



Auditor's Report on Zardoya Otis, S.A.

(Together with the annual accounts and directors' report of Zardoya Otis, S.A. for the year ended 30 November 2021)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)



KPMG Auditores, S.L.
Paseo de la Castellana, 259C
28046 Madrid

Independent Auditor's Report on the Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

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 balance sheet at 30 November 2021, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 30 November 2021, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts 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 regarding independence, that are relevant to our audit of the annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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



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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the 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.

Recoverable amount of investments in Group companies

See notes 2, 3.4 and 7.3 to the annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 30 November 2021 the Company has recognised investments in Group companies amounting to Euros 358,540 thousand.</p> <p>The recoverable amount of investments in Group companies is calculated, for those companies in which there is objective evidence of impairment, by applying valuation techniques which often require the exercising of judgement by management and the Directors and the use of assumptions and estimates. As a result of the Company's analysis, in 2021 it reversed impairment of these investments in an amount of Euros 1,983 thousand. At 30 November 2021 the accumulated impairment recognised totalled Euros 1,630 thousand.</p> <p>Due to the uncertainty associated with these estimates, this has been considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">- Evaluating the criteria used by Company management and the Directors in identifying indications of impairment of the aforementioned investments.- Assessing the design and implementation of key controls related to the estimation of the value of investments in Group companies.- For investees in which there are indications of impairment, evaluating the methodology and assumptions used in estimating the recoverable amount through the value in use method based on discounted cash flows, involving our valuation specialists to assess the reasonableness of the discount rates and expected future growth rate in perpetuity, applicable to each business.- Comparing the cash flow forecasts estimated in prior years in the calculation of the recoverable amount with the actual cash flows obtained.- Analysing the sensitivity of the estimations of recoverable amount to changes in the relevant assumptions and judgements, such as the discount rate, the business assumptions and the expected future growth rate in perpetuity.- We also assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.



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Recognition of revenues from the installation and assembly of lifts

See notes 3.12 and 20 to the annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>A large portion of the Company's revenues relate to the installation and assembly of lifts, for which revenues are recognised using the percentage of completion method. In particular, they are recognised based on the estimated percentage completion of the works, making the necessary corrections through periodic re-estimates such that the margin of profit/loss arising upon completion of the contracts is not substantially different to the margins applied whilst the contracts are open. The recognition of revenue and the profit/loss on these contracts therefore entails a high level of judgement by management and the Directors and an exhaustive control of the estimates made and any deviations that might arise over the contract term. The estimates take into account all costs and revenue related to the contracts, including any costs incurred in addition to those originally budgeted.</p> <p>Due to the uncertainty associated with these estimates and the fact that changes therein could lead to material differences in the revenues recorded in relation to contracts for the installation and assembly of lifts, this has been considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">- We assessed the design and implementation of the most relevant controls established by the Company's Directors and management, including the control environment of the IT systems, over the process of recognising revenue using the percentage of completion method for lift installation and assembly contracts. We also tested the operating effectiveness of these controls.- For a sample of construction contracts selected using certain quantitative and qualitative criteria, we analysed the supporting documentation to evaluate the estimates and judgements made by the Company in the recognition of revenues.- For a sample of construction contracts, we analysed the profit/loss on the completed contracts versus the budgeted profit/loss, analysing the historical performance and the budget control performed by the Company and the judgement applied, assessing whether they adequately represent the contract risks.- We assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.

Other Matter

On 9 March 2021 other auditors issued their unqualified auditor's report on the annual accounts for 2020.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Other Information: Directors' Report _____

Other information solely comprises the 2021 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility regarding the information contained in the directors' report is defined in the legislation regulating the audit of accounts, as follows:

- a) Determine, solely, whether the non-financial information statement and certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.
- b) Assess and report on the consistency of the rest of the information included in the directors' report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned annual accounts. Also, assess and report on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2021, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Annual Accounts _____

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they 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 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 preparation and presentation of the annual accounts.



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Auditor's Responsibilities for the Audit of the Annual Accounts

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 prevailing legislation regulating the audit of accounts 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 prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors².
- 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.
- 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 a true and fair view.

We communicate with the audit committee of Zardoya Otis, S.A. 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 entity's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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From the matters communicated to the audit committee of the entity, we determine those that were of most significance in the audit of the annual accounts of the current period and which 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

Additional Report to the Audit Committee _____

The opinion expressed in this report is consistent with our additional report to the Company's audit committee dated 4 March 2022.

Contract Period _____

We were appointed as auditor by the shareholders at the ordinary general meeting on 16 June 2020 for a period of three years, from the year commenced 1 December 2020.

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

María Lacarra
On the Spanish Official Register of Auditors ("ROAC") with No. 20.411
4 March 2022

Zardoya Otis, S. A.

Annual Financial Statements as of
November 30, 2021

ZARDOYA OTIS, S.A.

BALANCE SHEET AS OF NOVEMBER 30, 2021 AND 2020
(expressed in thousand Euros - EThs)

ASSETS	Note	2021	2020
NONCURRENT ASSETS		459,464	442,852
Intangible assets	5	16,462	19,674
Property, plant & equipment	6	63,041	58,801
Noncurrent investments in group and associated companies		358,540	338,939
Equity instruments	7.3	358,540	338,939
Noncurrent financial investments		2,202	3,442
Other financial assets	7.18	2,202	3,442
Trade debtors and other receivables	7.2.8	2,352	2,529
Deferred tax assets	19	16,867	19,467
 CURRENT ASSETS		 248,395	 229,652
Inventories	9	90,893	93,364
Trade debtors and other receivables		116,591	105,236
Trade receivables	7.8	85,488	85,186
Clients, group and associated companies	27	21,317	8,656
Several debtors	7.8	3,558	5,159
Employees		562	623
Other credits with the Public Treasury	21	5,666	5,612
Current financial investments	7.1	2,228	191
Other financial assets		2,228	191
Current accruals		769	677
Cash and cash equivalents	10	37,914	30,184
TOTAL ASSETS		707,859	672,504

ZARDOYA OTIS, S.A.

BALANCE SHEET AS OF NOVEMBER 30, 2021 AND 2020 (expressed in thousand Euros - EThs)

EQUITY AND LIABILITIES	Note	2021	2020
EQUITY		358,820	346,283
Shareholders' equity		329,859	316,520
Capital	11	47,046	47,046
Share premium		305	306
Reserves	13	211,571	203,748
Treasury stock	12	(3,053)	(8,087)
Profit for the year	14	141,685	141,699
(Interim dividends paid)	11.14	(67,695)	(68,192)
Adjustments for changes in value	18	28,961	29,763
NONCURRENT LIABILITIES		49,693	48,103
Noncurrent provisions		12,601	11,040
Other provisions	17	12,601	11,040
Noncurrent debt	7.15.27	82	62
Other financial liabilities		82	62
Noncurrent debt with group and associated companies	7.15.27	37,010	37,001
CURRENT LIABILITIES		299,346	278,118
Current provisions	17	10,462	10,968
Current debt		290	290
Debt with financial institutions	7	155	155
Other financial liabilities		135	135
Current debt with group and associated companies	7.15	75,669	65,755
Trade creditors and other payables	15	198,294	186,384
Suppliers		55,072	50,353
Sundry creditors		105,756	99,504
Employees (outstanding remuneration)		17,706	18,776
Current tax liabilities		4,575	3,799
Other debts with the Public Treasury		15,185	13,952
Current accruals	16	14,631	14,721
TOTAL EQUITY AND LIABILITIES		707,859	672,504

ZARDOYA OTIS, S.A.

