of the director	Type of relationship	Explanation

This annual corporate governance report was approved by the company's Board of Directors at its meeting held on February 26, 2013.

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

Yes ☐ No ☒

Name or corporate name of the director who has not voted in favour of this report	Reasons (vote against, abstention, absence)	Explain the reasons



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation

REPORT OF THE AUDITORS ON “INFORMATION RELATING TO THE FINANCIAL INFORMATION OF INTERNAL CONTROL SYSTEM (FIICS)” OF ZARDOYA OTIS, S.A FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012

To the Directors,

As requested by the Board of Directors of Zardoya Otis, S.A. (hereinafter, the Entity) and further to our proposal dated 31 January 2013, we have applied certain procedures to the “Information relating to the FIICS” included in section “F” of the information supplementing the Annual Corporate Governance Report of Zardoya Otis, S.A., pursuant to Article 61 bis of Stock Market Act for the year 2012, which summarises the Entity's internal control procedures for annual financial information.

Under Stock Market Act 24/1988 (28 July), as amended by Law 2/2011 (4 March) on Sustainable Economy, for financial years starting on or after 1 January 2011 the Annual Corporate Governance Report (hereinafter, ACGR) must include a description of the main features of the Entity's internal control and risk management systems in relation to the issuance of regulated financial information. In this regard, on 26 October 2011 the Spanish National Securities Market Commission (CNMV) published a Draft Circular amending the model Annual Corporate Governance Report to be published, including instructions as to the way in which each company must describe the main features of its FIICS. In a letter of 28 December 2011, the CNMV reminded companies of the above-mentioned legal amendments that must be taken into consideration when preparing the “Information relating to the FIICS” until the definitive publication of the CNMV Circular that will define a new ACGR.

For the purposes of subsection 7 of the content of the FIICS as per the model ACGR contained in the CNMV's Draft Circular, which instructs companies to mention whether the FIICS description has been reviewed by the external auditor and, if so, to include the report of the auditors, on 28 October 2011 the Corporations representing auditors published Guidelines and an illustrative model auditors' report (hereinafter, the Draft Guidelines). Additionally, on 25 January 2012 the Spanish Institute of Chartered Accountants issued Circular E01/2012, establishing certain additional considerations.

The Board of Directors is responsible for adopting suitable measures to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and improvements to the system, and the preparation and definition of the content of the accompanying Information relating to the FIICS.

It should be noted that, irrespective of the quality of design and functionality of the Entity's internal control system in relation to its annual financial information, the system can only provide reasonable assurance, but not absolute assurance, in connection with the objectives pursued, due to the limitations inherent in all internal control systems.

In the course of our audit work on the annual accounts, and pursuant to Technical Auditing Standards, our evaluation of the Entity's internal control was performed for the sole purpose of allowing us to establish the scope, nature and timing of the audit procedures applied to the Entity's annual accounts. Consequently, our appraisal of internal control, performed for the purposes of the audit of the accounts, did not have a sufficient scope to allow us to issue a specific opinion on the effectiveness of internal controls for regulated annual financial information.

In order to issue this report, we have applied exclusively the specific procedures described below and indicated in the Draft Guidelines which establishes the work to be performed, the minimum scope of the work and the content of this report. As the work resulting from these procedures has, in any event, a limited scope that is substantially less than that of an audit or a review of the internal control system, we do not express an opinion on its effectiveness, or on its design and operational efficiency, in connection with the Entity's financial information for the period 2012, described in the accompanying Information relating to the FIICS. Consequently, had we applied other procedures in addition to the ones stated in the Guidelines, or had we performed an audit or a review of the internal control system in relation to regulated financial information, other facts or aspects might have been detected and reported.

Additionally, as this special work is not an audit of the accounts and is not subject to the revised Audit Act introduced under Royal Decree-Law 1/2011 (1 July), we do not express an audit opinion in the terms of these regulations.

