

ANNUAL CORPORATE GOVERNANCE REPORT
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

A. CAPITAL STRUCTURE

A.1 Complete the table below with details of the share capital of the company:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
07/14/2016	47,046,431.10	470,464,311	470,464,311

Remarks
N/A

Please state whether there are different classes of shares with different associated rights:

Yes ☐ No ☒

Class	Number of shares	Par value	Number of votes	Associated rights
N/A				

Remarks
N/A

A.2 Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
UNITED TECHNOLOGIES CORPORATION (UTC)		50.01%			50.01%
AKO MASTER FUND LIMITED (*)			2.978%		2.978%

Remarks

(*)Holder of voting rights through financial instruments for the percentage shown in the table. AKO MASTER FUND LIMITED is managed by the management company AKO CAPITAL LLP (indirectly controlled by Mr Nicolai Tengen), as set out in the notification on the website of the National Securities Market Commission (CNMV)

Breakdown of the indirect holding:

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
UNITED TECHNOLOGIES CORPORATION (UTC)	UNITED TECHNOLOGIES HOLDINGS, S.A.S.	50.01%		50.01%

Remarks
N/A

State the most significant shareholder structure changes during the year:

Name of shareholder	Transaction date	Description of transaction
AKO MASTER FUND LIMITED	26/04/2019	Notification made to CNMV on 30/04/2019, whereas the % decreased from 3,014% to 2,978%

Most significant movements
It seems the notification may have a mistake as the operation states it's the 26/06/2019 but it seems the correct one should be 26/04/2019

A.3 In the following tables, list the members of the Board of Directors (hereinafter "directors") with voting rights in the company:

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% of voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR BERNARDO	0.007%	0.004%			0.012%		

CALLEJA FERNANDEZ*							
EURO-SYNS, S.A.	11.345%				11.345%		
DON ALBERTO ZARDOYA	0,00%				0,00%		

Total percentage of voting rights held by the Board of Directors	11.36%
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Remarks
N/A

Breakdown of the indirect holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% of voting rights <u>that can be transmitted</u> through financial instruments
Mr Bernardo Calleja Fernández	Ms Piedad Garcia Diaz	0.004%		0.004%	

Remarks
N/A

A.4 If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:

Name of related party	Nature of relationship	Brief description
EURO-SYNS, S.A.	Family	This director is a company controlled by members of the Zardoya family.

A.5 If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name of related party		Nature of relationship	Brief description
UNITED TECHNOLOGIES HOLDINGS, S.A.S.	OTIS ELEVATOR COMPANY	Commercial	As of November 30, 2019, Zardoya Otis, S.A. (the “ Company ” has commercial and contractual relations with Otis Elevator Company and United Technologies Corporation (UTC).
		Contractual	
		Corporate	As of November 30, 2019, United Technologies Corporation (UTC) held 100% of the shares of Otis Elevator Company and 50.01% of the Company's shares through United Technologies Holdings, S.A.S.

A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
Nora LaFreniere	UNITED TECHNOLOGIES CORPORATION	OTIS ELEVATOR COMPANY	Personal representative of proprietary director
Stacy Petrosky	UNITED TECHNOLOGIES CORPORATION	OTIS ELEVATOR COMPANY	Proprietary director
Robin Fiala	UNITED TECHNOLOGIES CORPORATION	OTIS ELEVATOR COMPANY	Proprietary director

Mark Eubanks	UNITED TECHNOLOGIES CORPORATION	OTIS ELEVATOR COMPANY	Proprietary director
Patrick Martin	UNITED TECHNOLOGIES CORPORATION	OTIS ELEVATOR COMPANY	Proprietary director
Eduardo Montes Pérez	EUROSYNS, S.A.	EURO-SYNS, S.A.	Personal representative of proprietary director
Alberto Zardoya Arana	EUROSYNS, S.A.	EURO-SYNS, S.A.	Proprietary director

Remarks
See detail in C.1.10

A.7 State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:

Yes ☐ No ☒

Parties to the shareholders' agreement	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable
N/A	N/A	N/A	N/A

Remarks
There are no shareholders' agreements

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes ☐ No ☒

Parties to the concerted action	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable
N/A	N/A	N/A	N/A

Remarks
N/A

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

There were no shareholders' agreements and, therefore, there was no change or breach of them during the period ended November 30, 2019.

A.8 State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

Yes ☒ No ☐

Name of individual or company
UNITED TECHNOLOGIES CORPORATION (UTC)
Remarks
As of November 30, 2019, United Technologies Corporation (UTC) was the indirect owner (through the French company United Technologies Holdings S.A.S.) of 50.01% of the voting rights in the Company.

A.9 Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
385,869		0,082%

Remarks
<p>At its meeting of May 23, 2018, the Company's Ordinary General Shareholders' Meeting authorized the Board of Directors to acquire, directly or indirectly, treasury shares up to a maximum percentage of 10% of the share capital, observing the limits and requirements established in article 146 and related articles of the Capital Companies Law.</p> <p>Exercising these powers, on December 14, 2018 the Company's Board of Directors, at its meeting of December 11, 2018, decided to acquire treasury shares so that they could be used in company acquisition transactions (or in executing already-existing acquisition agreements) of the type that the Company habitually carries out and which entail a share exchange. Such decision was communicated on December 14, 2018 (CNMV Relevant fact ref 272541)</p> <p>The acquisition of treasury shares was notified in a timely manner, in accordance with current legislation, to the CNMV on a weekly basis as part of a "Purchase Program" executed between June 7 and July 8, 2019.</p>

The entire Program was executed taking account of the recommendations published by the CNMV on July 18, 2013.

At present, the Company holds the treasury shares mentioned in the preceding paragraphs to be used in transactions to acquire other companies or to complete already-existing acquisition agreements, as authorized by the General Shareholders' Meeting.

(*) through:

Name of direct shareholder	Number of direct shares
ZARDOYA OTIS, S.A.	385,869
Total:	385,869

Remarks

Explain any significant changes during the year:

Explain significant changes																																												
<p>"Purchase Program" executed between June 7 and July 8, 2019</p> <table> <tr> <th>Date</th><th>Number of direct</th><th>Average price</th></tr> <tr> <td>COMPRA 07-JUN</td><td>32.000</td><td>6,80 €</td></tr> <tr> <td>COMPRA 10-JUN</td><td>15.744</td><td>6,86 €</td></tr> <tr> <td>COMPRA 11-JUN</td><td>40.300</td><td>6,82 €</td></tr> <tr> <td>COMPRA 12-JUN</td><td>39.000</td><td>6,79 €</td></tr> <tr> <td>COMPRA 13-JUN</td><td>42.000</td><td>6,88 €</td></tr> <tr> <td>COMPRA 14-JUN</td><td>33.203</td><td>6,76 €</td></tr> <tr> <td>COMPRA 17-JUN</td><td>45.000</td><td>6,76 €</td></tr> <tr> <td>COMPRA 18-JUN</td><td>49.000</td><td>6,69 €</td></tr> <tr> <td>COMPRA 19-JUN</td><td>56.000</td><td>6,71 €</td></tr> <tr> <td>COMPRA 20-JUN</td><td>41.859</td><td>6,80 €</td></tr> <tr> <td>COMPRA 21-JUN</td><td>37.000</td><td>6,84 €</td></tr> <tr> <td>COMPRA 24-JUN</td><td>49.811</td><td>6,75 €</td></tr> <tr> <td>COMPRA 25-JUN</td><td>24.878</td><td>6,68 €</td></tr> </table>			Date	Number of direct	Average price	COMPRA 07-JUN	32.000	6,80 €	COMPRA 10-JUN	15.744	6,86 €	COMPRA 11-JUN	40.300	6,82 €	COMPRA 12-JUN	39.000	6,79 €	COMPRA 13-JUN	42.000	6,88 €	COMPRA 14-JUN	33.203	6,76 €	COMPRA 17-JUN	45.000	6,76 €	COMPRA 18-JUN	49.000	6,69 €	COMPRA 19-JUN	56.000	6,71 €	COMPRA 20-JUN	41.859	6,80 €	COMPRA 21-JUN	37.000	6,84 €	COMPRA 24-JUN	49.811	6,75 €	COMPRA 25-JUN	24.878	6,68 €
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Explain significant changes			
	COMPRA 26-JUN	31.130	6,67 €
	COMPRA 27-JUN	59.000	6,66 €
	COMPRA 28-JUN	52.000	6,61 €
	COMPRA 01-jul	60.481	6,72 €
	COMPRA 02-jul	62.000	6,69 €
	COMPRA 03-jul	60.500	6,69 €
	COMPRA 04-jul	26.000	6,71 €
	COMPRA 05-jul	51.775	6,61 €
	COMPRA 08-jul	14.113	6,55 €
		922.794	6,73 €

A.10 Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

The Company's Ordinary General Shareholders' Meeting held on May 23, 2018 approved the proposal to authorize the Board of Directors to, without consulting the General Shareholders' Meeting beforehand, acquire, directly or indirectly, shares in the Company up to a maximum percentage of 10% of the share capital during a maximum period of five years as from the date of the aforementioned Ordinary General Shareholders' Meeting.

The acquisition price of said shares could not be lower than 2 euros per share or higher than 25 euros per share and the Board was expressly authorized to set aside the reserves required under article 148 of the Capital Companies Law.

Furthermore, the same Ordinary General Shareholders' Meeting held on May 23, 2018 unanimously agreed 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, observing the same limits and requirements as are applicable to the acquisition thereof. Specifically: (i) the maximum number of shares to be accepted as pledges must not exceed 10% of the Company's share capital; (ii) the shares accepted as pledges must be free from all charges and encumbrances, fully paid up and not attached to compliance with any obligation the beneficiary of which is not the Company; (iii) the authorization will remain in force for the maximum period allowed by Law at any given moment (five years) as from the date of the aforementioned Ordinary General Shareholders' Meeting (i.e. until May 23, 2023); and (iv) in the course of these transactions, the rules on the subject contained in the Company's Internal Code of Conduct will be observed. This authorization supplements the authorization granted as per the preceding paragraphs but does not change it.

In carrying out these transactions, the rules contained in the Company's Internal Code of Conduct and the Securities Market Law will also be observed.

A.11 Estimated floating capital:

	%
Estimated floating capital	38.65%

Remarks

N/A

A.12 State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes ☐ No ☒

Description of restrictions
N/A

A.13 State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.

Yes ☐ No ☒

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

Explain the measures approved and the terms under which such limitations would cease to apply
N/A

A.14 State if the company has issued shares that are not traded on a regulated EU market.

Yes ☐ No ☒

If so, please list each type of share and the rights and obligations conferred on each.

List each type of share
N/A

B. GENERAL SHAREHOLDERS' MEETING

B.1 State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail:

Yes ☒ No ☐

	% quorum different from that contained in Article 193 LSC for general matters	% quorum different from that contained in Article 194 LSC for special resolutions
Quorum required at 1st call	60.00%	66.66%
Quorum required at 2nd call	50.00%	50.00%

Description of differences

For general decisions, a quorum of 60% is required on the first call (the Capital Companies Law establishes 25%) and 50% on the second call (the Capital Companies Law does not fix a minimum).

For the decisions mentioned in article 194 of the Capital Companies Law (capital increase or reduction and any other amendment to the Bylaws, debenture issues, the elimination or limitation of pre-emption rights over new shares, a change in the type of company, merger, spin-off or the global assignment of assets and liabilities, and moving the registered office abroad), a quorum of two thirds of the subscribed capital (66.66%) is required on the first call (the Capital Companies Law establishes 50%) and 50% on the second call (the Capital Companies Law establishes 25%).

B.2 State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

Yes ☐ No ☒

Describe how it is different from that contained in the LSC.

	Qualified majority different from that established in Article 201.2 LSC for Article 194.1 LSC matters	Other matters requiring a qualified majority
% established by the company for adoption of resolutions	N/A	N/A

Describe the differences
N/A

B.3 State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association.

To amend the Bylaws of Zardoya Otis, S.A. (the "**Company's Bylaws**"), the system set forth in article 285 et seq. of the Capital Companies Law and in the Company's Bylaws themselves will be applied.

According to article 14 of the Company's Bylaws, 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 Bylaws, issue debentures, eliminate or limit pre-emption rights on new shares, change the type of Company, merge or spin off the Company or globally transfer its assets and liabilities, move its registered office abroad, or make 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 fifty percent of said capital to be present or represented.

Additionally, in accordance with article 16 of the Company's Bylaws, 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, separate votes will be taken on the appointment, ratification, re-election or removal of each director and, in the event of amendments to the Company's Bylaws, separate votes will be taken on each article or group of articles that is substantially independent.

Resolutions concerning amendment of the Company's Bylaws will be adopted by a majority of the capital present or represented at the General Shareholders' Meeting, in such a way that a resolution will be deemed to be passed when it obtains more votes in favour than against from the capital present or represented.

In order to adopt the resolutions to which article 194 of the Capital Companies Law refers, however, the vote in favour of two thirds of the capital present or represented at the General Shareholders' Meeting will be required when, on the second call, shareholders are present representing twenty-five percent or more of the subscribed capital with voting rights but not reaching fifty percent. If the capital present or represented exceeds fifty percent, approval by absolute majority will be sufficient.

Finally, in accordance with article 286 of the Capital Companies Law, the Board of Directors will prepare a written report explaining any proposal to amend the Company's Bylaws.

B.4 Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous year:

	Attendance data				
Date of General Meeting	% physically present	% present by proxy	% distance voting		Total
			Electronic voting	Other	
05/24/2017	64.09%	14.66%	0.00%	0.00%	78.75%
05/23/2018	13.36%	58.79%	0.00%	0.00%	72.15%
05/22/2019	13.38%	59.96%	0.00%	0.00%	73.34%

Of which, free float	2.04%	9.95%			11.99%
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Remarks
On 22/05/2019 the free float was approximately 38,65%, as the rest was owned by Eurosins S.A. (aprox 11,35%) and United Technologies (50,01%). Eurosins attended personally and UTC represented by proxy. To calculate the floating capital, the % held by EURO-SYNS was eliminated from among those physically present and the % held by UTC was eliminated from among those present by proxy.

B.5 State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason:

Yes ☐ No ☒

Points on agenda not approved	% votes against (*)
N/A	N/A

(*) If the non-approval of the point is for a reason other than the votes against, this will be explained in the text part and "N/A" will be placed in the "% votes against" column.

B.6 State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

Yes ☐ No ☒

Number of shares required to attend General Meetings	N/A
Number of shares required for distance voting	N/A

Remarks
N/A

B.7 State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting.

Yes ☐ No ☒

Explain the decisions that must be subject to the General Shareholders' Meeting, other than those established by law
N/A

B.8 State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

The address of the Company's website for access to corporate governance content as of November 30, 2019 is: <http://www.otis.com/es/es/accionistas-inversores/>

This site contains a "Corporate Governance" section, where notice of general meetings, proposed resolutions, rules for granting proxy and distance voting, the reports that are to be presented and any other documentation required by the Capital Companies Law, the Company's Bylaws or the Regulations of the General Shareholders' Meeting are published. Among other documents, the 2018, Annual Corporate Governance Report, which was published in March 2019, is included.

The Annual Corporate Governance Report for 2019 will be duly published on the website in March 2020.