**PROFIT AND LOSS STATEMENT CORRESPONDING TO ENDED YEARS
AS OF NOVEMBER 30, 2021 & 2020**

(thousand euros - EThs)

CONTINUING OPERATIONS	Note	2021	2020 (*)
Net revenue	20	621,318	608,392
Sales		324,232	311,254
Revenue from dividends		40,321	41,947
Services rendered		256,765	255,191
Work carried out by the company on its own assets		1,630	1,640
Raw materials and consumables used	20	(222,834)	(203,456)
Goods consumed		(223,407)	(208,046)
Raw materials and other consumables used		573	4,590
Other operating revenue		618	591
Ancillary and other current management revenue		618	591
Personnel costs	20	(173,471)	(175,202)
Wages, salaries and similar		(125,591)	(125,958)
Employee welfare expenses		(46,000)	(46,880)
Provisions	18	(1,880)	(2,364)
Other operating expenses		(44,644)	(47,049)
External services	20	(43,603)	(44,802)
Taxes		(438)	(590)
Losses, impairment and changes in provisions for trading operations	8	(603)	(1,657)
Amortization of fixed assets	5.6	(9,340)	(10,002)
Impairment and profit / (loss) on disposals of fixed assets		5,309	95
(Impairment and loss), impairment reversals	7.3	1,983	-
Profit on disposals and others	6	3,326	95
OPERATING PROFIT		178,586	175,009
Financial income		106	160
Financial expenses		(507)	(464)
Foreign exchange differences		(12)	60
FINANCIAL PROFIT / (LOSS)	22	(413)	(244)
PROFIT BEFORE TAX		178,173	174,765
Income tax	21	(36,488)	(33,066)
PROFIT FOR THE YEAR		141,685	141,699

(*) Restated balances (note 2.3 of these annual accounts)

ZARDOYA OTIS, S.A.

**STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO
NOVEMBER 30, 2021 & 2020**

**A) RECOGNIZED INCOME AND EXPENSES STATEMENT AS OF NOVEMBER 30, 2021
AND 2020**

(expressed in thousand Euros - EThs)

	Note	<u>2,021</u>	<u>2,020</u>
Profit and loss statement		141,685	141,699
Revenue and expenses allocated directly to equity	18	(801)	(92)
Actuarial gains and losses and other adjustments		(801)	(92)
Transfers to profit and loss statement		-	-
Measurement of financial instruments			
- Other income / expenses		-	-
TOTAL RECOGNIZED INCOME AND EXPENSES		<u>140,884</u>	<u>141,607</u>

ZARDOYA OTIS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED ON NOVEMBER 30, 2021 & 2020

B) STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED ON NOVEMBER 30, 2021 & 2020

(expressed in thousand Euros - EThs)

	Note	Share capital	Share premium	Reserves	(Treasury Stock)	Profit for the year	(Interim dividend)	Adjustments for changes in value	Total
Balance as of November 30, 2019		47,046	306	198,150	(2,572)	147,022	(75,274)	29,855	344,533
Total recognized income & expenses	14	-	-	-	-	141,699	-	(92)	141,607
Transactions with shareholders or owners									
- Distribution of dividends	14	-	-	(28,205)	-	-	(105,768)	-	(133,973)
- Increase (reduction) in net worth resulting from mergers, business combination	14	-	-	(369)	3,291	-	-	-	2,922
Partial cash distribution of share premium	14	-	-	-	-	-	-	-	
- Other transactions with shareholders or owners	12	-	-	-	(8,806)	-	-	-	(8,806)
Other changes in equity Net	11.13.14	-	-	34,172	-	(147,022)	112,850	-	-
Balance as of November 30, 2020		47,046	306	203,748	(8,087)	141,699	(68,192)	29,763	346,283
Total recognized income & expenses	14	-	-	-	-	141,685	-	(801)	140,884
Transactions with shareholders or owners									
- Distribution of dividends	14	-	-	(33,835)	-	-	(99,547)	-	(133,382)
- Increase (reduction) in net worth resulting from mergers, business combination	14	-	-	-	17,131	-	-	-	17,131
Partial cash distribution of share premium	14	-	-	-	-	-	-	-	
- Other transactions with shareholders or owners	12	-	-	-	(12,096)	-	-	-	(12,096)
Other changes in equity Net	11.13.14	-	(1)	41,658	(1)	(141,699)	100,044	(1)	-
Balance as of November 30, 2021		47,046	305	211,571	(3,053)	141,685	(67,695)	28,961	358,820

ZARDOYA OTIS, S.A.

CASH FLOWS STATEMENT FOR THE YEARS ENDED ON NOVEMBER 30, 2021 AND 2020

(expressed in thousand Euros - EThs)

	Note	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		178,173	174,765
Adjustments to profit:			
Amortization, depreciation and other provisions	5.6.9	7,960	11,659
Gains or losses on sale of fixed assets		(3,326)	(95)
Revenue from dividends	20	(38,352)	(41,947)
Financial income	22	(106)	(160)
Financial expenses	22	507	464
Foreign exchange differences	22	12	(60)
Other income and expenses		(1,629)	-
Changes in working capital:			
Inventories	9	2,472	(1,844)
Debtors and other receivables	8	(12,671)	19,060
Creditors and other payables	15	20,201	3,846
Other cash flows from operating activities:			
Interest payments		(507)	(464)
Dividends received		38,351	41,947
Interest received		106	220
Corporate income tax received/(paid)		(33,112)	(33,232)
		<hr/>	<hr/>
Cash flows from operating activities		158,079	174,159
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments:			
Fixed assets	5.6	(8,883)	(10,692)
Investments in Group companies		(188)	(4,253)
Cash from business combinations, merger	25	-	127
Charges for investment:			
Fixed assets		4,200	-
		<hr/>	<hr/>
Cash flows from investing activities		(4,871)	(14,818)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds and payments on financial liability instruments:			
Treasury stock acquisition	12	(12,096)	(8,806)
Paid dividends	14	(133,382)	(133,972)
		<hr/>	<hr/>
Cash flows from financing activities		(145,478)	(142,778)
		<hr/>	<hr/>
NET INCREASE / DECREASE IN CASH OR CASH EQUIVALENTS		7,730	16,563
		<hr/>	<hr/>
Cash or cash equivalents at beginning of year	10	30,184	13,621

ZARDOYA OTIS, S.A.

FINANCIAL STATEMENT OF THE YEAR ENDED ON NOVEMBER 30, 2021

(thousand 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 center of their 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 50.02% of the Company's shares. Such company belongs to the Otis Group, incorporated in the United States of America (Notes 11 and 27), which ultimate Group company parent is Otis Worldwide Corporation. The Company is listed on Madrid, Barcelona, Bilbao and Valencia stock exchanges.

These annual financial statements and the consolidated annual financial statements for the year ended November 30, 2021 were approved by the Board of Directors on February 25, 2022 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 Trade Register.

At the end of the year 2021, the Company notified the National Securities Market Commission (CNMV) that the Board of Directors had been made aware on that date of the announcement sent to the CNMV by OPAL SPANISH HOLDINGS, S.A.U. (the 'Bidder'), entity indirectly entirely controlled by OTIS WORLDWIDE CORPORATION, shareholder of the Company holding at that time 50.01% of the share capital, and the terms and conditions of the public takeover bid that the Bidder has agreed to carry out on the rest of the Company's capital share up to 100% (the 'Bid'). The information regarding this offer is detailed in note 10 of these consolidated annual statements.

2. Bases of presentation

2.1 Accounting principles applied

The annual financial statements have been prepared based on 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.

On January 30, 2021, Royal Decree 1/2021, of January 12, was published, which modifies the General Accounting Plan approved by Royal Decree 1514/2007, of November 16, the General Accounting Plan of Small and Medium Sized Companies approved by Royal Decree 1515/2007, of November 16; the Rules to Develop Consolidated Annual Financial Statements approved by Royal Decree 1159/2010, of September 17; and the rules to Adapt the General Accounting Plan to non-profit entities approved by Royal Decree 1491/2011, of October 24.

The changes in the General Accounting Plan will be applied to the years beginning on or after January 1, 2021 and focus on the criteria for recognition, valuation and breakdown of income from delivery of goods and services, financial instruments, accounting of hedging, stock valuation of raw materials

quoted by intermediaries that trade with them and in the definition of fair value. Therefore, these changes will apply to the Company from the next financial year.

Regarding this, the individual annual statements corresponding to the first year beginning on or after January 1, 2021 will be presented including comparative information, although there is no obligation to express the information from the previous year again. The comparative information will only be expressed again in the event that all the criteria approved by the Royal Decree can be applied without incurring a retrospective bias, without prejudice to the exceptions established in the transitional arrangements.

The application of the rule, in general, is retroactive, although there are alternative convenient solutions. However, the application of hedge accounting is prospective, the criteria for classifying financial instruments can be applied prospectively and the criteria for income from sales and service provision can be applied prospectively to contracts beginning after January 1, 2021.

The Directors of the Company are carrying out an assessment of the applicable transition options and of the accounting impacts that these modifications will entail, although up to date of preparation of these annual statements, they do not yet have enough information to conclude on the results of this analysis.