The procedures applied are listed below:

1. Reading and understanding of the information prepared by the Entity in relation to the FIICS attached, and evaluation of whether or not the information includes all the details required, following the minimum content described in the Annual Corporate Governance Report model in the Draft Circular of the CNMV.
2. Questions posed to personnel responsible for preparing the information indicated in point 1 above, in order to: (i) obtain an understanding of the preparation process; (ii) obtain information to determine whether the terminology employed fits the definitions contained in the reference framework; and (iii) obtain information on whether not the control procedures described are in place and operational in the Entity.
3. Review of the explanation documentation supporting the information indicated in point 1 above, which will consist mainly of the documentation made available to the persons responsible for preparing the FIICS descriptive information. This documentation includes reports prepared by the internal auditors, senior management and other internal or external specialists performing audit committee support functions.
4. Comparison of the information indicated in point 1 above with the insight into the Entity's FIICS obtained through the procedures performed during the audit of the annual accounts.
5. Reading of minutes of meetings of the Board of Directors, Audit Committee and other Entity committees in order to assess the consistency of the matters addressed in them in connection with the FIICS and the information indicated in point 1 above.
6. Obtainment of the letter of representation relating to the work performed, duly signed by the persons responsible for preparing and issuing the information indicated in point 1 above.



As a result of the procedures applied to the Information relating to the FIICS, no inconsistencies or incidents have been identified that could affect that information.

This report has been prepared solely in connection with the requirements of Stock Market Act 24/1988 (28 July), as amended by Law 2/2011 (4 March) on Sustainable Economy, and the Draft Circular issued by the CNMV on 26 October 2011 for the purposes of the description of the FIICS in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Originally signed by Gonzalo Sanjurjo Pose
Audit Partner

12 March 2013

Supplementary Information to the Annual Corporate Governance Report

**SUPPLEMENTARY INFORMATION TO THE ANNUAL CORPORATE
GOVERNANCE REPORT OF ZARDOYA OTIS, S.A. IN COMPLIANCE WITH
ARTICLE 61 BIS OF THE SECURITIES MARKET ACT**

FISCAL YEAR 2012

In accordance with the provisions of article 253 of the Capital Companies Act, at its meeting of February 26, 2013, the Board of Directors of Zardoya Otis, S.A. approved the annual financial statements and the individual and consolidated management report for the for the year running from December 1, 2011 to November 30, 2012. Likewise, it approved the Annual Corporate Governance Report for the same year (the “ACGR 2012”).

Pursuant to article 61 *bis* of Law 24/1988 of July 28, the Securities Market Act, introduced by Law 2/2011 of March 4, the Law on Sustainable Economy (“LSE”), the Board of Directors has resolved to include this Exhibit (the “**Exhibit**”) as supplementary information to the ACGR, in order to incorporate as fiscal year 2011, contents that, as per the new features introduced by the LSE, are not included in the current Corporate Governance Report model approved by the National Stock Market Commission Circular 4/2007 of December 27.

Thus, this Exhibit covers the provisions of article 61 *bis* h) of the Securities Market Act, which, in accordance with the contents of the third final provision of the LSE, is applicable to fiscal years starting on or after January 1, 2011.

The additional content to which said article refers is the following:

- A) Securities that are not traded on a regulated Community market stating, if applicable, the different classes of shares and, for each class of shares, the rights and duties it confers.**

At November 30, 2012, all the Company’s shares are of the same class, have the same voting rights and are tradable on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges.

- B) Any restriction on the transferability of the securities and any restriction on voting rights.**

At November 30, 2012 there is no restriction on the transferability of the shares or on voting rights. The Company has no securities in issue other than shares.

- C) Rules applicable to the amendment of the Company’s By-Laws.**

In accordance with the provisions of articles 285 onwards of the Capital Companies Act, any amendment of the By-Laws will be the competency of the General Meeting.

Firstly, article 14 of the By-Laws states that the Ordinary or Extraordinary General Meeting will have a valid quorum on the first call when the shareholders present or represented hold at least 60% of the subscribed capital with voting rights. On the second call, the Meeting will have a valid quorum when the shareholders present or represented hold at least 50% of the subscribed capital with voting rights.

Additionally, according to article 16 of the By-Laws, if it is resolved to make amendments to the By-Laws, a separate vote will be taken on each substantially independent article or group of articles. In all cases, the resolutions will be adopted by a majority of the capital that is either present or represented at the General Meeting.

- D) Significant resolutions adopted by the company that come into force, are amended or conclude in the event of a change in control of the company due to a public takeover bid and the effects thereof.**

The Company has not adopted any significant resolution that comes into force, is amended or concludes in the event of a change in control of the Company due to a public takeover bid.

- E) Agreements between the Company and its directors and management or employees that provides for indemnities when they resign or are unfairly dismissed or if the employment relationship comes to an end due to a public takeover bid.**

There are no clauses protecting any of the Company's directors, members of management or employees.

