

ANNUAL REPORT ON COMPENSATION OF DIRECTORS OF LISTED COMPANIES



ISSUER IDENTIFICATION

YEAR-END DATE	11/30//2019
Tax identification No. (C.I.F.)	A28011153
COMPANY NAME	ZARDOYA OTIS, S.A.
REGISTERED OFFICE	CALLE GOLFO DE SALÓNICA, 73. MADRID

**ANNUAL REPORT ON COMPENSATION OF DIRECTORS  
IN LISTED COMPANIES**

**A. COMPENSATION POLICY OF THE COMPANY FOR THE CURRENT FINANCIAL YEAR**

**A.1. Explain the current director compensation policy applicable to the year in progress. To the extent that it is relevant, certain information may be included in relation to the compensation policy approved by the General Shareholders' Meeting, provided that these references are clear, specific and concrete.**

**The specific determinations for the year in progress should be described, both the compensation of directors in their status as such and as a result of their executive functions carried out for the Board pursuant to the contracts signed with executive directors and to the compensation policy approved by the General Shareholders' Meeting**

**At any event, the following aspects should be reported:**

- **Description of the procedures and company bodies involved in determining and approving the compensation policy and its terms and conditions.**
- **Indicate and, where applicable, explain whether comparable companies have been taken into account in order to establish the company's compensation policy.**
- **Information on whether any external advisors took part in this process and, if so, their identity.**

**Explanation**

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

In the financial year ended November 30, 2019, the Compensation Policy approved by the General Shareholders Meeting on May 24, 2017 for the financial years 2018, 2019 and 2020 in accordance with article 529 novodecies of Royal Legislative Decree 1/2010 of July 2, whereby the revised text of the Capital Companies Law was approved, was applied for the second time (the "**Compensation Policy**"). The current year (in which the vote on this Compensation Annual Report of the company directors will take place) will be the third year in which it is applied.

Before being approved by the Annual General Shareholders Meeting and submitted to it by the Board of Directors, the Compensation Policy was proposed by the Nominating and Compensation Commission as per its meeting of April 4, 2017, confirming its compliance with the applicable regulations and its adaptation to the economic context, company results and the most consolidated market practices.

The rules on director compensation in the Company are structured as follows:

**1. Director compensation in the Bylaws**

Article 24 of the Bylaws fixes global compensation for all the members of the Board of Directors in their status as such consisting of a maximum share of 1.5% of the consolidated profit after tax up to a limit of 1% of the consolidated profit before tax. This amount can only be taken from the liquid profit (after tax) after the legal reserves and the reserves provided for in the Bylaws have been covered and a dividend of at least 10% of the paid-up share capital has been recognized in the shareholders' favour ("**Bylaw-stipulated Compensation**"). Likewise, the Bylaws state that taking out liability insurance for the directors will form part of the aforementioned upper limit on the compensation.

Furthermore, article 24 states that directors compensation will follow the compensation policy that the General Shareholders Meeting will approve at least every three years as a separate item on the Agenda. In particular, the compensation policy proposal put to the General Shareholders Meeting will be accompanied by a specific report from the Nominating and Compensation Commission.

Likewise, the compensation policy approved by the General Shareholders Meeting will be in force for the following three financial years and any amendment thereto or replacement thereof during this period will require prior approval from the General Shareholders Meeting.

**2. The Compensation Policy**

**a) Principles of the Compensation Policy**

The Compensation Policy is based on the following general principles:

- (i) Creating value in the long term.
- (ii) Reinforcing the attainment of results and strategic objectives.
- (iii) Rewarding dedication, responsibility and professional track record.
- (iv) Not compromising director independence.
- (v) Ensuring transparency and competitiveness.
- (vi) Attracting, retaining and motivating the best professionals.

**b) Compensation of directors in their status as such in the Compensation Policy**

The Compensation Policy follows the profit-sharing scheme established in the Bylaw-stipulated compensation and fixes an upper annual limit of €2,000,000 for the global compensation of the directors in their status as such.

In particular, the Compensation Policy states that the compensation will be the sum deemed necessary to remunerate the dedication, qualifications and responsibility

that the position entails, without being so high as to compromise the directors' independence (in accordance with article 18 of the Regulation of the Board of Directors).

Likewise, the Compensation Policy does not establish any attendance bonuses, per diem allowances or any additional compensation other than as described in this section b).

**c) Compensation of the Chief Executive Officer in the Compensation Policy**

The compensation of the Chief Executive Officer (Mr Bernardo Calleja Fernández) for his executive duties in the Company is regulated in his contract with the Company and was expressly approved by the General Shareholders Meeting in the Compensation Policy. This contract was approved by at least two thirds of the Board of Directors (with the abstention of the Chief Executive Officer) and received a favourable report from the Nominating and Compensation Commission, in accordance with articles 249 and 529 quidecimes 3(e) of the Capital Companies Law.

This compensation has:

- (i) A fixed component of €285,000, which may vary by a maximum amount of €25,000 per year during the term of the Compensation Policy.
- (ii) A variable component based on an annual incentive (cash payment) with a target of 60% of his gross annual salary, as well as a long-term incentive package in his status as a UTC group executive (UTC share-based compensation scheme).

Payment of the variable compensation considers whether the executive has complied with the Company's good performance in management, risk control and people safety at the workplace. In the event that any incident were to occur in the Company in the areas of safety, regulatory control or ethics, the Company reserves the right to reduce the executive's variable compensation or, in very serious cases, eliminate it.

- (iii) Contributions to welfare and insurance systems in accordance with the following:

Item	Upper limits for 2018, 2019 & 2020 <sup>(1)</sup>
Contribution to a defined-contribution pension insurance policy	7% of €62,871.28, plus 28% of the difference between his gross fixed annual compensation and €62,871.28

Insurance premiums (death and disability, life insurance, accident insurance, health insurance, etc.)	€7,100
---	--------

(1) Compensation for executive duties in the preceding 12 months refers to the whole of the compensation for the preceding year for said duties not including the contributions and insurance premiums to which the table refers.

