DIRECTOR COMPENSATION POLICY OF ZARDOYA OTIS, S.A.
FY 2021-2022-2023

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The Capital Companies Law ("**LSC")**, article 529 novodecies, and article 24 of the Bylaws of Zardoya Otis, S.A. (the "**Company**") state that the Director Compensation Policy must be approved by the General Shareholders' Meeting as a separate item on the Agenda at least once every three years.

The Company's Board of Directors, at the proposal of the Nominating and Compensation Commission, has decided to submit this director compensation policy (the **"Compensation Policy"**), which, if approved, will replace the director compensation policy in force to date, approved at the Ordinary General Shareholders' Meeting of June 16, 2020, for the approval of the 2021 General Shareholders' Meeting. If approved, this director compensation policy will be applicable to the periods 2021 (regarding which the aspects approved at the Ordinary General Shareholders' Meeting of June 16, 2020 are completed and updated), 2022 and 2023.

This Compensation Policy proposal is accompanied by a substantiated report from the Nominating and Compensation Commission. The two documents will be made available to shareholders on the Company's website as of the time when the 2021 Ordinary General Shareholders' Meeting is called, and shareholders may request they be given or sent to them free of charge.

1. STRUCTURE, PURPOSE AND PRINCIPLES

The compensation of the Company's Board of Directors is determined in accordance with the provisions of the LSC, the Bylaws, the Regulations of the Board of Directors and the resolutions passed by the General Shareholders' Meeting in this respect.

Following the structure set out in the LSC and the Bylaws, the Compensation Policy distinguishes between (i) the compensation to be received by directors in their capacity as such and (ii) the compensation of directors for performing executive functions.

In addition, in line with the provisions of the LSC and the Regulations of the Board of Directors, the Compensation Policy will be reviewed from time to time by the Nominating and Compensation Commission –which will report to the Board of Directors on the subject–, in order to ensure that director compensation meets its guiding principles and is in reasonable proportion to the Company's size, its financial situation and market practices in comparable companies.

When drawing up the Compensation Policy, it is ensured that the compensation of the directors is appropriate to their dedication and responsibilities, without jeopardizing the independence of the directors' criteria, and is oriented towards promoting the Company's long-term profitability and sustainability, including the precautions necessary to avoid assuming excessive risks or rewarding adverse results in the long term.

The Compensation Policy is based on the following principles:

(A) Guiding principles of the compensation of directors in their capacity as such

(i) To be sufficient to reward the dedication, responsibility and professional track record of the directors, without jeopardizing the independence of each one of them.

(ii) To be competitive and enable the Company to attract talent, incorporating the elements needed to motivate this talent and, thus, retain it.

(iii) To take the economic context and market practices in comparable companies into account.

(B) Guiding principles of director compensation for executive functions

(i) To align the compensation of directors for performing executive duties with the long-term interests of the Company and its shareholders.

(ii) To reinforce attainment of results and the Company's strategic objectives.

(iii) To systematically evaluate their performance and the extent of adaptation to the skills required at any given moment.

(iv) To favour commitment to the Company.

(v) To compensate on a fair and competitive basis, recognizing the responsibilities involved in the executive duties performed.

(vi) To apply competitive compensation in line with market practices, flexible in accordance with the results obtained and adapted where necessary to attract and retain the best professionals.

2. COMPENSATION OF DIRECTORS IN THEIR CAPACITY AS SUCH

(A) Bylaw-stipulated compensation

Article 24 of the Bylaws fixes the global compensation of directors in their capacity as such at a maximum share of 1.5% of the consolidated profit after tax, with an upper limit of 1% of the consolidated profit before tax, which may only be taken out of the Company's liquid profit (after tax) after the requirements of the legal and Bylaw-stipulated reserves have been covered and a dividend of at least 10% of the paid-up share capital has been attributed to the shareholders (**"Bylaw-stipulated Compensation"**).

The upper annual limit on the Bylaw-stipulated Compensation will be €2,000,000, although the General Shareholders' Meeting may decide to change it.

In addition, the Company will take out liability insurance for the directors in their capacity as such, the cost of which will be taken into account when calculating the upper limit on the compensation.

(B) Distribution criteria for the Bylaw-stipulated Compensation

The Bylaw-stipulated Compensation will be distributed among the directors in the manner that, at the proposal of the Nominating and Compensation Commission, the Board of Directors determines in each reporting period, depending on the duties and responsibilities assigned to each director, membership of Board committees, and other objective circumstances deemed relevant.

Proprietary directors appointed at the proposal of Otis Worldwide Corporation (OWC) will not receive said Bylaw-stipulated Compensation, but Otis Elevator Company (an OWC Group company) will receive it on their behalf. This is because OWC Group policy is for proprietary directors appointed at the proposal of OWC not to receive compensation for holding directorships in Group companies. Furthermore, no OWC Group company subsequently pays such compensation to the proprietary directors, although they are remunerated in accordance with their positions and responsibilities.

