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**ZARDOYA OTIS, S.A.**  
Calle del Golfo de Salónica, 73  
Madrid

**COMISIÓN NACIONAL DEL MERCADO DE VALORES**  
Área de Mercados  
Calle Edison, 4  
28006 Madrid

For the attention of the Director of the Market Area Division

Madrid, April 13th, 2021

### **OTHER RELEVANT INFORMATION**

#### Notice of the Ordinary General Shareholders' Meeting of Zardoya Otis, S.A.

Dear Sirs,

In compliance with article 227 and concordant provisions of the revised text of the Securities Market Law approved by Royal Legislative Decree 4/2015 of October 23, Zardoya Otis, S.A. (the "**Company**") informs you that, the Board of Directors, at its meeting of April 12, 2021, passed a resolution to call the Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. to be held, on the first call, on May 18, 2021 at 12:00 noon (CEST) and, on the second call, on May 19, 2021 at the same time (it is expected to be held on the second call).

Taking the evolution of the health crisis caused by COVID-19 into account, in order to safeguard the health and safety of the shareholders, employees and other persons involved in preparing and holding the Ordinary General Meeting, in accordance with article 3 of Royal Decree-Law 34/2020 of November 17 on urgent measures to support business solvency and the energy sector and in relation to tax matters, in the wording of Royal Decree-Law 5/2021 of March 12 on extraordinary measures to support business solvency in response to the COVID-19 pandemic, **the General Meeting will be held solely on-line, i.e. there will be no in-person attendance by shareholders, proxy-holders or guests. Consequently, it will only be possible to take part in the General Meeting remotely, by granting proxy, casting a vote in advance or attending it on-line.** To allow the Ordinary General Meeting to be followed, it will be broadcast through the corporate website (<http://www.otis.com/es/es/accionistas-inversores/>).

In this respect, the following documents relating to this Ordinary General Meeting are attached hereto:

1. Notice of the Ordinary General Shareholders' Meeting.
2. Full text of all the motions that the Board of Directors proposes that the Ordinary General Shareholders' Meeting should, if appropriate, pass, including the substantiated

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motion of the Board of Directors in relation to item 6 on the Agenda, to be passed, if appropriate, by the Ordinary General Shareholders' Meeting.

3. The annual financial statements and management reports of both the Company and its consolidated group for the reporting period ended November 30, 2020 that will be submitted for the approval of the Ordinary General Meeting, together with the respective audit reports.
4. Consolidated Statement of Non-financial Information (SNFI) for the reporting period ended November 30, 2020, together with the independent assurance report on the Consolidated Statement of Non-financial Information issued by Ernst & Young, S.L.
5. Annual Corporate Governance Report for the reporting period ended November 30, 2020.
6. Annual Director Compensation Report for the reporting period ended November 30, 2020.
7. Auditor Independence Report prepared by the Audit Committee for the reporting period ended November 30, 2020.
8. Report on the operation of the Audit Committee during the reporting period ended November 30, 2020.
9. Report on the operation of the Nominating and Compensation Commission during the reporting period ended November 30, 2020.
10. Director compensation policy for the periods 2021, 2022 and 2023.
11. Report from the Nominating and Compensation Commission on the director compensation policy proposed for the periods 2021, 2022 and 2023.
12. Report from the Board of Directors in relation to the motions to (i) acknowledge the appointment of Ms Robin Fiala as the personal representative of the director Otis Elevator Company; and (ii) ratify the appointment of Mr Joao Miguel Marques Penedo, who was co-opted to the Board, and his re-election.
13. Report of the Nominating and Compensation Commission in relation to the motion to ratify the appointment and re-election of Mr Joao Miguel Marqués Penedo.
14. Report of the Nominating and Compensation Commission in relation to the motion to acknowledge the appointment of Ms Robin Fiala as the personal representative of the director Otis Elevator Company.
15. Rules on distance voting and proxies and forms to be used for proxy or distance voting by e-mail.
16. Rules on on-line attendance.

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17. Total number of shares and voting rights that exist at the date notice of the Meeting is issued.
18. Model of proxy and distance voting card.

We inform you that both the individual and consolidated annual financial statements and management reports for the reporting period ended November 30, 2020 (together with their respective audit reports) and the Statement of Non-financial Information (SNFI) for the reporting period ended November 30, 2020, that are to be submitted for the approval of the General Meeting, as well as the Annual Director Compensation Report for the reporting period ended November 30, 2020 that is submitted to the General Shareholders meeting as a consultative ballot, and the Annual Corporate Governance report for said period (which, in accordance with article 538 of the Capital Companies Law, has been attached to the management report as an exhibit), have been sent to the National Securities Market Commission (CNMV) and made available to shareholders on the Company's corporate website (<http://www.otis.com/es/es/accionistas-inversores/>).

The aforementioned documents relating to the Ordinary General Shareholders' Meeting and the rest of the information required under article 518 of the Capital Companies Law are published on the Company's corporate website (<http://www.otis.com/es/es/accionistas-inversores/>) and will be available uninterruptedly until the Ordinary General Shareholders' Meeting is held.

Finally, it should be noted that the notice of the Ordinary General Shareholders' Meeting will be published in the next few days with the legally-required notice period in the national newspaper *Expansión*.

We inform you of the foregoing.

Yours faithfully,

**Lorea García Jauregui**  
**Secretary of the Board of Directors**

# General Shareholders' Meeting 2021

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Announcement of Notice of the Ordinary General Shareholders' Meeting

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**OTIS**  
ZARDOYA OTIS, S.A.

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## ZARDOYA OTIS, S.A.

### NOTICE OF THE GENERAL SHAREHOLDERS' MEETING

Pursuant to the provisions of the Bylaws, the Regulations of the General Shareholders' Meeting and the Capital Companies Law, the Board of Directors, at its meeting of April 12, 2021, passed a resolution to call the Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. (the "**Company**") to be held, on the first call, on May 18, 2021 at 12:00 noon (CEST) and, on the second call, on May 19, 2021 at the same time (it is expected to be held on the second call).

Taking the evolution of the health crisis caused by COVI-19 into account, in order the safeguard the health and safety of the shareholders, employees and other persons involved in preparing and holding the Ordinary General Meeting, in accordance with article 3 of Royal Decree-Law 34/2020 of November 17 on urgent measures to support business solvency and the energy sector and in relation to tax matters, in the wording of Royal Decree-Law 5/2021 of March 12 on extraordinary measures to support business solvency in response to the COVID-19 pandemic, **the General Meeting will be held solely on-line, i.e. there will be no in-person attendance by shareholders, proxy-holders or guests. Consequently, it will only be possible to take part in the General Meeting remotely, by granting proxy, casting a vote in advance or attending it on-line.** To allow the Ordinary General Meeting to be followed, it will be broadcast through the corporate website (<http://www.otis.com/es/es/accionistas-inversores/>).

In accordance with legal provisions, the General Meeting will be deemed to be held at the Company's registered office.

The items on which deliberations will take place and votes will be taken at the Ordinary General Shareholders' Meeting are those contained on the following

#### **AGENDA**

- 1** Examination and, if appropriate, approval of the annual financial statements and management reports of both the Company and its consolidated group for the period running from December 1, 2019 to November 30, 2020.
- 2** Examination and, if appropriate, approval of the statement of non-financial information (SNFI) for the period running from December 1, 2019 to November 30, 2020.
- 3** Application of the profit for the period running from December 1, 2019 to November 30, 2020.
- 4** Approval of the performance of the Board of Directors and, in particular, of the distribution of interim dividends charged to the profit for the period running from December 1, 2019 and November 30, 2020.
- 5** Approval of the distribution of a dividend charged to reserves for a gross amount of 0.072 euros per share.

- 6 Approval of the Director Compensation Policy for the periods 2021, 2022 and 2023.
- 7 Determination of the applicable percentage in relation to compensation of the directors in their capacity as such via profit-sharing for the period running from December 1, 2020 to November 30, 2021, in accordance with the Capital Companies law, article 218.
- 8 Acknowledgement and ratification of the following members of the Board of Directors:
  - 8.1 Acknowledgement of the appointment of Ms Robin Fiala as the new personal representative of the director Otis Elevator Company.
  - 8.2 Ratification of the appointment of Mr Joao Miguel Marques Penedo and his re-election.
- 9 Authorization for the Company and its subsidiaries to acquire treasury shares in accordance with the Capital Companies Law, articles 146 and 509, the unused part of the authorization granted under Resolution 8 of the Ordinary General Shareholders' Meeting of May 23, 2018 becoming null and void.
- 10 Authorization, in accordance with the Capital Companies Law, article 149, for the Company to accept, directly or indirectly, its own shares as a pledge or any other form of security.
- 11 Consultative ballot on the 2020 Annual Director Compensation Report.
- 12 Delegation to the Board of Directors for the interpretation, rectification, execution, formalization and registration of the resolutions passed.
- 13 Requests and questions.
- 14 Approval of the minutes.

## 1. SUPPLEMENT TO THE NOTICE AND SUBMISSION OF MOTIONS

In accordance with article 519 of the revised text of the Capital Companies Law (the “LSC”), shareholders representing at least three percent of the share capital may: (i) request that a supplement to this Notice be published including one or more items on the Agenda, provided that the new items are accompanied by an explanation or, where applicable, a substantiated motion; and (ii) submit substantiated motions on items that are already included on the Agenda or should be included thereon.

These rights will be exercised by a notification, sent by reliable means, received at the Company's registered office (Calle Golfo de Salónica, 73) within the five days following publication of this Notice. The notification must state the identity of the shareholder or shareholders exercising the right and the number of shares they own and must attach the relevant documentation –a certificate of entitlement or equivalent document issued Sociedad

de Gestión de los Sistemas de Registro, Compensación y Liquidación, S.A.U. (“**Iberclear**”) or the participating entities authorized to do so—, together with the content of the item or items it is proposed to include on the Agenda and an explanation or the contents of the substantiated motion or motions on said items and, where applicable, any other documentation that may be necessary.

The Supplement to the Notice will be published at least fifteen days prior to the date on which the Meeting is scheduled to be held.

The foregoing does not affect the right of any shareholder (or their proxy-holder) attending the Ordinary General Meeting to put forward alternative motions or motions on items that are not required to appear on the Agenda in the terms provided for in the LSC and in point 3 below.

## **2. RIGHT TO ATTEND**

The holder of any number of shares in the Company registered in their name five days prior to the date on which the General Meeting is to be held is entitled to attend the Ordinary General Meeting. The Company may require evidence of ownership of the shares through a certificate of entitlement or equivalent document issued by Iberclear or the participating entities authorized to do so, issued five days prior to the date of the General Meeting, pursuant to article 15 of the Bylaws, article 5 of the Regulations of the General Shareholders' Meeting and article 179 of the LSC.

Since it is likely that the General Shareholders' Meeting will be held on the second call, for the purposes of the provisions of article 517 of the Capital Companies Law, it should be noted that shareholders must have the shares recorded in their name no later than May 14, 2021.

## **3. ON-LINE ATTENDANCE**

The Ordinary General Meeting may only be attended on-line, in accordance with the following rules approved on the subject by the Company's Board of Directors, which likewise appear on the Company's corporate website (<http://www.otis.com/es/es/accionistas-inversores/>).

The mechanisms for attending the Ordinary General Meeting will be made available to shareholders (or their proxy-holders) on the Company's corporate website (<http://www.otis.com/es/es/accionistas-inversores/>).

### **(A) Identification and prior registration of shareholders**

To guarantee the identity of those attending, the correct exercise of their rights, interactivity and the proper running of the meeting, shareholders who wish to use the on-line attendance mechanisms must register previously in the space allocated to the General Shareholders' Meeting (“**on-line attendance**”) on the corporate website (<http://www.otis.com/es/es/accionistas-inversores/>), **from 12:00 noon (CEST) on April 20, 2021 until 24:00 (CEST) on May 17, 2021**. No prior registration of

shareholders for exercising the right to attend on-line will be admitted after the latter date and time.

Said prior registration may be carried out by: (i) electronic national identity card; (ii) recognized or advanced electronic signature based on a recognized electronic certificate currently in force, issued by the Spanish Public Certification Entity (CERES), which reports to the Fábrica Nacional de Moneda y Timbre (the Spanish Mint) ("**Recognized Electronic CERES Certificate**"); or (iii) completing the accreditation form on the corporate website (<http://www.otis.com/es/es/accionistas-inversores/>), on which the shareholder must identify him or herself with their national identify card, foreigner identity card or passport, e-mail address and the number of shares they own.

Once the aforementioned accreditation form has been completed and their identity and condition of shareholder verified, the shareholder will receive at the email address provided their "username and password" credentials by which they will be able to identify themselves on the telematic assistance platform on the day of the meeting.

The Company reserves the right to request shareholders to provide any additional means of identification it deems necessary in order to verify their status as a shareholder and guarantee the authenticity of the on-line attendance.

Once the shareholder has pre-registered using the means described within the term allowed, they may attend and vote at the Ordinary General Meeting on-line by connecting as required on the day the meeting is held.

Prior registration of shareholders' proxy-holders will be carried out by the Company in accordance with point 4.1 below.

**(B) Connection and attendance**

In order to allow the on-line attendance systems to be managed properly, shareholders who have registered previously to attend the Ordinary General Meeting on-line in accordance with letter (A) above or their proxy-holders **must connect to the Company's corporate website** (<http://www.otis.com/es/es/accionistas-inversores/>) **between 09:00 a.m. and 11:00 a.m. (CEST) on May 18, 2021 (if the Ordinary General Meeting is held on the first call) or on May 19, 2021 (if, as expected, the Ordinary General Meeting is held on the second call)** and identify themselves as described in the relevant instructions and depending on the means of identification used in the prior registration process (in the case of shareholders), through (i) electronic DNI; (ii) qualified or advanced electronic signature based on a CERES Recognized Electronic Certificate; or (iii) the "username and password" credentials provided, in the case of shareholders, at the time of prior registration and, in the case of representatives, after the corresponding request under the terms provided in section 4.1 following.

If applicable, on May 18, 2021, when it has been verified that the quorum required to hold the meeting has not been met, the Company will publish this situation on the electronic attendance platform, confirming that the Ordinary General Meeting will finally



be held on the second call. In the event that the Ordinary General Meeting is held on the second call (as expected), on-line participants who connected on the first call must connect again in order to attend the Ordinary General Meeting on-line on the second call.

**(C) Participation**

Pursuant to the LSC, interventions and motions or requests for information or clarification that, in accordance with said Law, on-line participants intend to formulate must be sent to the Company in writing, in the format, terms and conditions established on the Company's aforementioned website, **between 9:00 a.m. and 11:00 a.m. (CEST) on May 18, 2021 or, if applicable, May 19, 2021, depending on whether the Ordinary General Meeting is held on the first or second call, respectively.** The on-line attendee who wishes his/or intervention to be recorded in the minutes of the Ordinary General Meeting must state this expressly in the text of the intervention. Requests for information or clarification made by on-line participants will be answered in writing in the seven days following the meeting, in accordance with the LSC.

On-line attendees who, having connected to the meeting on the first call, sent interventions and motions or requests for information or clarification will have to send them again, in the terms described, on the day on which the meeting is held. Otherwise, they will be deemed not to have been submitted.

**(D) Voting**

Votes may be cast on items on the Agenda as of the time that the Meeting is declared to have reached a quorum until the Chairman or, where applicable the Secretary, announces the end of the period allowed for voting on the motions concerning items on the Agenda. Regarding motions on matters that need not appear on the Agenda by law, attendees may cast their votes as of the moment at which said motions are read and it is announced that votes may be cast on them on the on-line attendance platform. For voting on the motions, the procedure set out in the Bylaws and the Regulations of the General Shareholders' Meeting will be applied.

**(E) Other issues**

A shareholder's on-line attendance at the Ordinary General Shareholders' Meeting on the day that it is held will cause any proxy granted or vote cast from a distance prior to the Ordinary General Meeting to be null.

Custody of the passwords or means of identification necessary to access and use the on-line attendance service is the sole responsibility of the shareholder (or their proxy-holder). In the case of a legal person, it must notify the Company of any change or revocation of the powers held by its representative, the Company thus declining any liability until such notification has been made

The Company reserves the right to change, suspend, cancel or restrict the mechanisms for on-line attendance at the Ordinary General Meeting when technical or security reasons make this advisable or obligatory. The Company will not be liable for any

damages that may be caused to the shareholder by breakdowns, overloads, lines down, connection failures, or any other contingencies of the same or a similar nature, beyond the Company's control, that prevent the use of the mechanisms for on-line attendance at the Ordinary General Meeting. Therefore, such circumstances will not constitute an unlawful deprivation of shareholder rights.

In all aspects not expressly regulated in this notice, the same rules on voting and adopting motions as those contained in the Regulations of the Ordinary General Meeting for General Meetings held with in-person attendance will be applicable to the shareholders or proxy-holders who attend on-line.

#### 4. PROXY AND VOTING RIGHTS

##### 4.1. Right to grant proxy and proxy-granting from a distance

Any shareholder entitled to attend may be represented at the General Shareholders' Meeting by another person, who need not be a shareholder. Proxy will be conferred in writing specifically for the Ordinary General Meeting pursuant to article 15 of the Bylaws, article 6 of the Regulations of the General Shareholders' Meeting and articles 184 and 522 et seq. of the LSC.

In particular, proxy may be granted using the following means:

- (A) By written postal correspondence, sending to the Company (Zardoya Otis, S.A., -SHAREHOLDERS-, Calle Golfo de Salónica, 73, 28033 Madrid) the certificate of entitlement or equivalent document issued by Iberclear (or the participating entity thus authorized), together with the pertinent proxy and distance voting card, which may be downloaded from the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>), duly signed and completed by the shareholder. Unless the representation is granted to members of the board of directors or the Secretary, the shareholder must include the following information on the proxy-holder in the communication: name and surnames, number of national identity card or equivalent, and e-mail address. These data will be necessary for his or her prior authorization and registration on the on-line attendance platform for the Ordinary General Meeting.
- (B) By e-mail, provided that the proxy granted and identity of the principal are duly guaranteed.

Proxy granted by these means will be admitted when the proxy and distance voting card whereby it is granted includes the shareholders' recognized or advanced electronic signature, in the terms set out in Regulation (EU) N°910/2014 of the European Parliament and the Council on electronic identification and trust services for electronic transactions in the internal market, whereby Directive 1999/93/EC was repealed ("**Regulation 910/2014**"). Likewise, in the same e-mail, shareholders must send the certificate of entitlement or equivalent document issued by Iberclear (or the participating entity thus authorized).

The proxy and distance voting card may be downloaded from the Company's website and must be duly completed and signed by the shareholder using an electronic national identity card or recognized electronic certificate, of which no revocation has been recorded, issued by an electronic service provider appearing on the list of trusted providers published by the Ministry of Economic Affairs and Digital Transformation, in accordance with Law 6/2011 of November 11, regulating certain issues in electronic trust services (a "**Recognized Electronic Certificate**"). The Recognized Electronic Certificate must be obtained by the shareholder, at no cost to the Company, and must be in force when proxy is granted. Likewise, unless the representation is granted to members of the board of directors or the Secretary, the shareholder must include the following information on the proxy-holder in the communication: name and surnames, number of national identity card or equivalent, and e-mail address. These data will be necessary for his or her prior authorization and registration on the on-line attendance platform for the Ordinary General Meeting.

Any shareholder with an electronic signature that meets the above requirements and who identifies him or herself thereby may grant proxy by electronic correspondence in accordance with the instructions and procedures specified on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>).

- (C) Through the electronic platform enabled by the Company on its corporate website (<http://www.otis.com/es/es/accionistas-inversores/>). Shareholders may use of this possibility from 12:00 noon (CEST) on April 20, 2021 until 24:00 (CEST) on May 17, 2021, identifying themselves using one of the following means: (i) electronic national identity card; (ii) recognized or advanced electronic signature based on a Recognized Electronic CERES Certificate; or (iii) completing the accreditation form on the corporate website (<http://www.otis.com/es/es/accionistas-inversores/>), on which he or she must identify themselves with their national identify card, foreigner identity card or passport, e-mail address and the number of shares they own. The Company reserves the right to request shareholders to provide any additional means of identification it deems necessary in order to verify their status as a shareholder and guarantee the authenticity of the proxy.

The Recognized Electronic CERES Certificate must be obtained by the shareholder, at no cost to the Company, and must be in force when the vote is cast. Any natural person with an electronic signature that meets the above requirements and who identifies him or herself thereby may grant proxy in accordance with the instructions and procedures specified on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>).

In the event that the shareholder is a legal person and wishes to grant proxy using these means, the natural person who acts as its representative must access the platform with a recognized electronic representative certificate, of which no revocation has been recorded, issued by the Fabrica Nacional de Moneda y Timbre (Spanish Mint) or a body reporting thereto.

Unless the representation is granted to members of the board of directors or the Secretary, the shareholder must provide, through the Electronic platform enabled by the

Company on its corporate website (<http://www.otis.com/es/es/accionistas-inversores/>) the following information of the proxy-holder: name and surnames, number of national identity card or equivalent, and e-mail address. These data will be necessary for his or her prior authorization and registration on the on-line attendance platform for the Ordinary General Meeting.

To be valid, proxy granted by either of the means of distance communication mentioned above must be received by the Company before midnight on the day preceding the date on which the Ordinary General Shareholders' Meeting is scheduled to be held on the first call, i.e. before 24:00 (CEST) on May 17, 2021. Otherwise, the proxy will be deemed not to have been granted.

In the event that the shareholder is a legal person, it must (i) simultaneously provide a notary's certificate or equivalent document stating that the powers of attorney that support the authorization of the person to whom proxy has been granted by postal or electronic communication are sufficient; and (ii) notify the Company of any change or revocation of the powers held by its representative, the Company thus declining any liability until such notification has been made.

Once the Company has verified the requirements set out previously, the proxy-holders appointed by shareholders will be authorized to access the on-line attendance platform of the Ordinary General Meeting through prior registration. So that the representative (other than any of the members of the Board of Directors or the Secretary) can identify him/herself the on-line attendance platform on the day of the Ordinary General Meeting by means of "username and password" credentials, the shareholder or the representative himself will have to request it from the Company by email to the address [info.accionista@otis.com](mailto:info.accionista@otis.com) until 24:00 (CEST) on May 17, 2021, indicating the email address of the representative. The representative will receive the credentials at the email address provided once the identity and status of shareholder of the represented party is verified. If the "username and password" credentials are not requested, on the day of the Ordinary General Meeting the representative can only identify himself on the telematic assistance platform by means of an electronic DNI or qualified or advanced electronic signature based on a CERES Recognized Electronic Certificate.

Shareholders who grant proxy to a person other than one of the members of the Board of Directors or the Board Secretary must notify the designated proxy-holder of the proxy granted in his or her favour and send him or her a copy of the card or, if the proxy is granted through the electronic platform enable by the Company, the voting instructions, if any, provided.

In the event that a shareholder grants proxy to the Company, the directors or the Secretary of the Board by postal correspondence or electronic means of distance communication (e-mail or electronic platform), but does not include therein instructions for casting the vote or there are doubts as to the recipient or scope of the proxy, it will be considered that the proxy: (i) is granted in favour of the Chairman of the Board of Directors or, if applicable, the person who substitutes him in the chair of the General Shareholders' Meeting, or, in the event that the Chairman or his substitute has a conflict of interest, unless expressly stated otherwise by the shareholder, in favour of the Secretary of the Board of Directors; (ii) refers to all the motions

on the Agenda of the General Meeting; (iii) contains express instructions for the proxy-holder to cast a vote in favour of the motions on the Agenda; and (iv) likewise includes any points that may be raised off the Agenda, in respect of which the proxy-holder will vote in the manner he or she considers most favourable to the principal's interests.

In the event that the proxy-holder has, from a legal standpoint, a conflict of interest when voting on any of the motions that are put to the General Meeting on or off the Agenda and the shareholder has not given precise instructions on the direction of his or her vote, the proxy will be deemed to have been granted to the Chairman of the Meeting or, in the event that the Chairman is likewise affected by the conflict of interest, to the Secretary of the Board of Directors, unless the shareholder granting the proxy states otherwise (in which case the shareholder will be deemed not to have authorized the substitution).

A proxy-holder may only vote on behalf of his or her principal by attending the General Meeting. In this respect, the Company will have enabled his or her access to the on-line attendance platform of the Ordinary General Meeting through prior registration and, to access the platform, he or she must identify themselves by (i) electronic national identify card, (ii) recognized or advance electronic signature based on a Recognized Electronic CERES Certificate, or (iii) the use of the "user and password" credentials, only if requested and provided, as previously stated.

Proxy granted by postal correspondence or using means of electronic distance communication (e-mail or electronic platform) may be declared null: (i) if it is expressly revoked by the shareholder, using the same means as employed to grant the proxy, within the term fixed for granting it; (ii) by the shareholder attending the General Meeting; (iii) the casting of a prior vote in the terms described in point 4.2 of this Notice; or (iii) due to transfer of the shares ownership of which conferred the right to participate in the Ordinary General Meeting, when the Company is aware of said transfer at least five days before the General Meeting is held. At any event, proxies granted after a distance vote has been cast will be deemed not to have been granted.

When a proxy-holder holds proxies from several shareholders, he or she may cast different votes in accordance with the instructions received from each one of the shareholders.

Likewise, entities that hold shareholder status according to the accounting register of shares but which act on behalf of different persons may divide their vote and cast it differently in accordance with the different voting instructions they have received, if applicable. These intermediary entities may grant proxy to each one of the indirect shareholders or to third parties designated by the latter and there is no limit on the number of proxies they may grant. To do this, they must, within the seven days preceding the date on which the General Meeting is scheduled to be held, provide the Company with a list stating the identity of each client, the number of shares in respect of which they are exercising voting rights on behalf of each client and the voting instructions received, if applicable, in order to determine how their vote will be cast.

## 4.2. Distance voting

Shareholders entitled to attend and vote may cast their vote on the motions on items included on the Agenda using the following means of distance communication:

- (A) By written postal correspondence, sending to the Company (Zardoya Otis, S.A., -SHAREHOLDERS-, Calle Golfo de Salónica, 73, 28033 Madrid) the certificate of entitlement or equivalent document issued by Iberclear (or the participating entity thus authorized), together with the pertinent proxy and distance voting card, which may be downloaded from the Company's website, duly signed and completed by the shareholder.
- (B) By e-mail, attaching the pertinent proxy and distance voting card, which may be downloaded from the Company's website. The card must be duly completed and include the shareholders' recognized or advance electronic signature, in the terms set out in Regulation 910/2014. The shareholder's signature must be provided using an electronic national identity card or a Recognized Electronic Certificate. ). The user certificate must be obtained by the shareholder, at no cost to the Company, and must be in force when the vote is cast. Likewise, the shareholder must attach the certificate of entitlement or equivalent document issued by Iberclear (or the participating entity thus authorized) to the same e-mail.

Any shareholder with an electronic signature that meets the above requirements and identifies him or herself thereby may send the Company an e-mail In order to cast his or her distance vote, in accordance with the relevant instructions and procedures that are specified on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>).

- (C) Through the distance voting platform that the Company has enabled on its corporate website (<http://www.otis.com/es/es/accionistas-inversores/>), where the shareholder must identify him or herself using one of the following means: (i) electronic national identity card; (ii) recognized or advanced electronic signature based on a Recognized Electronic CERES Certificate; or (iii) completing the accreditation form on the electronic platform enabled on the corporate website (<http://www.otis.com/es/es/accionistas-inversores/>), on which he or she must identify themselves with their national identify card, foreigner identity card or passport, e-mail address and the number of shares they own. The Company reserves the right to request shareholders to provide any additional means of identification it deems necessary in order to verify their status as a shareholder and guarantee the authenticity of the vote.

The user certificate must be obtained by the shareholder, at no cost to the Company, and must be in force when the vote is cast. Any shareholder with an electronic signature that meets the above requirements and identifies him or herself thereby may cast his or her vote on the items on the Agenda of the Ordinary General Meeting, in accordance with the relevant instructions and procedures that are specified on the distance voting platform enabled on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>).

In the event that the shareholder is a legal person and wishes to cast a distance vote through the distance voting platform enabled by the Company on its website (<http://www.otis.com/es/es/accionistas-inversores/>), the natural person who acts as its representative must access the platform with a recognized electronic representative certificate, of which no revocation has been recorded, issued by the Fabrica Nacional de Moneda y Timbre (Spanish Mint) or a body reporting thereto.

Votes cast by using the means mentioned previously in points (A) and (B) above will not be valid if they are not received by the Company at least twenty-four hours before the date on which the Ordinary General Shareholders' Meeting is scheduled to be held on the first call, i.e. before 24:00 (CEST) on May 17, 2021. Votes received after said deadline will be deemed not to have been cast.

Votes cast using the means mentioned in point (C) must be cast by the shareholder through the electronic platform enabled by the Company on its corporate website (<http://www.otis.com/es/es/accionistas-inversores/>) from 12:00 noon (CEST) on April 20, 2021 to 24:00 (CEST) on May 17, 2021. Otherwise, the vote will be deemed not to have been cast.

In the event that the shareholder is a legal person, it must (i) simultaneously provide a notary's certificate or equivalent document stating that the powers of attorney that support the authorization of the person who casts the vote by postal or electronic correspondence are sufficient; and (ii) notify the Company of any change or revocation of the powers held by its representative, the Company thus declining any liability until such notification has been made.

A shareholder who casts his/her vote by postal correspondence or electronic means of distance communication (e-mail or electronic platform) and does not mark any of the boxes provided for indicating his/her vote on the items on the Agenda will be deemed to wish to vote in favour of the respective motions put forward by the Board of Directors.

Shareholders who cast a distance vote in the terms stated here and in the terms of the Bylaws and the Regulations of the General Meeting will be deemed to be present at the General Meeting for quorum purposes. In consequence, proxies granted previously will be deemed to have been revoked and those granted subsequently will be deemed not to have been granted.

A distance vote can only be declared null (i) if it is subsequently expressly revoked by the same means as was employed to cast it within the term fixed for casting it, (ii) by the on-line attendance of either the shareholder who cast the distance vote or a proxy-holder of said shareholder at the meeting; or (iii) due to transfer of the shares ownership of which conferred the right to vote, when the Company is aware of said transfer at least five days before the date on which it is planned to hold the General Meeting.

#### **4.3. Rules common to granting proxy and voting by means of distance communication**

- (A) The validity of the proxy granted and the vote cast by electronic distance communication (e-mail or electronic platform) is subject to verification of the shareholder's status as such with the file provided by Iberclear, the entity responsible

for the accounting register of the Company's shares. In the event of any discrepancy between the number of shares stated by the shareholder granting proxy or casting his or her vote by distance communication and the number stated in the account entry registers notified by Iberclear, the number of shares stated by the latter will be considered valid for quorum and voting purposes unless there is evidence to the contrary.

- (B)** The following rules on the order of priority of proxy voting, distance voting and attendance of the General Meeting are established: (i) the on-line attendance of the General Meeting by a shareholder who has previously granted proxy or cast a distance vote, irrespective of the manner in which the vote was cast, will cause said proxy or vote to be null; (ii) when the shareholder validly grants proxy or casts a vote through an electronic communication and, furthermore, performs the same action through a printed proxy and distance voting card, the last proxy granted or vote cast received by the Company within the term allowed will prevail (irrespective of the means used to grant or cast it); and (iii) casting a vote using any means of distance communication will cause any proxies granted by the shareholder to be null, irrespective of whether they were granted before the vote was cast, in which case they will be deemed to have been revoked, or after, in which case they will be deemed not to have been granted. Likewise, both proxies and votes cast previously from a distance will be null in the event of disposal of the shares that confer the right to attend and vote and the Company is aware of this at least five days before the scheduled date of the Ordinary General Meeting.
- (C)** Custody of his/her electronic signature and, where applicable, the credentials provided for making use of the electronic platform for proxy-granting, prior voting and on-line attendance, is the sole responsibility of the shareholder or his or her proxy-holder.
- (D)** The Company reserves the right to change, suspend, cancel or restrict the mechanisms for electronic distance voting and proxy granting when technical or security reasons make it advisable or obligatory. If any event of this nature were to occur, it would be announced on the Company's corporate website. The foregoing is without prejudice to the validity of proxies already granted, votes already cast and the shareholders' right to attend and grant proxy.
- (E)** The Company will in no case be liable for any damages that may be caused to the shareholder by breakdowns, overloads, lines down, connection failures, malfunctions of the postal service or any other contingencies of the same or a similar nature, beyond the Company's control, that hinder or prevent the use of the mechanisms for voting and granting proxy from a distance. Therefore, such circumstances will not constitute an unlawful deprivation of shareholder rights.
- (F)** Any of the co-owners of a share deposit may vote, grant proxy or attend and the rules on priority established above will be applicable among them. For the purposes of article 126 of the LSC, it is assumed that the co-owner who carries out an action (granting of proxy, voting or attendance) at any given moment has been designated by the rest of the co-owners to exercise the rights that correspond to him or her as a shareholder.



## 5. RIGHT TO INFORMATION

In compliance with articles 272 and 518 of the Capital Companies Law, article 13 of the Bylaws and article 5 of the Regulations of the General Shareholders' Meeting, shareholders who so wish may, as of publication of this notice, examine and obtain copies of the following documents, free of charge and immediately, at the registered office (Calle Golfo de Salónica, 73, 28033 Madrid), from 9:00 to 14:00 on working days, or request the Company to send them copies of said documents free of charge:

1. Full text of all the motions that the Board of Directors proposes that the Ordinary General Shareholders' Meeting should, if appropriate, pass, including the substantiated motion of the Board of Directors in relation to item 6 on the Agenda, to be passed, if appropriate, by the Ordinary General Shareholders' Meeting.
2. The annual financial statements and management reports of both the Company and its consolidated group for the reporting period ended November 30, 2020 that will be submitted for the approval of the Ordinary General Meeting, together with the respective audit reports.
3. Consolidated Statement of Non-financial Information (SNFI) for the reporting period ended November 30, 2020, together with the independent assurance report on the Consolidated Statement of Non-financial Information issued by Ernst & Young, S.L.
4. Annual Corporate Governance Report for the reporting period ended November 30, 2020.
5. Annual Director Compensation Report for the reporting period ended November 30, 2020.
6. Auditor Independence Report prepared by the Audit Committee for the reporting period ended November 30, 2020.
7. Report on the operation of the Audit Committee during the reporting period ended November 30, 2020.
8. Report on the operation of the Nominating and Compensation Commission during the reporting period ended November 30, 2020.
9. Director compensation policy for the periods 2021, 2022 and 2023.
10. Report from the Nominating and Compensation Commission on the director compensation policy proposed for the periods 2021, 2022 and 2023.
11. Report from the Board of Directors in relation to the motions to (i) acknowledge the appointment of Ms Robin Fiala as the personal representative of the director Otis Elevator Company; and (ii) ratify the appointment of Mr Joao Miguel Marques Penedo, who was co-opted to the Board, and his re-election.
12. Report of the Nominating and Compensation Commission in relation to the motion to ratify the appointment and re-election of Mr Joao Miguel Marqués Penedo.

13. Report of the Nominating and Compensation Commission in relation to the motion to acknowledge the appointment of Ms Robin Fiala as the personal representative of the director Otis Elevator Company.
14. Rules on distance voting and proxies and forms to be used for proxy or distance voting by e-mail.
15. Rules on on-line attendance.
16. Total number of shares and voting rights that exist at the date notice of the Meeting is issued.
17. Model of proxy and distance voting card.

In the light of the restrictions in force as a result of the situation created by COVID-19, shareholders who wish to obtain copies of some or all of the aforementioned documents are advised to request them by e-mail addressed to [info.accionista@otis.com](mailto:info.accionista@otis.com), given that, while said restrictions continue, they may hinder attention to shareholders and the latter's access to the Company's head office.

Likewise, said documents will be displayed uninterruptedly on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>) as from publication of the notice of the Ordinary General Meeting until said meeting is held.

In accordance with articles 197 and 520 of the LSC and article 5 of the Regulations of the General Shareholders' Meeting, until the fifth day before the date on which the Ordinary General Meeting is scheduled to be held or, shareholders may request the Board of Directors (i) for any information or clarification they deem necessary on the items included on the Agenda, or ask any questions they consider relevant thereon in writing; (ii) for any clarification they deem necessary in relation to the publicly-available information that the Company has provided to the National Securities Market Commission since the last General Meeting was held and/or the audit report.

The directors are obliged to provide the information in writing up to the date on which the General Meeting is held.

Likewise, shareholders (or their proxy-holders) who are going to attend the Ordinary General Shareholders' Meeting may request, following the rules set out in point 3 above: (i) any information or clarification they deem necessary on the items included on the Agenda; and (ii) any clarification they deem necessary in relation to the publicly-available information that the Company has provided to the National Securities Market Commission since the last General Meeting was held and/or the audit report.

The Board of Directors will be obliged to provide the information requested in accordance with the preceding paragraphs except in cases where this information is unnecessary to protect the shareholders' rights, there are solid reasons for considering that it could be used for purposes outside the Company or making it public would damage the Company itself or its related companies.

Notwithstanding the foregoing, information may not be refused when the request is supported by shareholders representing at least twenty-five percent of the share capital.

When, before a specific question is asked, the information requested is clearly, explicitly and directly available to all shareholders on the Company's website in question-answer format, the Board of Directors may limit its reply to referring the shareholder to the information provided in said format.

## **6. ELECTRONIC SHAREHOLDERS' FORUM**

Under the provisions of article 539 of the LSC, the Company has enabled an Electronic Shareholders' Forum on the Company's website as of publication of the notice of the Ordinary General Meeting until the day that it is held. Both individual shareholders and any voluntary associations that may be lawfully created may, with due guarantees, access said platform.

The Board of Directors has decided that said Electronic Shareholders' Forum will be governed by the rules of operation published on the Company's website and available to shareholders at the registered office.

## **7. DATA PROTECTION**

Zardoya Otis, S.A. is processing controller of all the personal data processed in order to organize the Ordinary General Meeting. The controller will process the personal data (including data concerning identity, contact and electronic signature) collected directly from the shareholders or the entities with which they have deposited their shares through the entity legally authorised to keep the account entry register.

In particular, the aforementioned personal data will be processed for the following ends: (i) organizing the notice of the Ordinary General Meeting and the Meeting itself, and exercising and controlling the shareholders' rights of attendance and representation by proxy at the Ordinary General Meeting, which includes verification of identity and status as a shareholder or proxy-holder, administration of access registration on the on-line attendance platform or, where applicable, recording the telephone or video call; (ii) sending information to the shareholders strictly related to the shareholders' investments and the Company's evolution (iii) allowing transparency and public broadcasting of the Ordinary General Meeting on the mentioned platform on the Company's corporate website; and (iv) complying with the rules to which the processing controller is subject. The processing of said data is necessary to meet the aforementioned purposes on the following legal bases: (i) execution of the relationship between the shareholder and the processing controller; (ii) compliance with the applicable legal obligations; and (iii) the lawful interest of the processing controller in recording and broadcasting the Ordinary General Meeting in accordance with the principles of transparency applicable to it.

Said personal data may be provided to duly-authorized third parties in the course of exercising the right to information provided for in the applicable legislation and is accessible to the general public to the extent that the data subject participates in the process of the Ordinary General Meeting. The personal data will be stored while the relationship between the shareholder and

the Company exists and, when it concludes, for 6 years, or a longer period when the statute of limitations for any legal or contractual actions that may be applicable is longer.

The rights of access, rectification, opposition, erasure, portability and restriction of processing, as well as any other legally-recognized rights, may be exercised by the data subject by postal correspondence or e-mail, accompanied by a copy of the national identity card, addressed to either the registered office (Calle Golfo de Salónica, 73, 28033 Madrid), or [info.acconista@otis.com](mailto:info.acconista@otis.com) for the attention of the Secretary of the Board of Directors. Data subjects are likewise informed of their right to submit a complaint to the Spanish Data Protection Agency ([www.aepd.es](http://www.aepd.es)) if they consider that their data protection rights have been violated. Shareholders may object to their image and voice being broadcast by the means mentioned above.

In the event that a shareholder includes personal data referring to other natural persons on the proxy and distance voting card or if a third party attends the Ordinary General Meeting as their proxy-holder, the shareholder must inform said persons of the points contained in the preceding paragraphs and meet any other requirements that may be applicable in order to furnish the personal data to Zardoya Otis, S.A. correctly, without the need for the latter to take any additional action.

## **8. EXPECTED DATE AND TIME OF THE GENERAL SHAREHOLDERS' MEETING**

The Ordinary General Shareholders' Meeting is expected to be held on the **SECOND CALL**, i.e. on May 19, 2021, at the time mentioned above.

Lorea García Jauregui  
Secretary of the Board of Directors  
ZARDOYA OTIS, S.A.

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

# General Shareholders' Meeting 2021

\* \* \* \* \*

Motions



### **MOTION 1**

**Examination and, if appropriate, approval of the annual financial statements and management reports of both the Company and its consolidated group for the period running from December 1, 2019 to November 30, 2020.**

To approve the annual financial statements (statement of financial position, income statement, statement of changes in equity, statement of cash flows and the notes thereto) and management reports of the Zardoya Otis, S.A. and its consolidated group for the period running from December 1, 2019 to November 30, 2020, as approved by the Board of Directors at its meeting of February 23, 2021.

The annual financial statements have been approved by the Board of Directors, signed by all the directors, numbered correlatively and verified by the account auditor (who has issued the relevant audit reports).

## **MOTION 2**

### **Examination and, if appropriate approval of the statement of non-financial information (SNFI) for the period running from December 1, 2019 to November 30, 2020.**

To approve the Company's statement of non-financial information of Zardoya Otis, S.A. (the "**Company**") and its group for the period running from December 1, 2019 to November 30, 2020, which forms and integral part of the consolidated management report of the Company and its group for the aforementioned period (the "**SNFI**").

The SNFI has been verified by Ernst & Young, S.L., who, in this respect, issued an independent assurance report on the non-financial information contained therein, which is likewise available on the Company's corporate website.

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

### **MOTION 3**

#### **Application of the profit for the period running from December 1, 2019 to November 30, 2020.**

To approve the following application of the profit of Zardoya Otis, S.A. obtained during the period running from December 1, 2019 to November 30, 2020.

<b>Distribution bases</b>	<b>Amount</b>
Profit for the period	140,404,385.01 euros
<b>Distribution</b>	<b>Amount</b>
Legal reserve	376,371.45 euros
Dividend (*)	100,013,556.42 euros
Voluntary reserve	40,014,457.14 euros

(\*) The whole of the proposed dividend has been paid to the shareholders, as stated in the following item on the Agenda.



**MOTION 4**

**Approval of the performance of the Board of Directors and, in particular, of the distribution of interim dividends charged to the profit for the period running from December 1, 2019 and November 30, 2020.**

To approve the performance of the Board of Directors during the period running from December 1, 2019 to November 30, 2020 and ratify the distribution of interim dividends charged to the profit for the period running from December 1, 2019 to November 30, 2020, i.e. three quarterly interim dividends, the total amount of which was 100,013,556.42 euros gross. For these purposes, the distribution of the dividend charged to reserves for the sum of 0.06 euros per share, which was approved by the Ordinary General Shareholders' Meeting held on June 16, 2020 and paid out on July 10, 2020, is excluded.

No.	Date	Gross dividend per share	Charged to	Shares entitled to dividend	Total gross dividend
154	April 9, 2020	€0.080 / share	First interim 2020	<b>470,464,311</b> Treasury shares 385,869	€37,637,144.88 €30.869,52 <b>€37,606,275.36</b>
155	October 9, 2020	€0.065 / share	Second interim 2020	<b>470,464,311</b> Treasury shares 385,869	€30,580,180.22 €25,081.49 <b>€30,555,098.73</b>
156	January 11, 2021	€0.068 / share	Third interim 2020	<b>470,464,311</b> Treasury shares 2,049,865	€31,991,573.15 €139,390.82 <b>€31,852,182.33</b>
<b>Total interim dividends charged to profit for 2020</b>					<b>€100,013,556.42</b>

### **MOTION 5**

#### **Approval of the distribution of a dividend charged to reserves for a gross amount of 0.072 euros per share.**

To approve the distribution of a dividend charged to reserves (including the share premium reserve), through payment, to each one of the shares in issue of Zardoya Otis, S.A. (the “**Company**”) entitled to receive said distribution at the payment date, for a fixed amount of 0.072 euros gross per share, the withholdings and taxes established by law being payable by the recipient.

The distribution of the aforementioned sum will be charged to the reserve account or accounts duly determined by the Board of Directors.

The amount of the dividend in question will be distributed on July 9, 2021 through the participating entities of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear).

**MOTION 6****Approval of the Director Compensation Policy for the periods 2021, 2022 and 2023**

## SUBSTANTIATED PROPOSAL

At the proposal of the Nominating and Compensation Commission, the Company's Board of Directors has decided to submit for the approval of the 2021 Ordinary General Shareholders' Meeting the director compensation policy (the "**Compensation Policy**") that has been published on the corporate website since the date on which notice of the meeting was given and is likewise available to be given or sent to shareholders free of charge. The text of said policy is derived from the report received from the Company's Nominating and Compensation Commission, which the Board endorses in its entirety.

The compensation of the directors included in the Compensation Policy, both in their capacity as such and for performing executive duties, is consistent with the compensation system provided for in the Capital Companies Law, the Bylaws, and the Regulations of the Board of Director, as well as the motion put to the General Meeting under Item 7 of the Agenda. Likewise, the Compensation Policy has been adapted to the changes in the composition of the Company's Board of Directors that have taken place since the 2020 Ordinary General Meeting and, in particular, to the fact that there are now two executive directors.

The Board considers that the proposed Compensation Policy complies with the guiding principles set out therein, includes director compensation appropriate to their dedication and responsibility, without jeopardizing the independence of the directors' criteria, and is oriented toward favouring the Company's long-term profitability and sustainability.

**Proposal:**

To approve, in accordance with the Capital Companies Law, article 529 *novodecies*, the compensation policy for the directors of the Company for the periods 2021, 2022 and 2023, the text of which was made available to shareholders when notice of the General Meeting was given.

Likewise, to approve a dispensation for the Company's Chairman and Chief Executive Officer to receive, if appropriate, long-term incentives from Otis Worldwide Corporation (the Company's parent) consisting of different financial instruments based on shares of Otis Worldwide Corporation, in the terms set out in said director compensation policy. This dispensation is granted to the extent that may be necessary in respect of the provisions of the Capital Companies Law, articles 229 and 230.

**MOTION 7**

**Determination of the applicable percentage in relation to compensation of the directors in their capacity as such via profit-sharing for the period running from December 1, 2020 to November 30, 2021, in accordance with the Capital Companies Law, article 218. Fixing the upper limit on the annual compensation to be paid globally to the directors in their capacity as such.**

To determine, for the period running from December 1, 2020 to November 30, 2021, the percentage applicable in relation to the compensation of the directors in their capacity as such via profit-sharing at an amount of 1.5% of the consolidated profit after tax, up to a limit of 1% of the consolidated profit before tax.

This percentage coincides with the provisions of the Bylaws and the Company's current Director Compensation Policy, as well as the Director Compensation Policy put to the General Meeting for approval under Item 6 on the Agenda, and is approved without prejudice to the power of the Board of Directors to fix the exact amount to be paid within said limit, as provided for in the Bylaws and the current Compensation Policy, as well as the Director Compensation Policy that will be applicable.

Likewise to fix an upper limit of 2,000,000 euros on the global annual compensation of the directors in their capacity as such, which will remain in force until the General Shareholders' Meeting passes a resolution to change it, although it may be reduced by the Board of Directors.

## **MOTION 8**

**Acknowledgement and ratification of the following members of the Board of Directors:**

### **MOTION 8.1**

**Acknowledgement of the appointment of Ms Robin Fiala as the new personal representative of the director Otis Elevator Company.**

To acknowledge the appointment of Ms Robin Fiala as the personal representative of the proprietary director Otis Elevator Company, subsequent to a report in favour from the Nominating and Compensation Commission.

Ms Robin Fiala has held the position of personal representative of the proprietary director Otis Elevator Company since January 26, 2021, when she replaced Mr Toby Smith in the position. In turn, Mr Toby Smith had replaced Mr Richard Markus Eubanks on October 14, 2020 and, therefore, said changes are ratified insofar as may be necessary.

### **MOTION 8.2**

**Ratification of the appointment of Mr Joao Miguel Marques Penedo and his re-election.**

To ratify the co-option of Mr Joao Miguel Marques Penedo as a director of the Company and re-elect him for the Bylaw-stipulated term of four years, subsequent to a report from the Nominating and Compensation Commission, with the category of executive director.

**MOTION 9**

**Authorization for the Company and its subsidiaries to acquire treasury shares in accordance with the Capital Companies Law, articles 146 and 509, the unused part of the authorization granted under Resolution 8 of the Ordinary General Shareholders' Meeting of May 23, 2018 becoming null and void.**

To authorize the Board of Directors to, without previously consulting the General Shareholders' Meeting, acquire shares of Zardoya Otis, S.A. (the "**Company**"), on one or several occasions, by purchase, exchange or any other type of legal transaction in return for a consideration, either directly or through subsidiaries, up to a maximum number of shares that, when added to those already held by the Company and/or any of its subsidiaries, does not exceed 10% of the Company's subscribed capital, at a price or for a consideration the value of which may not be lower than 2 euros per share or higher than 25 euros. Likewise, the Board of Directors is authorized to set aside the reserve stipulated in article 148 of the Capital Companies Law.

It is expressly stated that any shares acquired as a result of this authorization may be sold (or exchanged), written off or delivered to the Company's workers or directors, either directly or as the result of their exercising any option rights they may hold.

This authorization will have a term of 5 years as of the date of this General Meeting and the unused part of the authorization granted at the Company's General Meeting held on May 23, 2018 under Item 8 on the Agenda will become null and void.

**MOTION 10****Authorization, in accordance with the Capital Companies Law, article 149, for the Company to accept, directly or indirectly, its own shares as a pledge or any other form of security.**

To authorize the Board of Directors to, directly or through any of its subsidiaries, accept its own shares as a pledge or any other form of security, within the limits imposed by law and with the same requirements as are applicable to the acquisition of such shares.

Specifically:

- (A) The number of shares of Zardoya Otis, S.A. (the “**Company**”) accepted as a pledge or any other form of security will not exceed 10% of the Company’s subscribed share capital. To calculate said limit, the shares in Zardoya Otis, S.A. held by the Company and/or its subsidiaries at that time will be taken into account.
- (B) The Company shares accepted as a pledge or any other form of security will be free from any other charges or encumbrances, fully paid up and not attached to compliance with any obligation the beneficiary of which is not the Company.
- (C) The authorization will remain in force during the maximum period provided for by law at any given moment, as of the date of the Ordinary General Meeting that decides on this authorization.

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

### **MOTION 11**

#### **Consultative ballot on the 2020 Annual Director Compensation Report.**

As provided for in the Capital Companies Law, article 541, the Annual Director Compensation Report for the period running from December 1, 2019 to November 30, 2020, which was approved by the Board of Directors at its meeting held on February 23, 2020 subsequent to a report in favour from the Nominating and Compensation Commission of the same date, is submitted to a consultative ballot.

This Report was published as “Other Relevant Information” on March 25, 2021.



**MOTION 12****Delegation to the Board of Directors for the interpretation, rectification, execution, formalization and registration of the resolutions adopted.**

To authorize the Chairman of the Board of Directors, Mr Bernardo Calleja Fernández, the Chief Executive Officer of the Company, Mr Joao Miguel Marques Penedo, and the Secretary of the Board of Directors, Ms Lorea García Jáuregui, so that any one of them, without distinction, may, jointly and severally, execute compliance with and/or perform each and every one of the resolutions and/or decisions adopted at the present meeting, with sufficient capacity and power of attorney to enter them into public record, execute deeds of power of attorney and request any entries that might be applicable in the relevant registers, including the Companies Register, making any rectifications that may be appropriate in this respect in the light of the oral or written comments of the registrars until the deeds are fully registered.

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

### **REQUESTS AND QUESTIONS (13)**

**N/A.**

### **MOTION 14**

#### **Approval of the minutes**

To note, insofar as may be necessary, that, in accordance with the provisions of the Capital Companies Law, article 202, the Corporate Bylaws, article 18 and the Regulations of the General Shareholders' Meeting, article 11, the minutes of the Ordinary General Meeting will be approved by the Chairperson of the General Meeting and two counter-signatories, one representing the majority and the other representing the minority, who will be designated by those present at the Ordinary General Meeting, at the proposal of the chair of the panel of the General Meeting.

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

# General Shareholders' Meeting 2021

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2020 Individual Annual Financial Statements and audit opinion

**OTIS**  
ZARDOYA OTIS, S.A.

**Zardoya Otis, S.A.**

Independent auditor's report on the annual accounts  
November 30, 2020



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

## Independent auditor's report on the annual accounts

To the shareholders of Zardoya Otis, S.A.

### Report on the annual accounts

#### Opinion

We have audited the annual accounts of Zardoya Otis, S.A. (the Company), which comprise the statement of financial position as at November 30, 2020, and the income statement, statement of changes in equity, statement of cash flows and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at November 30, 2020, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2 of the notes to the annual accounts), and, in particular, with the accounting principles and criteria included therein.

#### Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290



Zardoya Otis, S.A.

4.1

Key audit matter	How our audit addressed the key audit matter
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<p><b>Revenue recognition</b></p> <p>According to note 20 to the accompanying annual accounts, the Company basically has three types of revenue from: a) rendering of maintenance services, mainly contracts for the maintenance of elevators; b) installation and elevator assembly; and c) exports.</p> <p>Note 3.12.b indicates that revenue from maintenance contracts is recognised on a straight-line basis as accrued. Billing may be monthly, quarterly, six-monthly or annually depending on the terms of the contracts, advance billing being recognised, as applicable, to reflect accrual correctly. This type represents the most significant portion of the Company's revenue.</p> <p>According to note 3.12.a, elevator installation and assembly revenue is recognised based on the estimated percentage of completion of the work. This area requires judgements and estimates. Specifically, management periodically re-estimates the margin, estimating costs yet to be incurred such that the project's final margin does not differ substantially from the margin at contract inception.</p> <p>Recognition of revenue as a result of transactions actually effected, the relevance of the estimates used in the recognition of revenues and their quantitative significance means that revenue recognition to be considered a key audit matter.</p>	<p>We have described, understood, assessed and validated the relevant transactions and controls that support the revenue cycle, as well as the general IT controls and those of the Company's control environment.</p> <p>Additionally, substantive tests of detail are carried out on revenue recognised during the year, using sampling techniques for different transaction types. Specifically, these referred to:</p> <ul style="list-style-type: none"> <li>• Recognition of revenue from the installation and assembly of elevators for which we have tested the periodic re-estimation of margins for a sample of projects.</li> <li>• Recognition of revenue from maintenance contracts, checking the contractual documentation, the proper recognition of revenue and invoice collection for a sample of transactions.</li> </ul> <p>We have checked a sample of transactions showing revenue not collected at the year end, through third-party confirmation or alternative audit procedures using the relevant documentary support. We have also checked that the revenue has been accounted for in the correct period.</p> <p>We have performed a computer-assisted audit test designed to detect unusual items. For the items that affect revenue recognition, we have verified the supporting documents to verify that they are correctly recognised.</p> <p>We have checked the sufficiency of the information disclosed in the annual accounts.</p> <p>On the basis of our tests, our audit objectives have been fulfilled for this key matter.</p>
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<p><b>Recovery of investments in group companies</b></p> <p>The Company has investments in Group companies in the amount of €339 million, as described in note 7.3 to the annual accounts.</p> <p>The investments are measured at cost less any cumulative impairment adjustments. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, this being the asset's fair value less the higher of costs to sell and value in use.</p>	<p>When testing the analysis of the recovery of the value of investments in Group companies, we have drawn on our knowledge to conclude on whether the value and the assumptions employed by management are suitable. Specifically:</p> <ul style="list-style-type: none"> <li>• We have compared the cost of the investees with the results and reserves relating to each investment and their evolution with respect to the previous year.</li> </ul>
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Zardoya Otis, S.A.

4.1

Key audit matter	How our audit addressed the key audit matter
It is a key audit matter due to the size of the item and because it entails a high level of judgement and estimation of the recovery value on the part of management.	<ul style="list-style-type: none"> <li>• We have checked any latent capital gains existing at the year end, mainly on the maintenance portfolio, and the value of goodwill, against available evidence of the evolution of units, prices and profits for each investment.</li> <li>• We have checked the arithmetic calculations.</li> </ul> <p>We have checked the sufficiency of the information disclosed in the annual accounts.</p> <p>As a result of our tests, we consider that management's estimates sufficiently support the amount recognised under Investments in group companies.</p>

#### Other information: Management report

Our audit opinion on the financial statements does not cover the management report. Our responsibility regarding the information contained in the management report is defined in the regulation governing financial statement audit work, which establishes two distinct levels of responsibility:

- a) A specific level applicable to the non-financial statement and some of the information included in the Annual Corporate Governance Report (ACGR), as defined in article 35.2.b) of Spanish Law 22/2015, the Audit Act, which consists of solely checking that the required information has been provided in the management report or, where appropriate, it has been included a reference to the separate report on non-financial information in the prescribed manner; otherwise, reporting that it has not.
- b) A general level applicable to the remaining information included in the management report, which consists on evaluating and reporting on the consistency between the aforesaid information and the financial statements as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, and does not include information different to that obtained as evidence during our audit. Likewise, our responsibility is to evaluate and report on whether the content and presentation of this part of the management report are in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exists, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the management report includes a reference relating to the fact that the non-financial information mentioned in paragraph a) above has been provided in the consolidated management report of the Zardoya Group, of which the Company is the parent company, that the aforementioned information relating to the ACGR has been included in the management report and that the rest of the information contained in the management report is consistent with that contained in the financial statements for the 2020 financial year, and its content and presentation are in accordance with applicable regulations.



Zardoya Otis, S.A.

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### Responsibility of the directors and the audit committee for the annual accounts

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The Company's directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of Zardoya Otis, S.A., in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Company's directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the process of preparation and presentation of the annual accounts.

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### Auditor's responsibilities for the audit of the annual accounts

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Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.





Zardoya Otis, S.A.

4.1

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Company's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Company's audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## Report on other legal and regulatory requirements

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### Report to the audit committee

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The opinion expressed in this report is consistent with the content of our additional report for the Company's audit committee dated 9 March 2021.

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### Appointment period

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We were appointed auditors for a one-year period at the annual general meeting of shareholders held on 16 June 2020.

We were previously appointed under resolutions adopted by general shareholders' meetings for a period of three years and have been auditing the annual accounts uninterruptedly since the year ended 30 November 1990.

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### Services provided

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Non-auditing services provided to the Company are disclosed in note 30 to the annual accounts.

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PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by

Rafael Pérez Guerra (20738)

March 9, 2021

## **Zardoya Otis, S. A.**

Annual Financial Statements  
at November 30, 2020

**ZARDOYA OTIS, S.A.****STATEMENT OF FINANCIAL POSITION AT NOVEMBER 30, 2020 & 2019**  
(Thousands of Euros - EThs)**4.1**

<b>ASSETS</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>NONCURRENT ASSETS</b>		<b>442,852</b>	<b>444,128</b>
<b>Intangible assets</b>	5	<b>19,674</b>	<b>21,857</b>
<b>Property, plant &amp; equipment</b>	6	<b>58,801</b>	<b>55,928</b>
<b>Noncurrent investments in group and associated companies</b>		<b>338,939</b>	<b>338,061</b>
Equity instruments	7.3	338,939	338,061
<b>Noncurrent financial investments</b>		<b>3,442</b>	<b>5,182</b>
Other financial assets	7,18	3,442	5,182
<b>Trade and other receivables</b>	7.2,8	<b>2,529</b>	<b>2,676</b>
<b>Deferred tax assets</b>	19	<b>19,467</b>	<b>20,424</b>
<b>CURRENT ASSETS</b>		<b>229,652</b>	<b>228,022</b>
<b>Inventories</b>	9	<b>93,364</b>	<b>91,546</b>
<b>Trade and other receivables</b>	7,8	<b>105,236</b>	<b>122,244</b>
Trade receivables		85,186	94,366
Trade receivables, group and associated companies	27	8,656	18,460
Sundry debtors		5,159	3,210
Employees		623	504
Other credits with the public authorities	21	5,612	5,704
<b>Current financial investments</b>	7.1	<b>191</b>	<b>146</b>
Other financial assets		191	146
<b>Current accruals and prepayments</b>		<b>677</b>	<b>465</b>
<b>Cash and cash equivalents</b>	7.1	<b>30,184</b>	<b>13,621</b>
<b>TOTAL ASSETS</b>		<b>672,504</b>	<b>672,150</b>

**ZARDOYA OTIS, S.A.****STATEMENT OF FINANCIAL POSITION AT NOVEMBER 30, 2020 & 2019**  
(Thousands of Euros - EThs)

<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>EQUITY</b>		<b>346,283</b>	<b>344,533</b>
<b>Equity</b>		<b>316,520</b>	<b>314,679</b>
Share capital	11	47,046	47,046
Share premium		306	306
Reserves	13	203,748	198,119
Treasury stock	12	(8,087)	(2,572)
Profit/(Loss) for period	14	141,699	147,023
(Interim dividends paid)	11,14	(68,192)	(75,243)
<b>Adjustments for changes in value</b>	<b>18</b>	<b>29,763</b>	<b>29,854</b>
<b>NONCURRENT LIABILITIES</b>		<b>48,103</b>	<b>45,760</b>
<b>Noncurrent provisions</b>		<b>11,040</b>	<b>8,554</b>
Other provisions	17	11,040	8,554
<b>Noncurrent debt</b>	<b>7,15,27</b>	<b>62</b>	<b>198</b>
Other financial liabilities		62	198
<b>Noncurrent debt with group and associated companies</b>	<b>7,15,27</b>	<b>37,001</b>	<b>37,008</b>
<b>CURRENT LIABILITIES</b>		<b>278,118</b>	<b>281,857</b>
<b>Current provisions</b>	<b>17</b>	<b>10,968</b>	<b>10,388</b>
<b>Current debt</b>		<b>290</b>	<b>290</b>
Borrowings from financial institutions	7	155	155
Other financial liabilities		135	135
<b>Current debt with group and associated companies</b>	<b>7,15</b>	<b>65,755</b>	<b>61,458</b>
<b>Trade payables</b>	<b>7</b>	<b>186,384</b>	<b>194,856</b>
Trade payables	15	50,353	47,074
Sundry creditors		99,504	108,927
Employees (outstanding remuneration)		18,776	18,066
Current tax liabilities	15, 21	3,799	5,593
Other debts with the public authorities	15, 21	13,952	15,196
<b>Current accruals</b>	<b>16</b>	<b>14,721</b>	<b>14,865</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>672,504</b>	<b>672,150</b>

**ZARDOYA OTIS, S.A.****INCOME STATEMENT FOR THE PERIODS ENDED NOVEMBER 30, 2020  
AND 2019**

(Thousands of euros - EThs)

<b>CONTINUING OPERATIONS</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Net revenue</b>	20	<b>566,445</b>	<b>583,528</b>
Sales		311,254	325,027
Services rendered		255,191	258,501
<b>Work carried out by the company on its own assets</b>		<b>1,640</b>	<b>1,645</b>
<b>Raw materials and consumables used</b>	20	<b>(203,456)</b>	<b>(217,866)</b>
Goods consumed		(208,046)	(215,028)
Raw materials and other consumables used		4,590	(2,838)
<b>Other operating revenue</b>		<b>591</b>	<b>482</b>
Ancillary and other current management revenue		591	482
<b>Personnel costs</b>	20	<b>(175,202)</b>	<b>(172,741)</b>
Wages, salaries and similar		(125,958)	(125,607)
Employee welfare expenses		(46,880)	(45,250)
Provisions	18	(2,364)	(1,884)
<b>Other operating expenses</b>		<b>(47,049)</b>	<b>(44,485)</b>
External services	20	(44,802)	(45,339)
Taxes		(590)	(665)
Losses, impairment and changes in provisions for trading operations	8	(1,657)	1,519
<b>Amortization of fixed assets</b>	5,6	<b>(10,002)</b>	<b>(9,769)</b>
<b>Impairment and gains/(losses) on disposals of fixed assets</b>		<b>95</b>	<b>253</b>
Gains on disposals and other		95	253
<b>OPERATING PROFIT</b>		<b>133,062</b>	<b>141,047</b>
<b>Financial income</b>		<b>42,107</b>	<b>42,663</b>
<b>Financial expenses</b>		<b>(464)</b>	<b>(471)</b>
<b>Foreign exchange differences</b>		<b>60</b>	<b>(55)</b>
<b>FINANCIAL PROFIT/(LOSS)</b>	22	<b>41,703</b>	<b>42,137</b>
<b>PROFIT BEFORE TAX</b>		<b>174,765</b>	<b>183,184</b>
<b>Income tax</b>	21	<b>(33,066)</b>	<b>(36,162)</b>
<b>PROFIT FOR THE PERIOD</b>		<b>141,699</b>	<b>147,022</b>

Notes 1 to 30 are an integral part of these Annual Financial Statements.

4

**ZARDOYA OTIS, S.A.****STATEMENT OF CHANGES IN EQUITY AT NOVEMBER 30, 2019 & 2018****A) STATEMENT OF RECOGNIZED INCOME AND EXPENSES AT NOVEMBER 30, 2020 & 2019**

(Thousands of euros - EThs)

	Note	<u>2020</u>	<u>2019</u>
<b>Income statement</b>		<b>141,699</b>	<b>147,022</b>
<b>Income and expenses recognized directly in equity</b>	18	<b>(92)</b>	<b>971</b>
Actuarial gains and losses and other adjustments		(92)	971
<b>Transfers to income statement</b>			
Measurement of financial instruments			
- Other income / expenses			
<b>TOTAL RECOGNIZED INCOME AND EXPENSES</b>		<b><u>141,607</u></b>	<b><u>147,993</u></b>

**4.1**

**ZARDOYA OTIS, S.A.****STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS ENDED  
NOVEMBER 30, 2020 & 2019****B) STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS ENDED NOVEMBER 30,  
2020 & 2019**

(Thousands of euros - EThs)

	Note	Share capital	Share premium	Reserves	(Treasury stock)	Profit for period	(Interim dividend)	Adjustments for changes in value	Total
<b>Balance, end of 2018</b>		<b>47,046</b>	<b>306</b>	<b>199,763</b>	<b>-</b>	<b>148,874</b>	<b>(75,274)</b>	<b>28,884</b>	<b>349,599</b>
Adjustments for changes in accounting policies 2019									
Adjustments for errors 2019									
<b>Adjusted balance, beginning 2019</b>		<b>47,046</b>	<b>306</b>	<b>199,763</b>	<b>-</b>	<b>148,874</b>	<b>(75,274)</b>	<b>28,884</b>	<b>349,599</b>
Total recognized income & expenses	14					<b>147,022</b>		<b>971</b>	<b>147,993</b>
Transactions with shareholders or owners									
- Capital increases	11								
- Distribution of dividends	14			<b>(37,607)</b>			<b>(112,880)</b>		<b>(150,487)</b>
- Increase (reduction) in equity resulting from mergers, business combinations	14				<b>3,634</b>				<b>3,634</b>
Partial distribution of share premium	14								
- Other transactions with shareholders or owners	12				<b>(6,206)</b>				<b>(6,206)</b>
Other changes in equity	11,13,14			<b>35,994</b>		<b>(148,874)</b>	<b>112,880</b>		<b>-</b>
<b>Balance end of 2019</b>		<b>47,046</b>	<b>306</b>	<b>198,150</b>	<b>(2,572)</b>	<b>147,022</b>	<b>(75,274)</b>	<b>29,855</b>	<b>344,533</b>
Adjustments for changes in accounting policies 2019									
Adjustments for errors 2019									
<b>Adjusted balance, beginning 2020</b>		<b>47,046</b>	<b>306</b>	<b>198,150</b>	<b>(2,572)</b>	<b>147,022</b>	<b>(75,274)</b>	<b>29,855</b>	<b>344,533</b>
Total recognized income & expenses	14					<b>141,699</b>		<b>(92)</b>	<b>141,607</b>
Transactions with shareholders or owners									
- Capital increases	11								
- Distribution of dividends	14			<b>(28,205)</b>			<b>(105,768)</b>		<b>(133,973)</b>
- Increase (reduction) in equity resulting from mergers, business combinations	14			<b>(369)</b>	<b>3,291</b>				<b>2,922</b>
Partial cash distribution of share premium	14								
- Other transactions with shareholders or owners	12				<b>(8,806)</b>				<b>(8,806)</b>
Other changes in equity	11,13,14			<b>34,172</b>		<b>(147,022)</b>	<b>112,850</b>		<b>-</b>
<b>Balance, end of 2020</b>		<b>47,046</b>	<b>306</b>	<b>203,748</b>	<b>(8,087)</b>	<b>141,699</b>	<b>(68,192)</b>	<b>29,763</b>	<b>346,283</b>

**ZARDOYA OTIS, S.A.****STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED NOVEMBER  
30, 2020 AND 2019**

(Thousands of Euros - EThs)

	Note	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax for the period		174,765	183,185
<b>Adjustments to profit:</b>			
Amortization, depreciation and other provisions	5,6,9	11,659	8,251
<b>Gains or losses on sale of fixed assets</b>			
Financial income	22	(42,107)	(42,466)
Financial expenses	22	464	448
Exchange rate differences	22	(60)	55
<b>Changes in working capital</b>			
Inventories	9	(1,844)	(2,222)
Debtors and other receivables	8	19,060	7,986
Creditors and other payables	15	3,846	1,230
<b>Other cash flows from operating activities:</b>			
Interest payments		(464)	(448)
Dividends received		41,947	42,466
Interest received		220	(55)
Corporate income tax received/(paid)		(33,232)	(33,041)
<b>Cash flows from operating activities</b>		<b>174,159</b>	<b>165,136</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Payments on investments</b>			
Fixed assets	5,6	(10,692)	(5,710)
Investments in Group companies	25	(4,253)	(13,452)
Cash from business combinations		127	0
<b>Cash flows from investing activities</b>		<b>(14,818)</b>	<b>(19,162)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Proceeds and payments on financial liability instruments:</b>			
Treasury stock acquisitions	12	(8,806)	(6,206)
Dividends paid	14	(133,972)	(150,488)
<b>Cash flows from financing activities</b>		<b>(142,778)</b>	<b>(156,694)</b>
<b>NET INCREASE / DECREASE IN CASH OR CASH EQUIVALENTS</b>		<b>16,563</b>	<b>(10,720)</b>
Cash or cash equivalents at beginning of period	10	13,621	24,341
Cash or cash equivalents at end of period	10	30,184	13,621

Notes 1 to 30 are an integral part of these Annual Financial Statements.

7



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED NOVEMBER 30, 2020**

(Thousands of euros - EThs)

**1. General information**

Zardoya Otis, S.A. (the "Company") was incorporated on May 9, 1934 as a corporation and has its registered office at Golfo de Salónica, 73, Madrid, where the effective centre of its administration and management is located.

Its corporate purpose, as described in article 4 of its Bylaws, consists of:

a) The manufacture, design and development, installation, repair, maintenance and sale of engines, elevators, goods elevators, platforms, escalators and moving walkways, vertical evacuation sleeves, cable cars, automatic doors and garage doors, irrespective of the use and characteristics thereof, the importation and exportation of machinery and equipment related to the foregoing, parts and components previously assembled or otherwise, and any equipment the purpose of which is to transport people or things. The construction and assembly of metallic structures, building works and other ancillary building items.

b) The administration, promotion and management of industrial, agricultural or service companies, together with the participation in already existing or newly-created companies, either through their governing bodies or by holding shares.

c) The activities that comprise the corporate purpose may be carried on by the Company indirectly, in full or in part, by means of holding interests in companies with an identical or analogous purpose.

Alder Holdings SAS, incorporated in France, holds a majority interest of 50.01% of the Company's shares. Said company belongs to the Otis Group, headquartered in the United States of America (Notes 11 and 27), whose ultimate Group parent is Otis Worldwide Corporation. Zardoya Otis, S.A. is listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges.

These annual financial statements and the consolidated annual financial statements for the year ended November 30, 2020 were approved by the Board of Directors on February 27, 2021 and are pending the approval of the General Shareholders' Meeting. Nevertheless, Management considers that the aforementioned annual financial statements will be approved as presented. These annual financial statements will be filed at the Madrid Companies Registry.

## 2. Bases of presentation

The annual financial statements have been prepared on the basis of the Company's accounting records and are presented in accordance with current mercantile legislation and the standards contained in the General Chart of Accounts approved by Royal Decree 1514/2007, together with the amendments to the latter included in Royal Decree 1159/2010 and Royal Decree 602/2016, in order to show a true and fair view of the Company's equity, financial position and results, as well as the accuracy of the cash flows shown on the statement of cash flows. These financial statements show a true and fair view of the equity, the financial position at November 30, 2020, the results of the Company's operations, the changes in equity and the cash flows in the Company in the period ended at said date. Likewise, these annual financial statements were prepared under the going-concern principle.

On the same date, the Company's Board of Directors approved the consolidated annual financial statements separately. In comparison with these individual financial statements, the consolidated assets, equity and profit for the period are, applying the criteria of International Financial Reporting Standards, as follows:

EThs	2020	2019
Total assets	734.527	708.880
Equity	417.811	422.934
Profit for period	141.102	141.210

The preparation of annual financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The accounting estimates, in consequence, may be different to the final result of the circumstances assessed. These judgements and estimates are constantly reviewed and are based principally on historical experience and expectations of future events deemed reasonable.

### **Contracts in progress**

Contracts in progress are measured at the cost incurred plus the expected profit margin, based on the percentage of completion of the contract, in proportion to the difference between the total estimated cost and the contract price agreed upon with the customers. Said margin is reviewed in accordance with the actual progress of the work and the costs still to be incurred by means of periodic re-estimations, so that the margin of profit or loss that will result at the end of the contracts will not differ substantially from the margins applied while the contracts were in progress.

### **Income tax and deferred tax assets**

Calculating income tax requires interpretations of the tax legislation applicable to the Company. Furthermore, there are several factors, linked principally, but not exclusively, to changes in the tax laws and changes in the interpretations of the tax laws currently in force, that require company Management to make estimates. Likewise, the Company evaluates the recoverability of deferred tax assets on the basis of the existence of future taxable income against which it will be possible to offset said assets. Deferred taxes are calculated on the basis of the temporary differences that arise between the tax bases of assets and liabilities and their carrying amounts in the annual financial statements. Deferred taxes are determined using tax rates that have been or are about to be approved at the date of the statement of financial position and are expected to apply when the related deferred tax asset is realized or deferred tax liability is settled. Deferred tax assets are recognized to the extent that it is likely that future taxable income will be available against which to offset the temporary differences and are reviewed in accordance with any legal changes or other circumstances that may affect their recoverability.

### **Employee benefits**

The asset or liability recognized in the statement of financial position in relation to defined-benefit pension plans is the present value of the defined benefit obligations at the reporting date less the fair value of the assets attached to the plan, together with adjustments for unrecognized actuarial losses and gains and costs of past services. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

### **Estimated impairment loss on goodwill and intangible assets**

The Group tests the goodwill and the maintenance portfolios for impairment on an annual basis, to see whether there have been any losses, in accordance with the accounting policy described in Note 3 below. The recoverable amounts of the cash-generating units have been determined on the basis of calculations of their value in use. These calculations require the use of estimates.

### **Noncurrent investments in group and associated companies**

At least at the reporting date, the necessary impairment losses must be recognized whenever there is objective evidence that the carrying amount of an investment is not recoverable. The amount of the impairment loss will be the difference between the carrying amount and the recoverable amount, the latter of which is defined as the higher of the fair value less costs to sell and the present value of the cash flows derived from the investment, calculated by estimating their share in the cash flows the investee is expected to generate from either its ordinary operations or upon disposal or derecognition. Unless there is other evidence of the recoverable amount of the investments, when estimating the impairment of this type of assets, the equity of the investee, adjusted by any tacit capital gains that may exist at the measurement date, will be used.

### **Grouping of items**

To facilitate an understanding of the statement of financial position, income statement, statement of changes in equity and statement of cash flows, these statements are presented in groups, the required analysis being included in the Notes to the Financial Statements.

## **3. Accounting policies**

### **3.1 Intangible assets**

#### **a) Goodwill**

Goodwill represents the amount by which the cost of the business combination exceeds the fair value of the net identifiable assets acquired in the transaction at the acquisition date. Consequently, goodwill is only recognized when it has been acquired in return for a consideration and relates to the future economic profits on assets that it has not been possible to identify individually and recognize separately.

Goodwill recognized separately is amortized over a life of ten years on a straight-line basis. Additionally, it is subject to annual impairment testing, being measured at cost less accumulated impairment losses. When the carrying amount of an asset is higher than its estimated recoverable amount, its value is immediately reduced to the recoverable amount. Impairment losses recognized in the goodwill are not reversed in subsequent years.

The goodwill is allocated to the Cash-Generating Units (CGUs) in order to test for impairment. The allocation is made to the CGUs that are expected to benefit from the business combination on which the goodwill arose. In this regard, since Company business constitutes a single integrated production process, Zardoya Otis, S.A. is considered a cash-generating unit, since it is the smallest identifiable group of assets that generates independent cash inflows.

b) Research and development costs

Research or development expenses incurred in a project are recognized as an expense when incurred. Development costs previously recognized as an expense are not recognized as an asset in a later period.

c) Maintenance contracts and other related intangible assets

This item includes principally the amounts relating to the cost of taking over elevator maintenance contracts that are acquired either directly as a contract portfolio or within an overall business combination. It is amortized on a straight-line basis over a term considered equivalent to an estimated useful life of between 10 and 20 years, depending on the characteristics of the portfolio. Impairment testing is carried out regularly whenever there are factors that indicate a possible impairment loss.

Trademarks and other agreements derived from the acquisition of maintenance portfolios are presented at their historical cost. They have a defined useful life and their carrying amount is acquisition cost less accumulated amortization.

### 3.2 Property, plant and equipment

The items classified as property, plant and equipment are recognized at their acquisition price or production cost less the accumulated depreciation and the accumulated amount of any losses recognized.

The costs of expanding, modernizing or improving property, plant and equipment are capitalized when they represent an increase in capacity or productivity or a lengthening of the asset's useful life.

Costs of major repairs are capitalized and are depreciated over their estimated useful lives, while recurring maintenance expenses are charged to the income statement in the year in which they are incurred.

The depreciation of property, plant and equipment, with the exception of land, which is not depreciated, is calculated using the straight-line method in accordance with the estimated useful lives, taking any impairment actually suffered as a result of operation, use and enjoyment into account. The estimated useful lives are:

	Years of estimated useful life
Buildings	33
Machinery and tools	8, 10, 13 & 4
Furniture, accessories and equipment	10, 4 & 13
Transport fleet	5 & 6

The residual value and useful life of the assets are reviewed at each reporting date and adjusted if necessary.