C. COMPANY ADMINISTRATIVE STRUCTURE

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	3
Number of directors set by the general meeting	11

Remarks
N/A

C.1.2 Please complete the following table on directors:

Name of director	Natural person representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board	Date of birth
MR BERNARDO CALLEJA FERNANDEZ	N/A	EXECUTIVE	CHAIRMAN & CEO	02/28/2012 (co-option)	05/19/2016	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	02/23/1962
MR JOSÉ MARÍA LOIZAGA VIGURI	N/A	OTHER EXTERNAL	DEPUTY CHAIRMAN	02/23/1973	05/22/2019	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	01/09/1936
MS EVA CASTILLO SANZ	N/A	INDEPENDENT	DIRECTOR	05/22/2019	05/22/2019	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	11/23/1962
MR JOSÉ MIGUEL ANDRÉS TORRECILLAS	N/A	INDEPENDENT	DIRECTOR & LEAD DIRECTOR	05/26/2015	05/22/2019	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	06/26/1955
MR ALBERTO ZARDOYA ARANA	N/A	PROPRIETARY	DIRECTOR	02/26/2013 (co-option)	05/22/2019	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	05/25/1961

Name of director	Natural person representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board	Date of birth
EURO-SYNS S.A.	MR EDUARDO MONTES PEREZ	PROPRIETARY	DIRECTOR	05/31/1996	05/22/2019	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	10/02/1951
OTIS ELEVATOR COMPANY	MS NORA LAFRENIERE	PROPRIETARY	DIRECTOR	05/30/1984	05/22/2019	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	04/08/1971
MS ROBIN FIALA	N/A	PROPRIETARY	DIRECTOR	10/05/2017 (co-option)	05/23/2018	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	09/20/1968
MS STACY PETROSKY	N/A	PROPRIETARY	DIRECTOR	07/26/2019 (co-option)	07/26//2019	CO-OPTION UNTIL NEXT GENERAL SHARE-HOLDERS' MEETING	08/22/1973
MR MARK EUBANKS	N/A	PROPRIETARY	DIRECTOR	07/26/2019 (co-option)	07/26//2019	CO-OPTION UNTIL NEXT GENERAL SHARE-HOLDERS' MEETING	05/30/1972
MR PATRICK MARTIN	N/A	PROPRIETARY	DIRECTOR	07/27/2018 (co-option)	05/22/2019	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	07/28/1968
Total number of directors						11	

State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of director	Director type at time of leaving	Data of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
MR MARIO ABAJO GARCIA	OTHER EXTERNAL	05/26/2015	03/20/2019	N/A	Yes
MR PATRICK BLETHON	PROPRIETARY	05/22//2019	07/26/2019	N/A	Yes
MR MARK GEORGE	PROPRIETARY	05/23/2018	07/26/2019	Audit Committee	Yes

Reason for leaving and other remarks
<p>The directors left for personal reasons.</p> <p>Mr Mario Abajo was Chairman of the Board.</p>

C.1.3 Complete the following tables regarding the members of the Board and their categories:

EXECUTIVE DIRECTORS

Name or company name of director	Post in organisational chart of the company
MR BERNARDO CALLEJA FERNANDEZ	CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Profile
<p>Engineering degree from the <i>Escuela Técnica Superior de Ingenieros Industriales de Gijón</i>. PADE (<i>Programa de Alta Dirección de Empresas</i>) at the IESE Business School. "Breakthrough Program for Senior Executives (BPSE)" at IMD, November 2018.</p> <p>He commenced his career with Otis in 1989 as an engineer at the Otis plant in San Sebastián.</p> <p>Subsequently, he moved to Barcelona as branch manager. Three years later, he returned to San Sebastián as Area Manager.</p> <p>From 2001 to 2005, he was the manager of Pertor, a Zardoya Otis Group company in Spain.</p> <p>He then become general manager of Rolltore-Portis, another Group company.</p> <p>In 2007, he was appointed Service and Operations Manager of Otis Italy and, a year later, become Chief Executive Officer of Otis in Italy.</p> <p>In February 2012, he was appointed Chief Executive Officer of Zardoya Otis and President of Otis South Europe and Near East (SEMA).</p> <p>In December of the same year, he became President of South Europe of UTC Building & Industrial Systems, a division encompassing the brands: OTIS in elevators, Carrier in air-conditioning, Chubb and Marioff in fire protection and Portis in automatic doors, among others..</p> <p>He is currently Chief Executive Officer and Chairman of Zardoya Otis, S.A. and President of OTIS South Europe and Africa. He is likewise an Executive Manager of the United Technologies Corporation (UTC) group.</p>

Total number of executive directors	1
Percentage of Board	9.09%

Remarks
N/A

PROPRIETARY DIRECTORS

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment
MR ALBERTO ZARDOYA ARANA	EURO-SYNS, S.A.

Profile
<p>BA Manufacturing Engineering, Boston University, Boston MA, U.S.A. Master's in the Stock Exchange from <i>IEB, Instituto de Estudios Bursátiles</i>, Madrid. During his professional career, he has held various positions in companies such as Saveria, Elevator Guide Rails (Vera de Bidasoa, Navarra, Spain), Otis Elevator Company (Gien, France), Andersen Consulting (Madrid, Spain), UTC Research Center (San Sebastián, Spain), Sikorsky Helicopters (Stratford, CT, U.S.A.), Sikorsky Helicopters (Gamesa, Vitoria, Spain), UTC Aerospace (San Sebastián, Spain). He is currently a member of the Board of Directors of Mecalux, SA (Barcelona, Spain) and administrator of Euro-Syns, SA (Madrid, Spain)</p>

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment
EURO-SYNS, S.A.	EURO-SYNS, S.A.

Profile
<p>Euro-Syns, S.A. is the financial investment holding company of the Zardoya family group.</p> <p>Its personal representative, Mr Eduardo Montes, is an Industrial Engineer (<i>Universidad Politécnica de Madrid</i>). He began his professional career with Siemens in 1995 as a design and process engineer, remaining until 1981. After working for companies such as PA Technology, Alcatel and the Eureka Program, he held senior positions as President of companies such as Alstom España and Siemens España, S.A., Vice President and member of the Executive Committee of Siemens AG, President of FerroAtlántica of the Villar Group, and President of UNESA.</p> <p>Since 2018, he has held seats on several Boards of Directors, including Mecalux, Catenon and Alameda Capital; he is Executive Chairman of the SGEL Group and Executive Chairman of the WAMOS Group. He is also a member of the Social Council of the <i>Universidad Politécnica de Madrid</i> and Chairman of the Economic Commission, Chairman of the Social Board of the <i>Universidad Politécnica de Madrid</i> and Chairman of its Economic Commission, as well as Chairman of the Advisory Board of the <i>Escuela de Ingenieros Industriales de Madrid</i> (Madrid School of Industrial Engineering) and a member of the board of several cultural entities.</p>

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment
OTIS ELEVATOR COMPANY	UNITED TECHNOLOGIES HOLDINGS, S.A.S.

Profile

Otis (100% held directly or indirectly by the parent company of the United Technologies Corporation Group -UTC- in the U.S.A.) is the largest elevator and escalator company in the world. Otis designs, manufactures, sells and installs a full range of passenger and goods elevators, escalators and moving walkways. In addition to new installations, Otis modernizes existing installations to improve their safety and performance and provides maintenance services for both its own products and those of other manufacturers. Otis is present throughout the world.

Its personal representative, Ms Nora LaFreniere, holds a Law degree from the University of Notre Dame and a degree in Philosophy and Political Science from the University of California-San Diego
 Nora LaFreniere has more than 20 years' experience in the legal field. After working for the law firms Morgan Lewis and Bingham McCutchen, she joined United Technologies in 2000. In the 15 years she has been with UTC, Nora began as an Assistant Counsel at the head offices of Otis North and South America. In 2002, she was appointed Executive Assistant to the Worldwide President at the Otis head offices. Nora moved to the UTC head office in 2004 as Assistant General Counsel. From 2005 to 2011, she was Deputy General Counsel and then Vice President, General Counsel at UTC Fire & Security. In 2013, she was appointed Vice President and General Counsel of UTC Building & Industrial Systems. Nora LaFreniere is currently Vice President and General Counsel of Otis Elevator Company. In this position, she has a leadership function and provides strategic management to the global legal function. a general de Otis Elevator Company. She also leads Otis's Business Development function.

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment
MS ROBIN FIALA	UNITED TECHNOLOGIES HOLDINGS, S.A.S.

Profile
<p>Bachelor's degree in mechanical engineering from Union College in Schenectady, New York. Master of Business Administration from Fordham University in New York City. Robin Fiala has more than 25 years of experience with Otis. She started at the Otis New York City branch where she held positions of increasing responsibility including Account Representative, Territory Manager and General Manager. She then joined Otis World Headquarters as Senior Manager of Modernization Products and later joined Otis North America Headquarters as Senior Product Manager, New Equipment and then Director, Service Marketing. In 2013, she was named Vice President of Service and Marketing responsible for Marketing and Communications for Otis Americas as well as Otis North America's service business, national account sales and OTISLINE® call center. In 2014, she was named Vice President, Worldwide Marketing and Field Support responsible for global marketing strategies, service transformation and the development and implementation of key field operations initiatives across Otis worldwide. Currently, Robin Fiala is Vice President, Sales and Marketing for New Equipment. In this position, she leads worldwide strategic marketing initiatives that combine competitive and market intelligence with capturing customer expectations. Robin is also responsible for developing new products for the global business and, additionally, responsible for the EH&S function.</p>

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment
STACY PETROSKY	UNITED TECHNOLOGIES HOLDINGS, S.A.S.

Profile
<p>Graduate in company management (specialized in accounting). Executive leadership programs at the Darden School of Business Administration (University of Virginia, U.S.A.) During her professional career, after a number of positions with growing responsibility in the firm PricewaterhouseCoopers (PwC), she joined Otis Elevator Co. as Manager of the Financial Planning & Analysis area, where she became Senior Director in 2015, subsequently becoming Senior Director, Finance Transformation and then Assistant Controller and Executive Director, Finance Transformation. She is currently Chief Audit Executive, Otis Elevator.</p>

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment
MARK EUBANKS	UNITED TECHNOLOGIES HOLDINGS, S.A.S.

Profile
<p>Bachelor of Science in Electrical Engineering from the University of Florida. Master of Business Administration from Emory University. During his professional career, he has been President of the Electrical Products Group (Eaton Corporation) and held a series of executive roles (Cooper Industries). He has also worked in project management, engineering consulting (Southern Company) He is currently President, Otis EMEA.</p>

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment
PATRICK MARTIN	UNITED TECHNOLOGIES HOLDINGS, S.A.S.

Profile
<p>Bachelor and Master of Economics and Finance from the University of Hartford (U.S.A.). INSEAD Global Leadership Development Program. Patrick Martin has more than 27 years' experience with UTC. During this time, Patrick has held various position with growing responsibility at OTIS and BIS and has worked in a number of countries (Belgium, Germany, Russia, France, Ukraine, United States). His roles include, for example, (i) CFO for part of Otis France; (ii) CFO of Otis Ukraine; (iii) Area Controller for a large region of Europe; (iv) CFO for Eastern Europe; and (v) Director of P&A and CFO Manufacturing for a large region of Europe. In the 18 months preceding such position, Patrick was Vice President, Finance, for UTC Building & Industrial Systems EMEA, a group formed in October 2013 from the combination of Otis Elevator and UTC Climate, Controls & Security. Previously, from August 2009 to 2014, he was Finance Manager of Otis Southern Europe and Middle East. Currently, Patrick Martin has been Vice President, Finance, for Otis EMEA since 2016. In his present role, Patrick is responsible for directing the activities of planning, analysis, accounting and business control for Otis EMEA and ensuring that Otis EMEA meets its financial commitments.</p>

Total number of proprietary directors	7
Percentage of the Board	63.63%

Remarks
N/A

INDEPENDENT DIRECTORS

Name of director	Profile
MR JOSÉ MIGUEL ANDRÉS TORRECILLAS	<p>Mr Andrés Torrecillas holds a degree in Economics and Business Studies from the <i>Universidad Complutense de Madrid</i>. He has postgraduate studies in Management Programs from IESE in Madrid, Harvard and IMD.</p> <p>He has spent most of his professional career with Ernst & Young, where he was Partner/Director General of the Audit and Advisory practices and Chairman of Ernst & Young Spain until 2014.</p> <p>In March 2015, José Miguel Andrés Torrecillas was appointed as an independent director by the General Shareholders' Meeting of Banco Bilbao Vizcaya Argentaria, S.A.</p> <p>He has been a member of the <i>Registro Oficial de Auditores de Cuentas</i> (ROAC – Official Account Auditors Register); the <i>Registro de Economistas Auditores</i> (REA – Economist/Auditor Register); the Board of Directors of <i>Instituto Español de Analistas Financieros</i> (Spanish Institute of Financial Analysts); the <i>Fundación Empresa y Sociedad</i> (Company and Society Foundation); the <i>Instituto de Censores Jurados de Cuentas de España</i> (Institute of Chartered Accountants of Spain); the Advisory Board to the <i>Instituto de Auditores Internos</i> (Internal Auditors Institute), the Institute of Chartered Accounts in England & Wales (the ICAEW); the Board of Deusto Business School (DBS); and a patron of the SERES Foundation.</p> <p>He is classified as an “independent director” and holds the positions of Lead Director, Chairman of the Nominating and Compensation Commission of Zardoya Otis, S.A., and Deputy Chairman of its Audit Committee.</p>
MS EVA CASTILLO SANZ	<p>Ms Castillo Sans Graduated in Law and Business Studies from the Universidad Pontificia de Comillas, ICADE (E-3), Madrid.</p> <p>She was a member of the Board of Directors of Telefónica, S.A. from January 2008 until May 2018, Chairperson of the Supervisory Board of Telefónica Deutschland Holding, AG from its IPO in 2012 until May 2018, and a member of the Board of <i>Fundación Telefónica</i>.</p> <p>From November 2014 until January 2017, she was an independent director of Visa Europe Limited.</p> <p>From September 2012 until February 2014, she was President and CEO of Telefónica Europa and a member of the Executive Committee of Telefónica S.A.</p> <p>From February 2011 until February 2013, she was a director of Old Mutual, Plc. and from May 2010 to January 2014, Chairperson of the Supervisory Board of Telefónica Czech Republic, a.s. Until December 2009, she was head of Merrill Lynch Private Banking for Europe, Middle East and Africa (EMEA), forming part of Merrill Lynch's EMEA Executive Committee and the Executive and Global Operations Committees of Merrill Lynch Private Banking.</p> <p>Previously, she held the dual position of head of the Capital Markets and Investment Bank Division of Merrill Lynch in the Iberian peninsula and Chairperson of Merrill Lynch España (October 2003). Likewise, she had formerly been Chief Operating Officer (COO) for Equity for Europe, Middle East and Africa. She joined Merrill Lynch in 1997 as head of Equity Markets for Spain and Portugal. In 1999, she was promoted to Country Head for Spain and Portugal and, in 2000, she was appointed Chief Executive Officer of Merrill Lynch Capital Markets España.</p> <p>Before joining Merrill Lynch, she had worked for five years in the International Equity Department of Goldman Sachs in London and, prior to that, a further five years in the Equity Sales and Analysis Department of the Spanish broker Beta Capital.</p> <p>She is currently a member of the Board of Directors of Bankia and of the Boards of <i>Fundación Comillas-ICAI</i> and <i>Fundación Entreculturas</i>.</p> <p>She is classified as an “independent director” and holds the positions of Chairperson of the Audit Committee of Zardoya Otis, S.A. and member of its Nominating and Compensation Commission.</p>

Number of independent directors	2
Percentage of the Board	18.18%

Remarks
N/A

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

No.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name of the director	Description of the relationship	Statement of the Board
N/A		

OTHER EXTERNAL DIRECTORS

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

Name of director	Reason	Company, director or shareholder to whom the director is related
MR JOSÉ MARÍA LOIZAGA	<p>Mr Loizaga cannot be classified as an independent director because, in addition to other managerial roles during his professional career with the Company, he has been a director of the Company since 1973, for a continuous period of more than 12 years.</p> <p>Neither can he be classified as a proprietary director, since he does not hold shares in the Company and was not appointed at the request of a significant shareholders.</p> <p>As clarification, it is expressly stated that Mr Loizaga holds the status of "other external director" in accordance with the Capital Companies Law.</p>	The Company (Zardoya Otis, S.A.)

Profile

He commenced his career in the financial sector in 1956 with Banco Vizcaya, where he held various executive positions. In 1968, he joined Zardoya S.A. as General Manager and was responsible for merging Zardoya and Schneider Otis (a subsidiary of United Technologies Corporation). From 1968 to 1980, he held a number of senior executive roles at Otis Elevator International Group, where he was Country Manager for Spain, Area Manager for Southern Europe and a member of the Board of Directors of Otis International. He was responsible for the Group's acquisition of various companies throughout Europe.

In 1980, he joined the Banco Hispano Americano Group, where he created a new investment bank, Banco Hispano Industrial. In 1982, he was appointed Vice President and CEO of Banco Unión the second-ranking industrial bank in Spain in terms of importance (a bank in crisis acquired by the Hispano Group). He was responsible for merging it with Banco Urquijo, which was the main industrial bank in Spain at that time, and was appointed Chairman and CEO of the merged entity, Unión de Banco Urquijo, in 1984. In 1985, he founded Mercápolis, S.A.

He has been Chairman of the Mercápolis Group, Cartera Industrial Rea, Bodegas Barón de Ley and Bodegas Lan, Deputy Chairman and CEO of Banco Urquijo and a director of various financial and industrial companies, among which we can mention: Banque Privée Edmond de Rothschild, SA (Switzerland), Banque Indosuez España, Suez International (France), Otis International Inc. (U.S.A.), Electricidad Cobra, SA (Spain), Amorim Investimentos y Participações (Oporto / Portugal), Lácteas García Baquero, Unión Fenosa, Mecalux (Spain), etc.

