

EXHIBIT I

**ANNUAL CORPORATE GOVERNANCE REPORT
FOR LISTED COMPANIES**

DETAILS IDENTIFYING ISSUER

DATE OF FISCAL YEAR END

Nov. 30, 2014

TAX IDENTIFICATION CODE

A28011153

CORPORATE NAME

ZARDOYA OTIS S.A

REGISTERED ADDRESS

CL GOLFO DE SALÓNICA 73

ANNUAL CORPORATE GOVERNANCE REPORT

FOR LISTED CORPORATIONS

A OWNERSHIP STRUCTURE

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

Date of latest modification	Capital social (€)	Number of shares	Number of voting rights
July 15, 2014	43,497,070.20	434,970,702	434,970,702

State whether there are different classes of shares to which different rights are associated:

Yes No

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 voting rights	Number of indirect voting rights	% of total voting rights
UNITED TECHNOLOGIES CORPORATION (UTC)	0	215,862,730	49,63%

Name or corporate name of the indirect owner of the shareholding	Through: Name or corporate name of the direct owner of the shareholding	Number of voting rights
UNITED TECHNOLOGIES CORPORATION (UTC)	UNITED TECHNOLOGIES HOLDINGS, S.A.S.	215.862.730

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

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
MR BERNARDO CALLEJA FERNANDEZ	1120	0	0.00%
MR PIERRE DEJOUX	10	0	0.00%
MR MARK GEORGE	5	0	0.00%
MR ALBERTO ZARDOYA ARANA	109	0	0.00%
MR MARIO ABAJO GARCIA	704,598	0	0.16%
EURO-SYNS S.A.	45,084,774	4,127,738	11.31%

Name or corporate name of the indirect owner of the shareholding	Through: Name or corporate name of the direct owner of the shareholding	Number of voting rights
EURO-SYNS S.A.	CENON INVESTMENTS S.L.	4,127,738

% of total voting rights held by the Board of Directors	11.31%
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Complete the following charts on the members of the Board of Directors of the company who hold rights over company shares:

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:

Nombre o denominación social relacionados	Tipo de relación	Breve descripción
Euro-Syns, S.A.	Familiar	Este consejero es una sociedad controlada por miembros de la familia Zardoya.

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

Nombre o denominación social relacionados	Tipo de relación	Breve descripción
United Technologies Holdings, S.A.S.	Comercial Contractual Societaria	A 30 de noviembre de 2014, United Technologies Corporation (UTC) es titular del 100% de las acciones de Otis Elevator Company y del 49.6269% de las acciones de Zardoya Otis S.A. a través de United Technologies Holdings, S.A.S. Zardoya Otis, S.A. tiene relaciones comerciales y contractuales con Otis Elevator Company y con United Technologies Corporation (UTC) (ver también el apartado A.6 siguiente).

Type of relationship: Commercial

Brief description:

As of November 30, 2014, United Technologies Corporation (UTC) holds 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 State whether any paracorporate (shareholders') agreements affecting the Company pursuant to the provisions of articles 530 and 531 of the Capital Companies Law] have been reported to the Company. If so, briefly describe them and list the shareholders bound by the agreement:

Yes X

No

Parties to shareholders' agreement
EURO-SYNS S.A.
UNITED TECHNOLOGIES HOLDINGS, S.A.S.

Percentage of share capital affected: 2.10%

Brief description of agreement:

As notified by Zardoya Otis, S.A. on January 30, 2013 as a relevant fact (number 181717), on August 3, 2012, Euro Syns, S.A. and United Technologies Holding, 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

approximately 2.103% of its share capital (after the capital increase approved by the Extraordinary General Shareholders' Meeting held on January 30, 2013).

Said syndication agreement was signed in the interests of the transaction to acquire Grupo Ascensores ENOR, S.A., in order for UTH to be the holder of more than 50% of the voting rights in Zardoya Otis, S.A. at all times, thus allowing the UTC Group to 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.

As further clarification, we add that, although the syndication agreement remained in force at the end of the 2014 financial year, it has concluded on the date of issue of this report.

As provided in Clause 3 of the syndication agreement, said agreement was to end on the date on which UTH became the owner of shares representing 50.01% or more of the share capital of Zardoya Otis, S.A. UTH became the holder of shares representing 50.01% of the share capital of Zardoya Otis, S.A. on January 9, 2015. The Company and the National Stock Market Commission were duly informed of this situation by UTH in the pertinent notification of significant shareholding and notification of relevant fact (number 216904), respectively.

State whether the company is aware of the existence of any actions that have been arranged between its shareholders. If S, briefly describe them:

Yes

No

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 (UTC)

Comments

At November 30, 2014, it is 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 capital
11,103	0	0.00%

(*) Through:

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

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 issue, repurchase or transfer treasury stock:

The Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. held on May 26, 2013 unanimously approved the proposal to authorize the Board of Directors to, without consulting the General Shareholders' Meeting beforehand, acquire, directly or indirectly, shares in Zardoya Otis, S.A. up to the maximum percentage of 10% of the share capital and for the maximum period of five years 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 30, 2013 unanimously approved to authorize the Board of Directors to, pursuant to the provisions of article 149 of the current Capital Companies Law, either directly or through any group companies, 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 does not amend but –rather- complements the authorization granted as per the first paragraph above.

A.10 State whether there is any restriction on the transferability of shares and/or any restrictions on voting rights. In particular, state the existence of any kind of restrictions that might hinder taking control of the company by acquiring shares therein in the market.

Yes

No

A.11 State whether the General Shareholders' Meeting has approved to 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.

A.12 State whether the company has issued securities that are not traded on a regulated Community market.

Yes

No

If applicable, state the different classes of shares and, for each class of shares, the rights and obligations it confers.

B GENERAL MEETING

B.1 State and, if applicable, describe whether there are any differences from the system of minimums provided for in the Capital Companies Law regarding the quorum required to constitute a General Meeting.

Yes X

No

	Quorum % different from that established as a general rule in art. 193 Capital Companies Law	Quorum % different from that established in art. 194 Capital Companies Law for the special cases of art. 194 Capital Comp. Law
Quorum required on 1st call	60.00%	50.00%
Quorum required on 2nd call	66.66%	50.00%

Describe the differences

The qualified quorums mentioned in the above chart are required.

B.2 State and, if applicable, describe whether the system for adopting corporate resolutions differs from the system provided for in the Capital Companies Law.

Yes

No X

Describe the differences from the system provided for in the Capital Companies Law.

B.3 State the rules applicable to amending the corporate By-Laws. In particular, state the majorities required to amend the By-Laws and, if applicable, the rules that are in place to protect shareholder rights when the By-Laws are amended.

To amend the Company's By-Laws, the system set forth in article 285 onwards of the Capital Companies Law will be applied.

Notwithstanding the provisions of the preceding paragraph, according to article 14 of the Company's By-laws, in order for a General Meeting (Ordinary or Extraordinary) to validly resolve to increase or decrease the capital or make any other amendment to the By-Laws, issue debentures, eliminate the limitation on the preferential right of acquisition of new shares, convert, merge or spin off the Company or globally transfer its assets and liabilities, move its registered office abroad, or any other amendment for which a qualified majority is legally required, it will be necessary, on the first call, for shareholders owning at least two thirds of the subscribed capital with voting rights to be present or represented. On the second call, it will be sufficient for 50% of said capital to be present or represented.

Additionally, in accordance with article 15 of the Company's By-laws, a separate vote will be taken on each one of the items on the agenda and on those matters which, although they form part of the same item on the agenda, are substantially independent, in order for the shareholders to exercise their voting preferences separately. In particular, in the event of amendments to the Company's By-laws, separate votes will be taken on each article or group of articles that is substantially independent.

Resolutions concerning amendment of the Company's By-laws will be adopted by a majority of the capital present or represented at the General Shareholders' Meeting.