When the carrying amount of an asset is higher than its estimated recoverable amount, its value is immediately reduced to its recoverable amount.

Losses and gains on sales of property, plant and equipment are measured by comparing the proceeds from the sale with the carrying amount and are recorded in the income statement.

### 3.3 Impairment losses on non-financial assets

Assets that are amortized or depreciated are tested for impairment when any event or change in circumstances indicates that their carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, defined as the higher of the fair value of the asset less costs to sell or its value in use. To measure impairment losses, assets are grouped at the lowest level with identifiable separate cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered an impairment loss are reviewed at each reporting date to see whether the loss has reversed.

### 3.4 Financial assets

#### a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for maturities longer than 12 months after the reporting date, which are classified as noncurrent assets. Loans and receivables are included in “Credits to group companies” and “Trade and other receivables” on the statement of financial position.

These financial assets are initially measured at their fair value, including any transaction costs that can be directly allocated to them, and subsequently at their amortized cost, recognizing the interest accrued in accordance with the effective interest rate, defined as the discount rate that makes the carrying value of the instrument equal to the totality of its estimated cash flows until maturity. Notwithstanding the foregoing, credits for trading operations maturing at no more than one year are measured, both when initially recognized and subsequently, at their face value, provided that the effect of discounting the flows is not significant.

At each reporting date, the necessary impairment losses are recognized if there is objective evidence that not all the amounts owing will be collected. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate at the time of initial recognition. Impairment losses and, if applicable, the reversal thereof, are recognized in the income statement.

Financial assets are removed from the statement of financial position when all the risks and rewards of ownership of the asset are substantially transferred. In the specific case of receivables, this is deemed to take place, in general, when the risks of late or non-payment have been transferred and financial institution finances the amount directly to the customer.

#### b) Investments in the equity of group companies

These are measured at their cost less, if applicable, the accumulated amount of all the impairment adjustments. Notwithstanding, when there is an investment before the company is classified as a group company, the cost of the investment is considered to be its carrying amount before the classification as a group company. Previous impairment losses recognized directly in the equity remain there until they are de-recognized.

If there is objective evidence that the carrying amount is not recoverable, the relevant impairment loss is recognized for the difference between the carrying amount and the recoverable amount, defined as the higher of the fair value less costs to sell and the present value of the cash flows derived from the investment. Unless there is other evidence of the recoverable amount, the equity of the company in which the investment is held, adjusted by any tacit capital gains that may exist at the measurement date, is used when estimating the impairment of these investments. The impairment loss and, if applicable, the reversal thereof, are recognized in the income statement of the period in which they take place.

### 3.5 Inventories

#### a) Inventories

These are measured at the lower of market value and average acquisition or manufacturing cost, which includes any costs directly allocable to the product and the relevant part of the indirect costs allocable to the products in question, to the extent that said costs relate to the manufacturing period.

When the net realizable value of the inventories is lower than their cost, the relevant adjustments to their value will be made and recognized as an expense in the income statement. If the circumstances that caused the value adjustment cease to exist, the adjustment is reversed and recognized as revenue in the income statement.



b) Cost in progress

Cost in progress contracts are measured by adding the expected profit margin to the cost incurred. The former is obtained in accordance with the percentage of completion of the work in progress, in proportion to the estimated total cost and the selling price contractually agreed with the customers.

### 3.6 Advance billing

This relates to the billing issued to customers in accordance with their contractual conditions when the work has not yet been completed.

### 3.7 Equity

The share capital is represented by ordinary shares. The costs of share issuance are presented directly against equity as a decrease in the reserves.

The share premium reserve account corresponds to freely-available reserves.

As a general rule, unless there is a more reliable measurement, the fair value of the equity instruments or financial liabilities issued in consideration of a business combination will be their quoted price if said instruments are listed on an active market.

When treasury shares are acquired, the consideration paid, including any directly allocable incremental cost, is deducted from the equity until the shares are written off, reissued or sold. When these shares are sold or subsequently reissued, any amount received, net of any directly-allocable incremental transaction cost, is included in equity.

### 3.8 Financial liabilities

The debts and payables heading includes debits for trading operations and debits for non-trading operations. These debts are classified as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the reporting date.

These debts are initially recognized at their fair value adjusted by directly-allocable transaction costs and subsequently recorded at their amortized cost using the effective interest rate method. Said effective interest rate is the discount rate that makes the carrying amount of the instrument equal to the flow of future payments expected until the liability matures.

Notwithstanding the foregoing, debits for trading operations that mature at no more than one year and that do not have a contractual interest rate are measured, both initially and subsequently, at their face value when the effect of not discounting the cash flows is not significant.

### **3.9 Current and deferred taxes**

The income tax expense is the amount that is accrued in the period for this item and includes both the current and deferred tax expense. It is recorded in the income statement. Notwithstanding, the tax effect relating to items that are recognized directly in equity is recorded in equity.

Current tax assets and liabilities are measured as the amounts it is expected to pay to or recover from the tax authorities under current legislation or any legislation that has been approved but not yet published at the reporting date.

Deferred taxes are measured, in accordance with the liability method, on the temporary differences that arise between the tax bases of the assets and liabilities and their carrying amounts. However, if the deferred taxes arise from the initial recognition of an asset or liability in a transaction other than a business combination that, at the moment of the transaction, does not affect either the accounting profit or loss or the tax base, they are not recognized. Deferred tax is measured by applying the legislation and tax rates that are approved or about to be approved at the reporting date and that are expected to be applicable when the relevant deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is likely that there will be future tax profits against which the temporary differences may be offset.

### **3.10 Provisions and contingent liabilities**

Provisions are recognized when the Company has a legal or constructive current obligation as the result of past events, it is likely that an outflow of resources will be necessary to settle the obligation and the amount can be estimated reliably.

Provisions are measured as the present value of the payments that are expected to be necessary to settle the obligation using a pre-tax rate that reflects the present market's estimates of the time value of money and the specific risks of the obligation. Adjustments to the provision to update it are recognized as financial expenses when accrued.

Provisions maturing at one year or less with an insignificant financial effect are not discounted.

When it is expected that part of the payment necessary to settle a provision will be reimbursed by a third party, the reimbursement is recognized as an independent asset, provided that it is almost certain to be received.

Possible obligations arising as a consequence of past events the materialization of which depends on whether, irrespective of the Company's wishes, one or more future events occur, are considered contingent liabilities. These contingent liabilities are not accounted for, although details thereof are presented in the Notes.

### **3.11 Business combinations**

In business combinations originating from the acquisition of shares in the capital of a company, the Company recognizes the investment as stipulated for investments in the equity of group companies (Note 3.4.b).

In the case of business combinations arising from the acquisition of all the assets and liabilities of a company -or of a part thereof that forms one or more businesses- and operations of merger, spin-off and/or non-monetary contribution of a business, they are recorded in accordance with the acquisition method. If merger or spin-off transactions between group companies exist, they are recorded as stipulated for transactions between related parties (Note 3.14).

### **3.12 Revenue recognition**

#### **a) Revenue from installation, elevator assembly and exports**

Sales are recognized in accordance with the estimated percentage of completion of the work, making the necessary adjustments by means of regular re-estimations, so that the profit or loss margins that will exist when the contracts end do not differ substantially from the margins applied while the contracts are current.

#### **b) Revenue from the rendering of maintenance service**

Revenue from maintenance contracts is recognized on a straight-line basis as accrued. Billing may be monthly, quarterly, six-monthly or annually, depending on the conditions in the contracts signed with the customers, generating, if applicable, the accounting entries required to recognize advance billing.

c) Revenue from interest

Revenue from interest is recognized using the effective interest rate method. Revenue from interest on loans that have suffered impairment losses is recognized using the effective interest rate method.

d) Revenue from dividends

Revenue from dividends is recognized as revenue in the income statement when the right to receive the proceeds is established. Notwithstanding the foregoing, if the dividends paid come from profits generated prior to the acquisition date, they are not recognized as income and reduce the carrying amount of the investment.

### 3.13 Leases

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement in the period in which they accrue on a straight-line basis over the period of the lease.

### 3.14 Related-party transactions

In general, transactions between group companies are initially recognized at their fair value. When applicable, if the agreed price differs from the fair value, the difference is recognized in accordance with the true economic characteristics of the transaction. They are subsequently measured in accordance with the provisions of the applicable standards.

Notwithstanding the foregoing, in transactions of merger, spin-off or non-monetary contribution of a business, the Company applies the following criterion:

a) In transactions between group companies in which the parent company and its subsidiary are involved directly or indirectly, the elements that form the business acquired are measured at the amount at which they are stated in the consolidated annual financial statements of the group or subgroup.

b) When the parent company of the group or subgroup and its subsidiary are not involved, the annual financial statements to be used are those of the largest group or subgroup with a Spanish parent in which the elements that form the business are included.

Any difference that may arise in either of these cases is recognized in the reserves.

### **3.15 Welfare commitments**

The welfare commitments acquired with current or retired employees are in all cases complementary to those provided by the Social Security.

According to Royal Decree 1588/1999, which approved the Implementing Regulation on Pension Commitments between companies and employees, pension commitments acquired by companies must be externalized through a group life insurance policy or an employment system pension plan or both. In accordance with the amendment introduced by Law 14/2000 concerning the transitional period for the formalization or adaptation of the aforementioned, on November 7, 2002 and November 14, 2002, respectively, the Company signed, with two insurance companies, the framework agreements regulating the technical, economic and legal conditions of group life insurance policies to arrange the pension commitments acquired by the company with its current and retired employees. In December 2011, Zardoya Otis, SA made the last payment for the financing of the aforementioned framework agreement.

The net liability or asset recognized in the statement of financial position in respect of the future payment commitments acquired by the Company in relation to the payment of supplements, other retirement benefits and life insurance premiums in accordance with the benefits agreed by the Company is the present value of the obligations at the reporting date less the fair value of the assets attached to the plan, together with adjustments for unrecognized actuarial losses and gains and costs for past services. The defined benefit obligation is measured annually by independent actuaries using the projected unit credit method.

Any variation in the calculation of the present value of the remuneration commitments or, if applicable, the assets attached to the plan at the reporting date due to actuarial gains and losses is recognized directly in equity, as reserves, in the period in which it arises. For these purposes, the gains or losses are solely any variations that arise from changes in actuarial assumptions or experience adjustments.

At November 30, 2020, the actuarial calculations were updated using financial/actuarial assumptions that included an discount rate of between 0.00% and 0.92% per year (between 0.00% and 0.92% in 2019), mortality tables PERMF 2000P in both 2020 and 2019, and income growth tables in line with the normal practice in the environment. Likewise, in 2020 and 2019, the actuarial calculations considered an estimated retirement age of between 65 and 67 years for the commitments.

There is also a defined-contribution plan, the annual contributions to which form part of employee benefit expenses.

As stated in Note 27, there are benefits for certain Company executives that depend on their performance and the attainment of joint objectives of Zardoya Otis and Alder Holdings SAS, based on the UTC long-term incentive plan, which includes Otis share-based compensation schemes. The cost is included under the employee benefit expense heading, generating a credit account with Otis Group companies (presented as other provisions in the statement of financial position).

### **3.16 Severance payments**

The Company recognizes these benefits when it has made a demonstrable commitment in accordance with a detailed formal plan with no possibility of withdrawal. Benefits that will not be paid in the twelve months following the reporting date are discounted back to their present value.

### **3.17 Foreign currency transactions**

#### **a) Functional and presentation currency**

The Company's annual financial statements are presented in euros, which is the Company's presentation and functional currency.

#### **b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency losses and gains resulting from settlement of these transactions and conversion of monetary assets and liabilities denominated in foreign currencies at year-end rates are recognized in the income statement, unless they are deferred in the equity, such as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items such as equity instruments held at fair value through profit and loss are presented as part of the gain or loss in the fair value. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets are included in equity.

### 3.18 Joint ventures

The Company recognizes the proportional part it holds in the jointly-controlled assets and jointly-incurred liabilities in accordance with its percentage interest, as well as the assets attached to the joint venture that are under its control and the liabilities incurred as a result of the joint venture.

Likewise, the applicable portion of the revenue generated and expenses incurred by the joint venture is recognized in the income statement. Additionally, expenses incurred in relation to the interest in the joint venture are recognized.

Unrealized gains or losses that arise on reciprocal transactions are eliminated in proportion to the interest held, as are the amounts of reciprocal assets, liabilities, revenues, expenses and cash flows.

## 4. Financial risk management

### 4.1 Financial risk factors

The Company's activities are exposed to a variety of financial risks: market risk (including foreign exchange 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 is focused on the uncertainty of the financial markets and tries to minimize potential adverse effects on the Company's financial profitability.

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

- Ensure that the most important risks are identified, assessed and managed.
- Ensure an appropriate operating segregation of the risk management functions.
- Ensure that the risk exposure level accepted by the Company in its operations is in line with the risk profile.

Impacts caused by the COVID-19 virus: the situation arising from the evolution of the COVID-19 virus adds a new uncertainty to the general business uncertainties. The effects of the situation of global pandemic may have an impact of the level of the demand and customer solvency. In this respect, the Group's directors and management are constantly monitoring the evolution of the situation in order to tackle any financial or non-financial impacts that may arise with sufficient guarantees of success.

Specifically, the Company has implemented an Action Plan to Mitigate the Effects of COVID-19, the main features of which are:

- Creation of a Crisis Committee with the participation of the General Management Department, Human Resources, Safety and Works, Operations, Manufacturing, Medical Services, Systems and the Communication Area, in order to monitor the situation in real time and implement response actions.
- Actions with preventive measures were put in place to protect employees and customers, assessing the Specific Risk in the different areas (on-site workers, administrative workers and sales representatives and plant workers).
- Actions to maintain service continuity through the pertinent Contingency Plans.
- Actions to mitigate the supply risk related to our service, material and equipment suppliers. Possible risks will be identified, actions will be taken to mitigate them and savings will be made through the reduction of certain supplies and services.

a) Market risk

(i) Foreign Exchange risk

The Company operates internationally and, therefore, is occasionally exposed to foreign exchange risk, principally on transactions in US Dollars. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. However, said transactions are not significant and the effect of a change in the interest rate would not have a material effect on the financial reporting at November 30, 2020.

To control the foreign exchange risk on significant future commercial transactions for the import of materials, the Company uses forward contracts negotiated with the Otis Group Treasury Department.



As the parent company of Otis Maroc, S.A., whose registered office is in Morocco, the Company has considered the risk arising from possible future fluctuations in the euro/dirham exchange rate, which would affect future cash flows related to any dividends that said company might distribute.

In relation to commercial export and/or import transactions, the Company is exposed to an insignificant foreign exchange risk. At November 30, 2020, there were balances payable in foreign currencies other than the euro the equivalent value of which was euros was EThs 1,161 (EThs 2,387 in 2019). There were no receivable balances in currencies other than the euro.

(ii) Price risk

The Company has limited exposure to price risk for quoted commodities.

Additionally, the Company does not hold investments in companies outside the Group and, therefore, is not exposed to securities price risk.

(iii) Cash flow interest rate risk and fair value interest rate risk

As the Company does not hold significant remunerated assets, the revenues and cash flows from its operating activities are fairly independent of market interest rate fluctuations.

The Company's interest rate risk arises on long-term borrowings at variable interest rates, the interest rates applied to the loans from financial institutions being subject to the fluctuations of the Euribor.

As stated in Note 7, at the 2020 and 2019 reporting dates, the Company did not hold any borrowings at a fixed interest rate.

b) Credit risk

The Company has no significant risk concentrations with customers and there are no significant old credit balances (Note 8). The Company has policies in place to ensure that installation sales are made to customers with appropriate credit histories and, in addition, regular debt-monitoring procedures are conducted by the departments involved in debt collection.

The Company has policies in place to limit the amount of risk with any one financial institution. The credit risk arises from cash and cash equivalents, financial instruments, deposits with financial institutions, debt available for sale and accounts receivable. The banks and financial institutions with which the Group works are of recognized prestige and currently hold high credit ratings in the market.

The amounts of trade receivables are shown in the statement of financial position net of the provision for impairment. At November 30, 2020, said provision was EThs 34,722 (EThs 32,744 in 2019) (Note 8). The Company estimates the provisions required in accordance with the age of the debt and experience in earlier years, in line with the previous segregation of the customer portfolio and the current economic environment. According to said analysis, financial assets aged over six months but not deemed to be impaired in their totality at November 30, 2020 and 2019 were as follows:

	2020	2019
Between 6 months and 1 year	4,244	6,767
Between one and two years	1,420	1,983
Over two years	-	-
EThs	5,664	8,750

Amounts receivable for exports relate to balances with related companies (Otis Group) and the amounts shown as trade receivables, trade bills receivable and accounts with Zardoya Group companies relate principally to transactions carried out in national territory, for which the Company has assessed the credit capacity of each one of the debtors.

As stated in Note 10, at November 30, 2020 and 2019, the Company did not hold any current deposits with financial institutions.

c) Liquidity risk

Conservative liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. In this respect, the group Treasury Department aims to maintain flexibility in funding by keeping committed credit lines available.

The Company monitors the capital on the basis of the debt ratio. This ratio is calculated by dividing the net debt by the total capital. The net debt is calculated as total borrowings less cash and cash equivalents. The total capital is calculated as the equity on the statement of financial position plus the net debt.

At November 30, 2020, cash and cash equivalents represented EThs 30,184 (EThs 13,621 in 2019), including amounts held as cash and in banks.

The change in the Statement of Cash Flows in relation to operating, investing and financing activities is shown below:

	2020	2019
Cash at the beginning of the period	13,621	24,341
Cash flows from operating activities	174,159	165,136
Cash flows from investing activities	(14,818)	(19,162)
Cash flows from financing activities	(142,778)	(156,694)
Cash at the end of the period	30,184	13,621

#### d) Capital risk

The objective of the Company and its subsidiaries in relation to capital management is to ensure a financial structure that optimizes the cost of capital and maintains the financial position and to be able to make the creation of value for the shareholders compatible with the cost of covering financial needs.

Zardoya Otis, S.A. considers leverage as a capital management indicator. It is calculated by dividing the net debt by the total capital. The net debt is calculated as bank borrowings plus other financial liabilities less cash and cash equivalents less current financial assets

	2020	2019
Debt with financial institutions (current and noncurrent)	155	155
Other financial liabilities (current and noncurrent)	4,541	8,992
Cash and cash equivalents	(30,184)	(13,621)
Other current financial assets	(191)	(146)
Net financial debt	(25,679)	(4,620)
Equity	346,283	344,533
Leverage (*)	(6.90%)	(1.32%)

(\*) (Net financial debt / (Net financial debt + Equity))

At November 30, 2020, this net financial debt represented -0.18 of EBITDA (-0.03 in 2019) (EBITDA: operating profit + amortization/depreciation + impairment of investments in Group companies).

## 4.2 Estimation of fair value

The carrying amounts of the credits and debits arising from commercial transactions are assumed to be similar to their fair values. The fair value of the financial liabilities is estimated, for the purposes of presenting financial information, by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

## 5. Intangible assets

Details of the items included in “Intangible assets” and the movement on these items are as follows:

	Maintenance contracts	Goodwill	Other intangible assets	Total
Cost	52,073	36,110	9,563	97,746
Accumulated amortization	(30,404)	(36,110)	(5,986)	(72,500)
<b>Balance at November 30, 2018</b>	<b>21,669</b>	<b>-</b>	<b>3,577</b>	<b>25,246</b>
Additions	-	-	1,645	1,645
Provision for amortization	(2,793)	-	(2,241)	(5,034)
<b>Net carrying amount</b>	<b>18,876</b>	<b>-</b>	<b>2,981</b>	<b>21,857</b>
Cost	52,073	36,110	11,207	99,390
Accumulated amortization	(33,197)	(36,110)	(8,226)	(77,533)
<b>Balance at November 30, 2019</b>	<b>18,876</b>	<b>-</b>	<b>2,981</b>	<b>21,857</b>
Additions	778	332	1,640	2,750
Provision for amortization	(2,659)	(33)	(2,241)	(4,933)
<b>Net carrying amount</b>	<b>16,995</b>	<b>299</b>	<b>2,380</b>	<b>19,674</b>
Cost	52,851	36,443	12,848	102,142
Accumulated amortization	(35,856)	(36,144)	(10,468)	(82,468)
<b>Balance at November 30, 2020</b>	<b>16,995</b>	<b>299</b>	<b>2,380</b>	<b>19,674</b>

### a) Goodwill

The value of goodwill at the 2020 and 2019 reporting dates was zero. Details of goodwill are as follows:

	Year	Cost	Net carrying amount 2020
Sadet y Huesca	2000	447	-
Elevamar	2001	366	-
Gonzalo	2002	312	-
Artzai	2002	229	-
Valenciana de Ascensores S.L.	2004	624	-
Manelso S.L.	2007	3,476	-
De Vega S.A.	2008	16,459	-
Ascensores Saez S.L.	2008	7,647	-
Jobensa S.L.	2009	1,270	-
Ascensores Vascos S.L.	2009	1,157	-
Técnicos de Ascensores Reunidos S.A.	2009	2,631	-
Ascensores González S.L.	2009	1,492	-
Sige	2020	333	299
<b>TOTAL</b>		<b>36,443</b>	<b>299</b>

The recoverable amount of an acquisition is determined by comparison with calculations of the value in use. These calculations use cash flow projections for a 5-year period.

The key assumptions used to calculate the value in use are:

- Cash flows: they are determined on the basis of the gross margin, which, in turn, is estimated on the basis of past returns and future growth expectations, consistently with the evolution expected in the Group.
- Growth rate: a maximum of 2.9%. The growth rate employed for the projection after the period considered is 2%, in line with the rate used in similar industries in the countries where the Group operates.
- Discount rate: 5.09% (6.12% in 2019: it is reviewed annually and applied to the pre-tax cash flows).

b) Maintenance contracts

Details of maintenance contracts acquired are as follows:

	Period	Net carrying amount 2020	Net carrying amount 2019
Aspe – Las Palmas	2007	-	-
Omega Sur:	2008	87	256
Ascensores Vascos.	2009	2,745	3.121
Jobensa	2009	528	786
Grupo Lagi	2009	3,488	4.139
Técnicos de Ascensores Reunidos S.A.	2009	4,516	5.042
Ascensores González S.L.	2009	3,821	4.245
Aspe – Ibiza	2010	175	259
Arazola / Jeysan / SLV3	2016	413	469
Hemen	2017	505	559
Sige	2020	716	-
TOTAL		16,994	18,876

The useful lives of these contracts are estimated at between 10 and 20 years and their value is amortized on a straight-line basis over said period. The amortization charge in the period 2020 was EThs 2,659 (EThs 2,793 in 2019). As of November, 30, 2020, the original cost of these portfolios was 52,851 (EThs 52,073 in 2019).

## c) Other intangible assets with indefinite useful lives

In 2015, the company Grupo Ascensores Enor, S.A. was merged by absorption. Said company was dissolved without liquidation and the totality of its equity was transferred en bloc to the absorbing company, Zardoya Otis, S.A. Other intangible assets include the market value of the trademark Enor for EThs 5,961 (EThs 5,961 in 2019) and its carrying amount of EThs 2,384 (EThs 2,980 in 2019).

## 6. Property, plant and equipment

Details of the items included in property, plant and equipment and movement on these items are as follows:

	Terrenos y construcciones	Maquinaria	Mobiliario, accesorios y equipo	Total
Coste	54.502	20.726	48.632	123.860
Amortización acumulada	(10.705)	(14.064)	(42.494)	(67.263)
<b>Saldo a 30-11-2018</b>	<b>43.797</b>	<b>6.662</b>	<b>6.138</b>	<b>56.597</b>
Altas	-	2.649	1.515	4.164
Bajas	-	-	(98)	(98)
Dotación para amortización	(1.119)	(1.265)	(2.351)	(4.735)
Coste	54.502	23.375	50.049	127.926
Amortización acumulada	(11.824)	(15.329)	(44.845)	(71.998)
<b>Saldo a 30-11-2019</b>	<b>42.678</b>	<b>8.046</b>	<b>5.204</b>	<b>55.928</b>
Altas	63	2.753	5.125	7.941
Dotación de Amortización	(1.151)	(1.504)	(2.413)	(5.068)
Coste	54.565	26.128	55.174	135.867
Amortización acumulada	(12.975)	(16.833)	(47.258)	(77.066)
<b>Saldo a 30-11-2020</b>	<b>41.590</b>	<b>9.295</b>	<b>7.916</b>	<b>58.801</b>

## a) Impairment losses

In the years 2020 and 2019, no significant impairment losses were recognized or reversed for any individual item of property, plant and equipment.

b) Revaluations carried out under Royal Decree-Law 7/1996 of June 7

In its annual financial statements as of November 30, 1996, the Company restated its balances in accordance with Royal Decree-Law 7/1996, giving rise to a net value increase of EThs 4,056 in the Company's property, plant and equipment. The total amount of the restatement is shown in the accounts, as provided for in Royal Decree-Law 7/1996, as an increase in the value of the restated assets, with its balancing item in the revaluation reserve account, net of the applicable taxes, for an amount of EThs 3,934.

At November 30, 2020, the aforementioned restatement had an impact of EThs 212 (2019: EThs 231) on the net carrying amount of property, plant and equipment. Consequently, the effect of this restatement on the provision for the year 2020 was EThs 19 (EThs 19 in 2019).

c) Fully-depreciated assets

At November 30, 2019 and 2018, the following items of property, plant of equipment had been fully depreciated but were still in use:

	2020	2019
Buildings	3,548	3,548
Plant and machinery	27,281	25,723
Other installation, tools and furniture	17,159	16,459
Other items of PPE	12,404	10,694
EThs	60,392	56,424

d) Insurance

It is the Company's policy to take out all the insurance policies deemed necessary to cover any possible risks which could affect, among other items, the property, plant and equipment.

e) Acquisition commitments

As of November 30, 2020, there were firm purchase commitments for the acquisition of property, plant and equipment for an amount of EThs 1,207 (EThs 859 in 2019), EThs 441 of which had been settled in advance (EThs 1,799 in 2019).



## 7. Analysis of financial instruments

### 7.1 Analysis by category

The carrying amount of each one of the categories of financial instruments established in the rules on recognizing and measuring “financial instruments”, except for investments in the equity of group companies (Note 7.3) was as follows:

Financial assets	2020		2019	
	Equity instruments	Credits, derivatives, other	Equity instruments	Credits, derivatives, other
Noncurrent				
Welfare commitments (Note 18)	-	2,980	-	4,615
Trade & other receivables (Note 7.2)	-	2,529	-	2,676
Other	-	462	-	567
TOTAL	-	5,971	-	7,858
Current				
Trade & other receivables (Note 8)	-	99,624	-	116,540
Cash and cash equivalents (Note 10)	-	30,184	-	13,621
Other	-	191	-	146
TOTAL	-	129,999	-	130,307

Financial liabilities	2020		2019	
	Debt with financial institutions	Derivatives Other	Debt with financial institutions	Derivatives Other
Noncurrent				
Debits and payables (Note 15)	-	62	-	198
Loans with Group companies (Notes 15, 27)	-	37,001	-	37,008
TOTAL	-	37,063	-	37,206
Current				
Debits & payables (Note 15)	-	168,634	-	174,069
Borrowings from financial institutions	155	-	155	-
Debt with Group companies (Notes 15 & 27)	-	65,755	-	61,458
Other	-	135	-	135
TOTAL	155	234,524	155	235,662

## 7.2 Analysis by maturity

The noncurrent financial assets include trade bills receivable maturing at more than one year, which total ETBs 2,529 (ETBs 2,676 in 2019). Details by year of maturity are as follows:

	2020	2019
At two years	2,379	2,632
At three years	94	33
At more than 3 years	56	11
ETBs	2,529	2,676

Financial liabilities include current and noncurrent debt for business combination commitments with the following maturities:

Year 2020	Current	Noncurrent		
		2021	2022	Total
Acquisitions prior to 2020	1,359	566	2,616	3,182
Acquisitions 2020	-	-	-	-
Total	1,359	566	2,616	3,182

At November 30, 2020 and 2019, the carrying amount of current borrowings from financial institutions was equal to their fair value, since the impact of applying a discount was not significant.

Year 2020	Current	Noncurrent		
		2021	2022	Total
Borrowings from financial institutions	155	-	-	-
Total	155	-	-	-

At November 30, 2020, there were financial assets (trade receivables) of ETBs 53,055 (ETBs 51,383 in 2019) that had been derecognized from the statement of financial position because the risks of late or non-payment had been transferred.

### 7.3 Holdings in Group companies

#### 2020:

During 2020, companies belonging to the CGU Zardoya Otis Group (Spain) acquired 100% of the shares in the company N&V Servirema S.L.U. (February 25, 2020).

#### 2019:

During the 2019 reporting period, the company acquired 100% of the shares of OTIS Lliset SLU in Andorra and Sige Ascensores SL in Spain.

Likewise, in 2019 the company acquired 80% of the shares of Ascensores Eleva SL for a value of EThs 9,126. This acquisition was executed principally through a share exchange, in which Zardoya Otis, S.A. transferred treasury shares held on its portfolio at the transaction date.

All the companies acquired in the period are engaged mainly in the sale, supply, installation and repair of elevators.

Holdings in group companies are represented by the Company's investments in the following companies:

November 30, 2020								
Company	Registered office	Percentage direct or indirect holding or voting rights	Carrying amount of holding	Provision for impairment	Capital	Reser-ves	Net profit/(loss) for period	Dividends received in period (Note 22)
Ascensores Ingar, S.A.	Granada	100	15,936	1,630	1,000	9,742	413	0
Cruxent – Edelma - Aspe S.L.	Barcelona	100	36,739	-	120	11,291	1,880	2,974
Ascensores Serra, S.A.	Gerona	75	605	-	240	1,158	1,787	1,208
Otis Elevadores, Lda.	Portugal	100	31,658	-	21,241	29,385	16,168	18,150
Ascensores Pertor, S.L.	Valencia	100	20,357	-	51	10,892	2,101	3,264
Acrea Cardellach, S.L.	Barcelona	96,76	19,515	-	10,808	22,551	2,437	2,958
Puertas Automáticas Portis, S.L.	Madrid	100	18,977	-	336	8,907	3,064	3,385
Zardoya Otis (Gibraltar) Limited.	Gibraltar	100	-	-	1	0	218	-
Conservación de Aparatos Elevadores Express, S.L.	Madrid	100	1,771	-	1,771	7,241	2,424	2,343
Otis Maroc, S.A.	Morocco	100	21,949	1,983	330	6,931	1,058	916
Montes Tallón S.A.	Alicante	52	16,716	5,893	97	6,907	124	20
Ascensores Enor, S.A.	Pontevedra	100	117,100	-	2,661	13,630	5,876	5,525
Electromecánica del Noroeste, S.A.	Pontevedra	100	16,525	-	1,000	13,833	4,143	-
Electromecánica Hemen Elevadores, S.L.	Vitoria	100	17,820	-	10	9,884	162	639
Soluciones de Accesibilidad LV3 SL	Barcelona	80	450	-	160	233	286	115
Otis Lliset SLU	Andorra	100	4,280	-	3	4,768	190	450
Ascensores Eleva SL	Alicante	80	8,047	-	6	0	80	-
EThs			348,445	9,506				41,947

November 30, 2019								
Company	Registered office	Percentage direct or indirect holding or voting rights	Carrying amount of holding	Provision for impairment	Capital	Reserves	Net profit/(loss) for period	Dividends received in period (Note 22)
Ascensores Ingar, S.A.	Granada	100	15,936	1,630	1,000	9,193	(479)	-
Cruxent – Edelma - Aspe S.L.	Barcelona	100	36,739	-	120	8,528	1,848	3,989
Ascensores Serra, S.A.	Gerona	75	605	-	240	1,158	1,611	1,254
Otis Elevadores, Lda.	Portugal	100	31,658	-	21,241	31,221	15,751	17,695
Ascensores Pertor, S.L.	Valencia	94,13	17,393	-	51	12,392	1,834	3,238
Acreca Cardellach, S.L.	Barcelona	96,76	19,515	-	10,808	24,097	2,088	2,860
Puertas Automáticas Portis, S.L.	Madrid	100	18,977	-	336	12,315	1,644	4,521
Zardoya Otis (Gibraltar) Limited.	Gibraltar	100	-	-	1	0	220	-
Conservación de Aparatos Elevadores Express, S.L.	Madrid	100	1,771	-	1,771	8,934	2,763	522
Otis Maroc, S.A.	Morocco	100	21,949	1,983	330	6,228	1,723	1,629
Montes Tallón S.A.	Alicante	52	16,716	5,893	97	6,982	140	-
Ascensores Enor, S.A.	Pontevedra	100	117,100	-	2,661	13,650	5,602	6,077
Electromecánica del Noroeste, S.A.	Pontevedra	100	16,525	-	1,000	13,833	495	-
Electromecánica Hemen Elevadores, S.L.	Vitoria	100	17,820	-	10	9,884	381	331
Soluciones de Accesibilidad LV3 SL	Barcelona	80	450	-	160	221	144	-
Otis Liset SLU	Andorra	100	4,280	-	3	125	246	350
Ascensores Eleva SL	Alicante	80	9,126	-	6	(549)	79	-
Sige Ascensores SL	Alicante	100	1,007	-	9	43	18	-
EThs			347,567	9,506				42,466

The principal activity of the different companies that form the Group is the manufacture and installation of elevators and the maintenance thereof (Note 1), except for Puertas Automáticas Portis, S.L. (sale, installation, repair and maintenance of automatic doors).

## 8. Loans and receivables

	2020	2019
<b>Noncurrent loans and receivables:</b>		
Noncurrent trade bills receivable (Note 7.2)	2,529	2,676
<b>Trade and other receivables</b>		
Trade receivables	61,928	68,467
Current trade bills receivable	18,279	20,751
Provisions for impairment	(34,722)	(32,744)
Receivables from Group companies (Note 27)	8,656	18,460
Receivables from related companies (Note 27)	39,701	37,763
Other receivables	5,782	3,843
Public authorities	5,612	5,704
EThs	105,236	122,244

At November 30, 2020 and 2019, the Company had no customers whose sales concentrated 5% of the sales for the period.

Trade receivables that mature at less than six months ago are not deemed to be impaired, unless the customer is subject to insolvency proceedings or other litigation. At November 30, 2020, balances aged less than six months were EThs 54,292 (EThs 56,473 in 2019).

Ageing of trade receivables (other than doubtful debts with customers who are subject to insolvency proceedings or other litigation) was as follows:

	2020	2019
Between 6 months and 1 year	4,715	5,796
Between 1 and 2 years	2,939	3,087
More than 2 years	1,421	2,315
EThs	9,075	11,198

Movement on the provision for impairment losses on trade receivables was as follows:

	2020	2019
Starting balance	32,744	49,176
Provision made	2,647	1,586
Reversals	(990)	(3,105)
Write-offs	321	(14,913)
EThs	34,722	32,744

The recognition and reversal of the impairment losses on trade receivables is included in "Impairment losses and change in trade provisions" in the income statement. Usually, amounts charged to the impairment account are written off when there is no expectation of recovering more cash. The net write-off of the provision in 2020 was 0.02% of the Company's sales (2019: 0.26%).

To provide further details, the following is a summary of overdue receivables aged less and more than six months that are not impaired:

### 2020

Thousands of euros	Total	Impaired	Net	Not yet due	Due but not impaired
A menos de seis meses	41.257	(700)	40.557	36.673	3.884
Entre seis meses y un año	4.715	(472)	4.243		4.243
Entre un año y dos años	2.939	(2.254)	685		685
A más de dos años	4.415	(4.415)			0
En litigio	26.881	(26.881)			0
<b>Total</b>	<b>80.207</b>	<b>(34.722)</b>	<b>45.485</b>	<b>36.673</b>	<b>8.812</b>

**2019**

Thousands of euros	Total	Impaired	Net	Not yet due	Due but not impaired
Less than 6 months	52,975	(318)	52,657	39,039	13,618
Between 6 months and 1 year	5,075	(1,578)	3,497	-	3,497
Between 1 and 2 years	2,458	(2,138)	320	-	320
More than 2 years	1,924	(1,924)	-	-	-
In litigation	26,786	(26,786)	-	-	-
<b>Total</b>	<b>89,218</b>	<b>(32,744)</b>	<b>56,474</b>	<b>39,039</b>	<b>17,435</b>

The rest of the accounts included in “Loans and receivables” did not suffer any impairment.

The maximum credit risk exposure at the date of presentation of the information is the fair value of each one of the categories of receivables mentioned above. The Company does not hold any guarantees as security.

**9. Cost in progress and advance billing**

	2020	2019
Costs of contracts in progress	69,613	72,595
Total contracts in progress	69,613	72,595
Advance billing (Note 15)	(86,965)	(92,998)
EThs	(17,352)	(20,403)

Advance billing is included under the heading “Trade and other payables” in the statement of financial position.

Additionally, the inventories heading includes other materials for a value of EThs 23,751 (EThs 18,952 in 2019).

The cost of contracts in progress includes EThs 1,282 (EThs 901 in 2019) and advance billing includes EThs 1,130 (EThs 1,251 in 2019) for export contracts with companies related to the Otis Group.

## 10. Cash and cash equivalents

	2020	2019
Caja y bancos	14.684	13.621
Depósitos de tesorería en entidades vinculadas	14.000	-
Otros equivalentes	1.500	-
EMIs	30.184	13.621

The effective interest rate on current deposits with financial institutions was 0.01% (2019: 0.01%) and the average term of these deposits was less than one month.

As of November 30, 2020 and 2019, the Company did not hold any restricted amounts in banks.

As of November 30, 2020, the cash and cash equivalents heading included EThs 14,000 for a cash deposit placed by Zardoya Otis, S.A. with Otis Treasury Center INC (OTC)

In the same way the company has cash equivalents of EThs 1,500 with intracompanies

## 11. Capital

The share capital is represented by 470,464,311 ordinary bearer shares with a par value of 0.10 euros each, fully paid up and distributed as follows:

Shareholder	Shares		% interest	
	2020	2019	2020	2019
United Technologies Holdings, S.A.	235,279,377	235,279,377	50.01	50.01
Euro-Syns, S.A.	53,373,751	53,373,751	11.34	11.35
Other non-controlling interests	180,391,167	181,425,314	38.34	38.56
Treasury stock	1,420,016	385,869	0.30	0.08
TOTAL	470,464,311	470,464,311	100.00	100.00

There is no other individual shareholder with a holding of more than 10%.

All the Company's shares are of the same class and have the same voting rights.

All the shares of Zardoya Otis, S.A. are listed on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges.

As of November 30, 2020, interim dividends of EThs 69,629 (EThs 75,243 in 2019) charged to the period ended on said date had been declared. These interim dividends were paid (Note 14) for shares 1 to 470,464,311.

Additionally, a dividend charged to available reserves was paid on July 10, 2020 for shares 1 to 470,464,311 for a gross amount of EThs 28,228. Treasury shares held at said date were excluded.

## 12. Treasury shares

The Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. held on May 23, 2018 authorized the Board of Directors to acquire, directly or indirectly, treasury stock of Zardoya Otis, S.A., observing the limits and requirements set out in article 146 and related articles of the Capital Companies Law.

At its meeting of December 11, 2018, the Board of Directors agreed to acquire treasury stock to be used in company acquisition transactions.

As a consequence of one of the acquisition transactions mentioned in Note 7.3, Zardoya Otis, S.A. acquired shares for a value of EThs 6,206 euros and, on June 28, 2019, in payment, gave in exchange 536,925 treasury shares that it held on its portfolio, valued at EThs 3,557.

As of November 30, 2019, Zardoya Otis, S.A. held 385,869 treasury shares (zero at the end of 2018) for a value of EThs 2,572.

On September 10, 2020, the share repurchase program was resumed and, as of November 30, 2020, a total of 1,598,708 shares had been acquired for a value of EThs 8,806.

On November 4, 2020, 564,561 of the total treasury shares held, valued at EThs 3,290 were given in payment.



### 13. Reserves

#### a) Reserves

	2020	2019
- Legal reserve	10,914	10,538
- Voluntary reserves	179,969	174,716
- Reserve 1st implantation	188	188
- Merger reserve	12,677	12,677
<b>EThs</b>	<b>203,748</b>	<b>198,150</b>

The legal reserve has been set aside in accordance with article 274 of the Capital Companies Law, which states that, in all cases, an amount equal to 10 percent of the profit for the year will be allocated to this reserve until a figure equal to at least 20 percent of the share capital is reached. It cannot be distributed and, if it is used to offset losses in the event that sufficient other available reserves do not exist for this purpose, it must be replenished with future profits.

### 14. Profit for the period

#### a) Proposed distribution of the profit

The proposed distribution of the profit for 2020 to be put to the General Meeting of Shareholders is as follows:

	2020	2019
<b>Available for distribution</b>		
Profit for the period	141,699	147,023
EThs	141,699	147,023
<b>Application</b>		
Legal reserve	376	376
Reserve for goodwill	41,31	33,796
Voluntary reserves	100,013	112,850
Dividends	141,699	147,023

## b) Dividend and partial cash distribution of share premium:

In 2020, three quarterly dividends and a dividend charged to reserves were paid, as follows:

1st Dividend 0.080 euros gross per share, charged to the period 2020. Declared on March 20, 2020 and paid out on April 10, 2020. Shares: 470,464,311 (Treasury stock: 385,869 shares) Gross total = 37,637,144.88 euros	37,606
Dividend charged to reserves: 0.060 euros gross per share. Declared on June 16, 2020 and paid out on July 10, 2020. Shares: 470,464,311 (Treasury stock: 385,869) Gross total = 28,227,858.70 euros	28,205
2nd Dividend 0.065 euros gross per share, charged to the period 2020. Declared on September 15, 2020 and paid out on October 9, 2020. Shares: 470,464,311 (Treasury stock: 385,869) Gross total = 30,580,180.20 euros	30,555
Dividend at end of period	96,366
3rd Dividend 0.068 euros gross per share, charged to the period 2020. Declared on December 15, 2020 and paid out on January 11, 2021 . Shares: 470,464,311 (Treasury stock: 2,049,865) Gross total = 31,991,573.15 euros	31,852
TOTAL 2020	128,218

In 2019, three quarterly dividends and a partial cash distribution of the share premium were paid as follows:

<u>1st Dividend</u> 0.080 euros gross per share, charged to the period 2019. Declared on March 20, 2019 and paid out on April 10, 2019. Shares: 470,464,311 (Treasury stock: zero) Gross total = 37,637,144.88 euros	37,637
<u>Dividend charged to reserves</u> : 0.080 euros gross per share. Declared on May 22, 2019 and paid out on July 10, 2019. Shares: 470,464,311 (Treasury stock: 385,869) Gross total = 37,637,144.88 euros	37,606
<u>2nd Dividend</u> 0.080 euros gross per share, charged to the period 2019. Declared on September 12, 2019 and paid out on October 10, 2019. Shares: 470,464,311 (Treasury stock: 385,869) Gross total = 37,637,144.88 euros	37,606
Dividend at end of period	112,850
<u>3rd Dividend</u> 0.080 euros gross per share, charged to the period 2019. Declared on December 11, 2019 and paid out on January 10, 2020. Shares: 470,464,311 (Treasury stock: 385,869) Gross total = 37,637,144.88 euros	37,606
TOTAL 2019	150,456

The following table shows the existence of sufficient profit in the period to allow the distribution of the interim dividends that took place on the aforementioned dates and the provisional statement of account supporting the existence of sufficient liquidity to allow the distribution of the aforementioned interim dividends.

The amounts to be distributed did not exceed the profit obtained since the end of the preceding period after deducting the estimated corporate income tax payable on said profit, in accordance with the provisions of article 277 of the Capital Companies Law.

## 15. Debits and payables

	2020	2019
<b>Noncurrent debts and payables:</b>		
Loans with Group companies (Notes 7, 27)	37,001	37,008
Other payables (Note 7)	62	198
<b>EThs</b>	<b>37,063</b>	<b>37,206</b>
<b>Current debt with group and associated companies</b>		
Payables to Group companies (Notes 7, 27)	<b>65,755</b>	<b>61,458</b>
<b>Current debits and payables:</b>		
Trade payables	26,411	25,596
Invoices not yet received	12,145	10,137
Other payables	12,539	15,929
Employees	18,776	18,066
Advance billing (Note 9)	86,965	92,998
Related-party payables (Nota 27)	11,797	11,341
Current tax liability	3,799	5,593
Other payables to public authorities (Note 21)	13,952	15,196
<b>EThs</b>	<b>186,384</b>	<b>194,856</b>

At the 2020 reporting date, the Company held a payable of EThs 37,063 (2019: EThs 37,008) with Otis Portugal for a long-term loan. The conditions of the loan are comparable to those the Company would obtain from a non-related party.

The carrying amount of noncurrent debt is approximately equal to its fair value, since the effect of discounting is not significant.

a) Information on delays in payments to suppliers, Third Additional Provision "Reporting duties" of Law 15/2010 of July 5.

In compliance with Law 15/2010 of July 5, the Company reports that during the 2019 reporting period the total payments made to suppliers amounted to EThs 207,055 (2019: EThs 246,637), meeting the requirements of said legislation.

	<b>2020</b>	<b>2019</b>
	<b>Days</b>	<b>Days</b>
Average period of payments to suppliers	41	37
Ratio of transactions paid	38	37
Ratio of transactions outstanding	58	38
	<b>Euros</b>	<b>Euros</b>
Total payments made	207,055	246,637
Total payments outstanding	27,225	27,292

## 16. Accruals

The accrual heading in the liabilities includes principally the accounting accrual of the amounts billed in advance to maintenance customers.

	<b>2020</b>	<b>2019</b>
Advance maintenance billing	14,721	14,865
EThs	14,721	14,865

## 17. Provisions

The balances of the provisions recognized were as follows:

	<b>2020</b>	<b>2019</b>
<b>Noncurrent:</b>		
Welfare commitments (Notes 18 & 27)	11,040	8,554
	11,040	8,554
<b>Current:</b>		
Delayed sales costs	2,939	3,032
Provision for risks	7,480	6,831
Guarantees	56	172
Other	493	353
EThs	10,968	10,388

The provision for delayed sales costs relates to costs incurred in work that had already been completed but where the relevant charges from third parties had not yet been received. The risks provided for relate to litigations and other identified risks inherent to the Company's activity.

## 18. Welfare commitments

Post-employment commitments acquired with Group employees consisting of the payment of supplements to social security benefits, other retirement benefits and life insurance premiums are drawn up in group insurance policies and classified as defined-benefit plans.

The liability recognized in the statement of financial position in relation to defined-benefit pension plans is the present value of the defined benefit obligations at the reporting date less the fair value of the assets attached to the plan. The defined benefit obligation is calculated annually, after the wage adjustment process has been concluded in October, by independent actuaries using the projected unit credit method. The income statement shows an expense of EThs 2,023 (2019: EThs 1,697) for this item, included as an employee benefit cost.

Obligations (Asset) in statement of financial position	2020	2019
Current employees	(2,980)	(4,615)
Retired employees	-	-
<b>EThs</b>	<b>(2,980)</b>	<b>(4,615)</b>

The amounts recognized in the statement of financial position were determined as follows:

	2020	2019
Present value of obligations financed	45,747	42,783
Fair value of assets attached to the Plan	(48,727)	(47,398)
<b>EThs</b>	<b>(2,980)</b>	<b>(4,615)</b>

The evolution of the present value of the defined-benefit obligation and fair value of the assets attached to the plan in the period was as follows:

	Obligation recognized	Plan assets
<b>As of November 30, 2018</b>	<b>38,447</b>	<b>(42,284)</b>
Service cost	2,012	-
Interest cost	713	-
Return on assets	-	(740)
Benefits paid	(2,168)	2,168
Contributions	-	(1,505)
Actuarial losses / gains	5,587	(6,557)
Settlements	(1,808)	1,520
<b>As of November 30, 2019</b>	<b>42,783</b>	<b>(47,398)</b>

	Obligation recognized	Plan assets
<b>As of November 30, 2019</b>	<b>42,783</b>	<b>(47,398)</b>
Service cost	2,387	-
Interest cost	408	-
Return on assets	-	(433)
Benefits paid	(1,430)	1,430
Contributions	-	(480)
Actuarial losses / gains	2,136	(2,044)
Settlements	(538)	199
<b>As of November 30, 2020</b>	<b>45,746</b>	<b>(48,726)</b>

The main actuarial assumptions applied were as follows:

	2020	2019
Discount rate varies depending on the term of the commitment between	0.00% - 0.53%	0.00% - 0.92%
Mortality tables	PERMF 2000P	PERMF 2000P
Wage increase	2.25%	2.15%
Estimated retirement age forecast	65 to 67 years	65 to 67 years

The amounts recognized in the income statement were as follows:

	2020	2019
Current service cost	2,387	2,012
Interest cost	408	713
Expected return on plan assets	(433)	(741)
Settlements/Curtailments	(339)	(287)
Total (included in employee costs)	2,023	1,697

The amounts of the present value of the defined benefits and fair value of assets attached to the plan for the 2019 period and the three preceding annual periods are:

	2020	2019	2018	2017
Current service cost	45,747	42,783	38,447	38,920
Interest cost	(48,726)	(47,398)	(42,283)	(43,061)

The Group's best estimate of the contributions to be paid in the period ending November 30, 2021 is EThs 2,462 (2019: 2,362).

The actuarial gains and losses shown in the statement of recognized income and expenses, recognized in equity for an actuarial loss of EThs 92.3 (actuarial gain of EThs 971 in 2019), relate principally to the effects of experience with the group on which the calculation was based and are the sum of an actuarial gain of EThs 260.9 (2019: actuarial gain of EThs 1,259); and an actuarial loss of EThs 233.5 (2019: actuarial gain of EThs 1,914), attributable to wage deviations which differed from expectations, and an actuarial loss of

EThs 119.7 (2019: EThs 1,626) related to changes in the rates of and returns on the funds.

Additionally, there is a defined-contribution plan, the annual cost of which is included under the heading "Employee benefit expenses" for an amount of EThs 753 (2019: EThs 717).

Obligations to employees include other commitments of EThs 11,040 (2019: 8,554).

## 19. Deferred taxes

Details of deferred taxes are as follows:

	2020	2019
to be recovered after more than 12 months	18,636	19,858
to be recovered within 12 months	831	566
EThs	19,467	20,424

Movement on deferred tax assets and liabilities in the period was as follows:

EThs	Welfare commitments	Amortization/depreciation fixed assets	Other	Total
<b>At November 30, 2018</b>	8,676	9,736	3,530	21,942
Charged/credited to income statement:				
Deferred tax assets (Note 21)	(385)	(343)	(790)	(1,518)
Deferred tax liabilities				
Change in tax rates				
Business combinations				
<b>At November 30, 2019</b>	8,291	9,393	2,740	20,424
Charged/credited to income statement:				
Deferred tax assets (Note 21)	(770)	(339)	152	(957)
Deferred tax liabilities				
Change in tax rates				
Business combinations				
<b>At November 30, 2020</b>	7,521	9,054	2,892	19,467

All the deferred tax assets shown on the statement of financial position at November 30, 2020 and 2019 relate to temporary differences and other tax reductions.

## 20. Income and expenses

### a) Net revenue

The net revenue from the Company's ordinary activities was distributed as follows:

	2020	2019
New installations	44,585	42,476
Service	359,044	370,478
Exports	162,667	170,241
Other sales	149	333
EThs	566,445	583,528

The majority of export sales were made to Otis Elevator Group companies.

### b) Goods, raw materials and other consumables used

	2020	2019
Purchases	208,046	215,028
Change in inventories	(4,590)	2,838
	203,456	217,866

### c) Employee benefit expenses

	2020	2019
Wages, salaries and similar	125,957	125,607
Welfare charges and other	47,222	45,437
Pension contributions and provisions (Note 18)	2,023	1,697
	175,202	172,741

Since the 2011 reporting period, a long-term Otis Worldwide incentive scheme has also been included for certain Zardoya Otis executives who are likewise considered as Otis Group executives. This scheme includes Otis share-based payments (Note 27). The expense recognized for this item in 2020 was EThs 922 (2019: EThs 495).

The item "Staff welfare expenses and other" included severance payments of EThs 2,364 in 2020 (2019: EThs 1,884).



The average number of employees during the period (reporting date), distributed by category and gender, was as follows:

	2020			2019		
	Men	Women	Total	Men	Women	Total
Managers	39	10	49	37	6	43
Administration/workshop/field supervisors	323	26	349	323	23	346
Engineers, university graduates and other experts	100	30	130	104	31	135
Administrative and technical personnel	298	227	525	310	243	553
Other workers	2,038	17	2,055	2,071	17	2,088
	2,798	310	3,108	2,845	320	3,165

The average number of people with a disability rating of 33% or higher employed by Zardoya Otis, S.A. during 2020 and 2019 was 26 (25 men and 1 woman) in 2020 and 27 (26 men and 1 woman) in 2019.

d) External services

Details of external services are as follows:

	2020	2019
Leases	12,481	12,489
Repairs and maintenance	2,245	1,969
Insurance premiums	651	324
Advertising, publicity	1,486	1,938
Transport	9,926	11,855
Supplies and other services	4,702	5,981
Independent professionals	2,457	2,228
Other	10,854	8,555
EThs	44,802	45,339

At November 30, 2020, lease expenses included the costs incurred for royalties under the agreement signed with Otis Elevator Company for an amount of EThs 9,814 (EThs 9,969 in 2019), corresponding to 3.5% of the Service activity. In addition, in 2020, an amount of EThs 5,243 (EThs 4,236 in 2019) was recorded under the cost in progress heading, accounting for 3.5% of net installation contract billing.

## 21. Income tax and tax situation

The reconciliation between the net revenue and expenses for the period and the corporate income tax base is as follows:

2020	Income statement		Revenue and expenses allocated directly to equity	
	Increases	Decreases	Increases	Decreases
Balance revenue & expenses for period	174,765	-	-	-
Foreign source income	-	(19,066)	-	-
Local source income	-	(22,881)	-	-
Permanent differences	545	-	-	-
Temporary differences	-	-	-	-
-originating in the period	3,574	-	-	-
-originating in previous periods	-	(6,010)	-	-
Tax base (taxable profit)	178,884	(47,957)	-	-

2019	Income statement		Revenue and expenses allocated directly to equity	
	Increases	Decreases	Increases	Decreases
Balance revenue & expenses for period	183,185	-	-	-
Foreign source income	-	(19,293)	-	-
Local source income	-	(23,172)	-	-
Permanent differences	107	-	-	-
Temporary differences	-	-	-	-
-originating in the period	2,788	-	-	-
-originating in previous periods	-	(5,556)	-	-
Tax base (taxable profit)	186,080	(48,021)	-	-

Current income tax expense is calculated as follows:

	2020	2019
Tax base (taxable profit)	130,927	138,059
Gross tax payable 25%	32,732	34,515
Other tax credits	(518)	(483)
Current tax	32,214	34,032

Corporate income tax expense is composed of:

	2020	2019
Current tax	32,214	34,032
Business combinations	-	-
Tax from previous periods	(105)	612
Deferred taxes (Note 19)	957	1,518
EThs	33,066	36,162

At the reporting date, EThs 28,414 (EThs 28,439 in 2019) had been paid on account of the final corporate income tax payable.

As a consequence of, among other items, possible different interpretations of current tax legislation, additional liabilities could arise as the result of an inspection. However, the directors consider that, to the best of their knowledge should any such liabilities arise, they would not have a significant effect on the annual financial statements.

#### Balances with the Public Treasury

	2020	2019
Provision for corporate income tax	32,214	34,032
Payments on account of corporate income tax	(28,415)	(28,439)
<b>Balances receivable</b>		
Social Security	-	8
Withholding tax	102	120
Input VAT	5,510	5,576
Previous years' corporate income tax	-	-
<b>EThs</b>	5,612	5,704
<b>Balances payable</b>		
Public Treasury, withholding tax operated	2,338	2,067
Public Treasury, output VAT	3,309	4,629
Social Security	8,305	8,500
Public Treasury, VAT payable	-	-
<b>EThs</b>	13.952	15.196

## 22. Financial profit

	2020	2019
<b>Financial income</b>		
Holdings in equity instruments		
- Group companies (Notes 7, 27)	41,947	42,466
Marketable securities and other financial instruments		
- Third parties	160	197
	42,107	42,663
<b>Financial expenses:</b>		
Debt with Group companies	(374)	(377)
Debt with third parties	(90)	(94)
	(464)	(471)
<b>Foreign exchange differences</b>	60	(55)
<b>Financial profit</b>	41,703	42,137

## 23. Contingencies

### Guarantees committed with third parties

The Company has contingent liabilities in respect of bank guarantees and other guarantees arising in the ordinary course of business. It is not foreseen that any material liabilities will arise from these contingent liabilities. The Company furnished guarantees amounting to EThs 9,506 in the ordinary course of business (EThs 5,734 in 2019).

As the result of a disciplinary procedure initiated by the National Commission on Competition (CNC), now the National Commission on Markets and Competition (CNMC), against several companies in the elevator industry, a fine of EThs 2,845 was imposed on Zardoya Otis, S.A. in September 2013. A bond was deposited in order to appeal against the administrative decision before the Contentious-Administrative Chamber of the National Court, which duly delivered judgment. An appeal against said judgment was filed before the Supreme Court

The Supreme Court dismissed the appeal filed by Zardoya Otis, confirming the National Court's judgment (which had confirmed the infringement but ruled that the fine was excessive and should be recalculated). The proceedings therefore were returned to the CNMC so that they could be analyzed and the fine recalculated.

## 24. Commitments

### a) Purchase/sale commitments

At the reporting date, the Company had signed purchase contracts for the following items and amounts:

	2020	2019
Property, plant and equipment	1,206	859
Intangible assets	-	-
TOTAL	1,206	859

### b) Lease commitments

The Group leases commercial premises, offices and warehouses under lease agreements, for which different conditions have been established. The estimated annual cost of all the lease payments committed under these lease agreements was EThs 3,844 (EThs 2,556 in 2019).

Likewise, there were other operating lease commitments, principally for vehicles. The annual estimated cost of these commitments was EThs 5,171 (EThs 3,668 in 2019).

## 25. Business combinations – Mergers

### 2020

In the 2020 reporting period, a non-controlling interest (5.87%) was acquired in Ascensores Pertor, S.L. (5.87%) (November 4, 2020). Additionally, Sige Ascensores, S.L. was merged into Zardoya Otis (September 29, 2020).

Likewise, a non-controlling interest was acquired in Ascensores Pertor S.L. (5.87%) (November 4, 2020).

Cash & cash equivalents	126
Property, plant & equipment	10
Intangible assets	804
Receivables	3
Payables	(47)
Deferred tax liabilities	(201)

The difference gives rise to goodwill of EThs 372.

### 2019:

In the 2019 reporting period, the company acquired 100% of the shares of OTIS Lliset SLU (December 4, 2018) and Sige Ascensores SL and 80% of the shares of Ascensores Eleva SL. All these companies are engaged principally sale, supply, installation and repair of elevators .

## 26. Board of Directors and Senior Management

### a) Compensation of the members of the Board of Directors and Senior Management:

The global compensation for all items accrued during the year by the members of the Board of Directors was EThs 1,966 (EThs 1,985 in 2019) and included the following items:

	2020	2019
Fixed compensation	292	297
Variable compensation	240	195
Bylaw-stipulated items	683	1,033
Other long-term benefits	673	390
Pension plan contributions	78	70
<b>Total</b>	<b>1,966</b>	<b>1,985</b>

In 2020, the compensation accrued by senior management was EThs 250 (EThs 262 in 2019).

At the 2020 and 2019 reporting dates, the Company had not granted any advances or credits to the members of the Board of Directors or Senior Management.

The members of the Company's Board of Directors or Senior Management did not receive any remuneration from profit sharing or premiums.

### b) Conflicts of interest of the directors

Complying with the duty to avoid situations where there is a conflict with the Company's interests, the directors who held office on the Board of Directors during the period met the obligations set forth in article 228 of the Revised Text of the Capital Companies Law. Likewise, both they and persons related to them refrained from entering into the situations of conflict of interest provided for in article 229 of said Law, except in cases where the relevant authorization had been obtained.

## 27. Other related-party transactions

Otis Worldwide Corporation (incorporated in France) held 50.01% of the Company's shares at the reporting date.

The following transactions were carried out with related parties:

<b>(a) transactions with Zardoya Otis Group companies</b>		
	<b>2020</b>	<b>2019</b>
Sales	42,062	36,414
Purchases	(29,282)	(24,767)
Dividend income (Note 22)	42,106	42,466
Receivables (Note 8)	8,656	18,460
Payables (Note 15)	(65,755)	(61,458)
Noncurrent loans	(37,062)	(37,008)

<b>(b) transactions with Otis Group companies</b>		
	<b>2020</b>	<b>2019</b>
Royalties	(13,363)	(12,785)
Billing of costs of engineering development center to Otis	3,806	3,799
Sales and other revenue	151,621	158,292
Purchases and other costs	(41,099)	(42,859)
Receivables (Note 8)	39,701	37,763
Payables (Note 15)	(11,796)	(11,341)

The Company periodically requests the opinion of an expert of recognized prestige concerning the pricing policy established for the transactions with other Otis entities, in order for it to be reviewed by the Audit Committee.

Zardoya Otis, S.A. has been party to a technical assistance agreement, "Intellectual Property License Agreement", with Otis Elevator Company since 1999. This agreement allows the Company to use the trademarks and have access to Research and Development activities and global product development. The cost of this agreement is a royalty of 3.5% of sales to end customers, excluding sales between group companies.

Additionally, in September 2010, a “Recharge Agreement” was signed with Otis Worldwide Corporation, which concerned the possibility that certain Zardoya Otis, S.A. executives who were also considered to be Otis Worldwide Corporation Group executives, since they held important management responsibilities, should benefit, depending on their performance and the attainment of joint objectives of Zardoya Otis and Otis Worldwide Corporation, from the Otis Worldwide Corporation long-term incentive scheme, which includes Otis Worldwide Corporation-share-based compensation schemes. The Agreement is applicable to incentives assigned as from December 1, 2010. The cost, approved by the Audit Committee, is included under the employee benefit expense heading, generating a credit account with Otis Worldwide Corporation Group companies (presented as other provisions in the statement of financial position). The expense originated by this item is included under the employee benefit expense heading. For 2020, the expense was EThs 484 (EThs 495 in 2019), relating to the fair value of the assets to which it is indexed, which was EThs 7,316 (EThs 5,427 in 2019).

As of November 30, 2020, the cash and cash equivalents heading included EThs 14,000 for a cash deposit placed by Zardoya Otis, S.A. with Otis Treasury Center INC (OTC)

## **28. Environmental information**

At November 30, 2020, the Company was not aware of any contingency, risk or litigation in progress related to the protection and improvement of the environment. Therefore, the Company did not recognize any provision for environmental actions in the statement of financial position at November 30, 2020.

The Group has approved a Corporate Environmental Policy Manual that stipulates the principal procedures and actions to be followed in plants, offices, transport, Installation and Service.

The principal programs established are intended to reduce the effects of environmental pollution by:

- Control, recycling and decrease of highly contaminating waste (oils).
- Control and reduction of recyclable waste (packaging).
- Control and reduction of emissions into the air due to industrial and combustion processes.
- Control and reduction of water and energy consumption.



The Madrid-Leganés plant was designed to minimize energy consumption by including the installation of photovoltaic panels on the roof, the carrying amount of which is EThs 4,153 (2019: 4,153), with accumulated depreciation of EThs 2,240 at the reporting date (2019: EThs 2,074).

In addition, in 2019, expenses for the removal or recycling of waste were recognized for a value of EThs 151 (2019: EThs 283).

### **29. Events after the reporting date**

On December 15, 2020 Zardoya Otis, S.A. declared the third interim dividend charged to the profit for the period for an amount of 0.065 euros gross per share, resulting in a total gross dividend of EThs 31,992. This dividend was paid out on January 11, 2020.

### **30. Fees of account auditors**

The fees accrued during the year by PricewaterhouseCoopers Auditores, S.L. for account auditing services, including the process audit performed in accordance with the requirements for listed groups in the USA (Sarbanes Oxley), were EThs 188 (2019: EThs 202).

Likewise, the fees accrued in the year by PricewaterhouseCoopers Auditores, S.L. and other companies using the PwC brand name as a result of other services rendered to the Company were EThs 59 (2019: EThs 48).

# MANAGEMENT REPORT OF ZARDOYA OTIS, S.A.

## INDIVIDUAL FINANCIAL STATEMENTS – REPORTING PERIOD 2020 (Thousands of euros - EThs)

### Presentation of the annual financial statements

The annual financial statements have been prepared on the basis of the Company's accounting records and are presented in accordance with current mercantile legislation and the standards contained in the General Chart of Accounts approved by Royal Decree 1514/2007, together with the amendments to the latter included in Royal Decree 1159/2010 and Royal Decree 602/2016, in order to show a true and fair view of the Company's equity, financial position and results, as well as the accuracy of the cash flows shown on the statement of cash flows. These annual financial statements show a true and fair view of the Company's equity and financial situation as of November 30, 2020, as well as the results of its transactions, changes in equity and cash flows that took place in the Company during the reporting period ended at said date. Likewise, these annual financial statements have been prepared under the going-concern principle.

### Business evolution

#### Profit and loss

The profit before tax of Zardoya Otis, S.A. in 2020 was 174.8 million euros (183.2 million euros in 2019) and the EBITDA (operating profit + amortization/depreciation + impairment of investments in group companies + gains or losses on fixed asset disposals) was 143.1 million euros (150.6 million euros in 2019).

#### Total sales

The total sales of Zardoya Otis S.A. were 566.4 million euros in 2020, in comparison with the 583.5 million euros in 2019, representing a drop of 2.9%. We can consider this figure moderate in the light of the economic consequences caused by the Covid-19 pandemic, which has affected a vast majority of sectors and markets worldwide.

New sales billing represented 7.90% of total billing in 2020, while the service activity accounted for 63.39% and exports for 28.72%.

## Employees

The headcount of Zardoya Otis, S.A. at the 2020 reporting date was 3,108 persons.

The average number of employees during the period (reporting date), distributed by category and gender, was as follows:

	2020			2019		
	Men	Women	Total	Men	Women	Total
Managers	39	10	49	37	6	43
Administration/workshop/field supervisors	323	26	349	323	26	349
Engineers, university graduates and other experts	100	30	130	104	33	137
Administrative and technical personnel	298	227	525	310	227	537
Other workers	2,038	17	2,055	2,071	14	2,085
	2,798	310	3,108	2,845	306	3,151

The average number of people with a disability rating of 33% or higher employed by Zardoya Otis, S.A. during 2020 and 2019 was 26 (25 men and 1 woman) in 2020 and 27 (26 men and 1 woman) in 2019.

## Dividends

At its December 2019 and March 2020 meetings, the Board of Directors approve, respectively, the third interim dividend charged to the 2019 profit and the first interim dividend charged to the 2020 profit, paid out on January 10, 2020 and April 9, 2020, respectively. In addition, the General Shareholders' Meeting of Zardoya Otis held on June 16, 2020 passed a resolution to distribute a dividend charged to reserves, which was paid out on July 10, 2020. Subsequently, at its September 2020 meeting, the Board of Directors approved the second interim dividend charged to the 2020 profit, paid out on October 9, 2020.

Date	Gross per share	Charged to	Shares entitled to dividend	Gross total
January 10	0.080 euros	3rd interim 2019	470,464,311	37,637,144.88 €
April 10	0.080 euros	1st interim 2020	470,464,311	37,637,144.88 €
July 10	0.060 euros	Reserves	470,464,311	28,227,858.66 €
October 9	0.065 euros	2nd interim 2020	470,464,311	30,580,180.22 €
Treasury shares			(385,869)	(109,972.67) €
<b>Total</b>			<b>470,078,442</b>	<b>133,972,355.97 €</b>

## Evolution of capital

### Treasury shares

The Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. held on May 23, 2018 authorized the Board of Directors to acquire, directly or indirectly, treasury shares of Zardoya Otis, S.A., observing the limits and requirements set out in article 146 and related articles of the Capital Companies Law.

At its meeting of December 11, 2018, the Board of Directors agreed to acquire treasury shares so that they could be used in company acquisition transactions.

At November 30, 2020, Zardoya Otis, S.A. held 1,420,016 treasury shares (385,869 treasury shares at the end of 2019) for a value of EThs 8,087 (EThs 2,572 at the end of 2019).

In the 2020 reporting period, 1,598,708 shares were acquired for a value of EThs 8,806. On November 4, 2020, a non-controlling interest of 5.87% was acquired in Ascensores Pertor, S.L. through a share exchange, in which 564,561 shares, valued at EThs 2,964 with an acquisition cost of EThs 3,291, were handed over.

### Evolution of Zardoya Otis on the securities markets

The quoted share price at the end of 2020 was 5.73 euros per share, representing a decrease in value of 24.5% in comparison with the adjusted value at the end of 2019.

### General Description of the Company's Risk Policy

The Company's activities are exposed to a variety of financial risks: market risk (including foreign exchange risk, fair-value interest risk and price risk), credit risk, liquidity risk and cash-flow interest rate risk. The Company's global risk management program is focused on the uncertainty of the financial markets and tries to minimize any potential adverse effects on the Company's financial profitability.

Risk management is controlled by company Management as set out in the supplementary information to the Annual Corporate Governance Report at November 30, 2020. Management assesses and hedges financial risks in close collaboration with the Group's operating units in order to:

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

### Average payment period to suppliers

In relation to the provisions of Law 3/2004 and Law 15/2010 on Measures to Combat Payment Delays in Trading Operations, Law 31/2014 of December 3 amended Law 15/2010 in relation to the information to disclose in the notes to the annual financial statements to request the average annual payment period to suppliers. Thus, the average payment period to suppliers for 2020 was below 60 days.

The Company has put in place measures to comply with the law, which include keeping the average payment period of its transactions with group and associated companies in line with current legislation and complying with the trading agreements it holds with external suppliers.

### **Research and Development expenses**

The Group parent follows the policy of recognizing research costs in the income statement in the period in which they are incurred, as stated in its accounting policies and principles. As of November 30, 2020, the income statement included expenses of EThs 1,640 (2019: EThs 1,951) for this item.

### **Significant events at November 30, 2020**

During 2020, a non-controlling interest in Ascensores Pertor (5.87%) was acquired on November 4, 2020 through a share exchange. Zardoya Otis handed over treasury shares it held at the transaction date. Additionally, Sige Ascensores has been merged into Zardoya Otis (September 29, 2020).

### **Events after the reporting date**

On December 15, Zardoya Otis, S.A. declared the third interim dividend charged to the 2020 profit for a gross amount of 0.068 euros per share. The resulting amount is a total gross dividend of EThs 31,852. This dividend was paid out on January 11, 2021.

### **Annual Corporate Governance Report**

The Annual Corporate Governance Report for the 2020 reporting period forms part of this Management Report.

### **Statement of Non-financial Information**

The Statement of Non-financial information for 2020 forms part of the Consolidated Management Report on the Zardoya Otis Group, of which the Company is the parent.

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

# General Shareholders' Meeting 2021

\* \* \* \* \*

2020 Consolidated Annual Financial Statements and audit opinion

**OTIS**  
ZARDOYA OTIS, S.A.

## **Zardoya Otis, S.A. and subsidiaries**

Independent auditor's report consolidated annual accounts  
November 30, 2020



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

## Independent auditor's report on the consolidated annual accounts

To the shareholders of Zardoya Otis, S.A.

### Report on the consolidated annual accounts

#### Opinion

We have audited the consolidated annual accounts of Zardoya Otis, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the statement of financial position as at November 30, 2020, and the income statements, statement of other comprehensive income, statement of changes in equity, statement of cash flows and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at November 30, 2020, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

#### Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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1

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª  
 Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290





Zardoya Otis, S.A. and subsidiaries

4.1

Key audit matters	How the matter was addressed in the audit
<p data-bbox="304 517 539 548"><b>Revenue recognition</b></p> <p data-bbox="304 577 804 745">According to note 22 to the accompanying consolidated annual accounts, the Group basically has three types of revenue from: a) services provided, mainly contracts for the maintenance of elevators; b) revenue from construction contracts; and c) exports.</p> <p data-bbox="304 775 836 1061">Note 2.20. indicates that revenues from maintenance contracts are recognised on a straight-line basis as it is earned. Invoicing may be on a monthly, quarterly, six monthly or annual basis depending on the terms laid down in the agreements signed with the customers, advance invoicing being recognised, as applicable, to reflect accrual correctly. This type represents the most significant portion of the Group's revenue.</p> <p data-bbox="304 1090 826 1346">According to note 2.20., revenue from elevator installation and assembly is recognised based on the estimated percentage of completion. This area requires judgements and estimates. Specifically, management periodically re-estimates the margin, estimating costs yet to be incurred such that the project's final margin does not differ substantially from the margin at contract inception.</p> <p data-bbox="304 1375 826 1545">Recognition of revenue as a result of transactions actually effected, the relevance of the estimates used in the recognition of revenues and their quantitative significance means that revenue recognition to be considered a key audit matter.</p>	<p data-bbox="831 577 1431 719">We have described, understood, assessed and validated the relevant transactions and controls that support the revenue cycle, as well as the general IT controls and those of the Group's control environment.</p> <p data-bbox="831 748 1431 862">Additionally, substantive tests of detail are carried out on revenue recognised during the year, using sampling techniques for different transaction types. Specifically, these referred to:</p> <ul data-bbox="831 891 1431 1178" style="list-style-type: none"> <li data-bbox="831 891 1431 1005">• Recognition of revenue from the installation and assembly of elevators, for which we have tested the periodic re-estimation of margins for a sample of projects.</li> <li data-bbox="831 1034 1431 1178">• Recognition of revenue from maintenance contracts, checking the contractual documentation, the proper recognition of revenue and invoice collection for a sample of transactions.</li> </ul> <p data-bbox="831 1207 1431 1377">We have checked a sample of transactions showing revenue not collected at the year end, through third-party confirmation or alternative audit procedures using the relevant documentary support. We have also checked that the revenue has been accounted for in the correct period.</p> <p data-bbox="831 1406 1431 1547">We have performed a computer-assisted audit test designed to detect unusual items. For the items that affect revenue recognition, we have verified the supporting documents to verify that they are correctly recognised.</p> <p data-bbox="831 1576 1431 1659">We have also checked the sufficiency of the information disclosed in the consolidated annual accounts.</p> <p data-bbox="831 1688 1431 1747">On the basis of our tests, our audit objectives have been fulfilled for this key matter.</p>



Zardoya Otis, S.A. and subsidiaries

4.1

Key audit matters	How the matter was addressed in the audit
<p data-bbox="304 510 775 544">Recovery of recoverable value of goodwill</p>	
<p data-bbox="304 568 831 712">The Group records goodwill totalling €161 million, as described in note 6 to the consolidated annual accounts. Management is required to assess goodwill impairment on an annual basis.</p>	<p data-bbox="831 568 1433 712">When testing the analysis of the recovery of the value of goodwill, we draw on our knowledge to conclude on whether the valuation method and the key assumptions employed by management are suitable. Specifically:</p>
<p data-bbox="304 741 831 1055">The Group has identified three cash generating units (CGU) on a market and geographical basis to which goodwill is allocated. This goodwill is tested for impairment by means of a comparison between carrying value for consolidation purposes and recoverable value. Management uses the discounted cash flow valuation method for this purpose. Key assumptions include: the discount rate and the growth rate used for the projection subsequent to the envisaged period.</p>	<ul style="list-style-type: none"> <li data-bbox="831 741 1433 808">• We have verified that short-term revenue growth rates are consistent with recent years.</li> <li data-bbox="831 831 1433 898">• We have confirmed that long-term growth rates are consistent with long-term economic forecasts.</li> <li data-bbox="831 920 1433 1010">• We have checked the reasonableness and consistency of future margins based on current and past performance.</li> <li data-bbox="831 1032 1433 1189">• We have evaluated the reasonableness of the discount rate used to determine the present value of the CGUs considering, among other matters, the cost of capital for the Group and comparable organisations.</li> <li data-bbox="831 1211 1433 1279">• We have verified the arithmetic calculations included in the valuation.</li> <li data-bbox="831 1301 1433 1391">• We have verified the origin of the information used in the valuations, checking that the forecasts are approved by management.</li> <li data-bbox="831 1413 1433 1541">• We have verified management's sensitivity analysis for discount rates and growth rates, evaluating in which other stress conditions impairment could arise.</li> </ul>
<p data-bbox="304 1084 831 1227">Other sensitive aspects that are included in the projections are the growth of the portfolio of maintenance contracts in the period envisaged and the Group's expense and cost structure that affect its margin.</p>	
<p data-bbox="304 1256 831 1368">It is a key audit matter due to the size of the item and because it entails judgement and estimation on the part of management, impacting forecast discounted cash flows.</p>	<p data-bbox="831 1570 1433 1626">We have also checked the sufficiency of the information disclosed in the annual accounts.</p>
	<p data-bbox="831 1659 1433 1738">As a result of our tests, we consider that management's estimates sufficiently cover the amount recognised under goodwill.</p>



Zardoya Otis, S.A. and subsidiaries

4.1

Key audit matters	How the matter was addressed in the audit
<p data-bbox="304 510 831 568"><b>Recovery of the recoverable value of intangible assets with finite useful lives</b></p> <p data-bbox="304 600 831 712">The Company has intangible assets with a finite useful life amounting to €157 million, as described in note 6 to the consolidated annual accounts.</p> <p data-bbox="304 743 831 1057">This item basically includes amounts relating to the cost of elevator equipment maintenance contracts acquired as a portfolio of contracts or as part of a business combination. The item is made up of a variety of portfolios in terms of both geographic location and acquisition date. They are amortised on a straight-line basis over a period deemed to be equivalent to their estimated useful life (from 10 to 20 years, depending on the features of the maintenance contract portfolio).</p> <p data-bbox="304 1088 831 1258">Amortisation is assessed regularly by analysing the useful lives of these assets and, where warranted, impairment tests are performed whenever there are any indications of impairment. In this respect, management considers the rate of cancellations and churn.</p> <p data-bbox="304 1290 831 1402">It is a key audit matter due to the size of the item and because it entails judgement and estimation on the part of management, impacting forecast flows.</p>	<p data-bbox="831 600 1422 743">For the acquisitions of maintenance contract portfolios, we checked the key supporting documents, such as contracts and purchase deeds, asset valuations at the time of purchase and other relevant documents.</p> <p data-bbox="831 775 1422 833">As regards amortisation, estimated useful lives and possible impairment of the intangible assets:</p> <ul data-bbox="831 864 1422 1200" style="list-style-type: none"> <li data-bbox="831 864 1422 922">• We have checked that the evolution of net contract loss rates is consistent.</li> <li data-bbox="831 954 1422 1012">• We have verified the evolution of maintenance contract prices.</li> <li data-bbox="831 1043 1422 1102">• We have assessed the reasonableness of the relevant margins and profits.</li> <li data-bbox="831 1133 1422 1191">• We have carried out tests of detail on maintenance contract additions and cancellations.</li> </ul> <p data-bbox="831 1232 1422 1312">We have also checked the sufficiency of the information disclosed in the consolidated annual accounts.</p> <p data-bbox="831 1344 1422 1451">Our tests have revealed a solid basis supporting the assets' useful lives and that the assets' recoverable amounts are higher than their carrying amount.</p>

#### Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2020 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility regarding the information contained in the consolidated management report is defined in the regulation governing financial statement audit work, which establishes two distinct levels of responsibility:

- a) A specific level applicable to the consolidated non-financial statement and some of the information included in the Annual Corporate Governance Report, as defined in article 35.2.b) of Spanish Law 22/2015, the Audit Act, which consists of solely checking that the required information has been provided in the management report or, where appropriate, it has been included a reference to the separate report on non-financial information in the prescribed manner; otherwise, reporting that it has not.