Total number of other external directors	1
Percentage of the Board	9.09 %

Remarks
N/A

State any changes in status that has occurred during the period for each director:

Name of Director	Date of change	Previous status	Current status
Mr José María Loizaga	05/22/2019	Independent	Other external

Remarks
Mr Loizaga's term of office expired in 2019 and, at the General Shareholders' Meeting of 05/22/2019 he was re-elected, according to the capital Companies Law, as "Other external" director.

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	Year 201	Year 2018	Year 2017	Year 2016	Year 2019	Year 2018	Year 2017	Year 2016
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	3 (*)	2 (*)	2(*)	1	27.27%	18.18%	18.18%	9.09%
Independent	1	0	0	0	9.09%	0.00%	0.00%	0.00%

Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	4	2	2	1	36.36%	18.18%	18.18%	9.09%

Remarks
(*) The above information refers to Ms Nora LaFreniere, as the personal representative of the director Otis Elevator Company.
Female Directors at 11/30/2019 are: (i) Ms Nora Lafreniere (personal representative of the director Otis Elevator Company), (ii) Ms Robin Fiala, appointed as a director on October 5, 2017, (iii) Ms Stacy Petrosky, appointed on July 26, 2019, and (iv) Ms Eva Castillo was appointed on May 22, 2019.

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

Yes ☐ No ☐ Partial policies ☒

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved
<p>The Board of Directors and the Nominating and Compensation Commission are aware of the importance of promoting gender diversity on the Board of Directors and are working to increase the presence of women on the Board. Article 5 of the Regulations of the Board of Directors states that the Board of Directors must ensure that the procedures for selecting its members favour diversity of gender, experience and knowledge and are not affected by any implicit bias that might suggest some kind of discrimination and, in particular, should not hinder the selection of women directors.</p> <p>Likewise, article 12 B) 2 i) of the Regulations of the Board of Directors states that one of the duties of the Nominating and Compensation Commission Committee is to ensure that, when filling new vacancies or new directors are appointed, the selection procedures do not contain any implicit bias that might suggest some kind of discrimination and to report to the Board on gender diversity issues.</p> <p>At the end of the 2019 period (November 30, 2019), seven of the eleven members of the Board of Directors were proprietary directors, two were independent, one was executive and one was an "other external director".</p> <p>At its meeting of December 13, 2016, the Nominating and Compensation Commission decided that, when new vacancies on the Board of Directors arise, they would try to fill them with people who meet the requirements of competence, experience and merits, promoting, as far as possible, an increase in</p>

the presence of women on the Board of Directors in order to progress towards a Board with a more balanced composition.

To do this, the Commission itself will ensure that the policies for selecting Board members apply exclusively criteria of merit and capacity, avoiding any bias that might imply gender discrimination that hinders the selection of women directors.

This decision was notified to the Board of Directors by the Chairperson of the Nominating and Compensation Commission at the Board meeting on the same day.

In the last two years, four vacancies have arisen on the Board of Directors as the result of the resignations of the directors Mr Pierre Dejoux, Mr Mario Abajo, Mr Patrick Blethon and Mr Mark George, which were officially noted by the Board on, respectively, July 27, 2018, April 20, 2019 and, for the last two, July 26, 2019. In the light of these vacancies, the Nominating and Compensation Commission decided to report in favour of: (i) the co-option of Mr Patrick Martin as a director at its meeting of July 27, 2018 (his appointment by co-option was approved by the Board on the same date and ratified by the Ordinary General Meeting held on May 22, 2019); (ii) the appointment of the director Ms Eva Castilla Sanz as an independent director by the General Shareholders' Meeting held on May 22, 2019; (iii) the co-option of Ms Stacy Petrosky at the Board meeting of July 26, 2019 (her appointment by co-option was approved by the Board on the same day and is pending ratification by the General Shareholders' Meeting to be held in 2020); and (iv) the co-option of Mr Mark Eubanks at the Board meeting of July 26, 2019 (his appointment by co-option was approved by the Board on the same day and is pending ratification by the General Shareholders' Meeting to be held in 2020)

These appointments are consistent with the goal of both the Company and the Board of Directors to increase the presence of women on the Board and for the director selection policies to consider solely criteria related to merit and capacity, avoiding any bias that might imply discrimination on the grounds of gender, origin, race or religion in the selection of directors. Specifically, for the four vacancies that there have been on the Board in the last two years, the new appointments of directors of the gender with less Board representation have increased to 50% of the appointments made in said period. At the end of financial year 2019 (November 30, 2019), 36.36% of the Board of Directors were women.

The Board of Directors and the Nominating and Compensations Commission are aware of the importance of having diversity at the Board, and consider the Board has diversity in nationalities, age, studies, experience and skills of different directors.

C.1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:

Explanation of means

At its meeting of December 13, 2016, the Nominating and Compensation Commission decided that, when new vacancies on the Board of Directors arose, they would try to fill them with people who met the requirements of competence, experience and merits, promoting, as far as possible, an increase in the presence of women on the Board of Directors in order to progress towards a Board with a more balanced composition.

To do this, the Commission itself will ensure that the policies for selecting Board members apply exclusively criteria of merit and capacity, avoiding any bias that might imply gender discrimination that hinders the selection of women directors.

This decision was notified to the Board of Directors by the Chairperson of the Nominating and Compensation Commission at the Board meeting held on the same day.

As explained in the preceding section, all the processes carried out in 2019 were executed with complete objectivity, based on the criteria decided by the Nominating and Compensation Commission, fomenting, in each of the cases, the election of the best candidate based on the criteria of experience and merits, and always striving for the processes to include both male and female profiles that demonstrated the skills, capabilities, requirements, knowledge and experience that the Board requires, in accordance with the applicable legislation. Therefore, the Nominating and Compensation Commission and the Board of Directors have worked to attain a greater balance among the members of the Board of Directors, striving for gender parity on the Board. As of today's date, the percentage of female Board members attained is 36.36%, which clearly favours a greater gender balance on the Board.

With the 2019 appointments, the percentage of women on the Board rose from 9% in 2016 to 18% in 2017 and 2018 and to 36.36% in 2019.

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
N/A

C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020..

The Nominating and Compensation Commission is aware of the importance of promoting gender diversity on the Board of Directors and is working to increase the presence of women among its members.

As mentioned previously, the director selection process to fill vacancies over recent years has striven to appoint people of the gender with less Board representation to the extent possible, provided that the requirements for the necessary competence, experience and merits are met. In 2019, the target for at least 30% of the total Board members to be female in 2020 was met one year early.

C.1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

No proprietary directors were appointed at the proposal of shareholders whose shareholding interest was less than 3% in the period ended November 30, 2019.

Name of shareholder	Reason
N/A	

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose

request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes ☐ No ☒

Name of shareholder	Explanation
N/A	

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name of director	Brief description
MR BERNARDO CALLEJA FERNANDEZ	The CEO holds all the powers that can be delegated in accordance with the law or Bylaws, with the exception of the purchase/sale of real estate (article 7 of the Regulations of the Board of Directors) as well as the financial disbursement faculty, limited to joint powers for 50 million euros per transaction

C.1.10 Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

Name of director	Name of group member	Position	Does the director have executive powers?
MR BERNARDO CALLEJA FERNANDEZ	OTIS ELEVADORES LDA. (PORTUGAL)	CHAIRMAN	NO
MR BERNARDO CALLEJA FERNANDEZ	OTIS MAROC S.A.	CHAIRMAN	NO
DON BERNARDO CALLEJA FERNANDEZ	OTIS SERVIZI S.R.L.	PRESIDENTE	NO
DON BERNARDO CALLEJA FERNANDEZ	BUGA OTIS ASANSOR SANAYI VE TICARET AS	CONSEJERO	NO
MR BERNARDO CALLEJA FERNANDEZ	MONTES TALLON, S.A.	DIRECTOR	NO
MR BERNARDO CALLEJA FERNANDEZ	ASCENSORES ENOR S.A.	PERSONAL REPRESENTATIVE OF SOLE DIRECTOR (ZARDOYA OTIS S.A.)	NO
MR BERNARDO CALLEJA FERNANDEZ	ELECTROMECAÁNICA DEL NOROESTE	PERSONAL REPRESENTATIVE OF SOLE DIRECTOR (ZARDOYA OTIS S.A.)	NO

Name of director	Name of group member	Position	Does the director have executive powers?
MR JOSÉ MARÍA LOIZAGA VIGURI	OTIS ELEVADORES LDA. (PORTUGAL)	DIRECTOR	NO
MR ALBERTO ZARDOYA ARANA	OTIS ELEVADORES LDA. (PORTUGAL)	DIRECTOR	NO
DOÑA NORA LAFRENIERE	OTIS ELEVATOR COMPANY	DIRECTOR	NO
DON R. MARK EUBANKS	OTIS L.L.C.	CHAIRMAN	NO
DON R. MARK EUBANKS	OTIS ELEVATOR COMPANY SAUDI ARABIA LIMITED	DIRECTOR	NO
DON R. MARK EUBANKS	United Technologies Building & Industrial Systems W.L.L.	DIRECTOR	NO
DON R. MARK EUBANKS	United Technologies Holdings SAS	DIRECTOR	NO
DON R. MARK EUBANKS	Zayani Otis Elevator Company W.L.L.	DIRECTOR	NO
DON PATRICK JEAN ROLAND MARTIN	AO MOS OTIS	DIRECTOR	NO
DON PATRICK JEAN ROLAND MARTIN	Otis Elevator Company Saudi Arabia Limited	DIRECTOR	NO
DON PATRICK JEAN ROLAND MARTIN	Otis Elevator Overseas Limited	DIRECTOR	NO
DON PATRICK JEAN ROLAND MARTIN	Otis Pacific Holdings B.V.	DIRECTOR	NO
DON PATRICK JEAN ROLAND MARTIN	UTCL Investments B.V.	DIRECTOR	NO

C.1.11 List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of listed company	Position
MR JOSÉ MARÍA LOIZAGA VIGURI	ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. (ACS)	DIRECTOR / DEPUTY CHAIRMAN

MR JOSÉ MARÍA LOIZAGA VIGURI	CARTERA INDUSTRIAL REA. S.A.	DIRECTOR
MR JOSÉ MIGUEL ANDRÉS TORRECILLAS	BANCO BILBAO VIZCAYA ARGENTARIA, S.A.	DIRECTOR / DEPUTY CHAIRMAN
MS EVA CASTILLO SANZ	BANKIA, S.A.	DIRECTOR

Remarks
N/A

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes ☐ No ☒

Explanation of the rules and identification of the document where this is regulated
<p>Article 19.1 of the Regulations of the Board of Directors expressly establishes the directors' obligation to devote sufficient time to their work as a Board member and adopt the measures necessary for proper management and control of the Company.</p> <p>Notwithstanding, it has not been seen fit to limit the number of Boards of Directors of which the directors may form party, since a large number of the proprietary directors are executives of the parent group, United Technologies Corporation, and, therefore, are members of Boards of Directors of other group companies.</p>

C.1.13 State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousand euros)	1,915
Amount of vested pension interests for current members (thousand euros)	70
Amount of vested pension interests for former members (thousand euros)	-

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name	Position
MR FRANCISCO JAVIER BARQUIN	GENERAL MANAGER

MR DOMINGOS EDMUNDO DA ASCENÇÃO OLIVEIRA	GENERAL MANAGER
MR MAURIZIO GENTILE	GENERAL MANAGER

Total senior management remuneration (thousand euros)	870
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C.1.15 State whether the Board rules were amended during the year:

Yes ☐ No ☒

Description of amendment
N/A

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.

1. SELECTION, APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

It is not necessary to be a shareholder in order to be appointed as a director, even in the event of provisional appointment (co-option) made by the Board of Directors itself, as stated in respect of listed companies in the Capital Companies Law, article 529 decies 2 a).

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

Likewise, article 5 of the Board of Directors Regulations states that the Board of Directors must ensure the that procedures to select its members favour diversity of gender, experience and knowledge and are not affected by any implicit bias that might suggest some kind of discrimination and, in particular, that they do not hinder the selection of women directors.

The Nominating and Compensation Commission is responsible for proposing the appointment or re-election of independent Directors. The appointment or re-election proposal must, in all cases, be accompanied by an explanatory report from the Board of Directors in which the competences, experience and merits of the proposed candidate are evaluated and which will be attached to the minutes of either the General Shareholders' Meeting or the meeting of the Board of Directors itself. The proposal to appoint or re-elect any non-independent director must, furthermore, be preceded by a report from the Nominating and Compensation Commission. The foregoing will likewise be applicable to the natural persons who are designated as personal representatives of a legal person. The Nominating and Compensation Commission must report on the proposal of a personal representative.

Article 13 of the Regulations of the Board of Directors states that the Board of Directors (i) will endeavour to ensure that the candidates elected are persons with recognized competence and experience; (ii) will establish a guidance program for new directors to provide them swiftly with sufficient knowledge of the Company and its corporate governance rules; and (iii) will likewise have programs to update knowledge when the circumstances make this advisable.

Article 14 of the Board of Directors Regulations states the Directors will hold office for an initial term of four years, in accordance with the Bylaws, and may be renewed, on one or more occasions, for successive periods of up to a maximum of four years. Directors appointed by co-option will hold office until the date of the first General Meeting held after they are appointed.

2. EVALUATION OF DIRECTORS

According to article 12 bis of the Regulations of the Board of Directors, the Board of Directors must conduct an annual evaluation of its own performance and of that of its commissions and, on the basis of the result, prepare an action plan to correct the deficiencies noted in accordance with the Law.

See aswell point C.1.17

3. REMOVAL OF DIRECTORS

Article 15 of the Regulations of the Board of Directors states that directors will leave office when the term for which they were appointed has expired or when the General Shareholders' Meeting so decides using the attributions conferred on it by law or the Bylaws.

The Board of Directors will not propose the removal of independent directors before the term for which they were appointed has expired, except where the Board finds just cause, based on a report from the Nominating and Compensation Commission. Just cause will be deemed to exist when directors take up new posts or responsibilities that prevent them from devoting sufficient time to their work as Board member, or are in breach of their fiduciary duties or are disqualified from acting as an independent according to the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar transaction alters the Company's capital structure, applying the proportionality principle.

Directors must place their position at the disposal of the Board of Directors and, if the latter sees fit, resign in the following cases:

(a) When they are affected by any of the circumstances of incompatibility or prohibition legally provided for.

(b) When they may harm the Company's good name or reputation.

(c) When they are investigated or prosecuted, in the process of trial in ordinary proceedings, or found guilty in summary criminal proceedings in relation to any serious crime, in particular, any of the crimes stated in article 213 of the Capital Companies Law. In these cases, the Board of Directors will investigate the case as soon as possible and, in the light of the specific circumstances, will decide whether or not the director should remain in office. The Board of Directors will inform of any such decisions in the Annual Corporate Governance Report.

(d) When they have been seriously admonished by the Audit Committee or because they have breached their duties as directors.

(e) When an external proprietary director transfers his or her shareholding in the Company or when the shareholder which proposed his appointment to the Company sells its entire shareholding interest or reduces it to a level that requires the reduction or removal of its proprietary directors.

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

The Nominating and Compensation Commission will report to the Board of Directors on any proposals to remove directors, in accordance with article 12 (B) 2 (c) of the Regulations of the Board of Directors.

C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

The Board of Directors evaluated the performance of both the Board itself and its commissions very favourably in the 2019 self-evaluation process, an improvement in the processes being perceived by all the directors, although possibilities of improvement were identified in certain aspects. To date, none of these issues has required important changes in the Board's internal organization or in the procedures applicable to its activities, although many internal processes are gradually improving as a result of these evaluations.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

In accordance with article 529 nonies of the Capital Companies Law and article 12 bis of the Regulations of the Board of Directors, at its meeting of April 11, 2019, the Board of Directors evaluated the results of the annual evaluation of its own performance and that of its commissions during 2019, analysing the directors' replies to a questionnaire with almost a hundred questions.

This questionnaire included questions on the operation and composition of the Board of Directors and the work and performance of the Chairman of the Board of Directors, the Secretary of the Board of Directors and the Legal Advisor. The questionnaire also asked about the operation of the Audit Committee and Nominating and Compensation Commission.

Likewise, the Audit Committee and Nominating and Compensation Commission prepared reports on their own evaluations as well as an action plan to overcome the deficiencies detected in said evaluations and, in the case of the Nominating and Compensation Commission, on the operation of the Board of Directors, all of which was in compliance with Recommendation 36 of the Good Governance Code.