B.4 State the attendance figures for the General Meetings held in the financial year to which this report refers and in the preceding financial year:

Date of General Meeting	Attendance figures				Total
	% physically present	% represented	% distance votes		
			Electronic vote	Other	
30/01/2013	64.69%	7.86%	0.00%	0.00%	72.55%
27/05/2013	64.62%	6.77%	0.00%	0.00%	71.39%
26/05/2014	61.74%	8.60%	0.00%	0.00%	70.34%

B.5 State whether the By-Laws contain a restriction establishing the minimum number of shares required to attend the General Meeting:

Yes

No X

B.6 State whether it has been decided that certain decisions that involve a structural modification of the company (subsidiarization, purchase or sale of essential operating assets, operations equivalent to winding up the company, ...) should be submitted to the approval of the General Shareholders' Meeting even though mercantile legislation does not expressly require this:

Yes X

No

B.7 State the address and way to access the corporate governance information on the company's website, as well as other information on General Meetings that must be made available to shareholders through the company's website:

The website of Zardoya Otis, S.A. is (www.otis.com/site/es-es/Pages/InformacionparaAccionistasInversores.aspx) which likewise contains a section on "Corporate Governance". Among other documents, the Annual Corporate Governance Report for 2013, published in March 2014, is included.

The 2014 Annual Corporate Governance Report will be duly published on the corporate website in March 2015.

C STRUCTURE OF THE COMPANY'S GOVERNING BODIES

C.1 Board of Directors

C.1.1 Maximum and minimum number of Directors provided for in the By-Laws:

Maximum number of Directors	15
Minimum number of Directors	3

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

Name or corporate name of Director	Representative	Position on the Board	Date first appointment	Date latest appointment	Election procedure
MR MARIO ABAJO GARCIA		CHAIRMAN	05/31/1985	06/23/2011	RESOLUT. GENERAL SHAREHOLDERS' MEETING
MR JOSE MARIA LOIZAGA VIGURI		DEPUTY CHAIRMAN	02/23/1973	05/27/2013	RESOLUT. GENERAL SHAREHOLDERS' MEETING
MR BERNARDO CALLEJA FERNANDEZ		DIRECTOR & CEO	02/28/2012	05/24/2012	RESOLUT. GENERAL SHAREHOLDERS' MEETING
MR PIERRE DEJOUX		DIRECTOR	01/26/2012	05/24/2012	RESOLUT. GENERAL SHAREHOLDERS' MEETING
MR MARK GEORGE		DIRECTOR	02/26/2014	05/26/2014	RESOLUT. GENERAL SHAREHOLDERS' MEETING
MR ALBERTO ZARDOYA ARANA		DIRECTOR	02/26/2013	05/27/2013	RESOLUT. GENERAL SHAREHOLDERS' MEETING

Name or corporate name of Director	Representative	Position on the Board	Date first appointment	Date latest appointment	Election procedure
MR PHILIPPE DELPECH		DIRECTOR	05/26/2014	05/26/2014	RESOLUT. GENERAL SHAREHOLDERS' MEETING
EURO-SYNS S.A.	MS MARIA LUISA ZARDOYA ARANA	DIRECTOR	05/31/1996	06/23/2011	RESOLUT. GENERAL SHAREHOLDERS' MEETING
OTIS ELEVATOR COMPANY	MRS.MURIEL MAKHARINE	DIRECTOR	06/30/1984	06/23/2011	RESOLUT. GENERAL SHAREHOLDERS' MEETING

Total number of directors	9
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State any Directors who left the Board during the reporting period:

Nombre o denominación social del consejero	Condición consejero en el momento del cese	Fecha de baja
DON ANGELO MESSINA	Consejero Dominical	26-02-2014
DON JOHAN BILL	Representante persona física de Otis Elevator Company (Consejero Dominical)	17-02-2014
DON LINDSAY HARVEY	Consejero Dominical	8-04-2014

C.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 reported on his/her appointment	Position in the company's organization chart
MR BERNARDO CALLEJA FERNANDEZ	NOMINATING COMMISSION	CEO

Total number of executive directors	1
Total % of the Board	11.11%

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of Director	Commission that reported on his/her appointment	Name or corporate name of significant shareholder represented or that proposed his/her appointment
MR PIERRE DEJOUX	NOMINATING COMMISSION	UNITED TECHNOLOGIES HOLDINGS, S.A.S.
MR MARK GEORGE	NOMINATING COMMISSION	UNITED TECHNOLOGIES HOLDINGS, S.A.S.
MR ALBERTO ZARDOYA ARANA	NOMINATING COMMISSION	EURO-SYNS S.A.
MR PHILIPPE DELPECH	NOMINATING COMMISSION	UNITED TECHNOLOGIES HOLDINGS, S.A.S.
EURO-SYNS S.A.	NOMINATING COMMISSION	EURO-SYNS S.A.
OTIS ELEVATOR COMPANY	NOMINATING COMMISSION	UNITED TECHNOLOGIES HOLDINGS, S.A.S.

Total number of proprietary directors	6
Total % of the Board	66.67%

INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of Director

MR JOSE MARIA LOIZAGA VIGURI

Profile:

Deputy Chairman. Appointed at the proposal of the Nominating Commission.

Total number of independent Directors	1
Total % of the Board	11,11%

State whether any Director classified as independent receives from the company or its group any amount or benefit for an item other than director remuneration or maintains or has maintained in the last financial year a business relationship with the company or any company belonging to its group, either in his/her own name or as a significant shareholder, director or member of senior management of an entity that maintains or has maintained such a relationship:

NO

If applicable, provide a statement explaining the Board's reasons for considering that said Director can perform his/her functions as an independent Director.

OTHER EXTERNAL DIRECTORS

Name or corporate name of Director	Commission that reported on or proposed his/her appointment
MR MARIO ABAJO GARCIA	NOMINATING COMMISSION

Total number of other external directors	1
Total % of the Board	11,11%

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:

MR MARIO ABAJO GARCIA

Company, member of management or shareholder to which he/she is related:

ZARDOYA OTIS, S.A.

Reasons:

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.

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

C.1.4 Complete the following chart with information on the number of women Directors over the last 4 financial years and the classification of said women Directors:

	Number of women Directors				% of total Board members of each type			
	F. Year 2013	F. Year 2012	F. Year 2011	F. Year 2010	F. Year 2013	F. Year 2012	F. Year 2011	F. Year 2010
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	0	0	0	0	0.00%	0.00%	0.00%	0.00%

C.1.5 Explain any measures that have been adopted to try to include a number of women on the Board of Directors sufficient to allow a balanced presence of men and women:

Explanation of the measures

At the 2014 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, Mrs María Luisa Zardoya Arana is the personal representative of the director Euro-Syns, S.A. and Mrs Muriel Makharine is the personal representative of the Director Otis Elevator Company.

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.^o

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.

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.

C.1.6 Explain any measures that the Nominating Commission has established to ensure that selection processes are free from any implied bias hindering the selection of women directors and that the company deliberately seeks women with the appropriate professional profile and includes them among the potential candidates:

Explanation of the measures

See point C.1.5 above.

In the director selection processes that have taken place, the Nominating Commission, following the principles established in the Board of Directors Regulations, has ensured that there is no implicit bias that hinders the access of women directors to the vacant positions and has evaluated the skills, knowledge and experience of all the candidates in accordance with the needs of the governing bodies at any given moment, valuing the commitment that is considered necessary in order to perform their task, irrespective of their sex.

When, in spite of any measures that have been adopted, the number of women directors is scant or nil, explain the reasons that justify this:

Explanation of the reasons

See preceding section.

C.1.7 Explain how owners of significant holdings are represented on the Board:

As stated in points A2 and A3 above, the two principle direct owners of significant shareholders were United Technologies Holdings, S.A.S. (UTH) and Euro-Syns, S.A.

At November 30, 2014, United Technologies Holdings, S.A.S. (UTH) and Euro-Syns, S.A. were represented on the Board of Directors as follows:

- Euro-Syns, S.A. has been a Director since May 31, 1996 and was most recently re-elected at the Ordinary General Shareholders' Meeting held on May 23, 2011.

- Otis Elevator Company has been a Director since May 31, 1996 at the proposal of the significant shareholder United Technologies Holdings, S.A.S. (UTH) and was most recently re-elected at the General Shareholders' Meeting held on May 23, 2011.