In addition, the Compensation Policy also regulates the basic conditions of the contract with the Chief Executive Officer (term, minimum employment period, indemnity for early termination, exclusivity and post-contractual non-competition) in accordance with the Capital Companies Law, article 529 octodecies.

### 3. Distribution by the Board of Directors

Within the limits established by the Corporate Bylaws, the Compensation Policy, article 18 of the Board of Directors Regulations and each Ordinary General Shareholders Meeting (the latter under the legal protection of article 218 of the Corporation Law), this compensation for the directors in their status as such will be distributed among its members in the manner freely determined by the Board of Directors in each financial year, depending on the duties and responsibilities attributed to each director, whether they are members of any Board committees and any other objective circumstances deemed relevant.

Likewise, the Board also distributes and approves the variable components of the compensation of the Chief Executive Officer and members of senior management (subsequent to a prior proposal from the Nominating and Compensation Commission and within the limits fixed by law, the Bylaws and the Compensation Policy).

### 4. Summary of items of compensation

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

Type	Number	Fixed compensation	Variable compensation	Other concepts (Statutory compensation)	UTC long-term incentive scheme
Executive director	1	YES	YES	NO	YES
Proprietary directors	7	NO	NO	YES <sup>(1)</sup>	NO
Independent directors	2	NO	NO	YES <sup>(1)</sup>	NO

<b>Other external directors</b>	1	NO	NO	YES <sup>(1)</sup>	NO
---------------------------------	---	----	----	--------------------	----

(1) Compensation of directors in their status as such regulated in the Statutory Compensation and Compensation Policy (i.e 1.5% participation of the consolidated profit after taxes with the maximum limit of 1% of the consolidated benefit) cannot be considered with the “variable remuneration” section. CNMV criteria states that variable remuneration should be restricted to remuneration concepts linked to the individual performance of the director. Consequently, this remuneration is included as “ other concepts”

- ***Relative importance of variable compensation items vis-à-vis fixed compensation (compensation mix) and the criteria and objectives taken into consideration in their determination and to guarantee a suitable balance between the fixed and variable components of the compensation. In particular, state the actions adopted by the company in relation to the compensation system to reduce exposure to excessive risks and adapt this to the long-term objectives, values and interests of the company, which will include, as the case may be, mention of the measures to guarantee that the long-term results of the company are taken into account in the compensation policy, the measures adopted in relation to those categories of staff whose professional activities have a material impact on the risk profile of the company and measures to avoid conflict of interest, as the case may be.***

***Furthermore, state whether the company has established any period for the accrual or consolidation of certain variable compensation items, in cash, shares or other financial instruments, any deferral period in the payment of amounts or the handover of accrued and consolidated financial instruments, or if any clause exists reducing the deferred compensation or that obliges the director to return compensation received, when such compensation has been based on certain figures that have clearly been shown to be inaccurate has been agreed.***

<b>Explanation</b>
--------------------

The Variable Compensation Policy it is only limited to the Executive Director of the Company and Senior Executives. The final structure of the Executive Director’s compensation mix depends on the final decision that the Board of Directors, at the proposal of the Nominating and Compensation Commission, adopts respecting the limits established in the Compensation Policy. This decision of the Board of Directors is not only based on financial parameters, but also takes into account that the Executive Director has complied with regulations and ethical company procedures and has had a good performance in management, risk control and people safety at the workplace. N 2019, the variable component of Executive Director Compensation represented 61.45% of the total remuneration received (60.70% in 2018).

In relation to the accrual period, the variable compensation of the Executive Director is based on annual incentive (cash payment includes a variable component based on an annual incentive (cash payment) that is accrued throughout the year to which it is associated and whose final amount-and subsequent payment- it is agreed by the Board of Directors ( at the proposal of the Nominating and Compensation Commission) in the following year.

Additionally, the Executive Director has a package of long-term incentives for his status as an executive of UTC group (based on a compensation scheme through UTC actions at the end of the year 2019) that is mainly based on the Executive Director performance evaluation over several years and his ability to create a sustainable long-term value for the Corporation.

---

- ***Amount and nature of fixed components that are due to be accrued during the year by directors in their status as such.***

Prior proposal of the Nominating and Compensation Commission, the Board of Directors has approved the final amount of its compensation respecting the limits established in the Statutory compensation, the compensation policy and the agreements of the Ordinary Shareholders General Shareholders Meeting under the article 218 of the Corporate Law. In particular, the Board of Directors approved the directors compensation in their status as such, of € 1,033,333.33 for the year 2019, broadly respecting the percentage limits indicated above and well below the quantitative limit of € 2,000,000 .

Likewise, the Board of Directors delegated to its Chairman the power to distribute the amount referred in the previous section among the members of the Board of Directors, taking into consideration roles and responsibilities attributed to each director, their membership of the Board of Directors committees and other relevant objective circumstances.

To conclude, there is no additional fixed compensation for the performance of the role of Chairman of the Board of Directors. Diets are not received for meetings attending.

---

- ***Amount and nature of fixed components that are due to be accrued during the year for the performance of senior management functions of executive directors.***

The executive director received a total fixed compensation of € 367,487.15 in 2019.

This figure is broken down as follows:

- Fixed compensation as CEO of the Company: € 297,142.83.
- Savings policies contributions: € 70,344.32.