Zardoya Otis, S.A. and subsidiaries

4.1

- b) A general level applicable to the remaining information included in the consolidated management report, which consists on evaluating and reporting on the consistency between the aforesaid information and the consolidated financial statements as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, and does not include information different to that obtained as evidence during our audit. Likewise, our responsibility is to evaluate and report on whether the content and presentation of this part of the consolidated management report are in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exists, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in a) above is included in the consolidated management report and that the remaining information contained in the consolidated management report is consistent with that contained in the consolidated financial statements for the 2020 financial year, and its content and presentation are in accordance with the applicable regulations.

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#### **Responsibility of the directors and the audit committee for the consolidated annual accounts**

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The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company's audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

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#### **Auditor's responsibilities for the audit of the consolidated annual accounts**

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Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.



Zardoya Otis, S.A. and subsidiaries

4.1

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.
- Conclude on the appropriateness of the Parent company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company's audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.



Zardoya Otis, S.A. and subsidiaries

4.1

## Report on other legal and regulatory requirements

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### Report to the Parent company's audit committee

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The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit committee dated 9 March 2021.

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### Appointment period

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The General Shareholders' Meeting held on 16 June 2020 appointed us as auditors of the Group for a period of one year, as from the year ended 30 November 2019.

Previously, we were appointed by resolution of the General Shareholders' Meeting for a period of three years and we have audited the accounts continuously since the year ended 30 November 1990.

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### Services provided

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Non-audit services provided to the Group are described in note 38.b to the consolidated annual accounts.

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PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by

Rafael Pérez Guerra (20738)

March 9, 2021

**ZARDOYA OTIS S.A.  
AND SUBSIDIARIES**

Consolidated Annual Financial Statements  
at November 30, 2020

**ZARDOYA OTIS S.A. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT NOVEMBER 30, 2020 AND 2019  
(Thousands of euros - EThs)**

	2020	2019
<b>ASSETS</b>		
<b>Noncurrent assets</b>		
Property, plant & equipment (Note 5)	64,134	61,542
Leased assets (Note 36)	28,516	-
Intangible assets (Note 6)	156,852	170,770
Goodwill (Note 6)	161,078	161,208
Financial investments (Note 7)	742	941
Deferred tax assets (Note 18)	22,833	23,474
Other noncurrent assets (Notes 7 & 19)	7,267	9,069
	<b>441,422</b>	<b>427,004</b>
<b>Current assets</b>		
Inventories (Note 9)	29,479	23,174
Financial receivables (Note 7)	106	147
Trade and other receivables (Notes 7 & 8)	205,634	207,966
Cash and cash equivalents (Notes 7 & 10)	57,886	50,589
	<b>293,105</b>	<b>281,876</b>
<b>Total assets</b>	<b>734,527</b>	<b>708,880</b>

Notes 1 to 38 form an integral part of these Consolidated Annual Financial Statements.



**ZARDOYA OTIS S.A. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT NOVEMBER 30, 2020 AND 2019  
(Thousands of euros - EThs)**

		2020	2019
	<b>EQUITY</b>		
	Share capital (Note 11)	47,046	47,046
	Share Premium	305	306
	Legal reserve (Note 13)	10,914	10,538
	Reserves in subsidiaries & other reserves (Note 14)	284,942	290,395
	Treasury stock (Note 12)	(8,087)	(2,572)
	Retained earnings (Note 15)	140,404	140,550
	Interim dividends paid (Note 29)	(68,161)	(75,243)
	Foreign exchange differences	(25)	62
	Non-controlling interests (Note 14)	10,473	11,852
	<b>Total equity</b>	<b>417,811</b>	<b>422,934</b>
	<b>LIABILITIES</b>		
	<b>Noncurrent liabilities</b>		
	Other payables (Notes 7 & 16)	5,003	5,828
	Liabilities under lease agreements (Note 36)	17,696	-
	Provisions for other liabilities and expenses (Note 21)	11,040	8,663
	Deferred tax liabilities (Note 18)	22,658	24,947
		<b>56,397</b>	<b>39,438</b>
	<b>Current liabilities</b>		
	Trade and other payables (Notes 7 & 16)	232,419	226,838
	Current tax liabilities	5,204	8,420
	Borrowings (Notes 7 & 20)	155	795
	Liabilities under lease agreements (Note 36)	10,820	-
	Provisions for other liabilities and expenses (Note 21)	11,721	10,455
		<b>260,319</b>	<b>246,508</b>
	<b>Total liabilities</b>	<b>316,716</b>	<b>285,946</b>
	<b>Total equity and liabilities</b>	<b>734,527</b>	<b>708,880</b>

Notes 1 to 38 form an integral part of these Consolidated Annual Financial Statements.

**ZARDOYA OTIS S.A. AND SUBSIDIARIES****CONSOLIDATED INCOME STATEMENTS FOR THE PERIODS ENDED NOVEMBER 30, 2020 AND 2019****(Thousands of euros - EThs)****4.1**

		2020	2019
		Sales (Nota 22)	786,390
Other revenue	1,662	1,294	
Raw materials and consumables used (Note 24)	(248,149)	(273,956)	
Employee benefit expense (Note 23)			
Amortization, depreciation and impairment losses (Note 5 & 6)	(33,643)	(21,861)	
Other net expenses (Note 25)	(51,082)	(58,785)	
<b>Operating profit</b>	<b>186,323</b>	<b>186,958</b>	
Financial income (Note 26)	230	315	
Financial costs (Note 26)	(1,080)	(208)	
Net foreign exchange differences (Note 26)	(55)	(124)	
<b>Other gains and losses</b>	<b>172</b>	<b>283</b>	
<b>Profit before tax</b>	<b>185,590</b>	<b>187,224</b>	
Income tax expense (Note 27)	(44,488)	(46,014)	
<b>Profit for period</b>	<b>141,102</b>	<b>141,210</b>	
<b>Profit from continuing operations after tax (Note 15)</b>	<b>141,102</b>	<b>141,210</b>	
<b>Attributable to:</b>			
Shareholders of the Company (Note 15)	140,404	140,550	
Non-controlling interests (Note 15)	698	660	
<b>Earnings per share for the profit on continuing operations attributable to the shareholders of the Company in the period (euros per share) (Note 28)</b>			
- Basic	0.3	0.3	
- Diluted	0.3	0.3	

Notes 1 to 38 form an integral part of these Consolidated Annual Financial Statements.

**ZARDOYA OTIS S.A. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED  
NOVEMBER 30, 2020 AND 2019  
(Thousands of euros - EThs)**

	<b>2020</b>	<b>2019</b>
<b>Profit for the period (Note 15)</b>	<b>141,102</b>	<b>141,210</b>
<b>Other comprehensive income:</b>		
<b>Items that can be transferred to profit and loss</b>		
Exchange rate differences	(87)	72
<b>Items that will not be reclassified to profit and loss</b>		
Actuarial gain or (loss)	(92)	971
Other comprehensive income for the period, net of taxes		
<b>Total comprehensive income for the year, net of taxes</b>	<b>140,923</b>	<b>142,253</b>
Attributable to:		
– Shareholders of parent company	140,225	141,593
– Non-controlling interests	698	660

Notes 1 to 38 form an integral part of these Consolidated Annual Financial Statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS ENDED NOVEMBER 30, 2019 AND 2018**  
(Thousands of euros - ETBs)

	Attributable to shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Legal reserve	Treasury stock	Accumulated foreign exchange differences	Reserves in consolidated companies and other reserves	Accumulated gains		
Balance at November 30, 2018	47,046	306	10,162	0	-10	276,258	89,947	10,646	434,355
Application IFRS 15 (Note 2.25)	0	0	0	0	0	0	0	0	0
Balance at December 1, 2018	47,046	306	10,162	0	-10	276,258	89,947	10,646	434,355
Comprehensive profit for the period (Note 15)			376		72	32,444	141,521	660	142,253
Distribution of profit 2018 (Note 15)							(145,731)		(112,911)
Dividend relating to 2018 (Note 29)							112,911		112,911
Dividend 2019 (Note 29)							(112,880)		(112,880)
Dividend charged to available reserves							(37,607)		(37,607)
Transactions with non-controlling interests (Notes 2 & 6)				3,634				2,282	5,916
Other movements				(6,206)				(1,736)	(9,103)
<b>Balance at November 30, 2019</b>	<b>47,046</b>	<b>306</b>	<b>10,538</b>	<b>(2,572)</b>	<b>62</b>	<b>269,934</b>	<b>85,768</b>	<b>11,852</b>	<b>422,934</b>
Comprehensive profit for the period (Note 15)			376		(87)	27,324	140,404	698	141,015
Distribution of profit 2019 (Note 15)							(140,550)		(112,850)
Dividend relating to 2019 (Note 29)							112,850		112,850
Dividend 2020 (Note 29)							(105,767)		(105,767)
Dividend charged to available reserves				3,291			(28,205)		(28,205)
Transactions with non-controlling interests (Notes 2 & 6)				(8,806)				(2,078)	(1,442)
Other movements							(1,826)		(10,724)
<b>Balance at November 30, 2020</b>	<b>47,046</b>	<b>306</b>	<b>10,914</b>	<b>(8,087)</b>	<b>(25)</b>	<b>264,572</b>	<b>92,613</b>	<b>10,472</b>	<b>417,811</b>

Notes 1 to 38 form an integral part of these Consolidated Annual Financial Statements.

**ZARDOYA OTIS S.A. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED NOVEMBER 30, 2020 AND 2019  
(Thousands of euros - EThs)**

	2020	2019
<b>Net profit</b>	<b>140,404</b>	<b>140,550</b>
<b>Adjustments to profit:</b>		
Taxes (note 27)	44,488	46,014
Amortization/depreciation/provisions (Notes 5, 6 & 8)	35,616	19,967
Other losses and gains (Note 26)	905	17
Gains/(losses) on sale of fixed assets	698	660
Profit related to non-controlling interests (Note 15)	-	(283)
<b>Changes in working capital</b>		
Change in working capital	7,734	14,033
<b>Other cash flows from operating activities</b>		
Interest paid	(1,080)	-
Interest received	229	-
Tax payment for period (Note 30)	(49,571)	(48,570)
<b>Cash flow from operating activities</b>	<b>179,423</b>	<b>172,388</b>
Investment in property, plant & equipment/intangible assets (Notes 5 & 6)	(9,796)	(5,707)
Acquisition of subsidiaries (Notes 6 & 33)	(7,011)	(15,083)
Cash from business combinations (Note 33)	10	958
Cash receipts from asset disposal (Note 5)	67	447
<b>Cash flow from investing activities</b>	<b>(16,730)</b>	<b>(19,385)</b>
Dividends paid (Note 29)	(133,972)	(150,487)
Bank borrowings (Received/Paid) (Note 20)	(504)	506
Acquisition of treasury stock	(8,806)	(6,205)
Acquisition of non-controlling interests	-	(2,673)
Finance leases	(12,114)	-
<b>Cash flow from financing activities</b>	<b>(155,396)</b>	<b>(158,859)</b>
<b>Change in cash and cash equivalents</b>	<b>7,297</b>	<b>(5,856)</b>
<b>Cash and cash equivalents at the beginning of the period (Note 10)</b>	<b>50,589</b>	<b>56,445</b>
<b>Cash and cash equivalents at the end of the period (Note 10)</b>	<b>57,886</b>	<b>50,589</b>

Notes 1 to 38 form an integral part of these Consolidated Annual Financial Statements.

## ZARDOYA OTIS S.A. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE PERIODS 2020 AND 2019

(Thousands of euros – EThs)

#### 1. General information

The main business activity of Zardoya Otis S.A. (the Company) and its subsidiaries (together, the Group) is the manufacturing and installation of elevators, the provision of the related maintenance service and the export of equipment for installation abroad. The Group has manufacturing plants in Madrid and San Sebastian and a Modernization Centre in Vigo (Pontevedra).

ZARDOYA OTIS, S.A. is a company incorporated and registered in Madrid. The address of its registered office is Golfo de Salónica, 73, Madrid.

Alder Holdings SAS, incorporated in France, holds an interest in the Group of 50.01% of the Company's shares. The Company is part of the Otis Group, incorporated in the United States of America (Notes 11 and 34), where the ultimate parent is Otis Worldwide Corporation. The Company is listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges.

These consolidated annual financial statements were approved by the Board of Directors on February 23, 2021 and are pending the approval of the Annual General Shareholders' Meeting. Nevertheless, Management considers that said financial statements will be approved as presented.

#### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless stated otherwise.

##### 2.1 Bases of presentation

The consolidated annual financial statements of the Group as of November 30, 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) endorsed for application in the European Union and in force at that date.

The Group's Consolidated Annual Financial Statements at November 30, 2020 include the figures for the preceding year to allow a comparison to be made. Likewise, they have been prepared under the going concern principle. They will be approved by the Board of Directors on February 27, 2020. The Consolidated Annual Financial Statements for 2019 were approved at the General Shareholders' Meeting of June 16, 2020.

The consolidated annual financial statements have been prepared using the historical cost method, modified by recognition criteria for:

- Assets and liabilities acquired in business combinations, which are recognized at fair value;
- Measurement of the pension plan assets at fair value; and
- Financial assets are measured at fair value.

The preparation of consolidated annual financial statements under IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies.

The accounting estimates, in consequence, can be different to the final result of the circumstances evaluated. Both judgements and estimates are constantly reviewed and are based principally on historical experience and expectations of future events deemed reasonable.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated annual financial statements are:

**(a) *Contracts in progress***

Contracts in progress are measured at the cost incurred plus the expected profit margin, based on the percentage of completion of the contract, in proportion to the difference between the total estimated cost and the contract price agreed upon with the customers. Said margin is reviewed in accordance with the actual progress of the work and the costs still to be incurred, by means of periodic re-estimation, so that the margin of profit or loss that will result at the end of the contracts will not differ substantially from the margins applied while the contracts were in progress. (Note 2.13.b and 2.20.a).

**(b) *Employee benefit expenses***

The asset and liability recognized in the statement of financial position in respect of defined-benefit pension plans are the present value of the defined-benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined-benefit obligation is calculated annually by independent actuaries using the projected unit credit method. (Note 2.18.a)

**(c) *Estimated impairment loss on goodwill and other intangible assets***

The Group tests goodwill and units under maintenance for impairment annually, in accordance with the accounting policy described in Note 2.6. The recoverable amounts of the cash-generating units are determined on the basis of calculating the value in use. These calculations require the use of estimates.

## 2.2 Consolidation principles

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed or has rights to variable returns as a result of its investment in the investee and is able to affect said returns through its power over the investee's activities. Subsidiaries are consolidated as of the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The annual consolidated financial statements have been prepared applying the global consolidation method to the accounting records of Zardoya Otis, S.A. and its subsidiary companies, by including all the items on the statement of financial position and income statement arising from the accounting records. Intragroup transactions and balances and unrealized gains on transactions between Group entities are eliminated. Unrealized losses are also eliminated. The accounting policies of subsidiaries are changed when this is necessary to ensure consistency with the policies adopted by the Group.

If a business combination takes place in stages, the acquisition-date carrying amount of the interest in the acquiree's equity previously held by the acquirer is remeasured at acquisition-date fair value. Any loss or gain arising from this remeasurement is taken to profit and loss.

Non-controlling interests in the profit or loss and equity of subsidiaries are shown separately in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of financial position, respectively.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration for the acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and shares in the equity issued by the Group at the acquisition date. Identifiable assets acquired and identifiable liabilities and contingent liabilities accepted in a business combination are measured initially at their acquisition-date fair values. For each business combination, the Group may elect to recognize any non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share in the net identifiable assets of the acquiree. Goodwill is measured as the amount by which the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree exceeds the acquisition-date net amounts of the identifiable assets acquired and the liabilities assumed. If this amount is lower than the fair value of the net assets of the acquiree in the event of a bargain purchase, the difference is recognized as a gain directly in profit and loss. The costs related to acquisitions are recognized as expenses in the period incurred.

Transactions between Group companies and balances and unrealized gains on transactions between Group entities are eliminated. Likewise, unrealized losses are also eliminated.



**(a) Subsidiaries**

The list of subsidiaries and information thereon is as follows:

<b>Company and registered office</b>	<b>Activity</b>	<b>2020</b>		<b>2019</b>		<b>Parent company</b>
		<b>%</b>	<b>Carrying amount (EThs)</b>	<b>%</b>	<b>Carrying amount (EThs)</b>	
(+) Ascensores Ingar, S.A. (Granada)	Installation of elevators	100%	14,306	100%	14,306	Zardoya Otis S.A.
(+) Cruxent-Edelma Aspe, S.L. (Barcelona)	Installation & Service of Elevators	100%	36,739	100%	36,739	Zardoya Otis S.A.
(+) Ascensores Serra, S.A. (Gerona)	Installation & Service of Elevators	75%	605	75%	605	Zardoya Otis S.A.
(+) Puertas Automáticas Portis, S.L. (Madrid)	Installation & Service of Automatic Doors	100%	18,977	100%	18,977	Zardoya Otis S.A.
(+) Otis Elevadores, Lda. (Portugal)	Installation & Service of Elevators	100%	31,658	100%	31,658	Zardoya Otis S.A.
Masel Otis Elevadores de Madeira, Lda. (Portugal)	Installation & Service of Elevators	60%	2,104	60%	2,104	Otis Elevadores, Lda.
(+) Ascensores Pertor, S.L. (Valencia)	Installation & Service of Elevators	100%	20,357	94.13%	17,393	Zardoya Otis S.A.
(+) Acresca Cardellach, S.L. (Barcelona)	Installation & Service of Elevators	96.76%	19,515	96.76%	19,515	Zardoya Otis S.A.
(+) Zardoya Otis (Gibraltar) Limited. (Gibraltar)	Installation & Service of Elevators	100%	-	100%	-	Zardoya Otis S.A.
(+) Conservación de Aparatos Elevadores Express, S.L. (Madrid)	Installation & Service of Elevators	100%	1,771	100%	1,771	Zardoya Otis S.A.
(+) Otis Maroc, S.A. (Morocco)	Installation & Service of Elevators	100%	19,966	100%	19,966	Zardoya Otis S.A.
(+) Montes Tallón, S.A (Alicante).	Installation & Service of Elevators	52%	10,823	52%	10,823	Zardoya Otis, S.A.
(+) Ascensores Enor S.A. (Pontevedra)	Installation & Service of Elevators & automatic doors	100%	117,100	100%	117,100	Zardoya Otis, S.A.
(+) Electromecanica del Noroeste S.A (Pontevedra)	Installation & Service of Elevators	100%	16,525	100%	16,525	Zardoya Otis, S.A.
(+) Enor Elevacao e Equipamentos Industriais Lda (Portugal)	Installation & Service of Elevators	100%	19,916	100%	19,916	Otis Elevadores, Lda. (Portugal)
Electromecánica Hemen Elevadores, S.L. (Vitoria)	Installation & Service of Elevators	100%	17,820	100%	17,820	Zardoya Otis, S.A.
Otis Lliset SLU (Andorra)	Installation & Service of Elevators	100%	4,280	100%	4,280	Zardoya Otis, S.A.
Ascensores Eleva SL (Alicante)	Installation & Service of Elevators	80%	9,126	80%	9,126	
Soluciones de Accesibilidad LV3 SL (Barcelona)	Installation and Service of Accessibility Solutions	80%	450	80%	450	Zardoya Otis, S.A.

		Equipment				
Integra Ascensores S.L. (Madrid))	Installation of Elevators	100%	1,663	100%	1,663	Conservación de Aparatos Elevadores Express, S.L.
N&V Servirema S.L.U.	Installation & Service of Automatic Doors	100%	1,049	-	-	Puertas Automáticas Portis, S.L
Puertas Automáticas Seleman	Installation & Service of Automatic Doors	100%	189	-	-	Puertas Automáticas Portis, S.L
Elevadores Tormes S.L.U.	Instalación y mantenimiento de puertas automáticas	100%	-	-	2.995	Ascensores Enor
Sige Ascensores S.L.	Instalación y mantenimiento de puertas automáticas	100%	-	-	1.006	Zardoya Otis S.A.
Limarlift	Instalación y mantenimiento de puertas automáticas	100%	-	-	7.125	Electromecánica Hemen Elevadores, S.L
Elko	Instalación y mantenimiento de puertas automáticas	100%	1.742	-	1.742	Ascensores Ingar, S.A

(+) Companies audited by PwC in 2019.

(\*) Companies acquired by Group entities belonging to the CGU Spain which are expected to be merged in forthcoming years.

Note: the carrying amount corresponds to the carrying amount of the investment in the company holding the interest.

The following transactions and changes to the Group took place in 2019:

In 2020, companies belonging to the CGU Zardoya Otis (Spain) acquired 100% of the shares of the companies N&V Servirema S.L.U. (February 25, 2020) and Puertas Automáticas Seleman, S.L (October 1, 2020). Likewise, a non-controlling interest in Ascensores Pertor SL (5.87%) was acquired (November 4, 2020). All these companies are engaged in elevator repair and maintenance in Spain (see Note 7).

In September 2020, the project to merge the company Sige Ascensores SL into Zardoya Otis was completed.

Additionally, in September and October, 2020, respectively, Elko Sistemes d'Elevació, SLU and Elevadores del Tormes SL were merged into the structure of the CGU Zardoya Otis Group.

The following transactions and changes to the Group took place in 2019:

In 2019, companies belonging to the CGU Zardoya Otis Group (Spain) acquired 100% of the shares of the companies Otis Lliset S.L.U. (December 4, 2018), Sige Ascensores S.L. (May 27, 2019) and Elevadores Tormes S.L. (October 10, 2019). Likewise, 80% of Ascensores Eleva S.L. was acquired (June 28, 2019). All these companies are engaged in the maintenance and repair of elevators in Spain, the total acquisition value being €19,598.

In March 201, the merger project for the companies Cruxent Edelma S.L.U and Ascensores Aspe S.A.U. was executed, resulting in a single company with the new name Cruxent Edelma Aspe S.L.U.

The reporting date of the subsidiaries coincides with that of the parent company.

**(b) Transactions with non-controlling interests**

Transactions with non-controlling interests are transactions with equity owners of the Group. For purchases of non-controlling interests, the difference between the price paid and the related adjustment to the carrying amount of the non-controlling interest is deducted from equity. Likewise, in disposals of interests that do not lead to a loss of control and the difference between the consideration received and the amount by which the non-controlling interest is adjusted is also recognized in equity.

**2.3 Segment reporting**

An operating segment is a component of an entity:

- (a) that engages in business activities that may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- (b) whose operating profit or loss is reviewed regularly by the entity's chief operating decision-making body, in order to decide on the resources that should be allocated to the segment and assess its performance; and
- (c) for which discrete financial information is available.

An operating segment may carry on business activities that do not yet earn any revenue for it, e.g. newly-created companies may be operating segments before obtaining revenues.

**2.4 Foreign currency translation**

**(a) Functional and reporting currency**

The consolidated annual financial statements are presented in thousands of euros.

The items included in the financial statements of each one of the Group companies are measured using the currency of the principal economic environment in which the company operates ("the functional currency"). The consolidated financial statements are presented in thousands of euros, which is the Group's reporting currency.

**(b) Transactions and balances**

Foreign currency transactions are translated into euros using the exchange rates prevailing at the dates of the transactions. Foreign currency losses and gains resulting from settlement of these transactions and conversion of monetary assets and liabilities denominated in foreign currencies at year-end rates are recognized in profit and loss. The rest are shown in the income statement under "financial income and expenses".

**(c) Group companies**

Gains and losses and the financial situation of Group companies (none of which has the currency of a hyperinflationary economy) with a functional currency other than the currency in which the financial statements are presented are translated into the latter as follows:

- i) The assets and liabilities of each statement of financial position presented are translated at the closing exchange rate on the reporting date.
- ii) The income and expenses of each income statement are translated at the average exchange rates (unless this average is not a fair reflection of the accumulated effect of the rates existing on the transaction dates, in which case the income and expenses are converted at the transaction date),
- iii) All exchange rate differences are recognized as a separate component in other comprehensive income.

Upon consolidation, the exchange differences that arise on the translation of a net investment in foreign companies are taken to the shareholders' equity. When sold, these exchange differences are recognized in profit or loss as part of the loss or gain on the sale.

Adjustments to goodwill and fair value that arise on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and are translated at the exchange rate on the reporting date.

**2.5 Property, plant and equipment**

The land and buildings comprise the group companies' production centers. All property, plant and equipment is stated at cost less accumulated depreciation and impairment, with the exception of land, which is not depreciated.

Historical cost includes expenses that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of replaced parts is derecognized. All other repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

Buildings	33 years
Machinery	4, 8, 10 & 13 years
Vehicles	5 & 6 years
Furniture, fittings and equipment	4, 10 & 13 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable value.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and included in profit or loss.

The value of property, plant and equipment as of November 30, 2020 includes the effect of the revaluation carried out under Spanish legislation in the year 1996 following Royal Decree 7/1996 dated June 7, which gave rise to a net value increase of EThs 4 056 in the Company's property, plant and equipment. The total amount of the restatement was shown in the accounts, as provided for in Royal Decree-Law 7/1996, as an increase in the value of the restated assets, with its balancing item in the revaluation reserve account, net of the applicable taxes, for an amount of EThs 3,934.

At November 30, 2020, the aforementioned restatement had an impact of EThs 231 (EThs 231 in 2019) on the net carrying amount of property, plant and equipment. Consequently, the effect of this restatement on the provision for the year 2020 is EThs 19 (EThs 19 in 2019).

This restatement was carried out only in the parent company, Zardoya Otis S.A. For the purposes of the first implementation of IFRS, it was considered as acquisition cost, with no further remeasurements under IFRS.

## **2.6 Intangible assets**

### ***(a) Maintenance contracts and other related intangible assets***

This item relates principally to the cost of taking over elevator maintenance contract portfolios acquired either directly as a portfolio of contracts or within an overall business combination. Amortization is carried out using the straight-line method, considering the estimated useful lives (10 to 20 years depending on the characteristics of the portfolio). Impairment tests are conducted regularly whenever factors that indicate any possible impairment exist.

Trademarks and other related assets resulting from portfolio acquisitions are shown at historical cost. They have a defined useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method.

### ***(b) Goodwill***

Goodwill represents the amount by which the acquisition cost exceeds the fair value of the Group's holding in the identifiable net assets of the subsidiary acquired at the acquisition date. Goodwill relating to acquisitions of subsidiaries is included in the intangible assets. Goodwill recognized separately is submitted to annual impairment tests and is measured at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains or losses on the sale of a company include the carrying amount of the goodwill associated to the company sold.

Goodwill is allocated to the cash-generating units for the purposes of testing for impairment. It is assigned to the cash-generating units that are expected to benefit from the business combination upon which the goodwill arises.

### ***(c) Research and development expenses***

Research expenditures are recognized as expenses when incurred and are not recognized as an asset. Development costs previously recognized as an expense are not recognized as an asset in a later reporting period.

## **2.7 Impairment losses on non-financial assets**

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (CGU). The possible reversal of impairment losses on non-financial assets other than goodwill is reviewed at each reporting date.

## **2.8 Financial assets**

### ***2.8.1 Classification***

The Group classifies its financial assets into the following measurement categories:

- those measured subsequently at fair value (either through profit and loss or through comprehensive income), and
- those measured at amortized cost.

The classification depends on the entity's business model for managing its financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are recognized in profit and loss or other comprehensive income.

### ***2.8.2 Recognition and derecognition.***

Regular way purchases and sales of financial assets are recognized on the trade date, which is the date on which the Group commits itself to purchasing or selling the asset. Financial assets are derecognized when they expire or the right to receive cash flows from the financial assets is transferred and the Group has substantially transferred all the risks and rewards of ownership.

### **2.8.3 Measurement**

Upon initial recognition, the Group measures a financial assets at its fair value plus any transaction costs directly attributable to the acquisition of the financial asset.

#### Debt instruments

The subsequent measurement of debt instruments depends on the group's business model for managing the asset and the characteristics of the cash flows. The Group classifies its debt instruments into three measurement categories:

- **Amortized cost:** assets held to collect contractual cash flows when these cash flows consist only of payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in financial revenue using the effective interest rate method. Any gain or loss that arises upon derecognition is recognized directly in profit and loss for the period. Impairment losses are shown in the consolidated income statement.
- **Fair value through other comprehensive income.** Assets held to collect contractual cash flows and to sell the financial assets are measured at fair value through other comprehensive income when the cash flows from the assets consist of only payments of principal and interest. Movement on the carrying amount is taken to other comprehensive income, except for impairment gains and losses and interest revenue, which are recognized in profit and loss. When the financial asset is derecognized, the cumulative gain or less recognized previously in other comprehensive income is reclassified from equity to profit and loss. Interest revenue from these financial assets is included in financial income using the effective interest rate method.
- **Fair value through profit and loss.** Assets that do not fulfil the criteria to be measured at amortized cost or fair value through other comprehensive income are recognized at fair value through profit and loss. A gain or loss on a debt instrument that is subsequently recognized at fair value through profit and loss is recognized in profit and loss in the period in which it arises.

### **2.9 Offsetting financial instruments**

Financial assets and financial liabilities are offset against each other and presented at the net amount on the statement of financial position when there is a legal right to offset the amounts recognized and the Group intends to liquidate the net amount or to realize the asset and settle the liability simultaneously.

### **2.10 Impairment losses on financial assets**

The Group assesses the expected credit losses associated to its assets held at amortized cost and at fair value through other comprehensive income prospectively.

The Group applies the simplified approach of IFRS 9 to measure the expected credit losses that require lifetime expected losses to be recognized for trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped on the basis of shared credit risk characteristics and the days past due. Contract assets are related to work in progress not yet invoiced and have substantially the same risk characteristics as trade receivables for the same types of contracts. Therefore, the Group has concluded that the expected loss rates for trade receivables are reasonably close to the loss rates for contract assets.

The Group's model considers internal information, such as the balance exposed in trade receivables, external factors, such as customer credit ratings and risk ratings by agencies, as well as the specific circumstances of the customers on the basis of the information available on past events, present conditions and prospective elements.

Impairment losses on trade receivables and contract assets are shown as net impairment losses in the operating profit. Amounts that are recovered after a previous provision has been made are credited to the same item. Trade receivables and contract assets are written off when there is no reasonable expectation of recovering them.

#### **2.11 Derivative financial instruments and hedging activities**

The Group occasionally maintains commitments of insignificant value in foreign currency originated by the acquisition of equipment to be installed in special projects. These cases are hedged by forward contracts the impact of which is included in profit and loss as financial costs, in accordance with the accrual method.

Derivatives are initially recognized at their fair value on the date on which the derivative contract is signed. After initial recognition, they are remeasured at fair value.

#### **2.12 Inventories**

Inventories are measured at the lower of their net realizable value or average cost of acquisition or production. Finished goods and work in progress include costs directly attributable to the products in question as appropriate to their period of production.

The net realizable value is the estimated selling price in the ordinary course of business less the applicable variable selling costs.

When the net realizable value of the inventories is lower than their costs, the relevant adjustments to their value will be made and recognized in profit and loss. If the circumstances that caused the value adjustment cease to exist, the adjustment is reversed and recognized as revenue in profit and loss.



## **2.13 Trade receivables**

### **(a) Trade receivables**

Trade receivables are recognized initially at fair value, and subsequently at their amortized cost in accordance with the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established on the basis of the expected credit loss. The amount of the provision is recognized in profit and loss.

### **(b) Contracts in progress**

Contracts in progress are valued at the cost incurred plus the expected profit margin, based on the percentage of completion of the contract, in proportion to the difference between the total estimated cost and the contract price agreed with the customer.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which cost incurred plus recognized profit (less recognized losses) exceeds progress billing and, as a liability, the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses). Progress billings not yet paid by customers and amounts withheld are included within trade and other receivables.

## **2.14 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term, highly-liquid investments with original maturities of three months or less and cash placements maturing at 30 days, under the contract for the provision of financial services signed with Otis Worldwide Corporation for the provision of services and optimization of the placement of cash surpluses, forward contracts and other services. In the statement of financial position, bank overdrafts are classified as borrowings in the current liabilities.

## **2.15 Share capital, share premium and treasury stock**

### **(a) Share capital and share premium**

Ordinary shares are classified as equity. Incremental costs directly attributable to issuing new shares or options are shown in equity as a deduction, net of taxes, from the revenue obtained.

The share premium corresponds to reserves freely available for distribution.

As a general rule, unless there's a more reliable measurement, the fair value of the equity instruments or financial liabilities issued as consideration in a business combination is their quoted price, if such instruments are listed on an active market.

**(b) Treasury stock**

When shares of the Group parent are acquired, the consideration paid, including any directly attributable incremental cost, is deducted from equity until the shares are written off, reissued or sold. When the shares are sold or reissued subsequently, any amount received, net of any directly attributable incremental cost of the transaction, is recognized in equity.

**2.16 Trade payables**

Trade payables are payment obligations for goods or services that have been acquired from vendors in the ordinary course of operations. Payables are classified as current liabilities if payment is due at one year or less (or matures in the normal operating cycle, if longer). Otherwise, they are shown as noncurrent liabilities.

Trade payables are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method.

**2.17 Current and deferred taxes**

The consolidated income statement for the period includes the corporate income tax expense, which is calculated considering the corporate income tax accrued during the year and the effect of deferral of the differences arising between the taxable income and the book profit before tax that will reverse in future years, together with the tax credits and allowances applied by Group companies. Deferred tax is calculated on the basis of the temporary differences that arise between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates that have been or are about to be approved at the reporting date and are expected to apply when the related deferred tax asset is realized or deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is likely that future tax profit will be available to offset the temporary differences.

Deferred tax assets and deferred tax liabilities are offset when, and only when, there is a legally-recognized right to offset the current tax assets against the current tax liabilities and when the deferred tax assets and the deferred tax liabilities derive from corporate income tax levied by the same tax authority and they refer either to the same company or taxpayer or to different companies or taxpayers that intend to settle their current tax assets and liabilities for the net amount.

When there is a change in the tax rates, the deferred tax assets and liabilities are re-estimated. These amounts are charged to profit and loss or other comprehensive income, depending on the account to which the original amount was charged or credited.

## 2.18 Employee benefits

### (a) Welfare commitments

In accordance with Royal Decree 1588/1999, whereby the Regulations on Pension Commitments between companies and employees were approved and which provided that pension commitments acquired by companies must be externalized and arranged through a group life insurance policy or pension plan or both, and the amendment introduced by Law 14/2000 concerning the transitional period for the formalization or adaptation of said policies and/or plans, on November 7, 2002 and November 14, 2002, respectively, the Company signed, with two insurance companies, the framework agreements regulating the technical, economic and legal conditions of the group insurance policies in order to arrange the pension commitments acquired by the company with its current and retired employees.

The liability or asset recognized in the statement of financial position in respect of the defined-benefit pension plans is the present value of the defined-benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is calculated by discounting the estimated future cash outflows using the interest rate on high-quality corporate bonds denominated in the same currency as that in which the benefits will be paid and maturing at similar terms as the obligation.

There is also a defined-contribution plan the annual premium of which is included as employee expenses. Once the contributions have been paid, the Group holds no additional payment obligations. Contributions are recognized as employee expenses annually.

As stated in Note 34, there are benefits for certain Company executives that depend on their performance and the attainment of joint objectives of Zardoya Otis and Otis Worldwide Corporation, based on the Otis long-term incentive plan, which includes Otis share-based compensation schemes. The cost is included under the employee benefit expense heading, generating a credit account with Otis Group companies (presented as other provisions in the statement of financial position).

### (b) Severance payments

The Group recognizes these benefits when it has made a demonstrable commitment in accordance with a detailed formal plan with no possibility of withdrawal. Benefits that will not be paid in the twelve months following the reporting date are discounted back to their present value.

## 2.19 Provisions

Provisions are recognized when the Group has a legal or constructive current obligation as the result of past events, it is likely that an outflow of resources will be necessary to settle the obligation and the amount can be estimated reliably.

Provisions are measured as the present value of the payments that are expected to be necessary to settle the obligation using a before-tax rate that reflects the present market's estimates of the time value of money and the specific risks of the obligation. Adjustments to the provision to update it are recognized as financial expenses when accrued.

Provisions maturing at one year or less with an insignificant financial effect are not discounted.

When it is expected that part of the payment necessary to settle a provision will be reimbursed by a third party, the reimbursement is recognized as an independent asset, provided that it is almost certain to be received.

Possible obligations arising as a consequence of past events the materialization of which depends on whether, irrespective of the Group's wishes, one or more future events occur, are considered contingent liabilities. These contingent liabilities are not accounted for, although details thereof are presented in the Notes.

## 2.20 Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts and after sales within the Group have been eliminated. Revenue is recognized as follows:

### ***(a) Revenue from installation, assembly and export contracts***

Revenue from elevator installation and assembly is recognized based on the estimated percentage of completion. Periodic corrections are made to the estimates so that the margin of profit or loss that will result at the end of the contracts will not differ substantially from the margins applied while the contracts were in progress.

### ***(b) Revenue from maintenance contracts***

Revenue from maintenance contracts is apportioned on a straight-line basis as it is earned. Invoicing may be on a monthly, quarterly, six monthly or annual basis depending on the terms laid down in the agreements signed with the customers. The necessary entries are made to recognize advance invoicing.

### ***(c) Interest revenue***

Interest income is recognized using the effective interest rate method.

### 2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability on the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

### 2.22 Borrowings

Borrowings are initially recognized at fair value net of any transaction costs incurred. Subsequently, they are measured at their amortized cost and any differences between the funds obtained (net of the costs necessary to obtain them) and the repayment value is recognized in profit and loss over the life of the debt, applying the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has the unconditional right to defer settlement for at least twelve months after the reporting date.

### 2.23 Leases

The contracts may contain lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components in accordance with their separate relative prices.

The lease terms are negotiated individually and contain a wide variety of terms and conditions. The lease contracts do not impose any covenant other than the in-rem guarantees of the leased assets held by the lessor.

Until the 2019 reporting period, leases on property, plant and equipment were classified as either finance or operating leases. As from 1 December, 2019, leases are recognized as a right-of-use asset and the related liability as of the date the leased asset becomes available for use by the Group.

Assets and liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance lease payments) less any lease incentives receivable
- variable lease payments that depend on an index or a rate, initially measured in accordance with the index or rate at the inception date
- amounts expected to be paid by the Group as residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments on penalties for terminating the lease, if the lease term reflects the Group exercising such an option.

Lease payments to be made under renewal options that are reasonably certain to be exercised are also included in the measurement of the liability.

Lease payments are discounted using the interest rate implicit in the lease. If said rate is not readily determinable, which is usually the case for the Group's leases, the lessee's incremental borrowing rate is used, which is the rate the individual lessee would have to pay to borrow the funds necessary to obtain a similar value to the right-of-use asset in a similar economic environment with similar terms, guarantees and conditions.

The right-of-use assets are measured at cost, which includes the following

- the amount of the initial measurement of the lease liability
- any lease payment made on or prior to the date of commencement, less any lease incentive received
- any initial direct cost, and
- restoration costs

Right-of-use assets are usually depreciated on a straight-line basis over the shorter of the useful life of the asset or the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset.

Payments associated to short-term leases of machinery and vehicles and all leases of low-value assets are recognized as an expense in profit and loss on a straight-line basis. Short-term leases are leases with a lease term of 12 months or less. Low-value assets include computer equipment and small items of office furniture.

## 2.24 Earnings per share

Basic earnings per share are calculated by dividing:

- The profit attributable to Company shareholders, excluding any cost of servicing the equity other than ordinary shares;
- By the weighted average numbers of ordinary shares in issue during the period, excluding treasury stock.

For the diluted earnings per share, the figures used to determine the basic earnings per share are adjusted to take the following into account:

- The effect after tax of interest gains and other financial costs associated to ordinary shares with potential diluting effects, and
- The weighted average number of ordinary shares that would have been in issue if all the ordinary shares with potential diluting effects had been converted.

## 2.25 New Standards and IFRIC Interpretations

The IASB has approved and published certain accounting standards, amendments to existing ones and interpretations that came into force in the reporting period:

a.- Standards that came into force in the period:

IFRS 16 "Leases" was issued in January 2016. It means that almost all leases are recognized in the statement of financial position, since the distinction between operating leases and finance leases is removed. Under the new Standard, an asset (the right to use the leased item) is recognized, with a financial liability for the lease payments. The only exceptions are short-term, low-value leases.

The Standard affects principally the accounting of the agreements formerly classified as the Group's operating leases. At the end of 2020, the Group held operating lease commitments of EThs 28,516. This change in regulations means that, regarding the operating lease expenses formerly recognized by the Group as "Other net expenses", the Group, as from the period commencing December 1, 2019, recognizes the right-of-use asset and the liability for future payments related to these commitments. It has been determined that this has not had a significant effect on the Group's profit. However, the depreciation related to the right-of-use assets is recognized and has an impact on the Group's EBITDA (operating profit plus amortization plus depreciation).

Some of the commitments formerly classified as operating leases are covered by the exception for short-term, low-value leases, while other commitments are related to agreements that do not classify as leases under IFRS 16.

IFRIC 23, "Uncertainty over Income Tax Treatments": the Interpretation provides requirements that will be added to those of IAS 12 "Income Tax", specifying how they reflect the effects of uncertainty on accounting for income tax. Any impact of this Interpretation is not significant for the financial reporting of the period commencing December 1, 2019.

Additionally, amendments to International Standards have been published, although they have not yet come into force and the Group has not adopted them early.

### 3. Financial risk management

#### Financial risk factors

The Group's activities are exposed to a variety of financial risks: market risk (including foreign exchange risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's global risk management program is focused on the uncertainty of the financial markets and trying to minimize the potential negative effects on the Group's financial profitability.

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

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

#### *Impacts caused by the COVID-19 virus*

The situation arising from the evolution of the COVID-19 virus adds a new uncertainty for the business community in general. The effects of the global pandemic situation may have an impact of the level of the demand and customer solvency. In this respect, the Group's directors and management are constantly monitoring the evolution of the situation in order to tackle any financial or non-financial impacts that may arise with sufficient guarantees of success.

Specifically, the Zardoya Otis Group has implemented an Action Plan to Mitigate the Effects of COVID-19, the main features of which are:

- Creation of a Crisis Committee with the participation of the General Management Department, Human Resources, Safety and Works, Operations, Manufacturing, Medical Services, Systems and the Communication Area, in order to monitor the situation in real time and implement response actions.
- Actions with preventive measures were put in place to protect employees and customers, assessing the Specific Risk in the different areas (on-site workers, administrative workers and sales representatives and plant workers).
- Actions to maintain service continuity through the pertinent Contingency Plans.
- Actions to mitigate the supply risk related to our service, material and equipment suppliers. Possible risks will be identified, actions will be taken to mitigate them and savings will be made through the reduction of certain supplies and services.



**a) Market risk**

## (i) Foreign Exchange risk

The Group operates internationally and is occasionally exposed to foreign exchange risk arising from transactions in US dollars. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. However, these transactions are not significant and the effect of a change in the interest rate would not have a material effect on the Group's financial statements at November 30, 2020.

To hedge the foreign exchange risk on future commercial transactions for the import of materials, Group companies use forward contracts negotiated with the Otis Group Treasury Center.

Furthermore, the Group holds investments in foreign currency (Otis Maroc S.A. and Zardoya Otis (Gibraltar) Limited) the net assets of which are exposed to the risk of foreign exchange differences. Although their equity values are approximately eight million euros and 0.7 million euros, respectively, a change in the exchange rate would not be expected to have a material effect on the Group's financial statements.

In addition to the aforementioned exposure concerning the investments in Otis Maroc, S.A. and Zardoya Otis (Gibraltar) Limited, in relation to export and import trading transactions, the Group is exposed to exchange rate risk, which is not significant. At November 30, 2020, there were balances payable in foreign currencies other than the euro for a value equivalent to EThs 1,762 (EThs 2,477 in 2019).

## (ii) Price risk

The Group has only limited exposure to commodity price risk.

Additionally, Group companies do not hold investments in companies outside the Group and, therefore, the Group is not exposed to securities price risk.

**(b) Credit risk**

The Group has no significant concentrations of risk with customers and there are no significant old credit balances (Note 8). The Group has policies in place to ensure that installation sales are made to customers with appropriate credit histories and, in addition, regular debt-monitoring procedures are conducted by the departments involved in debt collection

To minimize credit risk, the Group has risk management policies in place to limit the amount of risk with any one financial institution. The credit risk arises from cash and cash equivalents, financial instruments, deposits with financial institutions, debt available for sale and accounts receivable. The banks and financial institutions with which the Group works are of recognized prestige and hold high credit ratings.

The amounts of trade receivables are shown in the statement of financial position net of the provision for impairment. At November 30, 2020, said provision was EThs 70,284 (EThs 69,090 in 2019) (Note

8). The Company estimates the provision in accordance with the age of the debt and experience in earlier years, in line with the previous segregation of the customer portfolio and the current economic environment. The analysis of financial assets aged over six months but not deemed to be totally impaired at November 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Between 6 months & 1 year	11,837	11,880
Between 1 & 2 years	9,113	7,232
More than 2 years		
EThs	<u>20,950</u>	<u>19,112</u>

Amounts receivable for exports relate to balances with related companies (Otis Group).

As stated in Note 10, at November 30, 2020 and 2019, the Group held short-term deposits with financial institutions of EThs 11,338 and EThs 3,492, respectively. As stated above these deposits are placed with prestigious financial institutions in Spain and Portugal.

#### ***c) Liquidity risk***

Conservative liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

At November 30, 2020, cash and cash equivalents represented EThs 57,886 (EThs 50,589 in 2019), including amounts held as cash, in banks and as current deposits with financial institutions.

The change in the statement of cash flows in relation to operating, investing and financing activities is shown below:

	<u>2020</u>	<u>2019</u>
<b>Cash at beginning of period</b>	<b>50,589</b>	<b>56,445</b>
Cash flows from operating activities	179,423	172,388
Cash flows from investing activities	(16,730)	(19,385)
Cash flows from financial activities	(155,396)	(158,859)
<b>Cash at end of period</b>	<b><u>57,886</u></b>	<b><u>50,589</u></b>

#### ***(d) Cash flow and fair value interest rate risk***

As the Group does not hold important remunerated assets, income and cash flows from operating activities are substantially independent of changes in market interest rates.

The Group does not use financial derivatives to hedge rate risks derived from its activity..

The Group's interest rate risks arises on noncurrent borrowings indexed to variable interest rates. The variable interest rate applied to the loans from financial institutions is subject to the fluctuations of the Euribor.

At the 2020 and 2019 reporting dates, the Group did not hold any borrowings at a fixed interest rate.

**(e) Capital risk management**

The Group's objectives in relation to capital management are to safeguard its capacity to continue as a going concern, to have the capacity to fund its internal growth or external growth through acquisitions, to obtain adequate yields for the shareholders and to maintain an optimal capital structure that includes equity, the generation of its own cash from the business in each reporting period and, as far as necessary, borrowings at the lowest cost possible.

The Group considers the leverage as a capital management indicator. It is calculated by dividing the net debt by the total capital. The net financial debt is calculated as total borrowings plus other financial liabilities less cash and cash equivalents less current financial assets.

	<b>2020</b>	<b>2019</b>
Borrowings (current and noncurrent)	290	795
Other current & noncurrent financial liabilities	35,945	16,450
Cash and cash equivalents	(57,886)	(50,589)
Net financial debt	(21,651)	(33,344)
Equity	417,811	422,934
Leverage (*)	<b>(0.05)</b>	<b>(0.09)</b>

(\*) (Net financial debt / (Net financial debt + equity)).

At November 30, 2020, this net debt represented -0.0984 of EBITDA (-0.1597 at the end of 2019). (EBITDA: operating profit + amortization + depreciation).

The other current and noncurrent financial liabilities caption includes the finance lease liabilities that arose as a consequence of the adoption of IFRS 16 Leases, the amount of which was EThs 28,516 in 2020.

#### 4. Segment reporting

Zardoya Otis has determined achieving Service Excellence as its main goal. From this standpoint, the objective is to satisfy vertical transport users throughout the full cycle of the product, starting with the design and manufacture of elevators, integrating the technological advances that have made the Group market leaders, applied not only to new, but also to existing buildings, and including their maintenance and replacement. In consequence, installation (and replacement) and maintenance of elevators are not considered separate segments but complementary products and services of the same nature, with an integrated production cycle, addressed to the same type of customers and with a single distribution network, that represent a single business segment for the Group, managed as such and subject to similar risks and opportunities. Therefore, geographical differentiation has been identified as the primary segment, considering the markets of Spain and Portugal and also Morocco / North Africa, as they have independent supervision, as set out in IFRS 8.

There are no ordinary revenues from transactions with a single customer that represent 10% or more of the Group's ordinary revenues.

The distinction between segments relates to the structure of the management information that is produced on a monthly basis, regularly reviewed and used as a basis for decision-making by Management and the Board of Directors.

2020	Ventas	Resultados de Explotación	Activos		Pasivos	
			Totales	Cargo por amortización depreciación	Inversión en Activos a largo plazo	
Grupo Zardoya Otis – España	720.703	163.279	625.473	32.774	11.059	272.839
Grupo Otis Portugal	63.602	22.490	71.276	565	422	21.718
Otis Maroc – Marruecos	17.325	1.489	37.778	304	704	22.519
Eliminaciones- operaciones intragrupo	(15.240)	(935)		-	-	-
<b>Consolidado</b>	<b>786.390</b>	<b>186.323</b>	<b>734.527</b>	<b>33.643</b>	<b>12.185</b>	<b>316.716</b>
2019	Ventas	Resultados de Explotación	Activos		Pasivos	
			Totales	Cargo por depreciación	Inversiones en Activos a largo plazo	
Grupo Zardoya Otis – España	733.864	164.247	596.462	21.028	29.578	247.891
Grupo Otis Elevadores y Enor – Portugal	62.480	21.557	72.176	539	276	21.770
Otis Maroc – Marruecos	21.084	2.788	40.242	294	290	16.285
Eliminaciones- operaciones intragrupo	(15.021)	(1.634)	-	-	-	-
<b>Consolidado</b>	<b>802.407</b>	<b>186.958</b>	<b>708.880</b>	<b>21.861</b>	<b>30.144</b>	<b>285.946</b>

Additionally separate information on the parent company and subsidiaries is shown below:

	<b>2020</b>	Ventas	Resultados de Explotación	%	Inversiones en activos a Largo Plazo
Zardoya Otis S.A.		566.445	131.886	23,12%	9.581
Empresas Españolas del Grupo - (17 compañías)		211.222	31.392	14,86%	1.478
Grupo Otis y Enor Elevadores – Portugal		63.602	22.490	35,36%	422
Otis Maroc – Marruecos		17.325	1.489	8,59%	704
<b>Total Grupo</b>		<b>858.594</b>	<b>187.257</b>	<b>21,70%</b>	<b>12.185</b>
Eliminaciones - operaciones intragrupo		(72.204)	(934)		
<b>Consolidado</b>		<b>786.390</b>	<b>186.323</b>	<b>23,87%</b>	<b>12.185</b>
	<b>2019</b>	Ventas	Resultados de Explotación	%	Inversiones en activos a Largo Plazo
Zardoya Otis S.A.		583.528	138.807	23,79%	6.815
Empresas Españolas del Grupo - (16 compañías)		197.297	25.440	12,89%	22.763
Grupo Otis y Enor Elevadores – Portugal		62.480	21.557	34,50%	276
Otis Maroc – Marruecos		21.084	2.788	13,22%	290
<b>Total Grupo</b>		<b>864.389</b>	<b>188.592</b>	<b>21,82%</b>	<b>30.144</b>
Eliminaciones - operaciones intragrupo		(61.982)	(1.634)		-
<b>Consolidado</b>		<b>802.407</b>	<b>186.958</b>	<b>23,30%</b>	<b>30.144</b>

## 5. Property, plant and equipment

Details of the different categories of property, plant and equipment and movement on these accounts are shown below:

	Land & Buildings	Machinery	Furniture, fittings & equipment	Total
<b>As of November 30, 2018</b>				
Cost	63,658	28,718	70,988	163,364
Accumulated depreciation	(16,462)	(23,945)	(60,831)	(101,238)
Impairment loss	-	-	-	-
<b>Net carrying amount</b>	<b>47,196</b>	<b>4,773</b>	<b>10,157</b>	<b>62,126</b>
<b>2019</b>				
Business combinations (Note 33)	-	-	590	590
Additions	585	2,649	2,083	5,317
Retirements	(458)	-	(124)	(582)
Depreciation charge	(1,120)	(1,265)	(3,659)	(6,044)
Eliminations from depreciation	-	-	135	135
Impairment losses recognized in period	-	-	-	-
Reversal of impairment losses	-	-	-	-
Other movements	-	-	-	-
	(993)	1,384	(975)	-584
<b>As of November 30, 2019</b>				
Cost	63,785	31,367	73,537	168,689
Accumulated depreciation	(17,582)	(25,210)	(64,355)	(107,147)
Impairment loss	-	-	-	-
<b>Net carrying amount</b>	<b>46,203</b>	<b>6,157</b>	<b>9,182</b>	<b>61,542</b>
<b>2020</b>				
Business combinations (Note 33)	-	-	-	-
Additions	5,273	2,753	1,057	9,083
Retirements	(69)	-	(259)	(328)
Depreciation charge	(1,152)	(1,504)	(3,766)	(6,422)
Eliminations from depreciation	-	-	259	259
Impairment losses recognized in period	-	-	-	-
Reversal of impairment losses	-	-	-	-
Other movements	-	-	-	-
	4,052	1,249	(2,709)	2,592
<b>As of November 30, 2020</b>				
Cost	68,989	34,120	74,335	177,444
Accumulated depreciation	(18,734)	(26,714)	(67,862)	(113,310)
Impairment loss	-	-	-	-
<b>Net carrying amount</b>	<b>50,255</b>	<b>7,406</b>	<b>6,473</b>	<b>64,134</b>

The construction of the new San Sebastián plant commenced during the year and was the primary cause of the increase in property, plant and equipment in the course of construction. The cumulative amount was EThs 5,212 (EThs 585 in 2019).

The principal property, plant and equipment consists of buildings and installations related to the Leganés plant (2008) for EThs 27.739 (EThs 27,379 in 2019) and those acquired in 2013, which relate to the value of the land and building located in the Valladares Technical and Logistical Park (Vigo), where the industrial building, the production facilities and the offices of the subsidiaries Ascensores Enor, S.A. and Electromecánica del Noroeste, S.A. are located. These facilities were inaugurated in 2009. At the reporting date, their carrying amount was EThs 12,403 (EThs 12,508 in 2019).

At November 30, 2020 and 2019, the following items of property, plant and equipment had been fully depreciated:

	<u>Thousands of euros</u>	
	<u>2020</u>	<u>2019</u>
Land and buildings	5,171	4,691
Vehicles and machinery	41,828	35,305
Furniture, fittings and equipment	19,626	18,958
EThs	<u>66,625</u>	<u>58,954</u>

Of the total property, plant and equipment net of depreciation, the value of which is EThs 64,132, a total of EThs 697 is in Portugal and a total of EThs 2,522 in Morocco (EThs 554 and EThs 2,778, respectively, in 2019). There is no other property, plant and equipment outside Spanish territory.

It is the Group's policy to take out all the insurance policies deemed necessary to cover any possible risks which could affect, among other things, property, plant and equipment. At November 30, 2020 and 2019 none of the Group's financial liabilities were secured by property, plant and equipment and, therefore, all the property, plant and equipment was free of any charges.

## 6. Intangible assets

Details of the main categories of intangible assets and the movement on these accounts are shown below:

EThs	Maintenance contracts	Goodwill	Other	Total
<b>As of November 30, 2018</b>				
Cost	329,301	161,131	19,553	509,985
Accumulated amortization	(162,980)	-	(13,566)	(176,546)
Impairment loss	-	(8,054)	-	(8,054)
Net carrying amount	<b>166,321</b>	<b>153,077</b>	<b>5,987</b>	<b>325,385</b>
<b>2019</b>				
Additions	390	-	1,670	2,060
Business combinations (Note 33)	14,070	8,131	-	22,201
Retirements	(161)	-	-	(161)
Amortization charge	(14,126)	-	(1,691)	(15,817)
Eliminations from amortization	161	-	-	161
Other	(1,851)	-	-	(1,851)
	(1,517)	8,131	-21	6,593
<b>As of November 30, 2019</b>				
Cost	341,749	169,262	21,223	532,234
Accumulated amortization	(176,945)	-	(15,257)	(192,202)
Impairment loss	-	(8,054)	-	(8,054)
Net carrying amount	<b>164,804</b>	<b>161,208</b>	<b>5,966</b>	<b>331,978</b>
<b>2020</b>				
Additions	704	-	1,657	2,361
Business combinations (Note 33)	874	516	-	1,390
Closing adjustment of acquisition price 2019	-	(646)	-	(646)
Amortization charge	(14,183)	-	(1,646)	(15,829)
Other	(1,324)	-	-	(1,324)
	(13,929)	(130)	11	(14,048)
<b>As of November 30, 2020</b>				
Cost	342,003	169,132	22,880	534,015
Accumulated amortization	(191,128)	-	(16,903)	(208,031)
Impairment loss	-	(8,054)	-	(8,054)
Net carrying amount	<b>150,875</b>	<b>161,078</b>	<b>5,977</b>	<b>317,930</b>

The Group parent follows the policy of taking research costs to profit and loss in the period in which they are incurred, as set out in its accounting policies and criteria. As of November 30, 2020, the income statement included expenses of EThs 1,640 for this item (2019: EThs 1,591).



It is a common Group practice, when there are operating reasons that justify it, to take advantage of business combination synergies through the legal integration by merger or liquidation of the entity acquired into the CGU to which it belongs. In this regard, since Group business constitutes a single integrated production process, it is considered a CGU inasmuch as it is the smallest identifiable group of assets that generates independent cash inflows.

As may be seen in Note 2.2b, in 2020 and 2019, several transactions with non-controlling interests and mergers between Group companies took place, with effects on Group decision-making and management. In this respect, the Group's cash generation and both financial and operational decision-making falls into three CGUs: Zardoya Otis Spain Group, Zardoya Otis Portugal Group and Zardoya Otis Morocco Group. The CGUs are aligned with the financial, operating and strategic information that is used as a basis for decision-making by the Management and Directors of the Group parent.

At November 30, 2020 and 2019, goodwill with an indefinite useful life was allocated to the Group's cash generating units (CGUs) as follows:

	<b>2020</b>	<b>2019</b>
Zardoya Otis Group (Spain)	132,291	132,421
Zardoya Otis Group (Portugal)	13,168	13,168
Zardoya Otis Group (Morocco)	15,619	15,619
EThs	<b>161,078</b>	<b>161,208</b>

At November 30, 2020 and 2019, maintenance contracts with defined useful lives were allocated to the Group's cash generating units (CGUs) as follows:

	<b>2020</b>	<b>2019</b>
Zardoya Otis Group (Spain)	144,181	158,162
Zardoya Otis Group (Portugal)	6,030	6,642
Zardoya Otis Group (Morocco)	664	-
EThs	<b>150,875</b>	<b>164,804</b>

In 2020 and 2019, the Group carried out the business combinations described in Note 33.

For significant business combinations, the Group requests an external company of recognized prestige to verify the fair value of the net assets acquired. The recoverable amount at the time of the business combination for each CGU is determined by using cash-flow projections of financial budgets approved by Management for a maximum 15-year period, based on past performance and market development expectations.

Maintenance contracts are measured applying the free discounted cash flow method, adjusted by the customer cancellation and turnover rate according to the information and statistics held by Group Management and on the basis of the verification of the existence and current validity of the contracts.

To calculate the discount rate, the Group uses the long-term bond rate, growth expectations, the CGU's effective tax rate and the Group's cost of debt. The perpetuity rate is in line with the rate used by similar industries in the countries in which the Group operates. Information on the assumptions used at the date the business combinations took place for each Cash Generating Unit is as follows:

	Period of years budgeted	Perpetuity rate	Discount rate (acquisition date)
Zardoya Otis Group (Spain)	5 to 15	2.0 %	From 7.5% to 9.7%
Zardoya Otis Group (Portugal)	5 to 15	2.0 %	9.72 %
Zardoya Otis Group (Morocco)	15	2.0 %	8.2 %

The discount rate used is after tax and is independent of the specific capital structure of Zardoya Otis, S.A. and its subsidiaries, which do not have significant financial debt, assuming the structure of the international group and the sector.

The goodwill included in the net value of the assets of each CGU is tested for impairment, consisting of a comparison between the carrying amount for consolidation purposes and the recoverable value (value in use) applying the key assumptions: period considered, discount rate and growth rate employed for the projection beyond the period considered.

For impairment testing in 2020, a maximum annual growth rate of 2.50% (2.9% in 2019) was used and the perpetuity rate was 2.50% (2% in 2019). The discount rate applied was 6.22% (2019: 5.09%) for the Spain CGU, 7.47% (2019: 8.74%) for the Portugal CGU and 8.48% (2019: 7.78%) for the Morocco CGU.

Apart from the discount rate, the most sensitive aspects included in the projections used, which are based on the forecasts of the Group, sector forecasts and historical experience, are service revenue, growth in the contracts on the portfolio from the expected synergies of the business combinations and adequate maintenance of the Group's expense and cost structure.

In 2020 and 2019, the values in use of the assets of the CGUs, calculated in accordance with the aforementioned model, were, in all cases, higher than the net carrying amounts recognized in these consolidated annual financial statements. Therefore, no impairment was recognized. Likewise, it is considered that any possible reasonable variations that may be undergone by the key assumptions upon which the determination of the recoverable amounts of the CGUs was based would not change the conclusions drawn on the measurement of the assets.

Regarding the aforementioned sensitivity analysis, the following table shows the analysis of the CGU Zardoya Otis Group Morocco, since the goodwill of this CGU suffered impairment in the period 2015 and, therefore, would be the best adjusted.

Period 2020: (millions of euros)					
	Growth				
Discount rate	2.5%	3.0%	3.7%	4.0%	4.5%
9.50%	29.8	31.6	34.5	36.1	39.0
9.00%	32.1	34.2	37.7	39.6	43.3
7.00%	46.4	51.3	60.4	65.9	77.6
6.00%	59.6	68.3	86.5	98.7	129.1

Regarding CGUs Zardoya Otis Spain Group and Portugal, their values in use significantly exceed the consolidated carrying amount of each one of them. Even if the assumptions considered (discount rate, projected period growth and perpetuity growth rate) were to change significantly, the value in use would still be higher than their respective consolidated carrying amounts.

In 2020, the trade and other payables heading included an obligation of EThs 13,345 (2019: 12,982) related to the share purchase agreement signed in 2011 with the sellers of Montes Tallón. This obligation is updated, since the risks and rewards associated to ownership of 48% of the shares of Monte Tallón are still held by non-controlling interests. To determine the price of these shares, the same criteria as applied in the initial purchase will be used, basically maintenance contracts and equity value. In this respect, in 2020, the change in liabilities was recognized in the consolidated income statement as financial income and expenses of EThs 455 (EThs 286 in 2019).

As stated in the accounting policies in the Notes to the consolidated annual financial statements for 2020 and 2019 in relation to transactions and non-controlling interests, the Group applies the policy of considering transactions with non-controlling interests as transactions with holders of instruments in the Group's capital. For acquisitions of non-controlling interests, the difference between the price paid and the related proportion of the carrying amount of the subsidiary's net assets is deducted from the equity. For this reason, the obligation was recognized against reserves in consolidated companies and other reserves.

The principal assets, at carrying amount in the individual financial reporting, contributed to the consolidation by each one of the CGUs to which goodwill has been allocated are as follows:

<u>EMIs Ejercicio 2020</u>	<b>Grupo Zardoya Otis España</b>	<b>Grupo Zardoya Otis Portugal</b>	<b>Grupo Zardoya Otis Marruecos</b>	<b>Total</b>
Contratos de mantenimiento	144.181	6.030	664	150.875
Fondo de Comercio	132.291	13.168	15.619	161.078
Otros activos intangibles	5.978			5.978
Inmovilizado material	60.915	697	2.522	64.134
Otros activos no corrientes	55.736	2.558	1.063	59.357
Activos corrientes	226.372	48.823	17.910	293.105
<b>Total activos</b>	<b>625.473</b>	<b>71.276</b>	<b>37.778</b>	<b>734.527</b>
Pasivos no corrientes	56.397			56.397
Pasivos corrientes	216.442	21.718	22.159	260.319
<b>Total Pasivos</b>	<b>272.839</b>	<b>21.718</b>	<b>22.159</b>	<b>316.716</b>
<b>Activos netos</b>	<b>352.634</b>	<b>49.558</b>	<b>15.619</b>	<b>417.811</b>

<u>EMIs Ejercicio 2019</u>	<b>Grupo Zardoya Otis España</b>	<b>Grupo Zardoya Otis Portugal</b>	<b>Grupo Zardoya Otis Marruecos</b>	<b>Total</b>
Contratos de mantenimiento	158.162	6.642		164.804
Fondo de Comercio	132.421	13.168	15.619	161.208
Otros activos intangibles	5.966			5.966
Inmovilizado material	58.210	554	2778	61.542
Otros activos no corrientes	30.156	2.439	889	33.484
Activos corrientes	211.547	49.373	20.956	281.876
<b>Total activos</b>	<b>596.462</b>	<b>72.176</b>	<b>40.242</b>	<b>708.880</b>
Pasivos no corrientes	39.438			39.438
Pasivos corrientes	208.453	21.770	16.285	246.508
<b>Total Pasivos</b>	<b>247.891</b>	<b>21.770</b>	<b>16.285</b>	<b>285.946</b>
<b>Activos netos</b>	<b>348.571</b>	<b>50.406</b>	<b>23.957</b>	<b>422.934</b>

## 7. Financial assets and liabilities by category

	<b>Financial assets at amortized costs &amp; other</b>	<b>Total</b>
<b>November 30, 2020</b>		
<b>Noncurrent assets in statement of financial position</b>		
Loans and receivables (Note 8)	7.267	7.267
Other	742	742
<b>Total</b>	<b>8.009</b>	<b>8.009</b>
<b>November 30, 2020</b>		
<b>Current assets in statement of financial position</b>		
Trade receivables	196.306	196.306
Other	106	106
Cash and cash equivalents (Note 10)	57.886	57.886
<b>Total</b>	<b>254.298</b>	<b>254.298</b>

	Financial assets at amortized costs & other	Total
<b>November 30, 2019</b>		
<b>Noncurrent assets in statement of financial position</b>		
Financial assets at amortized cost (Note 8)	9,069	9,069
Other	941	941
<b>Total</b>	<b>10,010</b>	<b>10,010</b>
<b>November 30, 2019</b>		
<b>Current assets in statement of financial position</b>		
Trade receivables	199,715	199,715
Other	147	147
Cash and cash equivalents (Note 10)	50,589	50,589
<b>Total</b>	<b>250,451</b>	<b>250,451</b>

	Other financial liabilities at amortized cost	Total
<b>November 30, 2020</b>		
<b>Noncurrent liabilities in statement of financial position</b>		
Other debts through acquisitions (Note 16)	5,003	5,003
Lease liabilities (Note 36)	17,696	17,696
<b>Total</b>	<b>22,699</b>	<b>22,699</b>
<b>November 30, 2020</b>		
<b>Current liabilities in statement of financial position</b>		
Borrowings from financial institutions (Note 20)	290	290
Trade and other payables (Note 16)	204,174	204,174
Other debt through acquisitions (Note 16)	3,311	3,311
Lease liabilities (Note 36)	10,820	10,820
<b>Total</b>	<b>218,595</b>	<b>215,595</b>

	Other financial liabilities at amortized cost	Total
<b>November 30, 2019</b>		
<b>Noncurrent liabilities in statement of financial position</b>		
Other debt through acquisitions (Note 16)	5,828	5,828
<b>Total</b>	<b>5,828</b>	<b>5,828</b>
<b>November 30, 2019</b>		
<b>Current liabilities in statement of financial position</b>		
Financial debt (Note 20)	795	795
Trade and other payables (Note 16)	189,259	189,259
Other debt through acquisitions (Note 16)	10,622	10,622
<b>Total</b>	<b>200,676</b>	<b>200,676</b>

**8. Trade and other receivables**

	<b>2020</b>	<b>2019</b>
Trade receivables	176,889	186,667
Less: Provision for impairment of receivables	(70,284)	(69,090)
Trade receivables– Net	106,605	117,577
Amount due from customers for contract work	38,017	38,873
Other receivables	10,804	4,378
Public authorities (Note 17)	9,327	8,251
Prepayments	989	741
Receivables from related parties (Note 34)	39,890	38,146
<b>Total</b>	<b>ETHs 205,634</b>	<b>207,966</b>

The total amount of the costs incurred at the reporting date was ETHs 167,511 (2019: ETHs 161,792). This amount includes recognized profits (less recognized losses) on all contracts in progress for ETHs 3,737 (2019: ETHs 2,313). Amounts due from customers for contract work are shown as the net of the cost incurred at the end of the reporting period and the advance payments received from the customers for an amount of ETHs 129,495 (ETHs 122,919 in 2019). At November 30, 2020, the trade receivables balance showed an amount of ETHs 3,637 (2019: ETHs 3,402) relating to amounts withheld by customers in accordance with the conditions of their contracts. The amounts due from customers for contract work were not impaired under the expected credit loss approach

Movement on the provision for the impairment of receivables was as follows:

	<b>2020</b>	<b>2019</b>
Beginning of period	69,090	85,184
Provision made	3,984	1,268
Reversals	(2,012)	(3,162)
Write-offs	(778)	(14,200)
ETHs	70,284	69,090

The provisions and reversals are included on the income statement under the heading "Other expenses, net". The net provision made in the period 2020 was -0.25% of Group sales (2019: -0.24%).

The Group makes estimates based on the age of the debt and experience in previous years, in line with a prior segregation of the customer portfolio and the current economic environment, in order to calculate the provisions necessary. The Group applies the simplified approach of IFRS 9 to measure credit losses. The Zardoya Otis Group uses provision percentages based on the bad debt history of the customer applied to the expected remaining life of the financial instruments, adjusted by the estimated future economic conditions. In 2020 the Group wrote off provisions of ETBs 1,980 (ETBs 14,200 in 2019) with no effect on profit and loss. This amount was written off against the related customer accounts since it related to uncollectible balances.

To provide further details, the following is a summary of overdue receivables aged less and more than six months that are not impaired:

#### 2020

Thousands of euros	Total	Impaired	Net	Not yet due	Due but not impaired
Less than 6 months	86,395	(739)	85,656	66,007	19,649
Between 6 months and 1 year	13,708	(1,872)	11,836	-	11,837
Between 1 and 2 years	20,398	(11,285)	9,113	-	9,113
More than 2 years	12,146	(12,146)	-	-	-
In litigation	44,242	(44,242)	-	-	-
<b>Total</b>	<b>176,889</b>	<b>(70,284)</b>	<b>106,605</b>	<b>66,007</b>	<b>40,598</b>

#### 2019

Thousands of euros	Total	Impaired	Net	Not yet due	Due but not impaired
Less than 6 months	100,281	(1,817)	98,464	78,100	20,364
Between 6 months and 1 year	13,673	(1,792)	11,880	-	11,880
Between 1 and 2 years	21,462	(14,230)	7,232	-	7,232
More than 2 years	8,852	(8,852)	-	-	-
In litigation	42,399	(42,399)	-	-	-
<b>Total</b>	<b>186,667</b>	<b>(69,090)</b>	<b>117,576</b>	<b>78,100</b>	<b>39,476</b>

Receivables aged less and more than 6 months due for payment but not impaired were taken into account when estimating the expected credit losses. The Group had set aside provisions of ETBs 739 (ETBs 795 in 2019) as of November 30, 2019 for debt aged less than 6 months, representing 0.7% of the balance of said bracket, in line with the credit experience with our customers.

For 2020 and 2019, the carrying amount of trade and other payables does not differ significantly from their fair value.

Additionally, other noncurrent assets includes long-term promissory notes received from customers with maturity dates at more than one year for a total amount of EThs 4,287 (EThs 4,454 in 2019). The breakdown by years until maturity is as follows:

	<b>2020</b>	<b>2019</b>
Two years	4,137	4,410
Three years	94	33
More than three years	56	11
EThs	4,287	4,454

## 9. Inventories

	<b>2020</b>	<b>2019</b>
Raw materials and consumables for production	21,290	18,110
Work in progress	8,189	5,064
EThs	29,479	23,174

## 10. Cash and cash equivalents

	<b>2020</b>	<b>2019</b>
Cash and banks	32,548	37,097
Current deposits with financial institutions	11,338	13,492
Cash deposits with related entities	14,000	-
EThs	57,886	50,589

The effective interest rate on current deposits with financial institutions was 0.01% (2019: 0.01%) and the average term of these deposits was less than one month.

As of November 30, 2020 and 2019, the Company did not hold any restricted amounts in banks.

Additionally, as of November 30, 2020, the Group's cash and cash equivalents heading included EThs 14,000 for cash deposits placed by Zardoya Otis, S.A. with Otis Treasury Center INC (OTIC).



Cash and borrowings include:

	2020	2019
Cash and cash equivalents	57,886	50,589
Borrowings: utilization of bank credit (Note 20)	290	795

The Group holds committed credit lines for an amount sufficient to maintain flexibility in funding. Notwithstanding, these lines are only used occasionally. At the 2020 reporting date, the total current borrowings balance included EThs 290 (2019: EThs 795) relating to other non-bank credits granted to the Group and to the interest calculated on acquisitions.

## 11. Capital

	No shares	Ordinary shares	Face value	Total
As of November 30,2017	470,464,311	470,464,311	0.1	470,464,311
As of November 30,2018	470,464,311	470,464,311	0.1	470,464,311
As of November 30,2019	470,464,311	470,464,311	0.1	470,464,311
As of November 30,2020	470,464,311	470,464,311	0.1	470,464,311

Titular	Shares		% interest	
	2020	2019	2020	2019
Otis Worldwide Corporation	235,279,377	235,279,377	50.01	50.01
Euro-Syns, S.A.	53,373,751	54,392,423	11.34	11.56
Other non-controlling interests	180,391,167	180,406,642	38.34	38.35
Treasury stock	1,420,016	385,869	0.30	0.08
TOTAL	470,464,311	470,464,311	100	100

No other individual shareholder holds an interest of more than 10% in the capital of the parent company of the Group.

All the shares of the Group parent are of the same class and have the same voting rights.

All the shares of Zardoya Otis, S.A. are listed on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges.

## 12. Treasury stock

The Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. held on May 23, 2018 authorized the Board of Directors to acquire, directly or indirectly, treasury stock of Zardoya Otis, S.A., observing the limits and requirements set out in article 146 and related articles of the Capital Companies Law.

At its meeting of December 11, 2018, the Board of Directors agreed to acquire treasury stock to be used in company acquisition transactions.

As a consequence of one of the acquisition transactions mentioned, Zardoya Otis, S.A. acquired shares for a value of EThs 6,206 euros and, on July 26, 2016, gave in exchange 536,925 treasury shares that it held on its portfolio, valued at EThs 3,557.

As of November 30, 2020, Zardoya Otis, S.A. held 1,420,016 treasury shares (385,869 treasury shares at the end of 2019) for a value of EThs 8,087 (EThs 2,572 at the end of 2019).

## 13. Legal reserve

The legal reserve has been set aside in accordance with article 274 of the Capital Companies Law, which states that, in all cases, an amount equal to 10 percent of the profit for the year will be allocated to this reserve until a figure equal to at least 20 percent of the share capital is reached.

Unless it exceeds the aforementioned threshold, the legal reserve can only be used to offset losses, in the event that there are not sufficient other reserves available for this purpose.