- Mark George was co-opted to the Board of Directors on February 26, 2014 at the proposal of the significant shareholder United Technologies Holdings, S.A.S. (UTH) and was ratified by the Ordinary General Shareholders' Meeting held on May 26, 2014.

- Philippe Delpech is a Director since May 26, 2014 at the proposal of the significant shareholder United Technologies Holdings, S.A.S. (UTH) .

- Pierre Dejoux was co-opted to the Board of Directors on January 26, 2012 at the proposal of the significant shareholder United Technologies Holdings, S.A.S. (UTH) and was ratified by the Ordinary General Shareholders' Meeting held on May 24, 2012.

- Alberto Zardoya Arana was co-opted to the Board of Directors on February 26, 2013 at the proposal of the significant shareholder Euro-Syns, S.A. and was ratified by the Ordinary General Shareholders' Meeting held on May 27, 2013.

C.1.8 Explain, 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.

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 X

C.1.9 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:

Nombre del consejero

Don Angelo Messina

Motivo del cese

N/A. Don Angelo Messina comunicó al resto de consejeros su decisión de dimitir como miembro del Consejo de Administración de Zardoya Otis, S.A. y a su cargo de miembro del Comité de Auditoría en la reunión del pasado 26 de febrero de 2014.

Nombre del consejero

Don Johan Bill (representante persona física de Otis Elevator Company)

Motivo del cese

Don Johan Bill comunicó al resto de consejeros, mediante el envío de la correspondiente carta de renuncia, su decisión de dimitir como representante persona física de Otis Elevator Company en el Consejo de Administración de Zardoya Otis, S.A. con efectos desde el día 17 de febrero de 2014. La dimisión se debe a procesos de reorganización interna del Grupo UTC.

Nombre del consejero

Don Lindsay Harvey

Motivo del cese

N/A. Don Lindsay Harvey comunicó al resto de consejeros su decisión de dimitir como miembro del Consejo de Administración de Zardoya Otis, S.A. y a su cargo de Presidente de la Comisión de Nombramientos y miembro del Comité de Auditoría en la reunión del pasado 8 de abril de 2014.

C.1.10 State the powers, if any, that are delegated to the Chief Executive Officer/s:

Name or corporate name of the Director:

MR BERNARDO CALLEJA FERNANDEZ

Brief description:

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

C.1.11 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
MR MARIO ABAJO GARCIA	OTIS ELEVADORES LDA. (PORTUGAL)	DIRECTOR
MR JOSE MARIA LOIZAGA VIGURI	OTIS ELEVADORES LDA. (PORTUGAL)	DIRECTOR
MR BERNARDO CALLEJA FERNANDEZ	OTIS ELEVADORES LDA. (PORTUGAL)	CHAIRMAN OF BOARD OF DIRECTORS
MR BERNARDO CALLEJA FERNANDEZ	OTIS MAROC S.A. [MOROCCO]	CHAIRMAN
MR BERNARDO CALLEJA FERNANDEZ	GRUPO ASCENSORES ENOR, S.A.	CHAIRMAN
MR BERNARDO CALLEJA FERNANDEZ	ACRESA-CARDELLACH S.L.	CHAIRMAN
MR BERNARDO CALLEJA FERNANDEZ	ASCENSORES SERRA S.A.	DIRECTOR
MR BERNARDO CALLEJA FERNANDEZ	MONTES TALLON S.A.	DIRECTOR

C.1.12 Identify, if applicable, the Directors of your company who are members of the Board of Directors of other companies outside your group listed on official stock markets, when this has been notified to the company:

Name or corporate name of Director	Corporate name of group company	Position
MR JOSE MARIA LOIZAGA VIGURI	ACTIVIDADES DE CONSTRUCCION Y SERVICIOS. S.A. (ACS)	DIRECTOR
MR JOSE MARIA LOIZAGA VIGURI	ACTIVIDADES DE CONSTRUCCION Y SERVICIOS. S.A. (ACS)	EXECUTIVE COMMISSION DEPUTY CHAIRMAN
MR JOSE MARIA LOIZAGA VIGURI	CARTERA INDUSTRIAL REA. S.A.	CHAIRMAN

C.1.13 State and, if applicable, explain whether the Company has established rules regarding the number of boards of which its directors may be members:

Yes X

No

Description of Rules

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

C.1.14 State 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	

C.1.15 State the aggregated compensation of the Board of Directors:

Compensation of the Board of Directors (thousands of euros)	1,604
Aggregated amount of rights accumulated by the Directors in relation to pensions (thousands of euros)	41
Aggregated compensation of the Board of Directors (thousands of euros)	1,645

C.1.16 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
MR DOMINGOS EDMUNDO DA ASCENÇÃO OLIVEIRA	GENERAL MANAGER
MR PHILIPPE OLIVEIRA	GENERAL MANAGER
Total compensation of senior management (thousands of euros)	350

C.1.17 State, if applicable, the identity of the members of the Board who are also members of the Boards of Directors 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	Otis Elevadores Lda. (Portugal)	Director
Mark George	Otis Elevator Company (New Jersey)	Director
	Otis Elevator Company [Delaware, USA]	Director
	Otis Elevator International, Inc. [Delaware, USA]	Director
Pierre Dejoux	OTIS Limited	Chairman
	Buga Otis Asansor Sanayi ve Ticaret A.S. [Turquía]	Director
Bernardo Calleja Fernandez	Ascensores Serra S.A.	Director
	C. Veremis Otis S.A. [Grecia]	Director
	Otis Elevadores (Portugal)	Chairman
	Montes Tallon S.L.	Director
	Otis Servizi S.r.l.(Italia)	Chairman
	Grupo Ascensores Enor, S.A.	Chairman
	Mototracción Electrica Latierro, S.A.	Personal representative of Director (Zardoya Otis S.A.)
	Otis Maroc, S.A. (Marruecos)	Personal representative of Director (Zardoya Otis S.A.)
Acresa Cardellach, S.L.	Chairman	
Philippe Delpech	Buga Otis Asansor Sanayi ve Ticaret A.S. [Turquía]	Vice Chairman
José María Loizaga Viguri	Otis Elevadores Lda. (Portugal)	Director
Maria Luisa Zardoya Arana (persona física representante del consejero 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 related Director:

MR BERNARDO CALLEJA FERNANDEZ

Name or corporate name of related significant shareholder:

UNITED TECHNOLOGIES CORPORATION (UTC)

Description of relationship:

He is an executive of the United Technologies Corporation Group

Name or corporate name of related Director:

MR PIERRE DEJOUX

Name or corporate name of related significant shareholder:

UNITED TECHNOLOGIES CORPORATION (UTC)

Description of relationship:

He is an executive of the United Technologies Corporation Group

Name or corporate name of related Director:

MR MARK GEORGE

Name or corporate name of related significant shareholder:

UNITED TECHNOLOGIES CORPORATION (UTC)

Description of relationship:

He is an executive of the United Technologies Corporation Group

Name or corporate name of related Director:

MR PHILIPPE DELPECH

Name or corporate name of related significant shareholder:

UNITED TECHNOLOGIES CORPORATION (UTC)

Description of relationship:

He is an executive of the United Technologies Corporation Group

Name or corporate name of related Director:

EURO-SYNS S.A.

Name or corporate name of related significant shareholder:

EURO-SYNS S.A.

Description of relationship:

Euro-Syns, S.A. is a company controlled by the Zardoya family

Name or corporate name of related Director:

OTIS ELEVATOR COMPANY

Name or corporate name of related significant shareholder:

UNITED TECHNOLOGIES CORPORATION (UTC)

Description of relationship

It is a company controlled by United Technologies Corporation

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

Yes

No X

C.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 Board of Directors Regulations 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 their respective competencies, ensure that the persons chosen as candidates are persons with recognized competence and experience; (ii) establish a guidance program for new directors that swiftly provides them with sufficient knowledge of the Company and its corporate governance rules; and (iii) likewise have knowledge updating programs when the circumstances thus advise.

C.1.20 State whether the Board of Directors has evaluated its activity during the F.Y.:

Yes

No X

If applicable, explain the extent to which the self-evaluation has led to important changes in its internal organization and the programs applicable to the activities:

C.1.21 State the circumstances in which Directors are obliged to resign:

Firstly, article 15 of the Board of Directors Regulations 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.