- ***Amount and nature of any component of compensation in kind that will accrue during the year, including, but not limited to, insurance premiums paid in favour of the director.***

The Company has not awarded any compensation in kind to the directors in their status as such. The Executive Director has accrued in this favour savings policies contributions of € 70,344.32 in 2019

- ***Amount and nature of variable components, differentiating between those established in the short and long term. Financial and non-financial, including social, environmental and climate change parameters selected to determine variable compensation in the year in progress, explaining the extent to which these parameters are related to performance, both of the director and of the company, together with their risk profile, and the methodology, deadline necessary and techniques established to determine the degree of compliance with the parameters used in the design of the variable compensation at the end of the year.***
- ***State the range, in monetary terms, of the different variable components according to the degree of compliance with the objectives and parameters established, and whether any maximum monetary amounts exist in absolute terms.***

Pursuant to the Compensation Policy, the contract signed with the Company and the agreement of the Board of Directors (at the proposal of the Nominating and Compensation Commission) , Mr Bernardo Calleja Fernández, as CEO and sole company executive director, has received the following amounts as variable compensation.

- a) Annual incentive with a target of 60% of his gross fixed annual salary. The calculation of the annual incentive, it is based on an equivalent amount of 60% of the fixed compensation received by the executive director in the previous closed year (in this case, the fixed gross compensation received by the executive director in 2018)

Subsequently, multiplying factor (which may be higher or lower than 1) is established, depending on the results of the business unit, and calculated in accordance with the profit plan and cash flow generated. For the calculation of this multiplying factor, not only the financial parameters described above are taken into account, but it is also valued that the executive director has complied with the rules and ethical procedures of the Company throughout the year

In particular, the annual incentive paid to the executive director in 2019 was €195,000 (€215,000 in 2018), calculated on his gross fixed compensation at December 31, 2018 (equivalent to €292,000), (€230,000 at December 31,



2017), being a variable incentive of 66.8% in 2019 and 75.4% in 2018, representing a coefficient of 1,11 in 2019 (1.26 in 2018) of the target amount. This variable compensation is payable the following year, once the annual accounts have been formulated by the Board of Directors.

- b) Long-term incentives package. Mr Bernardo Calleja Fernández, since he is a UTC Group executive, may receive an annual long-term incentive package (share-based compensation scheme) from the UTC Group, as described in section A.1 above. The purpose of this scheme is to reward executives holding positions with important management responsibilities who, through their effort and the attainment of the planned objectives, contribute to the long-term success of the UTC group and its subsidiaries, such as, for example, the Company in the present case. This scheme includes awarding different financial instruments (stock appreciation rights, performance share units and restricted stock units) to the beneficiaries. The share-based schemes are awarded annually and depend on individual performance and the attainment of objectives of the Company, Otis and United Technologies Corporation. This incentive scheme is subject to the Recharge Agreement signed in September 2010 between United Technologies Corporation (UTC) and the Company.

The shares/stock options awarded must be held for at least three years (vesting) and, furthermore, certain previously-established business objectives must be attained in order for them to be exercised.

In this respect, the valuation of the options awarded to Mr Bernardo Calleja Fernández in 2019 was €389,979.49 (€337,769.00 in 2018), applying the following measurement criteria:

- (i) the shares are valued when they are given to the director, in as much as they are not subject to any subsequent condition (they are vested from the beginning); and
- (ii) options are valued when the director exercises them.

For the totality of the Company's directors, the long-term UTC incentive scheme represented a sum of €389,979.49 in 2019 and €337,769.00 in 2018 for all the Company's directors (since the only director benefiting from said scheme was Mr Bernardo Calleja Fernández).

Payment of the variable compensation takes into account that the executive director has complies with the rules and ethical procedures of the corporation, good performance in management, risk control and people safety at the workplace. In the event that an incident occurs in the areas of security, regulations or ethical control of the company, the company (through the Board of Directors) reserves the right to reduce the variable compensation of the executive director and, in very serious cases, to eliminate it.

- ***Main characteristics of long-term savings systems. Among other information, state the contingencies covered by the system, whether through defined contributions or benefits, the annual contribution that needs to be made to the defined contribution system, the benefits directors are entitled to in the event of defined benefit systems, the conditions under which economic rights are consolidated for directors and their***

***compatibility with any other type of payment or severance pay as a result of the early termination or dismissal of the director, or deriving from the termination of the contractual relation, in the terms provided, between the company and the director.***

***State if the accrual or consolidation of any of the long-term savings plans is linked to achieving certain objectives or parameters related to the short- or long-term performance of the director.***

As detailed above, the Company makes a contribution to the defined-contribution pension plan (savings policy) in favour of the executive director Mr Bernardo Calleja Fernández, the amount of which was €70,344.31 in 2019 and 68,332.58 in 2018.

In this respect, the contribution for the pension commitment is drawn up in a defined-contribution pension insurance policy, where the Company makes an annual contribution in November, that for 2019 it was calculated in two portions: a first portion of €4,551.89, equivalent to 7% of €65,027.07, plus a second portion of €65,792.42, calculated by applying 28% to the difference between Mr Bernardo Calleja Fernández's gross fixed annual compensation at the contribution date and €65,027.07. (amount updated by the insurance company at the date of payment of the contribution policy)

The consolidation of the contributions and the respective allocation or time of accrual are based on the gross annual compensation and it is not linked with the performance of short and long term objectives.

- ***Any type of payment or severance pay for early termination or dismissal of the director, or deriving from the termination of the contractual relation, in the terms provided, between the company and the director, whether voluntary resignation by the director or dismissal of the director by the company, as well as any type of agreement reached, such as exclusivity, post-contractual non-competition, permanence or loyalty, which entitle the director to any type of compensation.***

The Company has not made any payments for the items mentioned in this section in 2019

- ***State the conditions that contracts should respect for those exercising senior management functions as executive directors. Among others, information should be provided on the duration, limits on amounts of severance pay, minimum contract term clauses, notice periods and payment in lieu of these notice periods, and any other clauses relating to hiring bonuses, compensation and golden parachute clauses for early termination of the contractual relationship between the company and the executive director. Include, among others, the pacts or agreement on non-competition, exclusivity, permanence and loyalty, and post-contractual non-competition, unless these have been explained in the previous section.***

The particular conditions contained in the contract of the Chief Executive Officer have not changed in respect of those set out in the 2018 Compensation Report. They are as follows and duly submitted to the Nominating and Compensation Commission and were approved by at least two thirds of the Board of Directors, in accordance with articles 249 and 529 quidecimes of the Capital Companies Law. Likewise, his basic conditions were approved by the General Shareholders' Meeting in the Compensation Policy.