Details of the legal reserve by company at November 30, 2020 and 2019 are as follows:

		<b>2020</b>	<b>2019</b>
<b><u>Parent company of Group</u></b>			
Zardoya Otis S.A.	EMIs	10.915	10.538
<b><u>Subsidiaries</u></b>			
Ascensores Ingar, S.A.		32	13
Cruxent-Edelma, S.L.		24	24
Ascensores Serra, S.A.		48	48
Puertas Automáticas Portis, S.L.		68	68
Grupo Otis Elevadores (Portugal)		554	554
Enor Elevacao e Equipamentos Industriais Lda		50	50
Ascensores Pertor, S.L.		10	10
Acresa Cardellach, S.L.		2.162	2.162
Zardoya Otis (Gibraltar) Limited		-	-
Conservación de Aparatos Elevadores Express, S.L.		354	354
Otis Maroc, S.A.		10	10
Montes Tallón, S.A.		19	19
Ascensores Enor S.A.		601	601
Electromecánica del Noroeste S.A.		204	204
Electromecánica Hemen Elevadores, S.L.		2	1
Otis Lliset SLU (Andorra)		-	-
Soluciones de Accesibilidad LV3 SL		32	-
Ascensores Eleva SL		91	-
Integra Ascensores S.L.		37	-
N&V Servirema S.L.U.		-	-
Puertas Automáticas Seleman		-	-
Ascensores Aspe S.A.		-	41
Sociedades adquiridas en 2018 (proceso de fusión)		-	5
Sociedades adquiridas en 2019 (proceso de fusión)		-	389

**14. Reserves in consolidated companies, other reserves and non-controlling interests**

<b>EThs</b>	<b>Consolidated companies</b>	<b>Other reserves</b>	<b>Total</b>
<b>As of November 30, 2018</b>	<b>84,463</b>	<b>191,795</b>	<b>276,258</b>
Profit 2018	39,485	35,994	75,479
Dividends paid in the period	(43,035)	(37,607)	(80,642)
Other movements	(1,161)	-	(1,161)
<b>As of November 30, 2019</b>	<b>79,752</b>	<b>190,182</b>	<b>269,934</b>
Profit 2019	35,971	34,172	70,143
Dividends paid in the period	(42,818)	(28,205)	(71,023)
Other movements	(4,481)	-	(4,481)
<b>As of November 30, 2020</b>	<b>68,424</b>	<b>196,149</b>	<b>264,573</b>

Details by company of reserves in consolidated companies and other reserves as of November 30, 2020 and 2019 are as follows:

	<b><u>2020</u></b>	<b><u>2019</u></b>
<b><u>Sociedad</u></b>		
Zardoya Otis S.A.	215.278	212.842
Ascensores Ingar, S.A.	(5.604)	(5.125)
Cruxent-Edelma-Aspe, S.L.	(19.217)	(18.091)
Ascensores Serra, S.A.	2.426	2.023
Puertas Automáticas Portis, S.L.	1.834	3.575
Grupo Otis Elevadores (Portugal)	27.960	30.392
Ascensores Pertor, S.L.	3.030	4.461
Acresa Cardellach, S.L.	25.193	26.063
Zardoya Otis (Gibraltar) Limited	499	279
Conservación de Aparatos Elevadores Express, S.L.	21.837	21.417
Otis Maroc, S.A.	6.158	5.351
Montes Tallón S.L.	(4.428)	(3.980)
Sociedades de Enor	16	16
Electromecánica Hemen Elevadores, S.L.	(304)	220
Otis Lliset SLU	(204)	-
Soluciones de Accesibilidad LV3 SL	30	-
Integra Ascensores S.L.	(341)	-
N&V Servirema S.L.U.	-	-
Puertas Automáticas Seleman	-	-
Sociedades adquiridas en 2018	-	450
Sociedades adquiridas en 2019	369	-
Ajustes NIIF	(9.959)	(9.959)
<b>Total</b>	<b>264.573</b>	<b>269.934</b>

Details of non-controlling interests by company as of November 30, 2020 and 2019 are as follows:

<b>Company</b>	<b>Non-controlling interests</b>		<b>Dividends paid</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Ascensores Serra, S.A.	796	753	403	418
Ascensores Pertor	-	838	204	201
Acresa Cardellach, S.L.	1,160	1,199	99	96
Montes Tallón S.L.	5,303	5,677	19	0
Ascensores Eleva SL	2,012	2282		0
Masel Otis Elevadores de Madeira, Lda	1,076	978	394	1,019
Soluciones de Accesibilidad LV3 SL	126	125	28	0
<b>EThs</b>	<b>10,473</b>	<b>11,852</b>	<b>1,147</b>	<b>1,734</b>

### 15. Profit for the period

The contribution of each consolidated company to the net consolidated profit, including the portion relating to non-controlling interests, is as follows:

<b>Company</b>	<b>2020</b>		<b>2019</b>	
	<b>Consolidated profit</b>	<b>Attributed to non-controlling interests</b>	<b>Consolidated profit</b>	<b>Attributed to non-controlling interests</b>
EThs				
Zardoya Otis S.A.	98,346	-	105,549	-
Ascensores Ingar, S.A.	413	-	712	-
Ascensores Serra, S.A.	1,787	448	1,611	402
Cruxent-Edelma-Aspe, S.L.	1,880	-	1,848	-
Grupo Otis Elevadores (Portugal)	16,168	493	16,146	266
Puertas Automáticas Portis, S.L.	3,064	-	1,644	-
Zardoya Otis (Gibraltar) Limited	218	-	220	-
Ascensores Pertor, S.L.	2,101	-	2,247	108
Conservación de Aparatos Elevadores Express, S.L.	2,424	-	2,763	-
Acresa Cardellach, S.L.	2,437	79	2,088	68
Otis Maroc, S.A.	831	-	1,723	-
Ascensores Aspe S.A. (merged)	0	-	-	-
Montes Tallón, S.A.	(408)	(335)	(214)	(197)
Enor	10,019	-	4,009	-
Electromecánica y Ascensores Hemen	162	-	182	-
LV3	286	13	-	-
Eleva	80	-	-	-
Integra	(165)	-	-	-
Andorra	190	-	-	-
Acquisitions 2020 and 2019	39	-	27	13
<b>EThs</b>	<b>140,404</b>	<b>698</b>	<b>140,555</b>	<b>660</b>

The proposed distribution of 2019 profit of the parent company that will be submitted for approval at the Annual General Shareholders' Meeting, together with the 2019 profit distribution approved, is as follows:

	<u>2020</u>	<u>2019</u>
<b><u>Available for distribution</u></b>		
Profit for the period	141,699	147,023
EThs	<u>141,699</u>	<u>147,023</u>
<b><u>Distribution</u></b>		
Legal reserve	376	376
Other reserves	41,310	33,797
Dividends	100,013	112,850
EThs	<u>141,699</u>	<u>147,023</u>

(\*) Distribution of the 2019 profit approved by the General Shareholders' Meeting of Zardoya Otis, S.A. on June 16, 2020.

## 16. Trade and other payables

	<u>2020</u>	<u>2019</u>
Trade payables	38.592	37.801
Payables to related parties (Note 34)	12.055	11.601
Other payables	4.155	4.369
Goods received but not invoiced	15.674	12.640
Notes payable	122	122
Amounts due to customers on work in progress	57.386	58.908
Maintenance billing in advance	21.564	22.010
Acquisition commitments	3.311	10.622
Other payables to public authorities (Note 17)	28.018	26.957
Outstanding employee remuneration	27.778	26.954
Other	23.764	14.854
EThs	<u>232.419</u>	<u>226.838</u>

The carrying amount of trade and other payables does not differ significantly from the fair value.

The amounts payable to related companies are partly in foreign currency and there are no other significant amounts payable in foreign currency. Since the amounts are current and are not significant, no hedges have been deemed necessary. The heading "Related companies" includes balances denominated in foreign currencies other than euros, the equivalent value of which in euros is EThs 7,054 (2019: EThs 2,477).

At November 30, 2020 and 2019, there were commitments for costs incurred in work for which, although it had been completed, charges from third parties had not yet been received. This item is shown under the heading "Other payables".

The heading "Other" includes mainly the liabilities mentioned in Note 6 above for a value of EThs 13,345 (2019: EThs 12,982).

In relation to commitments from acquisitions, the table below shows the maturities of the outstanding amounts for this item, presented as other financial liabilities:

2020

	<b>Current</b>	<b>2021</b>	<b>2022/23</b>	<b>Noncurrent</b>
Acquisitions 2019 & earlier	2,846	1,016	2,381	3,397
Acquisitions 2020	465	491	230	721
<b>EThs</b>	<b>3,311</b>	<b>1,507</b>	<b>2,611</b>	<b>4,118</b>

2019

	<b>Current</b>	<b>2021</b>	<b>2022/23</b>	<b>Noncurrent</b>
Acquisitions 2018 & earlier	4,493	-	410	410
Acquisitions 2019	6,129	3,967	1,451	5,418
<b>EThs</b>	<b>10,622</b>	<b>3,967</b>	<b>1,861</b>	<b>5,828</b>

Summary of the 2020 debt

	<b>Current</b>	<b>Noncurrent</b>
<b><u>Acquisitions until 2020</u></b>		
Acquisitions CGU Spain	3,311	4,118
Acquisitions CGU Portugal	-	-
Acquisitions CGU Morocco	-	-
	<b>3,311</b>	<b>4,118</b>

Summary of the 2019 debt

	<b>Current</b>	<b>Noncurrent</b>
<b><u>Acquisitions until 2019</u></b>		
Acquisitions CGU Spain	10,622	5,828
Acquisitions CGU Portugal	-	-
Acquisitions CGU Morocco	-	-
	<b>10,622</b>	<b>5,828</b>

Company acquisition agreements in force at November 30, 2020 and 2019 bear interest charges only on the portions relating to contingent liabilities secured by withholding part of the price payable. The amount is not significant.

Forecast payments are classified as current in accordance with the payment conditions fixed in each contract. Those classified as noncurrent are measured at amortized cost and the differences are recognized in profit and loss over the term of the debt, applying the effective interest rate method.

a) Information on delays in payments to suppliers. Third Additional Provision "Reporting duties" of Law 15/2010 of July 5.

In accordance with Law 15/2010 of July 5, the Group reports that, in the 2020 reporting period, total payments of EThs 276,562 were made to suppliers (2019: EThs 323.602), complying with the aforementioned legislation.

	<b>2020</b>	<b>2019</b>
	<b>Days</b>	<b>Días</b>
Average payment period to suppliers	38	34
Ratio of transactions paid	36	33
Ratio of transactions outstanding	52	47
	<b>Euros</b>	<b>Euros</b>
Total payments made	276,562	323.602
Total payments outstanding	36,338	33.794

## 17. Public Treasury

	<b>2020</b>	<b>2019</b>
<b>Debit balances</b>		
Withholding tax on investment income	182	129
Public Treasury, VAT payable	426	423
Public Treasury, input VAT	7,780	6,813
Prior years taxes	939	886
EThs	9,327	8,251
<b>Credit balances</b>		
Provision for corporate income tax	46.505	46.979
Payments on account of corporate income tax	(41,301)	(38,559)
EThs	5,204	8,420
Public Treasury, withholdings operated	3,122	2,810
Public Treasury, VAT due	6,954	7,010
Public Treasury, output VAT	7,410	6,439
Social Security	10,532	10,698
EThs	28,018	26,957



**18. Deferred taxes**

	<b>2020</b>	<b>2019</b>
Deferred tax assets		
to be recovered after more than 12 months	22,325	22,949
to be recovered within 12 months	508	525
	<u>22,833</u>	<u>23,474</u>
EThs		
Deferred tax liabilities		
to be recovered after more than 12 months	22,455	23,489
to be recovered within 12 months	203	1,458
	<u>22,658</u>	<u>24,947</u>
EThs		

Movement on the deferred tax assets and liabilities in the period was as follows:

Deferred tax assets	<b>Welfare commitments</b>	<b>Amortization intangible assets</b>	<b>Other</b>	<b>Total</b>
<b>As of November 30, 2018</b>	10,899	6,500	6,798	24,197
P&L impact	(186)	331	(868)	(723)
<b>As of November 30, 2019</b>	10,713	6,831	5,930	23,474
P&L impact	(770)	(126)	254	(641)
Business combinations	-	-	-	-
<b>As of November 30, 2020</b>	9,943	6,705	6,184	22,833
Deferred tax liabilities	<b>Welfare commitments</b>	<b>Amortization intangible assets</b>	<b>Other</b>	<b>Total</b>
<b>As of November 30, 2018</b>	-	23,672	-	23,672
P&L impact	-	(2,323)	-	(2,323)
Business combinations (Note 33)	-	3,598	-	3,598
<b>As of November 30, 2019</b>	-	24,947	-	24,947
P&L impact	-	(2,508)	-	(2,508)
Business combinations (Note 33)	-	219	-	218
<b>As of November 30, 2020</b>	-	22,658	-	22,658

## 19. Welfare commitments

Post-employment commitments held with Group employees, consisting of the payment of social security benefit complements, other retirement benefits and life insurance premiums, are met through group insurance policies and are classified as defined-benefit plans.

The liability recognized in the statement of financial position for the defined-benefit plans is the present value of the obligation at the reporting date less the fair value of the assets attached to the plan. The defined benefit obligation is calculated annually, once the salary adjustment process has concluded in October, by independent actuaries, using the projected unit credit method. The consolidated income statement shows an expense of EThs 2,023 (2019: EThs 1,697) for this item as an employee benefit expense.

The amounts recognized in the statement of financial position were measured as follows

	<b>2020</b>	<b>2019</b>
Present value of the obligations financed	45,746	42,783
Fair value of plan assets	(48,726)	(47,398)
Liability (Asset) in statement of financial position	(2,980)	(4,615)

The evolution of the present value of the defined-benefit obligation and the fair value of plan assets was as follows:

	Obligation recognized	Plan assets
As of November 30, 2018	38,447	(42,284)
Service cost	2,012	-
Interest cost	712	-
Return on plan assets	-	(740)
Payments to beneficiaries	(2,168)	2,168
Contributions	-	(1,505)
Actuarial losses / gains	5,587	(6,557)
Settlements	(1,808)	1,520
As of November 30, 2019	42,782	(47,398)
Service cost	2,387	-
Interest cost	408	-
Return on plan assets	-	(433)
Payments to beneficiaries	(1,430)	1,430
Contributions	-	(480)
Actuarial losses / gains	2,136	(2,043)
Settlements	(537)	198
As of November 30, 2020	45,746	(48,726)

The principal actuarial assumptions used were as follows:

	<u>2020</u>	<u>2019</u>
The discount rate varies, depending on the length of the obligation, between	0.00%-0.53%	0.00%-0.92%
Mortality tables	PERMF 2000P	PERMF 2000P
Wage increase	2.25%	2.15%
Estimated average retirement age forecast	65 to 67 years	65 to 67 years

The amounts recognized in profit and loss were as follows:

	<u>2020</u>	<u>2019</u>
Current service cost	2,387	2,012
Interest cost	408	713
Expected return on plan assets	(433)	(741)
Settlements	(338)	(287)
Actuarial (gains) / losses	-	-
<b>Total included in employee benefit expenses (income) (Note 23)</b>	<b><u>2,024</u></b>	<b><u>1,697</u></b>

The amounts of the present value of obligations for defined benefits and the fair value of plan assets for the 2019 reporting period and the preceding three annual periods were as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Present value of obligations financed	45,746	42,783	38,447	38,920
Fair value of plan assets	(48,726)	(47,398)	(42,284)	(43,061)

The Group's best estimate of the contributions to be paid in the year ending November 30, 2020 is EThs 2,461 (2019: EThs 2,362).

The actuarial gains and losses shown in the statement of recognized income and expenses, recognized in equity for an actuarial loss of EThs 92 (actuarial gain of EThs 971 in 2019), relate principally to the effects of experience with the group on which the calculation was based and are the sum of an actuarial gain of EThs 261 (2019: actuarial gain of EThs 1,259) and an actuarial loss of 233 EThs (2019: actuarial gain of EThs 1,914), attributable to wage deviations, which differed from expectations, and an actuarial loss of EThs 120 (2019: EThs 1,626) related to changes in the rates of and returns on the funds.

Additionally, there is a defined-contribution plan, the annual cost of which is included under the heading "Employee benefit expenses" for an amount of EThs 760 (EThs 717 in 2019).

## 20. Borrowings

At November 30, 2020 and 2019, the carrying amount of current borrowings from financial institutions was equal to their fair value, since the impact of applying a discount was not significant. Interest accrued on these loans in the period was ETBs 65 (2019: ETBs 104).

### At November 30, 2020

	Current	2021	2022	Noncurrent
Borrowings from financial institutions	155	-	-	-
Other	135	-	-	-
ETBs	290	-	-	-

### At November 30, 2019

	Current	2021	2022	Noncurrent
Borrowings from financial institutions	795	-	-	-
Other	-	-	-	-
ETBs	795	-	-	-

At November 30, 2020, there were financial assets (trade receivables) of ETBs 53,055 (ETBs 54,830 in 2019) that had been derecognized because the risks of default and delinquency had been transferred.

At November 30, 2020, lease liabilities matured as follows:

	Current	Noncurrent	Total
Lease liabilities	10,820	17,696	28,516

**21. Provision for other liabilities and expenses**

	<u>2020</u>	<u>2019</u>
<b>Noncurrent</b>		
Other commitments with employees	11,040	8,663
<b>Current</b>		
Litigations, customer transactions	56	172
Guarantees	8,192	7,481
Chamber of Commerce and other taxes	<u>3,473</u>	<u>2,802</u>
EThs	<u>11,721</u>	<u>10,455</u>

The provision for guarantees covers principally free service commitments derived from the signature of contracts by Group companies, usually with a term of less than one year. Risks provided for relate to litigations and other identified risks inherent to the Group's activity.

Other commitments with employees contains the seniority awards EThs 3,724 and the share-based compensation schemes EThs 7,316 explained in note 34.

The following table shows the movement on the provisions:

	Other noncurrent commitments with employees and other	Litigations: customer transactions	Guarantees	Other
<b>At November 30, 2018</b>	<b>10,731</b>	<b>201</b>	<b>7,938</b>	<b>2,101</b>
Provisions / (reversals) in income	(690)	(29)	(457)	701
Amounts used	(1,378)	-	-	-
Other	-	-	-	-
<b>At November 30, 2019</b>	<b>8,663</b>	<b>172</b>	<b>7,481</b>	<b>2,802</b>
Provisions / (reversals) in income	2,377	(116)	711	671
Amounts used	-	-	-	-
Other	-	-	-	-
<b>At November 30, 2020</b>	<b>11,040</b>	<b>56</b>	<b>8,192</b>	<b>3,473</b>

**22. Revenue**

	<u>2020</u>	<u>2019</u>
Services provided	509,955	517,891
Revenue from construction contracts	112,397	115,956
Exports	164,038	168,560
Total revenue	<u>EThs 786,390</u>	<u>802,407</u>

**23. Employee benefit expenses**

	<u>2020</u>	<u>2019</u>
Wages and salaries	196,442	191,342
Social security and other	70,389	69,102
	<u>2,024</u>	<u>1,697</u>
EThs	<u>268,855</u>	<u>262,141</u>

Social security and other includes severance payments to employees of EThs 2,855 in 2020 (2019: EThs 2,539).

As from the 2011 reporting period, a long-term Otis Group incentive plan has also been included for certain Zardoya Otis executives who are likewise considered as Otis Group executives. This plan includes Otis share-based payments (Note 34). The expense recognized for this item in 2020 was EThs 922 (2019: EThs 495).

**24. Raw materials and consumables used**

	<u>2020</u>	<u>2019</u>
Materials and subcomponents for installations and services	310,732	325,762
Elimination of intra-group transactions	(67,152)	(61,982)
Change in inventories	<u>4,569</u>	<u>10,176</u>
EThs	<u>248,149</u>	<u>273,956</u>

**25. Other net expenses**

Depending on their nature, other net expenses are broken down into:

	<u>2020</u>	<u>2019</u>
Leases	13,799	17,173
Repairs and maintenance	2,924	2,581
Insurance policies	740	414
Advertising and publicity	1,912	2,476
Transport	5,482	13,401
Supplies and other services	8,217	17,257
Independent professionals	3,492	2,770
Subcontracting	4,754	3,751
Other	7,791	856
Impairment of receivables (Note 8)	1,971	(1,894)
EThs	<u>51,082</u>	<u>58,785</u>

**26. Net financial expenses and income**

	<b>2020</b>	<b>2019</b>
Interest expenses		
– Loans from financial institutions	(1,080)	(208)
	(1,080)	(208)
Interest income:		
– Bank deposits	230	315
	230	315
Net foreign exchange gains / (losses)	(55)	(124)
ETHs	(905)	(17)

**27. Income tax**

	<b>2020</b>	<b>2019</b>
Profit before tax	185,590	187,224
Permanent differences (elimination)	(2,211)	607
Profit from foreign companies	(23,823)	(24,815)
Other differences		
Prior period temporary differences in respect of which the relevant deferred tax asset was not recognized	(1,291)	(3,991)
Temporary differences arising in the period in respect of which the related deferred tax asset is not recognized	-	-
Adjusted profit before tax	158,265	159,025
Temporary differences arising in the period in respect of which the relevant deferred tax asset is recognized	(6,177)	(2,409)
Taxable income	152,088	156,616
Gross tax payable	38,022	39,154
Tax credits R&D tax credit)	(461)	(483)
Other differences (FIN48)	595	635
Net corporate income tax expense, foreign companies	6,332	6,708
Change in statutory rate		
<b>Corporate income tax expense</b> ETHs	<b>44,488</b>	<b>46,014</b>

The deferred tax asset accumulated at November 30, 2020 was EThs 22,833 (EThs 23,474 in 2019). This deferred tax asset came basically from temporary differences relating to welfare commitments, bad debt provision, delayed sales costs and other provisions that will reverse in future years. Furthermore, there are deferred tax liabilities of EThs 22,658 (EThs 24,947 in 2019) relating to differences generated by goodwill.

Deductible temporary differences relate principally to welfare commitments of EThs 10,187 (2019: EThs 10,712), which are expected to be offset as follows:

Period 2021: EThs 508
Period 2022: EThs 552
Period 2023: EThs 474
Period 2024: EThs 433
Rest of periods: EThs 8,220

At the reporting date, EThs 41,301 (EThs 38,559 in 2019) had been paid on account of the final corporate income tax payable. Corporate income tax expense included EThs 1,867 of revenue from deferred taxes (EThs 1,600 of revenue from deferred taxes in 2019) (Note 18).

The effective tax rate in Spain is 20% (20% in 2019), while the rate for Otis Elevadores, Lda. (Portugal) is 26% and that of Otis Maroc, S.A., 30% (26.42% and 30.00%, respectively, in 2019), while corporate income tax expense for 2020 was EThs 5,878 and EThs 453, respectively (EThs 5,797 and 911 in 2019).

For Zardoya Otis, S.A. and the rest of the Spanish subsidiaries and for Otis Maroc, S.A., the Otis Elevadores (Portugal) Group and Enor Portugal, the last four tax periods are still open to inspection.

As a consequence of, among other items, possible different interpretations of current tax legislation, additional liabilities could arise as the result of an inspection. However, the directors consider that, to the best of their knowledge should any such liabilities arise, they would not have a significant effect on the consolidated annual financial statements.

## 28. Earnings per share

Basic earnings per share are calculated, in accordance with IAS 33, by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue in the year, excluding treasury shares acquired by the Company. No event that could dilute the earnings per share has occurred.

	<b>2020</b>	<b>2019</b>
Profit attributable to equity holders of the Company	140,699	140,555
Weighted average number of ordinary shares in issue during the year	470,464,311	470,464,311
Weighted average number of treasury shares	(441,037)	(177,100)
Basic earnings per share	0.30	0.30



**29. Dividends and partial cash distribution of share premium**

In 2020, three quarterly dividends were paid and there was a partial cash distribution of the share premium, as follows:

1st Dividend 0.080 euros gross per share, charged to the period 2020. Declared on March 20, 2020 and paid out on April 10, 2020. Shares: 470,464,311 (Treasury stock: 385,869 shares) Gross total = 37,637,144.88 euros	37,606
Dividend charged to reserves: 0.060 euros gross per share. Declared on June 16, 2020 and paid out on July 10, 2020. Shares: 470,464,311 (Treasury stock: 385,869) Gross total = 28,227,858.70 euro	28,205
2nd Dividend 0.065 euros gross per share, charged to the period 2020. Declared on September 15, 2020 and paid out on October 9, 2020. Shares: 470,464,311 (Treasury stock: 385,869) Gross total = 30,580,180.20 euros	30,555
Dividend at end of period	96,366
3rd Dividend 0.068 euros gross per share, charged to the period 2020. Declared on December 15, 2020 and paid out on January 11, 2021. Shares: 470,464,311 (Treasury stock: 2,049,865) Gross total = 31,991,573.15 euros	31,852
<b>TOTAL 2020</b>	<b>128,218</b>

In 2019, three quarterly dividends and a partial cash distribution of the share premium were paid as follows:

1st Dividend 0.080 euros gross per share, charged to the period 2019. Declared on March 20, 2019 and paid out on April 10, 2019. Shares: 470,464,311 (Treasury stock: zero) <u>Gross total = 37,637,144.88 euros</u>	37,637
Dividend charged to reserves: 0.080 euros gross per share. Declared on May 22, 2019 and paid out on July 10, 2019. Shares: 470,464,311 (Treasury stock: 385,869) <u>Gross total = 37,637,144.88 euros</u>	37,606
2nd Dividend 0.080 euros gross per share, charged to the period 2019. Declared on September 12, 2019 and paid out on October 10, 2019. Shares: 470,464,311 (Treasury stock: 385,869) <u>Total = 37,637,144.88 euros</u>	37,606
Dividend at end of period	112,850
3 <sup>rd</sup> Dividend 0.080 euros gross per share, charged to the period 2019. Declared on December 11, 2019 and paid out on January 10, 2020. Shares: 470,464,311 (Treasury stock: 385,869) <u>Total = 37,637,144.88 euros</u>	37,606
<b>TOTAL 2019</b>	<b>150,456</b>

In relation to the interim dividends distributed by Zardoya Otis, S.A. in the period 2020, the existence of sufficient liquidity for their distribution was verified, in accordance with the Capital Companies Law, art. 277:

	Dividend:		
	1st February	2nd August	3rd November
Gross profit since December 1, 2019	46,187	139,184	166,456
Estimate of corporate income tax payable	(7,860)	(25,151)	(30,990)
Available net profit	38,327	114,033	135,466
Amount distributed previously	-	37,606	68,161
Amount proposed and distributed	37,637	30,580	31,992
Liquidity in cash	21,631	47,576	19,440
Temporary financial investments	14,189	17,655	15,000
Current trade bills receivable	21,193	19,665	21,235
Payables	(8,474)	(19,739)	(12,013)
Loans and receivables	-	257	257
Net liquidity	48,539	54,002	39,738

### 30. Cash generated by operations

The following is a breakdown by item of the cash flow from operations included in the consolidated statement of cash flows:

	2020	2019
Profit before tax	185,590	187,224
- Depreciation of property, plant and equipment (Note 5)	6,422	6,044
- Amortization and impairment of intangible assets (Note 6)	17,801	15,817
- Amortization of right of use (Note 36)	11,392	-
- (Profit)/loss on disposals of property, plant and equipment	-	(283)
- Increase/(reduction) in retirement benefit obligations	-	(779)
- Interest paid (Note 26)	(1,080)	(208)
- Interest received (Note 26)	(229)	315
- Losses/(gains) on foreign currency conversion in operating activities (Note 26)	(55)	(124)
Changes in working capital (excluding the effects of the acquisition and foreign exchange differences upon consolidation):		
- Inventories	(6,004)	10,176
- Trade and other receivables	3,235	(5,852)
- Trade and other payables	11,465	8,627
Tax payment for the period	(49,571)	(48,570)
<b>Cash generated by operations</b>	<b>179,424</b>	<b>172,387</b>

### 31. Contingencies

The Group has contingent liabilities in respect of bank and other guarantees arising in the ordinary course of business. It is not foreseen that any material liabilities will arise from the contingent liabilities. The Group has given guarantees in the ordinary course of business amounting to EThs 13,238 (2019: EThs 10,980).

As the result of a disciplinary procedure initiated by the National Commission on Competition (CNC), now the National Commission on Markets and Competition (CNMC), against several companies in the elevator industry, a fine of EThs 2,845 was imposed on Zardoya Otis, S.A. in September 2013. A bond was deposited in order to appeal against the administrative decision before the Contentious-Administrative Chamber of the National Court, which duly delivered judgment. An appeal against said judgment was filed before the Supreme Court.

The Supreme Court dismissed the appeal filed by Zardoya Otis, confirming the National Court's judgment (which had confirmed the infringement but ruled that the fine was excessive and should be recalculated). The proceedings therefore returned to the CNMC so that they could be analyzed and the fine recalculated. The CNMC issued a resolution on the recalculation that fully confirmed the amount of the initial fine. An appeal is now in progress before the National Court.

### 32. Commitments

#### *Asset purchase commitments*

Investments committed at the end of the reporting period but not made at said date were as follows:

EThs	<b>2020</b>	<b>2019</b>
Property, plant and equipment	1,207	858

At the reporting date, there were purchase commitments for property, plant and equipment of EThs 1,207 (EThs 858 in 2019), EThs 441 of which had been paid in advance (EThs 46 in 2019).

**Lease commitments**

The Group leases commercial premises, offices and warehouses under lease contracts for which different conditions have been agreed. Furthermore, there are other operating lease commitments, principally concerning vehicles.

The Group has recognized right-of-use assets for these leases since December 1, 2019. The estimated annual cost of all the commitments assumed under said lease contracts for 2020 and 2019 was:

	<u>2020</u>	<u>2019</u>
Premises leased	15,253	15,099
Other	13,262	17,173

**33. Business combinations****2020**

In 2020, companies belonging to the CGU Zardoya Otis (Spain) acquired 100% of the shares of the companies N&V Servirema S.L.U. (February 25, 2020) and Puertas Automáticas Seleman, S.L (October 1, 2020). Likewise, a non-controlling interest in Ascensores Pertor S.L. (5.87%) was acquired (November 4, 2020). All these companies are engaged in elevator repair and maintenance in Spain.

Details of the assets and liabilities that were included are as follows:

Cash and cash equivalents	10
Property, plant & equipment	69
Intangible assets	874
Receivables	249
Inventories	300
Payables	(420)
Deferred tax liabilities	(218)

A difference of EThs 515 arose as goodwill.

**2019:**

In 2019, companies belonging to the CGU Zardoya Otis Group (Spain) acquired 100% of the shares of the companies Otis Lliset S.L.U (December 4, 2018), Sige Ascensores S.L. (May 27, 2019) and Elevadores Tormes S.L. (October 10, 219). Likewise, 80% of Ascensores Eleva S.L. was acquired (June 28, 2019). All these companies are engaged in the maintenance and repair of elevators in Spain.

Details of the assets and liabilities that were included are as follows:

Cash and cash equivalents	958
Property, plant & equipment	590
Intangible assets	14.070
Receivables	3.946
Inventories	754
Payables	(904)
Deferred tax liabilities	(3.598)

A difference of EThs 8,131 arose as goodwill.

### 34. Related-party transactions

At November 30, 2020, Otis Worldwide Corporation S.A. (incorporated in France) held 50.01% of the parent company, Zardoya Otis, S.A.

The following transactions were carried out with related parties:

<i>EThs</i>	<b>2020</b>	<b>2019</b>
<i>Transactions with Otis Elevator Co</i>		
Royalties	(19,556)	(20,334)
Charge-back to Otis of costs relating to the R&D Center	3,806	3,799
<i>Transactions with Otis Group company, sales and purchases of goods and services</i>		
Sales and expenses invoiced	151,621	159,289
Purchases and expenses incurred	(41,099)	(46,352)
Receivables (Note 8)	39,890	38,146
Payables (Note 15)	(12,055)	(11,601)

The Group considers all the trading and non-trading transactions carried out by any Group company with shareholders, directors or associated companies to be related transactions.

The Company periodically requests the opinion of an expert of recognized prestige concerning the pricing policy established for the transactions with other Otis Group entities, in order for it to be reviewed by the Audit Committee.

The Group has been party to a technical assistance agreement, "Intellectual Property License Agreement", with Otis Elevator Company since 1999. This agreement allows the Company to use the trademarks and have access to Research & Development activities and global product development. The cost of this agreement is a royalty of between 2.1% and 3.5% of sales to end customers, excluding intra-group sales.

Additionally, in September 2010, a "Recharge Agreement" was signed with group entities, which concerned the possibility that certain Zardoya Otis, S.A. executives who were also considered to be group executives, since they held important management responsibilities, should benefit, depending on their performance and the attainment of joint objectives of Zardoya Otis and group entities, from the group's long-term incentive plan, which includes share-based compensation schemes. The Agreement is applicable to incentives assigned as from December 1, 2010. The cost, approved by the Audit Committee, is included in employee benefit expenses, generating a credit account with group companies (shown as other provisions in the statement of financial position). For 2020, the expense for this item was EThs 966 (EThs 495 in 2019), relating to the fair value of the accumulated assets to which it is indexed, which was EThs 7,316 (EThs 5,427 in 2019).

As of November 30, 2020, the cash and cash equivalents heading included EThs 14,000 relating to a cash deposit held by Zardoya Otis, S.A. with Otis Intercompany Lending Ireland Designated Activity Company and Otis Elevator Company. Deposits with group companies were cash placements maturing at 30 days, which accrued an average interest rate of 0.01%, approximately 0.01 percentage points higher than the usual market rate

The global remuneration for all items accrued during the year by the members of the Board of Directors was EThs 1,966 (EThs 1,966 in 2019) and consisted of the following items:

	<b>2020</b>	<b>2019</b>
Fixed compensation	293	297
Variable compensation	240	195
Bylaw-stipulated items	683	1,033
Other long-term benefits	673	390
Pension plan contributions	77	70
<b>TOTAL</b>	<b>1,966</b>	<b>1,985</b>

At the 2020 and 2019 reporting dates, the Company had not granted any advances or credits to the members of the Board of Directors.

Additionally, the overall compensation for all items accrued by the members of Group senior management (non-directors) was EThs 848 (EThs 870 in 2019), as reported in Sections C.1.15 and C.1.16 of the 2020 Annual Corporate Governance Report.

Complying with the duty to avoid situations where there is a conflict with the Company's interests, the directors who held office on the Board of Directors during the period met the obligations set forth in article 228 of the Revised Text of the Capital Companies Law. Likewise, both they and persons related to them refrained from entering into the situations of conflict of interest provided for in article 229 of said Law, except in cases where the relevant authorization had been obtained.

### 35. Environmental information

At November 30, 2020, the Group was not aware of any contingency, risk or litigation in progress related to the protection and improvement of the environment. Therefore, the Company did not recognize any provision in the statement of financial position at November 30, 2020 for environmental actions.

The Group has approved a Corporate Environmental Policy Manual that stipulates the principal procedures and actions to be followed in plants, offices, transport, Installation and Service.

The principal programs established are intended to reduce to effects of environmental pollution by:

- Control, recycling and reduction of highly contaminating waste (oils).
- Control and reduction of recyclable waste (packaging).
- Control and reduction of emissions into the air due to industrial and combustion processes.
- Control and reduction of water and energy consumption.

The Madrid-Leganés plant was designed to minimize energy consumption by including the installation of photovoltaic panels on the roof, the carrying amount of which is EThs 4,153 (2019: 4,153), with accumulated depreciation of EThs 2,240 at the reporting date (2019: 2,074).

In addition, in 2020, expenses for the removal or recycling of waste were recognized for a value of EThs 151 (2019: EThs 283).

### 36. Leases

The Group has applied IFRS 16 “Leases” retrospectively as of December 1, 2019, although it has not restated the comparative figures for the 2019 reporting period, as permitted by the specific transition rules of the Standard. The reclassifications and adjustments arising from the new lease rules were, therefore, recognized in the opening statement of financial position as of December 1, 2019.

Since December 1, 2019, leases have been recognized as a right-of-use asset with the related liability as of the date on which the leased asset becomes available for use by the Group. Each lease payment is allocated between the liability and the financial expense. The financial expense is taken to profit and loss over the lease term in such a way as to produce a constant period interest rate on the remaining balance of liability for each period.

With the adoption of IFRS 16, the Group recognizes lease liabilities in relation to the leases that were previously classified as “operating leases” under the principles of IAS 17 *Leases*. These liabilities are measured at the present value of the remaining lease payments, discounted at the lessee’s incremental borrowing rate of 2,81%.

The right-of-use assets associated with real estate leases are initially measured at the amount of the initial measurement of the liability as described in the preceding paragraph. The right-of-use asset is depreciated over the lease term on a straight-line basis.

The right-of-use assets recognized are related to the following types of asset:

	November 30, 2020	December 1, 2019
Real estate	15,254	15,099
Equipment	1,528	450
Vehicles	11,734	16,723
<b>Total right-of-use assets</b>	<b><u>28,516</u></b>	<b><u>32,272</u></b>

At November 30, lease liabilities matured as follows:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Lease liabilities	10,820	17,696	28,516

The impacts of applying the lease standard are as follows:

	<u>November 30, 2020</u>
Depreciation of assets (expense)	11,393
Lease payments	(12,114)
Financial expense (Note 22)	<u>722</u>

The reclassifications of cost increase the EBITDA for the period by EThs 12,114.

### 37. Events after the reporting date

On December 15, 2020, Zardoya Otis, S.A. declared the third dividend charged to the profit for the period, for a gross amount of 0.068 euros per share. The resulting gross dividend was EThs 31,852 and it was paid out on January 11, 2021.

On December 22, 2020, a non-controlling interest of 20% in Ascensores Eleva was acquired through an share exchange. Zardoya Otis handed over 309,713 shares, with a value of EThs 1,762, in payment of this acquisition.



**38. Other information****a) Number of Group employees by category (average – reporting date)**

	Men	Women	2020
Managers	63	12	75
Administration/workshop/field supervisors	514	39	553
Engineers, university graduates and other experts	220	72	292
Administrative and technical personnel	514	458	972
Other workers	3,611	28	3,639
	4,922	609	5,531

	Men	Women	2019
Managers	67	10	77
Administration/workshop/field supervisors	507	40	547
Engineers, university graduates and other experts	239	76	315
Administrative and technical personnel	529	451	980
Other workers	3,654	27	3,681
	4,996	604	5,600

The average number of persons with a disability rating of 33% or more employed by the Group in the 2020 and 2019 reporting periods was 49 (42 men and 7 women) in 2020 and 48 (43 men and 6 women) in 2019.

**(b) Fees of account auditors and companies belonging to their group or related companies**

The amount of the fees accrued by PricewaterhouseCoopers Auditores, S.L., which audited the Zardoya Otis Group, for the year 2020, was ETBs 314 (ETBs 327 in 2019), including the fees paid for the process audit required to comply with the requirements of the main shareholder. Likewise, fees accrued during the year by other companies in the PwC network as a result of audit services to foreign subsidiaries were ETBs 60 (ETBs 43 in 2019).

The fees accrued during the year by PricewaterhouseCoopers Auditores, S.L. and other companies that use the PwC brand name as a result of other services rendered to the Group, were ETBs 59 (ETBs 59 in 2019).

# MANAGEMENT REPORT OF ZARDOYA OTIS

## CONSOLIDATED FINANCIAL STATEMENTS 2020

(Thousands of euros - EThs)

### Presentation of the annual financial statements

The Group's consolidated annual financial statements at November 30, 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations (IFRIC) endorsed by the European Union and in force at said date.

**4.1**

## Business evolution

### Profit and loss

The EBITDA (operating profit plus amortization plus depreciation) at the 2020 reporting date was 220.8 million euros, 5.3% higher than the figure obtained in 2019. For the second time since 2010, the EBITDA exceeded the preceding year's figure.

The EBITDA at the reporting date includes the positive impact of higher depreciation of 12.1 million euros due to application of "IFRS 16 Leases", which introduces the requirement for companies to show leased assets attached to the activity in their statement of financial position (as stated in point 7 of the Notes to the Interim Financial Statements for the second semester of 2020, the Group has been applying this Standard since December 1, 2019, although it has not restated the comparative figures for the reporting period ended November 30, 2019, as permitted under the specific transitional provisions of the Standard). If the aforementioned effect of IFRS 16 is not taken into account, the EBITDA would have been 207.9 million euros, a similar level to the 208.8 million euros obtained in 2019.

Consolidated profit before tax at the end of 2020 was 185.6 million euros, 0.9% down on 2019 figure.

Profit after tax was 140.4 million euros in 2020, slightly lower -by 0.1%- than the 140.6 million euros obtained in 2019.

As in the first semester of the year, in the second semester the Group continued to apply numerous operating, commercial and cost containment measures that allowed us to partly offset the impacts of the pandemic we are suffering worldwide. At the same time, we place priority on the safety of our employees and customers, in order to ensure the service quality to which our customers and users are accustomed.

### Sales

Total consolidated sales at the 2020 reporting date were 786.4 million euros, in comparison with the 802.4 million euros at the end of 2019, representing a drop of 2.0%. We can consider this figure to be moderate, given the economic consequences generated by the Covid-19 pandemic, which has affected a vast majority of sectors and markets worldwide.

## **New installations**

### Work completed

The value of new installations at the end of 2020 was 112.4 million euros, 3.1% down on the 116.0 million euros obtained in 2019. However, the 2020 value continues to be 14.1% higher than the value in 2018 and much higher than that of preceding years, with cumulative growth of 74.6% since the end of 2015.

In 2020, new installation sales accounted for 14.3% of total sales (14.5% in 2019).

### Orders received and backlog of unfilled orders

At the 2020 reporting date, the total cumulative amount was 345.6 million euros, including orders received for modernizations, new installations and exports, in both new and existing buildings and Marine. In the case of Marine, it has been affected by the pandemic, since it includes the international cruise ship activity, which has not shown any signs of recovery to date.

The cumulative figure for 2020 represents a decrease of 4.9% on the 363.5 million euro obtained in 2019, although it is higher than the 2018 figure.

The backlog of unfilled orders at the end of 2020 was 183.6 million euros, an increase of 2.2%, a moderate decrease of 1.1% in comparison with the 185.6 million euros at the end of 2019.

## **Service**

### Sales

Consolidated service sales totalled 510.0 million euros (517.9 million euros in 2019), representing a decrease of 1.5%, thus continuing the trend shown in previous quarters of exceeding 2018 levels.

The service activity represented 64.8% of the Group's total billing in 2020 (64.5% in 2019).

### Units under maintenance

In spite of the unfavourable economic environment due to the pandemic, our units under maintenance remained stable and showed a slight growth of 0.2% in comparison with the end of 2019, totalling 294,333 units at the end of 2020. Attention should be drawn to the fact that we have been successful in maintaining our portfolio almost through organic growth alone, in spite of the difficulties the economy is undergoing.

## **Exports**

Net consolidated export sales were 164 million euros, 2.7% down on the 168.6 million euros obtained in 2019.

Exports represented 20.9% of Group consolidated sales at the end of 2020 (21% at the end of 2019).

## Employees

The Group had 5,531 employees at the end of the 2020 period, showing slight decrease of 1.23% on the end of the preceding year.

The average number of employees at the reporting date, distributed by category and gender, was as follows:

	2020			2019		
	Men	Women	Total	Men	Women	Total
Managers	63	12	75	67	10	77
Administrative/workshop/field supervisors	514	39	553	507	40	547
Engineers, university graduates and other experts	220	72	292	239	76	315
Administrative and technical personnel	514	458	972	529	451	980
Other workers	3,611	28	3,639	3,654	27	3,681
	4,922	609	5,531	4,996	604	5,600

The average number of persons with a disability rating of 33% or more employed by the Group in the 2020 and 2019 reporting periods was 49 (42 men and 7 women) in 2020 and 49 (43 men and 6 women) in 2019.

## Dividends

At its December 2019 and March 2020 meetings, the Board of Directors approved, respectively, the third interim dividend charged to the 2019 profit and the first interim dividend charged to the 2020 profit, paid out on January 10, 2020 and April 9, 2020, respectively. In addition, the General Shareholders' Meeting of Zardoya Otis held on June 16, 2020 passed a resolution to distribute a dividend charged to reserves, which was paid out on July 10, 2020.

Subsequently, at its September 2020 meeting, the Board of Directors approved the second interim dividend charged to the 2020 profit, paid out on October 9, 2020.

Date	Gross per share	Charged to	Shares entitled to dividend	Gross total
January 10	0.080 euros	3rd interim 2019	470,464,311	37,637,144.88 €
April 10	0.080 euros	1st interim 2020	470,464,311	37,637,144.88 €
July 10	0.060 euros	Reserves	470,464,311	28,227,858.66 €
October 9	0.065 euros	2nd interim 2020	470,464,311	30,580,180.22 €
Treasury shares			(385,869)	(109,972.67) €
<b>Total</b>			<b>470,078,442</b>	<b>133,972,355.97 €</b>

## Evolution of capital

### Treasury shares

The Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. held on May 23, 2018 authorized the Board of Directors to acquire, directly or indirectly, treasury shares of Zardoya Otis, S.A., observing the limits and requirements set out in article 146 and related articles of the Capital Companies Law.

At its meeting of December 11, 2018, the Board of Directors agreed to acquire treasury shares so that they could be used in company acquisition transactions.

At November 30, 2020, Zardoya Otis, S.A. held 1,420,016 treasury shares (385,869 treasury shares at the end of 2019) for a value of EThs 8,087 (EThs 2,572 at the end of 2019).

In the 2020 reporting period, 1,598,708 shares were acquired for a value of EThs 8,806. On November 4, 2020, a non-controlling interest of 5.87% was acquired in Ascensores Pertor, S.L. through a share exchange, in which 564,561 shares, valued at EThs 2,964 with an acquisition cost of EThs 3,291, were handed over.

### Evolution of Zardoya Otis on the securities markets

The quoted share price at the end of 2020 was 5.73 euros per share, representing a decrease in value of 24.5% in comparison with the adjusted value at the end of 2019.

### Forecast evolution

According to the **International Monetary Fund (IMF) Annual Report 2020**, the world is facing a crisis like no other. To tackle the health emergency, countries had to bring economic life to a standstill during the Great Lockdown, which created the worst recession since the Great Depression. Enormous uncertainty clouded the prospects for the global economy and the world is facing the pandemic's unknowns.

In addition, according to the data of the **IMF Executive Board in its consultation with Spain**, our country has been one of the hardest hit by the Covid-19 pandemic, which has affected Spain's society and economy severely after five years of heavy growth in employment.

Under a baseline scenario without new widespread strict containment measures, the IMF has forecast that activity will contract by about 12 percent in 2020, and partially recover by about 7 percent in 2021. According to the IMF, the recovery rests on a strong rebound in private consumption and a substantial increase in public investment financed mainly by the funds of the **EU Recovery and Resilience Facility**. The outlook is highly uncertain and will crucially depend on the containment of the different waves of infections and the preparedness of the health system; size, timing, and composition of EU-funded additional spending; as well as on the success of policy measures to mitigate the pandemic's consequences.

## General Description of the Group's Risk Policy

The Group' activities are exposed to a variety of financial risks: market risk (including foreign exchange risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's global risk management program is focused on the uncertainty of the financial markets and tries to minimize any potential adverse effects on the Group's financial profitability.

Risk management is controlled by Group Management in accordance with policies set out in the supplementary information accompanying the annual corporate governance report at November 30, 2019. Management assesses and hedges financial risks in close collaboration with the operating units of the rest of the Group, in order to:

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

## Average payment period to suppliers

In relation to the provisions of Law 3/2004 and Law 15/2010 on Measures to Combat Payment Delays in Trading Operations, Law 31/2014 of December 3 amended Law 15/2010 in relation to the information to disclose in the notes to the annual financial statements, in order to request disclosure of the average annual payment period to suppliers. Thus, the average payment period to suppliers for 2020 was less than 60 days. The Group has put in place measures to comply with the law, which include keeping the average payment period of its transactions with group and associated companies in line with current legislation and complying with the trading agreements it holds with external suppliers.

## Research and Development expenses

The Group parent follows the policy of recognizing research costs in the income statement in the period in which they are incurred, as stated in its accounting policies and principles. As of November 30, 2020, the income statement included expenses of EThs 1,640 (2019: EThs 1,591) for this item.

## Significant events at November 30, 2020

In 2020, companies belonging to the CGU Zardoya Otis Group (Spain) had acquired 100% of the shares of the companies:

- N & V Servirema S.L.U. on February 25, 2020
- Puertas Automáticas Seleman, on October 1, 2020

The corporate purpose of all of them is maintenance and repairs of automatic doors in Spain.

Likewise, a non-controlling interest in Ascensores Pertor (5.87%) was acquired on November 4, 2020 through a share exchange. Zardoya Otis handed over treasury shares it held at the transaction date.

The following mergers took place in 2020:

- Alcaraz into Express (May 2020)
- Limarlift into Hemen (May 2020)
- Elko into Pertor (November 2020)
- Tormes into Ascensores Enor (November 2020)

4.1

### **Events after the reporting date**

On December 15, Zardoya Otis, S.A. declared the third interim dividend charged to the 2020 profit for a gross amount of 0.068 euros per share. The resulting amount is a total gross dividend of EThs 31,852. This dividend was paid out on January 11, 2021.

On December 22, 2020, a non-controlling interest of 20% was acquired in Ascensores Eleva through a share exchange. Zardoya Otis handed over 309,713 shares valued at EThs 1,762 euros in payment of this acquisition.

### **Annual Corporate Governance Report**

The Annual Corporate Governance Report for the 2020 reporting period forms part of this Management Report.

### **Statement of Non-financial Information**

The Statement of Non-financial Information for the 2020 reporting period forms part of this Management Report.

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

# General Shareholders' Meeting 2021

\* \* \* \* \*

2020 Non Financial Information and verification

**OTIS**  
ZARDOYA OTIS, S.A.



**ZARDOYA OTIS, S.A. and Subsidiaries**

**Independent Limited Assurance Report of the Non-Financial  
Statement for the year ended November 30, 2020**

**4.2**



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1

Translation of a report originally issued in Spanish. In the event of discrepancy,  
the Spanish-language version prevails

4.2

## INDEPENDENT LIMITED ASSURANCE REPORT OF THE NON-FINANCIAL STATEMENT

To the Shareholders of ZARDOYA OTIS, S.A.:

Pursuant to article 49 of the Code of Commerce we have performed a verification, with a limited assurance scope, of the accompanying Non-Financial Statement (hereinafter NFS) for the year ended November 30, 2020, of ZARDOYA OTIS, S.A., which is part of the Director's Report of the Company.

The content of the NFS includes additional information to that required by prevailing mercantile regulations in relation to non-financial information that has not been subject to our verification. In this regard, our review has been exclusively limited to the verification of the information shown in the Appendix: Table of contents required under Law 11/2018, included in the attached NFS report.

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### Responsibility of the Board of Directors and Management

The Board of Directors of the Company is responsible for the approval and content of the NFS included in the Director's Report of the Company. The NFS has been prepared in accordance with the content established in prevailing mercantile regulations and the criteria of the selected GRI standards, as well as other criteria described in accordance with that indicated for each subject in the Appendix I "Table of contents required under Law 11/2018, December 28, on non-financial information and diversity" included in the attached NFS report.

The directors are also responsible for the design, implementation and maintenance of such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

The Company administrators are further responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFS is obtained.

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### Our independence and quality control procedures

We have complied with the independence and other Code of Ethics requirements for accounting professionals issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectivity, professional competence, diligence, confidentiality and professionalism.

Our Firm complies with the International Standard on Quality Control No. 1 and thus maintains a global quality control system that includes documented policies and procedures related to compliance with ethical requirements, professional standards, as well as

applicable legal provisions and regulations. The engagement team consisted of experts in the review of Non-Financial Information and, specifically, in information about economic, social and environmental performance.

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### **Our responsibility**

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed, that refers exclusively to financial year ended November 30, 2020. Information on prior years was not subject to the verification required by prevailing mercantile regulations. Our review has been performed in accordance with the requirements established in prevailing International Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (ISAE 3000) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and the Guide for Non-Financial Statement verification engagements, issued by the Spanish Institute of Chartered accountants.

The procedures carried out in a limited assurance engagement vary in nature and timing and are smaller in scope than reasonable assurance engagements, and therefore, the level of assurance provided is likewise lower.

Our work consisted in requesting information from Management and the various Company units participating in the preparation of the NFS, reviewing the process for gathering and validating the information included in the NFS, and applying certain analytical procedures and sampling review tests as described below:

- Meeting with Company personnel to know the business model, policies and management approaches applied, the main risks related to these matters and obtain the necessary information for our external review.
- Analyzing the scope, relevance and integrity of the content included in the NFS based on the materiality analysis made by the Company and described in the introduction of the NFS report, considering the content required by prevailing mercantile regulations.
- Analyzing the processes for gathering and validating the data included in the financial year ended November 30, 2020 Non-Financial Statement.
- Reviewing the information on the risks, policies and management approaches applied in relation to the material aspects included in the NFS.
- Checking, through tests, based on a selection of a sample, the information related to the content of the financial year ended November 30, 2020 NFS and its correct compilation from the data provided.
- Obtaining a representation letter from the Directors and Management.



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3

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## Conclusion

Based on the procedures performed in our verification and the evidence obtained, no matter came to our attention that would lead us to believe that the 2020 NFS of the Company has not been prepared, in all material respects, in accordance with the content established in prevailing mercantile regulations and the criteria of the selected GRI standards, as well as other criteria described in accordance with that indicated for each subject in the Appendix I "Table of contents required under Law 11/2018, December 28, on non-financial information and diversity"

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## Use and distribution

This report has been prepared as required by prevailing mercantile regulations in Spain and may not be suitable for any other purpose or jurisdiction.

ERNST & YOUNG, S.L.  
(Signature on the original in Spanish,  
signed by Alberto Castilla Vida))

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Alberto Castilla Vida

5 March 2021

4.2



## **STATEMENT OF NON-FINANCIAL INFORMATION 2020**

**FEBRUARY 2021**

## 1. ABOUT THIS CHAPTER

This statement of non-financial information has been prepared in line with the requirements established in Law 11/2018 of December 28, 2018 on non-financial information and diversity, approved on December 13, 2018 by the Congress of Deputies, whereby the Commercial Code, the revised text of the Capital Companies Law approved by Royal Legislative Decree 1/2010, of July 2, and Law 22/2015, of July 20, on Account Auditing, were modified in relation to Non-financial information and diversity (from Royal Decree-Law 18/2017, of November 24).

In preparing it, the guidelines on the presentation of non-financial reports of the European Commission (2017/ C 215/01), derived from Directive 2014/95 / EU have also been considered.

In this context, through its non-financial information statement, Zardoya Otis, SA aims to report on environmental, social, personnel and human rights issues relevant to the company in carrying out its own business activities.

In preparing this report and selecting its contents, the results of an internal analysis of the material issues for the Group during the 2020 financial year have been considered. This analysis has taken into account various sources of information, including internal audits, company data and information recorded by the company, in accordance with how relevant they are for Zardoya Otis and its stakeholders. The result of this analysis is reflected in the following table:

Very relevant aspects	Relevant aspects	Non-relevant aspects
Health and security	Contamination	Protection of biodiversity
Fight against corruption and bribery	Training	Work organization
Respect for human rights	Consumers	Social relationships
Environmental management	Subcontracting and suppliers	Climate change
	job	
	Equality	
	Company commitments to sustainable development	
	Circular economy and waste prevention and management	
	Sustainable use of resources	
	Universal accessibility for people with disabilities	

This statement of non-financial information has been submitted to an independent external review process, having been verified by Ernst & Young (EY), one of the most important and prestigious auditing firms in the world. The independent assurance report which includes the objectives and scope of the process, as well as the review procedures used and their findings, is included at the end of this document.

## 2. BUSINESS MODEL

### Environment

This business analysis is carried out in response to the requirements of the ISO9001 2015 standard to deepen the understanding of the environment / context of the organization.

The purpose of the analysis is to recognize all those general factors (national and international) that define the framework in which the company operates and affect its specific environment: sector, market, customers, competition, suppliers, etc. They refer to both the micro and the macro environments, whenever either of them could have an effect on the business. Likewise, the current situation and a short or medium term forecast (1-5 years) are taken into account to get an idea of the evolution in different aspects: visual representation, cumulative growth and average annual growth.

This analysis includes 6 factors: Political, Economic, Sociocultural, Technological, Environmental / Ecological and Legal, which we will now evaluate:

### POLITICAL FACTORS

Included in this section are those internal and external political factors that are considered relevant to the activity carried out by the Company. This analysis of the political environment will be a valuable reference for the design and development of Zardoya Otis policies and strategies.

The General Elections of November 10, 2019 resulted in a relative majority of the PSOE. Once the Cortes were constituted, on December 3, 2019, the XIV Legislature took office with the following distribution in the Congress and Senate.



Given this relative majority, the PSOE needed to reach agreements for support from different sources and enter into a coalition government with Unidas Podemos in order for Pedro Sánchez to be invested as President of the Government in January 2020.

It should be noted that, after the 2015 General Elections, Spain had a long period with provisional governments. Those governments, of both the PP and the PSOE, did not have consistent parliamentary majorities. Likewise, the number of elections in recent years has also slowed down parliamentary activity.

On March 14, 2020, the President of the Government announced, in an institutional statement, a state of alarm for the second time in the recent history of the country, as an exceptional measure to contain the pandemic due to the coronavirus disease (Covid-19) that had been affecting Spain since mid-February, and that it would be implemented from the following day, Sunday, March 15 at 00:00. At the time of the announcement, Spain had more than 4,200 positive cases and 120 deaths, the Madrid Region being the region most affected, with more than half of the positive cases in the country and 64 deaths. The regional government had decided on the systematic closure of hotel and catering and business premises, keeping only pharmacies and basic food businesses open.

Hours before this measure was announced, the urgent measures approved by the extraordinary Council of Ministers meeting were made public, with an injection of 14,000 million euros, published by decree in the BOE and including measures such as a deferral of 30,000 euros in tax payments for six months until May 30, 2020, with a three-month grace period, for companies, SMEs and the self-employed.

In the institutional statement of Saturday, March 14, the President of the Government confirmed the approval of the state of alarm, which added the extraordinary measure of the prohibition of movement of citizens throughout national territory, which entered into force at the time of publication in the BOE that same day.

Given the serious situation, in order to guarantee the effective management of the health emergency and contain the spread of the disease, further extensions of the state of alarm were subsequently requested and approved. Progressively, based on the data related to the pandemic, measures aimed at returning to normality were announced. Similarly, during this period, policies were developed focused on helping to manage the situation caused by the pandemic, as well as alleviating its consequences.

Finally, the state of alarm was lifted on June 21 at 00:00. In this new situation, it was mainly the Autonomous Regions, in coordination with the central government, who were managing the pandemic situation.

Given all these circumstances, national politics shows a theoretically stable outlook from the point of view of outside support and the government coalition. However, the unresolved pandemic situation, the risk of new outbreaks and the possible health, social and economic consequences may significantly affect the political situation in the coming months.

The international political context shows a panorama where the following factors stand out:



- Negotiation in the European Union of aid to mitigate the consequences of the Covid-19 pandemic, where political tension appears between north-south countries
- Increase in European Union law that is transposed into national law (GDPR -data protection-, environment, Internet banking -PSD2-, etc.)
- The recent Brexit and its impact on Spain
- The new nationalist rise as a potential seed of Euroscepticism
- The tension in Europe-US-China relations in the face of a rethinking of existing trade relations
- Spain and the management of the migration problem in the environment of the European Union

As a general conclusion, in aspects that may affect Zardoya Otis, the current political scenario is marked by complexity and uncertainty. Especially in relation to the open situation of the Covid-19 pandemic, political measures are expected to continue prioritizing health protection (which could include new movement restrictions) and, at the same time, to help reactivate economic activity (employment situation, financial aid, tax system, etc.).

Therefore, possible developments and political perspectives, both internal and external, that could influence the Company's activity should be regularly monitored and evaluated.

## ECONOMIC FACTORS

They are the factors that affect the purchasing power and spending pattern of consumers and forecast the evolution of the main macroeconomic figures.

From a more global standpoint, as reported by the World Bank, the 2020 factor related to Covid-19 (coronavirus) has caused the deepest global recession that has been experienced in decades. While the end result is still uncertain, due to the pandemic the vast majority of emerging markets and developing economies will contract, with lasting damage to labor productivity and potential output. The immediate policy priorities are to reduce human costs and mitigate short-term economic losses. Once the crisis subsides, a credible commitment to sustainable policies must be reaffirmed and the reforms needed to support long-term prospects must be carried out. Global coordination and cooperation will be essential.

Covid-19 has had a huge impact globally and caused pronounced recessions in many countries. The baseline projections forecast a 5.2% contraction in world gross domestic product in 2020, the deepest global recession in decades. Per capita income in most emerging and developing economies will shrink this year. The pandemic highlights the urgent need to adopt policy measures to cushion its consequences, protect vulnerable populations and improve the capacity of countries to tackle similar events in the future. Addressing the challenges of informality and limited safety nets, and pursuing reforms that enable strong and sustainable growth, are also critical.

On the other hand, taking a more national approach, the Bank of Spain and international organizations point out that the contraction forecasts for this year are especially negative. Imports and exports have fallen between 25 and 30% when, in 2019, record exports of 290,000 million euros had been reached. The volatility of the markets has also marked this stage and the fact that, in the 2008 crisis, the stock market fell by 60% in two years, while now it has fallen by as much as 40% in just one month is symptomatic of this situation.

It is estimated that the average drop in Gross Domestic Product this year may be between 6 and 7% but, for next year, the comeback may be greater than 7%, in such a way that the

levels of 2019 would not be reached until the third or fourth quarter of 2021. The monetary, financial and fiscal policies that have been put in place are key factors here.

The figures suggest that the second quarter of the year will be very negative, with falls of around 15 or 20 percent, although also with a strong rebound in the third quarter that opens the door to a sustained recovery that may lead to pre-crisis levels being reached from the end of 2021 onwards, always bearing in mind that the speed of recovery of the different sectors may be different.

Additionally, according to the forecasts of Banco Santander, the economic recovery due to the Covid-19 crisis will be faster than in the case of the 2008 recession, although the recovery will not be homogeneous in every sector. The recovery in activity that is already taking place will return to the levels of 2019 from the third or fourth quarter of 2021 depending on the intensity of the outbreaks of the pandemic that may occur and how they are controlled by the health authorities in order to prevent the economy from coming to a further standstill, as occurred during the confinement.

The economic stimulus measures that are being put on the table and the rapid response in terms of monetary and fiscal policy by the European Commission and national governments denote the difference compared to the previous crisis. Therefore, if they are maintained, they will provide the impetus that companies need to reactivate and return to the path of normality earlier than some forecasts predict, although always within the margin of uncertainty that exists because it is a health crisis and not due to strictly economic reasons.

It is said that the great difference from the recession that began in 2007 in the US and in 2008 in Europe is that the structure of the economy is now much more solid than at that time and the balance sheets of companies, families and banks are much more consolidated and clear of inefficient assets. This crisis does not respond to traditional parameters and analysts have been forced to make weekly forecasts rather than the usual quarterly ones.

Likewise, Banco Santander studies indicate that markets tend to be ahead of economic realities and, currently, the rapid recovery that is taking place is surprising given that it started from a sharp drop-in activity caused by the closure of a large part of the economy and the confinement that abruptly stopped consumption. Although the markets are already thinking about a third wave with strong resurgence in autumn, the less pessimistic option is also expected, as we are now more protected and forewarned. It appears that the markets are reacting positively to the monetary and fiscal actions by providing liquidity to the markets, which did not happen in the 2008 recession.

Although there is still a lot of uncertainty, it is estimated that the Spanish economy will return to pre-Covid-19 levels from the end of 2021, although the rate of recovery will depend on the evolution of the health crisis and the measures that the authorities put in place to stimulate the different productive sectors.

With regard to an approach more focused on the sector of Zardoya Otis's business, CaixaBank Research warns that, although the real estate sector will not be one of the most affected by Covid-19, it will be affected, according to its report on the real estate sector corresponding to the second half of 2020, in which it analyzes the impact that the Covid-19 pandemic is having on the sector and its possible consequences.

In this respect, the report shows how property sales fell by 39% year-on-year in April and a fall of between 30% and 40% is expected for the whole of 2020, influenced by the decline in sales to foreigners, who in 2019 represented 12.5% of the total in 2019

The report explains that the context of uncertainty about the evolution of the pandemic and economic activity will negatively affect demand. This will influence the price of housing, which could experience a cumulative adjustment (2020 and 2021) of between 6% and 9%. In any case, CaixaBank Research underlines that the evolution of prices will be different depending on the geographical area and the type of home, with tourist areas and second-hand homes being those that suffer the greatest impact.

After the confinement, the construction activity has been one of those that has been able to resume its activity the fastest in order to continue and complete the projects that were underway. However, a notable slowdown in the commencement of new building projects is expected. In this respect, CaixaBank Research foresees that new construction authorizations may decline between 20% and 40% in 2020.

#### PREVISIONES DE CAIXABANK RESEARCH PARA EL SECTOR INMOBILIARIO ESPAÑOL



The CaixaBank Research semi-annual report reflects that the rental market may be less affected because there will be greater demand from people with difficulties or doubts in relation to purchasing their own home.

The study analyzes the potential of Spanish tenants who could afford to buy a home. For the whole of Spain, it is estimated that 49% of tenants have sufficient income to buy a home. However, only 13% also have the necessary savings. And precisely that insufficient capacity to save, which especially affects the younger segments of the population, is the main restriction on purchasing a home.

Another of the real estate niches that may emerge stronger from this crisis is that of housing renovation. The pandemic is causing changes in multiple aspects of our lives: teleworking, much more time at home, etc. which can promote works to transform and adapt homes to meet the new needs.

The estimate is that the real estate sector has much stronger foundations than in the previous crisis in 2008 and that, therefore, its ability to weather the current crisis is much greater. The financial situation of Spanish households and the solvency and liquidity position of the banking sector also contribute to this.

Likewise, the Company must specifically consider the influence of raw material prices and purchasing strategies to try to mitigate and anticipate their impact on the cost of the

product. To this end, factors such as international markets (copper, aluminum, steel, oil) and also geopolitical impacts (US-China tariff war, Brexit, tensions in the Middle East, etc.) must also be monitored.

The effect of national and European labor markets should also be considered in relation to, for example, the availability of qualified labor (design, production, commercial, assembly, management, etc.).

## **SOCIOCULTURAL FACTORS**

These are the values, customs and norms that affect the place where a company is located. It is important to analyze the social values, behaviors and preferences of a society or its lifestyle and how these are evolving. We can analyze factors such as: language, religion, lifestyle, level of education or level of income.

The safety and health of all the Company's stakeholders, although it was already one of the THREE ABSOLUTES, now takes on essential importance, also from the customer's point of view.

### **Society**

Covid-19 is causing a radical change in social behavior in all areas: family, sociocultural, work, professional and institutional, including the questioning of deeply rooted behaviors. The world is developing more than ever in a VUCA environment (Volatile, Uncertain, Complex and Ambiguous).

A time of geopolitical instability is coming. Who will the new world powers be? Nationalisms and localisms are radicalized, which generates a protectionist and autarkic framework that can make trade relations between countries, and even between regions, difficult and more expensive. Raw materials will become more expensive, which will force a review of supplier policies.

The percentage of companies that plan to increase or maintain their exports in 2020 does not reach 15% (source: Business Barometer / Economic Impact Covid-19 Special Edition 2nd Wave Economic Impact (Deloitte)).

**In Spain:**

Spain has been one of the countries in the world hardest hit by the pandemic, which is why it may suffer with special intensity all the consequences of it.

The impact on demographics of deaths caused by the virus could leave an important gap in different socioeconomic spaces. For example, we know that it affects more men than women, more people over 65, around 80% of whom are affected and people with weak immune systems from other causes.

**Safety and health**

The new user, very well informed and with a critical personality, adds another factor to his requirements: safety. All retail stores must implement biosecurity measures for their customers and employees, be it through the use of masks, gels or barriers. This includes elevators, for which there are safety measures and recommendations to follow (there is the possibility of transmission of Covid-19 in elevators), as well as the opportunity to market solutions that mitigate risk: call allocation systems, IoT, remote calls to the elevator, special keys, anti-virus cleaners.

A change in the building model, as well as the avoidance of crowds, would lead to the need for smaller and safer elevators, with the consequent investment.

**TECHNOLOGICAL FACTORS**

Technological change occurs at breakneck speed. We are interested in reflecting on how the technologies that are emerging today can change society in the near future. Above all, the study of those factors that can most affect us is interesting. One has to think about issues like the following:

Confinement measures and the need to minimize the risk of contagion have led to a sharp increase in the use of social networks and the internet in general. Companies are reinforcing their transition to digital, looking for new marketing tools and new trends in personalized communication aimed at people scattered over their respective areas of residence.

Thus, new technological business challenges are posed in the virtual world (augmented reality, virtual reality, holographic or other technologies not yet developed).

The challenges posed by the new digital customer are accentuated by this new situation, so it is essential to understand what the relationship with them should be and enjoy their trust to ensure competitiveness in the market. More than ever, the requirements of this new customer must be addressed. More and more customers are digital natives, characterized by continuous use of smartphones and social networks, a consumption pattern very much based on word of mouth and an attachment to technology, which has given rise to studies on fear of being offline (FOBO).

One needs to think about issues like the following:

The emergence of disruptive technologies that change the rules of the game in many sectors. In our immediate environment, the new generation of intelligent elevators, which allow a simpler technical development and can be operated with less risks, should be the main aspect to be developed.

The promotion of technological development will lead the company to integrate these variables into its competitive strategy, both to improve productivity and reduce

administrative tasks, and because of its effectiveness in building customer loyalty through new, differentiated products and services. Currently, the Covid-19 pandemic is forcing companies to disrupt their relationships with their stakeholders. Multichannel technology has become an essential requirement in 2020 and, in the future, will be required throughout the product or service life cycle. Given the current circumstances, new communication technologies become key for business development at all levels, as well as for direct relationships with stakeholders.

## ENVIRONMENTAL FACTORS

We must be aware not only of possible changes in ecology legislation, but also regarding the social conscience of this movement:

- Environmental protection laws.
- Regulation on energy consumption and waste recycling.
- Concern about global warming.
- Present and future ecological social awareness.
- Concern about pollution and climate change.
- 2030 Agenda: Sustainable Development Goals (UN).

The company Zardoya Otis, SA has different Management Systems, which are certified by notified and accredited bodies to comply with the ISO / OHSAS standards applicable to this point:

Environmental Management System (ISO 14001): this Management System is accredited by AENOR for all Zardoya Otis, SA plants. The part of the business related to the Sales Network and Central Departments (Staff) is accredited by DNV.

Energy Efficiency Management System (ISO 50001): this Management System is accredited by AENOR for all Zardoya Otis, SA plants, the Sales Network and Central Departments (Staff).

The Safety, Health and Environment Management System integrates the prevention of occupational risks (ISO 45001), the environment (ISO 14001) and Energy Efficiency management (ISO 50001) as complementary to the environmental section, in order to take advantage of the evident synergies in internal monitoring and deployment.

## LEGAL FACTORS

These factors refer to all those changes in the legal regulations related to the Company, which may affect its business model and strategy and we take into account:

New legislation relating to the sector, or amendment of the existing legislation, at national level. The entry into force of the new ITC (Complementary Technical Instruction) AEM1, Elevators, now under review and with an estimated entry into force at the end of 2021, is a good example of this. Additionally, there is the use made by the Autonomous Regions of their power to legislate in those aspects not sufficiently developed by national legislation, as is the case of mandatory periodic inspections. This point must be promoted by the Company's Senior Management and the Legislation and Regulations Department, in collaboration with the Manufacturing and Development Engineering Division, the Sales Division and the Safety and Works Division.

Legislation is a changing reality and new initiatives and amendments are common, even in the project phase, which may have some direct or indirect impact on our sector and for

which we must be prepared. The Legal and Legislation and Regulations Departments are connected to this reality through various channels (informative talks, publications, projects, doctrine) in order to anticipate these changes as much as possible. In this way, they can make the appropriate decisions in advance and, once the legislation or regulation is approved, quickly adapt to them (adaptation of templates, contracts, internal or external communications, issuance of informative newsletters via emails to the regions and publishing them on the Intranet, etc.). Especially relevant has been the situation arising from Covid-19 and the declaration of the State of Alarm, with the abundant regulations that have come to regulate matters of all kinds on an almost daily basis, such as relations with our customers and Public Administrations, and a multitude of aspects that have affected all kinds of our normal trading operations (suspension of administrative and judicial deadlines, enabling of working days in the month of August, exceptional measures regarding rentals, preventive and security measures in the access to the works and facilities under maintenance, all aimed at trying to alleviate the negative consequences that the pandemic has produced throughout our environment and being ready to adapt to what has come to be called the new normal).

## Description of the business model

Zardoya Otis was created from the merger in 1972 between Schneider Otis and Zardoya, SA, and its organic and inorganic growth has consolidated a leadership position in its sector, in terms of both volume and profitability. Currently, its business segments operate in Spain (90% of sales and 87% of operating profit), Portugal (8% and 12%) and Morocco (3% and 1%). These percentages refer to both the fiscal years 2020 and 2019. The Spanish business unit manages and integrates the figures for Andorra and Gibraltar, areas in which Zardoya Otis, SA has subsidiaries.

The Zardoya Otis Group is the leading vertical transport business group in the Spanish, Portuguese and Moroccan markets. It has the largest maintenance portfolio in Spain, Portugal and Morocco for elevators, escalators and moving walkways. It has 3 plants located in Madrid, San Sebastián and Vigo and an extensive commercial and technical assistance network that allows it to be very close to its customers. It also has an (R&D&i) center in Leganés (Madrid).

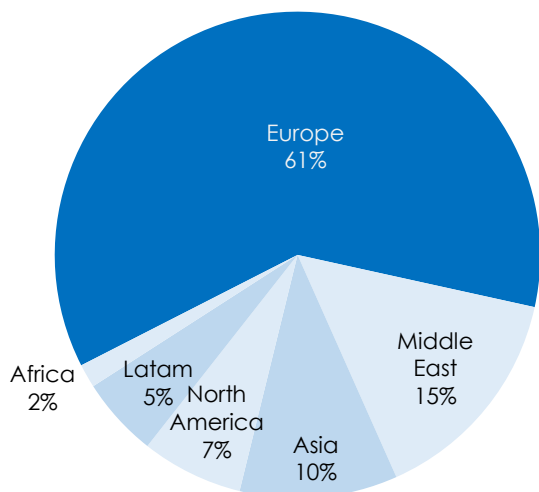
The Group aims to offer its customers service excellence. With this goal, the company's activity includes and encompasses all the phases of the safe and comfortable vertical transport of people and belongings, beginning with the design and manufacture, continuing with the assembly and ending with the provision of a preventive and corrective maintenance service that meets the requirements of the market and its customers.

The Group offers a wide range of elevators, escalators, walkways and platforms, as well as automatic doors and stair lifts (among other devices that facilitate accessibility), which combine existing technological advances to offer the aforementioned equipment in both new and existing buildings. In addition, in recent years, the activities of modernization and replacement of elevators that seek to improve the operating conditions in terms of comfort and consumption, together with the installation of equipment for the elimination of architectural barriers, have been added to the daily work of the Group and teams of professionals specialized in these activities have been created.

The Group carries out its activities in three business lines: New installations (14.3% and 14.5% of 2020 and 2019 sales, respectively), Service (64.8% and 64.5%) and Exports. This export tradition translates into the sale of elevators to other Otis companies around the world. Exports represented in 20.9% of the Group's consolidated sales in 2020 (21.0% in 2019).



**EXPORTS BY REGION**



The graph shows the geographical destinations of export sales in 2020

The Zardoya Otis Group offers a broad and diversified product portfolio. In addition to elevators, it sells escalators and automatic doors, as well as lifting equipment for cruise ships, accessibility devices, etc.

The company is vertically integrated, which means that it produces, installs, maintains and modernizes elevators. The product portfolio includes, among others, the Gen2 family, characterized by its high energy efficiency and high level of comfort, both in elevator solutions for limited spaces and moderate loads, preferably adapted to residential buildings, and in high-performance elevators for buildings with heavy traffic, such as offices, hotels or public buildings.

Innovation has always been a constant at Zardoya Otis and our latest systems are proof of this. We develop elevators that change the way people move. The revolutionary Gen2 Switch Solar elevator and the innovative eView system are two of the latest examples. We therefore continue to expand our range, developing products and services for each height and segment.

### Products & Services

BY PRODUCT	BY INDUSTRY	SERVICE	MODERNISATION & UPGRADES
<ul style="list-style-type: none"> <li>Low-Rise Lifts (up to 5 stops)</li> <li>Mid-Rise Lifts (6 to 15 stops)</li> <li>High-Rise Lifts (16+ stops)</li> <li>Escalators &amp; Moving Walks</li> <li>Dispatching</li> </ul>	<ul style="list-style-type: none"> <li>Commercial</li> <li>Retail</li> <li>Industrial &amp; Infrastructure</li> <li>Healthcare</li> <li>Education</li> </ul>	<ul style="list-style-type: none"> <li>Otis Signature Service</li> <li>Service eCatalog</li> </ul> <hr/> <p>OTISLINE</p> <p>24-Hour Service for emergencies and service calls</p> <p>0800 181363</p>	<ul style="list-style-type: none"> <li>Modernisation</li> <li>Passenger Experience</li> <li>Improved Aesthetics</li> </ul>

We thus aim to respond to the different needs of each group of customers; examples of this are the following models:

- Gen2 Home: versatile, silent and comfortable, it is the perfect solution in buildings with moderate traffic to move more comfortably and/or overcome the different architectural barriers. It is an ideal solution for single-family homes, schools, care homes, and small hotels or businesses.
- Gen2 Switch Solar: easy to install, safe and generates power, it works 100% with solar energy. The Gen2 Switch Solar is a highly efficient elevator, created especially for buildings without an elevator. Connected to two or four panels of 250W each, it works with the energy they provide.
- Gen2 Fit: This equipment was designed for minimum spaces, with cars that may be for only person, and combines all the advantages of the latest generation Otis elevators: extreme safety, comfort, respect for the environment and energy regeneration.

## ORGANIZATION AND STRUCTURE

### The Board of Directors

Except for matters reserved for the competence of the General Meeting, the Board of Directors is the chief decision-making body of the Company and the powers authorized by law and the Bylaws are assigned to it.

The operating principles of the Board of Directors of Zardoya Otis SA, as well as the basic rules on its organization and operation and the rules of conduct of its members, are determined by the Regulations of the Board of Directors.

The directors of the Company have an obligation to know, understand, comply with and enforce said Regulations. The Board of Directors must take appropriate measures for the Regulations to be distributed among the shareholders and the investor public in general.

The Board of Directors has the number of members determined by the General Meeting within the limits set by the Bylaws of the Company and may establish such committees or commissions as it deems appropriate in order to perform its work, determining their composition, appointing their members and establishing the duties to be assumed by each one of them. In particular, the Board of Directors has created an Audit Committee and a Nominating and Compensation Commission.

At the 2020 General Shareholders' Meeting, a reduction of the number of directors from eleven (11) to seven (7) was approved. The proposed size favors its efficient functioning and the active participation of all the directors, which results in greater flexibility in decision-making. Likewise, it allows an improvement in the balance between the total number of directors and those who are independent, whose proportion rose to 28.57%, as well as the proportion of women directors, which rose to 42.86% of the total number of directors.

At the close of the fiscal year, the composition of the **Board of Directors** was as follows:

- Mr. Bernardo Calleja Fernández, Chairman and CEO
- Mr. José Miguel Andrés Torrecillas, Lead Director
- Ms. Eva Castillo Sanz, Director
- Euro-Syns SA (represented by Mr. Alberto Zardoya Arana), Director
- Otis Elevator Company (represented by Mr. Toby Smith), Director
- Ms. Stacy Petrosky, Director
- Ms. Robin Fiala, Director

The **Audit Committee** was made up of the following directors:

- Ms. Eva Castillo Sanz, Chairperson
- Mr. José Miguel Andrés Torrecillas, Deputy Chairperson
- Ms. Stacy Petrosky, Member

The Nominating and Compensation Commission was made up of the following directors:

- Mr. José Miguel Andrés Torrecillas, Chairperson
- Otis Elevator Company (Mr. Toby Smith), Deputy Chairperson
- Ms. Eva Castillo Sanz, Member
- Ms. Stacy Petrosky, Member
- Ms. Robin Fiala, Member

## Organizational structure

The organizational structure of the Group is structured around the Spanish parent company Zardoya Otis, SA

The Group is structured around the areas of manufacturing, on the one hand, and operations, on the other, with the assistance of various general service or support departments, with a high degree of integration of activities and operating as single unit in each country where we operate.

**Manufacturing area:** The Group's manufacturing area assumes the production and logistics functions for components and elevators. At Group level, it includes both the plants owned by Zardoya Otis (San Sebastián, Leganés and Vigo), and the spare parts distribution center (Service Center), which serves the needs of the entire network of installation and maintenance entities, engineering centers and subsidiaries, as well as export.

**Operations area:** The operations area includes the functions of sales, installation and maintenance of equipment and is carried on by both Zardoya Otis and its subsidiaries.

**General and support services:** Zardoya Otis has departments that provide support functions (Financial, HR, Systems, Quality, etc.) to the entire organization.

## Operating structure

In relation to the supply chain, the Group's parent company, Zardoya Otis, SA, simultaneously performs all functions within the product value chain: SSI (Systems and Subsystems Integrators), CLC (Contract Logistic Centers) and SSE (Sales and Services Entities).