- F) Description of the main characteristics of the internal risk control and management systems in relation to the financial reporting process.**

F.1) Entity's control environment

State, mentioning their main characteristics, at least:

- F.1.1) The bodies and/or functions that are responsible for: (i) the existence and maintenance of an appropriate and effective ICFR; (ii) the implementation thereof; and (iii) the supervision thereof**

Article 3 of the Regulations of the Board of Directors states that the Board of Directors has the function of approving the risk control and management policy and regularly monitoring the internal reporting and control systems.

According to article 24 *bis* of the By-Laws and, in particular, article 12 (A) 2 (c) of the Regulations of the Board of Directors, the Audit Committee has the function of monitoring the efficacy of the Company's internal control, internal audit and risk control systems. Furthermore, in particular, the Audit Committee will be responsible for: (i) ensuring the independence and efficacy of the internal audit function; (ii) proposing the selection, appointment, re-appointment and removal of the person responsible for the internal audit function; (iii) proposing the budget for this service; (iv) receiving regular information on its activities; (v) reviewing the internal audit's annual work program and its annual activity focus; (vi) knowing any incidents that may arise while the annual internal audit work program is being carried out; (vii) verifying that senior management takes the findings and recommendations contained in its reports into account, and (viii) discussing any significant weaknesses in the internal control system (the "**Internal Control System**") noted in the course of the audit with the account auditors

In addition, the Audit Committee has the function of being informed of and supervising the process of preparing the financial information on the Company and Group, reviewing compliance with legal provisions, the accurate demarcation of the consolidated group and the correct application of accounting principles, ensuring the integrity thereof.

Lastly, article 12 (A) 2 (e) of the Regulations of the Board of Directors states that the Audit Committee must regularly review the internal control and management systems to identify, manage and make known the principle risks. In particular, the risk control and management policy states:

- The different types of risk (operational, technological, financial, legal, reputational, etc.) to which the Company is exposed, including financial or economic risks, contingent liabilities and other off-balance sheet risks;
- The fixing of the level of risk that the Company deems acceptable;
- Measures in place to mitigate the impact of the risks identified in the event that they materialize; and
- The internal reporting and control systems used to control and manage the above risks, including the aforementioned contingent liabilities and/or off-balance sheet risks.

The Company's Audit Committee is formed by three directors: the Chairman, Mr. José María Loizaga (independent director) and Mr. Angelo Messina (proprietary director) and Lindsay Harvey (proprietary director).

F.1.2.) The following elements if they exist, especially in relation to the financial reporting process:

F.1.2.1) Departments and/or mechanisms responsible for: (i) the design and review of the organizational structure; (ii) clearly defining the lines of responsibility and authorization, with an appropriate distribution of tasks and functions; (iii) the existence of suitable procedures to ensure that they are correctly made known within the entity.

The design and review of the organizational structure is the responsibility of the Human Resources Department and ultimate responsibility is held by the Chief Executive Officer in his functions as an executive director.

The more detailed definition of the resources needed is prepared by the relevant area together with Human Resources. This includes, therefore, both areas related to the financial reporting process and the rest of the Group's operating areas.

The Company and Group have an organization chart that includes all the functional areas.

In relation to suitable procedures to ensure that the information is made known correctly, all the information on the organization chart and organizational structure is in the Group intranet (the "**Intranet**"), to which all employees have access.

In addition, the Group Finance Department (the "**Finance Department**"), as the department responsible for preparing the financial reporting, has a matrix of responsibilities and segregation of functions that establishes the different levels of approval of each one of the activities and processes of the finance and operating departments.

F.1.2.2) Code of conduct, approving body, degree to which it is made known and training is given, principles and values included (stating whether there are any specific references to recording operations and preparing financial information), body responsible for analyzing non-compliances and proposing corrective actions and penalties.

The Company and the Group have an Internal Code of Conduct on Issues relating to the Securities Market, approved by the Board of Directors, and a Code of Ethics (the "**Code of Ethics**"), which is notified to all the members of the organization through the Intranet. Likewise, courses are held on the subject. They must be attended by all new recruits and include annual updates for all Company and Group employees.

The Code of Ethics is based on the following essential principles: (i) compliance with legal requirements; (ii) correct preparation of financial information, which must be

complete and accurate; and (iii) fair treatment of customers and other interested parties. Thus, the Code of Ethics does not merely require compliance with the laws, but represents a commitment to positive conduct that builds trust, promotes respect and shows integrity.

The principles established in the Code of Ethics are: (i) loyalty to the Company; (ii) meeting one's commitments; (iii) acting in good faith; (iv) respect for others; (v) accurate and true information; (vi) not compromising either safety or quality; and (vii) helping to detect and avoid bad practices.