2.2 Accurate picture

These financial statements show a true and fair view of the equity, the financial position at November 30, 2021, the results of the Company's operations, the changes in equity and the cash flows in the Company in the period ended at such 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	2021	2020
Total assets	726,559	734,527
Equity	431,554	417,811
Profit for the year	145,758	141,102

2.3 Comparison of information

The annual statements present for comparative purposes, with each of the balance sheet items, the profit and loss statement, the statement of changes in equity, the statement of cash flows and the memory, in addition to the figures of the year 2021, those corresponding to the previous year, which were part of the annual statements for 2020 approved by the General Shareholders' Meeting on May 19, 2021.

The dividends received from subsidiaries for 2020 have been reclassified in these annual statements in order to make them comparable with those of the current year and ease their comparison. The reclassifications have been the following:

CONTINUING OPERATIONS	2020	Reclassification	2020 restated
Net revenue	566,445	41,947	608,392
Revenue from dividends	-	41,947	41,947
OPERATING PROFIT	133,062	41,947	175,009
Financial income	42,107	(41,947)	160
FINANCIAL PROFIT / (LOSS)	41,703	(41,947)	(244)
PROFIT BEFORE TAX	174,765	-	174,765
Income tax	(33,066)	-	(33,066)
PROFIT FOR THE YEAR	141,699	-	141,699

2.4 Critical aspects of uncertainty assessment and estimate

Preparing 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. Basically, these estimates refer to:

Estimates and assumptions used to determine the income related to contracts of elevator installation

Elevator installation 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 clients. Such 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.

Estimates regarding calculation of income tax and recoverability of deferred tax assets

Calculating income tax requires interpretations of the tax law applicable to the Company. Furthermore, there are several factors, linked mainly, but not exclusively, to changes in the tax laws and changes in the interpretations of the current tax laws, that require company Management to make estimates. Likewise, the Company evaluates the recoverability of deferred tax assets based on the existence of future tax base against which it will be possible to offset such assets. Deferred taxes are calculated based on 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.

Assumptions used in the calculation of 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 loss due to impairment on goodwill and intangible assets

The Company checks if the maintenance portfolios show signs of loss due to impairment on an annual basis, in accordance with the accounting policy described in Note 3. In case of signs of loss due to loss due to impairment, the recoverable amounts of the cash-generating units have been determined based on calculations of their value in use. These calculations require the use of estimates.

Assessing possible losses due to impairment of investments in Group companies and related ones in the long run

At least at the reporting date, the required value adjustments will need to be done whenever there is objective evidence that the carrying amount of an investment is not recoverable. The amount for the value adjustment 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 elimination. Unless there is other evidence of the recoverable amount of the investments, when estimating the impairment of this kind of assets, the equity of the investee, adjusted by any tacit capital gains that may exist at the measurement date, will be used.

Despite the fact that these estimates have been made based on the best information available up to date of preparation of these annual accounts, it is possible that events that may take place in the future make it necessary to amend them (up or down) in the next years, which would be carried out, where appropriate, prospectively.

2.5 Grouping items

In order to make the statement of financial position, income statement, statement of changes in equity and statement of cash flows easier to understand, these statements are presented in groups. The required analysis will be included in the corresponding Notes to the financial statements.

3. Accounting policies

3.1 Intangible assets

Assets included in intangible fixed assets are accounted for at their acquisition price or at their production cost, following the same principles as those established in determining the production cost of inventories. The capitalization of the production cost is carried out under the heading 'Works carried out by the company for their assets' in the profit and loss statement. Intangible assets are presented in the balance sheet at their cost value less the amount of accumulated depreciation and value adjustments for impairment.

The costs incurred in carrying out activities that contribute to developing the value of the Company's business as a whole, such as goodwill, trademarks and similar ones generated internally, as well as establishment expenses, are recorded as expenses in the profit and loss statement as incurred.

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 checks, being measured at cost less accumulated losses due to impairment. When the carrying amount of an asset is higher than its estimated recoverable amount, its value is immediately reduced to its recoverable amount. Value adjustments due impairment recognized in the goodwill are not reversed in subsequent years.

The goodwill is allocated to the Cash-Generating Units (CGUs) in order to check 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 expenses

Research or development expenses incurred in a project are recognized as an expense when incurred.

The Company proceeds to capitalize the research expenses incurred in a specific and individualized project that meet the following terms:

- The cost is clearly established so that it can be distributed over time.
- A strict relationship can be established between the research 'project' and the goals pursued and obtained. The assessment of this requirement is carried out generically for each set of interrelated activities due to the existence of a common goal.

The Company proceeds to capitalize the development expenses incurred in a specific and individualized project that meet the following conditions:

- The disbursement attributable to carrying out the project can be reliably estimated.
- The assignment, allocation and temporal distribution of the project costs are clearly established.
- There are good reasons for technical success in carrying out the project, both for the case of direct use and for the sale to a third party of the result of the project once it has been completed, if there is a market.
- The financial and commercial profitability of the project is reasonably ensured.
- The financing to complete the project, the availability of suitable technical or other resources to complete the project and to use or sell the intangible asset are reasonably ensured.
- There is an intention to complete the intangible asset in order to use or sell it.

If the Company cannot distinguish the research phase from the development phase, the expenses incurred are treated as research expenses.

Expenses allocated to profit and loss in previous years cannot be subject to subsequent capitalization when the conditions are met.

At the time of registration in the corresponding Public Registry, the development expenses are reclassified to the heading of Patents, licenses, trademarks and similar ones.

Research expenses are amortized in the year in which they are recorded.

c) Maintenance contracts and other related intangible assets

This item includes mainly 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 life of between 10 and 20 years, depending on the characteristics of the portfolio. Impairment checks are carried out on a regular basis whenever there are factors that indicate a possible loss due to impairment.

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.

d) Subsequent costs

Subsequent costs incurred in intangible fixed assets are recorded as an expense, unless the expected future financial benefits of the assets increase.

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 life.

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

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

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

The residual value and 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 property, plant and equipment sales are measured by comparing the proceeds from the sale with the carrying amount and are recorded in the profit and loss statement.

3.3 Loss due to impairment on non-financial assets

Assets that are amortized or depreciated are checked for impairment when any event or change in circumstances indicates that their carrying amount may not be recoverable. A loss due to impairment 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 losses due to impairment, assets are grouped at the lowest level with identifiable separate cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered loss due to impairment are reviewed at each reporting date to see whether the loss has reversed.

3.4 Financial instruments

Classification and separation of financial instruments

Financial instruments are classified at the time of their initial recognition as a financial asset, a financial liability or an equity instrument, in accordance with the economic substance of the contractual agreement and with the definitions of financial asset, financial liability or equity instrument.

The Company classifies the financial instruments in the different categories based on the characteristics and intentions of the Management at the time of their initial recognition.

Purchase or sale operations of financial assets instrumented through regular contracts, understood as such those in which the reciprocal obligations of the parties must be fulfilled within a deadline established by the regulation or by market conventions and that cannot be settled by differences are recognized on the contract or settlement date.

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 debtors 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. Nevertheless, 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.

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.

Investments in equity of Group companies

Group companies are considered those over which the Company, directly or indirectly, through subsidiaries, exercises control, as provided in Art. 42 of the Spanish Code of Commerce or when the companies are controlled, by any means, by one or several individuals or legal entities that act jointly or are under a single management by agreements or provisions

Control is the power to enforce the financial and operating policies of a company, in order to obtain benefits from their activities, considering for these purposes the potential voting rights exercisable or convertible on the closing date of the year held by the Company or third parties.

Associated companies are considered to be those over which the Company, directly or indirectly through subsidiaries, exercises significant influence. Significant influence is the power to intervene in the financial and operating policy decisions of a company, without implying the existence of control or joint control over it. In assessing the existence of significant influence, the potential voting rights exercisable or convertible on the closing date of each year are considered, also considering the potential voting rights held by the Company or by another company.

Investments in group companies and associates are initially recognized at cost, which is equal to the fair value of the consideration given, including, for investments in associates and jointly controlled entities, the transaction costs incurred and are subsequently valued at cost, less the accumulated amount of the value adjustments due to impairment.

If an investment no longer meets the conditions to be classified in this category, it is reclassified to investments available for sale and is valued as such from the date of reclassification.

Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows related to them have expired or have been transferred and the Company has substantially transferred the risks and benefits derived from their ownership.

In transactions in which the derecognition of a financial asset is entirely recorded, the financial assets obtained or the financial liabilities, including the liabilities corresponding to the administration services incurred, are recorded at fair value.