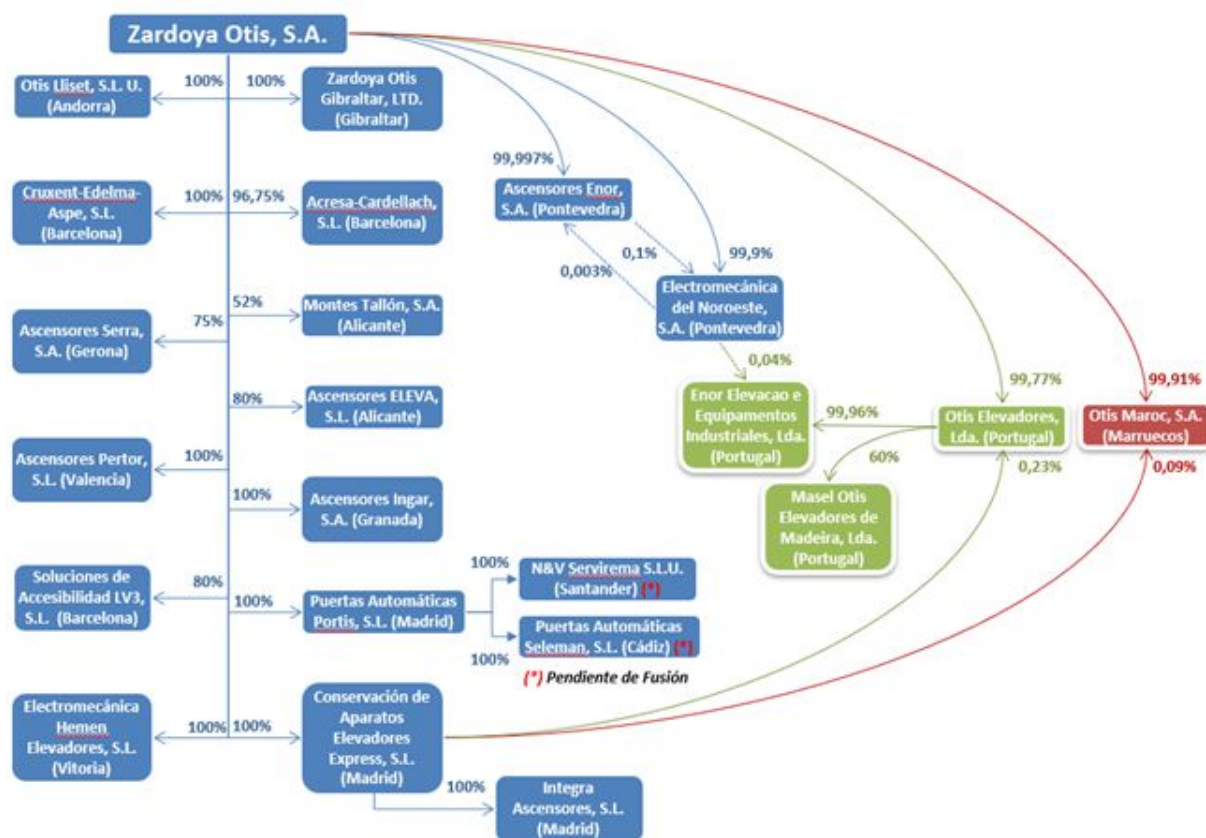
**Component Production (SSI):** The San Sebastián and Leganés plants produce subsystems and components for incorporation into elevators or as spare parts in repair and maintenance services. The supplies of materials or components necessary in these installations come from both external suppliers and other Otis companies worldwide.

**Elevator production (CLC):** The Leganés and Vigo plants centralize orders for elevators and special models respectively. These models can be installed in Spain by Zardoya Otis itself or in other countries by SSE of other Otis companies or authorized distributors. The Service Center based in Vigo also has the function of supplying spare parts for these models, both for Spanish and foreign installers. Therefore, the elevator models produced by Zardoya Otis and their spare parts can be installed in Spain by Zardoya Otis itself and its subsidiaries or installed abroad by other Otis companies ("exports of elevators and spare parts").

**Elevator Installation and Maintenance (SSE):** Finally, the product supply chain concludes with the installation and maintenance of the elevators. Generally, the elevators sold and installed by Zardoya Otis will have been manufactured by the company itself. However, it has the entire catalog of elevators and escalators produced by Otis Group plants, which are available to Spanish customers according to their needs. Consequently, the elevators installed by Zardoya Otis in Spain may have been manufactured by Zardoya Otis itself or may have been acquired from other entities of the Otis Group (CLC) ("imports of elevators and spare parts").

## Corporate structure

The legal structure of Grupo Zardoya Otis, SA at the close of fiscal year 2020 is detailed below:



## Business environment

Companies that operate in the elevator sector can do so with an international, national and/or regional geographical scope and, at the same time, can participate in one or more activities of the value chain, from the manufacture of components and elevators to the repair thereof. According to industry sources, the vast majority of companies that operate in this area are highly integrated, either totally or partially.

In Spain, the sector is made up of some four hundred companies, three-quarters of which are dedicated to the manufacture, sale, installation, maintenance and repair of appliances, while the remainder has the manufacture of components as its main activity. The sector is led by a group of large companies, most of them with foreign capital, which are present in all the activities of the cycle described above. In addition, manufacturing companies without installation activity also operate, as well as numerous small and medium-sized companies, mostly of national origin, focused on installation and, especially, on maintenance and repair.

In order to gain an in-depth understanding of the business environment in which it carries out its activities, the Zardoya Otis Group uses **market data and sectoral analyses** from various sources, among which we can mention the Spanish Elevator Business Federation, the Informa Platform, the Euroconstruct Report issued by the European Construction Business Research and Forecasting Group, the Plimsoll Sector Report, studies from Santander Equity Research, the Alimarket Elevator Sector Report, periodical reports on the state of the Spanish economy, FUNCAS economic forecasts ... to name a few.

In addition, the Group continues to promote those aspects that have made it a leader in its sector, while closely monitoring the opportunities and threats that may arise in the sector in which it operates through the systematic monitoring and updating of SWOT analysis at different levels.

To meet the requirements of ISO 9001: 2015, at the suggestion of AENOR, the company is in the process of updating the SWOT analyses of the Central Departments and Regional Offices, taking into account the improvements proposed by the external audit: to systemize and interrelate more solidly the various tools to determine the context and requirements of the stakeholders existing in the Company: PESTEL / SWOT, ERM /CAME, and for these to be as adjusted as possible to the reality of the business. Likewise, the relevant CAME (Correct, Adapt, Maintain, Explore) actions are requested to handle possible opportunities and risks. The PESTEL (Political, Economic, Social, Technological, Ecological and Legal factors) and ERM (Enterprise Risk Management) analyses are also applied.

Monthly monitoring is carried out at the Management Meetings, which includes an analysis of the main business indicators (Annual Plan) and a review of the Company's strategies. There is also a local deployment in Delegations through EMC meetings (Quality Improvement Teams).

Group activities fall within the framework of the **regulations and legislation applicable to elevator maintenance and inspection**. As a recent example, in June 2019, the Ministry of Industry published the prior public consultation on the draft Royal Decree amending the ITC AEM1 (*Complementary Technical Instruction*) "Elevators" in 2013. The Ministry's intention is to adapt the national regulations to the European ones and establish the applicable national technical requirements for elevator maintenance in line with technological developments in safety.

Other significant applicable regulations and legislation are as follows:

Other significant applicable regulations and legislation are as follows:

- Order of March 31, 1981 laying down the minimum conditions required of elevators and setting rules for periodic general overhauls.
- Royal Decree 203/2016 of May 20, which issued the applicable rules from Directive 2014/33/EU of the European Parliament and of the Council, the Lift Directive. This Royal Decree stipulates the minimum safety conditions that elevators must meet at the time of installation.
- Royal Decree 57/2005 of January 21, laying down requirements for increased safety for existing elevators. Given the evolution of legally required safety measures in new elevators, this Royal Decree makes it obligatory to implement the same safety measures in existing elevators, since it wishes to furnish all the elevators installed up to said date with the same safety level.

In October 2020, the Company again obtained the ISO 9001: 2015 Certification of the Quality Management System and confirmed compliance with Directive 2014/33 / EU on Lifts and ITC-AEM 1 (Royal Decree 88/2013).

## Company objectives and strategies

The Group has been focusing its operations on the following strategies:



4.2

We are convinced that our activity must be focused on people. It is the people who form this group who enable customers to feel satisfied and also help millions of users to feel safe and comfortable when they use Otis equipment. This form of carrying on our activity, taking people as the main focus, explains and sustains Zardoya Otis's investment and research efforts to attain a more accessible world, constantly introducing innovations and supported by digitalized processes.

Architectural barriers are present in all towns and cities and there are groups of people who face physical, sensorial and intellectual disabilities, elderly people who find it difficult to move, etc. Zardoya Otis is aware of this situation, so part of the research and investment efforts have, for many years, been intended to create solutions and devices to eliminate this type of barriers. Elevators for single-family homes, stairlifts, automated access doors or moving walkways are some of the solutions we propose that seek to change the lives of many people, since they make it possible for them to move independently and freely.

The clear demographic trend (with a rising dependency ratio, defined as people over 65 as a percentage of the working age population) should boost demand for accessibility solutions long term. The poor accessibility of many buildings should also contribute to this, as well as the existence of a very high number of buildings with four or more floors and no elevator. In short, the accessibility market (automatic doors, wheelchair platforms, stairlifts) is a market that is possibly fragmented, with higher risk and lower margins than the elevator maintenance segment, as well as some regulations that have not yet been implemented, but it has a significant growth potential for the reasons explained above.

Proof of our efforts to consolidate our position in this market is our company Portis SL, focused primarily on the production and maintenance of automatic doors (over 40,000 at present) or the recent acquisition of a stake of 80% in the company LV3, mainly engaged in the production of stair lifts and wheelchair platforms.

In line with the above is our unequivocal commitment to **digitalizing service**. This technological breakthrough allows our customers and users enjoy a more efficient and faster maintenance service, providing unprecedented quality standards and increased uptime of the elevator.

Connectivity means more loyal and satisfied customers and innovation thinking of people. The complex, demanding and extremely competitive world in which we work, requires us to make very considerable efforts in constant processes of innovation, research and personalized service to meet the demands of a time when the technological vanguard prevails. Our R&D&I in Leganés (Madrid) is where this vector of activity, which will allow us to continue to respond to the challenges of increasingly demanding customers, is concentrated.

The digitization plan in which Zardoya Otis has been immersed since 2017 therefore seeks to increase connectivity (key to the digitization strategy) between the main players in its field: elevator, user and service technician. The perception of a good service depends mainly on the number of breakdowns that the elevator has during the maintenance contract, as well as its interaction with the technical support service. Increased connectivity between users, elevators and technicians improves customer satisfaction due to the longer operating time of the elevator and the better service provided by technicians. The significant increase in customer satisfaction indicators in the last 4 years is good proof of this (e.g.: experience and relationship with OTIS: 97,12% satisfaction in 2020, (94.83% in 2019).

As part of the digitization strategy, the following measures have been carried out:

- All technicians have been equipped with smartphones so they can have access to all data from the device, allowing a faster and more personalized service.
- Remote monitoring. The hardware installed in the elevator, big data applications and advanced analytical techniques allow the behavior of the elevator to be monitored in real time, anticipating possible failures and programming interventions in advance (predictive maintenance). The digital services division manages the project for remote monitoring and intervention of our units. During 2019 we successfully connected a further 20,000 elevators and 14,000 more in 2020. We have more than 100,000 connected elevators and our goal is to reach 200,000 by 2024. These units would have remote monitoring devices, communication with our 24-hour technical service center and distribution of media content. The plan foresees a total investment of 60 million euros until 2023.

Technologically more sophisticated services provide an important element of differentiation in our industry, while increasing the loyalty of the customer and the efficiency of maintenance activities.

In short, our way of doing things is based on people working for people and moving safely and comfortably in spaces free of architectural barriers as a result of new vertical transport elements, which are, moreover, connected to each other and provide precise information to employees and users, increasing Zardoya Otis's service efficiency and quality with a personalized service.



The foundations of our excellence are what we call the **Otis Absolutes**, and together they define our work and the way we work around the world. They define how we think, how we make decisions and how we act, every day, everywhere.

That is why we have defined the Otis Absolutes in a clear and comprehensive document that sets out our core values. They are the key to what drives us, and let the world around us know our goals.

Our three absolutes are:

- **Ethics:** Doing business the right way, honestly, always strictly within the law and in an ethical manner.
- **Security:** Otis safely moves the equivalent of the world's population every three days. In both the case of the personnel in charge of the manufacture, installation or maintenance of our products and the case of our users, safety always comes first.
- **Quality:** We strive to make it the foundation of everything we do, from engineering, manufacturing, installation and service to sales, marketing and financial reporting. This requires the entire company to work in the same direction, with the same commitment to quality and the same focus throughout the organization.



The Group has also grown partly due to successful mergers and acquisitions, most of them in the area of maintenance services, although, as mentioned above, they include businesses covering accessibility, automatic doors, special elevators, installation activities and elevators for cruise vessels. However, as mentioned above, maintenance services are still our main business area.

As reported to the National Securities Market Commission in April 2020, United Technologies Corporation (UTC), indirectly our former majority shareholder, completed the process of dividing its group into three independent companies: Raytheon Technologies Corporation (RTX), Carrier Global Corporation (CARR) and Otis Worldwide Corporation (OTIS). As a result of this operation, Otis Worldwide Corporation leads the elevator and mobility group internationally. Its shares began trading on the New York Stock Exchange upon completion of the aforementioned spin-off process.

Finally, it should be noted that one of the distinctive characteristics of the Group has been the remuneration of its shareholders. On average, over the last 15 years a pay-out of close to 100% has been delivered, backed by strong cash generation and a solid operating margin. During 2020, despite the situation caused by the pandemic, which has affected the vast majority of world markets, the Group continued to distribute quarterly dividends to its shareholders.

### 3. MANAGEMENT OF NON-FINANCIAL ASPECTS

#### Existence of policies applied by the company regarding the issues raised

#### 3.1. NON-FINANCIAL RISK MANAGEMENT

##### BRIEF DESCRIPTION OF THE RISK MANAGEMENT MODEL OF THE ISSUES RAISED IN THIS REPORT

Zardoya Otis has explicit policies concerning the fight against corruption and bribery, with an internal control system, and a Code of Ethics, compliance audits, confidential communication channels and follow-up meetings.

As regards respect for human rights, the Code of Ethics is distributed among all company employees, who must receive training courses on it.

In its relationship with stakeholders, traditional and online channels are used, the degree of customer satisfaction is monitored, and complaint management systems are in place. It also promotes an inclusive and non-discriminatory culture and collaborates to improving its social environment through various initiatives.

In environmental matters, it carries out preventive measures in accordance with current regulations and registers and controls different indicators, including the generation of waste or the emission of CO<sub>2</sub>. Zardoya Otis has pioneered the development, manufacture and marketing of highly energy efficient elevators through its Gen2 technology. It has also introduced elevators to the market that do not require a specific three-phase electrical installation for the elevator, which facilitates their installation in existing buildings, thus improving the accessibility of the latter. It also markets a solar elevator model, capable of running 100% on clean and renewable energy.

##### MAIN RISKS INHERENT TO OUR BUSINESS

The main risks arise from the ageing of the population and the challenges in terms of accessibility. These risks have been understood by the company as an opportunity, which is why it has acquired a company specializing in accessibility, LV3, based in Barcelona, and has developed an elevator that can be adapted to fit into minimal spaces and can even have a capacity of just one person, to facilitate accessibility for people with reduced mobility living in an environment where, until now, it was impossible to install an elevator.

Another challenge identified is the application to the elevator field of the technology of the Internet of Things (IoT) and digital services in general. For this reason, the company has launched a digitalization process ranging from the supply of devices and applications to technical staff, to the installation of systems that monitor the operation of the elevators.

### 3.2. FIGHT AGAINST CORRUPTION AND BRIBERY

The exceptional circumstances that we experienced during 2020 as a consequence of the global pandemic caused by Covid-19 put to the test the strength and importance of our OTIS Absolutes (Safety, Ethics and Quality) that serve as a reference in everything we do, committed to our stakeholders, complying with the law and defending our principles and values.

The IPO of OTIS as an independent company in April 2020 was accompanied by new corporate policies and a new Code of Ethics called "OTIS Absolutes", which was presented and communicated to all employees (accessible via intranet).

Ethics is held as an Absolute because of the importance it has in the sustainability of the business, because of the reputation of Zardoya Otis as a leading company that has based its positioning on the trust of our customers that we will always do the right thing, with respect, honesty and integrity, complying with the laws, respecting the competition and providing products and services to the market, with the highest standards of excellence.

At the beginning of the year, the Zardoya Otis organization in Spain received the Annual Ethics and Compliance Award (Otis EMEA Awards 2020) granted on January 15 at the EMEA Kick-Off meeting held in Lisbon, highlighting the commitment and deployment of an ethical culture within the organization.



Zardoya Otis has corporate policies for the entire group, including the policies CPM 48 A, B, C, D, E on anti-corruption, CPM17 for suppliers and CPM 11 for donations.

To prevent corruption, we have a crime prevention plan, an annual training plan, where all employees take courses on anti-corruption policies and other ethical issues, controls over gifts to customers in accordance with CPM48A, internal audits and an ethics and compliance plan, which includes reviewing the actions against corruption and bribery.

Regarding compliance with anti-corruption policies (CPM 48 family), new OTIS corporate policies have been created (canceling those of UTC) and the control and approval procedures for business gifts or courtesies to customers have been renewed (CPM 48A), as

well as the CPM 48B policy on sponsored trips for third parties. For approval, when required, a new workflow tool has been developed.

The Crime Prevention Model has been updated and communicated, with the approval of the Board of Directors at its January 2020 meeting.

The company has a Compliance Council which convenes quarterly, as well as a disciplinary committee that reviews possible cases of irregularities. It has also established an anonymous external communication channel (Ombudsman), so that any employee, customer or partner can report any irregularities while protecting the identity of the source. Likewise, there is a policy to prevent retaliation when an irregularity is reported in good faith.

When the International Day Against Corruption was celebrated (December 9), a statement was sent to all the employees of the OTIS group explaining the most common forms of corruption that can occur in companies and how to avoid them, with prevention measures and the development of anti-corruption policies.



## INTERNAL CONTROL, INFORMATION AND TRANSPARENCY

One of the Group's priority goals is to promote transparency to markets and shareholders. Thus, it is committed to:

- Working to ensure that the financial statements are complete and accurate.
- Striving for the assets, liabilities, revenues, expenses, and business transactions to be recorded fully and accurately in the books and records of the Group, in accordance with the applicable law, generally-accepted accounting principles and the financial policies and procedures established.
- Refraining from establishing or maintaining unposted assets or liabilities.
- Distributing relevant information about the group.
- Complying with the disclosures required by the regulations applicable in each country where it operates.
- Protecting the rights of investors and shareholders in accordance with the Bylaws and the Regulations of the Shareholders' Meeting, offering tools and channels to facilitate engagement and communication with these stakeholders.
- Complying with securities market legislation, in particular, market abuse legislation.

The Board's mission, as set out in the Regulations of the Board of Directors, is to determine the risk control and management policy, including tax compliance risks, and supervise the internal information and control systems.

In addition, the Audit Committee monitors the effectiveness of the group's internal control, internal audit and risk management systems, including tax compliance risks, and ensures the independence and effectiveness of the internal audit function. Among other functions, the Audit Committee discusses with the auditor any significant weaknesses in the internal control system detected during the audit. It also has the mission of overseeing the process of preparing and presenting the required financial information, including compliance with regulatory requirements and the correct application of accounting principles. Likewise, it regularly obtains information from the external auditor on the audit plan and its execution, while preserving the latter's independence in the exercise of its functions.

Additionally, a Crime Prevention Model and Risk Map were approved and are reviewed and updated regularly. As mentioned above, a Compliance Committee has been created

made up of managers, whose specific obligations are to review and approve any changes in the Crime Prevention Model and Risk Map and submit them for a prior report from the Audit Committee. It likewise follows up any internal complaint received or investigation underway in criminal matters, regularly reporting to the Audit Committee on its activities.

The Group has an Internal Audit Department that reports directly to the Audit Committee, which, on an independent basis, annually ensures that the business practices and processes are complete, effective and efficient.

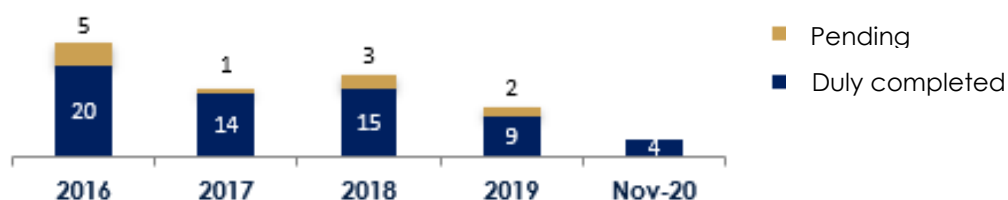
The internal audit department reviews the audit program annually to include those risks identified in (i) the ERM, (ii) discussions with company management and (iii) the internal audits carried out. The program is accessible to all employees on the company intranet.

After each audit, a summary report is issued with the incidents detected. This report is sent to company management and the relevant points are highlighted at an Audit Committee meeting

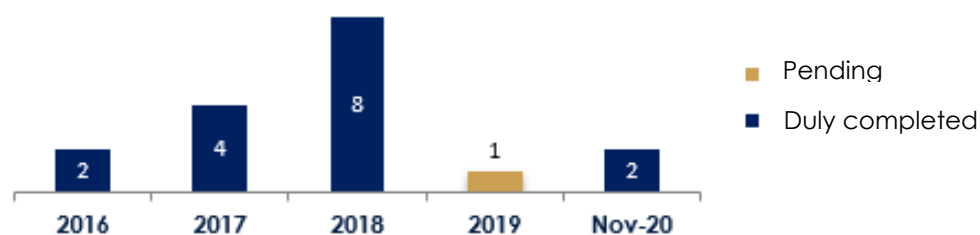
Points for improvement that have been identified in the reviews of both the Internal Audit Department and after the external auditors' review are reported on the tracking tool until we are certain that they have been corrected permanently.

The evolution of the points for improvement over the last 5 years is shown below.

### Points of improvement (Spain)



### Points of improvement (Portugal)



### Points of improvement (Morocco)



The group also has an Internal Code of Conduct aimed at protecting the interests of investors and the trust it enjoys in the market. This Code of Conduct has a set of guidelines and rules applicable to the Group and its directors, managers and employees concerning the management and control of inside and material information, the implementation of treasury stock transactions, and the detection and treatment of conflicts of interest, all intended to avoid any situation where market abuse exists.

### CONTRIBUTIONS TO FOUNDATIONS AND OTHER NON-PROFIT ENTITIES

During the 2020 fiscal year, contributions to foundations and other non-profit entities focused on alleviating, as far as possible, the health and economic effects caused by the Covid-19 pandemic that has been experienced on a global scale.

Within this context, the objective of these contributions is always to improve the conditions of the communities in which Zardoya Otis operates, not only in the present, which has required more urgent actions this year, but also to ensure a better future.

Thus, entities with specific programs dedicated to alleviating the effects of the pandemic, foundations and associations engaged helping sectors of society that are especially vulnerable in the current situation were chosen, as well as direct donations to care homes and health centers.

In addition, collaboration with entities dedicated to promoting STEM education and the integration of people with disabilities was maintained.

The total amount of the contributions made during 2020 amounted to €187,027, while in 2019 it was €91,481.



### 3.3. RESPECT FOR HUMAN RIGHTS

To ensure respect for human rights, set out in our Code of Ethics, we have the following tools and processes:

- Distribution of the Code of Ethics to all employees.
- Due diligence process for new companies acquired.
- Questionnaire on ethics and compliance.
- Ethics training plan (online courses).
- Internal control audits according to an annual plan.
- ECO + Legal audits every four months.
- Encouragement of use of the confidential Ombudsman reporting channel.
- Quarterly meetings of the Compliance Council.
- Review of the Crime Prevention Plan
- Meetings of the disciplinary committee (DPC – Disciplinary Prevention Committee) to establish corrective and preventive actions for verified cases of irregularities or non-compliance in the company.
- Development of a protocol for action against harassment
- Commitment to compliance with the Code of Conduct by suppliers with their signature.

Ethics is one of our three absolutes, along with safety and quality. The distribution of the Code of Ethics and its values (respect, integrity, trust, excellence and innovation) is a fundamental pillar on which to consolidate an ethical culture of commitment to good governance towards all our stakeholders.

As in previous years, the 2020 Ethics and Compliance plan was implemented with the development of the following five lines of action:

1. Management Leadership
2. Risk Policies and Prevention (Audit and Evaluation)
3. Education and training
4. Communication
5. Case Investigation - disciplinary and corrective actions

During the 2020 fiscal year, no complaints of human rights violations were recorded in the Zardoya Otis Group (there were none registered in 2019, either).

#### MANAGEMENT LEADERSHIP

The Otis Absolutes were introduced and launched, with a statement sent by the General Manager to all employees in April 2020.

Management commitment to the OTIS Absolutes should support and deploy, at all levels of the company, our ethical culture based on good business practices and transparency. Ethics as an “absolute” reinforces the managerial commitment made with the signatures of all the directors who signed the company’s new Code, as well as the Internal Code of Conduct. For this reason, in November the Commitment to Ethics and Compliance of the entire management team was renewed. It was distributed in all Zardoya Otis Regional Offices, associates, plants and the Central Departments in Spain and also proposed for the management teams of Otis Portugal and Morocco.



In the three countries in which Zardoya Otis operates, quarterly meetings of the Compliance Council were held and also meetings of the Disciplinary Committee (DPC) when required.

A total of 14 people (two Zardoya Otis teams in Spain and two individual people in Otis Portugal and Spain) were recognized for good ethical practices, within the #DoTheRightThing campaign. These acknowledgments have been posted on Yammer and/or in internal communications (Otis People and newsletters).

The #DoTheRightThing campaign (At OTIS We Do The Right Thing) promoted from the management, really showed its force in 2020 through responsible conduct and the effort made by all the technical personnel (mechanics, supervisors and managers), both in works and at plants, especially those who were "in the front line" in the worst moments of the pandemic. Also, by those employees who demonstrated their commitment to ethical values, supporting solidarity initiatives to address the health emergency of the first few months; all committed to the best service to customers, despite difficulties due to supply problems, closures and delays.

Management launched messages of support and unity throughout the year, recalling the importance of complying with the laws and prevention measures decreed to avoid contagion by Covid-19, as well as placing the necessary means to protect the health of employees and users as the highest priority with Safety as an Absolute.

At the first management meeting of 2020, the Ethics and Compliance Plan was presented. With the launch of the "Nuestra Cultura" program (CultureU), the General Manager of Otis Portugal included in his presentation the ethics training plan and the importance of the Otis Absolutes as a guide in all our actions. Along with an article in the internal employee magazine.

## RISK POLICIES AND PREVENTION

The Risk Map was prepared: ERM (Enterprise Risk Management), including compliance risks, with a quarterly review of mitigation and control actions.

The "Annual Certification" of all employees, who declared they knew and understood the "OTIS Absolutes" and corporate policies was carried out, identifying possible conflicts of interest in order to control them. Likewise, each new recruit completed a COI questionnaire.

During 2020, within the due diligence process for the new companies to be acquired, the "Otis Absolutes" code was distributed among its employees, and the ethics questionnaire was completed by the managers of Servirema, Ascensores Fit, Puertas Seleman, Doormatic and Karpy + Pormasol, among the acquisitions that were included in the year.

Communications were sent by the ECO and from the Legal Department, addressed to the management team and also to Finance and Operations personnel, to remind them of the importance of protecting sensitive documentation and information, respecting blackout periods and not making use of inside information, in accordance with the regulations of the CNMV and the Internal Code of Conduct.

Quarterly meetings of the "Privacy Committee" were held, updating the documentation required by the Data Protection Law, personalized for each Associate, data protection clauses on websites were reviewed and responses to people who exercise ARCO rights (Access, Rectification, Cancellation, Opposition) were coordinated to ensure the company responded in a due and timely manner

New communication channels were implemented and the SPEAK UP message has been reinforced so that ethical concerns are communicated and possible irregularities are reported.

Purchasing policy controls were maintained for including and registering suppliers, applying CPM 17 for service providers, ensuring that all suppliers had signed the Purchasing Conditions, and the new Code of Conduct for OTIS Group suppliers, distributed in May 2020, which, among other items, ensures respect for Human Rights, competition law, data protection law and full compliance with all laws and regulations applicable to the operation of their business

## EDUCATION AND TRAINING

A new 2020 training platform for online ethics courses was implemented: ECLC (Ethics & Compliance Learning Center) for all employees, 100% completed in December in Otis Portugal and Morocco, and 99% in Otis Spain.

Each employee has taken eight online courses, including the Annual Certification and the cybersecurity module. In the case of new employees, the training modules were required in a shorter period (90 days) to ensure compliance.

### New Ethics & Compliance Learning Center (ECLC) – Online ethics training

Course Code	Course	Completion %		
		SPAIN	PORTUGAL	MOROCCO
SU_01	Speaking Up	100	100	100
SME_01	Otis on the Stock Market for Employees	100	100	100
DP_01	Data Privacy	100	100	100
SM_01	Social Media	100	100	100
CS_01	Cybersecurity Essentials	100	100	100
AHD_01	Anti-harassment & Discrimination	99	100	100
ABC	Anti-bribery & Corruption	99	100	100
AC	Annual Certification	99	100	100
<b>TRAINING COMPLETION</b>		<b>99%</b>	<b>100%</b>	<b>100%</b>

*(Status in December 2020)*

Training in online ethics courses in 2020 totaled 5,156 hours, with 14,718 courses completed in December by the Zardoya Otis Group employees: 1,540 in Spain (including associated companies), 227 in Portugal and 59 in Morocco. Due to the pandemic, it was possible to teach the face-to-face courses for the technicians group, who were informed through the ECO communications and the “Learn and Comply” examples.

At the beginning of the year, Otis Portugal provided specific training for construction subcontractors in safety and assembly procedures, as well as reinforcing compliance with the CPM17 policy and the Supplier Code of Conduct, in order for them to receive certification as a necessary requirement to act as service providers in Otis Portugal.

As a training tool for employees and technicians, the “Learn & Comply” communications were translated and distributed in all the languages of the Zardoya Otis countries (Spanish, Portuguese, French and Arabic), with examples of real cases and ethical dilemmas and simple cartoon messages of what to do in these situations.

### COMMUNICATION

In 2020, 30 “ECO INFORMA” communications were released for Zardoya Otis in Spain.

126 consultations were recorded with the ECO in Zardoya Otis Spain, mainly focused on resolutions on conflicts of interest (COI's) with new companies joining the Group, possible actions with competitor companies regarding technical assistance, revisions of codes of conduct required by customers to validate Otis as a supplier, and clarification on the application of the new corporate policies, including the CPM 48A policy on gifts.

The use and consultation of the Ethics and Compliance intranet was encouraged. It includes news, communications and various documents on ethics and compliance, with content and links to the Otis Absolutes and corporate policies, along with documentation on data protection and the crime prevention model; as well as material for distribution, where links and references to access new posters, signs, videos and presentations were included.

From the Senior Management, as a sign of the ethical commitment “Tone at the Top”, messages from Judy Marks (President of OTIS), Nora Lafreniere (Vice President, Legal, Ethics and Compliance) were sent and distributed to all employees (translated into Spanish, Portuguese and French). Legal, Ethics and Compliance) and were incorporated into the online courses. Likewise, a message from Bernardo Calleja (President EMEA, SEMA and Zardoya Otis) on the importance of defending OUR OTIS ABSOLUTES as a guide to making the right decisions, especially in the face of the crisis caused by the pandemic, and to promote good business practices in all company activities.



New OTIS communication channels have been launched to replace UTC's Ombudsman/Dialogue program, so that employees and third parties can raise any ethical concern or issue (SPEAK UP) while maintaining confidentiality and protecting the identity of the sender if they wish to remain anonymous. To ensure and promote trust in these channels (email, weblines, telephone), the non-retaliation policy is of vital importance.

### CASE INVESTIGATION - DISCIPLINARY AND CORRECTIVE ACTIONS

The use of communication channels and the complaints of possible irregularities addressed directly to the ECOs of the countries in which Zardoya Otis operates, have been the main sources of cases opened and investigated (reported in C360), the resolution of which entailed disciplinary measures when the case was verified, including dismissal in some situations.

#### SUMMARY C360 - YEAR 2020

2 cases opened in 2019 in OTIS Spain: closed (not verified) in 2020.

1 case (opened in 2019 at OTIS Portugal) closed (verified) in 2020.

7 cases opened in 2020 - Of which:

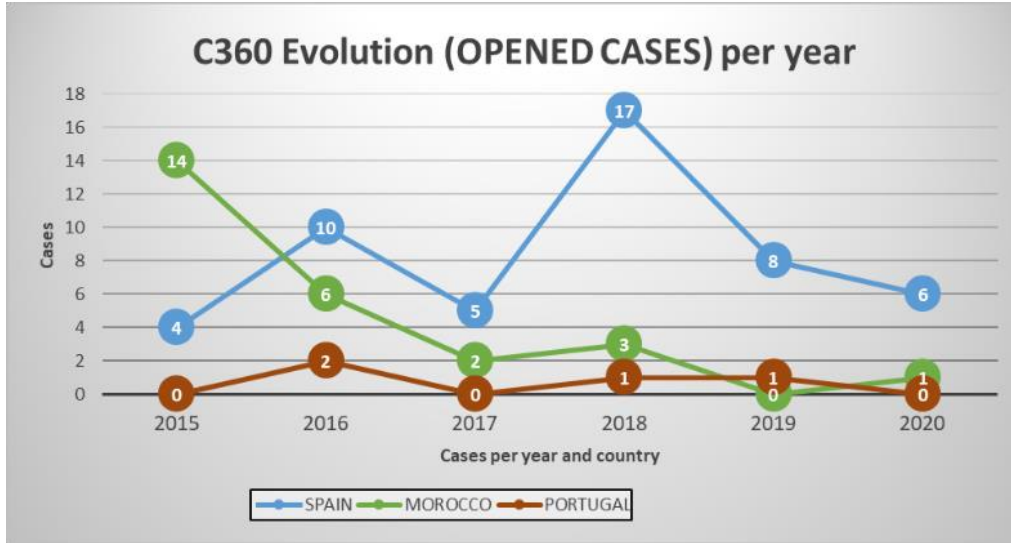
6 cases in Spain

5 closed [4 verified and 1 not verified]

1 under investigation.

1 case in Morocco -> closed and verified.

OPENED CASES	2015	2016	2017	2018	2019	2020
<b>SPAIN</b>	4	10	5	17	8	6
<b>MOROCCO</b>	14	6	2	3	0	1
<b>PORTUGAL</b>	0	2	0	1	1	0



4.2

### 3.4. RELATIONS WITH STAKEHOLDERS

Zardoya Otis offers its customers and the general public traditional and digital communication channels. In addition to fax, phone and e-mail, the following channels are available:

- separate line for complaints and claims through the Customer Ombudsman (telephone and mail)
- Through the website [www.otis.com/es/es/](http://www.otis.com/es/es/)
- GeraRec application
- Online chat
- Social networks Twitter, LinkedIn, Facebook, Instagram and YouTube.

Likewise, there is a special phone number and e-mail address for attention to the shareholder.

During the year, the Marketing and Communication Department organizes various activities addressed to the most influential groups related to its activity, mainly professional associations of technical architects and architects and property administrators.

Among the actions carried out during the 2020 financial year, we can highlight sponsorship of the Zardoya Otis Award granted by the *Fundación Arquitectura y Sociedad* (Architecture and Society Foundation), of which the prestigious architect Francisco Mangado is a patron, as well as the sponsorship of *Club Excelencia en la Gestión* (Management Excellence Club), which promotes management excellence based on innovation and sustainability.

Zardoya Otis, with the aim of contributing to the configuration of a better-formed and innovative future society, collaborates in the financing of scholarships at the Carlos III University. Also in December 2020, an international program was launched, called "Made To Move Communities", in which schools from different countries of the world participate and which consists of the development of a project that improves inclusive mobility by students between 15 and 18 years, with the collaboration of company employees. Zardoya Otis will be represented by a Madrid school that will present its work to an international jury in March 2021.



In 2020, despite the restrictions and difficulties imposed by the pandemic, the second edition of the "Zardoya Otis Awards for a world without barriers" was held. This year the number of candidates doubled, rising to 50, and the Awards were widely reported in the specialized press and social networks. The jury, like last year, was composed of prominent personalities from architecture, Paralympic sport, the media and associations representing groups with disabilities. One of the members of the jury was the former national soccer manager Vicente del Bosque, who was interviewed by various media for this reason.



The winners of this edition were:

ASCENTIA category, addressed to individuals and / or companies that have developed products, services, projects, studies or research aimed at improving people's quality of life by removing any barrier that prevents or hinders universal accessibility:

- Safety Coaster. An innovative robotic system that allows people with disabilities, of any degree, or the elderly, or people with reduced mobility to vacate a building in an emergency.
- Villa-Lucía with the five senses. The first thematic wine center in the world in Spanish, one hundred percent inclusive and with universal accessibility.

ÁUREA category, addressed to individuals or groups of persons who are examples to follow because of their commitment to promoting and helping to create a society and a world without barriers through a specific initiative:

- Traveler Silleros. Accessible travel blog created by and for people with disabilities.
- Cohousing Aflorem. Cooperative created by people with physical disabilities who have decided to promote a collaborative housing project that favors personal autonomy and social integration.

During 2020, the work to strengthen the company's relations with the media, both general and specialized, continued. In this respect, we can highlight the interviews with the General Manager of Zardoya Otis, Javier Barquín, by Servimedia and the prestigious Forbes magazine.

An advertising plan was also carried out in the most important sector journals, as well as on the most important websites in the field of construction and accessibility, in which articles



and reports related to the company's activity, services and products were published, in addition to a constant presence on social networks.

While in 2019 the amount of sponsorships was € 23,430, the amount of those in fiscal year 2020 was €2,000, due to the fact that most of the face-to-face events to promote professional activity were not held in 2020, due to health circumstances. Collaborations and donations to educational, health and inclusive foundations are not included in this section.

## COMMUNICATION DURING THE STATE OF ALARM

Given that 2020 was marked by the pandemic and an unprecedented confinement, Zardoya Otis reacted to the situation with intensive external and internal communication actions to maintain closeness and contact with customers, users and workers at all times, and keep them informed, safe and motivated.

### External communication

From the beginning, a message was issued about the importance of safety and compliance with prevention measures against Covid-19. For this reason, regular reminders were sent of the fact that the Otisline customer service was operational 24 hours a day and that the technical service was ready to deal with any incident.

Thanks to the digitization process, messages also reached customers directly through the eView displays, located in many of the thousands of Otis elevators throughout the country. The messages ranged from preventive measures for the use of the elevator and reminders of the availability of the Otisline service, to a few words of public thanks in a video from the General Manager, Javier Barquín.



The messages were shared on social media almost daily. In addition, in order to inform all users, in March, coinciding with the declaration of the state of alarm decreed by the Government and the consequent standstill of non-essential business activities, 108,000 stickers were sent to the different branches Spain and Andorra, which the technicians were distributed to all the elevators whose maintenance was carried out by Otis or its associates. These stickers were later updated in May.

As the state of alarm continued to extend, Zardoya Otis continued to implement communication actions, such as "Your elevator misses you", among others, showing total concern for the safety of users. Meanwhile the social networks echoed the multiple solidarity actions carried out by the company and its employees.

## Internal communication

At the same time as the external communication plan, intensive internal communication was also carried out from Zardoya Otis. The messages, closely related to those that were sent externally, were focused on transmitting calm and serenity among the workers.

As soon as the state of alarm was declared, an email was sent to all employees, signed by Javier Barquín, General Manager of Zardoya Otis, and Bernardo Calleja, the company's CEO, to highlight the importance of the health and safety of all the employees. The technicians, a group that proved to be of vital importance during the state of alarm, also received a specific communication. The global variable of the crisis caused all Otis workers to also receive a message from Mark Eubanks, president of Otis EMEA, distributed at continental level.

The internal communication plan was based mainly on three levers: to thank the effort that all workers were making at this time almost every day and to acknowledge their great work; constantly communicate in a transparent and close way as the situation progressed; and listen and give a voice to members of the Otis family.

On March 29, a message was sent describing the way in which the company would operate as of the publication of Royal Decree Law 10/2020. The new government measures made it necessary to modify working methods, with compulsory teleworking, suspension of plant activities for fifteen days and restrictions on the work of technicians.

At the beginning of April, messages of gratitude to the workers were sent practically daily, as well as notices informing of all the solidarity actions that the Otis volunteers, with names and surnames, carried out in the fight against Covid-19.



In May, a series of videos recorded by the directors of the Zardoya Otis group were made with a message of encouragement addressed to the company's workers. They were shared on our social networks and had a great general reception.

The "PequeOtis" initiative was also carried out. It was addressed to young children, asking them for a drawing that represented their fight against Covid-19. The children who participated were sent a diploma certifying their great ability and their status as a super hero.



Finally, we must highlight the eCards campaign, through which the company thanked each and every one of its employees who had participated in solidarity initiatives in the fight against the pandemic.

## 3.5. SOCIAL AND EMPLOYEES MATTERS

### CULTURE

The group has put in place a series of policies and programs that focus on people, creating a work environment that fosters Respect, Health, Safety, Well-being in the Workplace, and Equal Opportunities. The Human Resources Department is responsible for developing and promoting the respective policies on training, internal communications, corporate social responsibility, selection, development, acceptance and integration, labor relations, remuneration and benefits, etc. These policies are regularly reviewed, updated and adapted to the needs of the business.

The Zardoya Otis group promotes a culture of Commitment and Teamwork, under the global program called "Culture U". The pride of belonging of all employees is reinforced and, in the parent company, there is a shared vision that unites and commits as a group.

At worldwide level, our principles, leadership conduct, strategy and absolutes that define the new Otis Culture have been defined:



#### – Our culture:

- We encourage imagination: we encourage the creation of new ideas and take controlled risks to keep innovating.
- We believe in the team: together we are stronger and we inspire each other through collaboration, autonomy and trust among all of us.
- We respect all opinions: the best ideas come from diverse teams with people who think differently from us.
- We are better working together: we work as one team and collaborate with each other to provide the best service to our customers.
- We strive to be the best: we set ourselves ambitious goals, we grow in order to meet them and we meet them as a team.

### – Our conduct:

- Imagination: innovate through new forms of work and taking risks intelligently to construct competitive edges.
- Collaboration: we understand how, through our individual goals, the overall objectives are achieved and how we help maximize the results of Otis
- Empathy: we put ourselves in the place of the customer, we think globally and make decisions to improve our delivery times
- Inclusion: we actively seek ideas and opinions of others who are different to us or think differently
- To empower: we develop talent through autonomy, trust and resources - we allow room for error
- Rhythm: we lead with energy and speed; We set high expectations and assume responsibilities

### – Our strategy: strategic priorities



### Absolutes:

- **Safety**: At Otis we are absolutely committed to the safety of our workers and the users of our equipment. There is no priority or goal more important to us.
- **Ethics**: We must do the right thing at all times and act ethically and honestly to earn the loyalty of our customers. United by our values: respect, integrity, trust, innovation and excellence. In addition, our internal control system ensures compliance with company policies and procedures. We promote good business practices and ethical commitment with all our stakeholders.
- **Quality**: We are committed to delivering products and services on time and without defects. Our goal is to be recognized for the trust of our customers in the solutions and the service excellence we provide to them, as well as by the users who use our products, in order remain a leading global company, focused on the customer and guided by our signature service.

## EMPLOYMENT

Of the group's total employees in the three countries, which total 5,532, 52% of whom are governed by the Zardoya Otis Collective Agreement, while the rest of the employees are governed by provincial or national sector agreements.

### TOTAL GROUP EMPLOYEES BY GENDER

	2020			2019		
	Men	Women	Total	Men	Women	Total
<b>Spain</b>	<b>4,313</b>	<b>486</b>	<b>4,799</b>	4,366	476	4,842
<b>Portugal</b>	<b>502</b>	<b>96</b>	<b>598</b>	523	102	625
<b>Morocco</b>	<b>110</b>	<b>25</b>	<b>135</b>	124	25	149
<b>Grand Total</b>	<b>4,932</b>	<b>608</b>	<b>5,532</b>	5,013	603	5,616

### Data for Spain

The group has restated the comparative figures for 2019 as a result of the improvements in the information systems carried out during the current year in order to obtain the data to be reported.

#### EMPLOYEES BY GENDER

	No. Employees	No. Employees 2019
Men	4,313	4,366
Women	486	476
<b>Grand Total</b>	<b>4,799</b>	<b>4,842</b>

#### EMPLOYEES BY AGE

	No. Employees	No. Employees 2019
Under 25 years	49	44
25-40 years	1,380	1,563
41-55 years	2,803	2,681
Over 55 years	567	554
<b>Grand Total</b>	<b>4,799</b>	<b>4,842</b>

#### WORKFORCE BY PROFESSIONAL CLASSIFICATION

	No. Employees	No. Employees 2019
Full graduates	187	185
Lower degree	214	211
Supervisors, Administrative, Workshop and Field	1,163	1,194
Other workers	3,235	3,252
<b>Grand Total</b>	<b>4,799</b>	<b>4,842</b>

The distribution of positions by category in all countries are as follows:

- Supervisors, Administrative, Workshop and Field: employees in positions without a university degree requirement (includes Heads of Department, Supervisors, Commercial, Administrative)
- Other workers: employees in positions without a university degree requirement (Assembly, Maintenance and Manufacturing Operators)
- Lower degree graduates: employees with a lower degree academic qualification (includes positions of non-operating technicians, deputy managers, branch managers, engineering ...)
- Full graduates: employees with full academic degrees and engineers (includes positions of managers, deputy managers, branch managers, ...)

#### EMPLOYEES BY COUNTRY

	No. Employees	No. Employees 2019
Andorra	15	15
Spain	4,781	4,822
UK	3	5
<b>Grand Total</b>	<b>4,799</b>	<b>4,842</b>

#### EMPLOYEES BY TYPE OF CONTRACT

	No. Employees	No. Employees 2019
Permanent Full T.	4,378	4,374
Permanent Part T.	151	172
Temporary Full T.	268	294
Temporary Part T.	2	2
<b>Grand Total</b>	<b>4,799</b>	<b>4,842</b>

#### AVERAGE EMPLOYEES BY TYPE OF CONTRACT AND GENDER

	Men	Women	Grand Total	Men	Women	Grand total 2019
Permanent Full T.	3,955	421	4,376	3,860	410	4,270
Permanent Part T.	135	27	162	149	29	178
Temporary Full T.	248	33	281	291	42	333
Temporary Part T.	2	0	2	1	1	2
<b>Grand Total</b>	<b>4,340</b>	<b>481</b>	<b>4,821</b>	<b>4,301</b>	<b>482</b>	<b>4,783</b>

**AVERAGE EMPLOYEES BY TYPE OF CONTRACT AND AGE RANGE**

2020	Under 25 years	25-40 years	41-55 years	Over 55 years	Grand Total
Permanent Full T.	16	1,301	2,649	410	4,376
Permanent Part T.	0	3	11	147	162
Temporary Full T.	30	167	82	2	281
Temporary Part T.		0		2	2
<b>Grand Total</b>	<b>46</b>	<b>1,471</b>	<b>2,743</b>	<b>561</b>	<b>4,821</b>

2019	Under 25 years	25-40 years	41-55 years	Over 55 years	Grand Total
Permanent Full T.	13	1,395	2,491	371	4,270
Permanent Part T.	0	3	11	164	178
Temporary Full T.	25	215	91	2	333
Temporary Part T.	0	1	0	1	2
<b>Grand Total</b>	<b>38</b>	<b>1,614</b>	<b>2,593</b>	<b>538</b>	<b>4,783</b>

**AVERAGE EMPLOYEES BY TYPE OF CONTRACT AND CATEGORY**

2020	Full graduates	Lower degree graduates	Supervisors, Administrative, Workshop and Field	Other workers	Grand Total
Permanent Full T.	182	202	1,065	2,927	4,376
Permanent Part T.	3	7	55	97	162
Temporary Full T.	1	2	58	220	281
Temporary Part T.	1	1	0	0	2
<b>Grand Total</b>	<b>187</b>	<b>212</b>	<b>1,178</b>	<b>3,244</b>	<b>4,821</b>

2019	Supervisors, Administrative, Workshop and Field	Lower degree graduates	Full graduates	Other workers	Grand Total
Permanent Full T.	1,054	201	177	2,838	4,270
Permanent Part T.	70	7	3	99	179
Temporary Full T.	75	4	1	252	332
Temporary Part T.	0	1	1	0	2
<b>Grand Total</b>	<b>1,199</b>	<b>213</b>	<b>182</b>	<b>3,189</b>	<b>4,783</b>



**DISMISSALS BY AGE, GENDER AND PROFESSIONAL CATEGORY**

2020	Men				Total Men	Women			Total women	Grand Total
	Under 25 years	25-40 years	41-55 years	Over 55 years		25-40 years	41-55 years	Over 55 years		
Full graduates			1		1					1
Lower degree graduates			1		1					1
Supervisors, Administrative, Workshop and Field		4	7	4	15	2	4	2	8	23
Other workers	6	14	25	4	49	1			1	50
<b>Grand Total</b>	<b>6</b>	<b>18</b>	<b>34</b>	<b>8</b>	<b>66</b>	<b>3</b>	<b>4</b>	<b>2</b>	<b>9</b>	<b>75</b>

**4.2**

2019	Men			Total Men	Women			Total Women	Grand Total
	25-40 years	41-55 years	Over 55 years		25-40 years	41-55 years	Over 55 years		
Full graduates			1	1					1
Lower degree graduates			1	1					1
Supervisors, Administrative, Workshop and Field	1	7	4	12	5	3	4	12	24
Other workers	12	21	5	38					38
<b>Grand Total</b>	<b>13</b>	<b>28</b>	<b>11</b>	<b>52</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>12</b>	<b>64</b>

**AVERAGE GROSS ANNUAL SALARY BY GENDER (€) - GAP**

2020	Men	Women	Gap
Grand Total	39,103.34	35,906.09	8.18%

2019	Men	Women	Gap
Grand Total	39,132.26	35,289.67	9.82%

The number of women in Spain has increased by 2.3% compared to 2019 and in turn the number of men has been reduced by 1%.

Among the goals for 2021 is the development of equitable internal and external wage structures, thus facilitating the identification of deviations and improving our value proposition.

**Pay gap formula:**

$$\frac{\text{(Average remuneration for men - Average remuneration for women)}}{\text{Average remuneration for men}}$$

Average remuneration includes fixed and variable items such as incentives, bonuses, availability, 24-hour service, etc.

The facts that we are a company in the industrial sector and that we have a workforce composed mainly of men with long lengths of service are factors that affect the wage gap.

#### AVERAGE REMUNERATION BY CATEGORY (€)

2020	Average Remuneration
Supervisors, Administrative, Workshop and Field	38,953.90
Other workers	35,723.24
Lower degree graduates	54,708.14
Full graduates	68,259.65
<b>Grand Total</b>	<b>38,620.58</b>

2019	Average Remuneration
Supervisors, Administrative, Workshop and Field	38,909.97
Other workers	36,080.15
Lower degree graduates	53,954.26
Full graduates	67,216.04
<b>Grand Total</b>	<b>38,757.12</b>

#### AVERAGE REMUNERATION BY AGE (€)

2020	Under 25 years	25-40 years	41-55 years	Over 55 years	Total general
Supervisors, Administrative, Workshop and Field	24,003.49	32,774.85	40,513.51	44,464.96	38,953.90
Other workers	24,060.53	32,984.04	37,159.88	37,594.35	35,723.24
Lower degree graduates		38,165.81	55,666.10	64,132.15	54,708.14
Full graduates		56,403.89	71,192.54	70,705.91	68,259.65
<b>Grand Total</b>	<b>24,052.38</b>	<b>33,674.34</b>	<b>40,353.75</b>	<b>43,350.00</b>	<b>38,620.58</b>

Categories	Less 25 years	25-40 years	41-55 years	Higher 55 years	Total general
Supervisors, Administrative, Workshop and Field	27,118.07	33,047.61	40,517.35	44,497.06	38,909.97
Other workers	26,072.07	34,178.50	37,368.99	36,907.12	36,080.15
Lower degree graduates		38,223.65	56,379.76	64,695.17	53,954.26
Full graduates		54,810.19	69,860.10	71,644.23	67,216.04
<b>Grand Total</b>	<b>26,225.15</b>	<b>34,538.63</b>	<b>40,576.13</b>	<b>42,645.33</b>	<b>38,757.12</b>

The global compensation for all items accrued during the year by the CEO and Chairman of the Board of Directors of the Zardoya Otis SA group, who the only executive director who receives compensation other than the Bylaw-stipulated compensation, amounted to:

Total executive director (thousand €)	2020	2019
	1,283	952

The Group's senior management (non-directors, all of them men, therefore, no salary gap calculation applies) is made up of the three General Managers of the cash-generating units (Spain, Portugal and Morocco). The average compensation of these executives, for all items (including variable compensation, allowances, indemnities and payment into long-term savings pension systems) at the end of the year was:

Average Senior Management (thousand €)	2020	2019
	283	290

Regarding the organization of work time, we follow the hours fixed in the Collective Agreement, in accordance with the schedule agreed with the workers' representatives at each workplace.

Currently, a digital disconnection policy for Zardoya Otis Spain is being developed and will be negotiated, in accordance with the provisions of Organic Law 3/2018. While this negotiating process is being concluded, it should be noted that we ensure compliance with the schedules agreed with the workers' representatives and have implemented working hours very favorable to a good work/life balance.

#### HOURS OF ABSENCE

2020	ZOSA	Group
Men	343,976	478,584
Women	33,800	42,656
Grand Total	377,776	521,240

2019	Hours
Men	285,509
Women	25,580
Grand Total	311,090

The total hour of absence for 2020 include those of Zardoya Otis and the group of associated entities (Acresa, Cruxent, Electromecánica, Enor Express, Heman, Ingar, Integra, L.V., Pertor, Portis and Serra).

In these data, hours of absence due to Covid19 have been excluded due to their exceptional nature.

**ACCIDENTS AND OCCUPATIONAL DISEASES**

2020	Number of accidents			Number of occupational diseases					
	TOTAL	Women	Men	TOTAL	Women	Men			
	48	0	48	0	0	0			
Accident frequency rate			Accident severity index			Hours of absence			
TOTAL	Women	Men	TOTAL	Women	Men	TOTAL	Women	Men	
6	0	6	0.1749	0	0.1749	11,168	0	11,168	

2019	Number of accidents			Number of occupational diseases					
	TOTAL	Women	Men	TOTAL	Women	Men			
	49	1	48	0	0	0			
Accident frequency rate			Accident severity index			Hours of absence			
TOTAL	Women	Men	TOTAL	Women	Men	TOTAL	Women	Men	
6.2	1.27	6.76	0.12	0.003	0.12	7,592	24	7,568	

Source 2019: cumulative accident statistics as of December 2019

Source 2020: cumulative accident statistics as of December 2020

The accident rates provided are calculated according to the statistical formulas established by the National Institute for Occupational Safety and Hygiene:

- o Frequency Index (IF) = (No. of work accidents with sick leave x 106) / No. of hours worked
- o Severity Index (GI) = (number of days not worked due to work accidents with sick leave x 103) / number of hours worked

In the risk assessment of the activities carried out by Otis Group workers, no risk of occupational disease has been detected and no case has occurred in any worker regardless of their gender.

**EMPLOYEES WITH DISABILITIES IN SPAIN**

2020	No. Employees	2019
> = 33% and <65%	36	35
> = 33% and <65% with help	1	1
> = 65%	4	4
<b>Grand Total</b>	<b>41</b>	<b>40</b>

In 2017 we were awarded with the Bequal Seal Accessibility Certification and currently we are in the process of renewing it. Two work centers were audited in 2017, as well as the Spanish headquarters. In order to renew the certification, another two work centers will be audited.

## Data for Portugal

### EMPLOYEES BY GENDER

	No. Employees	No. Employees 2019
Men	502	522
Women	96	102
<b>Grand Total</b>	<b>598</b>	<b>624</b>

### EMPLOYEES BY AGE

	No. Employees	No. Employees 2019
Under 25 years	twenty-one	2.3
25-40 years	173	197
41-55 years	320	321
Over 55 years	84	83
<b>Grand Total</b>	<b>598</b>	<b>624</b>

### EMPLOYEES BY PROFESSIONAL CLASSIFICATION

	No. Employees	No. Employees 2019
Full graduates	33	35
Lower degree graduates	111	35
Supervisors, Administrative, Workshop and Field	92	176
Other workers	362	378
<b>Grand Total</b>	<b>598</b>	<b>624</b>

### EMPLOYEES BY TYPE OF CONTRACT

	Grand Total	No. Employees 2019
Permanent Full T.	558	565
Permanent Part T.	0	0
Temporary Full T.	40	59
Temporary Part T.	0	0
<b>Grand Total</b>	<b>598</b>	<b>624</b>

**AVERAGE EMPLOYEES BY TYPE OF CONTRACT AND GENDER**

	Men	Women	Grand Total	Men	Women	Grand total 2019
Permanent Full T.	473	88	561	470	89	559
Permanent Part T.			0	0	0	0
Temporary Full T.	41	12	53	40	11	51
Temporary Part T.			0	0	0	0
<b>Grand Total</b>	<b>514</b>	<b>100</b>	<b>614</b>	<b>510</b>	<b>100</b>	<b>610</b>

**4.2****AVERAGE EMPLOYEES BY TYPE OF CONTRACT AND AGE RANGE**

2020	Under 25 years	25-40 years	41-55 years	Over 55 years	Grand Total
Permanent Full T.	7	144	321	89	561
Permanent Part T.					
Temporary Full T.	13	33	7		53
Temporary Part T.					
<b>Grand Total</b>	<b>20</b>	<b>177</b>	<b>328</b>	<b>89</b>	<b>614</b>

2019	Under 25 years	25-40 years	41-55 years	Over 55 years	Grand Total
Permanent Full T.	5	159	310	85	559
Permanent Part T.	0	0	0	0	0
Temporary Full T.	13	31	6	1	51
Temporary Part T.	0	0	0	0	0
<b>Grand Total</b>	<b>18</b>	<b>190</b>	<b>316</b>	<b>86</b>	<b>610</b>

**AVERAGE EMPLOYEES BY TYPE OF CONTRACT AND CATEGORY**

2020	Higher graduates	Medium degree graduates	Administrative, Workshop and Field Heads	Operators	Total general
Permanent Full T.	33	100	90	338	561
Permanent Part T.					
Temporary Full T.		8	8	37	53
Temporary Part T.					
<b>Grand Total</b>	<b>33</b>	<b>108</b>	<b>98</b>	<b>375</b>	<b>614</b>

2019	Full graduates	Lower degree graduates	Supervisors, Administrative, Workshop & Field	Other workers	Grand Total
Permanent Full T.	35	35	152	337	559
Permanent Part T.	0	0	0	0	0
Temporary Full T.	0	0	18	33	51
Temporary Part T.	0	0	0	0	0
<b>Grand Total</b>	<b>35</b>	<b>35</b>	<b>170</b>	<b>370</b>	<b>610</b>

**DISMISSALS BY AGE, GENDER AND PROFESSIONAL CATEGORY**

2020	Men				Total Men	Women			Total Women	Grand Total
	Under 25 years	25-40 years	41-55 years	Over 55 years		25-40 years	41-55 years	Over 55 years		
Full graduates			2		2					2
Lower degree graduates				1	1	1			1	2
Supervisors, Administrative, Workshop and Field		2	2	1	5	2	3	2	7	12
Other workers	3	15	9	5	32	1			1	33
<b>Grand Total</b>	<b>3</b>	<b>17</b>	<b>13</b>	<b>7</b>	<b>40</b>	<b>4</b>	<b>3</b>	<b>two</b>	<b>9</b>	<b>49</b>

2019	Men			Total Male	Women			Total Female	Grand Total
	25-40 years	41-55 years	Over 55 years		25-40 years	41-55 years	Over 55 years		
Full graduates				0				0	1
Lower degree graduates			1	1				1	
Supervisors, Administrative, Workshop and Field	two	3	two	7	two		1	3	10
Other workers	8	4	9	21				0	21
Grand Total	10	7	12	29	0	1	3	32	32

#### AVERAGE GROSS ANNUAL SALARY BY GENDER (€) - GAP

2020	Men	Women	Gap
Grand Total	27,408	26,874	1.5%

2019	Men	Women	Gap
Grand Total	27,036	25,711	4.94%

#### AVERAGE REMUNERATION BY CATEGORY (€)

	Average Remuneration 2020	Average Remuneration 2019
Supervisors, Administrative, Workshop and Field	25,089	26,202
Other workers	22,099	21,536
Lower degree graduates	31,741	38,226
Full graduates	75,740	75,364
Grand Total	27,321	26,820

#### AVERAGE REMUNERATION BY AGE (€)

2020	Less 25 years	25-40 years	41-55 years	Higher 55 years	Total general
Supervisors, Administrative, Workshop and Field	14,469	20,885	26,693	26,585	25,089
Other workers	12,688	21,059	23,468	22,730	22,099
Lower degree graduates	14,874	28,012	31,602	38,435	31,741
Full graduates		40,451	67,741	103,438	75,740
Grand Total	12,975	22,844	27,879	38,096	27,321



2019	Less 25 years	25-40 years	41-55 years	Higher 55 years	Grand Total
Supervisors, Administrative, Workshop and Field	12,717	23,355	26,641	30,007	26,202
Other workers	9,612	20,786	23,064	22,886	21,536
Lower degree graduates	13,980	30,048	41,864	41,250	38,226
Full graduates	0	41,888	67,068	107,198	75,364
<b>Grand Total</b>	<b>10,017</b>	<b>22,457</b>	<b>27,688</b>	<b>38,467</b>	<b>26,820</b>

Regarding the organization of working time, working hours in Portugal are those defined by Portuguese law, which are not modified Collective Agreement, i.e., 8 hours per day, 40 hours per week.

In Portugal, we do not have disconnection from work policy as such. However, we ensure compliance with the working hours agreed with the workers' representatives and have implemented a working day very favorable to the work/life balance.

#### HOURS OF ABSENCE

Hours of absence 2020		
Total	Women	Men
99,407	18,774	80,633

Hours of absence 2019		
Total	Women	Men
96,385	20,782	75,603

#### ACCIDENTS AND OCCUPATIONAL DISEASES

	Number of accidents			Number of occupational diseases		
	TOTAL	Women	Men	TOTAL	Women	Men
<b>2020</b>	6	0	6	0	0	0
	Accident frequency rate			Accident severity index		
	TOTAL	Women	Men	TOTAL	Women	Men
	0.71%	0	0.71%	0	0	0

- Accident frequency rate:

Number of accidents with sick leave and by gender occurring during working hours per million hours worked:

$(\text{Number of accidents} / \text{Number of hours worked}) * 1,000,000$

- Accident severity index:

Number of days lost by gender as a result of accidents at work per 1,000 hours worked:

$(\text{Number of days lost} / \text{Number of hours worked}) * 1,000$

In the risk assessment of the activities carried out by Otis Group workers, no risk of occupational disease has been detected, and no case has occurred in any worker regardless of their gender.

#### EMPLOYEES WITH DISABILITIES

Degree of Disability	No. Employees	2019
> = 33% and <65%	0	0
> = 33% and <65% with help	2	0
> = 65%	7	8
<b>Grand Total</b>	<b>9</b>	<b>8</b>

## Data for Morocco

There is no comparison with the year 2019 since, in the previous report, no information was provided due to system issues.

Taking into account that Morocco accounts for 4% of the total Zardoya Otis SA business, in 2020, we worked to provide the data and guarantee its traceability from now onwards.

### EMPLOYEES BY GENDER

	No. Employees
Men	110
Women	25
<b>Grand Total</b>	<b>135</b>

### EMPLOYEES BY AGE

	No. Employees
Under 25 years	17
25-40 years	62
41-55 years	47
Over 55 years	9
<b>Grand Total</b>	<b>135</b>

### WORKFORCE BY PROFESSIONAL CLASSIFICATION

	No. Employees
Full graduates	19
Lower degree graduates	0
Supervisors, Administrative, Workshop and Field	28
Other workers	88
<b>Grand Total</b>	<b>135</b>

### EMPLOYEES BY TYPE OF CONTRACT

	Grand Total
Permanent Full T.	126
Permanent Partial T.	0
Temporary Full T.	9
Temporary Part T.	0
<b>Grand Total</b>	<b>135</b>

**AVERAGE EMPLOYEES BY TYPE OF CONTRACT**

	Grand Total
Permanent Full T.	122
Temporary Full T.	4
<b>Grand Total</b>	<b>126</b>

**AVERAGE EMPLOYEES BY TYPE OF CONTRACT AND GENDER**

	Men	Women	Grand Total
Permanent Full T.	99	23	122
Temporary Full T.	3	1	4
<b>Grand Total</b>	<b>102</b>	<b>24</b>	<b>126</b>

**AVERAGE EMPLOYEES BY TYPE OF CONTRACT AND AGE RANGE**

	Under 25 years	25-40 years	41-55 years	Over 55 years	Grand Total
Permanent Full T.	9	58	46	9	122
Temporary Full T.	3	1	0	0	4
<b>Grand Total</b>	<b>12</b>	<b>59</b>	<b>46</b>	<b>9</b>	<b>126</b>

**AVERAGE EMPLOYEES BY TYPE OF CONTRACT AND CATEGORY**

	Full graduates	Lower degree graduates	Supervisors, Administrative, Workshop and Field	Other workers	Grand Total
Permanent Full T.	19	0	26	77	122
Temporary Full T.	0	0	1	3	4
<b>Grand Total</b>	<b>19</b>	<b>0</b>	<b>27</b>	<b>80</b>	<b>126</b>

**DISMISSALS By AGE, GENDER AND PROFESSIONAL CATEGORY**

	Men			Total Men	Women			Total Women	Grand Total
	25-40 years	41-55 years	Over 55 years		25-40 years	41-55 years	Over 55 years		
Full graduates	0	0	0	0	0	0	0	0	0
Lower degree graduates	0	0	0	0	0	0	0	0	0
Supervisors, Administrative, Workshop and Field	5	0	0	5	1	0	1	2	7
Other workers	5	0	0	5	0	0	0	0	5
<b>Grand Total</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>12</b>

**AVERAGE GROSS ANNUAL SALARY BY GENDER (€) - GAP**

	Men	Women	Gap
Grand Total	17,140.04	14,781.64	13.76%

**AVERAGE GROSS ANNUAL SALARY BY AGE RANGE (€)**

	Under 25 years	25-40 years	41-55 years	Over 55 years	Grand Total
Full graduates	14,821.09	29,265.37	60,271.22	0	39,928.35
Supervisors, Administrative, Workshop and Field	5,123.29	13,502.32	20,250.48	14,844.25	15,563.82
Other workers	6,663.45	10,900.95	14,717.04	20,200.82	12,051.36
<b>Grand Total</b>	<b>7,052.72</b>	<b>14,746.56</b>	<b>22,561.30</b>	<b>17,820.13</b>	<b>16,690.22</b>

**AVERAGE GROSS ANNUAL SALARY BY CATEGORY (€)**

	Grand Total
Full graduates	<b>39,928.35</b>
Supervisors, Administrative, Workshop and Field	<b>15,563.82</b>
Other workers	<b>12,051.36</b>

**HOURS OF ABSENCE**

We are working on the implementation of a system for registering hours of absence for the year. It has not yet been implemented but, for next year, we will provide detailed information.

**ACCIDENTS AND OCCUPATIONAL DISEASES**

	Number of accidents			Number of occupational diseases		
	TOTAL	Women	Men	TOTAL	Women	Men
<b>2020</b>	2	1	1	0	0	0
	Accident frequency rate			Accident severity index		
	TOTAL	Women	Men	TOTAL	Women	Men
	3.9%	19.6%	4.8%	0.39%	0.68%	0.3%

- Frequency of accident rate:

Number of accidents with sick leave and by gender occurring during working hours per million hours worked:

$(\text{number of accidents} / \text{number of hours worked}) * 1,000,000$

- Accident severity index:

Number of days lost by gender as a result of work accidents per 1,000 hours worked:

$(\text{Number of days lost} / \text{Number of hours worked}) * 1,000$

In the risk assessment of the activities carried out by Otis Group workers, no risk of occupational disease has been detected and no case has occurred in any worker, regardless of their gender.

#### **EMPLOYEES WITH DISABILITIES**

There are no employees with disabilities.

## INNOVATION

During the year we experienced a technological change with a significant impact on our operations, transforming the way the company acts, communicates and operates.

We are increasingly investing in technology to adapt quickly to market changes.

We have made the transition from a traditional system to the digitization of processes through Workday Solutions Human Capital Management (HCM)

During 2020, the following were implemented:

- o Human Resources Management "My HR": it is the most general module, facilitating performance of the different HR-related tasks. Storage and integrated management of information in the cloud, including employee self-service, which allows the user to modify and access their data at all times.
- o Talent & learning "Otis Talent" and "Total Rewards": thanks to this, we automated activities such as talent evaluation, pay for performance, onboarding or process of adaptation to the company, management of objectives, succession plan and career planning and development. A platform in common to develop, engage and retain the best talent throughout the organization, throughout the world.

With an extensive training catalog available 24 hours a day and full access for all employees on any device

The amount of this investment in 2020 was:

	Cost (thousands €)*
Spain	190.9
Portugal	21.82
Morocco	5.45
<b>Grand Total</b>	<b>218.18 / 39.1 PP</b>

\* Centralized group investment costs have been included (without impact on local income statement), includes technology, excludes support costs and any additional local training.

\* TA is charged to the regions, the rest is charged centrally. All employees are in the central Workday system, although not all use it yet.

We must not forget that technology alone does not transform businesses, nor does it meet market expectations quickly. We need human talent to achieve it. At Zardoya Otis, the transformation is carried out by people and we consider the human team a differential factor and competitive advantage, the center of our strategy.



## EQUALITY

In a sector with opportunities in terms of gender diversity, one of the great challenges on which we are working is the incorporation of female talent to the group, something for which Zardoya Otis is striving every day. In 2020, we continued working on parity indices at all levels to promote the growth and development of female talent within the group.

Zardoya Otis is particularly proud of its Equality Plan and its Diversity and Inclusion Plan entitled "Todos somos Todos". Social commitment also includes integration into the group of people with disabilities and at risk of social exclusion, an aspect that is always present in all selection processes. The group collaborates and works with special employment centers that help integrate professionals with disabilities, who perform an excellent job within the organization.

In other aspects, various charitable projects and activities with employee participation are established. Corporate volunteering is particularly important in programs mainstreaming disability through sport (26-year partnership with Special Olympics) and child protection programs (annual charity race and collaboration in a number of activities with various foundations).

### **Recognition in relation to Equality, Diversity and Inclusion issues**

Zardoya Otis has adhered to the "Más mujeres, mejores empresas" ("More women, better companies") initiative issued by the Ministry of Health, Social Services and Equality. Through this cooperation, the Group undertakes to foster a balanced participation of women and men in pre-managerial and managerial positions and management committees.

In the Workplace Diversity and Inclusion area, the company was recognized as one of the 10 most innovative and committed enterprises in Spain in the sixth edition of the Intrama awards. This prize was due to the "Todos somos todos" program, which includes most of the initiatives implemented over the last two years in respect of gender diversity and people with disabilities or at risk of social exclusion.

Since 2020, the Marketing Department has been in charge of actions associated to the corporate social responsibility area (CSR).



## MEASURES TO PROMOTE EMPLOYMENT

We have a selection process that guarantees application of objective criteria based on professionalism and the suitability of people to the jobs and their potential for development in the company.

Our proximity to the universities continues to be a key factor in attracting talent and building a strong employer brand. Zardoya Otis reaches agreements with the main educational centers in the country, assuming the commitment to contribute to the employment of young people in our environment. Training scholarships offer experience, skills development and employability. In 2020, 37 scholarship-holders passed through Zardoya Otis Spain.

In each process, ensuring the principle of equal treatment and non-discrimination between men and women is very important for our sector, where the male gender is in a majority.

With equal conditions and suitability for carrying out the duties, we encourage the entry of people of the less represented gender.

Our positioning as an employer brand should be highlighted. Every year we participate in job fairs to attract potential candidates, increase our visibility and maintain contact with other companies.

In 2020, for example, we participated in person in the job fair organized by the Tecnum engineering school of the University of Navarra and virtually in the fair organized by the Carlos III University.

## TRAINING

The Group's main asset is its people and training is one of the keys to success. The ratios of training hours per employee is the highest in the industry and also of other business groups of the same size. All group employees have the opportunity and the right to access training, a key element that helps to facilitate the personal and professional growth and development of the employees. The training and development plans are monitored and discussed at management committee meetings.

In 2020, an average of over 14.5 hours of annual training per employee was imparted in safety, ethics, technical training, quality, sales, leadership, office automation, languages, etc. through internal coaches or external consultants using different methodologies (classroom, online or mixed training). The professional growth of employees is encouraged with individualized development programs (first or master's degrees) at any public university.

Data on the training carried out in Spain during 2020:

AREA	No. Hours	No. Participants	No. Courses
HR	26,272	2,307	253
WORKS	14,164	1,062	472
SAFETY	25,451	10,040	699
QUALITY	135	127	127
	66,022	13,536	1,551
ETHICS	4,335	1,540	12,130
	4,335	1,540	12,130
	<b>70,357</b>	<b>15,076</b>	<b>13,681</b>

o Training given Spain

	Hours 2020	Hours 2019
Full graduates	4,056	6,274
Lower degree graduates	6,485	7,412
Supervisors, Administrative, Workshop and Field	19,708	29,144
Other workers	35,773	103,794
Total	66,022	146,624

o Training given Portugal

	Hours 2020	Hours 2019
Full graduates	578	104
Lower degree graduates	18	1,186
Supervisors, Administrative, Workshop and Field	686	4,601
Other workers	4,954	11,953
Total	6,236	17,844

o Training given Morocco

	Hours 2020
Full graduates	428
Lower degree graduates	0
Supervisors, Administrative, Workshop and Field	630
Other workers	1,890
Full graduates	2,948

This year, as a result of the implementation of HCM Workday and specifically of the Learning module, the training on offer will be further increased. Regardless of the training that is suggested or established by the company, the employee will be able to create his or her own training program, choosing topics of interest to him or her, which broadens the possibilities of professional growth for everyone.

## PERFORMANCE MANAGEMENT

The Group has a performance management system, as well as career and succession plans, mentoring, coaching, internationalization programs, etc., defined to encourage the personal and professional development of all the people that form part of it and their alignment with the business's culture and strategic goals. 90% of managers (middle management, management and senior management) come from internal promotion.

Work environment surveys (called Pulse) are conducted four times a year, where employees can share actions to improve the working environment with the company. After completion of the survey, the results are grouped and presented by department, agreeing on improvement actions based on an analysis of the results.

## COMPENSATION & BENEFITS

Zardoya Otis defines its global compensation policy based on the principles of fair remuneration, development of people and equity both internally and externally, positioning the organization in a more competitive position in the sector.

Compensation programs are developed in line with the business strategy whose objective is to attract and retain talent with an attractive value proposition, increasing employee satisfaction, and optimizing labor investment.

We promote diversity and inclusion thanks to the compensation audit controls, ensuring that this policy is not based on gender, culture or age reasons, we favor inclusion and diversity.

Employees enjoy a complete package of flexible, variable and in-kind compensation that includes, among others, health and life insurance, housing assistance, study assistance and special discounts on different leisure and cultural activities.

**Communication**

- Alignment between compensation and business strategy
- Boosting the rewards share within the employee value proposition
- Personal interface where to consult your complete compensation package
- Promotion of diversity and inclusion

**Global Compensation**

- Compensation packages based on internal and external equity
- Competitive in the sector
- Talent-based compensation.
- Career plans linked to compensation improvements
- Global mobility program

**Profits**

- Life insurance
- Pension plan
- Flexible compensation (ongoing)
- Medical service in the Company
- Gynecological check-ups
- Subsidized canteen
- Shopping club
- + 1 vacation day

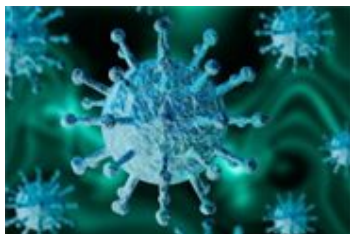
**Incentives and bonuses**

- Incentive plans based on global policies and designed by IR COE
- Incentives linked to business performance and individual KMs
- Mobile applications to access and record variables
- Using data analytics to ensure fairness and real-time analytics

**MEASURES TO ALLEVIATE THE IMPACT OF THE CORONAVIRUS**

Great efforts are being made around the world to contain Covid-19.

Seldom can a crisis be isolated and controlled and there are unpredictable ups and downs. For this reason, Zardoya Otis focuses its attention on managing the organization of in a Covid-19 scenario.

**Our premise:**

*"Protect the health of our employees, guarantee continuity of service to our customers and keep production running"*

To do this, since March 2020 we have had a Mitigation Plan in place with voluntary exceptional measures for the reinforced containment of Covid-19 (Royal Decree 8/2020), following the recommendations established by the competent health authorities of each country.

This plan has been adapted to the characteristics and needs of the different groups:

- PDC and employees of the Regions
- On-site workers in the Regions
- Plant and engineering office employees.
- Plant workers.

The time limits of the plan have varied over time, and the needs of each of the scenarios have been marked by the evolution of the pandemic itself.

## Mitigation plan

### Coordination, monitoring and communication actions

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#### Crisis committee:

A crisis committee has been established with the participation of the General Management, Human Resources, EHS, Operations, Manufacturing, Medical, IT and Communication, intended to monitor the situation in real time and implement the necessary actions.

#### Continuous communication to employees:

Regarding dialogue with people, there has been continuous regular contact with employees.

- Regular communication and negotiation with trade unions and industrial associations (FEDA)
- Communication of preventive measures
- Communication of alternatives to physical presence at work
- Communication of the preventive measures to the service companies that operate in the Center
- Continuous communication of hygiene measures and safety distances by email and in the common areas of each center

### Operational actions

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#### Home working:

It is an exceptional measure adopted on an exceptional basis while the COVID19 situation lasts, allowing the office personnel to carry out part of their usual work from home.

From Zardoya Otis, guidelines have been sent to help our teams achieve better performance and ultimately improve their quality of life, recommendations on time organization, how to maintain effective communication, how to approach day-to-day life and also take care of yourself at home.

#### Early vacations

We incentivize employees to take early vacations in order to redistribute the high number of requests in summer periods and solve inactivity due to the reduction in activity.