The Group has a Good Business Practices Manager, who is responsible for implementing the Code of Ethics and ensuring that it is applied.

The Audit Committee conducts an annual review of the ethics compliance program for each year, which includes actions, those responsible for them, dates and current status. Likewise, it obtains information on the training and updating courses that each member of the organization must attend.

In accordance with article 12 of the Regulations of the Board of Directors, to which article 11 of the Internal Code of Conduct refers, the Audit Committee has the function of supervising effective compliance with the obligations included in the Internal Code of Conduct. In particular, the Audit Committee will be responsible for:

- Meeting the rules of conduct of the securities markets and the rules of the Internal Code of Conduct, their procedures and any other present or future supplementary rules and ensuring that they are met.
- Promoting awareness of the Internal Code of Conduct and the rest of the securities market rules on conduct by the obliged persons, insiders and the Group.
- Developing, if applicable, procedures and implementing rules that are deemed appropriate in order to apply the Internal Code of Conduct.
- Interpreting the rules contained in the Internal Code of Conduct and solving any doubts or issues that are raised by obliged persons or insiders.
- Conducting enquiries in disciplinary proceedings due to non-compliance with the rules of the Internal Code of Conduct by obliged persons or insiders.
- Proposing any revisions of or improvements to the Internal Code of Conduct that may be seen fit.

F.1.2.3) Complaints channel, which allows any financial or accounting irregularities to be notified to the Audit Committee, in addition to any non-compliances with the Code of Conduct or irregular activities in the organization, stating, if applicable, whether they are confidential.

The Group has a confidential communication channel that enables all Group employees to make suggestions or complaints, allowing their concerns to be heard swiftly, neutrally and in the strictest confidence.

The program provides:

- Confidentiality: the identity of the person sending a communication is protected.
- Neutrality: neither the side of the Management nor that of the employee is taken.
- Independence: the person responsible for the program does not report hierarchically to Management.
- Quality: the system works as an intermediary between the employees and Management while, at the same time, ensuring that communication is clear and comprehensible.

Thus, employees may make communications as follows:

Employees may make communications as follows:

- By telephoning a number free of charge.
- By completing a form and sending it by mail or fax to the relevant center.
- By using the program's application from anywhere with Internet access.

F.1.2.4) Training and regular updating programs for employees involved in preparing and reviewing the financial information and assessing the ICFR, covering at least accounting principles, audit, internal control and risk management.

The employees involved in preparing and reviewing financial information have sound knowledge of financial and accounting matters. Additionally, the Group has a training program for its employees, supervised by the Human Resources Department.

Furthermore, courses, seminar and work groups relating to updates in accounting legislation, audit, internal control and risk management are organized, since the Group holds agreements for regular training with a specialized provider in the accounting, financial, legal, tax and labour areas, among others.

F.2) Financial information risk assessment.

State at least:

F 2.1) The main characteristics of the process for identifying risks, including the risk of error or fraud, in relation to:

F.2.1.1) Whether the process exists and is documented.

The Group has a Risk Management System (the “**Risk Map**”), which is carried out by the Group's different operating and functional units and submitted to the Audit Committee and Board of Directors for review. The Risk Map is based on the integrated management of each and every one of the business processes and appropriate segregation of the risk levels, in order to attain compliance with the strategic objectives fixed by the Group.

F.2.1.2) Whether the process covers all the financial reporting objectives (existence and occurrence; integrity; valuation; presentation, details and comparability; and rights and duties), whether it is updated and how often.

All the risks that could affect the financial reporting (operational risks) are assessed and quantified, in order to carry out regular monitoring of the controls designed to mitigate the risks identified. Operational risks are those that would cover the objectives of existence and occurrence, integrity, valuation, presentation, details and comparability and rights and duties.

The risk management is based on dynamic analyses for each one of the processes that make up the business units, so that those responsible for each one of the areas or departments of the organization identify and assess the potential risks.

F.2.1.3) The existence of a process for identifying the consolidated group, taking into account, among other aspects, the possible existence of complex corporate structures, instrumented or special-purpose entities.

The Group does not have a complex corporate structure. As may be seen from the Consolidated Annual Financial Statements, all the subsidiary companies are included in the consolidated group. The Finance Department, through the Consolidation Department, is responsible for the consolidation process. In close collaboration with the Legal Department, on the basis of decisions taken by the Board of Directors on corporate transactions of acquisitions, business combinations, disposals and mergers, among others, the consolidated group is determined together with the percentage interests that each company holds in its subsidiaries.