The elimination of a financial asset in its entirety implies the recognition of results for the difference between its carrying amount and the sum of the consideration received, net of transaction expenses, including the assets obtained or liabilities assumed and any deferred gain or loss in income and expenses recognized in equity.

The criteria for recognizing the derecognition of financial assets in operations in which the Company neither assigns nor substantially retains the risks and benefits inherent to their ownership are based on the analysis of the degree of control maintained, as follows:

- If the Company has not retained control, the financial asset is eliminated and any rights or obligations created or retained as a result of the transfer are recognized separately as assets or liabilities.
- If control has been retained, the financial asset continues to be recognized for the Company's ongoing commitment thereto and an associated liability is recorded that is valued consistently with the transferred asset. The continuing commitment in the financial asset is determined by the amount of its exposure to changes in the value of such asset. The associated assets and liabilities are valued based on the rights and obligations that the Company has recognized. The associated liability is recognized in such a way that the carrying amount of the associated asset and liability is equal to the amortized cost of the rights and obligations retained by the Company, when the asset is valued at amortized cost or at the fair value of the rights and obligations held by the Company, if the asset is valued at fair value. The Company continues to recognize the income from the asset to the extent of their ongoing commitment and the expenses derived from the associated liability. Changes in the fair value of the asset and the associated liability are consistently recognized in profit and loss or equity, following the general recognition criteria set forth above, and should not be offset.

Transactions in which the Company substantially retains all the risks and rewards inherent to ownership of a transferred financial asset are recorded by recognizing the consideration received in liability accounts. Transaction costs are recognized in profit and loss following the effective interest rate method.

Financial assets impairment

A financial asset or group of financial assets is impaired and an impairment loss has occurred if there is objective evidence of impairment as a result of one or more events occurred after the initial recognition of the asset and that event or events causing the loss have an impact on the estimated future cash flows of the financial asset or group of financial assets, which can be estimated reliably.

The Company follows the criterion of recording the appropriate value adjustments due to impairment of loans and receivables and debt instruments, when there has been a reduction or delay in estimated future cash flows, motivated by the debtor's insolvency.

Likewise, in the case of equity instruments, impairment exists when there is a lack of recoverability of the asset's carrying amount due to a prolonged or significant decrease in its fair value.

Impairment of financial assets valued at amortized cost

In the case of financial assets carried at amortized cost, the amount of the impairment loss is the difference between the carrying amount of the financial asset and the current value of the estimated future cash flows, excluding future credit losses in which has not been incurred, discounted at the asset's original effective interest rate. For financial assets with a variable interest rate, the effective interest rate corresponding to the valuation date according to the contractual conditions is used.

The loss due to impairment is recognized with a charge to profit and loss and is reversible in subsequent years, if the decrease can be objectively related to an event subsequent to its recognition. However, the loss reversal is limited to the amortized cost that the assets would have had if the loss due to impairment had not been recorded.

Impairment of investments in group companies, associates and jointly controlled entities and equity instruments valued at cost

The calculation of the impairment is determined as a result of comparing the carrying amount of the investment and its recoverable value, understood as the greater of the value in use or fair value less sale costs.

In this sense, the value in use is calculated based on the Company's participation in the current value of the estimated cash flows from ordinary activities and the final disposal or the estimated flows that are expected to be received from the distribution of dividends and the final disposal of the investment.

However, and in certain cases, unless there is better evidence of the recoverable amount of the investment, as an indication of the impairment of this kind of assets, the equity of the investee company is taken into account, adjusted, where appropriate, to the accounting principles and standards usually accepted in the Spanish regulations that are applicable, corrected by the net tacit capital gains existing on the date of the valuation.

In subsequent years, impairment reversals are recognized, to the extent that there is an increase in the recoverable value, with the limit of the carrying amount that the investment would have if the impairment had not been recognized.

The loss or reversal of the impairment is recognized in the profit and loss statement, except in those cases in which it must be charged to equity.

The value adjustment due to impairment of the investment is limited to its value, except in those cases in which the Company has assumed contractual, legal or implicit obligations, or has made payments on behalf of the companies.

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 such 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 process of elevator installation contracts

Elevator installation 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 clients. Such 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.

3.6 Advanced 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'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.

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.

Nevertheless, 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.

The Company eliminates a financial liability or part of it when it has fulfilled the obligation contained in the liability or is legally exempt from the main responsibility contained in the liability, either by virtue of a judicial process or by the creditor.

The Company recognizes the difference between the carrying amount of the financial liability or part of it canceled or assigned to a third party and the consideration paid, including any assigned asset other than cash or liability assumed in profit and loss.

3.9 Current and deferred taxes

Income tax expense or income includes both current tax and deferred tax.

Assets or liabilities for current income tax are valued at the amounts expected to be paid or recovered from the tax authorities, using the regulations and tax rates in force or approved and pending publication on the closing date of the year.

Current or deferred income tax is recognized in profit and loss, unless it arises from a transaction or economic event that has been recognized in the same or a different year, against equity or from a business combination.

The deductions and other tax advantages of profit tax granted by Public Treasury as a reduction in the quota of such tax that in substance are considered official subsidies are recognized following the criteria set forth in the section.

Deferred tax liabilities recognition

The Company recognizes deferred tax liabilities in all cases, except when they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and on the date of the transaction does not affect either the profit and loss or the tax base.

Deferred tax assets recognition

The Company recognizes deferred tax assets, provided that there will be enough future tax profits for their offset or when the tax law provides for the possibility of future conversion of deferred tax assets into a claim against the Public Treasury.

The Company recognizes the conversion of a deferred tax asset into a receivable from the Public Treasury, when it is required according to the provisions of the current tax law. For these purposes, the elimination of the deferred tax asset is recognized with a charge to the deferred income tax expense and the receivable with a credit to the current income tax.

The Company only recognizes deferred tax assets derived from offsettable tax losses, to the extent that it is probable that future taxable profits will be obtained, which allow such assets to be offset within a deadline not later than the established by the applicable tax law, with a maximum limit of ten years, unless there is proof that it is likely to be recovered in a later deadline, when the tax law allows so or does not establish deadlines for their compensation.

Otherwise, it is likely that the Company will have enough tax profits to recover the deferred tax assets, as long as that there are taxable temporary differences of a sufficient amount, related to the same tax authority and referring to the same taxpayer, which reversal is expected in the same year in which the deductible temporary differences are expected to reverse or in years in which a tax loss, arising from a deductible temporary difference, can be offset with previous or subsequent profits.

The Company recognizes deferred tax assets that have not been recognized because they exceed the recovery deadline of ten years, to the extent that the future reversal deadline does not exceed ten years from the closing date of the year or when there are taxable temporary differences for a sufficient amount.

In order to determine future taxable profits, the Company considers tax-planning opportunities, as long as they intend to adopt them or are likely to adopt them.

Deferred tax assets and liabilities valuation

Deferred tax assets and liabilities are valued at the tax rates that will be applicable in the years in which the assets are expected to be realized or the liabilities paid, based on the current regulations and rates or those approved and pending publication and once the tax consequences that will derive from the way in which the Company expects to recover the assets or settle the liabilities have been considered.

Compensation and classification

Deferred tax assets and liabilities are recognized in the balance sheet as noncurrent assets or liabilities, regardless of the expected date of realization or settlement.

The Company only offsets deferred tax assets and liabilities if there is a legal right to offset against the tax authorities and such assets and liabilities correspond to the same tax authority, and to the same taxpayer or to different taxpayers who intend to settle or realize the current tax assets and liabilities for their net amount or realize the assets and settle the liabilities simultaneously, in each of the future years in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Deferred tax assets and liabilities are recognized in the balance sheet as noncurrent assets or liabilities, regardless of the expected date of realization or settlement.

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, regardless 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).

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 elevator installation.

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 apportioned on a straight-line basis as it is earned. 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) Exports

Export revenue corresponds mainly to sales of equipment to other group companies. Revenue is allocated to the profit and loss statement based on the accrual criterion, i.e., when the real flow of goods and services that they represent occurs, regardless of the moment when the monetary or financial flow derived from them.

Revenue is recorded at the amount of the consideration to which the Company expects to be entitled in exchange for transferring the committed goods or services, excluding amounts collected on behalf of third parties.