C.1.22 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 X

State 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 X

C.1.23 Are qualified majorities, other than those legally provided for, required for any type of decision?:

Yes

No X

If applicable, describe the differences:

C.1.24 Explain whether there exist specific requirements, other than those relating to Directors, to be appointed Chairman:

Yes No X

C.1.25 State whether the Chairman has a casting vote:

Yes No X

C.1.26 State whether the By-Laws or the Regulations of the Board of Directors fix any age limit for Directors:

Yes No X

C.1.27 State whether the By-Laws or the Regulations of the Board of Directors fix a limited term of office for independent Directors, other than that established by law:

Yes No X

C.1.28 State whether the By-Laws or the Board of Directors Regulations fix any specific rules for proxy-voting at meetings of the Board of Directors, the way in which this is done and, in particular, the maximum number of proxy votes that a Director may hold, as well as whether it is compulsory to delegate to a Director with the same classification. If applicable, briefly describe these rules:

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 Board of Directors Regulations states that each director may authorize another director to represent him without any limit on the number of proxies that one director may hold 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.

C.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. Proxies granted with specific instructions must be counted as presences:

Number of Board meetings	10
Number of Board meetings without the presence of the Chairman	0

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

Commission	Number of meetings
AUDIT COMMITTEE	7
NOMINATING COMMISSION	4

C.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 with specific instructions must be counted as presences:

Attendances of Directors	10
% of attendances of total votes during the F.Y.	100.00%

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

Yes No X

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

C.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.

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

Yes No X

C.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 Board of Directors Regulations, 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 Board of Directors Regulations 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 X

No

Comments

In order to meet recommendation 18 of the Unified Code of Good Governance article 8 of the Board of Directors Regulations expressly provides that the Secretary of the Board of Directors must ensure that the resolutions of the Board of Directors:

- (i) se 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

C.1.35 State 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 Board of Directors Regulations 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 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 ensure 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) if the external account auditor resigns, it will investigate the issues that gave rise to said resignation; 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 (iii) above refers.

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

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

Yes

No X

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

C.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)	89	0	89
Amount of work other than audit work / Total amount billed by the audit firm (%)	31,58%	0,00%	18,76%

C.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

C.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	27	27
Number of years audited by the current audit firm / Number of years for which the company has been audited (%)	67.50%	100.00%

C.1.40 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 B 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.

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:

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.

C.1.41 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 X

No

Details of procedure

In accordance with article 10 of the Board of Directors Regulations, Zardoya Otis, S.A.'s Board meetings are called 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 17 of the Board of Directors Regulations 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 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 Board of Directors Regulations 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.

C.1.42 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 X

No

Explain the rules

Articles 15 and 19 of the Board of Directors Regulations follow recommendation 32 of the Unified Code of Good Governance.

1. Article 15 of the Board of Directors Regulations 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:

(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 Board of Directors Regulations 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.

C.1.43 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 213 of the Capital Companies Law:

Yes

No X

State 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 or, if applicable, set forth the actions taken by the Board of Directors up to the date of this report or those it plans to take hereafter:

C.1.44 Provide details of any significant agreements into which the company has entered that come into force, are modified or conclude in the event of a change in the control of the company as a result of a public tender offer and the effects of said entry into force, modification or conclusion:

There are no any significant agreements into which the company has entered that come into force, are modified or conclude in the event of a change in the control of the company as a result of a public takeover bid.

C.1.45 State, on an aggregated basis, and describe in detail, any agreements between the company and its directors, managers or employees that provide for indemnities or contain any guarantee or protective clauses in the event that they resign or are unfairly dismissed or if the contractual relationship concludes as the result of a public tender offer or any other type of transaction:

Number of beneficiaries: 0

Type of beneficiary:

NONE

Description of Agreement:

NONE

State whether these contracts must be notified to and/or approved by the governing body/ies of the company or its group:

	Board of Directors	General Meeting
Body authorizing the clauses	No	No

	Yes	No
Is the General Meeting informed of the clauses		X

C.2 Commissions of the Board of Directors

C.2.1 Give details of all the commissions of the Board of Directors, their members and the proportion of proprietary and independent directors that sit on them:

AUDIT COMMITTEE

Name	Position	Type
MR MARK GEORGE	CHAIRMAN	Independent
MR JOSE MARIA LOIZAGA	DIRECTOR	Proprietary
MR PIERRE DEJOUX	DIRECTOR	Proprietary

% of executive directors	0.00%
% of proprietary directors	66.66%
% of independent directors	33.33%
% of other external directors	0.00%

NOMINATING COMMISSION

Name	Position	Type
MR PHILIPPE DELPECH	CHAIRMAN	Proprietary
OTIS ELEVATOR COMPANY	DIRECTOR	Proprietary
MR JOSE MARIA LOIZAGA VIGURI	DIRECTOR	Independent

% of executive directors	0.00%
% of proprietary directors	66.66%
% of independent directors	33.33%
% of other external directors	0.00%

C.2.2 Complete the following chart with information on the number of women directors who have sat on the commissions of the Board of Directors in the last four F.Y.s:

	Number of women directors							
	F.Y. 2013		F.Y. 2012		F.Y. 2011		F.Y. 2010	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
NOMINATING COMMISSION	0	0.00%	0	0.00%	0	0.00%	0	0.00%
EXECUTIVE OR DELEGATE COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
NOMINATING AND COMPENSATION COMMISSION	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 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	

C.2.4 Provide a description of the rules of organization and operation and of the responsibilities attributed to each one of the commissions of the Board:

See "H. Other information of interest"

C.2.5 State, if applicable, whether rules exist for the Board commissions, where they are available to be consulted and the amendments made to them during the F.Y. Likewise, state whether any annual report on the activities of each commission has been prepared on a voluntary basis:

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 F.Y. ended November 30, 2013. All this information is available on the Company's website(www.otis.com/site/es-esl/Pages/InformacionparaAccionistaselInversores.aspx), which likewise contains a heading concerning the "Commissions of the Board of Directors" within the "Corporate Governance" section.

Article 24 bis f) of the By-Laws shows that the Audit Committee's competencies are not only these reflected in this article, but may be supplemented by the provisions of the Board of Directors Regulations.

Nominating Commission

The Nominating 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 F.Y. ended November 30, 2013. All this information is available on the Company's website (www.otis.com/site/es-esl/Pages/InformacionparaAccionistaselInversores.aspx), which likewise contains a heading concerning the "Commissions of the Board of Directors" within the "Corporate Governance" section.

No annual report is prepared on the activities of the Nominating Commission.

C.2.6 State whether the composition of the delegate or executive commission reflects the participation of the Directors on the Board of Directors in accordance with their classification:

Yes

No

If not, explain the composition of the delegate or executive commission

Zardoya Otis, S.A. dos not have a delegate or executive commission

D RELATED-PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS

D.1 Identify the competent body and explain, if applicable, the procedure for approval of related-party and intragroup transactions:

Body competent to approve related transactions

The Board of Directors

Procedure for approval of related transactions

According to article 12 (A) 2 (j) of the Board of Directors Regulations, the Audit Committee will provide a report to the Board of Directors prior to the latter's adoption of decisions on related transactions.

According to article 11 of the Board of Directors Regulations, the Board of Directors will adopt its decisions, including, therefore, the approval of related transactions, by an absolute majority of all the Directors present or represented at the meeting.

Explain whether the approval of transactions with related parties has been delegated, stating, if applicable, the body or person to which it has been delegated.

N/A

D.2 Give details of any transactions that are significant because of their amount or relevant because of their content that have been performed between the company or companies belonging to its group and significant shareholders of the company:

Name of corporate name of significant shareholder	Name or corporate name of the company or company belonging to its group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
UNITED TECHNOLOGIES CORPORATION (UTC)	OTIS ELEVATOR COMPANY	Contractual	License Agreements	17,726
UNITED TECHNOLOGIES CORPORATION (UTC)	ZARDOYA OTIS, S.A.	Contractual	Other	547

D.3 Give details of any transactions that are significant because of their amount or content that have been performed between the company or companies belonging to its group and the directors of the company or its management staff:

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

Any intragroup transaction performed with companies established in countries or territories classified as tax havens must be reported.