- (a) Term: indefinite.
  - (b) Indemnity for early dismissal or termination by the Company: 45 days' compensation per year from the time he was appointed as the Company's Chief Executive Officer (i.e. February 14, 2012) until the date of termination of the contract, up to a maximum equivalent to 42 monthly payments.
  - (c) Exclusivity agreement: during the time the contract is in force, unless he has the express prior authorization of the Board of Directors, Mr Bernardo Calleja Fernández will work exclusively for the Company and, if necessary, for any other UTC Group company.
  - (d) Non-competition agreement: non-competition obligation for the Chief Executive Officer for two years after finalization of his contract with the Company. Compensation for this agreement consists of a gross sum equivalent to 12 monthly payments of the fixed compensation that the Chief Executive Officer had been receiving before finalization of his contract with the Company.
  - (e) Continuity or loyalty agreement: none.
- ***The nature and estimated amount of any other supplementary compensation accrued by directors in the year in progress in consideration for services rendered other than those inherent in the post.***

With the exception of the Chief Executive Officer –the Company's only executive director–, none of the other members of the Board of Directors have rendered services other than those inherent to their positions. Please see the preceding sections regarding the specific characteristics of this supplementary compensation received by the Chief Executive Officer for this reason.

- ***Other remunerative items or by-products, as the case may be, of the company granting the director advance payments, loans, guarantees or any other compensation.***

The Board of Directors agreed to pay as compensation of the directors in their status as such, €533,000 on account of its compensation at the end of the first six months of 2019 as part of the total compensation for 2019 (€1,033,333.33 in total)

Before it was approved, in accordance with the Compensation Policy, the Audit Committee reported in favour of said advance payment to the Board of Directors, confirming in their report that:

- (a) The agreed-upon compensation figure was less than 1.5% of the consolidated profit after taxes and 1% of the consolidated profit before taxes corresponding to the first half of 2019, existing on that date sufficient funds to meet this payment
- (b) In the latest statement of financial position, dated November 30, 2018, the needs of the legal reserve and the Bylaw-stipulated reserve were fully covered; and.

- (c) At the meeting of the Board of Directors held on March 20, 2019 payment of the first interim dividend charged to the 2018 profit was approved for a gross amount of 0.080 euros per share with a par value of 0.10 euros, which was paid on April 10, 2019.

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

- ***The nature and estimated amount of any other planned supplementary compensation accrued by directors in the year in progress that are not included in the previous sections, whether payment is satisfied by the company or another group company.***

Mr Patrick Martin (proprietary director of the Company since 2018) provides management services to the company Otis Elevator Worldwide Sprl. (a company belonging to the group of the Company's majority shareholder). The sums paid to Mr Patrick Martin by the Company are then reimbursed by Otis Elevator Worldwide Sprl. to the company through a contract signed with both companies.

**A.2. Explain any significant change in the compensation policy applicable in the current year resulting from::**

- ***A new policy or a modification of the policy already approved by the General Shareholders Meeting.***
- ***Significant changes in the specific determinations established by the board for the current year regarding the compensation policy in force with respect to those applied in the previous year.***
- ***Proposals that the board of directors has agreed to submit to the general shareholders' meeting to which this annual report will be submitted and which are proposed to be applicable to the current year.***

There were no significant changes in the compensation policy in 2019.

**A.3. Identify the direct link to the document where the current company compensation policy is posted, which must be available on the web page of the company.**

<https://www.otis.com/es/es/accionistas-inversores/>

**A.4. Explain, taking into account the data provided in Section B.4, the outcome of voting, of a consultative nature, by shareholders at the General Shareholders' Meeting on the annual report on compensation for the previous year.**

At the General Shareholders' Meeting of 2019, the percentage of votes in favor of the agreement regarding voting on an advisory basis of the Annual Directors' Compensation Report was 94.37%. Therefore, taking into account the high percentage of votes in favor, the Company has maintained the path marked by the principles of the Compensation Policy approved in 2017 and has continued to strictly comply with all the requirements and limits (legal, statutory or internal) applicable to the directors compensation.

## **B. OVERALL SUMMARY OF HOW THE COMPENSATION POLICY HAS BEEN APPLIED DURING THE YEAR ENDED**

**B.1. Explain the process followed to apply the compensation policy and determine the individual compensation contained in Section C of this report. This information will include the role played by the compensation committee, the decisions taken by the Board of Directors and, as the case may be, the identity and the role of the external advisors whose services have been used in the process to apply the compensation policy in the year ended..**

(A) The Ordinary General Shareholders Meeting approves each year the maximum participation percentage in the framework of the Statutory Compensation. In fiscal year 2019, this maximum participation percentage consisted of 1.5% of the consolidated profit after taxes with a maximum limit of 1% of the consolidated profit before taxes. This maximum percentage is within the maximum limit established in the Bylaws and in the Compensation Policy, and was agreed by the Ordinary Shareholders General Shareholders Meeting without prejudice to the powers of the Board of Directors to set the exact amount to be paid within this limit under the Bylaws and Compensation Policy protection.

In addition, respecting the limits established by the Ordinary General Shareholders Meeting, the Statutory Compensation and the Compensation Policy, the Board of Director (at the proposal of the Nominating and Compensation Commission) decided at its meeting in July 2019 to limit the total amount of its compensation to € 1,033,333.33 for the year 2019, thereby reducing the amount agreed by the Board of Directors at its March 2019 meeting (equivalent to an amount of € 1,200,000) due to the changes made to throughout the year in the structure of the Board of Directors.