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

Dividend income is recognized when the right to receive payment is established and is recorded under the heading of Net Amount of turnover in the profit and loss statement, as it is part of the regular activity of the Company. Nevertheless, if the dividends paid come from profits generated prior to the acquisition date, they are not recognized as income but reducing 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. However, they are valued on the date the operation is carried out, at the carrying amount of the assets delivered in the individual annual statements of the contributor or at the amount representing the percentage of participation in the net assets of the contributed business, if higher.
- 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. However, when NOFCAC consolidated annual financial statements are not developed, the value in the individual annual statements of the parent company must be used, if it is higher than the carrying amount of the assets absorbed, recognizing the difference as goodwill.

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

3.15 Welfare commitments

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, S.A. 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.

As of November 30, 2021 and 2020, the actuarial calculations were updated using financial/actuarial assumptions that included an discount rate of between 0.00% and 0.53% per year, mortality tables PERMF 2000P in both 2021 and 2020, and income growth tables in line with the normal practice in the environment. Likewise, in 2021 and 2020, 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 they have 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 converted 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.

Conversion 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. Conversion 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:

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

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

Specifically, the Company implemented a course of action in 2020 to mitigate the effects of COVID-19, which main features are:

- Creation of a Crisis Committee with the participation of the General Management Department, Human Resources, Health, Safety and Works, Operations, Manufacturing, Health Services, Systems and the

Communication Area, in order to monitor the situation in real time and implement response actions.

- Actions with preventive measures were taken 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) Exchange rate 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, such 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, 2021 and 2020.

In order 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. As of November 30, 2021, there were payable balances in foreign currency other than euro, which equivalent value in euros was EThs 1,531 (EThs 1,161 in 2020) and there are no receivable balances in currencies other than 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 is subject to the fluctuations of the Euribor.

At the end of the years 2021 and 2020, the Company does not have any debts with credit entities referenced to a fixed or variable interest rate.

b) Credit risk

The Group's credit risk arises mainly from trade receivables and deposits in financial institutions.

The Company has no significant risk concentrations with customers and there are no individually significant old credit balances (Note 8). The Company has policies in place to ensure that installations sold to clients with appropriate credit histories and, in addition, regular debt-monitoring procedures are conducted by the legal and sales 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. As of November 30, 2020, such provision was EThs 32,987 (EThs 34,722 in 2020) (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, 2021 and 2020 were as follows:

	2021	2020
6 months to 1 year	1,803	4,244
1 to 2 years	495	1,420
Over 2 years	-	-
EThs	2,298	5,664

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 indicated on Note 10 as of November 30, 2021, the cash and cash equivalents heading included EThs 20,500 for a cash deposit placed by Zardoya Otis, S.A. with Otis Treasury Center INC (OTC) (EThs 14,000 in 2020).

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 based on 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.

As of November 30, 2021, cash and cash equivalents represented EThs 37,912 (EThs 30,184 in 2020), 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:

	2021	2020
Cash at the beginning of the year	30,184	13,621
Cash flows from operating activities	158,079	174,159
Cash flows from investing activities	(4,871)	(14,818)
Cash flows from financing activities	(145,478)	(142,778)
Cash at the end of the year	37,914	30,184

The Company presents a history of profit after tax (Eths 141,685 in 2021 and EMI 141,699 in 2020), operating profit (Eths 178,586 in 2021 and Eths 175,009 in 2020) and positive and recurrent net increases in cash (Eths 7,728 in 2021 and Eths 16,563 in 2020). In the same way, these increases consider cash outflows for the distribution of dividends for amounts of EThs 133,382 and EThs 133,972 in the years 2021 and 2020, respectively.

These results are expected to remain stable over time due to the recurrence of the business and the strength of the activity.

The Company has a negative working capital as of November 30, 2021 of Eths 50,951 (EThs 48,466 as of November 30, 2020) which includes debts with group companies for an amount of EThs 75,669 (EThs 65,755 as of November 30, 2020). The Company has the capacity to renegotiate the maturities of debts with group companies). The working capital of the Zardoya Otis Group, of which the Company is the parent, is positive as of November 30, 2021 of EThs 52,873 (EThs 32,786 as of November 30, 2020).

The Company holds committed credit lines for an amount sufficient to maintain flexibility in funding. Notwithstanding, these lines are only used occasionally.

d) Capital risk

The goal of the Company and their 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

	2021	2020
Debt with financial institutions (current and noncurrent)	155	155
Other current & noncurrent financial liabilities	3,459	4,541
Cash and cash equivalents	(37,912)	(30,184)
Other current financial assets	(2,228)	(191)
Net financial debt	(34,505)	(25,679)
Equity	358,820	346,283
Leverage (*)	(9.62%)	(6.90%)

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

As of November 30, 2021, this net financial debt represented -0.18 of EBITDA (-0.18 in 2020). (EBITDA – operating profit + amortization/depreciation + dividends received + impairment of investments in Group companies).

4.2 Estimate 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	11,207	99,390
Accumulated amortization	(33,197)	(36,110)	(8,226)	(77,533)
Balance as of 11/30/2019	18,876	-	2,981	21,857
Additions	778	332	1,640	2,750
Provision for amortization	(2,659)	(33)	(2,241)	(4,933)
Net carrying amount	16,995	299	2,380	19,674
Cost	52,851	36,442	12,847	102,140
Accumulated amortization	(35,856)	(36,143)	(10,467)	(82,466)
Balance as of 11/30/2020	16,995	299	2,380	19,674
Additions	-	-	1,629	1,629
Provision for amortization	(2,582)	(33)	(2,226)	(4,841)
Net carrying amount	14,413	266	1,783	16,462
Cost	52,851	36,442	14,476	103,769
Accumulated amortization	(38,438)	(36,176)	(12,693)	(87,307)
Balance as of 11/30/2021	14,413	266	1,783	16,462

a) Goodwill

The value of goodwill at closing 2021 is EThs 266 (EThs 299 in 2020). Details of goodwill are as follows:

	Year	Cost	Net carrying amount 2021
Sadet and 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	16,458	-
Ascensores Sáez 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	266
TOTAL		36,442	266

b) Maintenance contracts

Details of maintenance contracts acquired are as follows:

	Year	Net carrying amount 2021	Net carrying amount 2020
Aspe – Las Palmas	2007	-	-
Omega Sur:	2008	-	88
Ascensores Vascos.	2009	2,429	2,745
Jobensa	2009	270	528
Grupo Lagi	2009	2,837	3,488
Técnicos de Ascensores Reunidos S.A.	2009	3,990	4,516
Ascensores González S.L.	2009	3,397	3,821
Aspe – Ibiza	2010	91	175
Arrazola / Jeysan / SLV3	2016	357	413
Hemen	2017	451	505
Sige	2020	591	716
TOTAL		14,413	16,995

The 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 2021 was EThs 2,582 (EThs 2,659 in 2020). As of November 30, 2021 and 2020, the cost value of these portfolios amounts to EThs 52,851.

c) Other intangible assets

Such 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 1,783 (EThs 2,380 in 2020). The rest of Other intangible assets is fully amortized.

6. Property, plant & equipment

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

	Land and constructions	Machinery	Furniture, fittings and equipment	Total
Cost	54,502	23,375	50,049	127,926
Accumulated amortization	(11,824)	(15,329)	(44,845)	(71,998)
Balance as of 11/30/2018	42,678	8,046	5,204	55,928
Additions	63	2,753	5,125	7,941
Provision for amortization	(1,151)	(1,504)	(2,413)	(5,068)
Cost	54,565	26,128	55,174	135,867
Accumulated amortization	(12,975)	(16,833)	(47,258)	(77,066)
Balance as of 11/30/2020	41,590	9,295	7,916	58,801
Additions	6,545	-	2,614	9,159
Eliminations	(548)	(48)	-	(596)
Provision for amortization	(1,372)	(1,251)	(1,876)	(4,499)
Eliminations from amortization	128	48	-	176
Transfers	4,948	-	(4,948)	-
Cost	65,510	26,080	52,840	144,430
Accumulated amortization	(14,219)	(18,036)	(49,135)	(81,389)
Balance as of 11/30/2021	51,291	8,044	3,706	63,041

In 2021, the construction of the new SSW factory was completed for an activated value of EThs 11,143.

In July 2021, the sales contract for the old San Sebastián factory was signed for EThs 4,200. The affected fixed assets have been eliminated with a net carrying amount of EThs 548, which corresponds mainly to the land where the factory is located. As part of such sale, a one-year lease term has been agreed to manage the orderly transition of production with the new factory, which construction was completed in 2021.

a) Losses due to impairment

In the years 2021 and 2020, no significant losses due to impairment were recognized or reversed for any 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.