Corporate name of the group company: OTIS

ELEVATOR COMPANY

Amount (thousands of euros): 29,366 **Brief**

description of the transaction: IMPORTS

(FROM)

Corporate name of the group company: OTIS

ELEVATOR COMPANY

Amount (thousands of euros): 152,463

Brief description of the transaction:

EXPORTS (TO)

Corporate name of the group company: OTIS

ELEVATOR COMPANY

Amount (thousands of euros): 1,340

Brief description of the transaction::

INVOICING(TO) OF THE R&D OF ZARDOYA OTIS

D.5 State the amount of the transactions performed with other related parties

(thousands of euros):

D.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 Board of Directors Regulations 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 be affected by 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.

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

Yes

No X

Identify the subsidiaries listed in Spain:

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's risk management system:.

Section F of 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.

The risk control and management policy contains:

- The different types of risk (operating, technological, financial, legal, reputational, etc.) to which the Company is exposed, including financial or economic risk, contingent liabilities and other off-balance-sheet risks;
- Fixing the level of risk that the Company considers acceptable;
- The measures foreseen to mitigate the impact of the risks identified, in the event that they materialize; and
- The internal reporting and control systems that are used to control and manage the aforementioned risks, including the contingent liabilities and off-balance-sheet risks mentioned above.

E.2 Identify the company bodies responsible for preparing and executing the Risk Management System:

Article 3 of the Board of Directors Regulations states that the Board of Directors is competent to approve the risk control and management system.

Article 12 (A) 2 (e) of the Board of Directors Regulations states that the Audit Committee must periodically review the internal control and management systems in order for the main risks to be identified, managed and made known.

Risk management is controlled by company Management in accordance with policies approved by the Board of Directors. Management assesses and hedges financial risks in close collaboration with the operating units of the rest of the Group, in order to:

- Guarantee that the most significant risks are identified, assessed and managed;
- Ensure an appropriate operating segregation of risk management functions;
- Ensure that the level of risk exposure accepted by the Company in its operations is adapted to the risk profile.

E.3 State the main risks that may affect attainment of the business objectives:

As mentioned in point E1 above, the risk control and management policy fixes the different types of risk, among which the principal ones are

- Operating,
- Technological,
- Financial,
- Legal,
- Reputational,

From the financial point of view, the activities of the Company and the Group are exposed to a number of financial risks: market risk (including exchange rate risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk). The Company's global risk management program concentrates on the uncertainty in the financial markets and tries to minimize any potential adverse effects on the Company's financial profitability. In Note 4 of the Individual Annual Financial Statements and Note 3 of the Consolidated Annual Financial Statements, management of each one of the financial risks is explained.

E.4 State whether the company has a risk tolerance level:

As stated in point E1 above, the risk control and management policy fixes the level of risk that the Company considers acceptable.

E.5 State the risks that materialized during the F.Y.:

As in previous F.Y.s, the risk that materialized in the F.Y. refers to trade receivables:

- Circumstances that caused this: deterioration in the national economic situation.
- Operation of the control systems: both the Company and the Group have customer credit analysis policies and periodic debt monitoring procedures performed by the departments involved in collection management.

E.6 Explain the response and supervision plans for the company's main risks:

Zardoya Otis, S.A. has an Internal Audit Department, with systems and processes that are intended to assess, monitor, mitigate or reduce the main risks of the Company and its consolidated group by preventive measures and alert of possible situations of risk. The Company has the risks that affect assets and liability covered by the appropriate insurance policies. Likewise, the Company and its consolidated group have processes that ensure control of any risk that may stem from trading operations. Section F of this Annual Corporate Governance Report describes the internal control and risk management systems in greater detail.

F INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO FINANCIAL REPORTING (ICFR)

Describe the mechanisms that form the risk control and management systems in relation to financial reporting (ICFR) in the company.

F.1 The company's control environment

Describe, stating the 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 Board of Directors Regulations states that the Board of Directors is competent to approve the risk control and management policy, as well as the periodic monitoring of the internal reporting and control systems.

According to article 24 bis of the By-Laws and, especially, article 12 (a) 2. (c) of the Board of Directors Regulations, the Audit Committee will have the duties of: (i) ensuring the independence and efficacy of the internal audit function, (ii) proposing the selection, appointment, reappointment and removal of the head of the internal audit service, (iii) proposing the department's budget; (iv) receiving regular reports on its activities, (v) reviewing the internal audit annual work plan its annual focus on activities, (vi) verifying that senior management takes into account the findings and recommendations of its reports, and (vii) 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 receiving information on and supervising the process of preparation of the financial reporting of the Company and the Group, checking compliance with legal requirements, the appropriate demarcation of the scope of consolidation, and the correct application of accounting standards, ensuring its integrity.

Lastly, article 12 (A) 2. (e) of the Board of Directors Regulations states that the Audit Committee must periodically review the internal control and management systems in order for the principal risks to be identified, managed and made known. In particular, the risk control and management policy states:

- The different types of risk (operating, technological, financial, legal, reputational, etc.) to which the Company is exposed, including financial or economic risk, contingent liabilities and other off-balance-sheet risks;
- Fixing the level of risk that the Company considers acceptable;
- The measures foreseen to mitigate the impact of the risks identified, in the event that they materialize; and
- The internal reporting and control systems that are used to control and manage the aforementioned risks, including the contingent liabilities and off-balance-sheet risks mentioned above.

The Company's Audit Committee is formed by three Directors. Its Chairman is Mr José María Loizaga Viguri (independent director) and the other two members are Mr Angelo Messina (proprietary director) and Mr Lindsay Harvey (proprietary director).

F.1.2. Whether the following elements exist, especially in relation to the financial reporting:

- Departments and/or mechanisms responsible for: (i) the design and review of the organizational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) the existence of sufficient procedures for these to be correctly known within the company.

The design and review of the organizational structure is the responsibility of the Human Resources Department and, ultimately, the CEO, within his functions as an executive director.

More detailed definition of resource needs is carried out by the area in question, together with Human Resources, including, therefore, the areas related to the process of preparing the financial reporting and the rest of the Group's operational areas.

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

In relation to sufficient procedures for the information to be correctly known, 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 Financial Department (the "Financial Department"), responsible for preparing the financial reporting, has a system of responsibilities and segregation of functions that fixes the different levels for approval for each one of the activities and processes of the financial and operating departments.

- Code of conduct, approving body, degree to which it is known and explained, principles and values included (stating whether there are specific references to the operations register and financial reporting), body responsible for analyzing non-compliances and proposing corrective actions and penalties.

The Company and the Group have an Internal Code of Conduct on Matters relating to the Stock Markets, approved by the Board of Directors, and a Code of Ethics (the "Code of Ethics"), which has been notified to all the members of the organization through the Intranet.

The Code of Ethics is based on the following essential principles: (i) compliance with legal requirements; (ii) correct preparation of the financial statements, 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 law, but represents a commitment to positive behaviour that forges trust, promotes respect and shows integrity.

The principles established in the Code of Ethics are: (i) loyalty to the Company; (ii) meeting commitments; (iii) acting bona fides; (iii) respect towards others; (v) accurate and true information; (vi) not to jeopardize safety or quality; and (iv) to help to detect and avoid bad practices.

The Group has a Good Business Practice Manager, responsible for implementing the Code of Ethics and ensuring compliance therewith.

The Audit Committee makes an annual review of the plan for compliance with the Code of Ethics for each F.Y., covering the actions, those responsible for them, dates and current status, likewise obtaining information on the training and updating courses that each one of the organization's members must attend.