Subsequently, the Board of Directors reviewed the status of compliance with said plan, the objectives attained during 2019 and the issues that could be improved in the following period.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

The Board of Directors of the Company has decided not to engage any consultant or external advisor for this purpose.

C.1.19 State the situations in which directors are required to resign.

Article 15 of the Regulations of the Board of Directors states that directors must place their position at the disposal of the Board of Directors and, if the latter sees fit, resign in the following cases:

(a) When they are affected by any of the circumstances of incompatibility or prohibition legally provided for.

(b) When they may harm the Company's good name or reputation.

(c) When they are investigated, prosecuted, in the process of trial in ordinary proceedings or found guilty in summary criminal proceedings in relation to any serious crime, in particular, any of the crimes stated in article 213 of the Capital Companies Law. In these cases, the Board of Directors will investigate the case as soon as possible and, in the light of the specific circumstances, will decide whether or not the director should remain in office. The Board of Directors will inform of any such decisions in the Annual Corporate Governance Report.

(d) When they have been seriously admonished by the Audit Committee or because they have infringed their duties as directors.

(e) When a proprietary director transfers his or her shareholding in the Company or when the shareholder which proposed his appointment to the Company sells its entire shareholding interest or reduces it to a level that requires the reduction or removal of its proprietary directors.

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

C.1.20 Are qualified majorities other than those established by law required for any specific decision?:

Yes ☐ No ☒

If so, please describe the differences.

Description of differences
No, both the company Bylaws (art. 22) and the Regulations of the Board of Directors (art. 11) follow the criteria of articles 247, 248 and 249 of the Capital Companies Law.

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors.

Yes ☐ No ☒

Description of requirements
N/A

C.1.22 State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:

Yes ☐ No ☒

	Age limit
Chairman	N/A
CEO	N/A
Directors	N/A

Remarks
N/A

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law:

Yes ☐ No ☒

Additional requirements and/or maximum number of term limits	N/A
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C.1.24 State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a director is required to delegate to a director of the same category. If so, please briefly describe the rules.

Article 22 of the Bylaws states that any director may grant written proxy to any other director. However, non-executive directors may only grant proxy to another non-executive director.

In addition, article 11 of the Regulations of the Board of Directors states that each director may authorize another director to represent him without any limit on the number of proxies that one director may hold at a 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.

These rules are the same as in Capital Companies Law.

C.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	9
Number of Board meetings without the chairman	0

Remarks
N/A

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	0
--------------------	---

Remarks
N/A

Please specify the number of meetings held by each committee of the Board during the year:

Number of meetings held by the Executive Committee	N/A
Number of meetings held by the Audit Committee	8
Number of Meetings held by the Appointments and Remuneration Committee	6
Number of meetings held by the Appointments Committee	N/A
Number of meetings held by the Remuneration Committee	N/A
Number of meetings held by the ____ Committee	N/A

Remarks
N/A

C.1.26 State the number of meetings held by the Board of Directors during the year in which all of its directors were present.

Number of meetings when all directors attended	6
% of attendance over total votes during the year	84%
Number of meetings in situ or representations made with specific instructions of all directors	9
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	100

Remarks
N/A

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

Yes ☒ No ☐

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

Name	Position
Mr Bernardo Calleja Fernández	Chief Executive Officer
Mr Joao Penedo Marqués	Chief Financial Officer

Remarks
N/A

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

The Board of Directors controls, through the Audit Committee, the whole process of drawing up and formulating the annual financial statements of the Company S.A. and its Group.

The last paragraph of article 12 A) 3 of the Regulations of the Board of Directors states that the Audit Committee will strive to ensure that the Board of Directors seeks to present the annual statements to the General Shareholders' Meeting without reservations or qualifications in the audit report, and in the exceptional case that these may be included, the Chairperson of the Audit Committee and the auditors will give a clear explanation to the shareholders on the content and extent of said reservations and qualifications.

Likewise, article 11.1.g) of the Regulations of the Audit Committee, approved by the Board of Directors on October 9, 2018, entrusts the Audit Committee with the task of ensuring that the Board of Directors endeavours to submit the financial statements to the General Meeting without any reservations or qualifications in the audit report and, in the exceptional cases where these exist, the Chairperson of the Audit Committee and the auditors will give a clear explanation to the shareholders on the content and extent of said reservations or qualifications.

C.1.29 Is the secretary of the Board also a director?

Yes ☐ No ☒

If the secretary is not a director, please complete the following table:

Name of secretary	Representative
Ms Lorea García Jauregui	N/A

Remarks
N/A

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

1. INDEPENDENCE OF THE EXTERNAL AUDITORS

Firstly, article 12 A) 2 f) of the Regulations of the Board of Directors states that the Audit Committee must receive information on any other questions that might jeopardize the Independence of the external account auditor in order to examine them.

Likewise, the Regulations of the Board of Directors state, among other items, that the Audit Committee must propose to the Board of Directors, for submission to the General Shareholders' Meeting, the selection, appointment, reappointment and replacement of the external account auditor, in accordance with the applicable legislation, being responsible for the selection process, and must also propose its engagement conditions. Furthermore, the Audit Committee must regularly obtain from the external auditor information on the audit plan and its execution, preserving its independence in the performance of its duties.

Secondly, article 14 of the Regulations of the Audit Committee establishes, among others, the following duties for the Audit Committee in relation to the statutory audit:

- (i) To propose to the Board of Directors, for submission to the General Shareholders' Meeting, the recommendations for the selection, appointment, reappointment and replacement of the statutory auditor in accordance with the provisions set out below and in the applicable law, being responsible for the selection process, and engagement conditions.

In the selection of the auditor, the Committee must take account of the scope of the audit, the capabilities, experience and resources of the auditor or audit firm, the fees, the auditor's independence and the effectiveness and quality of the auditing services to be provided, as well as any criteria set out in the Capital Companies Law, the Account Auditing Law and Regulation (EU) 537/2014 of April 16.

- (ii) To protect the independence of the statutory auditor in the course of its functions. For this purpose, the Committee must:
 - a) request and receive from the statutory auditor, on an annual basis, written confirmation of its independence in relation to the Company or any companies that may be related directly or indirectly thereto, together with detailed and specific information on the additional services of any nature rendered to said companies and the corresponding fees received from these entities by the auditors or by persons or entities related to the auditors in accordance with the provisions of the Account Auditing Law;
 - b) issue an annual report, prior to the issue of the statutory audit report, expressing an opinion on whether the independence of the account auditors is compromised. Said report must also always make a reasoned pronouncement on the additional services to which the preceding point refers, considered individually and as a whole, other than the statutory audit, in relation to the system of independence or the legislation regulating account auditing
 - c) establish appropriate contacts with the statutory auditor to receive information on any questions which might be a threat to the latter's independence, which will be examined by the Committee.
 - d) ensure that the Company and the statutory 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 auditor independence.

For this purpose, the Committee must:

- i. review and approve the Company's internal policies on personal situations and on prohibition on the provision of certain services by the auditor and approve the provision of non-audit services. In addition, the Audit Committee must ensure that the policies are known to the relevant officers of the Company so that they are correctly applied.

- ii. introduce a guideline ceiling on fees receivable by the statutory auditor for non-audit services, having regard to the provisions of the applicable legislation.
 - iii. approve and review the Company's internal policies for compliance with the applicable legislation on prohibitions subsequent to the completion of the audit work.
- e) where applicable, authorize the services other than those prohibited in the terms set out in the applicable legislation.
- f) in the event of the resignation of the statutory auditor, investigate the issues giving rise thereto.
- g) ensure that the remuneration of the external Account Auditor does not compromise its efficiency or independence.
- h) ensure that the Company notifies any change of auditor to the CNMV as a relevant event, accompanied by a statement of any disagreements that may have arisen with the outgoing auditor and, if such disagreements exist, the contents thereof.
- (iii) Regularly seek information from the auditor on issues related to the performance of the statutory audit, such as the audit plan, the results of its implementation and any other issue relating to the statutory auditing process, as set out in point 3 of article 14 of the Regulations of the Audit Committee. in particular, the Committee will seek information on any disagreement that may arise between the statutory auditor and company management
- (iv) To encourage the statutory auditor of the Group to take on the auditing of all the Group companies.
- (v) Upon completion of the audit, to review in conjunction with the statutory auditor the main findings of the audit work and the content of the audit report and of the additional report submitted to the Audit Committee.
- (vi) If the Committee believes that there are causes for concern or unresolved issues as to the quality of the audit, the possibility should be considered of informing the Board of Directors and, if it is thought appropriate by the Board, supervisory authorities should likewise be informed on a timely basis.

Likewise, the Regulations of the Audit Committee provide that the Committee will maintain the communications with the statutory auditor required by accounting auditing legislation and technical audit rules, without undermining the auditor's Independence or the effectiveness of the audit, and will check that the Company's senior management is taking its recommendations into account. Communications with the auditor will be fluid and ongoing and must be planned in a timetable of activities and an annual schedule of meetings, most of which should be held without company management being present, to address all matters that might influence the audit opinion or the independence of the statutory auditor. In particular, the Committee must seek information on or discuss the following with the auditor:

- (i) the audit plan and its implementation, checking that senior management is taking its recommendations into account;
- (ii) the annual meetings that the statutory auditor holds with the Board of Directors in full to inform it of the work undertaken and developments in the Company's risk and accounting positions.
- (iii) fulfilment of the audit contract, endeavouring to ensure that the opinion on the annual financial statements and the main contents of the audit report are worded clearly and precisely in accordance with accounting standards, applying the highest international standards, establishing joint strategies, an appropriate methodology and work programs, all of which must be consistent with the appropriate materiality limits.

2. INDEPENDENCE OF FINANCIAL ANALYSTS, INVESTMENT BANKS AND RATING AGENCIES

With regard to relations with financial analysts, the Company applies the principle of transparency, no discrimination and reliability of the information provided to the market. The Company has several communication channels, always complying with securities market legislation:

- E-mail on the corporate website (info.accionista@otis.com).

- Contact person for information to shareholders:

Joao Penedo
 Zardoya Otis, S.A.
 C/ Golfo de Salónica, 73
 28033-Madrid
 Tel.: 91 343 51 05
 Fax: 91 343 51 89

Said information is available on the website in the section "Channels of Communication with the Company".

In addition, the Company has an internal Code of Conduct that establishes the guidelines that the Company and the "**Obligated Persons**" (directors, managers, employees, advisors, etc.) must follow in the treatment of inside and relevant information, thus protecting the interests of those who invest in the Company's securities (the "**Internal Code of Conduct**"). This Internal Code of Conduct was amended by the Board of Directors on February 21, 2017 in order to adapt its contents to Royal Legislative Decree 4/2015 of October 23, whereby the revised text of the Securities Market Law was approved, and Regulation (EU) No. 596/2014 of the European Parliament and of the Council, of April 16 (the Market Abuse Regulation) and their implementing legislation. The amendment was intended to improve protection of those who invest in the Company's security by avoiding any market abuse situation, establishing the set of rules applicable to the management and control of inside information by the Company and Obligated Persons in their actions related to the treatment of inside information, the securities, markets, transactions with the Company's own shares and detecting and handling conflicts of interest, among other items.

The Internal Code of Conduct may be consulted on the Company's website: (<http://www.otis.com/es/es/accionistas-inversores/>).

Any investment banks or rating agencies that advise the Company and have access to inside information are considered as "External Advisors" and, therefore, "Obligated Persons". Consequently, the Secretary of the Board will warn the persons who must be included on the "Obligated Persons" Register as "Obligated Persons" that the information is inside information and of their duty of confidentiality and the prohibition on the use of said information, as well as the infringements and penalties derived from the improper use thereof. "Obligated Persons" must provide a declaration stating that they undertake to comply with the obligations contained in the Internal Code of Conduct.

C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

Yes ☐ No ☒

At the General Shareholders' Meeting of May 22, 2019, a resolution was passed to reappoint the Company's account auditor (PricewaterhouseCoopers Auditores, S.L.).

Outgoing auditor	Incoming auditor
N/A	

Remarks
N/A

If there were any disagreements with the outgoing auditor, please provide an explanation:

Yes ☐ No ☒

Explanation of disagreements
N/A

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

Yes ☒ No ☐

	Company	Group companies	Total
Amount invoiced for non-audit services (thousand euros)	48	0	48
Amount invoiced for non-audit services/Amount for audit work (in %)	21,73%	0	11,20%

Remarks
N/A

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

Yes ☐ No ☒

Explanation of reasons
N/A

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	32	32
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	71.11%	100.00%

Remarks
N/A

C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

Yes ☒ No ☐

Explanation of procedure

In accordance with article 10 of the Regulations of the Board of Directors, Board meetings are called by sending a letter, e-mail, telegram or fax to each one of the directors, at the address he/she has previously provided for this purpose, at least ten days before the date fixed for the meeting, attaching the agenda for the meeting.

Thus, unless a Board meeting is held or called under exceptional circumstances for urgent reasons, the directors should previously have the information necessary for deliberations and the passing of resolutions on the matters to be discussed sufficient time in advance. The Chairman of the Board of Directors, with the assistance of the Secretary, must ensure compliance with this right.

When, under exceptional circumstances, for urgent reasons, the Chairman wishes to submit decisions or resolutions of items that are not included on the agenda to the approval of the Board, the express prior consent of a majority of the directors present will be required, which will be duly recorded in the minutes.

Article 6 of the Regulations of the Board of Directors expressly states that the Chairman of the Board of Directors is responsible for ensuring that all the directors receive sufficient information in advance to allow deliberations on the items on the agenda.

Finally, article 17 of the Regulations of the Board of Directors states that any director has the duty to require and the right to 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 perform his/her duties. 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.

C.1.36 State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

Yes ☒ No ☐

Explain the rules

Article 15 of the Regulations of the Board of Directors states that directors must place their position at the disposal of the Board of Directors and, if the latter sees fit, resign in the following cases:

- (i) When they are affected by any of the circumstances of incompatibility or prohibition legally provided for;
- (ii) When they may harm the Company's good name or reputation;
- (iii) When they are investigated, prosecuted, in the process of trial in ordinary proceedings, or found guilty in summary criminal proceedings in relation to any serious crime, in particular, any of the crimes stated in article 213 of the Capital Companies Law. In these cases, the Board of Directors will investigate the case as soon as possible and, in the light of the specific circumstances, will decide whether or not the director should remain in office. The Board of Directors will inform of any such decisions in the Annual Corporate Governance Report;
- (iv) When they have been seriously admonished by the Audit Committee or because they have infringed their duties as directors; or
- (v) When an external proprietary director transfers his or her shareholding in the Company or when the shareholder which proposed his/her appointment to the Company sells its entire shareholding interest or reduces it to a level that requires the reduction or removal of its proprietary directors.

Article 19.5 (f) of the Regulations of the Board of Directors states that directors must notify the Board of Directors as soon as possible and, if appropriate, resign if any circumstances affect them that might damage the good name and reputation of the Company, in particular when they are investigated in relation to criminal offences.

C.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

Yes ☐ No ☒

Name of director	Criminal charge	Remarks
N/A		

State whether the Board of Directors has examined the case. If so, explain in detail the decision taken as to whether the director in question should continue in his or her post or, if applicable, describe any actions taken by the Board up to the date of this report, or which it intends to take.

Yes ☐ No ☒

Decision/Action taken	Explanation
N/A	

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

There are no agreements of this nature.