(C) Payment of the Bylaw-stipulated Compensation

Making use of its powers, while always respecting the limits fixed by the Bylaws and the Compensation Policy, the Board of Directors has, in recent years, decided to establish a payment calendar that allows two six-monthly payments of Bylaw-stipulated Compensation to be made (one of which is paid in advance). The payment on account of said compensation may be decided by the Board of Directors subsequent to a favourable report from the Audit Committee, in which the latter must confirm that the following requirements have been met:

(i) The agreed compensation must be lower than the Bylaw-stipulated Compensation and there must be sufficient funds available to cover the payment at the appropriate date.

(ii) The requirements of the legal and, if applicable, Bylaw-stipulated reserves must have been fully covered in the consolidated statement of financial position that has been audited or submitted to a limited-scope review, as applicable.

(iii) Payment of the dividends to be charged to the reporting period must be taken into account.

(D) Further clarification

No forms of compensation are established for directors in their capacity as such other than those set out in section 2(A) of this Compensation Policy. In particular, directors, in their capacity as such, will not receive any bonuses for attending meetings of the Board or its committees or any per diem allowances.

Likewise, the Company will not grant any credits, advance payments or guarantees in favour of directors in their capacity as such, other than the advance payment of Bylaw-stipulated Compensation described in section 2(C) above.

3. COMPENSATION OF DIRECTORS FOR PERFORMING EXECUTIVE DUTIES

Executive director compensation will have fixed and variable components.

The executive directors are the only directors who receive variable compensation linked to the Company's performance and their own personal performance. Payment of the variable compensation to each executive director takes into account whether the executive has complied with the Company's regulatory and ethical rules and procedures. If any regulatory non-compliance were to occur, the Company will be entitled to reduce the executive directors' variable compensation or, in very serious cases, eliminate it.

The compensation mix of the executive directors breaks down as follows:

(A) Fixed compensation

(i) Fixed assignation

The executive directors will receive fixed compensation in cash, which will be paid in 14 equal payments: 12 ordinary monthly payments and two extraordinary payments, one in June and the other in December. In the periods 2021, 2022 and 2023, the executive directors will be entitled to receive the following gross annual amounts for this item:

(a) Executive Chairman: 124,000 euros.

(b) Chief Executive Officer: 231,000 euros.

The above amounts may vary in each one of the periods 2022 and 2023 by a maximum sum of 30,000 euros per year.

(ii) Contributions and payments to pension and insurance systems

The Company will make the following contributions and payments to pension and insurance systems in favour of the executive directors:

Item	Amount for 2020[1]	Upper limit for 2021, 2022 & 2023	
		Executive Chairman	Chief Executive Officer
Contribution to a defined-contribution pension scheme	7% of 65,287.18 euros, plus 28% of the difference between the gross fixed annual compensation and 65,287.18 euros	€76,000[2]	7% of 64,764.88 euros[3], plus 23% of the difference between the gross fixed annual compensation[4] and 64,764.88 euros[3]
Insurance policy contribution to defined-benefit pension schemes	-	-	€7,000[5]
Death and disability insurance premiums	€1,182.86	€3,000[2]	€3,000 [2]
Life insurance premiums	€400.52	€1,000[2]	1.000 € [2]
Accident insurance premiums	€423.13	€1,000[2]	€1,000[2]
Health insurance premiums	€3,000	€7,000[2]	€7,000[2]

[1] In 2020, only one director performed executive duties, the Chief Executive Officer, who likewise held the position of Chairman of the Board of Directors. Since January 26, 2021, the Company has had two directors with executive duties: the Executive Chairman and the Chief Executive Officer.

[2] These sums may be revised annually in July in accordance with the variation in the CPI-National General Index.

[3] The amount of 64,764.88 euros may be revised annually in November in accordance with the variation in the CPI-National General Index.

[4] The reference to gross annual fixed compensation refers to the fixed assignation that the Chief Executive Officer is receiving at the tie the policy is renewed in accordance with point 3(A)(i).

[5] This sum will be revised annually in accordance with the actuarial calculations of the insurance entity, taking the variation in the CPI-National General Index into account, as well as the age and compensation of the Chief Executive Officer at the time.

(iii) Liability insurance

The Company will take out liability insurance in favour of the executive directors.

(iv) Other compensation in kind

The executive directors are assigned a company car for personal and professional use and receive, as compensation in kind, a fuel card, all of which is in accordance with the general policy applicable to members of company management.