As stated in article 12 of the Company's Board of Directors Regulations, mentioned in article 11 of the Internal Code of Conduct, the Audit Committee is responsible for supervising effective compliance with the obligations established in the Internal Code of Conduct. In particular, the Audit Committee must:

- Comply and ensure compliance with the stock market rules on conduct and the rules contained in the Internal Code of Conduct, the procedures thereof and any other present or future supplementary rules.
- Promote knowledge of the Internal Code of Conduct and other stock market rules on conduct on the part of the persons subject to them, insiders and the Group..
- Develop, if applicable, the procedures and implementing rules deemed appropriate in order to apply the Internal Code of Conduct.
- Interpret the rules contained in the Internal Code of Conduct and solve any queries or issues raised by those subject to it and/or insiders.
- Conduct disciplinary procedures against those subject to the Code of Conduct and insiders due to failure to comply with the rules of the Code of Conduct.
- Propose to the Company's Board of Directors the revisions or improvements to the Internal Code of Conduct that it deems appropriate.

- Complaints channel that allows any financial or accounting irregularities, in addition to any breaches of the code of conduct and/or irregular activities in the organization to be reported to the Audit Committee, stating, if applicable, whether this channel is confidential.

The Group has a confidential communication channel that allows all Group employees to make suggestions and place complaints in such a way that their concerns can be heard swiftly, neutrally and in the strictest confidence.

The program provides:

- Confidentiality: the identity of the person making a communication is protected.
- Neutrality: neither management nor the employee takes part.
- independence: there is no hierarchical relationship between the person responsible for the program and Management.
- Quality: the system operates as an intermediary between the employees and Management, while ensuring that communication is clear and comprehensible.

Thus, employees may make communications as follows:

- Through a free telephone call.
- By completing a form and sending it to the relevant centre by mail or fax.
- Using the program application from anywhere with Internet access.

- Training programs and regular updates for employees involved in preparing and reviewing the financial information and in the assessment of the ICFR, covering at least accounting rules, auditing, internal control and risk management.

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

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

F.2 Assessment of financial reporting risks

Provide information on at least:

F.2.1. The principal characteristics of the risk identification process, including the risks of error or fraud, in respect of:

- 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 for review by the Audit Committee and Board of Directors. The Risk Map is based on integrated management of each and every one of the business processes and an appropriate segregation of the levels of risk, in order to achieve compliance with the strategic objectives fixed by the Group.

- Whether the process covers the whole of the financial reporting objectives (existence and occurrence; integrity; measurement, presentation, breakdown and comparability; and rights and obligations. Whether it is updated and how often:

All the risks that could affect the financial reporting (principally operational risks) are assessed and quantified in order to carry out regular supervision of the controls designed to mitigate the risks identified. Operational risks cover the objectives of existence, occurrence, integrity, measurement, presentation, breakdown and comparability, and rights and obligations.

Risk management is based on dynamic analyses for each one of the processes that comprise the business units, meaning that those responsible for each one of the organization's areas or departments identify and assess the potential risks.

- The existence of a process to identify the scope of the consolidated group, taking into account, among other aspects, the possible existence of complex corporate structures and instrumental entities or special-purpose vehicles:

The Group does not have a complex corporate structure. As may be seen from the consolidated annual financial statements, all the subsidiaries are consolidated. The Financial Department, through its Consolidation Department, carries out the consolidation process. In close collaboration with the Legal Department, on the basis of the decisions adopted by the Board of Directors on corporate transactions for acquisitions, business combinations, disposals and mergers, among others, the scope of the consolidation and the percentage interests held by each company in its subsidiaries are determined.

Following the best corporate governance practices, in order to comply with Recommendation No. 52 of the Unified Code of Good Governance, article 12 of the Board of Directors Regulations includes, among the duties of the Audit Committee, the need to provide a report to the Board of Directors before the latter adopts any decisions on the creation or acquisition of shares or interests in special-purpose vehicles or entities resident in countries or territories considered tax havens, as well as any other similar transactions or operations that, given their complexity, could impair the Group's transparency.

- Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they affect the financial statements:

The different type of risk that comprise the Group risk management system are grouped principally into the following categories:

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

Each one of these categories has controls and mitigating actions, which are reviewed and included in annual work plan of the internal audit department's (the "Internal Audit Department").

- Which of the company's governing bodies supervises the process:

The Audit Committee, with the ICFR system, is responsible for periodically reviewing the internal control and risk management systems, in order for the main risks that affect the Group's financial information to be identified and managed.

F.3 Control activities

State, describing their main characteristics, whether the company has at least:

- F.3.1. Financial reporting review and authorization procedures and a description of the ICFR to be published in the stock markets, stating the persons responsible for them, as well as documentation describing the flows of activities and controls (including those concerning the risk of fraud) for the different transactions that could have a material effect on the financial statements, including the procedure for closing the accounts and a specific review of significant judgements, estimates, measurements and projections.

The Financial Department consolidates and reviews all the financial information of the Company and its subsidiaries, including, in this respect, the companies resident in Spain, Portugal and Morocco. Once said information is known, it prepares monthly, quarterly and six-monthly reports and annual financial statements, among other items. Likewise, the Financial Department submits the annual, six-monthly and quarterly financial statements for review by the Audit Committee, as well as 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 Group's equity, financial situation and results and the cash flows, which are prepared in accordance with the legal framework applicable to individual and consolidated financial statements.

The Board of Directors approves all the financial information that the Group publishes periodically and formulates the annual financial statements together with the Annual Corporate Governance Report.

The review of the estimates and assumptions used is based on the Group's historical experience and other factors considered reasonable. Said procedure is included in the procedure manual for closing the accounts.

F.3.2. Internal control policies and procedures for the information systems (including, among others, access security, control of changes, the operation thereof, operational continuity and segregation of functions) that support the company's significant processes in relation to preparing and publishing the financial information:

The Systems Department acts directly in accordance with the rules on data security and, furthermore, the Group Financial Department authorizes all access to sensitive systems that could affect the financial reporting.

The rules are based on establishing access security controls and control of changes, operations, operating continuity and segregation of functions. All these rules are published in the Intranet in order to enable each one of the employees to access them.

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

The Internal Audit Department's annual work plan includes the review of the correct running of the Internal Control System covering both technological aspects and processes, aimed to maintain them.

F.3.3. Internal control policies and procedures intended to supervise management of activities subcontracted to third parties, as well as any aspects of assessment, calculation or valuation entrusted to independent experts, that could have a material effect on the financial statements:

The relationship with any group supplier is conducted through those specifically responsible in each business unit, for both goods and services. Any selection of products or services subcontracted to third parties is done using technical, professional and economic criteria.

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

Any subcontracting of valuations to independent experts is carried out through the Financial Department and notified to the Audit Committee, since they relate to valuations included in the Group's financing reporting. At any event, the Group Financial Department ensures that the supplier is independent, experienced and prestigious, both nationally and internationally.

F.4 Information and communication:

State, describing their main characteristics, whether the company has at least:

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

The Financial Department, through its Accounting and Consolidation Departments, is responsible for reviewing the accounting policies and rules and ensuring they are kept updated for each of the Group's processes and units. Likewise, the Internal Control department maintains a smooth relationship with the Financial Department, those responsible for the financial area in each of the Group companies and other units and corporate areas, with whom they establish the procedure updates when applicable.

All the Group's manuals and procedures are communicated 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 company or group, which contain the principal financial statements and notes, as well as the information provided on ICFR:

The Financial Department, through the Consolidation Department, has the function of preparing the financial statements and the notes thereto. 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 belong to the consolidated group use the same financial information system, the same policies and identical accounting procedures, which permits a unified capturing mechanism that is in accordance with the accounting rules in force at any given moment. Additionally, there are reporting packages for the companies resident in Portugal and Morocco, which allows the financial information to be unified and made consistent and compliance with the policies and bases of presentation used by the Group.

F.5 Describe, stating their main characteristics, at least:

- F.5.1. The ICFR supervision activities performed by the Audit Committee and whether the company has an internal audit service whose duties include supporting the Committee in its supervision of the internal control system, including ICFR. Likewise, describe the scope of the evaluation of ICFR carried out in the year and the procedure whereby those responsible for performing the evaluation notify the results, whether the company has an action plan that describes any possible corrective measures and whether the impact on the financial information has been considered.

The Company has an Internal Audit Department, with systems and processes, which aims to evaluate, mitigate or reduce the principal risks of the Company and Group through preventive measures and alerts of possible situations of risk.