The Board of Directors decided at the same meeting to delegate to its Chairman the compensation distribution of this compensation among the Company's directors, depending on the duties and responsibilities allocated to each one of them, as well as their membership of any Board committees, and any other objective circumstances deemed relevant.

(B) Additionally, at its meeting of July, 2019, the Board decided to pay €533,000 on account of the Directors compensation for 2019 (upon completion of the first six months of the 2019 period) in accordance with the Compensation Policy.

Prior to the Board of Directors meeting, as regulated by the Compensation Policy, the Audit Committee confirmed and favourably informed the Board of Directors about the compliance with the requirements set in the Compensation Policy in order to make payments on account of the directors compensation in their status as such.

### **Compensation of the Executive Director:**

(A) Mr Bernardo Calleja Fernández, the Company's Chief Executive Officer and only executive director in 2019, received fixed compensation for carrying out executive duties.

This fixed compensation was €297,142.83 in 2019. Likewise, in 2019, the Company contributed €70,344.32 to the defined-contribution pension plan taken out for Mr Bernardo Calleja Fernández.

These fixed compensation components observe the provisions of the Compensation Policy. The amounts were expressly approved by Board of Directors as per the proposal of the Nominating and Compensation Commission.

(B) The variable compensation of the Chief Executive Officer was approved by the Board of Directors as per the proposal of the Nominating and Compensation Commission. As explained above, the amount for 2019 was €195,000 and €70,344.32 to the defined-contribution pension plan.

Besides, the CEO can also beneficiary of a long-term incentive package (€ 389,979.49 in 2019). This plan is annually granted depending on the individual performance and the achievement of company objectives, Otis and United Technologies Corporation and it is subject to the “Recharge Agreement” signed in September 2010 between United Technologies Corporation (UTC) and the Company. This plan application is annually approved annually by the Board of Directors (with the abstention of the executive director) and the entity responsible for determining the final amount of the variable compensation for this concept is the United Technologies Corporation in accordance with the criteria of the “Recharge Agreement”

***B.2. Explain the different actions taken by the company in relation to the compensation system and how they have contributed to reducing exposure to excessive risks and adapting them to the long-term objectives, values and interests of the company, including a reference to the measures that have been adopted to guarantee that the long-term results of the company have been taken into consideration in the compensation accrued and that a suitable balance has been attained between the fixed and variable components of the compensation, the measures that have been adopted in relation to those categories of staff whose professional activities have a material repercussion on the company’s risk profile and the measures that have been adopted to avoid conflicts of interest, if appropriate.***

The current composition of the Board of Directors (63.64% of its members were proprietary directors in 2019) guarantees that the director compensation policy takes the results that should be obtained by the Company in the long term into account.

Thus, with the sole exception of the Chief Executive Officer, who receives part of his compensation as variable compensation), directors compensation in their status as such it has been maintained these recent years in a linear manner as € 1,200,000 ( quite below the quantitative limit established in the Compensation Policy). As detailed above, the Board of Directors has even reduces that amount to to € 1,033,333.33 in fiscal year 2019 as a result of the changes made to the Board of Directors during the past year. This practice established by the Board of Directors has contributed, and contributes, to necessarily bind the directors compensation with the best interest of the Company in the long term.

***B.3. Explain how the compensation accrued over the year meets the provisions contained in the current compensation policy.***

***Furthermore, report on the relationship between the compensation obtained by the directors and the results or other performance measures of the company in the short and long term, explaining, as the case may be, how the variations in the performance of the company have influenced changes in the compensation of directors and how the latter contribute to the short- and long-term results of the company.***

In 2019, director compensation for both, their status as such and their executive tasks performance, it was structured in accordance with the framework contained in the Company's Byelaws, Compensation Policy and the Ordinary General Shareholders Meeting agreement under Article 218 of the Capital Companies Law.

Total compensation accrued by directors in their status as such did not exceed the upper limit of 2,000,000 euros fixed in the Compensation Policy approved in the Compensation Policy.

The individual fixed compensation of the Chief Executive Office for his executive duties accrued in 2019 was calculated by applying the amounts approved by the Board of Directors at its meeting of March, 2019 ( as per the proposal of the Nominating and Compensation Commission). All this within the regulatory framework established by the Bylaws, the Compensation Policy and the contract signed by the CEO and the Company (which, as detailed above, was approved in accordance with the requirements established in the Companies Law of Capital). Additionally, the Board of Directors, together with the Nomination and Compensation Commission, has analysed and verified the objectives fulfilment (both financial and non-financial) in order to determine the final amount for the executive director variable compensation, including, without any limitation, compliance with regulations and ethical company procedures and has had a good performance in management, risk control and people safety at the workplace

**B.4. Report on the result of the consultative vote at the General Shareholders' Meeting on compensation in the previous year, indicating the number of votes against that may have been cast.**

	Number	% of total
Votes cast	345,026,516	73.34%

	Number	% of total
Votes against	18,529,231	5.37%
Votes in favour	325,601,444	94.37%
Abstentions	895,841	0.26%

**B.5. Explain how the fixed components accrued during the year by the directors in their capacity as such have been determined and how they have changed with respect to the previous year.**

As previously detailed, directors compensation in their status as such is €1,033,333.33 in 2019 as per the concept of Statutory Compensation (€ 1,200,000 in 2018)

**B.6. Explain how the salaries accrued by each one of the executive directors over the past financial year for the performance of management duties were determined, and how they have changed with respect to the previous year.**

As stated in preceding sections, there are no other delegate bodies (apart from the Chief Executive Officer), neither other directors (apart from Mr. Bernardo Calleja Fernández, CEO) that have assigned executive managements roles.

The salary accrued by the Chief Executive Officer was approved by the Board of Directors at its meeting of March , 2019. Said amount is in line with the compensation policy , as detailed above, and did not vary substantially in comparison with the preceding year.