As of November 30, 2021, the aforementioned restatement had an impact of EThs 193 on the net carrying amount of property, plant and equipment (2020: EThs 212). Consequently, the effect of this restatement on the provision for the year 2021 was EThs 19 (EThs 19 in 2020).

c) Fully-depreciated assets

AS of November 30, 2020 and 2019, the following items of property, plant of equipment had been fully depreciated but were still in use:

	2021	2020
Constructions	3,548	3,548
Plant and machinery	25,795	27,281
Other installation, tools and furniture	14,869	17,159
Other PPE items	8,561	12,404
EThs	52,773	60,392

d) Insurance

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

e) Acquisition commitments

As of November 30, 2021, there were firm purchase commitments for the acquisition of property, plant and equipment for an amount of EThs 4,241 (EThs 1,207 in 2020), EThs 2 of which had been settled in advance (EThs 441 in 2020).

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, is as follows:

Financial assets	2021		2020	
	Equity instruments	Credits, derivatives, others	Equity instruments	Credits, derivatives, others
Long term				
Welfare commitments (Note 18)	-	1,728	-	2,980
Trade debtors & other receivables (Note 7.2)	-	2,352	-	2,529
Others	-	474	-	462
TOTAL	-	4,554	-	5,971
Short term				
Trade debtors & other receivables (Note 8)	-	110,925	-	99,624
Cash and cash equivalents (Note 10)	-	37,912	-	30,184
Others	-	2,228	-	191
TOTAL	-	151,065	-	129,999

Financial liabilities	2021		2020	
	Debt with financial institutions	Derivatives Others	Debt with financial institutions	Derivatives Others
Long term				
Liabilities and payables (Note 15)	-	82	-	62
Loans with Group companies (Notes 15 & 27)	-	37,010	-	37,001
TOTAL	-	37,092	-	37,063
Current:				
Liabilities and payables (Note 15)	-	178,534	-	168,633
Debt with financial institutions	155	-	155	-
Debt with Group companies (Notes 15 & 27)	-	75,669	-	65,755
Others	-	135	-	135
TOTAL	155	254,338	155	234,523

7.2 Analysis by maturity

Noncurrent financial assets include trade bills receivable maturing at more than one year, which total EThs 2,352 (EThs 2,529 in 2020).

	2021	2020
Two years	2,219	2,379
Three years	99	94
Over 3 years	34	56
EThs	2,352	2,529

As of November 30, 2021 and 2020, financial liabilities include current and noncurrent debt for business combination commitments with the following maturities:

Year 2021	Short term	Long term		
		2023	2024/2025	Total
Acquisitions prior to 2021	610	52	2,630	2,682
Acquisitions 2021	130	37	-	37
Total	740	89	2,630	2,719

Year 2021	Short term	Long term		
		2022	2023/2024	Total
Acquisitions prior to 2021	1,359	566	2,616	3,182
Acquisitions 2021	-	-	-	-
Total	1,359	566	2,616	3,182

As of November 30, 2021, there were financial assets (trade receivables) of EThs 50,239 (EThs 53,055 in 2020) 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

Year 2021

During 2021, 100% of the shares of the company Ascensores Fit, S.L. (March 11, 2021), dedicated to the maintenance and repair of elevating equipment in Spain, have been acquired. Likewise, a non-controlling interest in of Ascensores Eleva, S.L. (20%) (December 22, 2020) and Montes Tallón, S.A. (48%) (March 4, 2021) have been acquired.

In June 2021, the merger of Ascensores Eleva was completed. Later on, the merger of Montes Tallón, S.A. into Ascensores Pertor was also completed in October of 2021.

Year 2020

During 2020, a non-controlling interest 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).

The holdings in Group companies are represented by the company's investment in the following entities:

November 30, 2021								
Company	Registered office	Percentage direct or indirect holding or voting rights	Share carrying amount	Provision for impairment	Capital	Reserves	Net profit and loss for the year	Dividends received in the year (Note 22)
Ascensores Ingar, S.A.	Granada	100	15,936	1,630	1,000	9,742	165	-
Crucent – Edelma - Aspe S.L.	Barcelona	100	36,739	-	120	11,291	2,156	1,880
Ascensores Serra, S.A.	Girona	75	605	-	240	1,158	1,982	1,340
Otis Elevadores, Lda.	Portugal	100	31,658	-	21,241	29,385	15,966	16,571
Ascensores Pertor, S.L.	Valencia	100	54,845	-	51	10,892	2,840	2,101
Acresa Cardellach, S.L.	Barcelona	96.76	19,515	-	10,808	22,551	2,460	2,358
Puertas Automáticas Portis, S.L.	Madrid	100	18,977	-	336	8,907	4,116	3,064
Zardoya Otis (Gibraltar) Limited.	Gibraltar	100	-	-	1	-	502	0
Conservación de Aparatos Elevadores Express, S.L.	Madrid	100	1,771	-	1,771	7,241	1,957	3,039
Otis Maroc, S.A.	Morocco	100	21,949	-	330	6,931	212	-
Ascensores Enor, S.A.	Pontevedra	100	117,100	-	2,661	13,630	4,886	5,357
Electromecánica del Noroeste, S.A.	Pontevedra	100	16,525	-	1,000	13,833	230	4,138
Electromecánica Hemen Elevadores, S.L.	Vitoria	100	17,820	-	10	9,884	365	0
Soluciones de Accesibilidad LV3 SL	Barcelona	80	450	-	160	233	348	229
Otis Liset SLU	Andorra	100	4,280	-	3	4,768	165	246
Fit S.L.	Alicante	100	2,000	-	100	20	(3)	-
EThs			360,170	1,630				40,321

November 30, 2020								
Company	Registered office	Percentage direct or indirect holding or voting rights	Share carrying amount	Provision for impairment	Capital	Reserves	Net profit and loss for the year	Dividends received in the year (Note 22)
Ascensores Ingar, S.A.	Granada	100	15,936	1,630	1,000	9,742	413	-
Crucent – Edelma - Aspe S.L.	Barcelona	100	36,739	-	120	11,291	1,880	2,974
Ascensores Serra, S.A.	Girona	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
Acresa 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	-	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 Liset SLU	Andorra	100	4,280	-	3	4,768	190	450

Ascensores Eleva SL	Alicante	80	8,047	-	6	-	80	-
EThs			348,445	9,506				41,947

The main 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).

In the event of signs of impairment, the recoverable amount of the interest in Group companies is determined by comparing it with calculations of value in use. These calculations use cash flow projections for a 4-year term.

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

	2021		
	Spain	Portugal	Morocco
Perpetual growth rate	1.7%	2%	3.5%
Maximum growth rate business plan	2.8	2.4	10%
Discount rate before tax	6.99	8.66%	9.31%
	2020		
	Spain	Portugal	Morocco
Perpetual growth rate	2.5%	2.2%	3.69%
Maximum growth rate business plan	2.5%	4.0%	8.0%
Discount rate before tax	7.37%	9.4%	10.39%

Cash flows are determined based on the gross margin, which, in turn, is estimated based on past returns and future growth expectations, consistently with the evolution expected in the Group.

The growth rates are in line with those used in similar industries and for the countries in which the Group operates and the discount rates applied to cash flows are before taxes.

As a result of the impairment review, the impairment of the investment in Morocco for EThs 1,986 has been reversed in 2021.

8. Loans and receivables

	2021	2020
Noncurrent loans and receivables:		
Noncurrent trade bills receivable (Note 7.2)	2,354	2,529
Trade debtors and other receivables:		
Clients	62,928	61,928
Short-term trade bills receivable	14,423	18,279
Provisions for impairment	(32,987)	(34,722)
Receivables from Group companies (Note 27)	21,317	8,656
Receivables from related companies (Note 27)	41,124	39,701
Other receivables	4,120	5,782
Public treasury	5,666	5,612
EThs	116,591	105,236

The carrying amount of current and noncurrent loans and receivables is close to their fair value, since the effect of the discount is not significant.

As of November 30, 2021 and 2020, the Company had no clients whose sales concentrated 5% of the sales for the year.

Trade receivables that mature at less than six months ago are not deemed impaired, unless the client is subject to insolvency proceedings or other litigation. As of November 30, 2021, balances aged less than six months were EThs 39,299 (EThs 54,292 in 2020).