To do this, the employee is offered the possibility of requesting vacations during this period with the following consideration: for each block of 4 vacation days, the company will grant 1 additional vacation day that will not be included in the annual calculation.

In the month of April, there was another measure to encourage vacations focused especially on the office group due to the drop-in activity, for each block of 9 days of vacation the company would grant 1 additional day of vacation that would not be included the annual calculation.

**Exceptional COVID measures: Royal Decree 8/2020, Article 6 MECUIDA Plan:**

The employee can request reduction, adaptation, change of job/manner of working, including remote working, during the COVID period and up to 3 months after the end of the State of Alarm extended until January 31, 2021:

Flexible schedule:

- o On-site workers in the Regions: flexibility of the working day was facilitated, also being able to choose the morning or afternoon shift.
- o Plant workers: since flexible hours and shift in the production process are more difficult to accommodate, both parties expressed their willingness to study any proposals and reach an agreement.

At all times, flexible hours were ensured, mainly for those employees with young children.

Unpaid leave:

The employee may request unpaid leave (for full days) during this period (to be deducted from the next month's payroll) with the following consideration: 20% of the amount requested will be granted as paid leave.

Recoverable paid leave

The employee takes days off that will be recovered when the activity returns to normal, applying the permission established by the Government in Royal Decree 10/2020 during the period between March 30 and April 9, 2020.

Reduction of working hours for shift employees, continuous working hours

In order to organize the work of the on-site workers in the Regions, in the periods when hotels were closed, continuous shifts were facilitated (7-hour days, mainly when the hotel and catering businesses were closed).

Likewise, the employee had the possibility of requesting a reduction in working hours up to a maximum of 50% of their normal daily working hours, which will be recovered in minimum periods of 1 hour per day within the calendar year.

**Irregular distribution of the day**

In the period between the end of April and the beginning of May due to the drop in activity in the organization and to avoid the application of more burdensome measures, the irregular distribution of the working day established in 34.2 of the Workers' Statute was used, which establishes that, in the absence of an agreement, the company may distribute irregularly throughout the year up to ten percent of the working day.

**Use of compensation hours and calendar excess**

Our team of technicians who work on-call shifts compensate them with days off all year round. They were asked to consume at least 80% of those hours

Requesting the three personal days available was encouraged at the Madrid plant.

**Other measures:**

- Cessation of all business trips, and recommendation to cancel private trips.
- Cancellation of face-to-face training sessions, which were carried out electronically.
- Prohibition of visits from outsiders to the plant.
- Cancellation of meetings with suppliers.
- Reinforcement of the safety measures recommended in each country. Presentation of the Golden Rules to prevent contagion.
- Distribution of safety and protection material to those employees who cannot carry out their work at home.
- Physical measures that guarantee distances at all times (separation of workstations, partitions ...)

Since May, an Incorporation (back to the new normality) and Contingency Plan agreed by the Crisis Committee has been in place and more than 50% of the workforce is never in the office at the same time.

All employees have a guide full of instructions on how to proceed before entering the workplace, recommendations during the working day and the hygiene measures to follow.

At all times, both unions and staff delegates, who have provided their support to the measures and their collaboration in implementing them, have been kept appropriately updated.

Zardoya Otis continues working to adapt to changes, ensuring the least possible impact on the family and economic life of the employees and ensuring their safety and the continuity of the activity.

### 3.6. CONSUMERS / CUSTOMERS

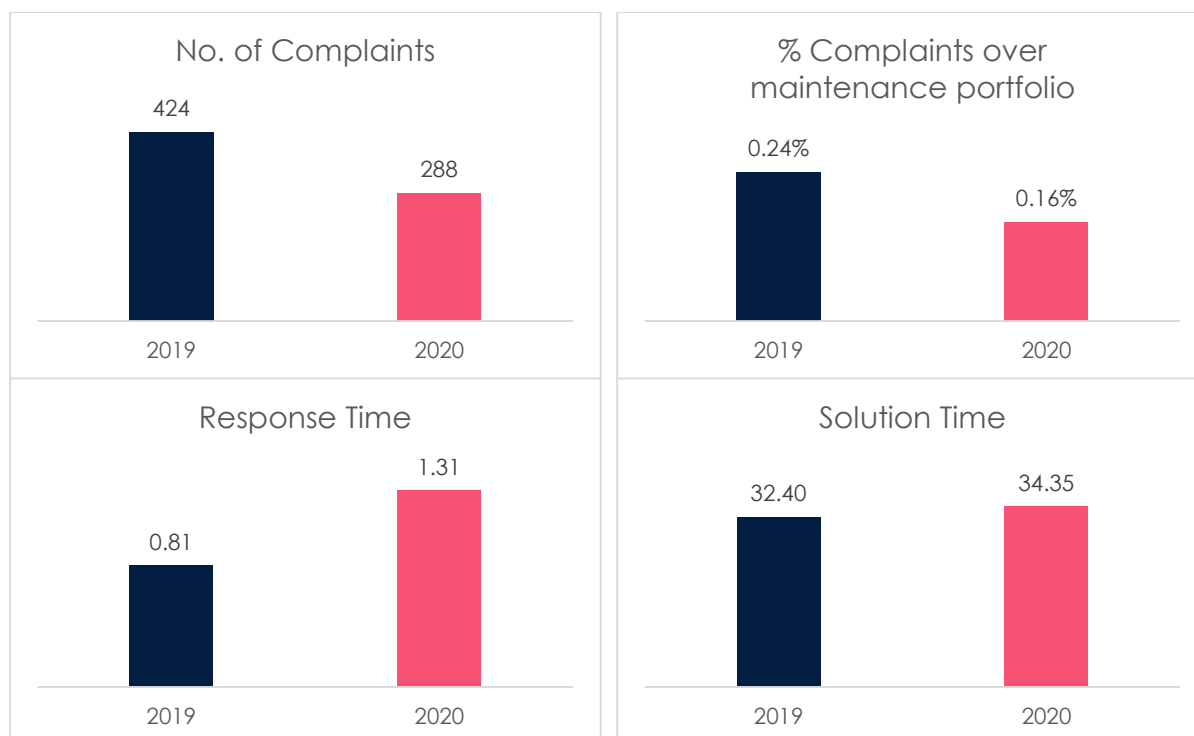
Measures for the health and safety of consumers:

- Maintenance programs.
- Audits of units prior to including them on the portfolio.
- Test protocols prior to commissioning (Act of delivery).
- Liability policy.

The Company offers the Ombudsman channel to address and deal with any complaints and claims. The management system defined allows registration, monitoring and closure in collaboration with the functional Department / Branch to which the complaint refers. Likewise, if necessary, the Legal Department may take part in this process.

In 2020, 288 complaints were received in Spain (424 in 2019), representing 0.16% of the maintenance portfolio. The average response time was 1.31 days and the average solution time was 34.35 days.

These graphs show a comparison of the years 2019-2020:



In Portugal in 2019, 238 complaints (140 in 2019), representing 0.72% of the maintenance portfolio, were received (0.37 in 2019), with an average solution time of 2.93 days (3.54 in 2019).

In the case of Morocco, 91 complaints were received in 2020 (134 in 2019), representing 1.67% of the maintenance portfolio, and the average solution time was 5.18 days.



In Portugal, to process complaints, the online application GeraRec, where all incidents received are recorded, is used.

In Morocco, as in Spain, there is a person engaged solely in recording and handling claims and complaints.

## 3.7. SOCIETY

### DIGITAL TRANSFORMATION

The current Digital Transformation process is a key challenge because of the cultural change it entails. Group companies have adapted to this new situation. Technical staff and supervisors are currently working with advanced digital mobility tools that integrate smartphone technology and make communication, management and service technology available to customers. These tools allow administrative tasks to be reduced and generate greater productivity and efficiency to provide the customer with a personalized, swift and effective service.

The goal is to continue to consolidate the position as sector leader, transforming service and incorporating technologies for connectivity and efficient management, furnishing reliability, productivity, flexibility and transparency in order to continue to provide Service Excellence to the customer.

### INNOVATION

For the group it is essential to promote innovation to maximize value creation. The Madrid Engineering Centre is a worldwide benchmark for Otis, where many patent applications are initiated for the products and processes developed. Since 2001, from Spain, more than 500 patent applications have been filed worldwide and close to 300 patents have been granted.

Similarly, there is a Suggestion Program, which encourages and rewards the generation of new ideas on improvements to products, services or processes.

### ACCESSIBILITY

Regarding accessibility, the entity is aware of the situation of millions of people struggling to overcome the numerous architectural barriers that exist in cities. In Spain, for example, there are more than one million buildings in which measures should be implemented to facilitate accessibility.

The group, along with organizations of persons with disabilities and the authorities, has always been active in developing legislation on standards that improve elevator accessibility for people. The group is committed to the development of technical solutions, technological advances and social initiatives intended to make a decisive contribution to eliminating accessibility barriers. An example of this is the standard inclusion of devices that make the elevators easier to use for people with some kind of disability: Braille on the buttons, improved signage, audible messages regarding the elevator's movements, improvement in stopping accuracy, systems for the early detection of door closure, interactive information systems in the car and a long list of capabilities that may be enjoyed today as a result of the standard achieved.

In 2018, 80% of Soluciones de accesibilidad LV3, SL, a company engaged in the elimination of architectural barriers and providing accessibility solutions with stair lifts and platforms, was acquired.

## SUSTAINABLE DEVELOPMENT: CORPORATE RESPONSIBILITY

During 2020, the company continued to develop its Corporate Responsibility Plan aligned with the Sustainable Development Goals (SDG), in accordance with the business targets and strategy established. The three sustainable development goals on which the company's CSR strategy is based are:

- Goal number 7: Affordable and clean energy
- Goal number 9: Industry, innovation and infrastructure
- Goal number 11: Sustainable cities and communities

Likewise, the company works with educational centers to provide training and professional development opportunities to students with potential and talent who lack the resources necessary to access them. Furthermore, through cooperation with professional training centers, recently-qualified young people are recruited. Both these actions contribute to reducing unemployment, mainly in the youth field.

Social action policies are communicated to all employees through the different internal communication channels.

All the foregoing has allowed the "Top Employers Institute" international certificate, one of the most highly-valued and important certificates worldwide, to be obtained for the fifth year running. It recognizes the main company of the Group as one of the best companies to work for in Spain.

For 2020, marked by the pandemic, we must highlight from among the solidarity actions related to the company, the donation of 2,750 pairs of gloves and 105 liters of hydroalcoholic gel to three care homes in the Region of Madrid in the times of greatest need, the manufacture of protective screens at the Vigo plant for hospitals in Galicia, as well as a multitude of personal initiatives by company employees that were recognized through an internal communication program.



Other actions have focused especially on alleviating the effects of the crisis caused by the pandemic. Thus, the entire amount collected from the VI Solidarity Race, which, due to the circumstances, had to be held virtually through an app this time, was donated to the *Cruz Roja Responde* program, which focuses on support to especially vulnerable groups affected by this crisis in our country.



Likewise, the proceeds obtained from the solidarity breakfast held at the company's headquarters were donated to the *Fundación Instituto San José* to make the "Spaces with life" project a reality to promote the neurological and trauma rehabilitation of patients.

Another of the actions carried out by the Vigo plant was the design and manufacture of a tool to avoid contact with surfaces, which was sold in order to raise funds that were donated to the *Asociaciones de Personas con Discapacidad Física y Orgánica de la Comunidad de Madrid - FAMMA Cocemfe*.



Zardoya Otis also collaborates with the employment foundation for people with intellectual disabilities *Prodis*, which was in charge of the handling and delivering the company's Christmas gifts.

Another entity with which the company collaborates is the *Juan XXIII-Roncalli Foundation*, which works for the social inclusion of people with disabilities and which handled and sent the internal magazine "Gente OTIS".

## TAX INFORMATION

The Zardoya Otis Group has tax strategy policy approved by the Board of Directors. This policy is based on identification of special tax risk transactions that must necessarily approved by the Board of Directors.

According to Article 529 ter of the revised text of the Capital Companies Law, approved by Royal Legislative Decree 1/2010 of July 2, powers of the Board of Directors that may not be delegated include, among others, the approval of:

- Investments or transactions of all kinds that, because of their high amount or special characteristics, are strategic or entail a special tax risk, unless they must be approved by the General Meeting; and
- the creation or acquisition of shares in special-purpose entities or entities domiciled in countries or territories that are considered tax havens, as well as any other transactions or operations of a comparable nature whose complexity might impair the transparency of the company and its group.

Pursuant to these regulations, the company has included these duties in Article 3 of the Regulations of the Board of Directors, which regulate the functions of that body.

Pursuant to these regulations, the company has included these duties in Article 3 of the Regulations of the Board of Directors, which regulate the functions of that body.

For the purposes of Article 529 ter and related provisions of the Capital Companies Law and Article 3 of the Regulations of the Board of Directors, transactions with special tax risk are defined as follows:

1. Any investment, divestiture or transaction of any nature the amount of which exceeds the lower of the following two amounts:
  - 5% of the net revenue of the previous year;
  - 20 million euros, except in the case of transactions in the ordinary course of business.
2. Intra-group financing or capitalization transactions, excluding renewals or extensions, the amount of which exceeds 20 million euros, unless such transactions are carried out between entities included in a consolidated tax group.
3. Operations of any nature protected by a preferential tax regime or to which a tax incentive or benefit may be applicable, if they involve an amount of over 5 million euros.
4. Setting up branches or subsidiaries abroad.
5. Creation of special-purpose entities.

6. Investments or any other transactions involving entities resident in countries or territories considered tax havens or with low or no taxation, except for normal business operations of the company.
7. Restructuring and structural modifications in which ZARDOYA OTIS, SA or other entities within its consolidated tax group are involved, if applicable, such as a mergers, demergers, global assignments of assets and liabilities, changes of registered office internationally, splits or non-monetary contributions of branches of activity.

Restructuring operations among other group members will also be subject to approval when the amount exceeds 15 million euros.

8. Acquisition of or engagement in new activities or a substantial modification of existing ones, provided they are outside the ordinary course of business of the Otis Group and investment or expected annual billing exceeds 10 million euros.
9. Transactions and investments that are outside of the ordinary course of business of the Otis Group in which companies, resident in more than two different jurisdictions, are involved
10. Any other transactions or investments that the Board of Directors may, at its election, consider to entail a special tax risk.

Any operation falling into any of the above categories must be submitted for the approval of the Board of Directors, accompanied by an internal or external report on its taxation, which may be provided by the staff of the company's Financial Department or the Audit Committee, depending on the type of transaction to be performed.

## BRIEF INTRODUCTION TO THE QUANTITATIVE INDICATORS PROVIDED

**Profit/(loss) after tax:** An entity recognizes all items of revenue and expenses for the year in the profit or loss. This indicator relates to the Group's post-tax profit without deducting the profit allocable to non-controlling interests, which, in 2020, was 698 thousand euros (660 thousand euros in 2019) (491 thousand euros related to the profit on non-controlling interests in subsidiaries located in Portugal and 266 thousand to Spain).

**Income tax:** calculating the corporate income tax expense includes the corporate income tax accrued in the period, the effect of the deferral of differences arising between the tax base and the accounting profit before applying the tax which revert in subsequent periods, as well as tax allowances and tax credits applied by Group companies.

**Public grants received:** amount that has been awarded to Group companies by an entity or institution as financial support for a project or expense, especially when received from the State or a government entity. In 2019, the Group received approval of a grant that is conditional to completing the work on the new San Sebastián plant. The resolution awarding the grant is dated January 16, 2019 and it allows a term of execution of the construction work until January 16, 2021.

	Profit after tax 2020 (thousands of euros)	Profit after tax 2019 (thousands of euros)
Spain	123,611	123,341
Portugal	16,660	16,146
Morocco	831	1,723
<b>TOTAL</b>	<b>141,102</b>	<b>141,210</b>

	Public grants received - 2020 (thousands of euros)	Public grants received - 2019 (thousands of euros)
Spain	-	325
Portugal	-	-
Morocco	-	-
<b>TOTAL</b>	<b>-</b>	<b>325</b>

	Income tax - 2020 (thousands of euros)	Income tax (%)	Income tax - 2019 (thousands of euros)	Income tax (%)
Spain	38,156	30.9	39,306	31.9
Portugal	5,879	35.3	5,797	35.9
Morocco	453	54.6	911	52.9
<b>TOTAL</b>	<b>44,488</b>	<b>31.5</b>	<b>46,014</b>	<b>32.6</b>

## 3.8. OUTSOURCING AND SUPPLIERS

In the Zardoya Otis Group, we are committed to providing the best products and services to our customers.

The quality of our products and services depends on the quality of our supply chain, and to ensure that quality, we work in collaboration with our suppliers in order to achieve improvements for our customers in terms of quality and prices.

### CODE OF CONDUCT FOR SUPPLIERS

Otis Elevator Company is firmly committed to its Code of Ethics and ethical conduct in all areas of activity. Our Code of Ethics and the exhibit thereto entitled "Gifts from our suppliers" are available to our suppliers. Our gift policy is based on remaining impartial and maintaining mutual respect. Our goal is to avoid even the appearance that Otis's business decisions might be based on any factor other than merit, in our trade relations. Likewise, we inform our suppliers of how to act when reporting any possible breach of our ethics policy.

#### Reporting a breach

If the supplier becomes aware of any act that could lead to a breach related to Otis's activity, by an Otis employee, by one of its own employees or by any employee of its business partners, it must notify this as soon as possible. Contact can be made through the following communication channels, which protect the identity of the complainant, and which can be used by both employees and suppliers:

- Direct Phone - You can call your local AT&T number (900-99-0011) or 833.833.3001. The Ethics Channel is managed by a third-party provider who has translators available for callers.
- Webline - You can report electronically using a secure and dedicated website provided by a third-party provider.
- Email - You can send an email to [ethics@otis.com](mailto:ethics@otis.com)
- Mail - You can send a letter or completed report form to Otis Global Ethics & Compliance, One Carrier Place, Farmington, Connecticut, 06034 USA

#### Supplier performance

Supplier performance is an essential element in order to have a comprehensive supply chain in constant development and of the highest level. Otis suppliers must meet performance expectation. The UTC Supplier Gold program helps our suppliers to improve their performance and, hence, improve overall activity. During 2021 this program will be replaced globally by the Supplier Premier program.

This supplier policy applies to Spain, Portugal and Morocco.



### 3.9. ENVIRONMENTAL ISSUES

The Company has established a "Policy on Safety, Health, Environment and Energy Efficiency", which provides support to the UTC/OTIS policy. It describes the philosophy, commitments and expectations on these issues, providing guidance to the entire organization.

Vision: Otis looks after all those who work in our teams, including both employees and subcontractors, and the people who use them. Otis believes it is necessary to protect our planet in the present and for future generations. Otis will continue to set the highest standards, meeting the most demanding requirements, and developing the most ambitious strategies to achieve these goals in accordance with our values.

Commitment:

The commitment of Group management to the goal of achieving the best results in environmental protection and efficient energy usage is included in the updated policy document visible at all the company's centers, signed by the Chairman and the General Manager.

We look after our environment by:

- Developing products with the least environmental impact possible.
- Implementing the standard ISO14001 to reduce our environmental footprint in all manufacturing and business activities.
- Implementing the standard ISO50001 to reduce energy consumption at our plants and facilities.
- Properly managing waste to help to reduce the environmental impact of our activity.
- Optimizing our vehicles and driving to reduce air pollution.
- Improving manufacturing processes to reduce resource consumption and waste generation in our production.

The preventive measures to eliminate or minimize the risks to environment are put in place through:

- The standard on Prevention and Control of Air Pollution.
- ISO 14001 in the Regions and associates and at the Madrid, San Sebastián and Vigo plants (see certifications obtained).
- The standard on Prevention and Control of Water Pollution. See MP Chap 5. SP009.
- Putting in place plans to control water and energy consumption
  - Management of Waste at plants.
  - Container and packaging management at plants
  - Waste Management in the Regions.
  - Management of mercury in electrical switches.

- Electrical and electronic waste management.

Described below are various indicators:

- Water consumption and air pollution (at plants).
- Waste generated in the Regions and at the plants.
- Energy efficiency.

At the plants, actions are put in place to control and reduce energy consumption and greenhouse gas emissions in accordance with SP017 and under the requirements of ISO 50001. These gases are only emitted by heating boilers and DHW , since none of the plants emits this type of gases as a result of its processes.

- Each plant must prepare and update a list of all energy consumption points (work areas, equipment, processes, etc.) and the sources of direct GHG gas emissions.

Rules of action are in place to improve energy efficiency at company level in the offices of the sales network and Central Services with the indicators defined in policy SE017-2.

- The electricity consumption in offices and the fuel consumption of the vehicle fleet are measured and controlled regularly to analyze their evolution in comparison with the consumption planned. .
- CO2 emissions (emissions) are measured and controlled, for Company vehicles, to analyze and see the possibility of improvement for the environment.

A SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) was conducted to identify risks and opportunities related to the environmental area and establish the necessary actions to manage them.

Among the most significant threats (risks) detected are the following:

- Many of the improvements are directly related to the personal commitment of workers.
- The pressure due to constantly shrinking results and business margins may limit investments in improvements in the short term.
- increasing restrictions on the use of vehicles in certain areas of large cities.
- San Sebastián plant located in a residential area, problems of inconvenience to residents closest to the plant, noise, night lighting.
- At the San Sebastián plant, there are works in an adjoining area – building works on adjacent land, with a continual passage of vehicles, right of way to access the land.
- At the San Sebastián plant, there is a water deposit in an adjacent area that is likely to burst and flood our facilities.

In the light of this situation the following opportunities for improvement are established:

- Grants, savings projects and energy efficiency projects, existence of grants for saving and energy efficiency projects for new machines
- Incorporate energy efficiency criteria in the rental of premises, choice of air-conditioning equipment, vehicle fleet, etc.
- Incorporating electric or hybrid vehicles in the industrial and/or management fleet.
- Forthcoming new facilities for the San Sebastián plant, sustainable building, no gas, efficient lighting, etc.
- Periodic optimization of routes and fleets.

Depending on the importance of the risks and opportunities identified, actions are put in place to manage those with the greatest value, which are included in the company's Annual Safety Plan.

The identification of environmental aspects is performed by the Safety, Health and Environment Department through an analysis of the processes of the assembly and maintenance activities carried on by the Otis Group. This identification will be completed with those arising from the identification of hazards due to emergencies.

The aspects identified, the criteria for determining their degree of importance and the level of impact associated to them are reviewed when there are changes in the activities or processes or new requirements appear.

The actions in place to achieve these goals are:

**Product optimization** for greater energy efficiency (Engineering).

Safety and Environment is integrated into the planning and design of products as well as the modification of processes through:

- Safety and environmental standards defined internationally in the company's action policies.
- Verification by Engineering that the products designed and specified meet Otis's worldwide safety standards (WWJSSS) and the Elevator Regulations.
- Verifying at the plants that the materials used and the production process comply with Otis's safety standards (Standard Practices SP's)
- Conducting Safety and Environmental risk assessments of new products before they are launched, in accordance with the document "Design for Safety and Environment Standard (DfS & E)".
- Prohibiting the use of products that adversely affect health and the environment.
- Replacing pollutant components by less pollutant ones, such as:
  - Gear machines with oils by gearless machines,
  - Steel cables (oil and grease) by flat polyurethane belts that do not pollute.
  - Fluorescent tubes by LEDs
  - Hydraulic elevators by electricity-generating electric elevators. (Gen2 regenerative)
  - Electric elevators with 220v. single-phase power. (Gen2 Switch)
  - Elevators powered by solar panels. (Gen 2 Switch Solar).

Equipment that, in general, reduces energy by 40-70% in comparison with previous models.

**Route optimization**, to reduce travel and therefore emissions: based on the geographical location of the units and technicians available, the company has its own software tool that allows the allocation of resources to be optimized to ensure the work is carried out in accordance with legal and contractual requirements, always using the technician best suited for each activity to be performed on the installations.

By optimizing the travel time, the waiting time for the customer is reduced and the kilometers covered by the vehicle are also reduced, which is an advantage for the environment in relation to CO2 emissions per vehicle.

We have an Environmental Management System certified according to ISO 14001 with the following scope:

- Assembly, maintenance and modernization of escalators.
- Design and production of standard elevator models and components at the Madrid plant.
- Production of components and parts for standard elevator models and special elevators.

We have an energy management system in accordance with UNE-EN ISO 50001: 2011 for energy management activities at the head offices, branches and plants, for the following activities:

- A) The design and development of elevators for passengers, passengers and goods, or goods of any kind, and their components and elements used in them.
- B) Production of standard elevator models, special and residential elevators, and their components and the elements used in them.
- C) The sale, installation, maintenance and after-sale service (repairs, modifications and improvements, replacements or first installations in existing buildings, etc.) of the elevators defined in A) and B), plus lifting platforms, escalators and moving walkways.

The implementation of the Management System that includes Environment and Energy Efficiency is led by company management and is implemented with the support of the Prevention Service (Safety and Works Department).

The roles and responsibilities of the different levels of the organization in the implementation are integrated with those corresponding to the Safety, Health and Environment Management System.

Safety coordinators of regional management departments and associated companies are responsible for monitoring the actions included in the annual plans to ensure a correct implementation of the system and attainment of the goals established.

The monitoring of plans and goals is carried out, at a first level, by local managers and, at company level, by the Central Safety Body, formed by the General Manager and the managers who report to him, which meets on a monthly basis.

The Zardoya Otis Group's liability policy, according to the conditions and limits fixed therein, provides cover guaranteeing claims against the insuree for personal injury and property damage caused by pollutant or contaminant events occurring accidentally, suddenly and

unexpectedly. This cover includes the costs for which the insuree is liable for work to clean, remove, contain, treat, detoxify or neutralize said irritants, contaminants or pollutants.

As regards emissions of substances that deplete the ozone layer, they are not used in the activities that take place in the Regions and neither do the plants use substances of this nature.

Regarding measures to prevent, reduce or repair noise emissions, the three plants take measurements if there has been any significant change, or at least every 5 years. The Madrid and Vigo plants are on industrial estates with no houses nearby. Both are within the legal limits. The San Sebastian plant is located in an urban area: currently, housing is being built in the area and the noise of the building works exceeds the noise produced by the plant, making it difficult to determine current values. In the years when it has been possible to determine this aspect, the values were adequate. None of the three plants have received complaints or been reported for this.

To prevent light pollution at the facilities, assessments included in the "Risk assessments of plant positions, hygiene measurements" are conducted. This is only for the outdoor areas not covered by our Risk Assessment. Existing outdoor lighting is assessed and specified in the design tasks of the building itself. The Madrid and Vigo plants have outdoor lighting only in the parking area and around the plant.

The action guidelines to properly manage waste in the Regions are described in policy Sp011-3.

This is done through an authorized Manager and registration as a small producer of hazardous waste. Monitoring and control of the amounts generated are reported through the safety data web and published monthly in the statistics.

Hazardous waste	2020				
	Regions and Associates (Kg)	Madrid plant (kg)	Vigo plant (kg)	San Sebastián Plant (kg)	Consolidated (kg)
Used oil	23571	250	1800	600	26221
Metal containers	518	two		76	596
Plastic bottles	2116	37	201	17	2371
Cloths and absorbents	3808	81	137	8949	12975
Aerosol sprays	526			42	568
Fluorescents	1446	73	two		1521
Solid glue remains		73			73
Sepiolite					0
Oily emulsion				5228	5228
Cardboard impregnated with HC				897	897
Luminaires		333			333
Obsolete electronic equipment		447 *			447

\* Process of replacing conventional luminaires by LEDs

Hazardous waste	2019				
	Regions and Associates (Kg)	Madrid plant (kg)	Vigo plant (kg)	San Sebastián Plant (kg)	Consolidated (kg)
Used oil	19459	292			19751
Metal containers	464		60		524
Plastic bottles	2357		100		2457
Cloths and absorbents	3718	166	95	5101	9080
Aerosol sprays	482				482
Fluorescents	1534	two	10		1546
Solid glue remains		127			127
Sepiolite		148			148
Oily emulsion				5389	5389
Cardboard impregnated with HC				1590	1590
Luminaires					0
Obsolete electronic equipment					0

The necessary preventive measures are established to eliminate or minimize risks to the environment through:

- Waste management at plants
- Certification ISO 14001 at plants and work centers.
- Container and packaging management at plants.
- Waste management in Regions through authorized waste managers.
- Management of mercury from electric switches for reuse
- Electrical and electronic waste management (control panel boards, etc.).

## WATER CONSUMPTION

The Vigo and Madrid centers do not have processes in which water is used. The San Sebastian plant does. Controls over possible leaks are in place. Awareness courses are given on the proper use of water and there are signs in bathrooms, toilets and fountains.

Water consumption	2020			
	Madrid Plant	Vigo Plant	San Sebastián Plant	Consolidated
Source of extraction	m3 consumed	m3 consumed	m3 consumed	m3 consumed
Mains water	821	778	3300	4899

Water consumption	2019			
	Madrid Plant	Vigo Plant	San Sebastián Plant	Consolidated
Source of extraction	m3 consumed	m3 consumed	m3 consumed	m3 consumed
Mains water	1147	1400	2730	5277

## CONSUMPTION OF RAW MATERIALS

Consumption of raw materials	2020			
	Madrid Plant	Vigo Plant	San Sebastián Plant	Consolidated
Steel in strips (kgs)	669,825	-	3,224,510	3,894,335
Steel in formats (eas)	185,338	46,682	-	232,020
Steel in billets (eas)	-	-	152,918	152,918
Copper (kgs)	-	-	463,340	463,340
Wrought iron (eas)	-	-	92,241	92,241
Cast iron (eas)	-	-	51,373	51,373

Consumption of raw materials	2019			
	Madrid Plant	Vigo Plant	San Sebastián Plant	Consolidated
Steel in strip (kgs)	770,144	0	2,579,210	3,349,354
Steel in formats (eas)	209,795	30,873	0	240,668
Steel in billets (eas)	0	0	138,000	138,000
Copper (kgs)	0	0	384,120	384,120
Forging (eas)	0	0	105,013	105,013
Casting (eas)	0	0	57,364	57,364

There is a plan to minimize containers and packaging, and there is also a continuous optimization of box settings with respect to their content.

Consumption of raw materials (others)	2020			
	Madrid Plant	Vigo Plant	San Sebastián Plant	Consolidated
Carton (kg)	397,618	149,625	55,786	603,029
Wood (kg)	860,241	408,329	736,088	2,004,658
Plastic (kg)	8,831	9,900	8,531	27,262
Polystyrene (kg)	11,565	0	0	11,565

Consumption of raw materials (others)	2019			
	Madrid Plant	Vigo Plant	San Sebastián Plant	Consolidated
Cardboard (kg)	277,475	149,532	73,406	500,413
Wood (kg)	928,446	377,040	873,340	2,178,826
Plastic (kg)	11,692	11,500	8,753	31,945
Polystyrene (kg)	14,661			14,661

## ENERGY CONSUMPTION

	2020	Regions + Central Departments + Associates	Madrid Plant	San Sebastian Plant	Vigo Plant	Consolidated
	Fuel	Quantity	Quantity	Quantity	Quantity	Quantity
Vehicles	Diesel (l)	2,519,216.32				2,519,216.32
Stationary combustion equipment	Natural gas (m <sup>3</sup> / Nm <sup>3</sup> ) *	45,226	103,068	74,838		177,906
	Diesel C (l)				43,000	43,000
	Electricity (Kwh)	1,449,440	2,271,114	2,325,394	531,462	6,577,410
	2019	Regions + Central Departments + Associates	Madrid Plant	San Sebastian Plant	Vigo Plant	Consolidated
	Fuel	Quantity	Quantity	Quantity	Quantity	Quantity
Vehicles	Diesel (l)	2,179,875.00				2,179,875.00
Stationary combustion equipment	Natural gas (m <sup>3</sup> / Nm <sup>3</sup> ) *	41,329	120,575	82,774		203,349
	Diesel C (l)				72,009	72,009
	Electricity (Kwh)	1,686,186	2,258,610	2,260,351	577,242	6,782,389

(\*) Consolidated natural gas data includes only the total number of plants, since the measurement units in the rest of the centers considered (Central Departments) are different. Central Departments (m<sup>3</sup>) and Plants (Nm<sup>3</sup>).



At the plants, actions are in place to control and reduce energy consumption and greenhouse gas emissions as follows:

- Each plant must prepare and update a list of all energy consumption points (work areas, equipment, processes, etc.) and of the direct emission sources of GHGs.
- Rules are in place to improve energy efficiency at company level at the sales network offices and Central Services.
- Electricity consumption in offices and the vehicle fleet's fuel consumption is regularly monitored and checked to analyze their evolution in comparison with the consumptions planned.
- CO2 emissions of company vehicles are measured and checked to analyze and look at the possibility of improving the environment.
- The Madrid plant has a solar energy production installation on the roof. All the electricity generated is uploaded to the grid and is not consumed. Production until November 2020: 714,172 Kwh.

	2019	2020
Production KW/h solar panels Madrid (P01-P11)	856,600	714,172

## GROUP'S CARBON FOOTPRINT

2020	Electricity: ONLY D. REGION. (Without Associates, not included in ISO5001)		Madrid Plant		San Sebastian Plant		Vigo Plant		Consolidated	
	Emissions of greenhouse gases	Tn CO2 equivalent	Comments	Tn CO2 equivalent	Comments	Tn CO2 equivalent	Comments	Tn CO2 equivalent	Comments	Tn CO2 equivalent
Scope 1	102,519	Derived from fuel consumption of vehicles "MITECO emission factor Version 15 Factor B7 2019"  Heating DHW central offices "MITECO emission factor Version 15 Natural Gas Factor 2019. Conversion factor from m3 to Kwh Source: ENAGAS published in the Official State Gazette"	218.43	Heating Source: Conversion factor from m3 to kwh: Source: according to invoice "	164,566	Heating Source: Conversion factor from m3 to kwh: Source: according to invoice "	123.32	Heating "MITECO emission factors Version 15 Diesel C Factor 2019"		103,025
Scope 2	449	Derived from the Kwh electricity consumption in offices, with the "MITECO emission factor Version 15 Factor Mix 2019"	0	Derived from electricity consumption Kwh, with the conversion factor MITECO Version 15 Factor Mix 2019	0	Derived from electricity consumption Kwh, with the conversion factor MITECO Version 15 Factor Mix 2019	0	Derived from electricity consumption Kwh, with the conversion factor MITECO Version 15 Factor Mix 2019		449
Scope 3										
<b>Total GHG emissions</b>	102,968		218		165		123			103,475

The data for natural gas from Central Departments in 2020 is included  
Electricity provider for Central Departments and Regions: ELEIA Energía  
Change in electricity provider for the three plants: GESTERNOVA

2019	ONLY D. REGION. (Without Associates, not included in ISO5001)		Madrid Plant		San Sebastian Plant		Vigo Plant		Consolidated
	Tn CO2 equivalent	Comments	Tn CO2 equivalent	Comments	Tn CO2 equivalent	Comments	Tn CO2 equivalent	Comments	Tn CO2 equivalent
Scope 1	102,689	Derived from the fuel consumption of vehicles "MITECO emission factors Version 12 Diesel Factor A or B 2018"  Heating and DHW Central Departments "Emission factor MITECO Version 12 Natural Gas Factor 2018. Conversion factor from m3 to Kwh source: ENAGAS published in the Official State Gazette"	284	Heating and production DHW. "MITECO emission factors Version 12 Natural Gas Factor 2018. Conversion factor from m3 to kwh source: ENAGAS.es published in Official State Gazette., according to invoice"	195	Heating and DHW production. "MITECO emission factors Version 12 Natural Gas Factor 2018. Conversion factor from m3 to kwh source: ENAGAS.es published in Official State Gazette, according to invoice"	207	Heating "MITECO Emission Factors Version 12 Diesel C Factor 2018"	103,374
Scope 2	691	Derived from the Kwh electricity consumption in offices, with the "MITECO Emission Factors Version 12 Factor Mix 2018"	926	Derived from electricity consumption Kwh, with the "MITECO Emission Factors Version 12 Factor Mix 2018"	927	Derived from electricity consumption Kwh, with the "MITECO Emission Factors Version 12 Factor Mix 2018"	237	Derived from electricity consumption Kwh, with the "MITECO Emission Factors Version 12 Factor Mix 2018"	2,781
Scope 3									
<b>Total GHG emissions</b>	103,380		1,210		1,122		443		106,155

4.2

The target for reducing CO2 emissions resulting from fuel consumption has been established based on the improvements made by the route optimization project.

Emissions derived from electricity consumption are considered 0, since the provider for the three plants, GESTERNOVA, only sells renewable energy. Thus, its conversion factor to Tn of CO2 is 0, according to the publication of 2019 version 15 of the Ministry for the Ecological Transition and the Demographic Challenge.

The estimate of use and consumption for 2019 has been estimated at relative value in respect of the number of vehicles existing in the company's fleet.

This, coupled with the projects for optimizing the fleet itself (replacement by more efficient vehicles) and the awareness campaigns, allows a target of 2% annually to be maintained.

Based on the materiality of the Zardoya Otis Group the following indicators are not relevant due to the Group's activity:

"Actions to combat food waste"

"Measures taken to preserve or restore biodiversity"

"Impacts caused by activities or operations in protected areas"

Measures: Some examples of actions are:

- Air conditioning: temperature set for comfort, eliminating leaks, etc. Pursuant to current regulations (Technical Instruction 3.8.2 of Royal Decree 1027/2007, Regulations on Thermal Installations in Buildings, as amended by Royal Decree 1826/2009) in centers that have air conditioning systems, they must be adjusted at least within the following limits:

- Summer: minimum temperature 26°C.

- Winter: maximum temperature 21°C.

Furthermore, a sign with the above information must be placed visibly (Exhibit 6. Model).

- Improvements in the solar factor of facade glass: blinds, treatments, thermal bridge breakage, etc.

- Lighting: analysis of the use of incandescent lighting and consider replacing it by low consumption devices, installation of auto-on devices, etc.

- Studying the use of auxiliary equipment such as individual heaters, etc., and evaluate alternatives such as rationalization of use, improved installations, reordering spaces, replacement by more efficient equipment, etc.

- Buildings: improved closures and insulation. In the event of a change of premises, include evaluation of the level of energy efficiency according to the certificate that the owner should provide among the selection criteria.

- Vehicles: route optimization, fleet reduction, proper maintenance, etc.

## 4. TABLE OF CONTENTS

### General areas

Areas		Reporting framework	Reference	Comments / Reason for omission
Business model	Description of the business model: <ul style="list-style-type: none"> <li>– Business environment</li> <li>– Organization and structure</li> <li>– Markets in which it operates</li> <li>– Objectives and strategies</li> <li>– Main factors and trends that may affect its future development</li> </ul>	GRI 102-2 GRI 102-3 GRI 102-4 GRI 102-15	3-22	
	Risk management Analysis of risks and impacts related to key issues	Internal framework. Qualitative and quantitative description of the materiality and risks of the company	2, 23	

### Environmental matters

Areas		Reporting framework	Reference	Comments / Reason for omission
<b>Management approach</b>		GRI 103-1 GRI 103-2 GRI 103-3	77	
Environmental management	<b>Current and foreseeable effects</b> of the company's activities	Internal framework. Description of the impact of the activity on the environment	77-80	
	<b>Environmental assessment or certification procedures</b>	Internal framework. Certified Environmental Management System.	77-78	
	<b>Resources devoted</b> to environmental risk prevention	Internal framework. Qualitative description of resources devoted to the prevention of environmental risks	80-81	
	Application of the precautionary principle	GRI 102-11	80-81	
	Amount of provisions and guarantees for environmental risks	Internal framework. Qualitative description of preventive measures for environmental risks	78-81	

Areas		Reporting framework	Reference	Comments / Reason for omission
Pollution	<b>Measures</b> to prevent, reduce or repair carbon emissions (also includes noise and light pollution)	Internal framework: Qualitative description of the main measures and actions	82	
Circular economy and waste prevention and management	<b>Measurements</b> prevention, recycling, reuse, other forms of recovery and disposal of waste	Internal framework: Qualitative description of measures relating to the management of waste and quantitative information of total waste	82	
	<b>Actions</b> to combat food waste	Internal framework: Qualitative description of the non-materiality of food waste for the Group	-	This type of action has not been established due to the nature of our activities.
Sustainable use of resources	Water <b>consumption</b> and the water supply according to local constraints	GRI 303-1	83	
	<b>Consumption</b> of raw materials	Internal framework: Quantitative description of consumption of raw materials	83-84	
	<b>Measures</b> taken to improve the efficiency of their use	Internal framework: Qualitative description of the measures taken	83-84	
	Direct or indirect energy <b>consumption</b>	GRI 302-1 GRI 302-2	84-85	
	<b>Measures</b> taken to improve energy efficiency	Internal framework: Qualitative description of the measures taken	85	
	<b>Use</b> of renewable energy	Internal framework: Qualitative and quantitative description of the use of renewable energies	85	
Climate change	Significant <b>elements</b> of greenhouse gas emissions generated	GRI 305-1 GRI 305-2	86-88	
	<b>Measures</b> taken to adapt to the consequences of climate change	Internal framework:	88	

Areas		Reporting framework	Reference	Comments / Reason for omission
		Qualitative description of measures adopted to adapt to the consequences of climate change.		
	Reduction <b>targets</b> established voluntarily	GRI 305-5	88	
Protection of biodiversity	<b>Measures</b> taken to preserve or restore biodiversity	Internal framework: Qualitative description of the measures	88	The activity of Zardoya Otis does not imply significant effects on biodiversity or significant impacts on protected areas.
	<b>Impacts</b> caused by activities or operations in protected areas	Internal framework: Qualitative description of the impacts	88	

### Social and employee matters

Areas		Reporting framework	Reference	Comments / Reason for omission
<b>Management approach</b>		GRI 103-1 GRI 103-2 GRI 103-3	40-41	
Employment	Total <b>number</b> and distribution of employees by gender, age, country and professional category	GRI 102-8 GRI 405-1	42-43, 49, 55	
	Total <b>number</b> and distribution of employment by contract type	GRI 102-8	43-44, 49-51, 55-56	
	Annual <b>average</b> permanent, temporary and part-time contracts by gender, age and professional category	Internal framework. Annual average of contracts by type broken down by gender, age and professional category	43-44, 49-51, 55-56	
	<b>Number</b> of dismissals by gender, age and professional category	Internal framework: Detail of dismissals for the year by gender, age and professional classification	45, 51, 56	
	Wage gap	Internal framework: Quantitative description of the wage gap	45, 52, 57	
Average <b>remuneration</b> by gender, age and professional category		Internal framework:	45-47, 52-53, 57	

		Average remuneration (includes fixed and variable remuneration)		
	Average director <b>remuneration</b> by gender	Internal framework: Director remuneration (includes fixed and variable remuneration)	47	
	Average executive <b>compensation</b> by gender	Internal framework: Average remuneration of Senior Management by gender (includes fixed and variable remuneration)	47	
	Implementation of disconnection from work policies	Internal framework: Qualitative description of policies	47, 53	No employment disconnection policies have been established
	<b>Employees</b> with disabilities	Internal framework: Quantitative description of the number of employees with disabilities	48, 54, 58	
Organization of work	<b>Organization</b> of working time	Internal framework: Qualitative and quantitative description of the organization of working time	47, 53	
	<b>Number</b> hours of absence	Internal framework: Quantitative description of the number of hours of absence	47, 53, 57	
	<b>Measures</b> to facilitate the work/life balance and encourage co-responsibility by both parents	Internal framework: Description Qualitative of the reconciliation means	60 - 64	
Health and safety	Workplace health and safety <b>conditions</b>	GRI 403-2	48, 53, 57, 64 -67	
	<b>Number</b> of work accidents and occupational diseases by gender; frequency rate and severity index by gender			
Social relations	<b>Organization</b> of social dialogue	Internal framework: Qualitative description of the organization of social dialogue	40, 59 - 67	



	<b>Percentage</b> of employees covered by collective agreement by country	GRI 102-41		
	<b>Balance</b> of collective agreements, particularly in the field of workplace health and safety	Internal framework: Qualitative description of the balance of the agreements collective		
Training	<b>Policies</b> implemented in the training field	GRI 404-2	61 - 64	
	Total <b>number</b> of training hours per professional category	GRI 404-1 Internal framework: Quantitative description of the number of training hours by professional category		
Universal accessibility for people with disabilities		Internal framework: Description Qualitative universal accessibility of people with disabilities	48	
Equality	<b>Measures</b> taken to promote equal treatment and opportunities between women and men	Internal framework. Measures to promote diversity	60 - 64	
	<b>Equality plans</b> measures adopted to promote employment, protocols against sexual and gender-based harassment	Internal framework: Equality Plan		
	<b>Integration and universal accessibility</b> for people with disabilities	Internal framework. Hiring of people with disabilities and integration and accessibility measures		
	<b>Policy</b> against all types of discrimination and, where appropriate, to manage diversity	Internal framework. Policy against discrimination		

**Information on respect for human rights**

Areas	Reporting framework	Reference	Comments / Reason for omission
<b>Management approach</b>	GRI 103-1 GRI 103-2 GRI 103-3	29	
<b>Application</b> of due diligence procedures on the subject of human rights	GRI 102-16 GRI 102-17 GRI 412-2	29 - 34	
Prevention of the risks of violating human rights and, where appropriate, measures to mitigate, manage and repair possible abuses	GRI 102-16 GRI 102-17 GRI 412-2	29 -34	

<b>Reported cases</b> of human rights violations	Internal framework: Quantitative description of the number of complaints of human rights violations	29	In the last exercise Zardoya Otis did not detect complaints related to breach of Human rights
<b>Promotion and compliance with the provisions of the</b> fundamental ILO conventions related to respect for the freedom of association and the right to collective bargaining, the elimination of discrimination in employment and occupation, the elimination of forced or compulsory labor and the effective abolition of child labor	Internal framework: Qualitative description of the management carried out on agreements	29 - 34	

### Information concerning the fight against corruption and bribery

Areas	Reporting framework	Reference	Comments / Reason for omission
<b>Management approach</b>	GRI 103-1 GRI 103-2 GRI 103-3	24	
<b>Measures</b> taken to prevent corruption and bribery	GRI 102-16 GRI 102-17	24 - 28	
Measures to combat money laundering	GRI 102-16 GRI 102-17	24 - 28	
<b>Contributions</b> to foundations and non-profit entities	Internal framework. Contributions to foundations and non-profit entities	28	

### Information on the company

Areas	Reporting framework	Reference	Comments / Reason for omission
<b>Management approach</b>	GRI 103-1 GRI 103-2 GRI 103-3	70	
Company commitments to sustainable development	<b>Impact</b> of the activity of the company on employment and local development	GRI 413-1	35-39, 71-72
	<b>Impact</b> of the activity of the company on local populations and the territory	GRI 413-1	
	<b>Relations</b> maintained with actors in the local community and types of dialogue with them	GRI 413-1	35 - 39
	Partnership or sponsorship actions	Internal framework: Qualitative description of partnership or sponsorship actions	34 - 38
Subcontracting and suppliers	<b>Inclusion</b> in the purchasing policy of social, gender equality and environmental issues	Internal framework: Qualitative description of purchasing policies	76
	<b>Consideration</b> in relations with suppliers and subcontractors of their social and environmental responsibility	Internal framework: Qualitative description of supplier relationships	76
	Monitoring <b>systems</b> and audits and results thereof	Internal framework: Qualitative description of monitoring	76

		systems and audits and their results		
Consumers	<b>Measures</b> for the health and safety of consumers	GRI 416-1	68 - 69	
	Claim <b>systems</b>	Internal framework: Qualitative description of the complaint systems	68 - 69	
	<b>Complaints</b> received and resolution thereof	Internal framework: Quantitative description of the complaints received and their resolution	68 - 69	
Tax information	Country by country <b>profits</b>	Internal framework: Quantitative description of the benefits obtained by country	73 - 75	
	Income <b>taxes</b> paid	Internal framework: Quantitative description of taxes paid by country		
	Public <b>subsidies</b> received	Internal framework: Quantitative description of public subsidies received		

4.2

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

# General Shareholders' Meeting 2021

\* \* \* \* \*

2020 Annual Corporate Governance Report

**OTIS**  
ZARDOYA OTIS, S.A.

**ANNUAL CORPORATE GOVERNANCE REPORT  
OF LISTED COMPANIES**



4.3

**ISSUER IDENTIFICATION**

<b>YEAR-END DATE</b>	11/30/2020
<b>TAX IDENTIFICATION NO. [C.I.F.]</b>	A28011153
<b>COMPANY NAME</b>	ZARDOYA OTIS, S.A.
<b>REGISTERED OFFICE</b>	CALLE GOLFO DE SALÓNICA, 73 MADRID

Courtesy Translation. In case of discrepancies, the Spanish version shall prevail.

## 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	
OTIS WORLDWIDE CORPORATION (OTIS) (*)		50.01%			50.01%
AKO MASTER FUND LIMITED (**)			1.000%		1.000%

Remarks

(\*) As the result of the spin-off of different business units of United Technologies Company, the latter allocated 100% of the share capital of Otis Elevator Company to Otis Worldwide Corporation and, in consequence, Otis Worldwide Corporation became the indirect owner of 50.010% of the voting rights of Zardoya Otis, S.A., held by Alder Holdings, S.A.S., as stated in the notification available on the website of the National Securities Market Commission (CNMV)

(\*\*)According to notifications sent by AKO MASTER FUND LIMITED to the Company on September 16, 2020

Holder of voting rights through financial instruments for the amount and percentage shown in the table. AKO MASTER FUND LIMITED is managed by the management company AKO CAPITAL LLP.

#### 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
OTIS WORLDWIDE CORPORATION (OWC)	ALDER 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	12/03/2019	As per the notification sent on 09/16/2020, the shareholding dropped from 2.978% to 1.948%
AKO MASTER FUND LIMITED	09/14/2020	As per the notification sent on 09/16/2020, the shareholding dropped from 1.948% to 1.000%

#### Most significant movements

N/A

**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 CALLEJA FERNANDEZ*	0.015%	0.004%			0.019%		
EURO-SYNS, S.A.	11.345%				11.345%		

<b>Total percentage of voting rights held by the Board of Directors</b>	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 that can be transmitted 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.

4.3

**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
ALDER HOLDINGS, S.A.S.	Commercial	As of November 30, 2020, Zardoya Otis, S.A. (the “ <b>Company</b> ”) has commercial and contractual relations with Otis Elevator Company and Otis Worldwide Corporation (OWC)
	Contractual	
	Corporate	As of November 30, 2020, Otis Worldwide Corporation (OWC) held 100% of the shares of Otis Elevator Company and 50.01% of the Company’s shares through Alder 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 legal-person 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
Bernardo Calleja Fernández	OTIS WORLDWIDE CORPORATION	OTIS ELEVATOR COMPANY	Executive director Otis Group President for Europe, Middle East and Africa (EMEA)
Toby Smith <sup>(*)</sup>	OTIS WORLDWIDE CORPORATION	OTIS ELEVATOR COMPANY	Personal representative of proprietary director
Stacy Petrosky	OTIS WORLDWIDE CORPORATION	OTIS ELEVATOR COMPANY	Proprietary director
Robin Fiala (*)	OTIS WORLDWIDE CORPORATION	OTIS ELEVATOR COMPANY	Proprietary director
Alberto Zardoya Arana	EURO-SYNS, S.A.	EURO-SYNS, S.A.	Personal representative of proprietary director

(\*) Mr. Toby Smith resigned as personal representative of Otis Elevator Company on January 26<sup>th</sup>, 2021; being replaced by Mrs. Robin Fiala who in turn resigned from her post of Director.

Remarks
See details in point 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, 2020.

**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
OTIS WORLDWIDE CORPORATION (OWC)
Remarks
As of November 30, 2020, Otis Worldwide Corporation (OWC) was the indirect owner (through the French company Alder Holdings S.A.S.) of 50.01% of the voting rights in the Company. This was a consequence of the spin-off of businesses by United Technologies Corporation, which meant that the latter contributed 100% of the shares of Otis Elevator Company to Otis Worldwide Corporation.

**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
1,420,016		0.302%

Remarks

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.

Under this authorization, at its meeting of December 11, 2018, the Company's Board of Directors 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 (the "Purchase Program"). This decision was notified on December 14, 2018 (Material Event Register No. 272541) subject to the following conditions:

1. up to a maximum of 2% of the Company's shares;
2. with a lower price limit of two (2) euros per share and an upper limit of twenty-five (25) euros per share; and
3. during a term of five years as from the date on which said General Shareholders' Meeting was held.

Acquisitions of treasury shares within the aforementioned "Purchase Program" were notified to the CNMV on a weekly basis. In the financial year 2020 those transactions took place between October 16 and November 30, 2020, as broken down below, and meant the acquisition of 1,598,708 treasury shares. Notwithstanding the foregoing, since the 2020 reporting date, more treasury shares have been acquired and the CNMV has been regularly informed of this through the pertinent "Other Relevant Information" communications.

As of November 30, 2020, Zardoya Otis, S.A. held 1,420,016 treasury shares.

(\*) through:

Name of direct shareholder	Number of direct shares
ZARDOYA OTIS, S.A.	1,420,016
<b>Total:</b>	1,420,016

Remarks

Explain any significant changes during the year:

Explain significant changes
"Purchase program", executed between October 16 and November 30, 2020

Explain significant changes			
	Date	Shares acquired	Average price
	10/16/2020	40,000	5.2127 €
	10/19/2020	43,000	5.2700 €
	10/20/2020	44,500	5.2651 €
	10/21/2020	45,500	5.3037 €
	10/22/2020	44,986	5.3229 €
	10/23/2020	43,000	5.3507 €
	10/26/2020	32,965	5.3220 €
	10/27/2020	37,261	5.3297 €
	10/28/2020	48,000	5.1686 €
	10/29/2020	49,500	5.1700 €
	10/30/2020	48,402	5.2022 €
	11/02/2020	49,000	5.2946 €
	11/03/2020	48,500	5.3096 €
	11/04/2020	48,588	5.2731 €
	11/05/2020	49,000	5.3020 €
	11/06/2020	50,000	5.2822 €
	11/09/2020	51,000	5.3156 €
	11/10/2020	47,410	5.4197 €
	11/11/2020	55,000	5.5207 €
	11/12/2020	55,000	5.4841 €
	11/13/2020	55,000	5.5486 €
	11/16/2020	56,500	5.6294 €
	11/17/2020	55,596	5.7203 €
	11/18/2020	56,000	5.7626 €
	11/19/2020	56,000	5.7633 €
	11/20/2020	55,500	5.7956 €
	11/23/2020	55,000	5.8879 €
	11/24/2020	56,500	5.8982 €
	11/25/2020	55,500	5.8600 €
	11/26/2020	56,000	5.8561 €
	11/27/2020	55,500	5.8241 €
	11/30/2020	55,000	5.8909 €
	<b>Total</b>	<b>1,598,708</b>	<b>5.5084 €</b>

**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, without consulting the General Shareholders' Meeting beforehand, to 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 (actually 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:

	%
<b>Estimated floating capital</b>	38.61%

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

**4.3**

**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.

In order to adopt the resolutions to which article 194 of the Capital Companies Law refers, however, included which concerning amendment of the Company’s Bylaws 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:**

Date of General Meeting	Attendance data				Total
	% physically present	% present by proxy	% distance voting		
			Electronic voting	Other	
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%
06/16/2020	11.36%	60.06%	0.00%	0.00%	71.42%
<b>Of which, free float</b>	0.02 %	10.05%			10.07%

Remarks
<p>As of 06/16/2020, the Company's floating capital was approximately 38.65%, since the rest of the capital was in the hands of Euro-Syns, S.A. (approx. 11.35%) and Otis Worldwide Corporation (OWC) (50.01%). At said Shareholders' Meeting, Euro-Syns, S.A. was physically present and Otis Worldwide Corporation (OWC) was present by proxy.</p> <p>Consequently, to calculate the floating capital for the Meeting of 06/16/2020, the % held by EURO-SYNS was eliminated from among those physically present and the % held by Otis Worldwide Corporation (OWC) was eliminated from among those present by proxy.</p> <p>Note that, in the presenting of the electronic votes cast during the General Meeting Shareholders held June 16, 2020 included above, only 5 shareholders cast their votes by electronic way. Particularly, just one of them used the attendance remote system.</p>

**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

<b>Explain the decisions that must be subject to the General Shareholders' Meeting, other than those established by law</b>
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, 2020 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 2019 Annual Corporate Governance Report, which was published in March 2020, is included.

The Annual Corporate Governance Report for 2020 will be duly published on the website in March 2021.

## 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	7

Remarks
Reduction of the number of directors from 11 to 7 decided at the General Meeting of June 16, 2020.

#### 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)	06/16/2020	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	02/23/1962
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
EURO-SYNS S.A.	MR ALBERTO ZARDOYA ARANA	PROPRIETARY	DIRECTOR	05/31/1996	05/22/2019	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	03/25/1961
OTIS ELEVATOR COMPANY	MR TOBY SMITH	PROPRIETARY	DIRECTOR	05/30/1984	05/22/2019	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	12/27/1973

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
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)	08/16/2020	RESOLUTION GENERAL SHARE- HOLDERS' MEETING	08/22/1973
<b>Total number of directors</b>						7	

**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
DON JOSE MARIA LOIZAGA VIGURI	OTHER EXTERNAL	05/22/2019	03/22/2020	N/A	YES
MR ALBERTO ZARDOYA ARANA	PROPRIETARY	05/22/2019	05/08/2020	N/A	YES
MR MARK EUBANKS	PROPRIETARY	07/26/2019	05/08/2020	N/A	YES
MR PATRICK MARTIN	PROPRIETARY	05/22/2019	05/08/2020	Nominating & Compensation Commission	YES

#### Reason for leaving and other remarks

The termination of Mr José María Loizaga Viguri has its roots to his death on February 23, 2020, fact that was informed by the Company like "Other Relevant Information" on March 23, 2020 (Register No. 1116).

For their part the termination of Messrs Mark Eubanks, Patrick Martin and Alberto Zardoya Arana on May 8, 2020 caused in order to facilitate the reduction in the number of Board members proposed by the Board to the General Meeting and subsequently approved by the latter (See details in point C.1.1). It is to be note that on the same date, Mr Mark Eubanks was appointed as the personal representative of the director Otis Elevator Company (a position he held to October 14, 2020 at the time it was appointed by Mr. Toby Smith) and Mr Alberto Zardoya Arana was appointed personal representative of the director Euro-Syns, S.A.

Furthermore in the period ended November 30, 2020 the personal representative of the director Otis Elevator Company (OEC) has changed on several occasions: (i) on February 27, 2020 Mss Nora Lafrenier was replaced with Mr Toby Smith (ii) on May 8, 2020 Mr Toby Smith was replaced in this position with Mr Richard Markus Eubanks and (iii) on October 14, 2020 Mr Richard Markus Eubanks was replaced with Mr Toby Smith who occupied this position again.

**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. 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. He then became 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, became 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 &amp; 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>In 2020, he was appointed President of the Otis Group for Europe, Middle East and Africa (EMEA), which he holds simultaneously with the position of President of SEMA.</p> <p>He is currently Chief Executive Officer and Chairman of the Board of Directors of Zardoya Otis, S.A. and President of OTIS South Europe and Africa and EMEA. He is likewise an Executive Manager of the Otis Worldwide Corporation (OWC) group, formerly United Technologies Corporation (UTC) group.</p>

<b>Total number of executive directors</b>	1
<b>Percentage of Board</b>	14.29%

Remarks
<p>It is to be noted that on January 26, 2021 Mr Bernardo Calleja resigned from his post of CEO, maintained his position as director and being appointed by the Board of Directors as a President of the Company, also the Board of Directors appointed by co-optation to Mr Joao Penedo as a new member of the Board of Directors who also appointed him CEO (informed on January 27, 2021; Register number 6776). Date from which the Company has now two executive directors.</p>

**PROPRIETARY DIRECTORS**

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

Euro-Syns, S.A. is the financial investments holding company of the Zardoya family group.

Its personal representative, Mr Alberto Zardoya Arana holds a BA Manufacturing Engineering, Boston University, Boston MA, U.S.A. and a Master's in the Stock Exchange from *IEB, Instituto de Estudios Bursátiles*, Madrid.

During his professional career, he has held various positions in companies such as Savera, Elevator Guide Rails (Vera de Bidasoa, Navarra, Spain), Otis Elevador 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)

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

**Profile**

Otis Elevator Company ("Otis") (100% held directly or indirectly by the parent company of the Otis Worldwide Group -OWC- 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, Mr Toby Smith holds a law degree (juris doctor) from Georgetown University (USA) and a bachelor's degree in foreign languages from Hamilton College (USA). He has over 15 years' experience in legal and compliance advice. He began his professional career as a litigation associate at Hogan & Hartson LLP in New York. He joined the UTC Group (Legal Organization) in 2010 and has had a number of roles since then, among which the following may be highlighted: Legal Counsel at UTC Fire & Security, Collins Aerospace and CCS, Senior Counsel, Product Safety and Operations, at Otis WHQ and, since 2017, Senior Director – Legal, Compliance and Security at Otis EMEA at its Moscow offices (Russia). Currently, Mr Toby Smith is Vice President and General Counsel for Otis in the Europe, Middle East and Africa area, where he performs management duties in all kinds of matters related to compliance and legal affairs in the Group's business, in order to ensure compliance with both the applicable legislation and internal policies. He also provides strategic advice for accomplishment of the Group's goals in Europe, Middle East and Africa.

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

**Profile**

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.

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment
MS STACY PETROSKY	ALDER 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 &amp; 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).</p>

<b>Total number of proprietary directors</b>	4
<b>Percentage of the Board</b>	57.14%

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 &amp; Young, where he was Partner/Director General of the Audit and Advisory practices and Chairman of Ernst &amp; 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 &amp; 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 Sanz 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>. Since December 2020, she has been a member of the Board of International Airlines Group.</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>

<b>Number of independent directors</b>	2
<b>Percentage of the Board</b>	28.57%

<b>Remarks</b>
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.

<b>Name of the director</b>	<b>Description of the relationship</b>	<b>Statement of the Board</b>
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:

<b>Name of director</b>	<b>Reason</b>	<b>Company, director or shareholder to whom the director is related</b>
N/A		

<b>Profile</b>

<b>Total number of other external directors</b>	
<b>Percentage of the Board</b>	

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

Remarks

**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 2020	Year 2019	Year 2018	Year 2017	Year 2020	Year 2019	Year 2018	Year 2017
<b>Executive</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Proprietary</b>	2	3	2	2	50.00%	27.27%	18.18%	18.18%
<b>Independent</b>	1	1	0	0	50.00%	9.09%	0.00%	0.00%
<b>Other external</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Total:</b>	3	4	2	2	42.86%	36.36%	18.18%	18.18%

Remarks
<p>The figures provided are at the year-end date, i.e. November 30, 2020. Therefore, they have been calculated taking into account the reduction of the number of directors from 11 to 7, decided by the General Shareholders' Meeting of June 16, 2020.</p> <p>Company's female directors as of November 30, 2020 were: (i) Ms Robin Fiala, appointed as a director (proprietary) on October 5, 2017, re-elected for the last time in the general meeting held on May 23, 2018; (ii) Ms Stacy Petrosky, appointed as a director (proprietary) on July 26, 2019 ratifying his appointment at the general meeting held on June 16, 2020;; and (iii) Ms Eva Castillo, appointed as a director (independent) on May 22, 2019.</p> <p>At present, the female directors are: (i) Ms Robin Fiala (resigned from his post of director on January 26, 2021 and appointed at the same time as a personal representative of Otis Elevator Company); (ii) Ms Stacy Petrosky; and (iii) Ms Eva Castillo.</p>

**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

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.

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.

At the end of the 2020 period (November 30, 2020), four of the seven members of the Board of Directors were proprietary directors, two were independent and one was executive.

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 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 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 female 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.

The female directors appointments related in previous section C.1.4 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.

The foregoing means that, at the end of the 2020 fiscal year (November 30, 2020), women accounted for 42.86% of the Board of Directors. Likewise, the Board secretary is a woman.

Likewise, the Board of Directors and the Nominating and Compensation Commission are aware of the importance of all kinds of diversity and consider that the Board of Directors is diverse in terms of the directors' nationalities, ages, education and experience. Accordingly, with that, directors must have sufficient knowledge of the English and Spanish languages to carry out their duties, given that the Company's majority shareholder is American and the Company is present, through its subsidiaries, in other countries, such as Portugal, Morocco, Gibraltar and Andorra.

- 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 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 female 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.

In 2020, the composition of the Board of Directors was restructured, reducing it from eleven to seven members, since the conclusion had been reached that a lower number of directors was better adapted to the actual situation of the Company and the current social and economic situation. Notwithstanding this reduction, the same number of female directors (three) was maintained, meaning that, at present, female directors account for 42.86% of the Board of Directors, which clearly favours a better gender balance among Board members. It can clearly be seen that, by applying said policies, the proportion of female directors has gradually increased, rising from 18% in 2017 and 2018 to 36.36% in 2019 and 42.86% at the year end 11/30/2020.

An example of the company interest in increase the quantity female position of responsibility it is the fact that Nominating and Compensation Commission in its meeting held on February 26, 2020, appointment a female as Head of the Internal Audit department.

**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 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. The Nominating and Compensation Commission considers that the actions necessary to attain a proper composition of the Board of Directors are being carried out appropriately by the Company, as shown by the fact that, having reduced the number of directors, the same number of female directors as existed before the reduction has been maintained, in addition to the fact that the profiles of the directors are varied, they come from different cultural environments and have experience in different sectors and areas of knowledge that may be related to the Company. As a consequence of the previous, in the period ended November 30, 2020 and at present, the Board of Directors has a proportion of female directors 42.86% which exceeds the recommended level 30%

**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, 2020.

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 bis 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 ELEVADORES LDA. (PORTUGAL)	CHAIRMAN	NO
MR BERNARDO CALLEJA FERNANDEZ	OTIS MAROC S.A.	CHAIRMAN	NO
MR BERNARDO CALLEJA FERNANDEZ	OTIS SERVIZI S.R.L.	CHAIRMAN	NO
MR BERNARDO CALLEJA FERNANDEZ	BUGA OTIS ASANSOR SANAYI VE TICARET AS	DIRECTOR	NO

Name of director	Name of group member	Position	Does the director have executive powers?
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
MR ALBERTO ZARDOYA ARANA	OTIS ELEVADORES LDA. (PORTUGAL)	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 MIGUEL ANDRÉS TORRECILLAS	BANCO BILBAO VIZCAYA ARGENTARIA, S.A.	DIRECTOR / DEPUTY CHAIRMAN
MS EVA CASTILLO SANZ	BANKIA, S.A.	DIRECTOR
MS EVA CASTILLO SANZ <sup>(1)</sup>	INTERNATIONAL AIRLINES GROUP	DIRECTOR

Remarks
<sup>(1)</sup> Ms. Eva Castillo Sanz was appointed as an independent director of International Airlines Group by the co-option system on December 31, 2020.

**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</p>



parent group, Otis Worldwide Corporation, and, therefore, are members of Boards of Directors of other group companies to which the own Zardoya Otis, S.A. belongs.

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

<b>Board remuneration in financial year (thousand euros)</b>	1966
<b>Amount of vested pension interests for current members (thousand euros)</b>	839
<b>Amount of vested pension interests for former members (thousand euros)</b>	-

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

<b>Name</b>	<b>Position</b>
MR FRANCISCO JAVIER BARQUIN	GENERAL MANAGER
MR DOMINGOS EDMUNDO DA ASCENÇÃO OLIVEIRA	GENERAL MANAGER
MR MAURIZIO GENTILE	GENERAL MANAGER

<b>Total senior management remuneration (thousand euros)</b>	848
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**C.1.15 State whether the Board rules were amended during the year:**

Yes  No

<b>Description of amendment</b>
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 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 (article 21), 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. 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) and (d) 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:**

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.

The Board of Directors evaluated the performance of both the Board itself and its commissions very favourably in the 2020 self-evaluation process, maintaining the trend of improvement in the processes, although further possibilities of improvement were identified in certain aspects, as well as those derived from the new needs that are arising due to social and economic variables. In 2020, work was carried out on the areas for improvement defined in the Action Plan resulting from the Board's self-evaluation in the previous year, one of the most important milestones in the organization of the Board of Directors being the implementation of a software tool that made sending communications and information to directors more immediate, as well as providing greater security when transmitting said communications and/or documentation.

#### **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 14, 2020, the Board of Directors evaluated the results of the annual evaluation of its own performance and that of its commissions during 2019, analyzing 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. Likewise, for the members of the different committees, 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, at the period ended November 30, 2020 the Board of Directors reviewed the status of compliance with said plan, the objectives attained during 2020 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 to the 2020 financial year evaluation 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
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**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

**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 and give instructions, 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 are the same rules as those imposed by the 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.**

<b>Number of Board meetings</b>	10
<b>Number of Board meetings without the chairman</b>	0

<b>Remarks</b>
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:

<b>Number of meetings</b>	0
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<b>Remarks</b>
N/A

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

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

<b>Remarks</b>
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	9
% of attendance over total votes during the year	92,30%
Number of meetings in situ or representations made with specific instructions of all directors	10
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	98,91%

Remarks
The figures reported take account of the change in the number of directors during the reporting period, since the year began with 11 directors who, as the result of a resolution passed by the Ordinary General Shareholders' Meeting held on June 16, 2020, were reduced to 7.

**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 Joao Penedo Marqués	Chief Executive Officer <sup>(1)</sup>
Mr Francisco Bilbao Antón	Chief Financial Officer

Remarks
<sup>(1)</sup> The individual and consolidated annual accounts of the Company, which are presented for formulation by the Board, are previously certified by the Chief Executive Officer and Chief Financial Officer.
As stated above, see point C.1.3, on January 26, 2021 Mr Joao Penedo was appointed by co-optation to as a new member of the Board of Directors who also was designed as Chief Executive Officer.

**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) Submit 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.

Among the actions carried out by the Company to guarantee the independence of the auditors accounts, the presence of the auditors is framed, at least once during the year in order to give reasons for their actions, specifically in the year ended on November 30, 2020, said appearance of the auditors before the Board of Directors took place on February 27, 2020.

## **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](mailto:info.accionista@otis.com)).

- Contact person for information to shareholders:

Francisco Bilbao  
 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 the related implementing legislation. The amendment was intended to improve protection of those who invest in the Company’s securities 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 June 16, 2020, a resolution was passed to reappoint the Company’s account auditor (PricewaterhouseCoopers Auditores, S.L.) to the 2020 fiscal year.

Outgoing auditor	Incoming auditor
N/A	

Remarks
Notwithstanding the foregoing, at the General Shareholders’ Meeting of June 16, 2020 a resolution was passed to appointment to KPMG Auditores, S.L. as the S.L. Company’s account auditor to the fiscal years 2021, 2022 and 2023.

**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)	59	3	62
Amount invoiced for non-audit services/Amount for audit work (in %)	23.90%	0	14.82%

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	33	33
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	71.74%	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 must ensure 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.

In addition to the foregoing, specific presentations are given on the Company's different business areas and other relevant aspects (regulatory compliance, cybersecurity, digitalization plans, data protection, changes in sector legislation, etc.), in order to improve the directors' knowledge of the Company. These presentations are given by the direct heads of the respective departments involved, to attain greater communication between the directors and the Company's functional areas.

In 2020, a specific software application was developed and given to the directors. It facilitates the duties of the directors in general and, in particular, their right to information, since, through this software tool, they may access, from anywhere in the world and in multiple languages, the information necessary to prepare the forthcoming meetings of the Board of Directors and its committees as per the respective agendas, as well as the entire historical repository of corporate documentation and the aforementioned presentations that have been given to the Board, with the highest cybersecurity guarantees.

**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:**

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 directors, 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.**

4.3

<b>Number of beneficiaries</b>	1
<b>Beneficiary</b>	Chief Executive Officer
<b>Description of agreement</b>	<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 additional to any indemnity to which he might also be legally entitled for termination of his previous 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>
<b>Number of beneficiaries</b>	

<b>Number of beneficiaries</b>	1
<b>Beneficiary</b>	Manager
<b>Description of agreement</b>	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.
<b>Number of beneficiaries</b>	2
<b>Beneficiary</b>	Managers
<b>Description of agreement</b>	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>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>
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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
<b>% of proprietary directors</b>		33.33%
<b>% of independent directors</b>		66.66%
<b>% of other external directors</b>		0.00%

Remarks
N/A

**Explain the duties exercised by this committee, other than those established by law, 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 2020 financial year the Audit Committee led the selection and engagement process to the new account auditing firm. In this respect, it drew up an action plan and Specifications for engaging a new account auditing firm, which was approved by the Audit Committee on December 11, 2019 and monitored at each one of the meetings subsequently held by the Committee, in order to then, at the meeting of March 19, 2020, issue a report on the whole process and submit the two best bids assessed in the selection process to the Board of Directors, with the recommendation that the firm that obtained the highest score should be proposed to the General Meeting. Accordingly with that, the General Shareholders' Meeting on June 16, 2020 approved the new account auditing firm from the fiscal years 2021, 2022 y 2023.

Regarding the appointment of auditors for 2020, the Audit Committee issued a report on their appointment and the economic conditions of their engagement, which was reflected in the minutes of the Audit Committee meeting held on February 27, 2020.

- (c) To regularly supervise the efficacy of the Company's internal control, internal audit and risk control systems, including tax compliance 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, at its meeting of December 11, 2019, the Audit Committee reviewed and supervised the effectiveness of internal control, internal audit and risk control management during the 2019 financial year and supervised the proposals and approved the 2020 plan and budget for the internal audit service. Likewise, throughout the year, it monitors the actions taken by internal audit, the Audit Committee proposed a new head of the Internal Audit Department, due to the vacancy left by the previous Department Head.

- (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 of February 27, 2020, the Audit Committee reviewed the annual financial statements (statement of financial position, income statement and the notes thereto) and management reports of both the Company and its consolidated group. It also issued a report on the third quarterly interim dividend payment charged to the 2019 profit at its meeting of December 11, 2019 and regarding payment of the first quarterly interim dividend charged to the 2020 profit at the Audit Committee meeting held on March 19, 2020. Lastly, it reported on payment of the second quarterly interim dividend charged to the 2020 profit at the Audit Committee meeting held on September 15, 2020.
- (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 respect, the Audit Committee assessed the security control systems of the Company's information and/or technological systems (cybersecurity) at its meeting of January 29, 2020.

Likewise the Audit Committee in its meeting held on January 29, 2020 reviewed and evaluated the actions taken to accomplish of the Company's policies: Social Responsibility Policy, Tax Policy, Investments and Financing Policy, Dividends Policy, Control and Risk Management Policy, Criminal Prevention Policy; and, also evaluated if was necessary their update.

- (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. At its meeting of January 29, 2020, the Audit Committee received a presentation given by the Manager of the Systems Department on the identified risks 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. In particular, the non-audit work carried out by the external auditor was approved by the Audit Committee at its meeting held on July 27, 2020.
    - 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 this section, the Audit Committee recorded the independence of the external auditor through the report, with the auditor's written confirmation, described in the minutes of the meeting of February 27, 2020. Likewise, the external auditors attended said meeting. They also attended the Audit Committee meeting of July 27, 2020;

- (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. In this respect, the Audit Committee issued this report on February 27, 2020 in relation to PricewaterhouseCoopers Auditores, S.L., expressly stating its opinion on said firm's 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. Particularly, this meeting was held on February, 27, 2020.
- (h) Encourage the group auditor to take on the auditing of all the Group companies. In this case the auditors review the individual financial statements of subsidiaries Zardoya Otis Group.
- (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. In this respect, the Company has various complaints channels (at least one of which guarantees anonymity if the complainant so requires), all of which guarantee the confidentiality of the complaint and investigation processes. In addition, the Head of Internal Audit appears before the Committee at all its meetings to explain the audit, communication and training work, etc. carried out since the previous committee meeting, always including a summary of the department's participation in the investigation of the complaints or cases received regarding any potential irregularities encountered in finance or accounting. Finally, the Chairperson of the Audit Committee regularly receives copies of the minutes of the meetings of Compliance Council, which give details of all the queries answered, training carried out and events organized, as well

as all the complaints of any nature that may have been made and the related investigations, findings, etc. This process concludes with the annual appearance of the Ethics Compliance Officer (ECO) before the Audit Committee to give a detailed presentation of the actions carried out throughout the year (communication plans and training carried out to prevent irregularities and/or infringement, as well as any action plans agreed in the event that it is been observed that the processes in place could be improved, etc.). In this respect, at its meeting of September 15, 2020, the Audit Committee proposed to the Board of Directors that a Coordinator or Compliance Officer (ECO) should be appointed for all the companies that form part of the Company's consolidated group, which was effectively approved by the Board of Directors on the same date. Likewise, at its meeting of October 14, 2020, it issued a report on the activity of the Ethics and Compliance Department (ECO) for 2020 and a review of the 2021 plan.

- (j) To supervise compliance with the internal codes of conduct and corporate governance rules and recommendations in force at any given moment. At its meeting of February 27, 2020, the Audit Committee reviewed the 2019 Annual Corporate Governance Report. Likewise, at its meeting of December 11, 2019, a presentation was given on the actions taken during the previous year regarding information on and control of compliance with the Internal Code of Conduct and, at its meeting of January 29, 2020, the Committee reviewed and evaluated compliance with corporate policies..
- (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. At its meeting of January 29, 2020, the Audit Committee approved the financial reporting for the fourth quarter of 2019, which was then sent to the CNMV. Likewise, at its meeting of April 14, 2020, the information for the first quarter of 2020 was reviewed and then sent to the CNMV after it had been approved by the Board. The same was done at the meeting of July 28, 2020 in relation to the first semester of 2020. Lastly, at its meeting of October 14, 2020, the Audit Committee reviewed the information for the third quarter of 2020, subsequently sent to the CNMV after approval by 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. At its meetings of February 27, 2020 and July 28, 2020, the Audit Committee studied related transactions, making a detailed analysis of the most significant ones. Likewise, in addition to the two regular reviews, this type of agreements are reviewed whenever necessary and the Committee's opinion is submitted to the Board of Directors.
- (l) Any others that may be attributed to them by the Bylaws, these Regulations, the Board of Directors or the law.

Others:

- The Audit Committee approved a meeting schedule for the 2020 financial year and reviewed the status of compliance with the action plan to introduce improvements as a result of its previous evaluation during its meeting of December 11, 2019.
- The Audit Committee has issued a report on quarterly payment of dividends in each occasion needed.
- Finally in relation to the situation created by Covid-19, the Audit Committee held a number of meetings in order to analyse the situation and, specifically at its meeting of April 14, 2020, studied the legal provisions that affected the Company and approved an action plan to regularly review the evolution of the pandemic and be able to take measures to minimize the potential impact.

### 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.

See details in point 2c) above.

#### 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.

See details in point 2e) above.

The Audit Committee met on 8 occasions in the 2020 reporting period.