(B) Variable compensation

(i) Annual incentive

The Company may make a cash payment to one or both of the executive directors as a variable annual incentive, fixing an annual target of an amount equivalent to 60% of his gross annual fixed compensation. To calculate this incentive, a multiplying factor, which may be higher or lower than 1 (from 0 to 2), will be used, depending on the personal performance of the executive director, the results of the business unit, the profit plan and the cash flow generated during the year. To fix the final multiplying factor, the executive director's performance in respect of the previously-defined annual financial and non-financial objectives will also be taken into account, as well as his contribution to the results obtained in the year

Before payment is made, an adequate verification that the previously-defined performance or other conditions have been met will be carried out. This prior verification will be carried out by the Nominating and Compensation Commission on the basis of the results included in the annual financial statements of the Company and its consolidated group approved by the Board of Directors. Subsequently, payment of the annual incentive will be submitted for the approval of the Board of Directors, which will take the outcome of the verification made by the Nominating and Compensation Commission into account.

Payment will, where applicable, be made in the reporting period following the period to which the compensation corresponds, after the annual financial statements have been approved by the Board of Directors.

(ii) Long-term incentive package – OWC shares and other instruments

Since they are executives of the Otis Worldwide Corporation ("**OWC**") group, each one of the executive directors may participate in long-term incentive plans consisting of OWC share-based compensation schemes, which will be settled directly by OWC. The purpose of these plans is to reward OWC Group executives holding positions with important management responsibilities who, through their efforts and the attainment of the planned objectives, contribute to the long-term success of the corporation and its subsidiaries, among which the Company is included.

The share-based compensation schemes may be awarded on certain occasions and may depend on the individual performance of the executive director and the attainment of the objectives of the Company, Otis Elevator Company, OWC and other group companies.

This type of compensation may include OWC's awarding the executive director in question different financial instruments (Stock Appreciation Rights, Performance Share Units, Restricted Stock Units and similar instruments) based on OWC shares. The shares, options or financial instruments awarded to the executive directors will be subject to the vesting periods and/or holding periods fixed by OWC in the scheme regulations. OWC is the entity responsible for determining the amount and other conditions of the schemes and, where applicable, paying the appropriate amount to the executive director under the scheme.

4. BASIC CONDITIONS OF THE CONTRACTS WITH THE EXECUTIVE DIRECTORS

The rights, obligations and items for which a director with executive duties may obtain compensation for performing such duties are set out in a contract, which must be approved by the Board of Directors in accordance with the Capital Companies Law, article 249.

The basic terms and conditions of the contracts with the executive directors, apart from those mentioned above concerning compensation, are as follows:

(A) Term

The contracts with the executive directors have an indefinite term and state that they will remain in force for the time for which they hold their respective positions as executive directors. There are no minimum period of service or loyalty clauses.

(B) Notice

The executive directors may terminate their respective contracts with the Company at any time by giving written notice to the Company at least 3 months in advance.

(C) Indemnity clauses

In the event that a contract with an executive director is terminated by the Company, the executive director may be entitled to an indemnity.

The contract between the Company and the Executive Chairman expressly states that the President will not be entitled to an indemnity if he is dismissed from the position of Executive Chairman of the Company.

The contract between the Company and the Chief Executive Officer recognizes the latter's right to receive an indemnity under these circumstances for a gross amount equivalent to 45 days' compensation per year of service as of the date of his appointment as Chief Executive Officer of the Company until the contract termination date, up to a maximum of 42 monthly payments of said compensation.

(D) Exclusivity

The contracts with the executive directors state that they must provide their services exclusively to the Company and any other OWC group company and may not work or provide any service, either directly or indirectly, to anyone other than the Company or other OWC group companies, even if the activities they carry on do not coincide with those of the Company or any other OWC group company, unless the Company authorises it expressly.

(E) Non-competition

The contracts of the executive directors contain the obligation not to compete for a period of two years after their respective contracts terminate. As compensation for the post-contractual non-competition obligation, the executive directors are entitled to receive a gross amount equivalent to 12 monthly payments of the fixed compensation that they were receiving at the time the contract terminated.

5. VALIDITY

This Compensation Policy will come into force on the date on which it is approved by the General Shareholders' Meeting and will be applicable to the whole of the 2021 period, remaining in force until December 31, 2023. It replaces the director compensation policy in force to date, approved at the Ordinary General Shareholders' Meeting of June 16, 2020. The foregoing is without prejudice to any adaptations or revisions that the Board of Directors may make in accordance with the provisions of the Policy and any changes that may be approved by the Company's General Shareholders' Meeting at any time.

The compensation system and basic contract conditions of executive director described in this Compensation Policy will be applicable to any new executive director who joins the Company while this Compensation Policy is in force, notwithstanding the possibility of amending the specific terms of the contracts so that, considered overall, they contain analogous conditions to those described above.

This Compensation Policy will in no way affect any deferred payments to be made to the executive directors of compensation or sums validly accrued before approval of this Policy.