Following the best corporate governance practices, in order to meet recommendation 52 of the Unified Code of Good Corporate Governance, article 12 of the Regulations of the Board of Directors includes among the competencies of the Audit Committee the need to report to the Board of Directors prior to the latter's adoption of decisions on the acquisition of shares or interests in special-purpose entities or entities that have their registered office in countries or territories deemed to be tax havens, together with any other analogous transactions or operations that, due to their complexity, could impair the Group's transparency.

F.2.1.4) Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) to the extent that they affect the financial statements.

The different types of risk that comprise the Group's Risk Management System may be grouped principally into the following categories:

- Compliance.
- Operational.
- Strategic.
- Reputational.
- Financial.
- Legal.

Each one of these categories has controls and mitigating actions and they are reviewed and included in the annual work program of the Internal Audit Department (the "Internal Audit Department").

F.2.1.5) The entity's governing body that supervises the process.

The Audit Committee, in conjunction with the Internal Financial Reporting Control System, has the function of regularly reviewing the internal control and risk management systems, in order to identify and manage the main risks that might affect the Group's financial reporting.

F.3) Control activities

State, mentioning its main features, whether the entity has at least:

F.3.1) Procedure for review and authorization of the financial reporting and the description of the ICFR to be published in the securities markets, stating who is responsible, together with the documentation describing the flows of activities and controls (including those relating to the risk of fraud) for the different types of transactions that might have a material effect on the financial statements, including the financial closing

procedure and the specific review of significant judgements, estimates, valuations and projections.

The Finance Department consolidates and reviews all the financial information of the Company and its subsidiaries, including, for this purpose, the companies with registered offices in Spain, Portugal and Morocco. Once this information is known, it prepares the monthly, quarterly and half-yearly reports and the annual financial statements, among other items.

Likewise, the Finance Department submits the annual financial statements for review by the Audit Committee, as well as the half-yearly and quarterly financial statements and any other financial information that is sent to regulatory bodies or publications. The Audit Committee checks that the information is complete, accurate and sufficient to provide a true and fair view of the equity, the financial position, the Group's results and the cash flows, which are prepared in accordance with the legal framework for individual and consolidated purposes.

The Board of Directors approves all the financial information that the Group publishes regularly and approves the Annual Financial Statements and Annual Corporate Governance Report.

The review of the estimates and assumptions used is based on the Group's historical experience and other factors deemed reasonable. This procedure is included in a procedure manual on financial closing procedures.

F.3.2) Internal control policies and procedures for the information systems (among others, security of access, control of changes, how they are operated, operational continuity and segregation of functions) that support the entity's important processes in relation to the preparation and publication of the financial reporting.

The Systems Department acts directly in accordance with the rules related to the security of the information and, in addition, the Group Finance Department authorizes all accesses to sensitive systems that could affect the financial reporting.

The rules are based on placing controls on the security of access, control of changes, how they are operated, operational continuity and segregation of functions. All these rules are published in the Intranet in order to provide each one of the employees with access to them.

The Group has a series of actions that guarantee the correct running of operations when an incident occurs, in order mitigate or reduce to a minimum the possible materialization of an incident.

The Internal Audit Department includes a review of the proper working of the Internal Control System, both from a technological point of view and from the point of view of maintenance-oriented processes, in its annual work program.

F.3.3) Internal control policies and procedures intended to supervise the management of activities outsourced to third parties and those aspects of assessments, calculation or valuation entrusted to independent experts, which may have a material effect on the financial statements.

The relationship with any Group suppliers is conducted through the people specifically responsible in each business unit, both for goods and for services. Any selection of goods or services outsourced to third parties is made applying technical, professional and economic criteria.

The Internal Audit Department's annual work program includes the review of compliance with the rules relating to the main procedures for purchasing goods and services.

Any outsourcing concerning valuations entrusted to independent experts is conducted through the Finance Department and notified to the Audit Committee, since these valuations are included in the Group's financial reporting. In all cases, the Group Finance Department supervises whether the supplier is independent, experienced and prestigious both nationally and internationally.

F.4) Information and communication.

State, mentioning the main features, whether the entity has at least:

- F.4.1) A specific function responsible for defining accounting policies and keeping them updated (accounting policies area or department) and solving doubts or conflicts derived from the interpretation thereof, maintaining smooth communication with those responsible for operations in the organization, as well as an updated accounting policies manual that has been notified to the units through which the entity operates.**

The Finance Department, through its Accounting and Consolidation Departments, is responsible for reviewing accounting policies and rules and ensuring that they are updated for each of the Group's processes and units.