When the 2021 Ordinary General Shareholders' Meeting is called, a report on the operation of the Audit Committee during the period ended November 30, 2020 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.**

4.3

<b>Names of directors with experience</b>	MS EVA CASTILLO PEREZ (Chairperson) MR JOSÉ MIGUEL ANDRÉS TORRECILLAS MS STACY PETROSKY
<b>Date of appointment of chairperson</b>	June 20, 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 Mr Toby Smith)	DEPUTY CHAIRPERSON	Proprietary
MS EVA CASTILLO PEREZ	MEMBER	Independent
MS STACY PETROSKY	MEMBER	Proprietary
MS ROBIN FIALA	MEMBER	Proprietary
<b>% of proprietary directors</b>		60.00%
<b>% of independent directors</b>		40.00%
<b>% of other external directors</b>		0.00%

Remarks

Ms Stacy Petrosky was appointed as a member of the Nominating and Compensation commission by the Board of Directors on May 8, 2020.

At the time of writing of the present report, the Nominating and Compensation commission has an opening after the termination of Ms [Robin Fiala as company director and consequently as a member of Nominating and Compensation commission](#) ((without prejudice to her appointed as a personal representative of Otis Elevator Company las January 26, 2021).

**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, in the light of the vacancy caused by the death of the director Mr José María Loizaga, at its meeting of May 8, 2020, the Nominating and Compensation Commission proposed that the number of directors should be reduced from 11 to 7, in order to giving a greater smoothness and efficiency to the Board of Directors.

- (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, at its meeting of February 27, 2020, the Nominating and Compensation Commission issued a favourable report on the appointment of Mr Toby Smith as the personal representative of the director Otis Elevator Company. At its meeting of May 8, 2020, it

- proposed the re-election of Mr Bernardo Calleja Fernández as an executive director,
- proposed the ratification of Ms Stacy Petrosky as a proprietary director,
- informed on the appointment of Mr Markus Eubanks as the personal representative of the proprietary director Otis Elevator Company
- informed on the appointment of Mr Alberto Zardoya Arana as the personal representative of the proprietary director Euro-Syns, S.A.
- informed on the appointment of Ms Stacy Petrosky as a member of the Nominating and Compensation Commission.

Furthermore, at the Nominating and Compensation Commission meeting held on October 14, 2020, a report was issued on the proposal of Otis Elevator Company (as a proprietary director) to appoint Mr Toby Smith as its personal representative.

To report on proposals for filling the internal positions on the Board of Directors. Specifically, at its meeting of July 28, 2020, the Commission reported favourably on the proposal to re-elect Mr José Miguel Andrés Torrecillas as the Lead Director and Mr Bernardo Calleja Fernández as Chief Executive Officer.

- (e) To propose the members of each committee to the Board of Directors. In particular, at its meeting of May 8, 2020, the Nominating and Compensation Commission informed on the appointment of Ms Stacy Petrosky as a new member of the Nominating and Compensation Commission.
- (f) 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.
- (g) 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.

- (h) 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.
- (i) 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. In particular, the Nominating and Compensation Commission approved to propose to the Board of Directors the modification of the contract signed between the Company and the CEO.

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. In particular, at its meetings held on February 27, 2020 and March 19, 2020, respectively, the Nominating and Compensation Commission made a compensation proposal for directors and senior management for 2020 (including report on certain incentive plan). Likewise, at the commission meeting held on April 14, 2020, a new compensation policy applicable to members of the Board of Directors and the Chief Executive Officer was proposed for the years 2021 to 2023. Subsequently, it was approved by the Board of Directors and then by the General Shareholders' Meeting of June 16, 2020.

- (j) To ensure that any potential conflicts of interest do not undermine the independence of any external advice provided to the Commission.
- (k) 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. In particular, at its meeting of February 27, 2020, the Nominating and Compensation Commission reviewed the Annual Director Compensation Report for 2019.
- (l) To ensure that non-executive directors have sufficient time available to perform their duties properly.
- (m) Any others that may be attributed to it in the Bylaws, the Regulations of the Board of Directors or, if applicable, the law.

Likewise, the Nominating and Compensation Commission approved a meeting calendar for the 2020 financial year and reviewed the status of compliance with the action plan to establish improvements as a result of its previous evaluation, during its meeting on December 11, 2019..

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 8 occasions in 2020.

When the 2021 Ordinary General Shareholders' Meeting is called, a report on the operation of the Nominating and Compensation Commission during the period ended November 30, 2020 will be placed at the shareholders' disposal.

### APPOINTMENTS COMMITTEE

N/A

### REMUNERATION COMMITTEE

N/A

4.3

**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 2020		Year 2019		Year 2018		Year 2017	
	No.	%	No.	%	No.	%	No.	%
<b>AUDIT COMMITTEE</b>	2	66.66%	0	66.66%	0	0.00%	0	0.00%
<b>NOMINATING &amp; COMPENSATION COMMISSION</b>	3	60%	3 (**)	60.00 %	2 (*)	40.00%	1 (*)	40.00%

Remarks
(*)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.**

- 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 2020 reporting period.
- 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 annual published. It is planned to prepare annual reports on their activities in 2020 to be published when the 2021 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) (iv) 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 reviews them in general at least twice a year and reports to the Board of Directors on the most important related-party transactions performed.

During 2020 in particular at its meeting of February 27, 2020, 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 compliance with two contracts with the majority shareholder (the Recharge Agreement and the Technical Assistance Agreement). At its meetings March 19, 2020 and July 28, 2020, it again reviewed related transactions in general, notwithstanding the fact that, throughout the year, contracts are analyzed by the Nominating and Compensation Commission whenever this is deemed necessary and the Commission's proposal or opinion is then submitted to the Board of Directors. All the transactions were subsequently approved 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)
OTIS ELEVATOR COMPANY	ZARDOYA OTIS	Contractual	Licence agreements	419,556
OTIS WORDLWIDE CORPORATION (OWC)	ZARDOYA OTIS, S.A.	Transaccion	Incentivo a largo plazo sobre acciones de OWC	966

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
OTIS ELEVATOR COMPANY	ZARODYA OTIS S.A.	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
OTIS ELEVATOR COMPANY	ZARDOYA OTIS, S.A.	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	2,466
OTIS ELEVATOR COMPANY	Otis Intercompany Lending Ireland Designated	Treasury Deposit Agreement	Deposito en tesorería efectuado por Zardoya Otis, S.A en Otis Elevator Company	14,000

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	41,099



OTIS ELEVATOR COMPANY		Director	Exports (to) Otis Elevator Company	151,621
OTIS ELEVATOR COMPANY		Director	ID charge back of the Company (to) Otis Elevator Company	3,806
OTIS ELEVATOR COMPANY		Director	Treasury Deposit	14,000

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	41,099
Otis Elevator Company	Exports (to) Otis Elevator Company	151,621
Otis Elevator Company	ID charge back of the Company (to) Otis Elevator Company	3,806
Zardoya Otis (Gibraltar) Limited.	Exports and services (to) Zardoya Otis (Gibraltar) Limited	764
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	2,466

Remarks
N/A

**D.5 State the amount of any transactions conducted between the company or entities belonging to its group and 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
No specific measure has been established. See section D.6 above for the solution of conflicts in general.

## 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 comprehensively and continuously, consolidating the management by activity, subsidiary, geographical area and support area.

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 compliance risks). This policy is reviewed annually and an assessment is made as to whether the actions taken during the year comply with it. Specifically, at its meeting of December 11, 2019, the Audit Committee assessed the effectiveness of the internal control during the preceding fiscal year and established an action plan for 2020.

### 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 compliance 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 compliance 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. In this respect, a Risk Management Committee has been defined, which identifies, assesses and reviews the risks existing in the Company.

The aforementioned Committee assesses the main risks based on two criteria: a) the probability of occurrence (on a scale of 1 to 5, where 1 is the lowest probability and 5 is the highest probability) and b) the impact that the risk would cause (also on a scale of 1 to 5, where 1 is the least impact and 5 is the most impact).

The Committee is formed by company 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.

Said risk policy is reviewed annually by the Board and the Audit Committee in collaboration with the Internal Audit Department, in order to assess the inclusion of new risks and measures to prevent and tackle them.

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

## **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 compliance 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 compliance 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. Compliance with the Code of Ethics is mandatory (although it does not have to be formally signed). Likewise, annual courses on the subject are held for all employees. The courses must be completed by new recruits, while mandatory annual updates are included 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 ECO Coordinator for all the entities that form part of the group of which the Company is the parent, appointed by the Board of Directors on September 15, 2020.. The ECO Coordinator prepares the Annual Ethics and Compliance Plan to be submitted to and approved by the Audit Committee. His or her duties include supporting and coordinating management and employees in developing and administering effective compliance programs in group entities in the different countries, coordinating this task with the local ECOs. The ECO Coordinator regularly monitors the proper operation of the Crime Prevention Model, ensure compliance with the Code of Ethics: (“The OTIS Absolutes”), and supervising all ethics and compliance issues, including the follow-up of any internal complaint received or investigation into criminal or compliance matters, as well as employees ethics training and communication.

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 direct telephone call – Ethics channel managed by an external provider who has translators available.
- b) Weblines – Complaints through a secure dedicated website, provided by an external provider.
- c) By email – Sending an email to [ethics@otis.com](mailto:ethics@otis.com).
- d) By post – Sending a letter or report form (translated versions are available) to Otis Ethics and Compliance.

In addition to confidentiality, anonymity is guaranteed in communications made through:

- a) Direct telephone - free telephone service managed by an external provider with translators
- b) the web, through a secured website managed by an external provider.
- c) Mail - sending an email to [ethics@otis.com](mailto:ethics@otis.com)
- d) Postal - Sending a letter or report form (translated versions are available) to Otis Ethics & Compliance

In addition to confidentiality, anonymity is guaranteed in the communications that are made through the free telephone and through the web, which are managed by an external provider

**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,:

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, 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 (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 notified to the Audit Committee, since they relate to valuations included in the Group's financial information. The Group Financial Department ensures that the provider 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 to see whether it is necessary to update them.

**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 six 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 (in the specific case of the period ended November 30, 2020, at least two meetings took place, one on February 27 and the other on July 28, 2020) 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 2020 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.
- a) The mechanisms established 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:

- b) Changes that have occurred since the last General Shareholders' Meeting.
- c) 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 within the framework of their involvement in the company 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 website, 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, during 2020, dates and meetings were arranged for investors and shareholders who had expressed interest in attending meetings of this nature with the Company. All the information shared with them was public and could be accessed through the Company's website and the 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 make any proposal to the General Shareholders' Meeting for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive subscription rights for 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

Reports are prepared on the independence of the auditor and on the operation of the audit and appointment and remuneration committees. Both related-party transactions and the corporate social responsibility policy are evaluated in detail by the Audit Committee, although an ad hoc report is not prepared on these matters.

- 7. That the company broadcasts live, through its website, the proceedings of the General Shareholders' Meetings.**

Complies  Explanation

The Company made the decision not to adopt this recommendation on January 25, 2016, when the Good Governance Code recommendations were examined, since the attendance of the General Meetings in person or by proxy was higher than 70% (71.42% at the General Meeting held on June 16, 2020) and shareholders had made little or no use of the electronic forum that had been available for several years. Notwithstanding given the special circumstances of health alert and restrictions on movement and meetings established by the legislation applicable during the 2020 reporting period, the 2020 General Shareholders' Meeting was held on a mixed basis (in person and online) and was streamed on the Company's corporate website. An electronic platform was enabled in order to hold the 2020 General Shareholders' Meeting, so as to encourage the participation of all the shareholders without the need to attend in person. Distance or online voting was also enabled.

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 website 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 establishes 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 maximization 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 respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the broader community and the natural 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 competences required by the Board.**
- 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 call of the General Shareholders' Meeting to which it is to be submitted for the 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, favouring a diversity of knowledge, experience and gender at Board level. An example of this line of action is that at the ended period of November 30, 2020, the percentage of female directors is 42.86%.

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 at year end 2020, has seven members, after the reduction of the number of directors from eleven to seven approved at the General Shareholders' Meeting of June 16, 2020. Six of them are external directors: (i) three proprietary directors appointed at the proposal of ALDER HOLDINGS, S.A.S., which holds 50.01% of the Company's capital, (ii) one proprietary director appointed at the proposal of EURO-SYNS, S.A., which holds 11.34% of the Company's capital, and (iii) two independent directors.

Proprietary directors represent 66.67% 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).

In 2019, the percentage of proprietary directors was 66.63% of the total Board, while, in 2020, it dropped to 57.14%. In addition, the percentage of independent directors in 2019 was 18.18%, while in 2020 financial year it is 28.57% .

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

At the close of the fiscal year the percentage of the full Board represented by independent directors is 28.57%. 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 (OWC Group) keeping control, while, at the same time, not further increasing the size of the Board but, on the contrary, reducing it, in the light of giving a greater smoothness and efficiency to . The result of this balance is the current composition.

Likewise, in spite of the foregoing, the percentage of independent directors rose from 18.18% (in the years 2015 to 2019) to 28.57% in 2020.

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 or her 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 OTIS WORLDWIDE CORPORATION and sit on a number of Boards of the different companies that form said Group. Consequently, compliance with this recommendation would be too burdensome for the OTIS WORLDWIDE CORPORATION 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).

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 last amended, the need for the Company to have a Lead Director did not exist.

When the need for a Lead Director arose (when the Company's CEO was appointed chairman of the Board), all these requirements were taken into account. Specifically, in accordance with article 529 *septies* of the Capital Companies Law, the Board meeting of March 20, 2019 decided (after a report in favour from the Nominating and Compensation Commission and with the appropriate abstention of the chairman) to appoint Mr José Miguel Andrés Torrecillas as the Lead Director. He was re-elected to this position at the Board meeting of July 28, 2020.

It was decided that the Lead Director's duties would include 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, the Board 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

**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. The percentage of independent companies' directors had been during the last years 18.18% from 2015 onwards, increasing to 28.57% in 2020 as a consequence of the reduction in the number of Board members from eleven to seven agreed at the General Shareholders' Meeting of June 16, 2020.

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) regarding to Nominating and Compensation Commission.

**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, 2020 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

Variable remuneration is set on the audited annual accounts. Nominating and Compensation Commission takes into account the possible qualifications of the external audit report, when proposing to the Board the remuneration of the directors

- 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

- 61. 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

- 62. 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 Ms Bernardo Calleja, its CEO during 2020 financial year.

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

- 63. 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.

4.3

## 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 does not adhere to the Code of Good Tax Practices of July 20, 2010.

The spin-off of several business units of United Technologies Corporation (UTC), which included the elevator, escalator and moving walkway business that Otis carries on, whereby United Technologies Corporation (UTC) (the former majority shareholder of ZARDOYA OTIS, S.A.) contributed shares representing 100% of the capital of Otis Elevator Company (including United Technologies Holdings, S.A.S. (UTH), owner of a 50.01 shareholding in Zardoya Otis, S.A.) to Otis Worldwide Corporation ("OWC"), concluded on April 3, 2020. At that time, the shares of Otis Worldwide Corporation (OWC) were listed on the New York Stock Exchange, as reported to the CNMV (Other Material Information Register No. 1378).



This annual corporate government report was approved by the Board of Directors of the Company at its meeting held on February 23, 2021.

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

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

# General Shareholders' Meeting 2021

\* \* \* \* \*

2020 Annual Report on Director's Compensation

**OTIS**  
ZARDOYA OTIS, S.A.

## ANNUAL REPORT ON COMPENSATION OF DIRECTORS OF LISTED COMPANIES



## ISSUER IDENTIFICATION

<b>YEAR-END DATE</b>	11/30//2020
<b>Tax identification No. (C.I.F.)</b>	A28011153
<b>COMPANY NAME</b>	ZARDOYA OTIS, S.A.
<b>REGISTERED OFFICE</b>	CALLE GOLFO DE SALÓNICA, 73. MADRID



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

4.4

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

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

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

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

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

**Explanation**

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

In the fiscal year ended November 30, 2020, the Compensation Policy approved by the General Meeting on May 24, 2017 for the financial years 2018, 2019 and 2020 in accordance with article 529 *novodecies* of Royal Legislative Decree 1/2010 of July 2, whereby the revised text of the Capital Companies Law was approved, was applied for the third time (the "**Compensation Policy**"). For the current year (in which the consultative vote on this Annual Director Compensation Report will take place) the Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. held on June 16, 2020 approved a new policy applicable to the years 2021, 2022 and 2023, which does not differ significantly from the policy applied in the year ended November 30, 2020.

Before the Compensation Policy was approved to the General Shareholders' Meeting, to which it was submitted by the Board of Directors, it had been proposed by the Nominating and Compensation Commission at its meeting of April 14, 2020, confirming that it complied with the applicable legislation and that it was appropriate to the economic context, the Company's results and the most consolidated market practices.

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





## 1. Director compensation in the Bylaws

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

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

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

## 2. The Compensation Policy

### a) Principles of the Compensation Policy

The Compensation Policy is based on the following general principles:

- (i) Principles guiding compensation of directors in their capacity as such
  - a. It must be sufficient to reward the dedication, responsibility and professional track record of the directors, without compromising the independence of each one of them as a result.
  - b. It must be competitive and allow the Company to attract talent, incorporating the elements necessary to favour motivating the directors and, thus, retaining them.
  - c. It must take the economic context and market practices in comparable companies into account.
- (ii) Principles guiding the compensation of directors for their executive duties
  - a. The CEO's compensation must be aligned with the long-term interests of the Company and its shareholders.
  - b. The attainment of results and the Company's strategic goals must be reinforced.
  - c. His performance and the degree of adaptation to the competences required at any given moment must be evaluated systematically.
  - d. It must favour commitment to the Company.
  - e. It must compensate on a fair and competitive basis, recognizing the responsibilities of the executive duties performed.



- f. A competitive compensation must be applied, in line with market practices, flexible in accordance with the results obtained and adapted as necessary to attract and retain the best professionals.

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

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

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

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

On June 16, 2020, the date on which the Compensation Policy for the periods 2021, 2022 and 2023 was approved, Mr Bernardo Calleja Fernández was the Company's only executive director in his capacity as Chief Executive Officer. On this basis, the Policy states that the compensation of the CEO will have fixed and variable components, mentioning that, at the time, the CEO was the only director who received variable compensation linked to the Company's performance and his own personal performance. Payment of the variable compensation takes account of whether the executive has complied with the Company's regulatory and ethical rules and procedures. In the event of any failure to comply with the regulations, the Company will be entitled to reduce the CEO's variable compensation or, in very serious case, eliminate it.

The CEO's compensation mix breaks down as follows:

**(A) Fixed compensation**

- (i) Fixed portion  
The CEO will receive fixed cash compensation of 324,000 euros per year. This fixed salary may vary in each one of the periods 2021, 2022 and 2023 up to a maximum of 30,000 euros per year.
- (ii) Contributions to pension and insurance systems  
The Company will make the following contributions to pension and insurance systems in favour of the CEO:



Item	Amount 2020	Upper limits for the periods 2021, 2022 & 2023 <sup>(1)</sup>
Contribution to a defined-contribution pension scheme	7% of 65,287.18 euros, plus 28% of the difference between his gross fixed annual compensation and 65,287.18 euros	7% of 65,287.18 euros, plus 28% of the difference between his gross fixed annual compensation and 65,287.18 euros
Insurance premiums covering death and disablement	€1,182.86	€2,000 euros
Life insurance premiums	€400,52	€550
Accident insurance premiums	€423.13 €	€550
Health insurance premiums	€3,000	€4,000

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

- (iii) Liability insurance  
The Company will take out liability insurance for the CEO.

**(B) Variable compensation**

- (i) Annual incentive  
The Company may make a payment to the CEO for a variable annual incentive with a target of 60% of his gross annual salary. To calculate this incentive, a multiplying factor will be used, which may be lower or higher than 1, depending on the results of the business unit, the profit plan and the cash flow generated. To fix the final multiplying factor, the CEO's performance in respect of financial and non-financial objectives during the year will also be taken into account.

Payment will be made in the following year, after the annual financial statements have been approved by the Board of Directors.



(ii) Long-term incentive package – OWC shares

Since he is an executive of the Otis Worldwide Corporation (“OWC”) group, the CEO may receive an annual long-term incentive package consisting of a OWC share-based compensation scheme. The purpose of this scheme is to reward OWC group executives who, because of their position, have significant management responsibilities and, through their effort and by attaining the forecast targets, contribute to the long-term success of the corporation and its subsidiaries, including the Company.

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

This type of compensation may include awarding the CEO different OWC share-based financial instruments (Stock Appreciation Rights, Performance Share Units, Restricted Stock Units and similar instruments).

The Policy states that the compensation system described for the CEO will likewise be applicable to any new executive director who joins the Company during the term the Policy is in force. Thus, the conditions described above are, at the date of issue of this report, applicable to both Mr Bernardo Calleja as the Executive Chairman of the Company and Mr Joao Penedo as the Company’s CEO.

### 3. Distribution by the Board of Directors

Within the limits fixed by the Bylaws, the Compensation Policy, article 18 of the Regulations of the Board of Directors and each General Shareholders’ Meeting (under article 218 of the Capital Companies Law, the compensation fixed for the directors in their capacity as such will be distributed among its members in the manner freely determined by the Board of Directors in each financial year, depending on the duties and responsibilities attributed to each director, whether they are members of any Board committees and any other objective circumstances deemed relevant.

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



#### 4. Summary of items of compensation

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

Type	Number	Fixed compensation	Variable compensation	Other compensation items (Bylaw-stipulated compensation)	UTC long-term incentive scheme
Executive directors	2 <sup>(1)</sup>	YES	YES	NO	YES
Proprietary directors	3	NO	NO	YES <sup>(2)</sup>	NO
Independent directors	2	NO	NO	YES <sup>(2)</sup>	NO

(1) On January 26, 2021, the Company's Board of Directors decided to appoint Mr Bernardo Calleja as the Company's Executive Chairman and co-opted Mr Joao Penedo as a new member of the Board of Directors, likewise appointing him as the Company's CEO (notified on January 27, 2021, register No. 6776). Since said date, the Company has had two executive directors.

(2) The compensation of directors in their capacity as such regulated in the Bylaw-stipulated Compensation and the Compensation Policy (i.e. a share of 1.5% in the consolidated profit after tax with an upper limit of 1% of the consolidated profit) cannot be considered to fall within the "Variable compensation item". The CNMV's criterion is that variable compensation should be restricted to compensation items linked to the director's individual performance. Consequently, this compensation is included as "Other items".

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

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



Explanation
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The variable compensation system is restricted to the Company's executive directors and senior management. The final structure of the compensation mix of the executive directors depends on the final decision that the Board of Directors adopts on the limits established in the Compensation Policy at the proposal of the Nominating and Compensation Commission. This Board decision is not based solely on financial parameters, but also takes account of whether the executive director has complied with the Company's regulations and ethics procedures and has performed well in management, risk control and personal safety in work processes.

In relation to the accrual period, the variable compensation of the executive directors is based on an annual incentive (cash payment) which accrues in the fiscal year to which it is associated and its total amount -and the resulting payment- is decided by the Board of Directors (at the proposal of the Nominating and Compensation Commission) in the following fiscal year.

Additionally, the executive director has a long-term incentive package due to his status as a OWC group executive. As notified by the Company in the Material Event of April 3, 2020 after the reorganization of United Technologies Corporation (UTC), the Company became a member of the Otis Worldwide Corporation (OWC) Group as of said date. This incentive package for the CEO is based on his performance over several years and the sustainable long-term value he creates for the Company.

Specifically, for the current year, since the Chairman has been given executive functions and a new Chief Executive Officer has been appointed, both the fixed and variable compensation agreed with these two directors will fall within the Director Compensation Policy approved on June 16, 2020 at the Ordinary General Shareholders' Meeting, the sums permitted under said Policy having actually been reduced.

Notwithstanding the foregoing, the Board has considered revising the current Compensation Plan for the periods 2021, 2022 and 2023 in order to update certain aspects, such as the format and formula for pension contributions, taking account of the fact that there are now two executive directors, and likewise to update certain amounts applicable to insurance, etc. At any event, any change or proposal will be reviewed by the Nominating and Compensation Commission and submitted for the approval of the Board of Directors, in order to subsequently be proposed and approved at the General Shareholders' Meeting.

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

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



At the proposal of the Nominating and Compensation Commission, the Board of Directors will approve the final amount of the Board compensation respecting the limits set out in the Bylaws, the Compensation Policy and the resolutions of the Ordinary General Shareholders' Meeting under article 218 of the Capital Companies Law.

Likewise, at the proposal of the Nominating and Compensation Commission, the Board of Directors will decide on the distribution of the amount mentioned in the previous paragraph among the Board members, taking account of the duties and responsibilities assigned to each director, whether or not they were members of Board committees and other objective circumstances deemed relevant.

Lastly, there is no fixed additional compensation for holding the position of Chairman of the Board of Directors. Neither are per diem allowances paid for attending meetings.

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

As stated in the preceding sections, at the approval date of this Report, the Compensation Policy approved at the last General Shareholders' Meeting is applicable. The part applicable to the fixed compensation of the CEO's compensation mix, which is likewise applicable to other executive directors, is as follows:

**(A) Fixed compensation**

(i) Fixed portion

The CEO will receive fixed cash compensation of 324,000 euros per year. This fixed salary may vary in each one of the periods 2021, 2022 and 2023 up to a maximum of 30,000 euros per year.

(ii) Contributions to pension and insurance systems

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



Item	Amount 2020	Upper limits for the periods 2021, 2022 & 2023 <sup>(1)</sup>
Contribution to a defined-contribution pension scheme	7% of 65,287.18 euros, plus 28% of the difference between his gross fixed annual compensation and 65,287.18 euros	7% of 65,287.18 euros, plus 28% of the difference between his gross fixed annual compensation and 65,287.18 euros
Insurance premiums covering death and disablement	€1,182.86	€2,000 euros
Life insurance premiums	€400,52	€550
Accident insurance premiums	€423.13 €	€550
Health insurance premiums	€3,000	€4,000

(iii) Liability insurance

The Company will take out liability insurance for the CEO.

As indicated, the fixed remuneration conditions approved for the two executive directors are framed within these guidelines, even the amounts being lower than those approved.

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

The Company has not awarded any compensation in kind to the directors in their capacity as such.

The compensation in kind that will be given to the executive directors in the current period are those described in the preceding section (ii) Contributions to pension and insurance systems, in relation to insurance premiums (life, health, disablement, accident, etc.) and (iii) Liability insurance.





In the event that, finally, a new Director Compensation Policy is proposed for the periods 2021, 2022 and 2023 to the General Shareholders' Meeting that is held this year, said amounts could be updated subsequent to the Meeting's approval.

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

As described above, the new Director Compensation Policy applicable to the years 2021, 2022 and 2023, which has been approved and is in force and does not differ significantly from the Policy applied in previous years, states that:

**(B) Variable compensation**

(i) Annual incentive

The Company may make a payment to the CEO for a variable annual incentive with a target of 60% of his gross annual salary. To calculate this incentive, a multiplying factor will be used, which may be lower or higher than 1, depending on the results of the business unit, the profit plan and the cash flow generated. To fix the final multiplying factor, the CEO's performance in respect of financial and non-financial objectives during the year will also be taken into account.

Payment will be made in the following year, after the annual financial statements have been approved by the Board of Directors.

(ii) Long-term incentive package – OWC shares

Since he is an executive of the Otis Worldwide Corporation ("OWC") group, the CEO may receive an annual long-term incentive package consisting of a OWC share-based compensation scheme. The purpose of this scheme is to reward OWC group executives who, because of their position, have significant management responsibilities and, through their effort and by attaining the forecast targets, contribute to the long-term success of the corporation and its subsidiaries, including the Company.

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

This type of compensation may include awarding the CEO different OWC share-based financial instruments (Stock Appreciation Rights, Performance Share Units, Restricted Stock Units and similar instruments).



The Policy states that the compensation system described for the CEO will likewise be applicable to any new executive director who joins the Company during the term the Policy is in force. Thus, the conditions described above are, at the date of issue of this report, applicable to both Mr Bernardo Calleja as the Executive Chairman of the Company and Mr Joao Penedo as the Company's CEO.

The variable compensation of both the executive directors for the current year will fall within the framework fixed by the aforementioned policy.

There is no maximum monetary sum in absolute terms.

- ***Main characteristics of long-term savings systems. Among other information, state the contingencies covered by the system, whether through defined contributions or benefits, the annual contribution that needs to be made to the defined contribution system, the benefits directors are entitled to in the event of defined benefit systems, the conditions under which economic rights are consolidated for directors and their compatibility with any other type of payment or severance pay as a result of the early termination or dismissal of the director, or deriving from the termination of the contractual relation, in the terms provided, between the company and the director.***

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

As described in preceding paragraphs, the new Director Compensation Policy applicable to the periods 2021 to 2023 provides for the Company to make the following contributions to pension and insurance schemes in favour of the CEO:

Item	Amount 2020	Upper limits for the periods 2021, 2022 & 2023 <sup>(1)</sup>
Contribution to a defined-contribution pension scheme	7% of 65,287.18 euros, plus 28% of the difference between his gross fixed annual compensation and 65,287.18 euros	7% of 65,287.18 euros, plus 28% of the difference between his gross fixed annual compensation and 65,287.18 euros

The Policy states that the compensation system described for the CEO will likewise be applicable to any new executive director who joins the Company during the term the Policy is in force. Thus, the conditions described above are, at the date of issue of this report,



applicable to both Mr Bernardo Calleja as the Executive Chairman of the Company and Mr Joao Penedo as the Company's CEO.

Notwithstanding the foregoing, the Board has considered revising the current Compensation Plan for the periods 2021, 2022 and 2023 in order to update certain aspects, such as the format and formula for pension contributions, taking account of the fact that there are now two executive directors, and likewise to update certain amounts applicable to insurance, etc. At any event, any change or proposal will be reviewed by the Nominating and Compensation Commission and submitted for the approval of the Board of Directors, in order to subsequently be proposed and approved at the General Shareholders' Meeting.

These contributions are indirectly linked to the performance of the executive directors, since they are linked to their annual compensation.

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

The particular conditions contained in the contracts of the executive directors were proposed by the Nominating and Compensation Commission on January 21, 2021 and approved by at least two thirds of the Board of Directors, in accordance with articles 249 and 529 *quindecies* of the Capital Companies Law. Likewise, their basic conditions were approved by the General Shareholders' Meeting in the Compensation Policy, given that the contracts comply with and fall within the framework of the Director Compensation Policy applicable for the periods 2021, 2022 and 2023, approved at the General Shareholders' Meeting held on June 16, 2020.

In the current contracts signed between the Company and the executive directors, there are no continuity or loyalty agreements that entitle the director to receive any kind of compensation.

In addition, regarding the details of the contract signed with Mr Bernardo Calleja Fernández as Executive Chairman on January 26, 2021:

- Exclusivity clause: there is an exclusivity clause, although it does not give the right to receive any sum in addition to those established as fixed or variable compensation;
- Indemnification in the event of early dismissal or termination by the Company: there are no clauses that establish the right to any indemnification in the event of dismissal or removal.
- Post-contractual non-competition clause: Mr Bernardo Calleja will have the right to receive, as compensation for the non-competition obligation, a gross sum equivalent to 12 monthly payments of the agreed fixed compensation that he has been receiving at the time the contract terminates, which will be settled in 24 equal monthly payments over the agreed term of the obligation, i.e. two years after finalization of his relationship with the group. The Company may cancel the non-competition obligation, in which case no amount will be payable for this item.



Lastly, in the contract signed between the Company and Mr Joao Penedo, as CEO, on January 26, 2021, regarding the aforementioned items:

- Exclusivity clause: there is an exclusivity clause, although it does not give the right to receive any sum in addition to those established as fixed or variable compensation;

- Indemnification in the event of early dismissal or termination by the Company: there is a clause that states that, in the event of dismissal or termination at the Company's wishes, Mr Penedo will be entitled to gross severance compensation equivalent to 45 days of compensation per year of service as from his appointment as CEO of the Company on January 26, 2021 until the date on which the contract terminates. Mr Penedo will not receive any severance compensation if the termination of the contract is due to a serious and wilful breach on the part of Mr Penedo of his obligations under the contract signed with the Company or the infringement by Mr Penedo of the law, the Bylaws of the Company, the Regulations of the General Shareholders' Meeting or Board of Directors, the Company's Internal Code of Conduct, or any regulations, policies or guidelines that may be applicable to Mr Penedo or approved by the Board of Directors or any competent body of the Company or the Otis Group. Likewise, neither will he be entitled to severance compensation in the event of death, retirement or a disability rating that prevents him from carrying out his duties for a period of longer than nine months.

- Post-contractual non-competition clause: Mr Penedo will have the right to receive, as compensation for the non-competition obligation, a gross sum equivalent to 12 monthly payments of the agreed fixed compensation that he has been receiving at the time the contract terminates, which will be settled in 24 equal monthly payments over the agreed term of the obligation, i.e. two years after finalization of his relationship with the group. The Company may cancel the non-competition obligation, in which case no amount will be payable for this item.

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

Further to the contents of the preceding paragraphs, this section adds the following information:

Term: indefinite (insofar as the executive directors continue to hold the position to which they have agreed).

Notice period: the director may terminate the contract at any time by notifying the Company in writing with at least three months' advance notice. If the notice obligation is not met, the executive director must indemnify the Company with a sum equivalent to the



gross fixed compensation he is receiving at the termination date of the contract corresponding to the shortfall in the notice period.

The rest of the conditions requested are described in the preceding section.

- 
- ***The nature and estimated amount of any other supplementary compensation accrued by directors in the year in progress in consideration for services rendered other than those inherent in the post.***

The Company does not pay supplementary amounts to the directors for services other than those inherent to the post.

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

At the date of issue of this report, there are no items of compensation other than those mentioned in the preceding sections and no sums have been paid to the directors in their capacity as such for the current year.

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

The Executive Chairman is likewise President of OTIS EMEA, in which respect he has signed an employment contract with Otis Elevator Worldwide, Srl, a company belonging to the Otis group, under which he is compensated for his services as an employee, which are totally unrelated to his position as Executive Chairman of the Company. Otis Elevator Worldwide Srl pays this compensation in full and, thus, it does not entail any cost for Zardoya Otis, S.A.



ZARDOYA OTIS, S.A.

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

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

The Ordinary General Shareholders' Meeting of June 16, 2020 approved a new Director Compensation Policy applicable to the periods 2021, 2022 and 2023, which does not differ significantly from the Policy approved by the General Meeting of May 24, 2107 to be applied in the years 2018, 2019 and 2020.

The Board of Directors is assessing the possibility that, at the proposal of the Nominating and Compensation Commission, it should submit a new Compensation Policy for the periods 2021, 2022 and 2023 to the Company's next Ordinary General Shareholders' Meeting. The new Policy would supplement and update the Policy approved at the last General Meeting, in order to introduce some changes derived from the appointment of Mr Bernardo Calleja as the Company's Executive Chairman and Mr Joao Penedo as the Company's CEO (notified on January 26, 2021, register No. 6776). It is planned for the Policy submitted for the approval of the next General Meeting to reflect the change in the number of executive directors, which has risen from one to two, and include some additional items of compensation that the executive directors could receive, as well as some technical or supplementary improvements. At any event, the Policy submitted for the approval of the next General Meeting is not expected to differ significantly from the one approved at the last Meeting.

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

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

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

At the 2020 General Shareholders' Meeting, the percentage of votes in favour of the resolution concerning the consultative vote on the Annual Director Compensation Report was 91.29% of the total shareholders present in person or by proxy. Therefore, taking the high percentage of votes in favour into account, the Company has continued to follow the path fixed by the principles of the Compensation Policy approved in 2017, which are maintained in the Compensation Policy approved at the General Meeting held on June 16, 2020, and has continued to comply strictly with the requirements and limits (established by law, in the Bylaws or internally) applicable to director compensation.



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

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

### **Compensation of directors in their capacity as such**

(A) The Ordinary General Meeting approves the maximum percentage share each year within the framework of the Bylaw-stipulated Compensation. In 2020, this maximum percentage share was 1.5% of the consolidated profit after tax up to a limit of 1% of the consolidated profit before tax. Said maximum percentage is below the upper limit fixed in the Bylaws and the Compensation Policy and was approved by the Ordinary General Shareholders' Meeting, notwithstanding the Board's powers to fix the exact amount to be paid below said limit, in accordance with Bylaws and the Compensation Policy.

Likewise, respecting the limits fixed by the Ordinary General Shareholders' Meeting, the Bylaw-stipulated Compensation and the Compensation Policy, the Board of Directors (at the proposal of the Nominating and Compensation Commission) decided, at its July 2020 meeting, to limit the total amount of the compensation to 683,333.34 euros for 2020, thus reducing the amounts in previous years due to the changes in the Board structure during the year.

At the same meeting, subsequent to a report in favour from the Nominating and Compensation Commission, the Board decided on the distribution of this compensation among the Company's directors, depending on the duties and responsibilities assigned to each director, whether or not they are members of Board committees, and other objective circumstance deemed relevant.

(B) In addition, at its July 2020 meeting, the Board of Directors decided to pay 433,333.34 euros on account of the compensation of the directors in their capacity as such for 2020 (after the end of the first semester of 2020), meeting the requirements fixed in the Compensation Policy.

Before the Board meeting, in accordance with the Compensation Policy, the Audit Committee confirmed and reported favourably to the Board of Directors on compliance with the Compensation Policy requirements for making payment on account of the compensation of the directors in their capacity as such.

### **Compensation of the Chief Executive Officer**

(A) Mr Bernardo Calleja Fernández, the Company's Chief Executive Officer and only executive director in 2020, received fixed compensation for carrying out executive duties.

This fixed compensation was 292,499.98 euros in 2020. This amount was lower than the 324,000 euros approved for the 2020 period by the Board of Directors, subsequent to a



favourable opinion from the Nominating and Compensation Commission within the framework of the Compensation Policy applicable to said period. The executive director voluntarily decided not to apply the salary increase during the period and his salary was even reduced during several months of the year. Likewise, in 2020, the Company contributed 77,009.43 euros to the defined-contribution pension plan taken out for Mr Bernardo Calleja Fernández.

These fixed compensation components observe the provisions of the Compensation Policy and the amounts were expressly approved by Board of Directors (at the proposal of the Nominating and Compensation Commission).

(B) The variable compensation of the Chief Executive Officer was approved by the Board of Directors (at the proposal of the Nominating and Compensation Commission). As stated, this variable compensation consisted of a cash sum of 240,000.00 euros.

In addition, the Chief Executive Officer may also be the beneficiary of the long-term OWC share-based incentive package. This share-based scheme is awarded annually, depending on individual performance and the attainment of objectives of the Company and OWC.

In 2020, an UTC share package, received from UTC, for an amount of 673,431.43 euros was released to the Chief Executive Officer, corresponding to packages granted in previous years.

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

The composition of the Board of Directors at the end of 2020 (57.14% of its members were proprietary directors) guarantees that the director compensation policy takes the results that should be obtained by the Company in the long term into account.

Thus, compensation of directors in their capacity as such had remained stable at 1,200,000 euros over recent years (well below the quantitative limit fixed in the Compensation Policy). As described above, the Board of Directors reduced that amount to 683,333.34 euros in 2020 as a result of the changes made to the Board of Directors in said year. This practice established by the Board of Directors has contributed -and contributes- to necessarily link director compensation with the Company's best long-term interests. Only the executive directors receive part of their compensation as variable items.





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

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

In 2020, the compensation of directors, both in their capacity as such and for performing executive duties, was structured in accordance with the framework contained in the Company's Bylaws, the Compensation Policy and the resolution of the Ordinary General Shareholders' Meeting under article 218 of the Capital Companies Law.

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

The individual fixed compensation of the Chief Executive Officer for his executive duties accrued in 2020 was calculated by applying the amounts approved by the Board of Directors at its March 2020 meeting (at the proposal of the Nominating and Compensation Commission), within the regulatory framework established by the Bylaws, the Compensation Policy and the contract signed between the Chief Executive Officer and the Company (which was approved in accordance with the requirements of the Capital Companies Law). Likewise, the Board of Directors, together with the Nominating and Compensation Commission, analyzed and verified that objectives (both financial and non-financial) had been met in order to determine the final amount of the executive director's variable compensation, including, but not limited to, compliance with the Company's regulatory and ethical rules and procedures, management and risk control rules and procedures, and rules and procedures for the safety of people in work processes.

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

	Number	% of total
<b>Votes cast</b>	335,909,141	71.40%

	Number	% of votes cast
<b>Votes against</b>	29,157,664	8.68%
<b>Votes in favour</b>	306,751,477	91.29%
<b>Abstentions</b>	118,042	0.04%



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

As described above, the compensation of directors in their capacity as such was 683,333.34 euros in 2020 as Bylaw-stipulated compensation (1,033,333.33 euros in 2019).

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

As stated in preceding sections, in the period ended November 30, 2020, there were no delegate bodies other than the Chief Executive Officer or directors other than Mr Bernardo Calleja Fernández, the Company's Chief Executive Officer, who had been assigned management duties.

The salary of the Chief Executive Officer for the period 2020 was approved by the Board of Directors at its March 2020 meeting. Said amount is in line with the Compensation Policy and, as stated above, did not vary substantially in comparison with the preceding year.

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

***In particular:***

***– Identify each one of the compensation plans that have determined the different types of variable compensation accrued by each of the directors in the year ended, including information on their scope, their date of approval, their date of incorporation, the periods of accrual and validity, the criteria used to evaluate performance and how this has affected the establishment of the variable amount accrued, as well as the measurement criteria used and the period necessary to be in a position to suitably measure all the conditions and criteria stipulated.***

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

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

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



In accordance with the Compensation Policy, the contract signed with the Company

Pursuant to the Compensation Policy and the contract signed with the Company and the resolution of the Board of Directors (at the proposal of the Nominating and Compensation Commission), Mr Bernardo Calleja Fernández, as the Company's Chief Executive Officer and only executive director, had received the following amounts as variable compensation components at the end of the 2020 period:

**a) Annual incentive with a target of 60% of the gross annual fixed salary**

Calculation of the annual incentive is based on a sum equivalent to 60% of the fixed compensation received by the executive director in the preceding year (in this case, the gross fixed compensation received by the executive director for 2019).

Subsequently, a multiplying factor (which may be higher or lower than 1) is applied to this sum, depending on the results of the business unit and calculated in accordance with the profit plan and cash flow generated. To calculate the final multiplying factor, not only the financial parameters described above are taken into account, but the executive director's compliance with the Company's regulatory and ethical rules and procedures during the year is also assessed.

In particular, the annual incentive paid in 2020 was 240,000 euros (195,000 in 2019), calculated on his gross fixed compensation at December 31, 2019, equivalent to 300,000 euros (292,000 euros at December 31, 2018). This represents a variable incentive of 80.00% in 2020 (66.8% in 2019), meaning a coefficient of 1.33 in 2020 (1.11 in 2019) applied to the target amount.

This variable compensation is payable in the following year after the annual financial statements have been approved by the Board of Directors.

**b) Long-term incentive package.** Mr Bernardo Calleja Fernández, since he is an OWC (formerly UTC) Group executive, may receive an annual long-term incentive package (share-based compensation scheme) from the Group. The purpose of this scheme is to reward executives holding positions with important management responsibilities who, through their effort and the attainment of the planned objectives, contribute to the long-term success of the OWC group entities and their subsidiaries, such as, for example, the Company in the present case. This scheme includes awarding different financial instruments (*Stock Appreciation Rights, Performance Share Units and/or Restricted Stock Units*) to the beneficiaries. The share-based schemes are awarded annually and depend on individual performance and the attainment of objectives of the Company and OWC.

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



In this respect, the valuation of the options awarded to Mr Bernardo Calleja Fernández in 2020 was 673,421.43 euros (389,979.49 euros in 2019), applying the following measurement criteria:

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

For the totality of the Company's directors, the long-term OWC (formerly UTC) incentive scheme, represented a sum of 673,431.43 euros in 2020 (389,979.49 euros in 2019), since the only director benefiting from said scheme was Mr Bernardo Calleja Fernández.

Payment of variable compensation takes account of whether the executive director has complied with the Company's regulatory and ethical rules and procedures, management and risk control rules and procedures, and rules and procedures for the safety of people in work processes. In the event of any incident in the areas of the Company's safety, regulatory control or ethics, the Company (through the Board of Directors) reserves the right to reduce the executive director's variable compensation or, in very serious cases, to eliminate it.

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

None of the situations mentioned in this section arose in 2020

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

As mentioned above, the Company makes a contribution to the defined-contribution pension plan (savings policy) in favour of the executive director Mr Bernardo Calleja Fernández, the amount of which was 77,009.69 euros in 2020 and 70,344.32 euros in 2019.

In this respect, the contribution for the pension commitment is drawn up in a defined-contribution pension insurance policy, where the Company makes an annual contribution in November, which, for the 2020 period, was calculated in two portions: (i) a first portion of 4,570.10 euros, equivalent to 7% of 65,287.18 euros, plus (ii) a second portion of 72,439.59 euros, calculated by applying 28% to the difference between Mr Bernardo Calleja Fernández's



gross fixed annual compensation at the contribution date and 65,287.18 euros (amount updated by the insurance company at the payment date of the policy contribution).

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

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

The Company did not make any payments for the items mentioned in this section in 2020.

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

No significant changes took place in 2020 in the contract of Mr Bernardo Calleja Fernández, the Company's Chief Executive Officer), who was the Company's only executive director during the period.

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

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

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

The Company's Board of Directors agreed to make an advance payment on account of the compensation of the directors in their capacity as such for a sum of 433,333.34 euros at the end of the first six months of 2020 (the total had been fixed at 683,333.34 euros). Before this was approved, in accordance with the Compensation Policy, the Audit Committee reported to the Board of Directors in favour of said advance payment, confirming the following in its report:

- (a) The amount of the compensation on account was lower than 1.5% of the consolidated profit after tax and 1% of the consolidated profit before tax for the first semester of 2020 and that sufficient funds were available at said date to make this payment.
- (b) In the latest statement of financial position, dated November 30, 2019, the needs of the legal reserve and the Bylaw-stipulated reserve had been fully covered; and.



- (c) At the meeting of the Board of Directors held on March 19, 2020, payment of the first interim dividend charged to the 2020 profit was approved for a gross amount of 0.08 euros per share with a par value of 0.10 euros, which was paid on April 9, 2020.

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

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

The directors have not accrued any compensation in kind except for (i) the contribution to the savings policy (defined-contribution pension plan) in favour of the Chief Executive Officer described in this report, the 2020 contribution to which totalled 77,009.69 euros, and (ii) the Chief Executive Officer's long-term incentive package due to his group executive status. In 2020, he received share options for a value of 673,431.43 euros.

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

The natural person proprietary directors appointed at the proposal of Alder Holdings, S.A.A. (a company belonging to the Otis Worldwide Corporation Group (OWC group), i.e. Mr Patrick Martin, Mr Richard Markus Eubanks, Ms Stacy Petrosky and Ms Robin Fiala, did not receive any compensation as directors in their capacity as such. Otis Elevator Company, likewise a proprietary director, received 341,666.67 euros on their behalf in 2020 (517,000 euros in 2019).

This is because it is the policy of the Otis Worldwide Corporation (OWC) group (to which the companies Otis Elevator Company and Alter Holdings, S.A.S. belong) for directors of companies belonging to the group appointed at its proposal not to receive any compensation. Furthermore, no OWC group company pays said compensation to the proprietary directors subsequently, although they are remunerated in line with their post and responsibilities.

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

As an exception to the situation described in the preceding part, Mr Patrick Martin, a proprietary director appointed at the proposal of United Technologies Holdings, S.A.S. in 2018, who held office until May 8, 2020, did receive compensation from the Company. Notwithstanding, this compensation was reimbursed to the Company by Otis Elevator Worldwide Sprl (also belonging to the OWC group) under the agreement signed between the Company and Otis Elevator Worldwide Sprl (to the extent that this compensation was paid to Mr Patrick Martin for his executive duties in Otis Elevator Worldwide Sprl). This reimbursable compensation received by Mr Patrick Martin was 266,429 euros (taking into account only the cash compensation paid by the Company) in 2020 until May 8, 2020, when he resigned from his seat on the Company's Board.

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

Name	Type	Accrual period year 2020
OTIS ELEVATOR COMPANY	Proprietary	From 12/01/2019 to 11/30/2020
EURO-SYNS S.A.	Proprietary	From 12/01/2019 to 11/30/2020
MR ALBERTO ZARDOYA ARANA	Proprietary	From 12/01/2019 to 05/08/2020
MR JOSE MARIA LOIZAGA VIGURI	Other external (Deputy Chair)	From 12/01/2019 to 02/23/2020
MR BERNARDO CALLEJA FERNANDEZ	Executive (Chairman)	From 12/01/2019 to 11/30/2020
MS ROBIN FIALA	Proprietary	From 12/01/2019 to 11/30/2020
MR JOSE MIGUEL ANDRES TORRECILLAS	Independent	From 12/01/2019 to 11/30/2020
MS EVA CASTILLO SANZ	Independent	From 12/01/2019 to 11/30/2020
MS STACY PETROSKY	Proprietary	From 12/01/2019 to 11/30/2020
MR MARK EUBANKS	Proprietary	From 12/01/2019 to 05/08/2020
MR PATRICK MARTIN	Proprietary	From 12/01/2019 to 05/08/2020

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

Compensation from the reporting company:

(i) Compensation in cash (thousand euros):

Name	Fixed compensation	Per diem allowances	Compensation for membership of Board committees	Salary	Short-term variable compensation	Long-term variable compensation	Severance pay	Other items	Total F.Y. 2020	Total F.Y. 2019
EURO-SYNS S.A.	0	0	0	0	0	0	0	50	50	50
MR MARIO ABAJO GARCIA	0	0	0	0	0	0	0	0	0	67
MR JOSE MARIA LOIZAGA VIGURI	0	0	0	0	0	0	0	67	67	200
OTIS ELEVATOR COMPANY	0	0	0	0	0	0	0	342	342	517
MR ALBERTO ZARDOYA ARANA	0	0	0	0	0	0	0	25	25	50
MR JOSE MIGUEL ANDRES TORRECILLAS	0	0	0	0	0	0	0	100	100	100
MS EVA CASTILLO SANZ	0	0	0	0	0	0	0	100	100	50
MR BERNARDO CALLEJA FERNANDEZ	293	0	0	0	240	0	0	77	610	562
MR PATRICK MARTIN (*)	0	0	0	0	0	0	0	266	266	422



Remarks
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When preparing the table, the following was taken into account:

- (i) Compensation of directors in their capacity as such, regulated in the Bylaw-stipulated Compensation and the Compensation Policy (i.e. a share of 1.5% of the consolidated profit after tax with an upper limit of 1% of the consolidated profit) cannot be considered “short-term variable compensation”. The CNMV’s criterion is that variable compensation should be restricted to compensation items linked to the director’s individual performance. Consequently, this compensation is included as “other items”.
- (ii) The natural person proprietary directors appointed at the proposal of Alder Holdings, S.A.S. (a company belonging to the Otis Worldwide Corporation group (OWC group), i.e. Mr Patrick Martin, Mr Richard Markus Eubanks, Ms Stacy Petrosky and Ms Robin Fiala, did not receive any compensation as directors in their capacity as such. Otis Elevator Company, likewise a proprietary director, received it on their behalf for an amount of 341,666.67 euros in 2020 (517,000 euros in 2019).
- (iii) (\*) This compensation relates to compensation as an executive of the company Otis Elevator Worldwide Sprl (a company belonging to the group of the Company’s majority shareholder). The amounts paid by the Company are reimbursed to the Company by Otis Elevator Worldwide Sprl through the contract signed with said Company. The above amounts relate to the accrual period from 12-01-2019 to 05-08-2020, on which date Mr Patrick Martin left his position on the Board of Zardoya Otis, S.A.

(ii) Share-based compensation systems:

Name	Name of plan	Financial instruments at beginning of 2020		Financial instruments awarded during 2020		Financial instruments consolidated during the year				Instruments matured but not exercised	Instruments at end of 2020	
		No. instruments	No. equivalent shares	No. instruments	No. equivalent shares	No. instruments	No. equivalent / consolidated shares	Price of consolidated shares	Gross profit on consolidated shares or financial instruments (thousand €)	No. instruments	No. instruments	No. equivalent shares
MR BERNARDO CALLEJA FERNANDEZ	Plan A 2017*	5,200	5,200			5,200	5,200	153,35	198	0	0	0
MR BERNARDO CALLEJA FERNANDEZ	Plan B 2017*	3,116	3,116			3,116	3,398	156,55	475	0	0	0
MR BERNARDO CALLEJA FERNANDEZ	Plan A 2018*	5,050	5,050							0	5,500	5,500
MR BERNARDO CALLEJA FERNANDEZ	Plan B 2018*	2,752	2,752							0	2,752	2,752
MR BERNARDO CALLEJA FERNANDEZ	Plan A 2019*	11,100	11,100							0	11,100	11,100
MR BERNARDO CALLEJA FERNANDEZ	Plan B 2019*	2,029	2,029							0	2,029	2,029
MR BERNARDO CALLEJA FERNANDEZ	Plan A 2020*			16,817	16,817					0	16,817	16,817
MR BERNARDO CALLEJA FERNANDEZ	Plan B 2020*			3,032	3,032					0	3,032	3,032
MR BERNARDO CALLEJA FERNANDEZ	Plan C 2020**			14,875	14,875					0	14,875	14,875

(\*) Plan originally awarded by UTC on UTC shares.

(\*\*) Plan awarded by OWC on OWC shares.

(iii) Long-term savings systems:

Name	Compensation from consolidation of rights to savings system (thousand €)	
	F.Y. 2020	F.Y. 2019
MR BERNARDO CALLEJA FERNANDEZ	77	70

Name	Compensation from consolidation of rights to savings system
MR BERNARDO CALLEJA FERNANDEZ	77

Name	Contribution over the year from the company (thousand €) with unconsolidated economic rights		Amount of accumulated funds (thousand €) with unconsolidated economic rights	
	F.Y. 2020	F.Y. 2019	F.Y. 2020	F.Y. 2019
MR BERNARDO CALLEJA FERNANDEZ	77	70	768	680

(iv) Details of other items

**N/A**

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

(i) Compensation in cash (thousand €)

Name	Fixed compensation	Per diem allowances	Compensation for membership of Board committees	Salary	Short-term variable compensation	Long-term variable compensation	Severance pay	Other items	Total 2020	Total 2019
EURO-SYNS S.A.	0	0	0	0	0	0	0	0	0	0
MR BERNARDO CALLEJA FERNANDEZ	0	0	0	0	0	0	0	0	0	0
MR JOSE MARIA LOIZAGA VIGURI	0	0	0	0	0	0	0	0	0	0
MR ALBERTO ZARDOYA ARANA	0	0	0	0	0	0	0	0	0	0
OTIS ELEVATOR COMPANY	0	0	0	0	0	0	0	0	0	0
MR JOSE MIGUEL ANDRES TORRECILLAS	0	0	0	0	0	0	0	0	0	0
MS EVA CASTILLO SANZ	0	0	0	0	0	0	0	0	0	0
MS ROBIN FIALA	0	0	0	0	0	0	0	0	0	0
MR MARK EUBANKS	0	0	0	0	0	0	0	0	0	0
MR PATRICK MARTIN	0	0	0	0	0	0	0	0	0	0
MS STACY PETROSKY	0	0	0	0	0	0	0	0	0	0

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

N/A



(iii) Long-term savings systems

**N/A**

(iv) Details of other items

**N/A**

c) Summary of compensation (thousand €):

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

Name	Compensation accrued in the Company					Compensation accrued in group companies					
	Total cash compensation	Gross profit from consolidated shares or instruments	Compensation through savings systems	Other items	Total F.Y. 2020	Total cash compensation	Amount of shares allocated	Gross profit from options exercised	Total F.Y. 2020	Total F.Y. 2020	Total F.Y. 2019
MR BERNARDO CALLEJA FERNANDEZ	533	673	77	0	1,283	0	0	0	0	1,283	952
MR JOSE MARIA LOIZAGA VIGURI	67	0	0	0	67	0	0	0	0	67	200
MR ALBERTO ZARDOYA ARANA	25	0	0	0	25	0	0	0	0	25	50
EURO-SYNS S.A.	50	0	0	0	50	0	0	0	0	50	50
MR MARIO ABAJO GARCIA	0	0	0	0	0	0	0	0	0	0	67
OTIS ELEVATOR COMPANY	342	0	0	0	342	0	0	0	0	342	517
MR ANDRES TORRECILLAS, JOSE MIGUEL	100	0	0	0	100	0	0	0	0	100	100
MS EVA CASTILLO SANZ	100	0	0	0	100	0	0	0	0	100	50
MR PATRICK MARTIN (*)	266	286	0	0	552	0	0	0	0	552	591
<b>TOTAL</b>	<b>1,483</b>	<b>959</b>	<b>77</b>	<b>0</b>	<b>2,519</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,519</b>	<b>2,577</b>

(\*) This compensation relates to compensation as an executive of the company Otis Elevator Worldwide Sprl (a company belonging to the group of the Company's majority shareholder). The amounts paid by the Company are reimbursed to the Company by Otis Elevator Worldwide Sprl through a contract signed with said company. The above amounts accrued in the period 12-01-2019 to 05-08-2020, the date on which Mr Patrick Martin left his post on the Board of Zardoya Otis, S.A.



## D. OTHER INFORMATION OF INTEREST

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

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This annual compensation report was approved by the Company's Board of Directors at its meeting of February 23, 2021.

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

Yes [ ]

No [X]

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

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# General Shareholders' Meeting 2021

\* \* \* \* \*

Audit Committee Report on the Independence of the external auditor

**OTIS**  
ZARDOYA OTIS, S.A.



**AUDIT COMMITTEE'S REPORT**  
**ON THE INDEPENDENCE OF THE EXTERNAL AUDITOR**

**FEBRUARY 23<sup>TH</sup>, 2021**

**Purpose of the report**

The Audit Committee of Zardoya Otis, S.A. (the “**Company**”) issues this report, prior to the audit report on the annual financial statements for the period ended November 30, 2020, in order to express its opinion on the independence of the Company’s account auditor, in accordance with article 529 *quaterdecies*, 4.f) of Royal Legislative Decree 1/2010 of July 2, whereby the Revised Text of the Capital Companies Law was approved (the “**Capital Companies Law**”), the Regulations of the Company’s Board of Directors, article 12 A) 2 (f) (v) and paragraph 1 b) (ii) of Article 14 of the Audit Committee Regulations.

The auditor to which this report refers is PricewaterhouseCoopers Auditores S.L., with registered office in Madrid, Paseo de la Castellana 259B, Torre PwC, and tax identification No. B-790312909 (the “**Auditor**”). It has been the Company’s external account auditor for more than 30 years, as stated in the Company’s 2020 Annual Corporate Governance Report.

In order to properly assess whether the Auditor meets the conditions for independence, the Committee will apply its internal regulations, as well as the Independence guidelines and rules on incompatibility set out in Law 22/2015 of July 20 on account auditing (the “**Account Auditing Law**”), and Royal Decree 1517/2011 of October 31, whereby the Implementing Regulations of the Account Auditing Law (amended by Royal Decree 877/2015 of October 2) were approved (the “**Account Auditing Regulations**”).

**Information obtained on the Auditor’s independence**

Written communication from the Auditor

Prior to issuing this report, in accordance with the Capital Companies Law, article 529 *quindecies*, 4.e), the Regulations of the Board of Directors, article 12 A) 2 (f), and the Regulations of the Audit Committee, article 14, the Committee has had the appropriate contacts with the external auditor in order to receive information on any questions that might place its independence at risk and any other matters related to the audit process.

With the framework of these contacts, the Audit Committee has received a written statement in which the Auditor states its independence in relation to the Company or companies that are directly or indirectly related to the latter. Furthermore, the statement provides details of additional services of any nature provided by the Auditor to the Company and its Group. Said statement is attached hereto as Exhibit 1.

**Services rendered**

Details of additional services of any nature provided by the Auditor to the Company and its Group in 2020 are set forth below:

- Report on the limited review of the condensed consolidated interim financial statements for the six-month period ended May 31, 2020.
- Auditor’s report on the information relating to the Internal Control System (SCIIF) for 2020.
- Advice on the preparation of transfer pricing documentation.

Apart from said services, neither the Company nor its Group engaged entities belonging to the

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Auditor's group to perform any legal, accounting, outsourcing, consulting, transaction management or financial advisory services or services of any other nature

The Audit Committee states that the additional services provided by the Auditor are not included in the services prohibited under the Accounting Auditing Law and, therefore, they are not services that mean that the Auditor is affected by any of the causes for incompatibility set forth in the Account Auditing Law, articles 16 et seq.

#### Auditor's fees

The Auditor has billed the Group of which the Company is the parent the total sum of 433,291 euros for auditing and other services, 59,325 euros of which related to other services. Said sum was fixed before the Auditor commenced its activity and covered the entire period for which said activity was to be performed. Furthermore, said fees are not influenced or determined by the provision of additional services and are not based on any contingencies or conditions other than changes in the circumstances that served as a basis for fixing the fees, all of which is in accordance with the Account Auditing Law, article 24.

The billing for the entirety of the services provided to the Company and its Group does not account for more than 15 percent of the Auditor's annual revenue, based on the average for the last three years. Therefore, the fees received by the Auditor cannot be deemed to be significant for the purposes of the Account Auditing Law, articles 25 and 41, or the Account Auditing Regulations, article 46.8.

#### Engagement conditions

Regarding the engagement conditions set forth in the Account Auditing Law, article 40, given that the Company's net revenue is higher than 50 million euros, the Audit Committee has verified that the obligation for the audit partner signing the financial statements to rotate has been met.

#### **Opinion on the Independence of the Company's Auditor**

From the information obtained through the aforementioned actions and communication channels, we have not identified any aspects that place in doubt compliance with current account auditing legislation in Spain in respect of the rules on Auditor independence and, in particular, we confirm the Auditor's independence because the following factors exist:

- The Auditor has provided written confirmation of its Independence in relation to the Company and/or companies directly or indirectly related to the latter.
- Additional services provided by the Auditor to the Company are not included among the services prohibited under the Account Auditing Law and, therefore, are not services that mean that the Auditor is affected by any cause for incompatibility.
- The fees for the audit services are fixed by the Auditor before it begins its duties and are fixed for the whole period for which said duties will be performed. Furthermore, the fees are not influenced or determined by the provision of additional services and neither are they based on contingencies or conditions other than changes in the circumstances that served as a basis for fixing the fees.
- The fees for the services provided do not account for more than 15 percent of the Auditor's total annual revenue and, therefore, cannot be deemed to be significant fees for the purposes of the Account Auditing Law.
- Compliance with the obligation for the audit partner signing the financial statements to rotate has been verified.

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## EXHIBIT 1

## Written declaration from External Auditor



23 February 2021

Zardoya Otis, S.A.  
Golfo de Salónica, 73  
Madrid

Addressed to the Audit Committee

To whom it may concern:

As of 16 June 2020 we were appointed as the financial statement auditors of Zardoya Otis, S.A. and subsidiaries for the consolidated and individual financial statement year ending 30 November 2020.

Considering our appointment as auditors, and in accordance to the requirement stated in the Spanish Technical Audit Standard (Norma Técnica de Auditoría (NTA-ES)) no. 260 (Reviewed) "Communication to the Head Management Team of the Company" ("Comunicación con los responsables del gobierno de la entidad") for Public Interest Entities (PIE), the provision on the standards of auditing as defined in Article 15 of the Royal Decree 1517/2011, of 31 October, (modified by the Royal Decree 877/2015, of 2 October) approved by the Regulation derived from the Consolidated Text of the Spanish Auditing Law, and considering the terms established in Article 529 quaterdeciesm.4.e of the Consolidated Text of the Law on Corporations (TRLSC) approved by the Royal Legislative Decree 1/2010, of 2 July, modified by fourth final provision of Law 22/2015, of 20 July, on Audit Law (LAC) we confirm that:

- The audit engagement team, the audit firm, as well as other personnel of the audit firm and, when applicable, other firms within the network with any relevant extensions, has complied with the applicable independence requirements established in the Spanish Audit Law (LAC) and Regulation (EU) 537/2014, of 16 April.
- Hereafter, we include the details of the fees charged to the entity and the components that it controls, broken down by concept, such as audit services and other types of services, during the fiscal year ending 30 November 2020 of the audit firm and, if necessary, other firms in the network, in order to facilitate your evaluation of our independence framework:

**1) Audit services and related:**

Audit of individual financial statements of Zardoya Otis, S.A.	59,732
Audit of individual financial statements of subsidiaries	125,295
Audit of consolidated financial statements	129,144
Audit services in Gibraltar	15,434
Audit services in Portugal	32,200
Audit services in Morocco	12,161
Interim consolidated financial statements report	39,500
Internal Control and Risk Management Systems report	9,075
<b>Total audit services and related</b>	<b>422,541</b>

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España  
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es

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R. M. Madrid. IISJA 27.120-1, IISJA 75, IISJA 9.267, IISJA 9.604, sección 3ª  
Inscrita en el R. O. A. C. con el número 50242 - CIF B-79 031290

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2) Non audit services:

Transfer pricing services	<u>10.750</u>
<b>Total non audit services</b>	<b><u>10,075</u></b>

- Audit firm has implemented policies and designed internal procedures to guarantee a reasonable certainty that the auditors, audit firm and its personnel, as well as other people subject to independence requirements (including those working in other network firms), maintain their independence when required by the current normative. These procedures are also aimed at identifying and evaluating possible threats in relation to the audit entities, including those circumstances that may cause an incompatibility and/or those that might require the application of necessary and acceptable low-level safeguards.

In this case, in accordance to our professional judgment, and in relation to the mentioned audit, we haven't identified any circumstance, individually or as a whole, that can pose a significant threat to our independence or that may cause any incompatibility. No safeguards are required.

This confirmation has been exclusively prepared only for the addressees of this letter and as a result it should not be distributed or used for any other purpose.

Sincerely yours,

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Rafael Pérez Guerra

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# General Shareholders' Meeting 2021

\* \* \* \* \*

Report on the operation of the Audit Committee on the reporting period ended November 30, 2019

**OTIS**  
ZARDOYA OTIS, S.A.

## ZARDOYA OTIS S.A.

### REPORT ON THE OPERATION OF THE AUDIT COMMITTEE IN THE REPORTING PERIOD ENDED NOVEMBER 30, 2020

4.6

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#### 1. Introduction

The purpose of this report is to review the evolution of the Audit Committee of Zardoya Otis, S.A. (the "**Company**") and the composition, duties and operation thereof, as well as to provide a summary of its actions in the 2020 reporting period.

#### 2. Formation and evolution of the Audit Committee

The Audit Committee was created by means of a resolution passed by the Board of Directors at its meeting held on March 26, 2003 and its first meeting was held on May 27, 2003.

Law 12/2010 of June 30, on Account Auditing, introduced, among other changes that were relevant to the Company, a reform of points 2 and 4 of the Nineteenth Additional Provision of Law 24/1988 of July 28, the Securities Market Law. This amendment established that at least one of the members of the Audit Committee should be an independent and defined the functions to be performed by the Audit Committee with greater precision, especially in order to ensure the independence of the external account auditors.

As a consequence of the foregoing, at its meeting of July 28, 2010, the Board of Directors unanimously passed a resolution to amend the Regulations of the Board of Directors, in particular, article 12. At the General Shareholders' Meeting held on May 23, 2011, the scope of the reform of the Regulations of the Company's Board of Directors was explained.

The General Shareholders' Meeting held on May 24, 2012 approved a new revised text of the Bylaws, which sought to update and make technical improvements to how the Company operated and its organizational structure, including the regulations of the Audit Committee.

Likewise, as a consequence of the new developments in the legislation introduced by Law 31/2014 of December 3, which amended the Capital Companies Law in order to improve corporate governance, the Ordinary General Shareholders' Meeting held on May 26, 2015 approved the amendment of certain articles of the Bylaws. Furthermore, in the same year,

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the Board of Directors passed a resolution to amend the Regulations of the Board of Directors.

The new regulations stated that at least two members of the Audit Committee should be independents and at least one of them should be appointed taking his/her knowledge and experience in accounting, audit or both into account. In consequence, taking into account the fact that there was only one independent director on the Audit Committee at that time, subsequent to a proposal and report in favour from the Nominating and Compensation Commission, the Board of Directors unanimously passed a resolution on their meeting on June 3<sup>rd</sup>, 2015, to appoint a new independent director as a new member of the Audit Committee and the new Chairman of said Committee. Thus, the number of independent directors on the Audit Committee increased to two.

As a consequence of the National Securities Market Commission's publication of the Good Governance Code of Listed Companies on February 18, 2015, the Ordinary General Shareholders' Meeting held on May 19, 2016 passed a resolution to amend several articles of the Bylaws, the Regulations of the General Shareholders' Meeting and the Regulations of the Board of Directors, in order to introduce some of the recommendations contained in said Good Governance Code. An example of these recommendations was that the members of the Audit Committee should be designated taking their knowledge and experience in accounting, auditing or both into account (included as article 12 (A) 1 of the Regulations of the Board of Directors and article 7 of the new Audit Committee Regulations).

Likewise, the fourth final provision of the new Account Auditing Law contained the amendment of the Capital Companies Law and affected, among other questions, article 529 quaterdecies of the Capital Companies Law, which refers to the Audit Committee. So, consequently, the General Shareholders' Meeting on its meeting held on May 19<sup>th</sup>, 2016, amended article 24 (bis) of the Bylaws regarding the composition of the Audit Committee to state that: (i) the Audit Committee will be formed by three members; (ii) a majority of its members must be independent; and (iii) the members, overall, must have the relevant technical knowledge in relation to the sector of activity in which the Company operates.

Likewise, at its meeting held on October 9, 2018, the Board of Directors approved the new Regulations of the Company's Audit Committee, with the previous favourable report by the Audit Committee on the same date. This new Regulation of the Audit Committee was approved by the Board of Directors after an in-depth analysis of the Technical Guide 3/2017 on Audit Commissions in Public Interest Entities (published by the CNMV on its website on June 27, 2017) and after several months of work by the Audit Committee in the preparation of a proposal. The Regulations of the Audit Committee include the recommendations included in Technical Guide 3/2017, detailing the functions and responsibilities already included in the Regulations of the Board of Directors with respect to the Audit Committee.

### **3. Composition of the Audit Committee**

The composition of the Committee as of November 30, 2020 was as follows:

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#### Chairperson

Ms Eva Castillo (Independent)

#### Deputy Chairperson

Mr José Miguel Andrés Torrecillas (Independent)

#### Member

Ms Stacy Petrosky (Proprietary)

#### Secretary (non-member)

Ms Lorea Garcia Jauregui (non-director)

### **4. Operation and duties**

The internal operation of the Audit Committee and its duties are governed by article 24 (bis) of the revised text of the Bylaws and by the provisions of article 12 A) of the Regulations of the Board of Directors and the Regulations of the Audit Committee. Bylaws, Regulations of the Board of Directors and Regulations of the Audit Committee are available on the Company's website.

### **5. Summary of the activities carried out in the fiscal year 2020 reporting period**

In 2020, the Audit Committee performed the functions entrusted to it and had the information and documentation it deemed necessary in this respect at its disposal.

Furthermore, the person/s the Committee Chairman saw fit attended and participated in the meetings, among them: the head of Internal Audit and Internal Control (who reports directly to the Committee Chairman); the Chief Financial Officer, the Safety Manager, the Systems Manager and the Ethics and Compliance Officer (ECO). Likewise, the Committee Chairman requested the presence of the Partner and Manager of the external auditor, PricewaterhouseCoopers, at several meetings (at least when the half-yearly accounts were prepared and when the annual accounts were closed).

The Company's Audit Committee considers that it has sufficient means to comply with the requirements of the legislation currently in force and enjoys the support of the Secretary of the Audit Committee and Board of Directors, as well as the legal counsel to the Board, both of whom are responsible for ensuring the legality of the resolutions, decisions and deliberations that are adopted or take place at Audit Committee meetings.

In 2020, the Audit Committee held eight (8) meetings, and they deliberated on and reported in favour of the following items -among others- to the Board of Directors:

1. Report on the payment of quarterly interim dividends charged to the profit for the period.
2. Internal control:

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- Monitoring of the effectiveness of internal audit and risk control management:

The Audit Committee must review the work and activities of the internal audit service and risk control systems. For this purpose, the head of Internal Audit and Internal Control, the CFO and the Controller attended the Audit Committee meetings and presented the compliance status of the 2020 Internal Control Plan and the results of the internal audits conducted, the areas of special emphasis, the risks noted and the corrective measures adopted, as well as the proposal for the 2021 Internal Control Plan.

Likewise, the Audit Committee approved the 2020 budget for the Internal Audit Department.

- Process audit:

The Audit Committee also considered it advisable to conduct a process audit for 2020, a practice that commenced in the Zardoya Otis Group in 2004. This rule is very demanding in assessing the Group's internal control system using documentation on the processes and repetitive evidence of how they operate, in such a way as to ensure that the Company's assets, liabilities and commitments are measured correctly.

- Review of IT security controls in the Company's information systems and cybersecurity measures.
- Review of the performance of the whistleblowing channels implemented by the Company as well as monitoring of the plans and actions carried out during the year by the Ethics and Compliance Officer (ECO).
- Proposal of appointment of the Internal Audit responsible.

### 3. Corporate policies

The Audit Committee examined and studied the Company's corporate policies (i.e. corporate social responsibility policy, fiscal and investment, as well as financial among others). In particular, the Audit Committee also reviewed along the year all the activities held during the year in order to communicate, train and be compliant with the Internal Code of Conduct as well as within the Criminal Prevention Policy. Likewise, the Audit committee reported favourable regarding the proposal of amendment of the Criminal Prevention Policy.

4. Evaluation of the Audit Committee and review on the action plan decided to improve the performance for of the Audit Committee.
5. Report on the on the operation of the audit committee in the reporting period ended November 30, 2019.
6. Evaluation and report on M+A and treasury stock operations.
7. Regular information to the National Securities Market Commission (CNMV).
8. Annual closure of accounts, review of the financial statements, the Non-financial information, the Annual Corporate Governance Report, review of the internal control system for financial information (SCIIF).

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9. Proposal of appointment of an independent expert to verify the Non-financial information (EINF) for fiscal year 2019.

10. Report on the management objectives, 2021 annual budget and strategic plan.

11. Reports and timely monitoring of the actions to be carried out by the Company to minimize the consequences derived from the general situation created by COVID-19 and legal regulations to manage the sanitary crisis: analysis, impact and action plans.

12. External audit

– Monitoring of the audit work in relation to the individual and consolidated annual accounts for 2020.

– Review, with the external auditor (PriceWaterhouseCoopers), of the report that was requested from the latter for various years in relation to the requirements for Internal Controls and Risk Management Systems, as set out in the contents of the Annual Corporate Governance Report.

– Meeting between the Committee members and the Partner and Manager of the external auditor, PwC.

– Review of the transactions for all items that took place between the external auditor and the Otis/UTC Group.

– Review, with the account auditors, of the possible significant weaknesses noted in the internal control system in the course of the audit, ensuring that the auditors' independence was not impaired. The SCIIF review report was issued with no exceptions.

– Proposal for appointment and report on external audit firm independence for 2020 and review of fees proposal.

– Selection process to hire a new auditor firm for the Company and its consolidated group for years 2021, 2022 and 2023. Appointment and report on new external audit firm independence. Report and approval of new auditors fees.

12. Related transactions

Related transactions and situations where a potential conflict of interest might exist were reviewed.

Approved by the Audit Committee in Madrid on February 23, 2021

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

4.7

# General Shareholders' Meeting 2021

\* \* \* \* \*

Report on the operation of the Nominating and Compensation Commission  
on the reporting period ended November 30, 2019

**OTIS**  
ZARDOYA OTIS, S.A.

## ZARDOYA OTIS S.A.

### REPORT ON THE OPERATION OF THE NOMINATING AND COMPENSATION COMMISSION IN THE REPORTING PERIOD ENDED NOVEMBER 30, 2020

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4.7

#### 1. Introduction

The purpose of this report is to review the evolution of the Nominating and Compensation Commission of Zardoya Otis, S.A. (the "**Company**") and the composition, duties and operation thereof, as well as to provide a summary of its actions in the 2020 reporting period.

#### 2. Formation and evolution of the Nominating and Compensation Commission

At its meeting of July 28, 2010, the Board of Directors was informed of the changes contained in the new Law 12/2010 of June 30 on Account Auditing. This amendment introduced a new feature that had to be included in the Regulations of the Company's Board of Directors, which was that at least one of the members of the Audit Committee had to be an independent.

In addition, the Unified Good Governance Code of 22<sup>nd</sup> May 2006 expressly stated that companies could not classify a director who did not meet the minimum conditions established by said Unified Code as "independent", i.e. directors who *"had not been proposed for either appointment or renewal by the Nominating Commission"* could not be classified as independents. Consequently, although none of the provisions of the Law expressly made the Nominating Commission mandatory (unlike the Audit Committee), the need to have a Nominating Commission derived indirectly from the new legal requirement for at least one independent director to form part of it.

As a consequence of the foregoing, the Board of Directors decided to create the Nominating and Compensation Commission, which held its first meeting on September 8, 2010.

The General Shareholders' Meeting held on May 24, 2012 approved a new revised text of the Bylaws, which sought to update and make technical improvements to how the Company operated and its organizational structure.

Likewise, as a consequence of the new developments in the legislation introduced by Law 31/2014 of December 3, which amended the Capital Companies Law in order to improve corporate governance, the Ordinary General Shareholders' Meeting held on May 26, 2015 approved the amendment of certain articles of the Bylaws, including the new article 24 (ter)

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which regulated the composition, competences and performance of the Nominating and Compensations Commission. Furthermore, in the same year, the Board of Directors passed a resolution to amend the Regulations of the Board of Directors accordingly.

Article 529 quaterdecies of Royal Legislative Decree 1/2010 of July 2, whereby the revised text of the Capital Companies Law (the “Capital Companies Law”) was approved, article 24 bis of the Company’s Bylaws and article 12 of the Regulations of the Company’s Board of Directors establish that *“the Nominating and Compensation Commission will be formed solely by non-executive directors appointed by the Board of Directors, at least two of whom must be independent directors. The chairman of the Nominating and Compensation Commission will be appointed from among the independent directors who form part of the Commission”*.

In consequence, taking into account the fact that there was only one independent director on the Nominating and Compensation Commission at that time, subsequent to a proposal and report in favour from the Nominating and Compensation Commission, the Board of Directors unanimously passed a resolution to appoint a new director as a new member of the Nominating and Compensation Commission with the independent category thus, the number of independent directors on the Nominating and Compensation Commission increased to two.

As a consequence of the National Securities Market Commission’s (CMNV) publication of the Good Governance Code of Listed Companies on February 18, 2015, the Ordinary General Shareholders’ Meeting held on May 19, 2016 passed a resolution to amend several articles of the Bylaws, the Regulations of the General Shareholders’ Meeting and the Board of Directors decided to amend the Regulations of the Board of Directors, in order to introduce some of the recommendations contained in said Good Governance Code of 18<sup>th</sup> February 2015.