C.1.39 Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Number of beneficiaries	1
Beneficiary	Chief Executive Officer
Description of agreement	<p>The only director entitled to an indemnity in the event of termination of his/her contract is the CEO. The indemnity consists of 45 days' remuneration per year as from his appointment as the Company's CEO (i.e. February 14, 2012) until the contract termination date. This termination indemnity is the same as was initially stipulated in his employment relationship.</p> <p>Likewise, he has a non-competition clause with a term of 24 months as from finalization of his contract, receiving a sum equivalent to 12 monthly salary payments during that period.</p>
Number of beneficiaries	1
Beneficiary	Patrick Martin
Description of agreement	<p>Patrick Martin (a proprietary director of the Company since July 27, 2018) is a manager of the company Otis Elevator Worldwide Sprl (belonging to the group of the Company's majority shareholder). Notwithstanding, his remuneration as a manager of Otis Elevator Worldwide Sprl is paid directly by the Company, although the amount is reimbursed to the Company by Otis Elevator Worldwide Sprl.</p> <p>In his capacity of manager of Otis Elevator Worldwide Sprl, Patrick Martin has a non-competition clause with a term of 24 months as from finalization of his contract, receiving a sum equivalent to 12 monthly salary payments during that period.</p>

Number of beneficiaries	1
Beneficiary	Manager

Description of agreement	One of the Company's managers is entitled, in the event of unfair dismissal that generates an indemnity, to a length of service -for the purposes of the indemnity- that dates from 10 years before he joined the Company.
Number of beneficiaries	2
Beneficiary	Managers
Description of agreement	<p>The Company pays the remuneration of several managers of Otis Elevator Company who are former employees of the Company, although the amount is reimbursed to the Company by Otis Elevator Worldwide Sprl.</p> <p>One of them is entitled, in the event of unfair dismissal that generates an indemnity, to a length of service -for the purposes of the indemnity- that dates from 4 years before he joined the Company.</p> <p>The other manager has an additional indemnity clause whereby, in the event of a dismissal found to be unfair, the Company guarantees a minimum indemnity equivalent to one year of the manager's salary.</p>

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses	Yes	No

	YES	NO
Are these clauses notified to the General Shareholders' Meeting?	NO	

Remarks
N/A

C.2 Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

EXECUTIVE COMMITTEE

N/A

AUDIT COMMITTEE

Name	Post	Category
MS EVA CASTILLO	CHAIRPERSON	Independent
MR JOSÉ MIGUEL ANDRÉS TORRECILLAS	DEPUTY CHAIRPERSON	Independent
MS STACY PETROSKY	MEMBER	Proprietary
% of proprietary directors	33.33%	
% of independent directors	66.66%	
% of other external directors	0.00%	

Remarks
Ms Eva Castillo and Ms Stacy Petrosky were appointed as members of the Audit Committee by the Board on its meetings on 20 June 2019 and 26 July 2019

Explain the duties exercised by this committee, other than those that have already been described in Section C.1.10, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

Without prejudice to the Law or the Company's Bylaws, the Regulations of the Audit Committee and article 12, section A, of the Regulations of the Board of Directors contains all the information and regulations on the composition, operation and duties of the Audit Committee, as summarized below:

1. Composition

The Board of Directors will form a permanent Audit Committee.

The Audit Committee will be formed by three directors, appointed by the Board of Directors from among the non-executive directors. Its members must include a majority of independent directors. The Audit Committee, taken as a whole, must have the relevant technical expertise in relation to the sector in which the Company operates.

The Board of Directors will likewise appoint a Chairperson from among its members and a Secretary, who need not be a director, at the proposal of the Nominating and Compensation

Commission. The Chairperson of the Audit Committee will be appointed by the Board of Directors from among its independent members and will be changed every four years, although the same Chairperson may be reappointed one year after his/her removal.

The members of the Audit Committee, especially its Chairperson, must have knowledge and experience in accounting, auditing or risk management.

The directors who sit on the Audit Committee will hold office while they remain in office as directors of the Company and maintain the status of external directors, unless the Board of Directors decides otherwise.

The appointment, re-election and removal from office of the directors who form the Committee will be governed by the decisions of the Board of Directors. Likewise, in order to promote scepticism, a critical approach and differing points of view, diversity should be sought, especially as to gender, career experience, skills, sector-specific knowledge and geographical origin. At least one of the Committee members should have experience in information technology (IT)

Directors forming part of the Audit Committee who are re-elected as directors of the Company in a resolution adopted by the General Shareholders' Meeting will continue to hold office on the Committee without the need to be re-elected thereto, unless the Board of Directors decides otherwise.

2. Duties

The Audit Committee will have the following functions:

- (a) To report, through its Chairperson, to the General Shareholders' Meeting with respect to matters relating to its functions raised thereat by the shareholders and, in particular, on the result of the audit process, explaining how the audit has contributed to the integrity of the financial information and the Audit Committee's role in the process.
- (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, in accordance with the applicable legislation, being responsible for the selection process and also proposing its engagement conditions. Furthermore, the Audit Committee must regularly obtain from the external auditor information on the audit plan and its execution, preserving its independence in the performance of its duties. In particular, the Audit Committee issued a report on the appointment of auditors for fiscal year 2019 as well as the conditions economic aspects of its hiring, which was reflected in the minutes of the meeting of the Audit Committee dated February 21, 2019.
- (c) To regularly supervise the efficacy of the Company's internal control, internal audit and risk control systems, including tax risks, and, in particular: i) to ensure the independence and efficacy in its functions of the internal audit service and, in particular, monitor the independence of the unit responsible for the internal audit function; (ii) to propose the selection, appointment, reappointment and removal of the head of the internal audit service; (iii) to propose the budget for said service; (iv) to approve its priorities and work programs, ensuring that it focuses primarily on the main risks the Company is exposed to; (v) to receive regular report-backs on its activities; (vi) to review the annual work program and the yearly activities report of the internal audit service; (vii) to be informed of any incidents arising during the implementation of the internal audit service's yearly work program; (viii) to verify that senior management acts in accordance with the conclusions and recommendations contained in its reports; and (ix) to discuss any significant weaknesses detected in the

internal control system in the course of the audit with the account auditors, all of which must not diminish its impartiality. For this purpose, the Audit Committee may submit recommendations or suggestions to the Board of Directors and the corresponding deadline for the follow-up. In particular, the Audit Committee, at its meeting on December 11, 2018, issued a report on the internal auditor, supervised the proposals and approved the 2019 plan and budget of the internal audit function.

- (d) To be informed of and oversee the process of preparing and presenting the mandatory financial reporting of the Company and, where appropriate, the Group, checking for compliance with legal requirements, the accurate demarcation of the consolidated group and the correct application of accounting policies and ensuring the integrity of said financial reporting, and to submit recommendations or proposals aimed at ensuring its integrity to the Board of Directors. If, after the review conducted by the Audit Committee in the course of its oversight of the financial and non-financial reporting, it is dissatisfied with any aspect, it must express its opinion to the Board of Directors. In particular, at its meeting held on February 21, 2019, the Audit Committee reviewed the annual accounts (balance sheet, profit and loss account and report) and management reports, both of the Company and its consolidated group. A report was also issued on the third quarterly payment of dividends on account of the result of the year 2018 at its meeting of December 11, 2018, and regarding the payment of the first quarterly dividend on account of the results of the year 2019, at the meeting of the Audit Committee held on March 20, 2019. Finally, at the Audit Committee meeting held on September 12, 2019, a report on the payment of the second quarterly dividend was issued, on account of the results of the 2019 financial year.
- (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 must identify, at least:
 - (i) the different types of risk (operational, technological, financial, legal, reputational, social, environmental, political, 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 risks identified, should they materialize; 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. In this sense, on the meeting held on October 11, 2019 the Audit Committee informed about tasks to develop regarding privacy.
- (f) To hold a meeting at least annually with the officers heading up business units, at which those officers can explain business trends and the related risks. The Audit Committee, at its meeting of December 11, 2018, received a presentation by the Director of the Systems Department on the risks identified and present in relation to said department.
- (g) 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 any 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 for review by the Committee. To this effect:

- (i) the Company will notify any change of external auditor to the Spanish National Securities Market Commission (CNMV) as a material event, 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 will ensure that the Company and the external account auditor respect current rules on the provision of non-audit services, limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditor independence. To do so, the Audit Committee must:
 - i. review and approve the Company's internal policies on personal situations and on prohibition on the provision of certain services by the auditor and approve the provision of non-audit services. In addition, the Audit Committee must ensure that the policies are known to the relevant officers of the Company so that they are correctly applied.
 - ii. introduce a guideline ceiling on fees receivable by the statutory auditor for non-audit services, having regard to the provisions of the applicable legislation (in line with the content of point (g) (vi) below. Fees on other services (non audit) were approved on July 26 2019
 - iii. approve and review the Company's internal policies for compliance with the applicable legislation on prohibitions subsequent to the completion of the audit work.
- (iii) the Company must 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 when authorization of non-audit services other than those prohibited is required, in the terms contained in account auditing legislation, as well as any other matters provided for in account auditing legislation and audit 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 directly or indirectly related thereto, as well as detailed information on the individual additional services of any kind provided to said companies and the fees received from these entities by the auditors or by persons or entities related to the auditors, in accordance with the provisions of the Account Auditing Law. In relation to the provisions of this section, the Audit Committee recorded the independence of the external auditor through the report and written confirmation of the latter that was reflected in the minutes of the meeting held on February 21, 2019. Likewise, The external auditors attended that meeting. These auditors also appeared at the Audit Committee meeting dated July 26, 2019
- (iv) if the external account auditor resigns, the Audit Committee will investigate the issues that gave rise to said resignation;
- (v) prior to issuance of the audit report, the Audit Committee must issue an annual report expressing an opinion as to whether the independence of the account auditors has been compromised. Said report must express an opinion on the provision of additional services to which point (iii) above refers, considered individually and overall, other than the statutory audit, in relation to the system

of independence or the legislation that regulates the activity of account auditing. The Audit Committee informed on February 21, 2019 about PricewaterhouseCoopers Auditores, S.L. regarding their independence.

- (vi) the Audit Committee must ensure that the remuneration of the external auditor does not compromise its quality or independence; and
 - (vii) the Audit Committee must ensure that that external auditor has a yearly meeting with the Board of Directors in full to inform it of the work undertaken and developments in the Company's risk and accounting positions.
- (h) Encourage the group auditor to take on the auditing of all the Group companies.
- (i) 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 Chairperson of the Audit Committee will inform the Board of Directors on any reports received on the first Board meeting following receipt thereof.
- (j) To supervise compliance with the internal codes of conduct and corporate governance rules and recommendations in force at any given moment. The Audit Committee informed on February 21, 2019.
- (k) To inform the Board of Directors, before the decision-making, on all the issues provided for in the Law, the Company's Bylaws and these Regulations and, in particular, on the following issues:
- (i) the financial information that the Company must periodically disclose. The Committee will 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; The Audit Committee, at its meeting held on January 25, 2019, approved the financial information related to the fourth quarter of the 2018 fiscal year, which in turn was sent to the CNMV. Likewise, at its meeting held on April 11, 2019, the Audit Committee reviewed the information corresponding to the first quarter of fiscal year 2019, which was sent to the CNMV after approval of the Board of Directors. The same was done at the meeting held on July 26, 2019 in relation to the first half of the year 2019. Finally, the Audit Committee, at its meeting on September 12, 2019, reviewed the information corresponding to the third quarter of 2019, submitted to the CNMV after approval of the Board of Directors
 - (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;
 - (iii) any structural changes or corporate transactions the company is planning and, in particular, on their economic conditions and accounting impact and, when applicable, the exchange ratio proposed; and
 - (iv) related-party transactions. The Audit Committee, in its meetings held on February 21, 2019 and July 26, 2019, studied the related transactions, analyzing in detail the most relevant ones. In the same way, it analyzed related operations and became aware of the new wording of the treasury investment policy at its meeting held on July 26, 2019.

- (l) Any others that may be attributed to them by the Bylaws, these Regulations, the Board of Directors or the law.

The Audit Committee reviewed the compliance status of the action plan to establish improvements as a result of its previous evaluation, during its meeting of December 11, 2018. Also, at its meeting held on January 25, 2019, the Audit Committee reviewed and evaluated the actions carried out in compliance with corporate policies, including corporate social policy, fiscal policy, investment and financing policy, derivative policy, risk and control policy and crime prevention policy. In particular, the Audit Committee, in its meeting of December 11, 2018, issued a report on the purchase of treasury stock as well as on the payment of the third quarterly dividend. A report was also issued on the payment of the first quarterly dividend on account of the results of the 2019 financial year, at the Audit Committee meeting held on March 20, 2019. Finally, at the Audit Committee meeting held on 12 September 2019, a report on the payment of the second quarterly dividend was issued, on account of the results for the year 2019

3. Rules of operation

In the performance of its activities, the Audit Committee will be governed by the following rules of operation:

- (a) The Audit Committee will meet at least quarterly and whenever the Chairperson considers convenient or at least two members of the Committee so request. At least part of these meetings with the internal auditor or the statutory auditor should take place without the presence of the Company's management team, so that the specific issues emerging from the reviews carried out can be discussed.
- (b) Meetings of the Audit Committee will reach a quorum when a majority of the members are present or represented. Its decisions will likewise be adopted by a majority of the members.
- (c) The Chief Executive Officer will 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 will have free access to any kind of information or documentation held by or available to the Company that it considers necessary in order to perform its duties.
- (e) The Committee may require the presence at any of its meetings of any employee or officer (and may order them to appear without the presence of any other officer, in which case, their attendance will be requested through the General Manager), any executive director, the external account auditor and/or the legal advisor to the Board of Directors, who should be invited to attend through the Chairperson of the Committee and whose presence should be circumscribed to those items of the agenda for the purpose of which they were called to attend and should not be a regular practice.
- (f) Minutes of Audit Committee meetings will be taken and a copy will 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 Chairperson of the Audit Committee will, 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 will review the financial information that is sent on a quarterly basis to the CNMV.
- (h) The Board of Directors will discuss the proposals and/or reports presented by the Audit Committee and the Chairperson of the Audit Committee will act as its spokesperson at meetings of the Board of Directors and, as applicable, at the Company's General Shareholders' Meeting.

In the absence of any specific rule or in the absence of any provision in the Regulations of the Audit Committee, the Regulations of the Board of Directors will be applicable to the Audit Committee to the extent that they are not incompatible with the nature thereof, in particular, the rules on calling the meetings, granting proxy to another director, universal meetings, written ballots without holding a meeting, the persons acting as chairperson and secretary of the meetings and the approval of the minutes.

The Audit Committee will strive to ensure that the Board of Directors seeks to present the annual statements to the General Shareholders' Meeting without reservations or qualifications in the audit report, and in the exceptional case that these may be included, the Chairperson of the Audit Committee and the auditors will give a clear explanation to the shareholders on the content and extent of said reservations and qualifications.

4. Internal audit

The Company will set up, under the supervision of the Audit Committee, a unit to carry out internal audit function to monitor the effectiveness of reporting and control systems.

The head of this unit will present an annual work program to the Audit Committee, will inform it directly of any incidents arising during its implementation and will submit an activities report at the end of each reporting period.

5. Risk control and management function

Under the supervision of the Audit Committee or of a specialized committee of the Board of Directors, there will be an internal department of the Company in charge of the risk control and management function which will have the following duties:

- (a) To ensure that risk control and management systems are functioning correctly and, specifically, that major risks the Company is exposed to are correctly identified, managed and quantified.
- (b) To participate actively in the preparation of risk strategies and in key decisions about their management.
- (c) To ensure that risk control and management systems are mitigating risks effectively in the framework of the policy drawn up by the Board of Directors.

The Audit Committee met on 8 occasions in the 2019 reporting period.

Likewise, in compliance with the functions set out in the Regulations of the Board of Directors and the Regulations of the Audit Committee, in 2019, the Audit Committee performed the functions assigned to it, which, among others, were as follows: supervise the financial information, supervise the efficacy of the Company's internal control, report on the different corporate and strategic policies approved in 2019, review the management objectives, meet with the Company's external auditor, report on the external auditor's independence, report on the distribution of dividends.

When the 2019 Ordinary General Shareholders' Meeting is called, a report on the operation of the Audit Committee during the period ended November 30, 2019 will be placed at the shareholders' disposal.

Identify the member of the audit commission who has been appointed due to his/her knowledge and experience in accounting, auditing or both and state the number of years for which the chairperson of this commission has been in said position.

Names of directors with experience	MS EVA CASTILLO PEREZ (Chairperson) MR JOSÉ MIGUEL ANDRÉS TORRECILLAS MS STACY PETROSKY
Date of appointment of chairperson	20 June 2019

Remarks
The three members of the Audit Committee have extensive experience and knowledge in the accounting and auditing fields and are professionals of recognized prestige in their specific sectors of activity.

NOMINATING AND COMPENSATION COMMISSION

Name	Post	Category
MR JOSÉ MIGUEL ANDRÉS TORRECILLAS	CHAIRPERSON	Independent
OTIS ELEVATOR COMPANY (represented by Ms Nora LaFreniere)	DEPUTY CHAIRPERSON	Proprietary
MS EVA CASTILLO PEREZ	MEMBER	Independent
MR PATRICK MARTIN	MEMBER	Proprietary
MS ROBIN FIALA	MEMBER	Proprietary
% of proprietary directors	60,00%	
% of independent directors	40,00%	
% of other external directors	0,00%	

Remarks

Ms Eva Castillo was appointed as member of the Nominating and Compensations Commission ON 20 June 2019

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

Without prejudice to the Law or the Company's Bylaws, the Regulations of the Audit Committee and article 12, section B, of the Regulations of the Board of Directors regulates the composition, operation and duties of the Nominating and Compensation Commission, as summarized below:

1. Composition

The Board of Directors will create a permanent Nominating and Compensation Commission.