**B.7. Explain the nature and the main characteristics of the variable components of the compensation systems accrued in the year ended.**

**In particular:**

**– Identify each one of the compensation plans that have determined the different types of variable compensation accrued by each of the directors in the year ended, including information on their scope, their date of approval, their date of incorporation, the periods of accrual and validity, the criteria used to evaluate performance and how this has affected the**



**establishment of the variable amount accrued, as well as the measurement criteria used and the period necessary to be in a position to suitably measure all the conditions and criteria stipulated.**

**In the case of share options and other financial instruments, the general characteristics of each plan will include information on both the conditions to acquire unconditional ownership (consolidation) and to exercise these options or financial instruments, including the price and term to exercise them.**

**– Each one of the directors, together with their category (executive directors, proprietary external directors, independent external directors and other external directors), that are beneficiaries of compensation systems or plans that include variable compensation.**

**– As the case may be, information is to be provided on periods for the accrual or deferment of payment applied and/or the periods for withholding/unavailability of shares or other financial instruments, if they should exist.**

See response to the section “State the range, in monetary terms, of the different variable components according to the degree of compliance with the objectives and parameters established, and whether any maximum monetary amounts exist in absolute terms” of Section A.

**B.8. Indicate whether certain variable components have been reduced or clawed back when, in the case of the former, payment has been consolidated and deferred or, in the case of the latter, consolidated and paid, on the basis of data that have subsequently proved to be inaccurate. Describe the amounts reduced or clawed back through the application of the reduction or clawback clauses, why they were implemented and the years to which they refer..**

None of the situations mentioned in this section arose in 2019.

**B.9. Explain the main characteristics of the long-term savings systems where the amount or equivalent annual cost appears in the tables in Section C, including retirement and any other survivor benefit that are financed, totally or partially, by the company, whether through internal or external contributions, indicating the type of plan, whether it is a defined contribution or benefit, the contingencies covered, the conditions to consolidate economic rights for directors and their compatibility with any type of severance pay for early termination or termination of the contractual relationship between the company and the director.**

See response to the section “Main characteristics of long-term savings systems” of Section A

**B.10. Explain, where appropriate, the severance pay or any other type of payment deriving from early dismissal or early resignation, or from the termination of the contract in the terms provided for therein, accrued and/or received by directors during the year ended.**

The Company did not make any payments for the items mentioned in this section in 2019.

**B.11. Indicate whether there have been any significant changes in the contracts of persons exercising senior management functions, such as executive directors, and, where appropriate, explain such changes. In addition, explain the main conditions of the new contracts signed with executive directors during the year, unless these have already been explained in Section A.1.**

No significant changes in the contracts of persons exercising senior management functions (i.e Mr Bernardo Calleja Fernández, Chief Executive Officer) took place in the year 2019.

***B.12. Explain any supplementary compensation accrued by directors as consideration for services rendered outside of their post.***

The directors did not accrue any supplementary compensation as consideration for services rendered outside of their post during the year 2019.

***B.13. Explain any compensation deriving from advance payments, loans or guarantees granted, indicating the interest rate, their key characteristics and the amounts eventually returned, as well as the obligations taken on by way of guarantee or collateral.***

See response to the section “Other remunerative items or by-products, as the case may be, of the company granting the director advance payments, loans, guarantees or any other compensation.” of Section A for further detail of the payment on account of the directors compensation in their status as such.

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

***B.14. Itemise the compensation in kind accrued by the directors over the year, briefly explaining the nature of the different salary components.***

Executive directors have not accrued any kind of compensation with the exception (i) of the contribution to the savings policy (defined in the contribution pension plan) in favor of the CEO described in this report whose contribution in the year 2019 was 70,344.31 euros, and (ii) of the CEO's long-term incentive package as an executive within the UTC group that, in 2019, received stock options as per an amount of € 389,979.49.

***B.15. Explain the compensation accrued by directors by virtue of payments settled by the listed company to a third company at which the director renders services when these payments seek to remunerate the director's services to the company.***

The proprietary directors appointed at the proposal of United Technologies Holdings, S.A.S. (“UTC”) (i.e., Mr Mark George (replaced by Ms Stacy Petrosky), Mr Patrick Blethon (replaced by Mr Mark Eubanks) and Ms Robin Fiala)) did not receive any compensation as their status of executive directors, receiving it on their behalf the proprietary director Otis Elevator Company (a UTC Group company). It has received € 517.000 in 2019. (€ 600.000 in 2018).

This is because it is United Technologies Corporation (corporation to which Otis Elevator Company and United Technologies Holdings, S.A.S. belong) has group policy for directors appointed at the proposal of UTC based on not receiving any compensation for holding the status of director in group companies. Furthermore, no United Technologies Corporation group company pays said compensation to the proprietary directors subsequently, although their compensation is in line with their post and responsibilities.

***B.16. Explain any other items of compensation other than those mentioned in the previous sections, whatever their nature or the group company that settles the payment, particularly when this is a related operation or its settlement distorts the true image of the total compensation accrued by the director.***

As an exception to what is detailed in the previous section, Mr. Patrick Martin, proprietary director appointed at the proposal of United Technologies Holdings, S.A.S., did receive compensation by the Company. However, this compensation will be reimbursed to the Company by Otis Elevator Worldwide Sprl. (company also belonging to the UTC group) in accordance with the agreement signed by the Company and Otis Elevator Worldwide Sprl.(to the extent that this compensation is satisfied to Mr. Patrick Martin for his executive work in Otis Elevator Worldwide Sprl.). This reimbursable compensation received by Mr. Patrick Martin is € 422,000 (taking into account only cash compensation paid by the Company) in 2019.