On 30 November 2020, the Nominating and Compensation Commission is formed by 5 members, being the number of independent directors increased to two, one of which is its Chairman. Nowadays, the Nominating and Compensations Commission has a vacant, as a result of the resignation of Ms Robin Fiala as Director of the Company, and consequently, as member of the Nominating and Compensations Commission, being afterwards, on the meeting held on January 26<sup>th</sup>, 2021, appointed as individual representative of the Director Otis Elevator Co. in substitution of Mr. Toby Smith.

### **3. Composition of the Nominating and Compensation Commission**

The composition of the Nominating and Compensation Commission as of November 30, 2020 was as follows:

#### Chairman

Mr José Miguel Andrés Torrecillas (independent director)

#### Deputy Chairman

Otis Elevator Company (proprietary director) represented by Mr Toby Smith<sup>1</sup>

#### Members

Ms Eva Castillo (independent director)

Ms Robin Fiala (proprietary director)<sup>2</sup>

Ms Stacy Petrosky (proprietary director).

#### Secretary (non-member)

Ms Lorea García Jauregui (non-director).

### **4. Operation and duties**

The internal operation of the Nominating and Compensation Commission and its duties are governed by article 24 (ter) of the revised text of the Bylaws and by the provisions of article 12 B) of the Regulations of the Board of Directors. Both documents are available on the Company's website.

### **5. Summary of activities carried out in the 2020 reporting period**

In 2020, the Nominating and Compensation Commission performed the functions entrusted to it and had the information and documentation it deemed necessary in this respect at its disposal, as well as the attendance of the managers that were required by the Chairman to participate or present some information in the meetings held.

The Nominating and Compensation Commission considers that it has sufficient means to comply with the requirements of the legislation currently in force and enjoys the support of the Secretary of the Commission and Board of Directors, as well as the legal counsel to the Board, both of whom are responsible for ensuring the legality of the resolutions, decisions and deliberations that are adopted or take place at meetings of the Nominating and Compensation Commission

In 2020, the Nominating and Compensation Commission held eight (8) meetings, with participation by all its members. All the meetings were chaired by the Commission Chairman Mr Jose Miguel Andrés Torrecillas, and all the members deliberated on and reported favourably or proposed to the Board of Directors on -among others- the following items:

1. Evaluation of the Nominating and Compensation Commission and the Board of Directors 2019.

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<sup>1</sup> On January 26th, 2021, the individual representative of Director Otis Elevator was changed to Ms. Robin Fiala.

<sup>2</sup> On January 26th, 2021, Ms. Robin Fiala resigned as Director of the Company and, consequently, as member of the Nominating and Compensation Commission, and therefore, as of today, there is a vacant in such Commission.

In this regard, the Nominating and Compensation Committee prepares a report on the performance of the Board of Directors and the Commission itself, based on the responses given by the directors to the annual self-evaluation questionnaire of the Board and its Commissions. On the basis of these reports prepared by the Nominating and Compensation Commission (in addition to the report prepared by the Audit Committee on its operation and performance), the Board of Directors evaluates and analyzes its content in order to establish an action plan for the areas or activities to improve as a result of these reports.

2. Review of the status of compliance with the action plan approved for the 2020 fiscal year to improve the activity as a result of the evaluation of the Board of Directors and the Nominating and Compensation Commission.
3. Review of the fiscal year 2019 Director Compensation Report.
4. Review of the fiscal year 2019 Annual Corporate Governance Report, in respect of matter's within the Commission's scope.
5. Review of the Performance and activity report of the Nominating and Compensations Commission during FY 2019.
6. Director compensation policy
  - Proposal to the Board of Directors for the directors and senior management compensation policy for 2020 (within the frameworks established by law, the Bylaws and the Remuneration Policy approved by the General Meeting for the years 2018, 2019 and 2020)
  - Proposals for long-term share-based incentive plan.
  - Proposal to the Board of Directors regarding the new Directors and senior management compensation policy for years 2021, 2022 and 2023.
7. Proposal to the Board of Directors to reduce the number of directors at the Board of Directors from eleven (11) to seven (7).
8. Appointments. Reports in favour of the following appointments, re-elections or ratifications:
  - Reports and ratification on the proposal of appointment by OTIS ELEVATOR COMPANY as a member of the Board of Directors, of Mr Toby Smith as its individual representative, first in February 2020 when he was appointed in substitution of Ms Nora Lafreniere and then in October 2020 when appointed in substitution of Mr Mark Eubanks.
  - Ratification of the report regarding the proposal of appointment of Ms. Stacy Petrosky as a member of the Board of Directors, as well as vocal member of the Nominating and Compensations Commission.

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- Ratification of the report on the proposal for the appointment of Mr. Mark Eubanks as a member of the Board of Directors.
- Ratification on the proposal for the appointment of Mr. Eduardo Montes Pérez as natural person representative of the Director EUROSYNS, S.A.
- Report on the proposal for the re-election of Mr. Bernardo Calleja as a member of the Board of Directors and, likewise, report on the proposal of re-election as Chief Executive Officer.
- Report on the proposal for the re-election of Jose Miguel Andrés as Lead Director.
- Report and ratification on the proposal of appointment by OTIS ELEVATOR COMPANY as a member of the Board of Directors, of Mr Mark Eubanks as its individual representative.
- Report and ratification on the proposal for the appointment of Mr. Alberto Zardoya as natural person representative of the Director EUROSYNS, S.A.

Approved by the Nominating and Compensation Commission  
in Madrid on February 23, 2021



# General Shareholders' Meeting

2021

\* \* \* \* \*

Director Compensation Policy for the periods 2021, 2022 and 2023



**PROPOSAL FOR GENERAL SHAREHOLDERS' MEETING 2021**  
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**DIRECTOR COMPENSATION POLICY OF ZARDOYA OTIS, S.A.**

4.8

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

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

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

**1. STRUCTURE, PURPOSE AND PRINCIPLES**

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

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

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

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

The Compensation Policy is based on the following principles:

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

- (i) To be sufficient to reward the dedication, responsibility and professional track record of the directors, without jeopardizing the independence of each one of them.
- (ii) To be competitive and enable the Company to attract talent, incorporating the elements needed to motivate this talent and, thus, retain it.

**PROPOSAL FOR GENERAL SHAREHOLDERS' MEETING 2021**  
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- (iii) To take the economic context and market practices in comparable companies into account.

**(B) Guiding principles of director compensation for executive functions**

- (i) To align the compensation of directors for performing executive duties with the long-term interests of the Company and its shareholders.
- (ii) To reinforce attainment of results and the Company's strategic objectives.
- (iii) To systematically evaluate their performance and the extent of adaptation to the skills required at any given moment.
- (iv) To favour commitment to the Company.
- (v) To compensate on a fair and competitive basis, recognizing the responsibilities involved in the executive duties performed.
- (vi) To apply competitive compensation in line with market practices, flexible in accordance with the results obtained and adapted where necessary to attract and retain the best professionals.

**2. COMPENSATION OF DIRECTORS IN THEIR CAPACITY AS SUCH**

**(A) Bylaw-stipulated compensation**

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

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

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

**(B) Distribution criteria for the Bylaw-stipulated Compensation**

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

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

**PROPOSAL FOR GENERAL SHAREHOLDERS' MEETING 2021**  
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4.8

**(C) Payment of the Bylaw-stipulated Compensation**

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

- (i) The agreed compensation must be lower than the Bylaw-stipulated Compensation and there must be sufficient funds available to cover the payment at the appropriate date.
- (ii) The requirements of the legal and, if applicable, Bylaw-stipulated reserves must have been fully covered in the consolidated statement of financial position that has been audited or submitted to a limited-scope review, as applicable.
- (iii) Payment of the dividends to be charged to the reporting period must be taken into account.

**(D) Further clarification**

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

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

**3. COMPENSATION OF DIRECTORS FOR PERFORMING EXECUTIVE DUTIES**

Executive director compensation will have fixed and variable components.

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

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

**(A) Fixed compensation****(i) Fixed assignation**

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

- (a) Executive Chairman: 124,000 euros.
- (b) Chief Executive Officer: 231,000 euros.

## PROPOSAL FOR GENERAL SHAREHOLDERS' MEETING 2021

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

(ii) Contributions and payments to pension and insurance systems

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

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

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

<sup>(2)</sup> These sums may be revised annually in July in accordance with the variation in the CPI-National General Index.

<sup>(3)</sup> The amount of 64,764.88 euros may be revised annually in November in accordance with the variation in the CPI-National General Index.

<sup>(4)</sup> The reference to gross annual fixed compensation refers to the fixed assignment that the Chief Executive Officer is receiving at the time the policy is renewed in accordance with point 3(A)(i).

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

PROPOSAL FOR GENERAL SHAREHOLDERS' MEETING 2021

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(iii) Liability insurance

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

(iv) Other compensation in kind

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

**(B) Variable compensation**

(i) Annual incentive

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

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

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

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

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

## PROPOSAL FOR GENERAL SHAREHOLDERS' MEETING 2021

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

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

4.8

#### 4. BASIC CONDITIONS OF THE CONTRACTS WITH THE EXECUTIVE DIRECTORS

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

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

##### (A) Term

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

##### (B) Notice

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

##### (C) Indemnity clauses

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

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

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

##### (D) Exclusivity

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

**PROPOSAL FOR GENERAL SHAREHOLDERS' MEETING 2021**  
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**(E) Non-competition**

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

**5. VALIDITY**

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

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

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



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4.9

# General Shareholders' Meeting

## 2021

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**Nominating and Compensation Commission report on  
Director Compensation Policy for the periods 2021, 2022 and 2023**

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**OTIS**  
**ZARDOYA OTIS, S.A.**

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## **NOMINATING AND COMPENSATION COMMISSION REPORT ON THE DIRECTOR COMPENSATION POLICY OF ZARDOYA OTIS, S.A.**

**4.9**

### **Introduction: Regulatory framework**

The Nominating and Compensation Commission of Zardoya Otis, S.A. (the “Company”) issues this report in accordance with the second paragraph of article 529 *novodecies* of the revised text of the Capital Companies Law, approved by Royal Legislative Decree 1/2010 of July 2 (hereinafter, the “Capital Companies Law”), according to which the director compensation policy for the periods 2021 (which completes and revises the items approved at the Ordinary General Shareholders’ Meeting of June 16, 2020), 2022 and 2023 (hereinafter, the “Compensation Policy”) that is submitted for the approval of the General Meeting must be accompanied by a specific report issued by the Nominating and Compensation Commission (hereinafter, the “Report”).

In compliance with the foregoing, having verified that the Compensation Policy complies with the regulations on the compensation system contained in the Bylaws and with the provisions of articles 529 *septecdieces*, *octodecies* and *novodecies* of the Capital Companies Law, the Nominating and Compensation Commission has decided to submit this Report to the Board of Directors. This Report will be made available to shareholders on the Company’s website as of the date when notice is given of the General Meeting and shareholders may request it be given or sent to them free of charge.

### **Director Compensation Policy**

#### **Structure, purpose and principles**

The Compensation Policy is intended to establish a framework to ensure that director compensation (i) is appropriate to their dedication and responsibility without jeopardizing the independence of the directors’ criteria, and (ii) is oriented toward promoting the Company’s long-term profitability and sustainability, including the precautions necessary to avoid assuming excessive risks or rewarding adverse results in the long term.

Following the structure indicated by the Capital Companies Law and the Bylaws, the Compensation Policy distinguishes between (i) the compensation to be received by directors in their capacity as such and (ii) the compensation of directors for performing executive functions (applicable to the Executive Chairman and the Chief Executive Officer at the date of this Report).

The Compensation Policy is based on the following principles:

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

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

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- (ii) To be competitive and enable the Company to attract talent, incorporating the elements needed to motivate this talent and, thus, retain it.
- (iii) To take the economic context and market practices in comparable companies into account.

**(B) Guiding principles of the compensation of directors for their executive duties**

- (i) To align the compensation of directors for performing executive duties with the long-term interests of the Company and its shareholders.
- (ii) To reinforce attainment of the results and the Company's strategic objectives.
- (iii) To systematically evaluate their performance and the extent of adaptation to the skills required at any given moment.
- (iv) To favour commitment to the Company.
- (v) To compensate on a fair and competitive basis, recognizing the responsibilities involved in the executive duties performed.
- (vi) To apply competitive compensation in line with market practices, flexible in accordance with the results obtained and adapted where necessary to attract and retain the best professionals.

To achieve the foregoing, the compensation system has been oriented toward the creation of long-term value, promoting the Company's long-term profitability and sustainability, including the precautions necessary to avoid assuming excessive risks or rewarding adverse results in the long term

The intention is to reinforce the attainment of results and strategic objectives, which implies that, in the case of directors who perform executive duties, their compensation will include the necessary relationship with the Company's results over the time period deemed appropriate, in such a way that the interests, values and strategy of each one of the executive directors and the Company are aligned.

In order to ensure its transparency and competitiveness, the Compensation Policy will be drawn up, fixed and applied in accordance with current legislation, the Company's internal regulations and the corporate governance standards and practices that are considered applicable to the Company, ensuring transparency.

In short, the Compensation Policy is oriented toward attracting, retaining and motivating the best professionals, as well as compensating professional merit, the responsibilities accepted and dedication, taking account of the creation of long-term value for the Company.

**Compensation of directors in their capacity as such**

According to article 24 of the Company's Bylaws, the global compensation of directors in their capacity as such is a maximum share of 1.5% of the consolidated profit after tax, with an upper limit of 1% of the consolidated profit before tax, which may only be taken out of the Company's

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liquid profit (after tax) after the requirements of the legal and Bylaw-stipulated reserves have been covered and a dividend of at least 10% of the paid-up share capital has been attributed to the shareholders (“Bylaw-stipulated Compensation”).

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

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

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

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

- (i) The agreed compensation must be lower than the Bylaw-stipulated Compensation and there must be sufficient funds available to cover the payment at the appropriate date.
- (ii) The requirements of the legal and, if applicable, Bylaw-stipulated reserves must have been fully covered in the latest consolidated statement of financial position that has been audited or submitted to a limited-scope review, as applicable.
- (iii) Payment of the dividends to be charged to the reporting period must be taken into account.

Likewise, the Company will take out liability insurance in favour of the directors in their capacity as such, the cost of which will be included in the calculation of the upper limit on the compensation.

### **Compensation system for directors performing executive duties**

Executive director compensation will have fixed and variable components.

The executive directors are the only directors who receive variable compensation linked to the Company’s performance and their own personal performance. Payment of the variable

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compensation to each executive director takes into account whether the executive has complied with the Company's regulatory and ethical rules and procedures. If any regulatory non-compliance were to occur, the Company will be entitled to reduce the executive directors' variable compensation or, in very serious cases, eliminate it.

4.9

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

- Fixed compensation, which they will receive in cash in 14 equal payments, 12 ordinary monthly payments and two extraordinary payments, one in June and the other in December. In the periods 2021, 2022 and 2023, the executive directors will be entitled to receive the following gross annual amounts for this item:
  - Executive Chairman: 124,000 euros.
  - Chief Executive Officer: 231,000 euros.

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

The fixed compensation (i) is based mainly on a market approach and considers the size, nature and scope of the Company's activities; and (ii) is aligned with the compensation established in comparable companies in the sector both nationally and internationally.

- Contributions and payments to pension and insurance systems: the Company will make the contributions and payments to pension and insurance systems in favour of the executive directors as set out in the Compensation Policy (contribution to defined-contribution pension insurance policies; contribution to defined-benefit pension insurance policies –not applicable to the Executive Chairman–, insurance premiums covering death and disability, life insurance premiums, accident insurance premiums and health insurance premiums). The Compensation Policy includes the upper limits to which the payments for each one of the items will be subject in the periods 2021, 2022 and 2023.
- Liability insurance will be taken out in favour of the executive directors.
- Other compensation in kind: the executive directors are assigned a company car for personal and professional use and receive, as compensation in kind, a fuel card, all of which is in accordance with the general policy applicable to members of company management.
- Variable compensation linked to the Company's performance and the personal performance of the executive directors, which may be formed by two items:
  1. Annual variable compensation linked to short-term objectives, consisting of an annual incentive with an annual target of an amount equivalent to 60% of his gross annual fixed compensation, which will be received in cash. To calculate this incentive, a multiplying factor, which may be higher or lower than 1 (from 0 to 2),

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will be used, depending on the personal performance of the executive director, the results of the business unit, the profit plan and the cash flow generated during the year. To fix the final multiplying factor, the executive director's performance in respect of the previously-defined annual financial and non-financial objectives will also be taken into account, as well as his contribution to the results obtained in the year

4.9

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

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

2. Long-term incentive plans consisting of Otis Worldwide Corporation (OWC) share-based compensation schemes, which will be settled directly by OWC and which each of the executive directors may receive due to his status as an OWC group executive. The purpose of these plans is to reward OWC Group executives holding positions with important management responsibilities who, through their efforts and the attainment of the planned objectives, contribute to the long-term success of the corporation and its subsidiaries, among which the Company is included.

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

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

### **Basic conditions of the contract with the Executive Directors**

The Compensation Policy summarizes the main terms and conditions of the contracts with the executive directors, apart from those mentioned above concerning compensation,

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including reference to (i) the term; (ii) the notice period; (iii) indemnities for termination of the contractual relationship; (iv) exclusivity agreements; (v) post-contractual non-competition clauses; and (vi) the fact that no minimum period of service or loyalty clauses exist.

### **Validity**

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

The Compensation Policy will be applicable to all directors of the Company who hold office as such during said period, including those who join the Board after the Policy has been approved by the General Meeting.

### **Conclusion**

The Nominating and Compensation Commission concludes that the Compensation Policy contains a clear description of the compensation systems applicable to directors, including the nature of and quantitative limits on their compensation and the parameters for fixing variable components, as well as the main terms and conditions of the contracts signed by the Company with the executive directors, including their terms, notice periods, indemnities due to termination of the contractual relationship and exclusivity agreements, post-contractual non-competition and minimum period of service or loyalty clauses, all of which is in accordance with the provisions of the Capital Companies Law, article 529 *octodecies*.

Pursuant to the foregoing, the Commission considers the Compensation Policy to be appropriate and to meet its purposes, i.e. it establishes a framework to ensure that director compensation is appropriate to the directors' dedication and responsibilities, without jeopardizing the independence of their criteria, and is directed towards promoting the Company's long-term profitability and sustainability, including the precautions necessary to avoid assuming excessive risks or rewarding adverse results in the long term. All the foregoing takes account of the economic context and market practices and complies with the legislation described in the first section of this Report.

In view of the foregoing, the Commission concludes that the Compensation Policy that it is planned for the Board of Directors to submit for the approval of the General Meeting is in accordance with the law and the governance practices deemed applicable to the Company, following the criteria of prudent risk assumption, good governance and transparency.

In short, it allows the Company to have an appropriate compensation policy, aligned with the interests of the shareholders and prudent risk management.

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

This Report was approved by the Nominating and Compensation Commission on April 12, 2021.

**4.9**



Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

## **General Shareholders' Meeting 2021**

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**Board of Directors' Report regarding the resolutions proposals to (i) acknowledge the appointment of Robin Fiala as the personal representative of Otis Elevator Company and (ii) ratify and re-elect M Joao Penedo**

**OTIS**  
**ZARDOYA OTIS, S.A.**

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

## **REPORT OF THE BOARD OF DIRECTORS IN RELATION TO THE PROPOSAL TO ACKNOWLEDGE, RATIFY AND RE-ELECT DIRECTORS**

### **1. Purpose of the report**

The Board of Directors of Zardoya Otis, S.A. (the "Company") has prepared this report in accordance with article 529 *decies* 5 and article 518 of Royal Legislative Decree 1/2010 of July 2, which approved the revised text of the Capital Companies Law, in order to justify the proposals that the Board of Directors of the Company presents to the General Meeting for approval, relating to (i) the acknowledgement for the appointment of Mrs. Robin Fiala as personal representative of the director Otis Elevator Company director and (ii) the ratification of the appointment and re-election of Mr. Joao Miguel Marqués Penedo for the statutory period of four years; assessing for this the competence, experience and merits of the indicated people.

### **2. Acknowledgement on the appointment of Ms Robin Fiala as the personal representative of Otis Elevator Company on the Board of Directors**

Doña Robin Fiala was appointed on January 26, 2021 by the proprietary director Otis Elevator Company as her natural person representative for the purposes of article 212 bis of the Capital Companies Law, following a report from the Nominating and Compensation Commission, replacing Mr Toby Smith in the exercise of said position.

The Company's Board of Directors, taking into consideration the report prepared by the Nominating and Compensation Commission at its meeting of April 12, 2021, which it makes its own in all its terms and subscribes, and in view of the curriculum vitae of Mrs. Robin Fiala, which is included as **Exhibit A** to this report and gives an account of her career and experience, considers that Mrs. Robin Fiala has the skills, merits, knowledge, experience and aptitudes necessary to perform her duties on the Company's Board of Directors as the personal representative of the proprietary director Otis Elevator Company.

This conclusion has been reached after analyzing the experience and professional career of Mrs. Robin Fiala; her knowledge, particularly in the sector in which the Company operates, and the competence she has shown in the exercise of the position of director that she held from October 5, 2017 to January 26, 2021, as well as in the exercise of the position of representative natural person who exercises from the same January 26, 2021.

Together with the acknowledgment of the appointment of Mrs. Robin Fiala, the Board of Directors proposes the ratification by the General Meeting of the changes in the individual representative of the Otis Elevator Company director that have taken place since the last Ordinary General Meeting, with Mrs. Robin Fiala took over from Mr. Toby Smith who, in turn, replaced Mr. Richard Markus Eubanks on October 14, 2020.

In accordance with the provisions of article 5 of the Regulations of the Board of Directors and article 529 *duodecies* of the Capital Companies Law, Otis Elevator Company is considered by the Nominating and Compensation Commission, as well as by the Board of Directors itself, proprietary director, as its appointment was proposed to the Board of Directors by the majority shareholder Alder Holdings SAS (formerly United Technologies Holdings, S.A.S.), which is part, in turn, of the Otis Worldwide Corporation group.

### **3. Ratification and re-election of Mr Joao Miguel Marqués Penedo**

Mr. Joao Miguel Marqués Penedo was appointed director of the Company by co-option by resolution of the Board of Directors of January 26, 2021, after a favorable report from the Nominating and Compensation Commission, in order to fill the vacant position left in the Board of Directors due to the resignation presented by the director Mrs. Robin Fiala, who

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ceased as director on the aforementioned date and became the individual representative of the director Otis Elevator Company, as detailed in item 8.1 of the Agenda.

In the opinion of the Board of Directors, taking into consideration the report prepared by the Nominating and Compensation Commission at its meeting of April 12, 2021, which it makes its own in all its terms and subscribes, and in view of the curriculum vitae of Mr. Joao Miguel Marqués Penedo, which is incorporated as **Exhibit B** to this report and gives an account of his career and experience, considers that Mr. Joao Miguel Marqués Penedo has the skills, merits, knowledge, experience and aptitudes necessary to perform the position of director.

This conclusion has been reached after analyzing the experience and professional career of Mr. Joao Miguel Marqués Penedo, largely developed in the Company itself, occupying various positions of responsibility; the knowledge of him, particularly in the sector in which the Company operates, and the competence that he has demonstrated in the exercise of the position of CEO that he has held since last January 26, 2021.

In accordance with the provisions of article 5 of the Regulations of the Board of Directors and article 529 *duodecies* of the Capital Companies Law, Mr. Joao Miguel Marqués Penedo is considered by the Nominating and Compensation Commission, as well as by the Board of Directors itself, executive director, as he is the CEO of the Company. The foregoing, without prejudice to the fact that the appointment of him as director has been proposed by the shareholder Alder Holdings, S.A.S. (formerly United Technologies Holdings S.A.S.), belonging to the Otis Worldwide Corporation group.

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

**Exhibit A**

**CURRICULUM VITAE OF MRS ROBIN FIALA**

Name/Surname	Robin Fiala
Studies:	Bachelor's degree in mechanical engineering from Union College in Schenectady, New York
Complementary studies or Postgraduate	Master of Business Administration from Fordham University in New York City.
Summary of professional experience	<p>Robin has more than 30 years of experience in Otis. She started at the Otis Delegation in New York City, 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 of Service Marketing.</p> <p>In 2013, she was named Vice President of Services and Marketing responsible for Marketing and Communications at Otis Americas, as well as the Otis North America services business, sales of national accounts and OTISLINE® call center. In 2014, she was named Vice President of Global Marketing and Field Support, responsible for global marketing strategies, service transformation and the development and implementation of key Otis field operations throughout the world.</p>
Nowadays position:	Robin Fiala was appointed in Otis Elevator Company Vice President of Sales and Marketing in 2019. In this position, she leads OTIS global teams responsible for developing innovative market-leading products and services for our Otis customers.

**4.10**

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

**Exhibit B**

**CURRICULUM VITAE OF MR JOAO PENEDO**

Name/Surname	Joao Miguel Marques Penedo
Studies:	He is Degree in Business Administration (ISCTE, Lisbon)
Complementary studies or Postgraduate	He has an MBA from INSEAD at Fontainebleau. He graduated from leadership courses at prestige business schools in Europe and the US.
Summary of professional experience	<p>At the end of the 90s beginning of 2000, in Portugal and Angola, he successively held the positions of Senior Auditor at KPMG and Finance Manager at Toyota.</p> <p>In 2004, he joined United Technologies Corporation, where he held various positions until becoming Director CFO EMEA for Carrier Commercial Refrigeration, working in France and the Czech Republic.</p> <p>In 2014, he joined Otis, where he held the position of Vice President of Finance for Southern Europe and Africa, being a key player in the strategy of Zardoya OTIS, S.A., supporting the business in the different operational initiatives.</p>
Nowadays position:	Since January 2021, he holds the position as CEO for Zardoya Otis, S.A. and Otis Africa President.

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

# General Shareholders' Meeting 2021

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**Nominating and Compensations Commission Report regarding the  
resolution proposal to ratify and re-elect M Joao Miguel Marques Penedo**

**OTIS**  
**ZARDOYA OTIS, S.A.**

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

**REPORT OF THE NOMINATING AND COMPENSATION COMMISSION ON THE RE-ELECTION OF MR BERNARDO CALLEJA FERNÁNDEZ AS A MEMBER OF THE COMPANY'S BOARD OF DIRECTORS**

**1. Purpose of the Report**

The Nominating and Compensation Commission of Zardoya Otis, S.A. (the “**Company**”) has prepared this report in accordance, between others, with article 529 *decies* (point 6 and 7) of Royal Legislative Decree 1/2010 of July 2, which approved the revised text of the Capital Companies Law, and article 12.B.2 (d) of the Board of Directors Regulations, in order to favourably report the ratification and re-election by the General Shareholders Meeting of the appointment of Mr Joao Miguel Marques Penedo (Mr Joao Penedo) as director of the Company.

This report is issued as well in accordance with article 518.e) of the Capital Companies Law, containing information on the identity and curriculum vitae of Mr Joao Penedo.

**2. Favourable report regarding the ratification of the appointment of Mr Joao Miguel Marqués Penedo as director of the Company and his re-election**

Mr. Joao Penedo was appointed director of the Company by co-option by resolution of the Board of Directors of January 26, 2021, after a favorable report from the Nominating and Compensation Commission, in order to fill the vacant position left within the Board of Directors due to the resignation presented by the director, Mrs. Robin Fiala, who ceased as director on the aforementioned date and became the personal representative of the director Otis Elevator Company.

On the same date, January 26, 2021, Mr. Joao Penedo was appointed CEO of the Company, a position that, in the opinion of this Committee, he has been performing faithfully and effectively. Prior to his appointment as director of the Company, Mr. Joao Penedo held various positions of responsibility in the Company and his group, among others, that of Chief Financial Officer (CFO).

On the occasion of the appointment by cooptation of Mr. Joao Penedo, this Commission analyzed the experience, merits and capacities of the candidate and concluded that he met the ideal conditions for the exercise of the position; considering that his appointment was consistent with the objective of the Company that the policies for the selection of members of the Board of Directors exclusively attend to criteria of merit and ability, avoiding biases that could imply discrimination based on sex, race, nationality, etc. for the selection of directors.

Having once again analyzed the professional career of Mr. Joao Penedo, his experience in the Company and its group, his merits and abilities; and his Curriculum Vitae, which is included in this report as **Exhibit A**, and having also considered the way in which he has satisfactorily exercised the position of CEO of the Company since his appointment, the Nominating and Compensation Commission concludes that Mr. Joao Penedo brings together the competences, merits, knowledge, experience and aptitudes necessary to perform his duties on the Company's Board of Directors as CEO.

By virtue of the foregoing, the Nominating and Compensation Commission reports favorably on the proposal of the Company's Board of Directors regarding the ratification of the appointment of Mr. Joao Penedo as director of the Company and his re-election for the statutory period of four years.

**3. Director category.**

In the opinion of the Nominating and Compensation Commission, Mr Joao Penedo meets the requirements established in article 529 *duodecies* of the Capital Companies Law to be considered an “executive director”, as he is CEO of the Company, without prejudice to the fact that its appointment was proposed to the Board of Directors by the majority shareholder Alder Holdings SAS (formerly United Technologies Holdings, S.A.S.), which is part, in turn, of the Otis Worldwide Corporation group.

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

**Exhibit B**

**CURRICULUM VITAE OF MR JOAO PENEDO**

Name/Surname	Joao Miguel Marques Penedo
Studies:	He is Degree in Business Administration (ISCTE, Lisbon)
Complementary studies or Postgraduate	He has an MBA from INSEAD at Fontainebleau. He graduated from leadership courses at prestige business schools in Europe and the US.
Summary of professional experience	<p>At the end of the 90s beginning of 2000, in Portugal and Angola, he successively held the positions of Senior Auditor at KPMG and Finance Manager at Toyota.</p> <p>In 2004, he joined United Technologies Corporation, where he held various positions until becoming Director CFO EMEA for Carrier Commercial Refrigeration, working in France and the Czech Republic.</p> <p>In 2014, he joined Otis, where he held the position of Vice President of Finance for Southern Europe and Africa, being a key player in the strategy of Zardoya OTIS, S.A., supporting the business in the different operational initiatives.</p>
Nowadays position:	Since January 2021, he holds the position as CEO for Zardoya Otis, S.A. and Otis Africa President.



Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

4.12

## General Shareholders' Meeting 2021

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Nominating and Compensations Commission Report regarding the resolution proposal to acknowledge the appointment of Robin Fiala as the personal representative of Otis Elevator Company

**OTIS**  
ZARDOYA OTIS, S.A.

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

**REPORT OF THE NOMINATING AND COMPENSATION COMMISSION ON THE  
ACKNOWLEDGEMENT OF THE APPOINTMENT OF MRS ROBIN FIALA AS THE  
PERSONAL REPRESENTATIVE OF THE DIRECTOR OTIS ELEVATOR COMPANY**

**1. Purpose of the Report**

The Nominating and Compensation Commission of Zardoya Otis, S.A. (the “**Company**”) has prepared this report in accordance, between others, with article 529 *decies* (point 6 and 7) of Royal Legislative Decree 1/2010 of July 2, which approved the revised text of the Capital Companies Law, and article 12.B.2 (d) of the Board of Directors Regulations, in order to favourable report the acknowledgement by the General Shareholders Meeting of the appointment of Mrs Robin Fiala as personal representative of the director Otis Elevator Company.

This report is issued as well in accordance with article 518.e) of the Capital Companies Law, containing information on the identity and curriculum vitae of the personal representative and the category to which Otis Elevator Company belongs.

**2. Favourable report regarding the appointment of Ms Robin Fiala as the personal representative of Otis Elevator Company on the Board of Directors**

Doña Robin Fiala was appointed by cooptation as Director in the Board of Directors meeting held on October 5<sup>th</sup>, 2017, with the previous favorable report from the Nominating and Compensation Commission, and her appointment was ratified by the General Shareholders Meeting held on May 23<sup>rd</sup>, 2018.

Mrs. Robin Fiala faithfully and effectively carried out the position of director of the Company until her resignation on January 26, 2021. On that same date, and also after a report from this Commission, Mrs. Robin Fiala was appointed by Otis Elevator Company as her personal representative in the Company’s Board of Directors, replacing Mr. Toby Smith who, in turn, replaced Mr. Richard Markus Eubanks on October 14, 2020.

Having considered, both at the time of her appointment by co-option and recently on the occasion of her appointment as the personal representative of Otis Elevator Company, that Mrs. Robin Fiala was perfectly qualified to be appointed as a director, and having also analyzed her performance in the exercise of the position, as well as the performance of the position as personal representative of Otis Elevator Company to date, this Commission ratifies the capacity of Mrs. Robin Fiala to act as personal representative of the director Otis Elevator Company.

In particular, the Nominating and Compensation Commission has valued (i) her extensive professional career, (ii) her experience in the sector, (iii) her knowledge of the industrial sector in which the Company operates and the commercial and market tasks that she has carried out, (iv) the concurrence of all the requirements related to professional and commercial good reputation, necessary for the performance of the position of director, as well as (v) the disposition to effectively exercise her functions.

In view of the foregoing, and having reviewed the Curriculum Vitae of Ms. Robin Fiala, which is incorporated into this report as **Exhibit A**, the Nominating and Compensation Commission concludes that Ms. Robin Fiala has the skills, merits, knowledge and experience necessary to exercise her functions on the Board of Directors of the Company and, therefore, is perfectly qualified for the development of a prudent management of the Company and to perform the position of personal representative of the director Otis Elevator Company, both on the Board of Directors itself and on this Committee, of which Otis Elevator Company is also a member. It is hereby stated that there are no factors that could determine a permanent conflict with the interests of the Company or that impede an adequate dedication to her functions as personal representative of Otis Elevator Company.

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

By virtue of the foregoing, the Nominating and Compensation Commission reports favorably on the proposal of the Company's Board of Directors regarding the acknowledgement by the General Shareholders' Meeting of the appointment of Mrs. Robin Fiala as personal representative of Otis Elevator Company , as well as the ratification of the changes regarding the people who have held this position since the last Ordinary General Shareholders Meeting.

### **3. Director category.**

Likewise, it is expressly stated that Otis Elevator Company meets the requirements established in article 5 of the Regulations of the Board of Directors and in article 529 *duodecies* of the Capital Companies Law to be considered a "proprietary director", stating that its appointment was proposed to the Board of Directors by the majority shareholder Alder Holdings SAS (formerly United Technologies Holdings, S.A.S.), which is part, in turn, of the Otis Worldwide Corporation group.

Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

## Exhibit A

### CURRICULUM VITAE OF MRS ROBIN FIALA

Name/Surname	Robin Fiala
Studies:	Bachelor's degree in mechanical engineering from Union College in Schenectady, New York
Complementary studies or Postgraduate	Master of Business Administration from Fordham University in New York City.
Summary of professional experience	<p>Robin has more than 30 years of experience in Otis. She started at the Otis Delegation in New York City, 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 of Service Marketing.</p> <p>In 2013, she was named Vice President of Services and Marketing responsible for Marketing and Communications at Otis Americas, as well as the Otis North America services business, sales of national accounts and OTISLINE® call center. In 2014, she was named Vice President of Global Marketing and Field Support, responsible for global marketing strategies, service transformation and the development and implementation of key Otis field operations throughout the world.</p>
Nowadays position:	Robin Fiala was appointed in Otis Elevator Company Vice President of Sales and Marketing in 2019. In this position, she leads OTIS global teams responsible for developing innovative market-leading products and services for our Otis customers.

# General Shareholders' Meeting 2021

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Rules on granting proxy and voting using means of distance communication and forms to use to  
vote by proxy or from a distance by e-mail



Courtesy Translation. In the event of discrepancy, the Spanish-language version prevails.

The Board of Directors of Zardoya Otis, S.A. (the “**Company**”) has decided to apply the following rules on distance voting and proxy-granting as of publication of notice of the forthcoming Ordinary General Shareholders’ Meeting, which is scheduled to be held, on the first call, May 18, 2021 at 12:00 noon CEST, or, on the second call, on May 19, 2021, at the same time, until said meeting (expected to be held on the second call) is held:

**4.13**

### 1. Right to grant proxy and proxy-granting from a distance

Any shareholder entitled to attend may be represented at the General Shareholders’ Meeting by another person, who need not be a shareholder. Proxy shall be conferred in writing specifically for the General Meeting pursuant to article 15 of the Bylaws, article 6 of the Regulations of the General Shareholders’ Meeting and articles 184 and 522 et seq. of the Capital Companies Law.

In particular, proxy may be granted from a distance, although only proxies conferred as follows shall be valid:

- (A) By written postal correspondence, sending to the Company (Zardoya Otis, S.A., -SHAREHOLDERS-, Calle Golfo de Salónica, 73, 28033 Madrid) the certificate of entitlement or equivalent document issued by Iberclear (or the participating entity thus authorized), together with the pertinent proxy and voting card, which may be downloaded from the Company’s website (<http://www.otis.com/es/es/accionistas-inversores/>), duly signed and completed by the shareholder. Unless the representation is granted to members of the board of directors or the Secretary, the shareholder must include the following information on the proxy-holder in the communication: name and surnames, number of national identity card or equivalent, and e-mail address. These data will be necessary to register him or her on the on-line attendance platform for the Ordinary General Meeting.
- (B) Using means of electronic distance communication (e-mail) that duly guarantee the proxy attributed and the identity of the principal.

Proxy granted by these means shall be admitted when the pertinent proxy and voting card whereby it is conferred includes the qualified or advanced electronic signature of the shareholder, in the terms provided in Regulation (EU) No. 910/2014 of the European Parliament and of the Council of July 23, 2014 regarding electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93 / EC (the “Regulation 910/2014”). Likewise, shareholders must send in the same email the certificate of entitlement or equivalent document issued by Iberclear (or the participating entity thus authorized).

The proxy and voting card can be downloaded from the Company’s website and must be duly completed and signed by the shareholder by means of an electronic DNI or a recognized electronic certificate with respect to which its revocation does not appear and which has been issued by an electronic service provider that appears on the trusted list published by the Ministry of Economic Affairs and Digital Transformation, in accordance with Law 6/2020, of November 11, regulating certain aspects of electronic trust services

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(a “**Recognized Electronic Certificate**”). The Recognized Electronic Certificate must be obtained by the shareholder, at no cost to the Company, and must be in force when proxy is granted. Likewise, unless the representation is granted to members of the board of directors or the Secretary, the shareholder must include the following information on the proxy-holder in the communication: name and surnames, number of national identity card or equivalent, and e-mail address. These data will be necessary to register him or her on the on-line attendance platform for the Ordinary General Meeting.

Any shareholder who has an electronic signature and meets the above requirements and identifies him/herself with said electronic signature may grant proxy by means of an electronic communication in accordance with the instructions and procedures that are specified on the Company’s website (<http://www.otis.com/es/es/accionistas-inversores/>).

- (C) Through the electronic platform enabled by the Company on its corporate website (<http://www.otis.com/es/es/accionistas-inversores/>). Shareholder may use of this possibility from 12:00 hours (CEST) on April 20, 2021 until 24:00 hours (CEST) on May 17, 2021, identifying him/herself through any of the following means: (i) electronic DNI; (ii) qualified or advanced electronic signature based on a recognized and current electronic certificate, issued by the Spanish Public Certification Entity (CERES), dependent on the National Currency and Stamp Factory (“CERES Recognized Electronic Certificate”); or (iii) completing the accreditation form available on the electronic platform enabled on the corporate website (<http://www.otis.com/es/es/accionistas-inversores/>), in which they must identify themselves with their National Document Identity card, Foreigner Identity Card or passport, email address and the number of shares owned by the shareholder. The Company reserves the right to request the shareholders additional means of identification that it deems necessary to verify their status as shareholders and guarantee the authenticity of the representation.

The CERES Recognized Electronic Certificate must be obtained by the shareholder, free of charge for the Company and must be current at the time the vote is cast. Any individual shareholder who has an electronic signature that meets the requirements indicated above and is identified by means of it, may confer their representation in accordance with the relevant instructions and procedures that are specified in the electronic platform enabled on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>).

In the event that the shareholder is a legal person and wishes to confer its delegation by this means, the natural person who acts as its attorney-in-fact must access the platform with an electronic certificate of a recognized representative regarding which its revocation does not appear and that has been issued by the Fábrica Nacional de Moneda y Timbre (National Mint and Stamp Factory) or any agency dependent on it.

Unless the representation is granted to members of the board of directors or the Secretary, the shareholder must provide, through the Electronic platform enabled by the Company on its corporate website (<http://www.otis.com/es/es/accionistas-inversores/>) the following information of the proxy-holder: name and surnames, number of national identity card or equivalent, and e-mail address. These data will be necessary for his or

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her prior authorization and registration on the on-line attendance platform for the Ordinary General Meeting.

**Exhibit A** attached hereto contains some clarifications regarding identification of the shareholder and the form that shareholders should use to grant proxy from email.

To be valid, proxy granted by either of the means of distance communication mentioned above must be received by the Company before midnight on the day preceding the date on which the Ordinary General Shareholders' Meeting is scheduled to be held on the first call, this is until 24:00 hours (CEST) on May 17, 2021. Otherwise, the proxy shall be deemed not to have been granted.

In the event that the shareholder is a legal person, it must (i) simultaneously provide a notary's certificate or equivalent document stating that the powers of attorney that support the authorization of the person to whom proxy has been granted by postal correspondence or electronic distance communication are sufficient; and (ii) notify the Company of any change or revocation of the powers held by its representative, the Company thus declining any liability until such notification has been made.

Once the Company has verified compliance with the aforementioned requirements, the representatives designated by the shareholders will be given access to the telematic attendance platform for the Ordinary General Meeting by prior registration. So that the representative (other than any of the members of the Board of Directors or the Secretary) can identify him/herself the on-line attendance platform on the day of the Ordinary General Meeting by means of "username and password" credentials, the shareholder or the representative himself will have to request it from the Company by email to the address [info.accionista@otis.com](mailto:info.accionista@otis.com) until 24:00 (CEST) on May 17, 2021, indicating the email address of the representative. The representative will receive the credentials at the email address provided once the identity and status of shareholder of the represented party is verified. If the "username and password" credentials are not requested, on the day of the Ordinary General Meeting the representative can only identify himself on the telematic assistance platform by means of an electronic DNI or qualified or advanced electronic signature based on a CERES Recognized Electronic Certificate.

The shareholder granting proxy to a person other than one of the members of the Board of Directors or the Secretary of the Board must notify the proxy-holder appointed of the proxy granted in his or her favour and send him or her a copy of the card or, if the proxy is granted through the electronic platform enable by the Company, the voting instructions, if any, provided.

In the event that a shareholder grants proxy to the Company, the directors or the Secretary of the Board by postal correspondence or electronic means of distance communication (e-mail or electronic platform), but does not include therein instructions for casting the vote or there are doubts as to the recipient or scope of the proxy, it shall be considered that the proxy: (i) is granted in favour of the Chairman of the Board of Directors or, if applicable, the person who substitutes him in the chair of the General Shareholders' Meeting, or, in the event that the



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Chairman or his substitute has a conflict of interest, in favour of the Secretary of the Board of Directors, unless otherwise stated by the shareholder; (ii) refers to all the motions on the Agenda of the General Meeting; (iii) casts a vote in favour of said motions; and (iv) likewise includes any points that may be raised off the Agenda, in respect of which the proxy-holder will vote in the manner he/she considers most favourable to the principal's interests.

In the event that the proxy-holder has, from a legal standpoint, a conflict of interest when voting on any of the proposals that are submitted to the General Meeting on or off the Agenda and the shareholder has not given precise instructions on the direction of his or her vote, the proxy will be deemed to have been granted to the Chairman of the Meeting or, in the event that the Chairman is likewise affected by the conflict of interest, to the Secretary of the Board of Directors, unless the shareholder granting the proxy states otherwise (in which case the shareholder will be deemed not to have authorized the substitution).

A proxy-holder may only vote on behalf of his/her principal by attending the General Meeting. For this purpose, the Company will enable his or her access to the on-line attendance platform of the Ordinary General Meeting with the prior registration and, to access it, he or she must identify him/herself through (i) electronic DNI; (ii) qualified or advanced electronic signature based on a recognized and current electronic certificate, issued by the Spanish Public Certification Entity (CERES), dependent on the National Currency and Stamp Factory ("CERES Recognized Electronic Certificate"); or (iii) with the "username and password" credentia only if requested and provided, as previously stated.

Proxy granted by postal correspondence or using means of electronic distance communication (e-mail or electronic platform) may be declared null: (i) if it is expressly revoked by the shareholder, using the same means as employed to grant the proxy, within the term fixed for granting it; (ii) by the shareholder attending the General Meeting on-line; (iii) by the voting by the shareholder according to the process set out in point 2 of this rules or (iv) due to transfer of the shares ownership of which conferred the right to grant the proxy and the right to vote, when the Company is aware of said transfer at least five days before the General Meeting is held. At any event, proxies granted after a distance vote has been cast shall be deemed not to have been granted.

When a proxy-holder holds proxies from several shareholders, he/she may cast different votes in accordance with the instructions received from each one of the shareholders.

Likewise, entities that hold shareholder status according to the accounting register of shares but which act on behalf of different persons may divide their vote and cast it differently in accordance with the different voting instructions they have received, if applicable. These intermediary entities may grant proxy to each one of the indirect shareholders or to third parties designated by the latter and there is no limit on the number of proxies they may grant. To do this, they must, within the seven days preceding the date on which the General Meeting is scheduled to be held, provide the Company with a list stating the identity of each client, the number of shares in respect of which they are exercising voting rights on behalf of each client and the voting instructions received, if applicable, in order to determine how their vote will be cast.

## 2. Distance voting

Shareholders entitled to attend and vote may cast their vote on the motions on items included on the Agenda using the following means of distance communication:

- (A) By written postal correspondence, sending to the Company (Zardoya Otis, S.A., -SHAREHOLDERS-, Calle Golfo de Salónica, 73, 28033 Madrid) the certificate of entitlement or equivalent document issued by Iberclear (or the participating entity thus authorized), together with the pertinent attendance, proxy and voting card, which may be downloaded from the Company's website, duly signed and completed by the shareholder.
- (B) By electronic means of distance communication (e-mail), provided it includes the corresponding proxy and remote voting card, which can be downloaded from the Company's website. The card must be duly completed and include the shareholder's qualified or advanced electronic signature, in the terms provided in Regulation 910/2014. The shareholder's signature must be made by virtue of an electronic DNI or a Recognized Electronic Certificate. The Recognized Electronic Certificate must be obtained by the shareholder, at no cost to the Company, and must be in force when the vote is cast. "). Likewise, shareholders must send in the same email the certificate of entitlement or equivalent document issued by Iberclear (or the participating entity thus authorized).

Any shareholder who has an electronic signature that meets the above requirements and identifies him/herself with said electronic signature may send the Company an e-mail to cast his or her vote from a distance in accordance with the relevant instructions and procedures that are specified on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>).

- (D) Through the distance voting platform that the Company has enabled on its corporate website (<http://www.otis.com/es/es/accionistas-inversores/>), identifying him/herself through any of the following means: (i) electronic DNI; (ii) qualified or advanced electronic signature based on a recognized and current electronic certificate, issued by the Spanish Public Certification Entity (CERES), dependent on the National Currency and Stamp Factory ("CERES Recognized Electronic Certificate"); or (iii) completing the accreditation form available on the electronic platform enabled on the corporate website (<http://www.otis.com/es/es/accionistas-inversores/>), in which they must identify themselves with their National Document Identity card, Foreigner Identity Card or passport, email address and the number of shares owned by the shareholder. The Company reserves the right to request the shareholders additional means of identification that it deems necessary to verify their status as shareholders and guarantee the authenticity of the representation.

The CERES Recognized Electronic Certificate must be obtained by the shareholder, free of charge for the Company and must be current at the time the vote is cast. Any

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shareholder who has an electronic signature that meets the above requirements and identifies him/herself with said electronic signature may cast his or her vote on the items on the Agenda of the Ordinary General Shareholders' Meeting in accordance with the relevant instructions and procedures specified on the distance voting platform enabled on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>).

In the event that the shareholder is a legal person and wishes to distance vote by this means through distance voting platform enabled on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>), the natural person who acts as its attorney-in-fact must access the platform with an electronic certificate of a recognized representative regarding which its revocation does not appear and that has been issued by the Fábrica Nacional de Moneda y Timbre (National Mint and Stamp Factory) or any agency dependent on it.

**Exhibit B** attached hereto contains some clarifications regarding identification of the shareholder and the form that shareholders should use to cast their vote from a distance.

Votes cast by using the means mentioned previously in points (A) and (B) will not be valid if they are not received by the Company at least twenty-four hours before the date on which the Ordinary General Shareholders' Meeting is scheduled to be held on the first call, this is until 24:00 hours (CEST) on May 17, 2021. Votes received after said deadline will be deemed not to have been cast.

Votes cast using the means mentioned in point (C) must be cast by the shareholder through the electronic platform enabled by the Company on its corporate website (<http://www.otis.com/es/es/accionistas-inversores/>) from 12:00 noon (CEST) on April 20, 2021 to 24:00 a.m. (CEST) on May 17, 2021. Otherwise, the vote will be deemed not to have been cast.

In the event that the shareholder is a legal person, it must (i) simultaneously provide a notary's certificate or equivalent document stating that the powers of attorney that support the authorization of the person to whom proxy has been granted by postal correspondence or electronic distance communication are sufficient; and (ii) notify the Company of any change or revocation of the powers held by its representative, the Company thus declining any liability until such notification has been made.

A shareholder who casts his/her vote by postal correspondence or electronic means of distance communication and does not mark any of the boxes provided for indicating his/her vote on the items on the Agenda will be deemed to wish to vote in favour of the respective motions put forward by the Board of Directors.

Shareholders who cast a distance vote in the terms stated in the Bylaws and the Regulations of the General Meeting shall be deemed to be present at the General Meeting for quorum purposes. In consequence, proxies granted previously shall be deemed to have been revoked and those granted subsequently will be deemed not to have been granted.

A distance vote can only be declared null (i) if it is subsequently expressly revoked by the same means as was employed to cast it within the term fixed for distance voting, (ii) by the

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attendance of either the shareholder who cast the distance vote or a proxy-holder of said shareholder at the meeting; or (iii) due to transfer of the shares ownership of which conferred the right to vote, when the Company is aware of said transfer at least five days before the date on which it is planned to hold the General Meeting.

**4.13**

### **3. Rules common to granting proxy and voting by means of distance communication**

- (A)** The validity of the proxy granted and the vote cast by distance communication is subject to verification of the shareholder's status as such with the file provided by Iberclear, the entity responsible for the accounting register of the Company's shares. In the event of any discrepancy between the number of shares stated by the shareholder granting proxy or casting his/her vote by distance communication and the number stated in the account entry registers notified by Iberclear, the number of shares stated by the latter shall be considered valid for quorum and voting purposes unless there is evidence to the contrary.
- (B)** The following rules on the order of priority of proxy voting, distance voting and at the General Meeting are established: (i) the attendance at the General Meeting on-line by a shareholder who has previously granted proxy or cast a distance vote, irrespective of the manner in which the vote was cast, shall cause said proxy or vote to be null; (ii) when the shareholder validly grants proxy or casts a vote through an electronic communication and, furthermore, performs the same action through a printed attendance card issued by Iberclear (or the participating entity thus authorized), the last proxy granted or vote cast received by the Company within the term allowed will prevail (irrespective of the means used to grant or cast it); and (iii) casting a vote using any means of distance communication will cause any proxies granted by the shareholder to be null, irrespective of whether they were granted before the vote was cast, in which case they will be deemed to have been revoked, or after, in which case they will be deemed not to have been granted. Likewise, both proxies and votes cast previously from a distance will be null in the event of disposal of the shares that confer the right to attend and vote and the Company is aware of this at least five days before the scheduled date of the Ordinary General Meeting.
- (C)** Custody of his/her electronic signature is solely the shareholder's responsibility, and if applicable, the custody of the personal credentials provided to use the electronic platform to grant proxy, distance voting or telematic assistance.
- (D)** The Company reserves the right to change, suspend, cancel or restrict the mechanisms for electronic voting and granting proxy from a distance when technical or security reasons make it advisable or obligatory. If any event of this nature were to occur, it would be announced on the Company's corporate website. The foregoing is without prejudice to the validity of proxies already granted, votes already cast and the shareholders' right to attend and grant proxy.

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- (E) The Company shall in no case be liable for any damages that may be caused to the shareholder by breakdowns, overloads, lines down, connection failures, malfunctions of the postal service or any other contingencies of the same or a similar nature, beyond the Company's control, that hinder or prevent the use of the mechanisms for voting and granting proxy from a distance. Therefore, such circumstances will not constitute an unlawful deprivation of shareholder rights.
- (F) Any of the co-owners of a share deposit may vote, grant proxy or attend and the rules on priority established above shall be applicable among them. For the purposes of article 126 of the Capital Companies Law, it is assumed that the co-owner who carries out an action (granting of proxy, voting or attendance) at any given moment has been designated by the rest of the co-owners to exercise the rights that correspond to him/her as a shareholder.

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### Exhibit A

To guarantee the security of your proxy, you must have electronic DNI or a Recognized Electronic Certificate. The Recognized Electronic Certificate must be obtained by the shareholder, at no cost to the Company, and must be in force when the proxy is granted. Links to the electronic certificate providers who issue valid Certificates to grant proxy for this Meeting appear below. In these links, you will find information on how to obtain the certificate.

<https://sedeaplicaciones.minetur.gob.es/Prestadores/>

If you have obtained electronic DNI or the Electronic User Certificate, you should send an e-mail to [info.accionista@otis.com](mailto:info.accionista@otis.com), stating if you wish to grant proxy, in accordance with the following instructions:

#### **Content of the e-mail to grant proxy:**

The e-mail you send to the Company to grant proxy by means of distance communication must include:

- (a) The following **particulars** in your capacity as the shareholder granting proxy:
  - Name, surnames and national identity card (D.N.I.) / tax identification number (N.I.F.).
  - Name and code of the Depository Entity with which you have deposited the Company shares.
  - Securities account number: Code (Branch + control digit + acc. No.)
  - Number of shares you own.
- (b) **The person to whom proxy is granted** for the General Meeting, specifying whether it is:
  - (i) The Chairman of the Board of Directors or whoever, where appropriate, will substitute for him in the Presidency of the General Shareholders' Meeting
  - (ii) Any other person, stating in that case [Mr//Ms] [*insert name and surnames*] and his/her [D.N.I. / N.I.F] and [e-mail address].
- (c) The **Proxy and distance voting card** (available for download at the Companies website), duly signed by shareholder with the electronic DNI or the Recognized Electronic Certificate.
 

In the event of a contradiction between the content of the proxy and remote voting card and the email in which it is attached, the content of the proxy and remote voting card duly completed and signed will prevail;
- (d) The **certificate of legitimation** or equivalent document issued by Iberclear (or the participating entity authorized to do so).
- (e) If the shareholder is a legal person, a **notary's certificate** or similar document stating that the powers of attorney of the person granting proxy are sufficient;

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- (f) The person granting proxy must state that he/she undertakes to **inform the designated proxy-holder** of the proxy (in the case of a third party other than any of the members or the Secretary of the Board of Directors) and to send him/her a copy of the proxy and vote card to distance.
- (g) Finally, if you want your representative to be able to identify himself on the telematic assistance platform on the day of the General Meeting by means of "username and password" credentials, you must also indicate it, so that they can be provided to him/her. Alternatively, the representative may request such credentials from the Company until 24:00 (CEST) on May 17, 2021. It is noted that if you do not record this request when conferring the proxy, and your representative does not request them from the Company within the indicated period, it can only be identified in the aforementioned platform by means of an electronic DNI or qualified or advanced electronic signature based on a CERES Recognized Electronic Certificate;

4.13

An example of an e-mail granting proxy by means of distance communication is shown below:

**To:** *info.accionista@otis.com*

**Re: Granting proxy for General Ordinary Shareholders Meeting 2021**

I, [Mr / Ms.] [insert name], with [D.N.I. / N.I.F.] No. [insert number], currently in force, as the holder of [insert number] shares in Zardoya Otis, S.A., which are deposited with the entity [insert name of entity + entity code], in securities account No. [insert number (office + DC + account number)], grant proxy, as stated in the Proxy and distance voting card attached and duly signed, for the 2021 Ordinary General Shareholders' Meeting of the Company to be held on May 18, 2021, on the first call, and May 19, 2021, on the second call, to:

[Option 1] [The Chairman of the Board of Directors or the person acting as such] [Option 2] [[Mr / Ms.] [insert name and surnames], with [D.N.I. / N.I.F.] No. [insert number], currently in force] and [e-mail address], in order for them to represent me and vote on the following items on the Agenda of the General Meeting [alternative 1: in accordance with the instructions included in the Proxy and distance voting card attached.

[Only applicable in the case of delegation to a third party other than the members or the Secretary of the Board of Directors: I undertake to inform my proxy-holder of the proxy conferred upon him/her and to send him/her a copy of the proxy and remote voting card.

[Optional] [I also request that my representative be provided with "username and password" credentials to connect to the telematic assistance platform on the day the Meeting is held, which will be enabled on the Company's corporate website.]

[Attach proxy and remote voting card duly completed and signed by electronic DNI or Recognized Electronic Certificate]

[Attach certificate of legitimation or equivalent document issued by Iberclear (or the participating entity authorized to do so)]

[If a legal person, attach a notary's certificate of the power of attorney.]"

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### Exhibit B

To guarantee the security of your distance vote, you must have electronic DNI or a Recognized Electronic Certificate. The Recognized Electronic Certificate must be obtained by the shareholder, at no cost to the Company, and must be in force when the proxy is granted. Links to the electronic certificate providers who issue valid Certificates for voting prior to this Meeting appear below. In these links, you will find information on how to obtain the certificate.

<https://sedeaplicaciones.minetur.gob.es/Prestadores/>

If you have obtained electronic DNI or the Electronic User Certificate, you should send an e-mail to [info.accionista@otis.com](mailto:info.accionista@otis.com), stating if you wish to cast a distance vote prior to the Meeting, in accordance with the following instructions:

#### Content of the e-mail for distance voting:

- (a) The following **particulars** in your capacity as the shareholder casting the vote:
- Name, surnames and D.N.I. / N.I.F.
  - Name and code of the Depository Entity with which you have deposited the Company shares..
  - Securities account number: Code (Branch + control digit + acc. No.).
  - Number of shares you own.
- (b) The **Proxy and distance voting card** (available for download at the Companies website), duly signed by shareholder with the electronic DNI or the Recognized Electronic Certificate.
- In the event of a contradiction between the content of the proxy and remote voting card and the email in which it is attached, the content of the proxy and remote voting card duly completed and signed will prevail;
- (c) The **certificate of legitimation** or equivalent document issued by Iberclear (or the participating entity authorized to do so).
- (d) If the shareholder is a legal person, a **notary's certificate or similar document** stating that the powers of attorney of the person granting proxy are sufficient;

Se adjunta a continuación, un ejemplo de correo electrónico para emitir el voto a distancia:

An example of an e-mail casting a distance vote is shown below:

**To:** [info.accionista@otis.com](mailto:info.accionista@otis.com)

**Re: Voting from a distance**

I, [Mr / Ms.] [insert name], with [D.N.I. / N.I.F.] No. [insert number], currently in force, as the holder of [insert number] shares in Zardoya Otis, S.A., ., which are deposited with the entity [insert name of entity +entity code], in securities account No. [insert number (office + DC + account number)], in relation to the 2021 Ordinary General Shareholders'



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Meeting of the Company to be held on May 18, 2021, on the first call, and May 19, 2021, on the second call, cast my vote prior to the Meeting on the different items on the Agenda as stated in the Proxy and distance voting card that is attached and duly fulfilled and signed.

*[Attach proxy and remote voting card duly completed and signed by electronic DNI or Recognized Electronic Certificate]*

*[Attach certificate of legitimation or equivalent document issued by Iberclear (or the participating entity authorized to do so)]*

*[If a legal person, attach a notary's certificate of the power of attorney.]"*

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# General Shareholders' Meeting 2021

\* \* \* \* \*

Rules for the on-line assistance to the General Shareholders Meeting



The Ordinary General Meeting may only be attended on-line, in accordance with the following rules approved on the subject by the Company's Board of Directors.

The mechanisms for attending the Ordinary General Meeting will be made available to shareholders (or their proxy-holders) on the Company's corporate website (<http://www.otis.com/es/es/accionistas-inversores/>).

**(A) Identification and prior registration of shareholders**

To guarantee the identity of those attending, the correct exercise of their rights, interactivity and the proper running of the meeting, shareholders who wish to use the on-line attendance mechanisms must register previously in the space allocated to the General Shareholders' Meeting ("**on-line attendance**") on the corporate website (<http://www.otis.com/es/es/accionistas-inversores/>), **from 12:00 noon (CEST) on April 20, 2021 until 24:00 (CEST) on May 17, 2021**. No prior registration of shareholders for exercising the right to attend on-line will be admitted after the latter date and time.

Said prior registration may be carried out by: (i) electronic national identity card; (ii) recognized or advanced electronic signature based on a recognized electronic certificate currently in force, issued by the Spanish Public Certification Entity (CERES), which reports to the Fábrica Nacional de Moneda y Timbre (the Spanish Mint) ("**Recognized Electronic CERES Certificate**"); or (iii) completing the accreditation form on the corporate website (<http://www.otis.com/es/es/accionistas-inversores/>), on which the shareholder must identify him or herself with their national identify card, foreigner identity card or passport, e-mail address and the number of shares they own.

Once the aforementioned accreditation form has been completed and their identity and condition of shareholder verified, the shareholder will receive at the email address provided their "username and password" credentials by which they will be able to identify themselves on the telematic assistance platform on the day of the meeting.

The Company reserves the right to request shareholders to provide any additional means of identification it deems necessary in order to verify their status as a shareholder and guarantee the authenticity of the on-line attendance.

Once the shareholder has pre-registered using the means described within the term allowed, they may attend and vote at the Ordinary General Meeting on-line by connecting as required on the day the meeting is held.

Prior registration of shareholders' proxy-holders will be carried out by the Company in accordance with point 4.1 of the Notice of Meeting available at the corporate website (<http://www.otis.com/es/es/accionistas-inversores/>).

**(B) Connection and attendance**

In order to allow the on-line attendance systems to be managed properly, shareholders who have registered previously to attend the Ordinary General Meeting on-line in accordance with letter (A) above or their proxy-holders **must connect to the Company's corporate website** (<http://www.otis.com/es/es/accionistas-inversores/>) **between 09:00 a.m. and 11:00 a.m. (CEST) on May 18, 2021 (if the Ordinary General Meeting is held on the first call) or on May 19, 2021 (if, as expected, the Ordinary General Meeting is held on the second call)** and identify themselves as described in the relevant instructions and depending on the means of identification used in the prior registration process (in the case of shareholders), through (i) electronic DNI; (ii) qualified or advanced electronic signature based on a CERES Recognized Electronic Certificate; or (iii) the "username and password" credentials provided, in the case of shareholders, at the time of prior registration and, in the case of representatives, after the corresponding request under the terms provided in section 4.1 following.

If applicable, on May 18, 2021, when it has been verified that the quorum required to hold the meeting has not been met, the Company will publish this situation on the electronic attendance platform, confirming that the Ordinary General Meeting will finally be held on the second call. In the event that the Ordinary General Meeting is held on the second call (as expected), on-line participants who connected on the first call must connect again in order to attend the Ordinary General Meeting on-line on the second call.

**(C) Participation**

Pursuant to the LSC, interventions and motions or requests for information or clarification that, in accordance with said Law, on-line participants intend to formulate must be sent to the Company in writing, in the format, terms and conditions established on the Company's aforementioned website, **between 9:00 a.m. and 11:00 a.m. (CEST) on May 18, 2021 or, if applicable, May 19, 2021, depending on whether the Ordinary General Meeting is held on the first or second call, respectively.** The on-line attendee who wishes his/or intervention to be recorded in the minutes of the Ordinary General Meeting must state this expressly in the text of the intervention. Requests for information or clarification made by on-line participants will be answered in writing in the seven days following the meeting, in accordance with the LSC.

On-line attendees who, having connected to the meeting on the first call, sent interventions and motions or requests for information or clarification will have to send them again, in the terms described, on the day on which the meeting is held. Otherwise, they will be deemed not to have been submitted.

**(D) Voting**

Votes may be cast on items on the Agenda as of the time that the Meeting is declared to have reached a quorum until the Chairman or, where applicable the Secretary, announces the end of the period allowed for voting on the motions concerning items

on the Agenda. Regarding motions on matters that need not appear on the Agenda by law, attendees may cast their votes as of the moment at which said motions are read and it is announced that votes may be cast on them on the on-line attendance platform. For voting on the motions, the procedure set out in the Bylaws and the Regulations of the General Shareholders' Meeting will be applied.

**(E) Other issues**

A shareholder's on-line attendance at the Ordinary General Shareholders' Meeting on the day that it is held will cause any proxy granted or vote cast from a distance prior to the Ordinary General Meeting to be null.

Custody of the passwords or means of identification necessary to access and use the on-line attendance service is the sole responsibility of the shareholder (or their proxy-holder). In the case of a legal person, it must notify the Company of any change or revocation of the powers held by its representative, the Company thus declining any liability until such notification has been made

The Company reserves the right to change, suspend, cancel or restrict the mechanisms for on-line attendance at the Ordinary General Meeting when technical or security reasons make this advisable or obligatory. The Company will not be liable for any damages that may be caused to the shareholder by breakdowns, overloads, lines down, connection failures, or any other contingencies of the same or a similar nature, beyond the Company's control, that prevent the use of the mechanisms for on-line attendance at the Ordinary General Meeting. Therefore, such circumstances will not constitute an unlawful deprivation of shareholder rights.

In all aspects not expressly regulated in this notice, the same rules on voting and adopting motions as those contained in the Regulations of the Ordinary General Meeting for General Meetings held with in-person attendance will be applicable to the shareholders or proxy-holders who attend on-line.

The following precedence rules are established between delegation, remote voting and attendance at the Ordinary General Meeting: (i) telematic attendance at the Ordinary General Meeting of the shareholder who had previously delegated or voted remotely, regardless of the means used to its issuance will render said delegation or vote ineffective; (ii) when the shareholder validly confers the proxy or casts its vote by electronic communication and, in addition, performs the same action by means of the printed proxy and remote voting card, the last proxy or the last vote cast will prevail (regardless of which is the medium used for its issuance) that has been received by the Company within the established period; and (iii) the casting of the vote by any remote communication means will render ineffective the proxies granted by the shareholder, whether they are prior to the casting, which will be understood to be revoked, or later, which will be deemed not to have been carried out. Likewise, both the representation and the previous remote vote cast will be rendered ineffective by the sale of the shares that confer the right to participate in the General Meeting of which

the Company is aware at least five days before the scheduled date for holding the Ordinary General Meeting.

It is the sole responsibility of the shareholder or their representative to safeguard their electronic signature and, where appropriate, the credentials provided to make use of the electronic platform for delegation, prior voting and telematic assistance.

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4.15

## General Shareholders' Meeting

### 2021

\* \* \* \* \*

**Total number of shares and voting rights at the date of the call  
for the General Shareholders meeting 2021**



**The social capital of Zardoya Otis, S.A. is represented by a total of:**

- **470.464.311 shares, with code ISIN ES0184933812; and**
- **470.464.311 voting rights.**

*The Company has 163,477 treasury shares (at the publication date of this document) that, in accordance with the provisions of article 148 of the Capital Companies Act, will be computed in the capital for the purposes of calculating the percentages necessary for the constitution and adoption of resolutions at the Ordinary General Meeting. The exercise of the vote and other political rights incorporated into the aforementioned shares are on hold.*

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# General Shareholders' Meeting 2021

4.16

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Attendance, Proxy and Distance Voting Card







**PROXY AND DISTANCE VOTING CARD**

Attendance, Proxy and Distance Voting Card for the Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. (the "Company"), to be held, on the first call, on May 18, 2021 at 12:00 noon (CEST) or, if applicable, on the second call on May 19, 2021 at the same (being estimated its celebration on second call).

Shareholders may attend the Meeting electronically, or delegate or vote remotely prior to the celebration of the meeting by postal correspondence or electronic means, all in accordance with the provision of rules included in the announcement of the call and on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>).

**Shareholders may delegate their right to attend or vote remotely prior to the Meeting through this card by filling in the corresponding boxes in the table of points on the Agenda and signing the Proxy or Remote Voting section, as appropriate. In the event of both sections being signed, the remote vote will prevail, and the proxy conferred will be rendered ineffective**

**4.16**

**PROXY FOR THE 2021 ORDINARY GENERAL SHAREHOLDERS' MEETING**

**Shareholders who wish to grant proxy for the General Meeting**

The shareholder to whom this card has been issued grants proxy for this General Meeting to:

(Mark only one of the following boxes and, if applicable, designate the proxy-holder. In order for this proxy to be valid, the shareholder granting it must sign in the space provided for this purpose.)

- 1.  Chairman of the Board of Directors (or the person who substitutes him in the chair of the General Shareholders' Meeting)
- 2.  .....(include Proxy-holder name and surnames of proxy)  
 .....(national Proxy-holder identity card No.or equivalent )  
 .....(include Proxy-holder e-mail address)

If a shareholder grants proxy to the Company, the directors or the Secretary of the Board by post or electronically (email or electronic platform) from a distance but does not include voting instructions or there is any doubt as to the recipient or scope of the proxy, the proxy will be deemed to: (i) be granted to the Chairman of the Board of Directors or, if applicable, the person who substitutes him in the chair of the General Shareholders' Meeting, or, in the event that the Chairman or his substitute has a conflict of interest, in favour of the Secretary of the Board of Directors, unless otherwise expressly stated by the shareholder; (ii) refers to all the motions on the Agenda of the General Meeting; (iii) is a vote in favour of said motions; and (iv) likewise covers any items that may arise off the Agenda, regarding which the proxy-holder will vote in the direction he/she deems most favourable to the interests of his/her principal.

**To give precise voting instructions, mark the pertinent box in the following table with a cross. If there is no cross in any or all of the boxes provided to indicate the vote on the items on the Agenda, the shareholder will be deemed to wish to vote in favour of the respective motions submitted by the Board of Directors.**

**Voting instructions on the motions of the Board of Directors**

Item on Agenda	1	2	3	4	5	6	7	8.1	8.2	9	10	11	12	13	14
In favour															
Against															
Blank															

You are informed that the Chairman and other directors have a conflict of interest regarding items 4(Approval of the management of the Board of Directors and, in particular, of the distribution of dividends distributed on account of the result of the year between December 1, 2019 and November 30, 2020), 6 (Approval of the Director Compensation Policy for the periods 2021, 2022 and 2023), 7 (Determination of the applicable percentage in relation to compensation via profit-sharing for the period running from December 1, 2019 to November 30, 2020), 11 (Consultative ballot on the 2020 Annual Director Compensation Report). Furthermore, Otis Elevator Company and Mr. Joao Miguel Marqués Penedo are in a situation of conflict of interest in relation to items 8.1 (Acknowledgement for the appointment of Ms. Robin Fiala as a natural person representative of the Otis Elevator Company director) and 8.2 (Ratification of the appointment and re-election of Mr. Joao Miguel Marqués Penedo), respectively.

**Proposals on items not included in the Agenda specified in the Notice of the Meeting**

Unless otherwise stated, by marking the box NO below (in which case the shareholder will be deemed to specifically instruct the proxy-holder to abstain), the proxy will also cover any proposals on items not included on the Agenda. NO

If the proxy covers such proposals, the precise instruction to the proxy-holder is to vote against them, unless stated otherwise here:

A conflict of interest will exist in the event that matters that are not on the Agenda are submitted to the General Meeting referring to the removal of the proxy-holder or filing of a corporate action for liability thereagainst, in the event that the proxy-holder is also a director of the Company.

**Substitution of proxy-holder in the event of conflict of interest**

In the event that the proxy-holder has, from a legal standpoint, a conflict of interest in the vote on any of the proposals that are submitted to the Meeting, on or off the Agenda, and the represented party has not given precise voting instructions in accordance with the provisions of this card, the proxy will be deemed to have been granted to the Chairman of the Meeting or, if the latter is also affected by the conflict of interest, to the Secretary of the Board of Directors, unless the shareholder granting the proxy states otherwise by marking the box NO below (in which case the shareholder will be deemed not to have authorized the substitution). NO

Signature of the shareholder granting proxy

Signature of the proxy-holder attending

In ....., date ....., 2021

In ....., date ....., 2021

Number of shares:

Securities Account Code:

**RIGHT OF ATTENDANCE**

Any holder of any number of shares of the Company registered in their name with five days prior to the date on which the meeting is to be held has the right to attend the Ordinary General Shareholders' Meeting. The Company may require proof of share ownership by means of a certification of entitlement or equivalent document issued by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. ("Iberclear") or the participating entities authorized to do so, issued five days prior to the date of the General Meeting, pursuant to article 15 of the Bylaws, article 5 of the Regulations of the General Shareholders' Meeting and article 179 of the Capital Companies Law. Shareholders (or their representatives) may only attend the Ordinary General Meeting electronically in accordance with the provisions of the rules included in the announcement of the call and on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>).

**SHAREHOLDERS WISHING TO GRANT PROXY USING THIS CARD**

If the shareholder does not intend to attend the General Meeting, he/she may grant proxy to any other natural or legal person. To do this, he/she should complete the proxy form on the other side of this page and sign it in the space provided all in accordance with the provision of rules included in the announcement of the call and on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>). The person holding proxy at the General Meeting must access the platform for telematic attendance at the Ordinary General Meeting to accept the representation. The delegation thus expressed can be sent to the Company by postal correspondence or electronic means. The rules included in the Notice of the Meeting and on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>) must be observed in this respect..

**SHAREHOLDERS WISHING TO CAST A DISTANCE VOTE USING THIS CARD PRIOR TO THE GENERAL MEETING**

If the shareholder does not intend to attend and does not wish to grant proxy, he/she may cast a distance vote on the items on the Agenda. To do this, he/she must complete the section on distance voting below and sign it in the space provided all in accordance of the rules included in the Notice of the Meeting and on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>). Shareholders issuing a distance vote will be deemed to be present for the purposes of constituting the General meeting. Distance votes may be delivered to the Company sent by post, or by electronic means, in accordance with the rules included in the Notice of the Meeting and on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>). In the event that both the proxy and distance voting sections are completed, the distance vote will prevail and the proxy will be null and void.

**DISTANCE VOTE FOR THE 2021 ORDINARY GENERAL SHAREHOLDERS' MEETING**

**Shareholders wishing to cast a distance vote in relation to the motions on the Agenda**

If, prior to the General Meeting, the shareholder in whose favour this card has been issued wishes to cast a distance vote in relation to the motions on the Agenda of this General Meeting, he/she must mark the pertinent box with a cross, showing either the direction of his/her vote or his/her abstention. It is not possible to cast a distance vote on any proposals not included on the Agenda. If, in relation to any of the items on the Agenda, no box is marked, the shareholder will be deemed to vote in favour of the motion of the Board of Directors. At any event, in addition to the provisions of the Law, the Bylaws and the Regulations of the General Shareholders' Meeting, the rules included in the Notice of the Meeting and on the Company's website (<http://www.otis.com/es/es/accionistas-inversores/>) must be observed.

**Vote on the motions submitted by the Board of Directors**

Item on Agenda	1	2	3	4	5	6	7	8.1	8.2	9	10	11	12	13	14
In favour															
Against															
Blank															

The shareholder casting a distance vote will be deemed to be present for the purposes of constituting the General Meeting.

**Signature of the shareholder casting a distance vote**

In ....., Date ....., 2021

**Number of shares:**

**Securities Account Code:**

**PERSONAL DATA PROTECTION**

Personal data that shareholders (and if applicable the Proxy-holder) send to the Company in order to exercise their rights to attend or be represented at the General Meeting or that are provided for this purpose by the entities with which said shareholders' shares are deposited through the entity legally authorized to keep the register of book entries, Iberclear, will be processed by the Company in order to manage the conducting, compliance and control of the shareholder relationship that exists, together with attendance at and running of the General Meeting and, if applicable, in order to comply with rules to which Zardoya Otis, S.A. is subject. In order to manage the shareholder relationship that exists, Zardoya Otis, S.A. will send information to the shareholders strictly related to the shareholders' investments and the Company's evolution. This information may be sent electronically. The rights of access, rectification, objection, cancellation, portability, limitation to process activities and any other legally recognised may be exercised by means of a letter, accompanied by a copy of the national identity document (DNI), addressed to the registered office (Calle Golfo de Salónica, 73, 28033 Madrid) for the attention of the Secretary of the Board of Directors or to [info.accionista@otis.com](mailto:info.accionista@otis.com). In the event that the shareholder includes personal data regarding other natural persons on the attendance, proxy and distance voting card, the shareholder must inform said persons of the contents of the preceding paragraphs and comply with any other requirements that may be applicable in order to provide said data correctly to Zardoya Otis, S.A. without the need for the latter to take any additional action regarding information or consent. More information regarding the data processing activities of Zardoya Otis, S.A in the specific paragraph for Privacy Protection in the Notice of the Meeting available at <http://www.otis.com/es/es/accionistas-inversores/>

### Agenda

4.16

- 1 Examination and, if appropriate, approval of the annual financial statements and management reports of both the Company and its consolidated group for the period running from December 1, 2019 to November 30, 2020.
- 2 Examination and, if appropriate, approval of the statement of non-financial information (SNFI), for the period running from December 1, 2019 to November 30, 2020.
- 3 Application of the profit for the period running from December 1, 2019 to November 30, 2020.
- 4 Approval of the performance of the Board of Directors and, in particular, of the distribution of interim dividends charged to the profit for the period running from December 1, 2019 and November 30, 2020.
- 5 Approval of the distribution of a dividend charged to reserves for a gross amount of 0.072 euros per share.
- 6 Approval of the Director Compensation Policy for the periods 2021, 2022 and 2023.
- 7 Determination of the applicable percentage in relation to compensation via profit-sharing for the period running from December 1, 2020 to November 30, 2021, in accordance with the Capital Companies law, article 218.
- 8 Acknowledgement and ratification of the following members of the Board of Directors:
  - 8.1 Acknowledgement of the appointment of Ms Robin Fiala as the new personal representative of the director Otis Elevator Company.
  - 8.2 Ratification of appointment and re-election of Mr Joao Penedo.
- 9 Authorization to Company and its subsidiaries for the direct or indirect derivative acquisition of treasury stock, within the limits and meeting the requirements set forth in article 146 and 509 of the Capital Companies Law, leaving without effect on the unused part the authorization granted by resolution 8 of the ordinary general shareholders meeting of May 23, 2018.
- 10 Authorization so that, in accordance with the provisions of article 149 of the Capital Companies Law, the Company may accept as a pledge or in another form of guarantee, directly or indirectly, its own shares.
- 11 Consultative ballot on the Annual Director Compensation Report for the period running from December 1, 2019 to November 30, 2020.
- 12 Delegation to the Board of Directors of the interpretation, rectification, execution, formalization and registration of the resolutions passed.
- 13 Requests and questions.
- 14 Approval of the minutes.