The Nominating and Compensation Commission will be formed by five directors, appointed by the Board of Directors from among the non-executive directors. At least two of its members must be independent. The Board of Directors will likewise appoint a Chairperson from among the members, who must be independent, and a Secretary, who need not be a director, at the proposal of the Nominating and Compensation Commission itself.

The Board of Directors will strive to ensure that the directors who form part of the Nominating and Compensation Commission have appropriate knowledge, capacities and experience for the functions they are to perform.

The directors who form part of the Nominating and Compensation Commission will hold office while they remain in office as directors of the Company and maintain the status of external directors, unless the Board of Directors decides otherwise.

The appointment, re-election and removal from office of the directors who form the Commission will be governed by the decisions of the Board of Directors.

Directors forming part of the Nominating and Compensation Commission who are re-elected as directors of the Company in a resolution adopted by the General Shareholders' Meeting will continue to hold office on the Commission without the need to be re-elected thereto, unless the Board of Directors decides otherwise.

2. Duties

The Nominating and Compensation Commission will have the following functions:

- (a) To assess the competence, knowledge and experience necessary on the Board and, in consequence, to define the functions and capacities necessary in the candidates who are to fill any vacancies and assess the time and effort required for them to carry out their duties properly.
- (b) To establish a representation target for the gender that is less represented on the Board of Directors and prepare guidelines on how to reach such target.
- (c) To report to the Board of Directors on the proposals for appointment of independent directors in order for them to be appointed by co-option or for their appointment to be submitted to the decision of the General Meeting, as well as proposals for the re-

election or removal of said directors by the General Meeting. In particular, the Appointments and Remuneration Committee at its meeting held on March 4, 2019, proposed the appointment, ratification and / or remission of the following members of the Board of Directors: (i) appointment by co-optation of Ms. Eva Castillo as an independent director; and (ii) re-election of Mr. José Miguel Andrés Torrecillas as an independent director.

- (d) To report on the proposals for appointment of other directors in order for them to be appointed by co-option or for their appointment to be submitted to the decision of the General Meeting, as well as proposals for the re-election or removal of said directors by the General Meeting. In particular, the Nominating and Compensations Commission at its meeting held on March 4, 2019, proposed the ratification of Mr. Patrick Martin as proprietary director, as well as the re-election of Mr. José María Loizaga Viguri as Other External Director, and the re-election as proprietary directors of Mr. Patrick Blethon, Mr. Alberto Zardoya Arana, Eurosyns, SA (and the maintenance of Mr. Pedro Sainz de Baranda as his natural person representative) and Otis Elevator Company (and Mrs. Nora Lafreniere as his natural person representative).

At the meeting of the NCC held on July 26, 2019, a report on the proposal for the appointment of Ms. Stacy Petrosky and D. Mark Eubanks as new directors and Ms. Stacy Petrosky as a new member of the Audit Committee.

In addition, at the meeting of the NCC held on October 11, 2019, a report on the nomination proposal by Euro-Syns, S.A. was issued. (as proprietary advisor) of Mr. Eduardo Montes Pérez as his natural person representative.

- (e) To report on proposals for filling the internal positions on the Board of Directors. Specifically, at its meeting dated March 4, 2019, he reported on the proposal for the appointment of Mr. Bernardo Calleja as Chairman of the Board of Directors, and Mr. José Miguel Andrés Torrecillas as Coordinating Director.
- (f) To propose the members of each committee to the Board of Directors. In particular, the Appointments and Remuneration Committee at its meeting held on March 4, 2019, proposed the following appointments, ratifications and / or remissions of the members of the Audit Committee and the Appointments and Remuneration Committee: (i) D^a . Eva Castillo as a new member and chairman of the Audit Committee; (ii) Mr. José Miguel Andrés Torrecillas as Vice Chairman of the Audit Committee; (iii) Mr. José Miguel Andrés Torrecillas as Chairman of the Appointments and Remuneration Committee; and (iv) Ms. Eva Castillo as a member of the Appointments and Remuneration Committee.
- (g) To report to the Board of Directors on the appointments and removals of members of senior management and propose and report to the Board of Directors on the basic conditions of their contracts.
- (h) To examine or organize, in the manner seen fit, the succession of the Chairman and the CEO and, if applicable, make proposals to the Board so that said succession takes place in an orderly and well-planned manner. In particular, on 4 March the Nominating and Compensations Commission issued a report about the appointment of the President and Lead Director.
- (i) To ensure that, when filling new vacancies or appointing new directors, the selection processes are not marred by any implicit bias that could imply any kind of discrimination and to report to the Board on gender diversity issues.

- (j) To propose to the Board of Directors the compensation policy for directors and general managers or persons who perform senior management duties and report directly to the Board, executive commissions or the CEO, as well as the individual compensation and other conditions of the contracts of executive directors, ensuring that they are respected. This policy will be reviewed periodically, including the systems of compensation with shares and the application thereof.

The Nominating and Compensation Commission will ensure that the individual compensation of directors and members of senior management is proportionate to the amounts paid to other directors and managers in the Company.

- (k) To ensure that any potential conflicts of interest do not undermine the independence of any external advice provided to the Commission.
- (l) To verify the information on the compensation of directors and members of senior management contained in the various corporate documents, including the Annual Director Compensation Report. This was reviewed on the meeting held on February 21, 2019.
- (m) To ensure that non-executive directors have sufficient time available to perform their duties properly.
- (n) Any others that may be attributed to it in the Bylaws, the Regulations of the Board of Directors or, if applicable, the law.

The Nominating and Compensation Commission will consult the Chairman and the Company's CEO, especially in relation to issues concerning the executive directors and members of senior management.

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

3. Rules of operation

In performing its activities, the Nominating and Compensation Commission will operate independently and will be governed by the following rules of operation:

- (a) The Nominating and Compensation Commission will 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 fill a vacancy. The Nominating and Compensation Commission will likewise meet whenever the Chairperson considers it necessary or when at least two members of the Commission so request.
- (b) Meetings of the Nominating and Compensation Commission will reach a quorum when a majority of the members are present or represented. Its decisions will likewise be adopted by a majority of the members.
- (c) The CEO will provide the Nominating and Compensation 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 will 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 and Compensation Commission meetings will be taken and a copy will be sent to all the members of the Board and to the Board of Directors itself, sending the full contents of the minutes of the Commission meetings. Furthermore, the Chairperson of the Nominating and Compensation Commission will, if applicable, report on any decisions and/or significant events that may have occurred at the Commission meetings at the first Board meeting to take place after the Commission meeting in question.

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

The Nominating and Compensation Commission met on 5 occasions in 2019.

In compliance with the functions set out in the Regulations of the Board of Directors, in 2019, the Nominating and Compensation Commission performed the functions assigned to it, which, among others, were as follows: manage the succession plan for the chairman of the Board of Directors, propose the appointment of independent directors and report on the proposals to appoint directors in order for them to be submitted to the decision of the General Meeting, and prepare gender diversity guidance, etc.

When the 2020 Ordinary General Shareholders' Meeting is called, a report on the operation of the Nominating and Compensation Commission during the period ended November 30, 2019 will be placed at the shareholders' disposal.

APPOINTMENTS COMMITTEE

N/A

REMUNERATION COMMITTEE

N/A

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	Year 2019		Year 2018		Year 2017		Year 2016	
	No.	%	No.	%	No.	%	No.	%
AUDIT COMMITTEE	2	66.66%	0	0.00%	0	0.00%	0	0.00%
NOMINATING & COMPENSATION COMMISSION	3 (***)	60%	2 (**)	40.00%	2 (**)	40.00%	1 (*)	20.00%

Remarks
(*)The information refers to the personal representative of the director Otis Elevator Company. (**)The information refers to the personal representative of the director Otis Elevator Company and Ms Robin Fiala. (***)The information refers to the personal representative of the director Otis Elevator Company, Ms Robin Fiala and Ms Eva Castillo Sanz.

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

- a) The rules on the organization, operation and duties of the two committees (Audit Commission and Nominating and Compensation Commission) are included in the Regulations of the Board of Directors, which may be consulted on the Company's website: (<http://www.otis.com/es/es/accionistas-inversores/>) and did not change in the 2019 reporting period.
- b) Likewise, at its meeting of October 9, 2019, the Board of Directors approved the new Regulations of the Company's Audit Committee, which received a favourable report from the Audit Committee on the same date. These new Regulations of the Audit Committee were approved by the Board of Directors after a thorough analysis of Technical Guide 3/2017 on Audit Committees in Public-Interest Entities (published by the CNMV on its website on June 27, 2017), subsequent to several months' work on the part of the Audit Committee on drawing up a proposal for the Regulations of the Audit Committee.

The purpose of the new Regulations of the Audit Committee is to describe the recommendations included in Technical Guide 3/2017 and include them in the Company's practices, giving details of the functions and responsibilities already described in the Regulations of the Board of Directors in relation to the Audit Committee with the various recommendations provided by the CNMV through Technical Guide 3/2017.

- c) When the General Shareholders' Meeting is called, reports on the activities conducted by the Audit Committee and the Nominating and Compensation Commission in the preceding reporting period are published. It is planned to prepare annual reports on their activities in 2019 to be published when the 2020 General Shareholders' Meeting is called.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Describe, if applicable, the procedure for approval of related-party and intragroup transactions.

According to article 12 (A) 2 (j) of the Board of Directors Regulations and article 15.2(c) of the Regulations of the Audit Committee, 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.

Pursuant to the foregoing, the Audit Committee reviews all the Company's related transactions with its related parties each time it is applicable or necessary and, in any event, it generally reviews them at least twice a year and reports to the Board of Directors on the most important related-party transactions performed.

During 2019, in particular at its meeting of February 21, 2019, it reported to the Board of Directors on the review it had carried out on all the related transactions and, in particular, on the performance status and balance of two contracts with the majority shareholder (the Recharge Agreement and the Technical Assistance Agreement). At its meeting of July 26, 2019, it again reviewed related transactions in general and, in particular, analysed and reported favourably to the Board on the approval and updating of the Investment, Treasury and Finance Policy. On October 11, 2019, it reviewed and reported favourably on intragroup POA and transfers of personal data. All the transactions were subsequently approved unanimously by the Board of Directors.

Likewise, the directors' obligation to abstain in the event of a conflict of interest should be taken into account (see section D.6).

D.2 Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
UNITED TECHNOLOGIES CORPORATION (UTC)	OTIS ELEVATOR COMPANY	Contractual	Licence agreements	20,334
UNITED TECHNOLOGIES CORPORATION	ZARDOYA OTIS, S.A.	Contractual	Long-term incentive of UTC shares	494

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
UNITED TECHNOLOGIES CORPORATION (UTC)	OTIS ELEVATOR WORLDWIDE SPRL	Corporate Services Agreement	Service agreement under which Otis Elevator Worldwide Sprl provides certain financial, management, human resources, legal, marketing, communication, operational, compliance, technological and business development services to certain companies, including the Company (service receiver).	484
UNITED TECHNOLOGIES CORPORATION (UTC)	OTIS ELEVATOR WORLDWIDE SPRL	Corporate Services Agreement	Service agreement under which certain companies (including the Company) provide certain financial, management, human resources, legal, marketing, communication, operational, compliance, technological and business development services to Otis Elevator Worldwide Sprl	2,882

Remarks
N/A

D.3 Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name of director or manager	Name of the related party	Relationship	Type of transaction	Amount (thousand euros)
OTIS ELEVATOR COMPANY		Director	Imports (from) Otis Elevator Company	46,352
OTIS ELEVATOR COMPANY		Director	Exports (to) Otis Elevator Company	159,289
OTIS ELEVATOR COMPANY		Director	ID charge back of the Company (to) Otis Elevator Company	3,799

Remarks
N/A

- D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.**

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousand €)
Otis Elevator Company	Imports (from) Otis Elevator Company	46.352
Otis Elevator Company	Exports (to) Otis Elevator Company	159.289
Otis Elevator Company	ID charge back of the Company (to) Otis Elevator Company	3.799
Zardoya Otis (Gibraltar) Limited.	Exports and services (to) Zardoya Otis (Gibraltar) Limited	1.215
Otis Elevator Worldwide Sprl	Exports and services (from) Otis Elevator Worldwide Sprl	484
Otis Elevator Worldwide Sprl	Service agreement contract (to) Otis Elevator Worldwide Sprl	2.882

Remarks
N/A

- D.5 State the amount of any transactions conducted with other related parties that have not been reported in the previous sections.**

Name of related party	Brief description of the transaction	Amount (thousand €)
N/A		

Remarks
N/A

D.6 Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

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

Article 19 of the Board of Directors Regulations formally establishes the obligation for the directors to refrain from participating in the deliberations or voting on resolutions or decisions in which he/she or a related person have a direct or indirect conflict of interest. The aforementioned obligation to refrain from participating will exclude any resolutions or decisions that affect him/her in his capacity as a director, such as his designation for positions on the Board of Directors, or the revocation thereof, or any others of a similar nature.

Likewise, article 19 of the Board of Directors Regulations states that the duty to avoid situations of conflict of interest obliges the director (without prejudice to the dispensation system provided for in the Capital Companies Law) to refrain from:

- (a) Performing transactions with the Company, except ordinary transactions carried out under standard conditions for customers and of little significance, defined as those on which information is not necessary in order to give a true and fair view of the Company's equity, financial situation and results.
- (b) Using the name of the Company or mentioning his/her status as a director to unduly influence the performance of private transactions.
- (c) Using the Company's assets, including the Company's confidential information, for private purposes.
- (d) Taking advantage of the Company's business opportunities.
- (e) Obtaining benefit or remuneration from third parties other than the Company and its group associated to holding office, except when they are matters of mere courtesy.
- (f) Carrying on activities, for his/her own account or for the account of third parties, that involve effective real or potential competition with the Company or that, in any other way, place him/her in permanent conflict with the Company's interests.

The above prohibitions will also be applicable in the event that the beneficiary of the prohibited actions or activities is a person related to the director.

At any event, directors must notify the other directors and the Board of Directors of any situation of direct or indirect conflict with the Company's interests that they or persons related to them may have.

Conflicts of interests affecting directors must be disclosed in the annual report.

Additionally, article 9 of the Internal Code of Conduct on issues relating to the securities markets states that Obligated Persons 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 Code of Conduct on issues relating to the securities markets to provide written confirmation that no conflicts of interest exist or that no new conflicts have arisen.

According to article 9.4 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 an authorized decision to be made, it will be submitted to the Board of Directors, which will take the following rules into account in order to decide: (i) in the event of conflict between directors, members of management or significant shareholders and the Company, the interests of the Company will prevail; and (ii) in the event of conflict between the Company and a shareholder or customer or between the a shareholder and a customer, the fair criterion of the Board will be applicable.

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

D.7 Is there more than one company in the group listed in Spain?

Yes ☐ No ☒

Identify the other companies that are listed in Spain and their relationship to the company:

Identity and relationship with other listed group companies
N/A

State if the respective areas of activity and business relationships between the listed companies have been defined publicly and precisely, as well as between the subsidiary and other members of the group:

Yes ☐ No ☒

Describe the business relationship between the parent and subsidiary listed companies as well as between the subsidiary and other members of the group
N/A

Identify measures taken to resolve potential conflicts of interest between the listed subsidiary and the other group companies:

Measures taken to resolve potential conflicts of interest
There's no such specific process. See point D.6 in order to resolve potential conflicts.

E RISK MANAGEMENT AND CONTROL SYSTEMS.

E.1 Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

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.

In the Company, the Risk Management System works in an integral, continuous manner, consolidating said management by activity, subsidiaries, geographical areas and support areas.

The risk control and management policy contains:

- a) 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;
- b) Fixing the level of risk that the Company considers acceptable;
- c) The measures in place to mitigate the impact of the risks identified, in the event that they materialize; and
- d) 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.

On December 13, 2016, the Company's Board of Directors formally approved a risk control and management system (including tax risks). This policy is reviewed annually and an assessment is made as to whether the actions taken during the year comply with it.

E.2 Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

Article 3 of the Regulations of the Board of Directors states that the Board of Directors is competent to approve the risk control and management system, including tax risks, and supervise the internal information and control systems.

Likewise, the Company has a unit that carries out the internal audit function and ensures the proper operation of the information and internal control systems under the supervision of the Audit Committee.