### C. ITEMISED INDIVIDUAL COMPENSATION ACCRUED BY EACH DIRECTOR

Name	Type	Period of accrual in year 2019
MR MARIO ABAJO GARCIA (*)	Other external	From 12/01/2018 to 03/20/2019.
OTIS ELEVATOR COMPANY	Proprietary	From 12/01/2018 to 11/30/2019.
EURO-SYNS S.A.(****)	Proprietary	From 12/01/2018 to 11/30/2019.
MR ALBERTO ZARDOYA ARANA	Proprietary	From 12/01/2018 to 11/30/2019.
MR JOSE MARIA LOIZAGA VIGURI	Other external (Deputy Chairman)	From 12/01/2018 to 11/30/2019.
MR BERNARDO CALLEJA FERNANDEZ(*)	Executive	From 12/01/2018 to 11/30/2019.
MR MARK GEORGE (***)	Proprietary	From 12/01/2018 to 07/26/2019.
MS ROBIN FIALA	Proprietary	From 12/01/2018 to 11/30/2019.
MR PATRICK MARTIN	Proprietary	From 12/01/2018 to 11/30/2019.
MR PATRICK BLETHON (**)	Proprietary	From 12/01/2018 to 07/26/2019.
MR JOSE MIGUEL ANDRES TORRECILLAS	Independent	From 12/01/2018 to 11/30/2019.
MS EVA CASTILLO SANZ	Independent	From 05/22/2019 to 11/30/2019
MR MARK EUBANKS (**)	Proprietary	From 07/26/2019 to 11/30/2019.
MS STACY PETROSKY (***)	Proprietary	From 07/26/2019 to 11/30/2019.

(\*) On March 20, 2019, Mr Bernardo Calleja Fernández replaced Mr Mario Abajo as Chairman of the Board of Directors. On that same date, Mr. Mario Abajo García ceased to be a member of the Company Board of Directors.

(\*\*) On July 26, 2019 Mr Mark Eubanks replaced Mr Patrick Blethon as a member of the Board of Directors.

(\*\*\*) On July 26, 2019 Ms Stacy Petrosky replaced Mr Mark George as a member of the Board of Directors.

(\*\*\*\*) On October 11, 2019, the Board of Directors noted the appointment of Mr Eduardo Montes Pérez as the new personal representative of EURO-SYNS, S.A.

**C.1 Complete the following tables regarding the individual compensation of each director (including the salary received for performing executive duties) accrued during the year.**

- a) Compensation from the reporting company:  
 (i) Compensation in cash (thousand euros):

Name	Fixed compensation	Per diem allowances	Short-term variable compensation	Long-term variable compensation	Compensation for membership of board committees	Severance pay	Other grounds	Total 2019	Total 2018
EURO-SYNS S.A.	0	0	0	0	0	0	50	50	50
MR MARIO ABAJO GARCIA	0	0	0	0	0	0	67	67	200
MR JOSE MARIA LOIZAGA VIGURI	0	0	0	0	0	0	200	200	200
OTIS ELEVATOR COMPANY	0	0	0	0	0	0	517	517	600
MR ALBERTO ZARDOYA ARANA	0	0	0	0	0	0	50	50	50
MR JOSE MIGUEL ANDRES TORRECILLAS	0	0	0	0	0	0	100	100	100
MS EVA CASTILLO SANZ	0	0	0	0	0	0	50	50	0
MR BERNARDO CALLEJA FERNANDEZ	297	0	195	0	0	0	70	562	573
MR PATRICK MARTIN	0	0	0	0	0	0	0	0	0
MR MARK GEORGE / DOÑA STACY PETROSKY	0	0	0	0	0	0	0	0	0
MS ROBIN FIALA	0	0	0	0	0	0	0	0	0
MR PATRICK BLETHON / DON MARK EUBANKS	0	0	0	0	0	0	0	0	0

Remarks
---------

When preparing this table, account was taken of the following:

- (i) Compensation of directors in their status as such, regulated in the Bylaw-stipulated Compensation and the Compensation Policy (i.e. a share of 1.5% of the consolidated profit after tax with an upper limit of 1% of the consolidated profit) cannot be considered “short-term variable compensation”. The CNMV’s criterion is that variable compensation should be restricted to compensation items linked to the director’s individual performance. Consequently, this compensation is included as “other items”.
- (ii) The proprietary directors appointed at the proposal of United Technologies Holdings, S.A.S. (“UTC”) (i.e., Mr Mark George (replaced by Ms Stacy Petrosky), Mr Patrick Blethon (replaced by Mr Mark Eubanks) and Ms Robin Fiala)) did not receive any compensation. Otis Elevator Company (a United Technologies Corporation Group company) received it on their behalf.

Mr Patrick Martin, as detailed above, received compensation from the company that will be reimbursed to it by Otis Elevator Worldwide Sprl.

(ii) Share-based compensation systems:

Name/Type/Period of accrual 2019	Ownership of options at the beginning of F.Y. 2019				Options allocated during F.Y. 2019					Shares handed over during F.Y. 2019
	No. of options	No. of shares affected	Exercise price (€)	Exercise period	No. of options	No. of shares affected	Exercise price (€)	Exercise period	Exercise requirements	No./ Price/Amount
MR BERNARDO CALLEJA FERNANDEZ										
Plan A 2016	11,900	11,900	85,8	10	N/A	N/A	N/A	N/A	N/A	N/A
Plan B 2016	2,390	2,390	0	3	N/A	N/A	N/A	N/A	N/A	N/A
Plan A 2017	5,200	5,200	98,6	10	N/A	N/A	N/A	N/A	N/A	N/A
Plan B 2017	3,116	3,116	0	3	N/A	N/A	N/A	N/A	N/A	N/A
Plan A 2018	5,050	5,050	106,28	10	N/A	N/A	N/A	N/A	N/A	N/A
Plan B 2018	2,752	2,752	0	3	N/A	N/A	N/A	N/A	N/A	N/A
Plan A 2019	N/A	N/A	N/A	N/A	11,100	11,100	105,80	10	Hold for at least 3 years	N/A
Plan B 2019	N/A	N/A	N/A	N/A	N/A	2,029	0	3	Hold for at least 3 years	2,029