Long-standing trade receivables (other than doubtful clients involved in a situation of insolvency proceedings and other litigation) are the following:

	2021	2020
6 months to 1 year	2,003	4,715
1 to 2 years	1,037	2,939
Over 2 years	648	1,421
EThs	3,688	9,075

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

	2021	2020
Starting balance	34,722	32,744
Provision made	1,535	2,647
Applications made	(933)	(990)
Write-offs	(2,337)	321
EThs	32,987	34,722

The recognition and reversal of the impairment losses on trade receivables is included in 'Losses, impairment and changes in provisions for trading operations' in the profit and loss statement. Usually, amounts charged to the impairment account are written off when there is no expectation of recovering more cash.

In order to provide further details, the following is a summary of overdue receivables aged less and more than six months that are not impaired, excluding receivables with Group companies and related ones:

Year 2021

	Total	Impaired	Net	Not yet due	Due but not impaired
Less than 6 months	42,517	(451)	42,066	34,231	7,835
6 months to 1 year	2,003	(200)	1,803	-	1,803
1 to 2 years	3,345	(2,850)	495	-	495
Over 2 years	3,608	(3,608)	-	-	-
In dispute	25,877	(25,877)	-	-	-
Total	77,351	(32,987)	44,364	34,231	10,133

Year 2020

	Total	Impaired	Net	Not yet due	Due but not impaired
Less than 6 months	41,257	(700)	40,557	36,673	3,884
6 months to 1 year	4,715	(472)	4,243		4,243
1 to 2 years	2,939	(2,254)	685		685
Over 2 years	4,415	(4,415)			0
In dispute	26,881	(26,881)			0
Total	80,207	(34,722)	45,485	36,673	8,812

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 process of elevator installation contracts and advanced billing

	2021	2020
Cost in process of elevator installation contracts	66,562	69,613
Advanced billing (Note 15)	(88,254)	(86,965)
EThs	(21,692)	(17,352)

Advanced billing is included under the heading 'Trade creditors and other payables' in the statement of financial position.

Additionally, the inventories heading includes other materials for a value of EThs 24,333 (EThs 23,751 in 2020).

The cost of contracts and elevator installation includes EThs 1,099 (EThs 1,282 in 2020) and advanced billing includes EThs 2,214 (EThs 1,130 in 2020) for export contracts with companies related to Otis Group.

10. Cash and cash equivalents

	2021	2020
Caja and banks	15,194	14,684
Treasury deposits in related entities	20,500	14,000
Other equivalents	1,500	1,500
EThs	37,914	30,184

The effective interest rate on current deposits with financial institutions was 0.01% (2020: 0.01%) and the average term of these deposits was less than one month.

As of November 30, 2021 and 2020, the Company did not hold any restricted amounts in banks.

As of November 30, 2021, the cash and cash equivalents heading included EThs 20,500 for a cash deposit placed by Zardoya Otis, S.A. with Otis Treasury Center INC (OTC) (EThs 14,000 in 2020).

Other equivalents includes an equivalent of cash flows of EThs 1,500 with other Group companies.

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:

Holder	Shares		% interest	
	2021	2020	2021	2020
Alder Holding, S.A.	235,314,731	235,279,377	50.02%	50.01
Euro-Syns, S.A.	52,628,034	53,373,751	11.19%	11.34
Other non-controlling shareholders	181,987,891	180,391,167	38.68%	38.34
Treasury stock	533,655	1,420,016	0.11%	0.30
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 shares of Zardoya Otis, S.A. are listed on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges.

Takeover bid

On September 23, 2021, the company Opal Spanish Holdings, S.A.U. ('OSH' or the 'Bidder'), an entity indirectly controlled in its entirety by Otis Worldwide Corporation, indirect shareholder of the Company and owner of 50.01% of the share capital, made public through communication of inside information (registration number 1066) the prior announcement of the voluntary takeover bid for all the shares representing the share capital of Zardoya Otis, S.A. (the 'Bid'). Such communication included some of the terms and conditions of the Bid.

The consideration proposed by the Bidder to the shareholders of Zardoya Otis, S.A. was initially 7.00 euros in cash for each share (the 'Starting price of the Bid'), which was reduced to 6.93 euros per share (price rounded up to two decimals) on October 7, 2021 (ex-dividend date) (as made public through communication of other relevant information with registration number 12098), as a result of the distribution of the second interim dividend to the profit and loss for the year 2021 for an amount of 0.074 euros per share. This dividend was paid to shareholders on October 11, 2021.

Subsequently, on October 28, 2021, the CNMV reported the acceptance for processing of the request for authorization of the Bid.

On December 16, 2021, the Bidder made public by communication of Other Relevant Information (registration number 13202) that the price of the Bid would be reduced as a result of the distribution of a third interim dividend for 0.076 euros per corresponding share to the results of the year 2021, and which would be paid by Zardoya Otis, S.A. to their shareholders on January 10, 2022, in such a way that the price of the Bid would be set at 6.86 euros per share in force from January 6 2022 (ex-dividend date).

On December 21, 2021, the Bidder made public through communication of Inside Information (registration number 1231) the signing of a contract with Euro-Syns, S.A. ('Euro-Syns'), owner of 11.19% of the shares of Zardoya Otis, S.A., whereby Euro-Syns irrevocably undertakes to accept the Bid for all the shares of Zardoya Otis, S.A. owned by them at a price of 7.14 euros per share. Such price incorporates an improvement of 0.21 euros over the Starting Bid Price and had been adjusted for the second dividend distributed by ZOSA. Such price would be adjusted after the distribution of the third interim dividend from the profit and loss of 2021.

Subsequently, on January 10, 2022, the Bidder made public through communication of Other Relevant Information (registration number 13554) that the price of the Bid was set at 7.07 euros per share, in force from January 6, 2022. (ex-dividend date) as a result of the foregoing.

Likewise, in accordance with the terms of the prior announcement and the request for authorization of the Bid, it is reported that the price of the Bid will be reduced by an amount equal to the gross amount per share of any distribution of dividends, reserves or share premium issuance, or any other distribution to its shareholders that the Company may make, provided that publishing the result of the Bid in the listing bulletins coincides with or is after the ex-dividend date of such distribution.

The Board of Directors of the Company has carried out a constantly monitored all of the foregoing and will issue a report with their opinion and comments when legally required.

On this date, the Bid has been admitted for processing and is pending authorization by the CNMV. The admission to processing of the aforementioned request does not imply any declaration on the resolution regarding the authorization of the Bid, or any of its terms and conditions, which must take place in accordance with the deadlines and other requirements provided for in the regulations.

In the meantime, in compliance with the limitations and duties of action set forth in the regulations on takeover bids, the Company will continue to operate their businesses on a regular basis in the best interest of their shareholders, clients and employees.

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 of November 30, 2020, Zardoya Otis, S.A. held 1,420,016 treasury stock worth EThs 8,087. At the end of November 2021, Zardoya Otis, S.A. has 533,655 treasury stock worth EThs 3,053.

3,013,174 shares were delivered in the following operations:

- On December 22, 2020, Zardoya Otis acquired the non-controlling interest of 20% of Ascensores Eleva S.L. through the exchange of 309,713 shares worth EThs 1,752.
- On March 4, 2021, Zardoya Otis acquired the non-controlling interest of 48% of Montes Tallón, S.A. through an exchange of 2,369,170 shares worth EThs 13,502.
- On March 11, 2021, it acquired 100% of Ascensores Fit, S.L. through the delivery of 333,056 shares worth EThs 1,868.
- On July 28, 2021, they paid part of the debt for the purchase of Ascensores Eleva S.L. through an exchange of 1,235 shares worth EThs 8.

From December 1, 2020 to November 30, 2021, 2,126,813 shares worth EThs 12,096 were purchased.

During 2020, 1,598,708 treasury stock were purchased for an amount of EThs 8,806. On November 4, 2020, the purchase of the 5.87% non-controlling interest in Ascensores Pertor SL was made, through an exchange, for which 564,561 shares valued at EThs 2,964 and acquisition cost of EThs 3,291 were delivered.

13. Reserves

a) Reserves

	2021	2020
- Legal reserve	11,290	10,914
- Voluntary reserves	187,416	179,969
- Reserve 1st implementation	188	188
- Merger reserve	12,677	12,677
EThs	211,571	203,748

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% of the profit for the year will be allocated to this reserve until a figure equal to at least 20% of the share capital is reached. It cannot be distributed and, if it is used to offset losses in the event sufficient other available reserves do not exist for this purpose, it must be replenished with future profits.