According to article 13 of the Regulations of the Audit Committee, the person responsible for said unit will submit its annual work program to the Audit Committee, report directly on any incidents that arise that arise in the course of its work and submit report on its activities at the end of each reporting period.

Article 13 of the Regulations of the Audit Committee and article 12 (A) 2 (c) of the Regulations of the Board of Directors entrust the Audit Committee with the function of supervising the efficacy of the Company internal control, internal audit and risk control systems, including tax risks, and, in particular:

- a) ensuring the independence and efficacy of the internal audit service and, in particular, monitoring the independence of the unit handling the internal audit;

- b) proposing the selection, appointment, reappointment and removal of the head of the internal audit service;
- c) proposing the budget for this service;
- d) approving the priorities and work programs, ensuring that its focuses principally on the main risks the Company is exposed to;
- e) receiving regular report-backs on its activities;
- f) ensuring that the profiles of internal audit personnel are appropriate and that they are capable of performing their work objectively and independently.
- g) reviewing the internal audit service's annual work program and yearly activities report; and
- h) being informed of any incidents arising during the implementation of the internal audit service's yearly work program.

Likewise, article 12.1 of the Regulations of the Audit Committee and article 12 (A) 2 (e) of the Regulations of the Board of Directors state that the Audit Committee must regularly review the internal control and risk management systems, so that the main risks are properly identified, managed and disclosed.

Risk management is controlled by company Management and the Internal Audit Department in accordance with policies approved by the Board of Directors. Management and the internal audit service assess and hedge financial risks, in close co-operation with the operating units of the rest of the Group, in order to:

- a) Guarantee that the most important risks are identified, assessed and managed.
- b) Ensure a proper operating segregation of risk management functions.
- c) Ensure that the risk exposure level accepted by the Group in its operations is in line with its risk profile.

Likewise, from a tax standpoint, there is a series of special transactions that must be approved specifically by the Company's Board of Directors.

E.3 State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.

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

- a) Operational and technological,
- b) Legal and tax compliance,
- c) Reputational and financial, and
- d) Crime risks.

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 the Notes to the Individual Annual Financial Statements and the Notes to the Consolidated Annual Financial Statements, management of each one of the financial risks is explained.

E.4 State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.

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

To this end, a Risk Management Committee has been defined where the risks existing in the Company are identified, assessed and reviewed.

The assessment of the main risks is carried out by the Committee mentioned above and is based on two criteria: a) by their probability of occurrence (using a scale from 1 to 5, where 1 is the lowest probability and 5 is the maximum probability) and b) for the impact that this risk would generate (also on a scale of 1 to 5, where 1 is the least impact and 5 is the maximum impact).

The Committee is formed by the Company's Management and the Internal Audit Department.

E.5 State which risks, including tax compliance risks, have materialised during the year.

As in the preceding reporting periods, the risks that materialized in the period referred to trade receivables.

Both the Company and the Group have customer credit analysis policies and regular debt monitoring procedures performed by the departments involved in collection management.

E.6 Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise.

As mentioned in section E2 above, the Company 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.

Annually, this risk policy is reviewed by the Board and the Audit Committee, in collaboration with the internal audit department, to assess the inclusion of new risks and mechanisms to prevent and address them.

Section F of this Annual Corporate Governance Report describes the internal control and risk management systems in greater detail.

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F INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1 Control environment

Report on at least the following, describing their principal features:

F.1.1. The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

Article 3 of the Board of Directors Regulations states that the Board of Directors is competent to approve the risk control and management policy, including tax risks, as well as to regularly monitor the internal reporting and control systems.

According to articles 12 and 13 of the Regulations of the Audit Committee and article 12 (A) 2 (c) of the Regulations of the Board of Directors, the Audit Committee is competent to supervise the efficacy of the Company's internal control, internal audit and risk control systems, including tax risks, and, in particular: i) to ensure the independence and efficacy in its functions of the internal audit service and, in particular, monitor the independence of the unit handling the internal audit function; (ii) to propose the selection, appointment, reappointment and removal of the head of the internal audit service; (iii) to propose the budget for said service; (iv) to approve its priorities and work programs, ensuring that it focuses primarily on the main risks the Company is exposed to; (v) to receive regular report-backs on its activities; (vi) to review the annual work program and the yearly activities report of the internal audit service; (vii) to be informed of any incidents arising during the implementation of the internal audit service's yearly work program; (viii) to verify that senior management acts in accordance with the conclusions and recommendations contained in its reports; and (ix) to discuss any significant weaknesses detected in the internal control system (the "Internal Control System") in the course of the audit with the account auditors, all of which must not diminish its impartiality.

In addition, the Audit Committee has the function of receiving information on and supervising the process of preparation of the mandatory 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 policies, and submitting recommendations or proposals to the Board of Directors aimed at safeguarding their integrity. In relation to the foregoing, the Audit Committee will analyse the relevant reports from the heads of the internal control and internal audit areas. In this respect, the Audit Committee also has the function of reviewing the clarity and integrity of all the financial reporting that the Company discloses, assessing in which cases it would be reasonable and possible to involve the statutory auditors in the review of some of the reports issued in addition to the financial statements.

Likewise, the Audit Committee will verify that the financial reporting published on the Company's website is permanently kept up to date and coincides with the reporting approved by the Company's directors and published on the website of the CNMV.

Lastly, article 12 of the Regulations of the Audit Committee and article 12 (A) 2. (e) of the Regulations of the Board of Directors states that the Audit Committee must periodically review the internal control and management systems in order for the principal risks to be properly identified, managed and disclosed (including financial and non-financial risks). In particular, the risk control and management policy must identify at least:

- a) the different types of risk (operating, technological, financial, legal, reputational, tax etc.) to which the Company is exposed, including the aforementioned financial or economic risk, contingent liabilities and other off-balance-sheet risks;
- b) fixing the level of risk that the Company considers acceptable;
- c) the measures in place to mitigate the impact of the risks identified, in the event that they materialize; and
- d) 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: (i) Ms Eva Castillo Sanz (independent director), who is also the Chairperson of the Audit Committee; (ii) Mr José Miguel Andrés Torrecillas (independent director), who is also the Deputy Chairperson of the Audit Committee; and (iii) Ms Stacy Petrosky (proprietary director).

F.1.2.State whether the following are present, especially if they relate to the creation of financial information

Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.

The design and review of the organizational structure is the responsibility of the Human Resources Department and, ultimately, the CEO, within his duties 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, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions.

The Company and the Group have an Internal Code of Conduct on issues relating to the securities markets, approved by the Board of Directors, and a Code of Ethics (the "Code of Ethics"), notified to all the members of the organization through the intranet and compulsory to comply with (but not compulsory to sign). Likewise, courses are held in this respect. They must be completed by new recruits and include annual updates for all Company and Group employees.

The Code of Ethics is based on the following essential principles: (i) compliance with legal requirements; (ii) correct preparation of 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 an Ethics and Compliance Officer -ECO-, 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 reporting period, 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 15 of the Regulations of the Audit Committee and article 12 (A) 2. (i) of the Regulations of the Board of Directors (the latter of which is 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, as provided in article 10 of the Internal Code of Conduct, the Audit Committee must:

- a) Comply and ensure compliance with the securities 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.
- b) Promote knowledge of the Internal Code of Conduct and other securities market rules on conduct on the part of the obliged persons, insiders and the Group.
- c) Develop, if applicable, the procedures and implementing rules deemed appropriate in order to apply the Internal Code of Conduct.
- d) 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.
- e) Conduct disciplinary procedures against obliged persons and insiders due to failure to comply with the rules of the Code of Conduct.
- f) Propose to the Company's Board of Directors any revisions or improvements to the Internal Code of Conduct..

Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature..

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:

- a) Confidentiality: the identity of the person making a communication is protected.
- b) Neutrality: support is given neither to Management nor to the employee.
- c) Independence: there is no hierarchical relationship between the person responsible for the program and Management.
- d) 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:

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

Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, 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 program 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 information risks

Report on at least the following:

F.2.1. The main characteristics of the risk identification process, including error and fraud risk, as regards:

Whether the process exists and is documented.

The Group has a risk management system (the “Risk Map”), which is conducted 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.

If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.

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 for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.

The Group does not have a complex corporate structure. As may be seen from the consolidated annual financial statements, all the 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.

Likewise, following the best corporate governance practices, article 15.2.a) of the Regulations of the Audit Committee and article 12 (A) 2. (j). (ii) of the Regulations of the Board of Directors include, 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.

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

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

- a) Operational.
- b) Technological.
- c) Financial.
- d) Legal and tax.
- e) Reputational.

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").

The governing body within the company that supervises the process.

In relation to the ICFR System, the Audit Committee is responsible for periodically reviewing the internal control and risk management systems, in order to identify and manage the principal risks that could affect the Group's financial reporting. In particular, it is responsible for: (i) ensuring the independence and efficacy of the internal audit service; (ii) proposing the selection, re-election and removal of the head of the internal audit service; (iii) proposing the budget for this service; (iv) receiving periodic information on its activities; (v) reviewing the annual internal audit work program; (vi) being informed of any incidents that arise in the course of the annual internal audit work program; (vii) verifying that senior management take the findings and recommendations of its reports into account; and (viii) discussing any

significant weaknesses in the internal control system noted in the course of the audit with the account auditors.

F.3 Control activities

Report on whether the company has at least the following, describing their main characteristics:

F.3.1. Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.

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 position and results and the cash flows, which are prepared in accordance with the legislation applicable to individual and consolidated financial statements.

The Board of Directors approves all the financial information that the Group publishes regularly 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 IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

Systems management acts directly in accordance with the regulations on information security and, in addition, the group Internal Audit department authorizes all accesses to sensitive systems that may affect the financial information.

The regulations are based on establishing controls over access security, control of changes, operations, operational continuity and segregation of functions. All these rules are published in the intranet to enable all employees to access them.

The Group has a series of actions that guarantee that operations run correctly when an incident arises, in order to mitigate any possible materialization of an incident or reduce it to a minimum.

The Internal Audit Department's annual work program includes the review of the proper running of Internal Systems Control, both technologically and in relation to maintenance processes.

F.3.3. Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of

assessment, calculation or evaluation entrusted to independent experts, which may materially affect 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 conducted using technical, professional and economic criteria.

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

If valuations are contracted out to independent experts, this will be done through the Financial Department and the Audit Committee, since they relate to valuations included in the Group's financial information. The Group Financial Department ensures that the supplier is independent and has experience and prestige both nationally and internationally.

F.4 Information and communication

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

F.4.1.A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business 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 available through the intranet and are reviewed annually on a need basis.

F.4.2.Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding 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 to comply with the policies and bases of presentation used by the Group.

F.5 Supervision of system performance

Describe at least the following:

F.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

The Company has an Internal Audit Department, with systems and processes, which is intended to assess, 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, reviews the financial reporting that is sent to the National Securities Market Commission on a quarterly basis.

Additionally, the Audit Committee supervises and monitors the annual audit program. The head of the Internal Audit Department presents the findings of the work plan and the tasks performed by said Department during the reporting period to the Audit Committee. Furthermore, the Audit Committee will evaluate whether the functions of the Internal Audit area are appropriate to the Company's real needs and will confirm that the activity of said area is mainly focused on the Company's principal risks.

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 Audit Department has a work manual that fixes the procedures and duties that each of its members must perform. In addition, the Audit Committee has the function of selecting, appointing, re-electing and removing the head of the Internal Audit area, likewise verifying that the profiles of the Internal Audit Department's personnel are appropriate and that they are capable of performing their work objectively and independently.

The main functions of the Internal Audit Department are:

- a) To evaluate the appropriateness, sufficiency and efficacy of the Group's Internal Control System.
- b) 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. If there is a procedure by which the account auditor (in accordance with the contents of the Normas Técnicas de Auditoría (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

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 period, the account auditor presents its audit program 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 reporting 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 External auditor's report

Report from:

F.7.1.If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

Report attached to this 2019 Corporate Governance Report on the Company.

G EXTENT OF COMPLIANCE WITH GOOD GOVERNANCE RECOMMENDATIONS

Specify the company's level of compliance with recommendations from the Unified Code of Good Governance.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. General explanations are not acceptable.

- 1. That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.**

See sections: A.12, A. 13, B.1, B.2, B.6, C.1.20.

Complies ☒ Explanation ☐

- 2. That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:**

- a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.**
- b) The mechanisms in place to resolve any conflicts of interest that may arise.**

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

- 3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:**

- a) Changes that have occurred since the last General Shareholders' Meeting.**
- b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.**

Complies ☒ Complies partially ☐ Explanation ☐

- 4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.**

And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies ☐ Complies partially ☐ Explanation ☒

The Company fully respects the anti-market abuse regulations and those on the equitable treatment of shareholders (in the same position), analysts and other third parties.

Given the Company's shareholder structure, where the number of institutional investors is very low, the Company has not, to date, prepared a formal policy of communication but, rather, employs general channels of communication, with practices and interlocutors appropriate to the specific case. Specifically, dates and meetings have been enabled along 2019 for all those investors and shareholders who have shown interest in attending such meetings with the Company, being in any case the information shared with them public information and accessible on the website page of the Company and in CNMV.

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

5. **That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.**

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies ☒ Complies partially ☐ Explanation ☐

6. **That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:**

- a) **Report regarding the auditor's independence.**
- b) **Reports regarding the workings of the audit committee and the appointments and remuneration committee.**
- c) **Report by the audit committee regarding related-party transactions**
- d) **Report on the corporate social responsibility policy.**

Complies ☒ Complies partially ☐ Explanation ☐

7. **That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.**

Complies ☐ Explanation ☒

The Company has not considered it necessary to broadcast the General Shareholders' Meeting live on its corporate website, because the attendance at general meetings, in person or by proxy, is over 70% (73.34% at the General Meeting held on May 22, 2019). Likewise, the Company feels that complying with this recommendation would involve a large amount of work but would not be of a great deal of use in practice, particularly in view of the little or non-existent use that shareholders have made of the electronic shareholders' forum that has been available to them over recent years.

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

See section: C.1.33

Complies ☒ Complies partially ☐ Explanation ☐

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies ☒ Complies partially ☐ Explanation ☐

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

- a) Immediately distributes the additions and new proposals.
- b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.
- c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.
- d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

The Company has adopted the above mentioned mechanisms in its internal rules. However, at the General Meetings held in preceding periods, no shareholder has exercised the right to supplement the agenda or submit new resolution proposals.

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments.

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is

guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies ☒ Complies partially ☐ Explanation ☐

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies ☒ Explanation ☐

14. The Board of Directors should approve a director selection policy that:

- a) Is concrete and verifiable.
- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.
- c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

See sections: C.1.5, C.1.6 & C.1.7

Complies ☐ Complies partially ☐ Explanation ☒

The Board of Directors has decided not to formally approve a director selection policy at present. The criteria for selecting directors for the Board and Nominating and Compensation Commission included in the Regulations of the Board of Directors are deemed sufficient for this purpose.

Likewise, the Nominating and Compensation Commission has decided to establish, as one of its main objectives, an increase in the presence of women on the Board of Directors and to favour and improve the possibilities of women acceding to management positions, fomenting a diversity of knowledge, experience and gender at Board level. An example of this line of action is that currently, as of 2019, the percentage of female directors is 36.36%, since female candidates have been selected to fill 50% of the vacancies arising in the last two years.

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

- 15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.**

Complies ☒ Explanation ☐

- 16. That the percentage of proprietary directors divided by the number of non-executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.**

This criterion may be relaxed:

- a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.**
- b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.**

Complies ☐ Explanation ☒

The Company's Board of Directors has eleven members, ten of whom are external directors: (i) five proprietary directors appointed at the proposal of UNITED TECHNOLOGIES HOLDINGS, S.A.S., which holds 50.01% of the Company's capital, (ii) two proprietary directors appointed at the proposal of EURO-SYNS, S.A., which holds 11.34% of the Company's capital, (iii) one director classified as "other external" and (iv) two independent directors.

Proprietary directors represent 70% of the external directors, while the percentage of the share capital represented by proprietary directors is 61.35%. Consequently, the ratio between the number of proprietary directors and the remainder of the non-executive directors is somewhat higher than the ratio between the share capital represented by proprietary directors and the remainder of the capital. Notwithstanding, as the Good Governance Code says, *"this (proportional principle) is not intended as a mathematical equation, but rather as a rule of thumb to ensure that independents are sufficiently present and that no significant shareholders can exert an influence on the Board's decisions that is disproportionate to their capital ownership"*.

The deviation is due to several factors. First, we should remember that the Company's shareholders are very concentrated (two shareholders hold 61.35% of the share capital). Likewise, it has been seen fit for the Zardoya family (through EURO-SYNS, S.A.) to propose two directors. Lastly, there is a director classified as "other external", who, for various reasons, cannot be classified as either independent or proprietary.