The Audit Committee, among its ICFR supervision activities, review the financial reporting that is sent to the Comisión Nacional del Mercado de Valores on a quarterly basis.

Additionally, the Audit Committee supervises and monitors the annual audit plan. The head of the Internal Audit Department presents the findings of the work plan and the tasks performed by said Department during the F.Y. to the Audit Committee.

The Group's Internal Audit Department has five members, who have extensive knowledge in the areas of internal and external auditing and management control, as well as experience in the operational part of the Group's units.

The Internal Audit Department has a work manual that establishes the procedures and functions that each one of its members must perform.

The main functions of the Internal Audit Department are:

- To evaluate the appropriateness, sufficiency and efficacy of the Group's Internal Control System.
- To evaluate compliance with the Risk Management System.

The Group has an account auditor (the "Account Auditor"), who, as part of its procedures to audit the annual financial statements, reviews the Internal Control System. The Account Auditor has a meeting with the Audit Committee at least once a year and presents the findings of its work at said meeting. In the event that any weakness or issue has been noted in the course of the work, the Audit Committee will establish actions and oblige management to consider the actions established. In the findings presented to the Audit Committee, the Account Auditor has not included any weaknesses or issues concerning the Internal Control System.

- F.5.2. Whether the company has a discussion procedure whereby the account auditor (as established in the Technical Audit Notes), the internal audit service and other experts may inform senior management and the company's audit committee or directors of any significant weaknesses noted during the annual financial statement review processes or any other processes for which they are responsible. Likewise, state whether the company has an action plan intended to correct or mitigate the weaknesses noted:

The Financial Department, the Internal Audit Department and the Audit Committee maintain regular and smooth communication with the Group's Account Auditor.

At the beginning of the F.Y., the Account Auditor presents its audit plan to the Financial Department, containing the visit dates, objectives, companies to be audited and a list of audit fees, so that the Audit Committee can review it.

During the whole audit process, the Account Auditor holds regular meetings with key employees responsible for preparing the financial information, establishing preliminary findings in each one of the phases of the process.

Throughout the F.Y. or in any phase of the external audit process, the Account Auditor may meet with the Audit Committee.

Upon conclusion of the audit, as stated previously, the Account Auditor presents its findings to the Audit Committee, which will evaluate any situation reported by the former. This will be considered by both the Internal Audit Department and the Audit Committee in order to undertake the appropriate actions.

F.6 Other relevant information

N/A

F.7 Report of the external auditor

State:

- F.7.1. Whether the ICFR information sent to the markets has been subject to review by the external auditor, in which case the company must include the relevant report as an exhibit hereto. Otherwise, state the reasons.

Report attached to this 2013 Corporate Governance Report on the Company.

G DEGREE TO WHICH THE CORPORATE GOVERNANCE RECOMMENDATIONS ARE FOLLOWED

State the degree to which the company follows the recommendations of the Unified Code of Good Governance.

In the event that any recommendation is not followed or is only followed partially, provide a detailed explanation of the reasons so that the shareholders, investors and market in general have enough information to evaluate the company's behaviour. General explanations are not acceptable.

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, B.1, B.2, C.1.23 & C.1.24.

Complies X

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: D.4 & D.7

Complies

Complies in part

Explain

Not applicable X

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.**

See section: B.6

Complies X

Complies in part

Explain

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information to which recommendation 27 refers, are made public at the time of publication of the notice of call to the General Shareholders' Meeting.

Complies X

Explain

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 X

Complies in part

Explain

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 X

Explain

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 X

Complies in part

Explain

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:

a) 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: C.1.14, C.1.16 & E.2

b) 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.**

c) Transactions performed 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: D.1 & D.6

Complies

Complies in part X

Explain

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

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: C.1.2

Complies X

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.3 & C.1.3.

Complies X

Complies in part

Explain

11. 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 & C.1.3

Complies

Explain X

The Board of Directors Regulations 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 of the Board of Directors Regulations and the By-Laws.

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

See section: C.1.3

Complies

Explain X

The Board of Directors Regulations 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 of the Board of Directors Regulations and the By-Laws.

13. 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: C.1.3 & C.1.8

Complies X

Complies in part

Explain

14. When women directors are few or non-existent, 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: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 Y C.2.4.

Complies	Complies in part X	Explain	Not applicable
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At the 2014 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" in accordance with Recommendation 11 of the Unified Code of Good Governance. At present, Ms María Luisa Zardoya Arana is the representative of the company Euro-Syns, S.A. In this respect, articles 5 and 12 B) 1 of the Board of Directors Regulations require this body to ensure, as part of its duties, that director candidates are chosen from among persons that, apart from meeting legal requirements for the position and those of the By-Laws, have the appropriate knowledge, prestige and experience to carry out the duties they will have to perform, irrespective of their gender.

Likewise, article 12 B) 2 of the Board of Directors Regulations states that one of the duties of the Nominating Commission is to ensure that, when new vacancies are filled or new directors are appointed, the selection procedures do not have an implied bias that could lead to any kind of discrimination and to report to the Board of Directors on gender diversity issues.

15. 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 sections: C.1.19 & C.1 41

Complies	Complies in part X	Explain
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According to article 11 of the Board of Directors Regulations, 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 Board of Directors Regulations, 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 an executive director and another 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.

16. 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: C.1.22

Complies	Complies in part	Explain	Not applicable X
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17. 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: C.1.34

Complies X Complies in part Explain

18. 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: C.1.29

Complies X Complies in part Explain

19. 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: C.1.28, C.1.29 & C.1.30

Complies X Complies in part Explain

20. 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 X Complies in part Explain Not applicable

21. 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: C.1.19 y C.1.20

Complies Complies in part Explain X

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.

22. 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: C.1.41

Complies X

Explain

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

See section: C.1.40

Complies X

Explain

24. 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 X

Complies in part

Explain

25. 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;

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

See sections: C.1.12, C.1.13 & C.1.17

Complies

Complies in part X

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.

26. 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

section: C.1.3

Complies X

Complies in part

Explain

27. 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 X

Complies in part

Explain

28. 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 , A.3 & C.1.2

Complies X

Complies in part

Explain

29. 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 when 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 that cause him to lose his independent status, in accordance with Order ECC/461/2013.

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 11.

See sections: C.1.2, C.1.9, C.1.19 & C.1.27

Complies X

Explain

30. 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 article 213 of the Capital Companies Law, 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: C.1.42, C.1.43

Complies X

Complies in part

Explain

31. 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 X Complies in part Explain Not applicable

32. 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 section: C.1.9

Complies Complies in part Explain X 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.

33. 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 subject to the condition that the directors hold the shares until they cease to hold office as directors.

Complies X Complies in part Explain Not applicable

34. 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.

Complies X Explain Not applicable

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

Complies X Explain Not applicable

36. 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 X 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..

37. 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: C.2.1 & C.2.6

Complies Complies in part Explain Not applicable X

38. 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 X

39. 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 Commissions 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 knowledge, skills and experience of the Directors and the responsibilities of each Commission, 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 Commissions are formed exclusively by 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 Commission.

c) Commission 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: C.2.1 & C.2.4

Complies Complies in part X 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 Board of Directors Regulations and include those to which points (a) to (e) above refer.

40. 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.

See sections: C.2.3 & C.2.4

Complies X Explain

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

Complies X

Explain

42. Listed companies have an internal audit function which, under the supervision of the Audit Committee, ensures the smooth operation of the information and internal control systems.

See section: C.2.3

Complies X

Explain

43. 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.

Complies X

Complies in part

Explain

44. The 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 the financial or economic risks.

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;

d) 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: E

Complies X

Complies in part

Explain

45. The Audit Committee's role is to:

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

a) To ensure that the principal risks identified as a result of the supervision of the efficacy of the company's internal control and internal audit, if applicable, are managed and made known appropriately.

b) 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.

c) 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 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.

b) To ensure 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) In the event of resignation of the external auditor, the Committee investigates the circumstances that may have given rise thereto.

See sections: C.1.36, C.2.3, C.2.4 & E.2

Complies X

Complies in part

Explain

46. 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.