Name/Type/Period of accrual 2019	Options exercised during F.Y. 2019				Options matured but not exercised	Options at end of F.Y. 2019				
	No. of options	No. of shares affected	Exercise price (€)	Gross profit (Thousand €)		No. of options	No. of options	No. of shares affected	Exercise price (€)	Exercise period
MR BERNARDO CALLEJA FERNANDEZ										
Plan A 2016	11,900	11,900	98,6	119,5	-	N/A	N/A	N/A	N/A	N/A
Plan B 2016	2,390	2,390	103	270,5	1,080	N/A	N/A	N/A	N/A	N/A
Plan A 2017	N/A	N/A	N/A	N/A	N/A	5,200	5,200	98,6	10	Hold for at least 3 years
Plan B 2017	N/A	N/A	N/A	N/A	N/A	3,116	3,116	0	3	Hold for at least 3 years
Plan A 2018	N/A	N/A	N/A	N/A	N/A	5,200	5,200	98,6	10	Hold for at least 3 years
Plan B 2018	N/A	N/A	N/A	N/A	N/A	3,116	3,116	0	3	Hold for at least 3 years
Plan A 2019	N/A	N/A	N/A	N/A	N/A	11,100	11,100	105,80	10	Hold for at least 3 years
Plan B 2019	N/A	N/A	N/A	N/A	N/A	2,029	2,029	0	3	Hold for at least 3 years



(iii) Long-term saving systems:

Name	Compensation from consolidation of rights to savings system (€ thousands)	
	F.Y. 2019	F.Y. 2018
MR BERNARDO CALLEJA FERNANDEZ	70	68

Name	Contribution over the year from the company (thousand €) with consolidated economic rights		Amount of accumulated funds (thousand €) with consolidated economic rights	
	F.Y. 2019	F.Y. 2018	F.Y. 2019	F.Y. 2018
MR BERNARDO CALLEJA FERNANDEZ	0	0	0	0

Name	Contribution over the year from the company (thousand €) with unconsolidated economic rights		Amount of accumulated funds (thousand €) with unconsolidated economic rights	
	F.Y. 2019	F.Y. 2018	F.Y. 2019	F.Y. 2018
MR BERNARDO CALLEJA FERNANDEZ	70	68	680	593

(iv) Details of other items

N/A

b) Compensation of the company directors for seats on the boards of other group companies:

(i) Compensation in cash (thousand €)

Name	Salary	Fixed compensation	Per diem allowances	Short-term variable compensation	Long-term variable compensation	Compensation for seats on board committees	Severance pay	Other grounds	Total 2019	Total 2018
EURO-SYNS S.A.	0	0	0	0	0	0	0	0	0	0
MR BERNARDO CALLEJA FERNANDEZ	0	0	0	0	0	0	0	0	0	0
MR JOSE MARIA LOIZAGA VIGURI	0	0	0	0	0	0	0	0	0	0
MR ALBERTO ZARDOYA ARANA	0	0	0	0	0	0	0	0	0	0
OTIS ELEVATOR COMPANY	0	0	0	0	0	0	0	0	0	0
MR JOSE MIGUEL ANDRES TORRECILLAS	0	0	0	0	0	0	0	0	0	0
MS EVA CASTILLO SANZ	0	0	0	0	0	0	0	0	0	0

(ii) Table of changes in share-based compensation schemes and gross profit from consolidated shares or financial instruments

**N/A**

(iii) Long-term saving systems

**N/A**

(iv) Details of other items

**N/A**

c) Summary of compensation (thousand €):

The summary should include the amounts corresponding to all the items of compensation included in this report that have been accrued by the director, in thousand euros.

Name	Compensation accrued in the company				Compensation accrued in group companies				Total		
	Total cash compensation	Amount of shares allocated	Gross profit from options exercised	Total 2019 company	Total cash compensation	Amount of shares allocated	Gross profit from options exercised	Total 2019 group	Total F.Y. 2019	Total F.Y. 2018	Contribution to saving systems in F.Y.
MR BERNARDO CALLEJA FERNANDEZ	562	0	390	952	0	0	0	0	952	911	70
MR JOSE MARIA LOIZAGA VIGURI	200	0	0	200	0	0	0	0	200	200	0
MR ALBERTO ZARDOYA ARANA	50	0	0	50	0	0	0	0	50	50	0
EURO-SYNS S.A.	50	0	0	50	0	0	0	0	50	50	0
MR MARIO ABAJO GARCIA	67	0	0	67	0	0	0	0	67	200	0
OTIS ELEVATOR COMPANY	517	0	0	517	0	0	0	0	517	600	0
MR ANDRES TORRECILLAS, JOSE MIGUEL	100	0	0	100	0	0	0	0	100	100	0
MS EVA CASTILLO SANZ	50	0	0	50	0	0	0	0	50	0	0
MR PATRICK MARTIN (*)	422	0	169	591	0	0	0	0	591	569	0
<b>TOTAL</b>	<b>2,018</b>	<b>0</b>	<b>559</b>	<b>2,577</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,577</b>	<b>2,680</b>	<b>70</b>

(\*) This compensation relates to compensation as an executive of the company Otis Elevator Worldwide Sprl (a company belonging to the group of the Company's majority shareholder). The amounts paid by the Company are reimbursed to the Company by Otis Elevator Worldwide Sprl through a contract signed with said company.

**D. OTHER INFORMATION OF INTEREST**

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

This annual compensation report was approved by the Company's Board of Directors at its meeting of February 27, 2020.

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

Yes [ ]

No [X]

Name or company name of members of the Board of Directors who did not vote in favour of the approval of this report	Reasons (against, abstention, not present)	Explain the reasons
N/A	N/A	N/A