In 2014, the Company decided to increase the number of directors in order to increase the ratio of independent directors to proprietary directors. Until then, the percentage of proprietary directors was 66.67% of the total Board, while in 2015, it dropped to 63.64%. In addition, the percentage of independent directors rose from 11.11% in 2014 to 18.18% from 2015 onwards.

Finally, the Company has rules and procedures in place to ensure the independence and abstention of all the directors in the event that they are affected by a conflict of interest.

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

- 17. That the number of independent directors represents at least half of the total number of directors.**

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies ☐ Explanation ☒

The percentage of the full Board represented by independent directors is 18.18%. In addition, there is a director classified as "other external" who, although he cannot be considered independent, is neither executive nor proprietary. Therefore, the Company considers it has sufficient independent directors to ensure that the interests of the floating capital are protected appropriately and make independent judgements on tasks where a potential conflict of interest may exist.

As mentioned in the preceding explanation, we must remember that the Company's shareholders are very concentrated (two shareholders hold 61.35% of the share capital). The intention has been to provide the two main proprietary shareholders with representation, with the majority shareholder (UTC Group) keeping control, while, at the same time, not further increasing the size of the Board. The result of this balance is the Board's current composition.

Likewise, in spite of the foregoing, the percentage of independent directors rose from 11.11% in 2014 to 18.18% from 2015 onwards.

Finally, the Company has rules and procedures in place to ensure the independence and abstention of all the directors in the event that they are affected by a conflict of interest.

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

- 18. That companies publish and update the following information regarding directors on the company website:**

- a) Professional profile and biography.**
- b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.**
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.**
- d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.**
- e) The shares and options they own.**

Complies ☒ Complies partially ☐ Explanation ☐

- 19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from**

shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

See section: C.1.8

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

See sections: C.1.2 & C.1.9

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

See section: C.1.21

Complies ☒ Explanation ☐

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies ☒ Complies partially ☐ Explanation ☐

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

See section: C.1.9

Complies ☐ Complies partially ☐ Explanation ☒ Not applicable ☐

The Company has preferred not to oblige directors who leave the Board before their tenure expires, due to resignation or any other reason, to explain the reasons in a letter to be sent to all Board members.

The Company does not deem it appropriate to oblige directors to explain the reasons for their removal or resignation and for said reasons to be aired publicly, notwithstanding the right of each one of them to make the reasons for the removal or resignation public.

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which directors may sit.

See sections: C.1.13 & C.1.19

Complies ☐ Complies partially ☒ Explanation ☐

The Company has not fixed a maximum number of company Boards on which its directors may serve.

This is because some of the directors are also members of the senior management of UNITED TECHNOLOGIES HOLDINGS and sit on a number of Boards of the different societies that comprise said Group. Consequently, compliance with this recommendation would be too burdensome for the UNITED TECHNOLOGIES HOLDINGS Group, since it would force it to modify a large part of its corporate structure.

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.

Complies ☒ Complies partially ☐ Explanation ☐

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies ☒ Complies partially ☐ Explanation ☐

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies ☒ Complies partially ☐ Explanation ☐

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies ☒ Complies partially ☐ Explanation ☐

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require

Complies ☒ Complies partially ☐ Explanation ☐

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies ☒ Complies partially ☐ Explanation ☐

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies ☐ Complies partially ☐ Explanation ☒

No specific mechanism or department has been established for this purpose, taking into account the Company's shareholder structure, where there are scarcely any institutional investors and most of the shareholders with significant shareholdings are represented on the Board.

Directors have access to the same information as the rest of the market (for example, significant shareholdings are notified to the CNMV as a material event).

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

- 33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.**

Complies ☒ Complies partially ☐ Explanation ☐

- 34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.**

Complies ☐ Complies partially ☒ Explanation ☐ Not applicable ☐

When the Bylaws and Regulations of the Board of Directors were drawn up, the need to specifically include this function did not arise.

Although there is no specific text that regulates this situation, when the need arose, we ensured that all this requirements were met. Specifically, at the Board of Directors meeting of March 20, 2019, in accordance with article 529 septies of the Capital Companies Law, the Board unanimously passed a resolution (with a prior report in favour from the Nominating and Compensation Commission and the pertinent abstention by the Chairman) to appoint Mr José Miguel Andrés Torrecillas as the Lead Director.

Likewise, the meeting approved a decision for the Lead Director to hold special authorization to request a Board meeting be called or include new items on the agenda of a meeting that had already been called, coordinate and meet with the non-executive directors and, where applicable, direct the periodic evaluation of the Chairman of the Board of Directors.

Likewise, it approved a decision that, in accordance with the Good Governance Code of Listed Companies, the Lead Director would have the following duties:

- a) to chair Board of Directors meetings in the absence of the Chairman and Deputy Chairman;
- b) to reflect the concerns of non-executive directors
- c) to hold contacts with investors and shareholders to find out their points of view in order to form an opinion on their concerns, in particular in relation to the Company's corporate governance; and

- d) to coordinate the chairman's succession plan

When new wording for the Bylaws is applicable, it will be evaluated to include such provisions.

- 35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.**

Complies ☒ Explanation ☐

- 36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:**

- a) The quality and efficiency of the Board of Directors' work.
- b) The workings and composition of its committees.
- c) Diversity of membership and competence of the Board of Directors.
- d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

See sections: C.1.20, C.1.20 bis y C.1.20 ter

Complies ☐ Complies partially ☒ Explanation ☐

The Board of Directors has implemented an annual self-evaluation process for the Board and its committees, which is described in section C.1.20 bis. As a consequence of this self-evaluation, an action plan to correct the weaknesses detected is prepared annually.

The Board considers that its annual self-evaluation is sufficient, without the need to engage external consultants. According to the 2015 Good Governance Code, the objective of using said consultants is for the evaluation to be "*enriched with objective opinions*" and the Board considers this contribution to be made by the Company's independent directors.

The decision not to engage an external consultant every three years was made by the Board of Directors on January 25, 2016, when the 2015 Good Governance Code recommendations were examined.

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

39. That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.

See section: C.2.1

Complies ☒ Complies partially ☐ Explanation ☐

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies ☒ Complies partially ☐ Explanation ☐

41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.

b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re- election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

2. With regard to the external auditor:

a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.

b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

c) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.

e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies ☒ Complies partially ☐ Explanation ☐

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies ☒ Complies partially ☐ Explanation ☐

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

45. That the risk management and control policy identify, as a minimum:

- a) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.
- b) Fixing of the level of risk the company considers acceptable.
- c) Means identified in order to minimise identified risks in the event they transpire.
- d) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.

Complies ☒ Complies partially ☐ Explanation ☐

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.**
- b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.**
- c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.**

Complies ☒ Complies partially ☐ Explanation ☐

47. That members of the appointment and remuneration committee -- or of the appointments committee and the remuneration committee if they are separate -- are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.

See section: C.2.1

Complies ☐ Complies partially ☐ Explanation ☒

The Nominating and Compensation Commission has five members, including two independent members, one of whom is the committee Chairperson.

The reason why the Commission does not have more independent members is that the Company does not have any more independent directors. In this respect, in 2014, the Company decided to increase the number of directors in order to increase the proportion of independents, which rose from 11.11% in 2014 to 18.18% from 2015 onwards

The Company has decided to keep the number of members of the Nominating and Compensation Commission at five, in spite of the fact that it could have reduced it to three members in order to have a majority of independents, as has been done with the Audit Committee because it is legally obligatory. There is a dual reason for deciding to keep the number of members of the Nominating and Compensation Commission at five: first, the Company feels that 40% of independent directors is sufficient to guarantee the independence of the Commission's function and, second, the Company feels it is more useful for the Commission and its functions to have the opinion and experience of five members.

Finally, article 12 (B) of the Regulations of the Board of Directors states that the Board of Directors will ensure that the directors who sit on the Nominating and Compensation Commission have the knowledge, capacities and experience appropriate to the duties they are to perform.

48. That high market capitalisation companies have formed separate appointments and remuneration committees.

Complies ☐ Explanation ☐ Not applicable ☒

High market capitalization companies are understood to be those that are listed on the Ibex-35, in accordance with the criteria of the CNMV and the Good Governance Code.

49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies ☒ Complies partially ☐ Explanation ☐

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- a) Propose basic conditions of employment for senior management.
- b) Verify compliance with company remuneration policy.
- c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.
- d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.
- e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies ☒ Complies partially ☐ Explanation ☐

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies ☒ Complies partially ☐ Explanation ☐

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

- a) That they are comprised exclusively of non-executive directors, with a majority of them independent.
- b) That their chairmen be independent directors.
- c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.

- d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
- e) That their meetings be recorded and the minutes be made available to all directors.

See: C.2.1

Complies ☐ Complies partially ☒ Explanation ☐ Not applicable ☐

The Company complies with all the above points except a).

- 53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:**
- a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.
 - b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.
 - c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.
 - d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.
 - e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.
 - f) Supervision and evaluation of the way relations with various stakeholders are handled.
 - g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.
 - h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.

Complies ☐ Complies partially ☒ Explanation ☐

Currently, in accordance with article 8 of the Regulations of the Board of Directors, the Secretary of the Board of Directors will strive to ensure that the Board of Directors' actions take into account the good governance rules or recommendations in force at any given moment.

Likewise, the duties entrusted to the Audit Committee include:

- (i) Regularly reviewing the internal control and risk management systems, so that the main risks are properly identified, managed and disclosed.
- (ii) Receiving information on and monitoring the process of preparing and presenting the Company's financial information and, where appropriate, reviewing compliance with legal provisions, the accurate demarcation of the consolidated group and the correct application of accounting policies, ensuring the integrity thereof.
- (iii) Monitoring compliance with internal codes of conduct and the good corporate governance rules and recommendations in force at any given moment.

Lastly, the Board of Directors is responsible for approving the corporate social responsibility policy.

The Company has not yet approved a strategy for communication and relations with shareholders and investors or asked any commission to review the corporate social responsibility policy or monitor the corporate social responsibility strategy and practices and evaluate the extent of compliance therewith. However, both the policy and the activity in this area is evaluated annually by both the Audit Committee and the Board of Directors itself.

54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:

- a) The objectives of the corporate social responsibility policy and the development of tools to support it.
- b) Corporate strategy related to sustainability, the natural environment and social issues.
- c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.
- d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.
- e) Means of supervising non-financial risk, ethics, and business conduct.
- f) Communication channels, participation and dialogue with stakeholders.
- g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies ☒ Complies partially ☐ Explanation ☐

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.

Complies ☒ Complies partially ☐ Explanation ☐

The Management Report for the reporting period ended November 30, 2019 will include information on the Company's corporate social responsibility program and the implementation thereof.

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies ☒ Explanation ☐

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.

Complies ☒ Complies partially ☐ Explanation ☐

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.
- b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.
- c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

- 61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.**

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

- 62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.**

The forgoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

- 63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.**

Complies ☐ Complies partially ☐ Explanation ☒ Not applicable ☐

The Company has not seen fit to include this clause in the contract signed with its present CEO.

The Board of Directors made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined.

- 64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.**

Complies ☐ Complies partially ☐ Explanation ☒ Not applicable ☐

The termination payment agreed in the contract with the CEO is the same as was initially included in his employment relationship with the Company. Therefore, the Board considers it should be maintained.

H. FURTHER INFORMATION OF INTEREST

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.
2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July, 2010.

The Company is not adhered to the Code of Good Tax Practices of July 20, 2010.

Shares of Otis Worldwide Corporation in the New York Stock Exchange: In relation to the news that appeared, we inform you that, as a result of the announced splitting process of several business units of United Technologies Corporation (UTC), among which is the elevator, escalator and travolator business that Otis develops, UTC shareholders will receive shares from Otis Worldwide Corporation, the parent company of this business. The shares of Otis Worldwide Corporation are expected to be listed soon on the New York Stock Exchange (NYSE). We refer to the information available at any time on this subject in the following link https://www.otis.com/en/us/about/news-and-media/press-releases/otis_presents_growth_and_value_creation_strategy_at_investor_day.aspx.

In compliance with current regulations, Zardoya Otis will inform the markets as soon as it has confirmation of the closing of the aforementioned operation, scheduled for the beginning of the second quarter of the current year.

This annual corporate government report was approved by the Board of Directors of the Company at its meeting held on February 27, 2020.

State whether any directors voted against or abstained from voting on this report.

Yes ☐ No ☒

Name of director who has not voted for the approval of this report	Reasons (against, abstention, non-attendance)	Explain the reasons



Zardoya Otis, S.A.

Auditor's Report on "Information regarding the Internal Control System over Financial Reporting (ICSFR)" of Zardoya Otis, S.A. for the 2019 Financial Year



Auditor's report on "information regarding the Internal Control System Over Financial Reporting (ICSFR)" of Zardoya Otis, S.A For the financial year 2019

To the Board of Directors of Zardoya Otis, S.A.:

In accordance with the request of the Board of Directors of Zardoya Otis, S.A. (hereinafter, the Company) and our engagement letter dated 6 March 2020, we have applied certain procedures in respect of the attached "Information regarding the Internal Control System over Financial Reporting" ("ICSFR"), included in section "F" of the Annual Corporate Governance Report (hereinafter, the ACGR) of Zardoya Otis, S.A. for the 2019 financial year, which includes a summary of the Company's internal control procedures relating to its annual financial information.

The Board of Directors is responsible for adopting the necessary measures to reasonably ensure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to that system and preparing and establishing the content of the accompanying Information regarding the ICSFR.

In this regard, it should be borne in mind that, regardless of the quality of the design and operating efficiency of the internal control system used by the Company in relation to its annual financial information, only a reasonable, but not absolute, degree of assurance may be obtained in relation to the objectives it seeks to achieve, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Spanish Auditing Standards, the sole purpose of our evaluation of the Company's internal control system is to enable us to establish the scope, nature and timing of our audit procedures in respect of the Company's annual accounts. Accordingly, our internal control evaluation, performed for the purposes of our audit, is not sufficient in scope to enable us to issue a specific opinion on the effectiveness of such internal control over the regulated annual financial information.

For the purposes of the present report, we have exclusively applied the specific procedures described below, as indicated in the "*Guidelines concerning the Auditor's Report on the Information regarding the Internal Control System over Financial Reporting for listed entities*" published by the National Securities Market Commission on its web site, which sets out the work to be performed, the scope of such work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Company's annual financial information for the 2019 financial year described in the accompanying Information regarding the ICSFR. Had we applied additional procedures to those determined by the aforementioned Guidelines, or had we performed an audit or review of the internal control system in relation to the regulated annual financial information, other matters could have come to light in respect of which you would have been informed.

In addition, as this special engagement is not an audit of financial statements and is not subject to the Auditing Act, we do not express an audit opinion under the terms of the aforementioned legislation.

The procedures applied were as follows:

1. Reading and understanding the information prepared by the Company in relation to the ICSFR – as disclosed in the Directors' Report – and the evaluation of whether such information includes all the information required as per the minimum content set out in Section F regarding the description of the ICSFR, in the model of the Annual Corporate Governance Report, as established in the Circular N° 5/2013 of the National Securities Market Commission dated June 12, 2013 which was subsequently amended by the Circular N° 7/2015 of the National Securities Market Commission dated December 22, 2015 and the Circular N° 2/2018 of the National Securities Market Commission dated June 12, 2018.
2. Making enquiries of personnel in charge of preparing the information mentioned in point 1 above in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described have been implemented and are functioning in the Company.
3. Review of supporting documentation explaining the information described in point 1 above and which mainly comprises the information made directly available to the persons responsible for preparing the information on the ICSFR. Such documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in support of the functions of the audit committee.
4. Comparison of the information described in point 1 above with our knowledge of the Company's ICSFR, obtained by means of the application of the procedures performed within the framework of the audit engagement on the annual accounts.
5. Reading the minutes of meetings of the board of directors, audit committee and other committees of the Company, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICSFR and the information described in point 1 above.
6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied in relation to the Information regarding the ICSFR, no inconsistencies or incidents have been identified which could affect such information.

This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and Circular n° 5/2013 of the National Securities Market Commission, dated June 12, 2013, as modified by Circular n° 7/2015 of the National Securities Market Commission, dated December 22, 2015, and Circular n° 2/2018 of the National Securities Market Commission, dated June 12, 2018, for the purposes of describing the ICSFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original Spanish version signed by
Rafael Pérez Guerra

March 16, 2020