Complies X

Explain

47. 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: C.2.3 & C.2.4

Complies X

Complies in part

Explain

48. 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 section: C.1.38

Complies X

Complies in part

Explain

49. 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: C.2.1

Complies

Explain X

Not applicable

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

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

a) To assess the qualifications, 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: C.2.4

Complies X

Complies in part

Explain

Not applicable

51. 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 X

Complies in part

Explain

Not applicable

52. 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) The basic terms and conditions of the contracts with senior managers.

b) To ensure compliance with the compensation policy set by the company.

See sections: C.2.4

Complies

Complies in part

Explain

Not applicable X

53. 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 X

OTHER INFORMATION OF INTEREST

1. If there is any relevant aspect in relation to corporate governance in the company or in companies belonging to the group that is not included in the other sections of this report, but that it is necessary to include in order to provide more complete and substantiated information on the governance structure and practices in the company, provide a brief description thereof.
2. 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.

3. The company may likewise state whether it has adhered on a voluntary basis to other codes of ethical principles or good practices, whether they be international, industry-related or pertaining to another sphere. If applicable, identify the code in question and the date of adhesion.

See on next pages

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 have abstained in relation thereto.

Yes

No X

H. OTHER INFORMATION OF INTEREST

(Exhibit to section C.2.4. of the 2014 ACGR): “Provide a description of the rules of organization and operation and of the responsibilities attributed to each one of the commissions of the Board.”

AUDIT COMMITTEE AND NOMINATING COMMISSION

A) AUDIT COMMITTEE

1. Competencies

Article 24-bis of the By-Laws states that the competencies of the Audit Committee are as follows:

- a) To inform, through the Chairman, at the General Shareholders’ Meeting on issues raised thereat on subjects in which it is competent.
- b) To propose to the Board of Directors, for submission to the General Shareholders’ Meeting, 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 receive information on 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 Board of Directors Regulations.

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 Board of Directors Regulations 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 within its competency 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 efficacy 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 service; (iii) to propose the budget of said service; (iv) to receive regular reports on their activities; (v) to review the annual work program and the yearly activities report of the internal audit service; (vi) to be informed of any incidents arising during the implementation of the internal audit services’ yearly work plan, (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 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) the Audit Committee shall ensure 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;

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.

(iii) the Audit Committee shall investigate the issues giving rise to the resignation of any external Account Auditor; and

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 (iii) 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 good 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 Board of Directors Regulations, 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 manager, in which case, their attendance shall be requested through the General Manager), 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 Comisión Nacional del Mercado de Valores (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 Board of Directors Regulations 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 manager, 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 Comisión Nacional del Mercado de Valores (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 Board of Directors Regulations 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 Board of Directors Regulations, 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 Board of Directors Regulations, 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 Board of Directors Regulations 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.

(Exhibit to section E.6. of the 2014 ACGR): *“Explain the response and supervision plans for the company’s main risks:”*

TAX POLICY

The Board of Directors of ZARDOYA OTIS, S.A. (the “**Company**”) must approve the Company’s tax strategy pursuant to article 529 ter of the Spanish Companies Law and article 3 of the Company’s Regulation of the Board of Directors. The Board of Directors is also in charge of approving the tax risk management policy, and those investments or transactions which are of particular relevance for tax purposes due to their high value or characteristics.

In consideration of these functions, the Board of Directors approves this document which sets out the tax strategy of the Company. The tax policy is part of the Company’s corporate governance policy.

1. PURPOSES

The Company’s tax policy is based on the timely compliance of the applicable tax regulations, following their reasonable interpretation, according to their spirit and purpose, and taking into consideration the legitimate interests at stake.

The ultimate purpose of the tax policy, at the same time as adequately defending the company’s interests, is to reduce tax risks, eliminate double taxation and reduce costs, both in the short and long term.

The tax policy must be taken into consideration in decision-making.

2. GUIDING PRINCIPLES

The Company shall take into account the following principles when implementing the tax policy:

2.1 Regulatory compliance and reasonable interpretation of the rules

The Company shall comply with the tax regulations that apply in the countries in which it operates on a timely basis; these rules shall always be applied according to their reasonable interpretation, in order to minimise the risks, generate greater long-term value and comply with the company’s interests.

2.2 Prevention and mitigation of significant tax risks

The Company shall minimise all tax risks as far as reasonably possible given the complex and changing nature of the tax matters.

2.3 Duty of trust and good faith towards the tax authorities

The Company shall seek to encourage good faith, cordiality, collaboration, trust, professionalism, loyalty and reciprocity in its relationships with the tax authorities, without prejudice to the legitimate defence of its points of view and the reasonable interpretations implemented.

3. BEST TAX PRACTICES

The Company shall carry out its activity in line with the following best practices:

- (i) Avoid investment structures that, in aiming to obtain illegal tax benefits, are artificial, opaque or non-transparent.
- (ii) Do not use structures without valid economic reasons or relevant legal consequences which exclusively intend to obtain illegal tax benefits.
- (iii) Avoid the use of tax havens to carry out business when the aim of the business is to obtain illegal tax benefits.

- (iv) Do not carry out transactions with the sole purpose of eroding taxable bases or shifting profits to countries with low taxes or none at all.
- (v) Apply transfer pricing policies according to the material and human resources of the involved parties, the risks assumed, the functions and assets.
- (vi) Use the legal instruments for tax ruling requests provided in the law to determine the applicable taxation.
- (vii) Encourage the adoption of the recommendations of the codes of best tax practices developed by the countries in which the Company operates, provided that they correspond to modern tax systems, are protected by good faith relationships between the tax authority and the Company, and are consistent with the principles established by the European Union and the OECD.
- (viii) Collaborate with the competent tax authorities to detect and prevent fraudulent tax practices in the markets in which the Company operates.
- (ix) Duly provide the information and documentation that is important from a tax perspective and requested by the competent tax authorities.
- (x) Minimise the costs of compliance with formal tax obligations.
- (xi) Promote and encourage a fluid communication between the tax department and other departments of the Company, in order to take into account the tax aspects which are relevant for decision-making, process supervision and compliance assessment.

4. MANAGEMENT AND CONTROL

The Company shall define risk management and control procedures for the tax aspects of its activity in an effort to try to ensure, in the framework of good business management, compliance with the tax regulations and the principles and best practices of the Company. For this purpose, an adequate number of material and human resources shall be assigned to such activity.

The Audit Committee shall periodically provide the Board of Directors with reports on the level of compliance with the tax policies and best tax practices, and shall inform the Board of Directors when it adopts its corresponding decisions on defining the tax policy and controlling tax risks.

5. DIFFUSION AND UPDATE

The Directors and senior management of the Company shall promote the knowledge, diffusion and application of the principles and best practices of the Company's tax policy.

The Company shall encourage that the principles and policies provided herein be adopted by its entire group of companies, without prejudice to any limits that may be placed on their applicability in foreign companies which are subject to their own regulations.



ZARDOYA OTIS, S.A.

Report of the auditors on “Information relating to the
Financial Information of Internal control system (FIICS)”
of Zardoya Otis, S.A. for 2014



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 2014**

To the Directors:

As requested by the Board of Directors of Zardoya Otis, S.A. (hereinafter, the Entity) and further to our proposal dated 4 February 2015, we have applied certain procedures to the “Information relating to the FIICS” included in section “F” of the Annual Corporate Governance Report (hereinafter, the ACGR) of Zardoya Otis, S.A. for the financial year ended 30 November 2014, which summarises the Entity's internal control procedures for annual financial information.

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 Guidelines of the Report of the Auditors on Information relating to the Financial Information of Internal Control System of listed companies, issued by the National Securities Market Commission (hereinafter, CNMV) on its website, 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 2014, 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 – disclosure information included in the Director’s Report -, and evaluation of whether or not the information includes all the details required, following the minimum content described in section “F”, on the description of the FIICS of the Annual Corporate Governance Report model as stipulated in the Circular N° 5/2013 of the CNMV dated June 12, 2013.
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 established by Article 540 of the revised text of the Corporations Act, and as stipulated in the Circular N° 5/2013 of the CNMV dated June 12, 2013 for the purposes of the description of the FIICS in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original Spanish version signed by Stefan Mundorf

18 March 2015