Likewise, the Internal Control Department has a smooth relationship with the Finance Department and those responsible for finance at each Group company and other units and corporate areas, with whom they establish any procedure updates that may be applicable.

All Group manuals and procedures are made known through the Intranet.

- F.4.2) Mechanisms for capturing and preparing the financial information with consistent formats applied and used by all the units of the entity or group, supporting the main financial statements and the notes, together with the information given on the ICFR.**

The Finance Department has the function of preparing the financial statements and the notes thereto through the Consolidation Department. In relation to the mechanisms for capturing and preparing the financial information, except for Otis Elevadores Lda. (Portugal) and Otis Maroc, S.A. (Morocco), the companies that form the consolidated group use the same reporting system and the same accounting policies and procedures, which allows the group to have a unified capturing mechanism that is in line with the accounting legislation in force at any given moment.

In addition, there are reporting packages for the companies that have their registered offices in Portugal and Morocco, which allows the financial reporting to be unified and made consistent and the policies and bases of presentation used by the Group to be met.

F.5) Supervision of the running of the system.

State, mentioning its main features, whether the entity has at least:

- F.5.1) ICFR supervision activities performed by the Audit Committee and whether the entity has an internal audit department whose functions include supporting the Committee in the supervision of the internal control system, including the ICFR. Likewise, explain the scope of the assessment of the ICFR performed in the year and the procedure whereby whoever is responsible for performing the assessment notifies the results, whether the entity has an action plan that describes possible**

corrective measures and whether the impact on the financial reporting has been considered.

The Company has an Internal Audit Department with systems and processes intended to assess, mitigate or reduce the main risks of the Company or Group by means of preventive measures and alerts of possible situations of risk.

Among its ICFR supervision activities, the Audit Committee reviews the financial information that is sent to the National Stock Market Commission on a quarterly basis.

In addition, the Audit Committee supervises the annual audit plan and monitors it. The head of the Internal Audit Department presents the conclusions of the work program and the tasks performed by said Department during the year to the Audit Committee

The Group's Internal Audit Department has 5 members, who have extensive knowledge in the areas of internal and external audit and management control, with experience in the operating part of the Group's units.

The Internal Audit Department has a work manual that establishes the procedures and functions to be performed by each one of its members.

The main functions of the Internal Audit Department are:

- Assessing the appropriateness, sufficiency and efficacy of the Group's internal audit system.
- Assessing compliance with the Risk Management System.

The Group has an account auditor which, as part of its procedures for auditing the annual financial statements, reviews the Internal Control System. At least once a year, the account auditor has a meeting with the Audit Committee at which it presents the conclusions of its work. In the event that any weakness or incident has been detected in the course of the auditor's work, the Audit Committee will establish actions and commits management to consider the actions established. During the year to which the report refers, the account auditor has not presented any weaknesses or incidents related to the Internal Control System in its conclusions.

F.5.2) Whether there is a discussion procedure whereby the account auditor (in accordance with the provisions of the Technical Audit Rules), the internal audit department and other experts may notify senior management and the internal Audit Committee or Directors of the entity of any significant internal control weaknesses identified during the processes of reviewing the annual financial statements or any others that have been entrusted to them. Likewise, state whether there is an action plan that attempts to correct or mitigate the weaknesses noted.

The Finance Department, the Internal Audit Department and the Audit Committee have regular and smooth communication with the Group's account auditor.

At the beginning of the year, the account auditor submits its audit work plan to the Finance Department. This plan includes the visit dates, objectives, companies to be audited and a list of the audit fees, so that they can be reviewed by the Audit Committee.

Throughout the audit process, the account auditor holds regular meetings with key personnel responsible for preparing the financial information, drawing preliminary conclusions in each one of the phases of the process.

Throughout the year or in any phase of the external audit process, the account auditor may meet with the Audit Committee.

At the end of the audit, as stated above, the account auditor presents its conclusions to the Audit Committee, which will assess any situation reported by the auditor and is considered by both the Internal Audit Department and the Audit Committee as actions to bear in mind.

F.6) External auditor's report

State:

F.6.1) Whether the ICFR information sent to the markets has been reviewed by the external auditor. If so, the entity should attach the relevant report hereto. Otherwise, state the reasons.

Report attached to the present Exhibit of the Company's 2012 ACGR.