As of November 30, 2021 and 2020, the Company has allocated this reserve with the minimum limit established in the Consolidated Text of the Capital Corporate Law.

14. Profit for the year

a) Proposed distribution of profit

The proposed distribution of 2021 profit to be submitted at the Annual General Shareholders' Meeting and the one approved by the Annual General Shareholders' Meeting on May 19, 2021 is as follows:

	2021	2020
Basis for distribution		
Profit for the year	141,685	141,699
EThs	141,685	141,699
Distribution		
Legal reserve	376	376
Voluntary reserves	37,898	41,309
Dividends	103,411	100,014
EThs	141,685	141,699

b) Dividend and partial cash distribution of share premium:

In 2021, three quarterly dividends and a dividend charged to reserves were paid, as follows:

1st Dividend 0.070 euros gross per share, charged to the year 2021. Declared on March 23, 2021 and paid out on April 9, 2021. Shares: 470,464,311 (treasury stock: 163,477) Gross total = 32,932,501.77 Euros	32,921
Dividend charged to reserves: 0.072 euros gross per share. Declared on May 19, 2021 and paid out on July 9, 2021. Shares: 470,464,311 (treasury stock: 534,890) Gross total = 33,873,430.39 euros	33,835
2nd Dividend 0.074 euros gross per share, charged to the year 2021. Declared on September 21, 2021 and paid out on October 11, 2021. Shares: 470,464,311 (treasury stock: 533,655) Total = 34,814,359.01 Euros	34,775
Dividend at end of year	101,531
3rd Dividend 0.076 euros gross per share, charged to the year 2021. Declared on December 13, 2021 and paid out on January 10, 2022. Shares: 470,464,311 (treasury stock: 533,655) Total = 35,755,287.64 Euros	35,715
TOTAL 2021	137,249

In 2020, 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 year 2020. Declared on March 20, 2020 and paid out on April 9, 2020. Shares: 470,464,311 (treasury stock: 385,869) 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 year 2020. Declared on September 15, 2020 and paid out on October 9, 2020. Shares: 470,464,311 (treasury stock: 385,869) Total = 30,580,180.20 Euros	30,555
Dividend at end of year	96,366
3rd Dividend 0.068 euros gross per share, charged to the year 2020. Declared on December 15, 2020 and paid out on January 11, 2021. Shares: 470,464,311 (treasury stock: 2,049,865) Total = 31,991,573.15 Euros	31,852
TOTAL 2020	128,218

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.

	Dividend:		
	1st February	2nd August	3rd November
Gross profit	45,282	141,162	162,796
Estimate of corporate income tax payable	(7,495)	(25,514)	(30,913)
Available net profit	37,787	115,648	131,883
Amount distributed previously	-	32,921	67,696
Amount proposed and distributed	32,933	34,814	35,755
Liquidity in cash	25,838	44,248	34,405
Temporary financial investments	14,711	22,185	0
Short-term trade bills receivable	19,155	21,565	20,022
Payables	(7,600)	(20,109)	(14,018)
Loans and receivables	-	290	290
Net liquidity	52,104	68,179	40,699

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. Liabilities and payables

	2021	2020
Noncurrent liabilities and payables:		
Loans with Group companies (Notes 7, 27)	37,010	37,001
Other payables (Note 7)	82	62
EThs	37,092	37,063
Current debt with Group and companies and associated ones		
Payables to Group companies (Notes 7, 27)	75,669	65,755
Current liabilities and payables:		
Suppliers	36,981	26,411
Suppliers Invoices not yet received	8,252	12,145
Other creditors	10,593	12,539
Employees	17,706	18,776
Creditors Advanced billing (Note 9)	88,254	86,965
Related-party payables (Nota 27)	16,748	11,797
Current tax liability	4,575	3,799
Other payables to public treasury (Note 21)	15,185	13,952
EThs	198,294	186,384

The Company maintains an account payable at the end of the 2021 financial year to Otis Portugal for a long-term loan amounting to EThs 37,010 (2020: EThs 37,001); the established conditions are comparable to those that the Company would obtain if it were not a related entity.

The carrying amount of current debt is close to its fair value, since the effect of the discount 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 2021 reporting period the total payments made to suppliers amounted to EThs 232,357 (2020: EThs 207,055), meeting the requirements of such law.

	2020	2020
	Days	Days
Average period of payments to suppliers	42	41
Ratio of transactions paid	42	38
Ratio of transactions with outstanding payments	37	57
	Euros	Euros
Total payments made	232,357	207,055
Total outstanding payments	35,350	27,226

16. Accruals

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

	2021	2020
Advanced maintenance billing	14,630	14,721
EThs	14,630	14,721

17. Provisions

The statements of the provisions recognized were as follows:

	2021	2020
Noncurrent:		
Welfare commitments (Notes 18 & 27)	12,601	11,040
	12,601	11,040
Current:		
Delayed sales costs	4,236	2,939
Provision for risks	6,130	7,480
Guarantees	96	56
Others	381	493
EThs	10,462	10,968

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 provision for risks relate to litigations and other identified risks inherent to the Company's activity.

18. Social 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 balance sheet in respect of defined benefit plans is the current value of the obligation as of the balance sheet date less the fair value of the plan assets. The defined benefit obligation is calculated annually, after the wage adjustment process has been concluded in October, by independent actuaries, according to the projected unit credit method, showing the income statement an expense of EThs 2,093 (2020: EThs 2,023) for this item, included as an employee benefit cost.

Obligations (Asset) in statement of financial position	2021	2020
of employees Asset (Note 7.1)	(1,728)	(2,980)
of employees Liability	-	-
EThs	(1,728)	(2,980)

The amounts recognized in the statement were determined as follows:

	2021	2020
Current value of financed obligations	45,339	45,747
Fair value of assets attached to the plan	(47,067)	(48,727)
EThs	(1,728)	(2,980)

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

	Recognized obligation	Plan assets
As of November 30, 2019	42,783	(47,398)
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)	198
As of November 30, 2020	45,747	(48,727)

	Recognized obligation	Plan assets
November 30, 2020	45,747	(48,726)
Service cost	2,468	-
Interest cost	254	-
Return on assets	0	(261)
Benefits paid	(1,402)	1,402
Contributions	0	(1,642)
Actuarial losses / gains	(1,230)	2,031
Settlements	(498)	129
As of November 30, 2021	45,339	(47,067)

The main actuarial assumptions applied were as follows:

	2021	2020
Discount rate varies depending on the term of the commitment between	0.00% - 0.53%	0.00% - 0.92%
Survival tables	PERMF 2000P	PERMF 2000P
Wage increase	2.25%	2.15%
Estimated average early retirement age	65 to 67 years old	65 to 67 years old

The amounts recognized in the income statement were as follows:

	2021	2020
Current service cost	2,468	2,387
Interest cost	254	408
Expected return on plan assets	(260)	(432)
Settlements / Curtailments	(369)	(340)
Total (included in employee costs)	2,093	2,023

The amounts corresponding to the current period and the three preceding annual periods of the present value of the defined benefit obligation and the fair value of the plan assets are:

	2021	2020	2019	2018
Current service cost	45,339	45,747	42,783	38,447
Interest cost	(47,067)	(48,727)	(47,398)	(42,283)

The Group's best estimate of the contributions to be paid in the period ending November 30, 2022 is EThs 2,569 (2021: EThs 2,462).

The actuarial gains and losses shown in the statement of recognized income and expenses, recognized in equity for an actuarial loss of EThs 801 (actuarial gain of EThs 92 in 2020), relate mainly to the effects of experience with the group on which the calculation was based and are the sum of an actuarial loss of 1,135 EThs (2020: actuarial gain of EThs 261); actuarial gain of EThs 366 (2020: actuarial gain of EThs 233) attributable to salary deviations and in Social Security variables that were different than expected, EThs actuarial gain

of 26 due to change in the mortality tables applied in the valuation of the obligation and the asset (2020: there were no change of tables) and actuarial loss of EThs 59 (2020: EThs 120) 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 832 (2020: EThs 753).

Obligations to employees include other commitments of EThs 12,061 (2020: EThs 11,040)

19. Deferred taxes

Details of deferred taxes are as follows:

	2021	2020
to be recovered after over 12 months	16,575	18,636
to be recovered within 12 months	292	831
EThs	16,867	19,467

Movements on deferred tax assets and liabilities during the year were as follows:

EThs	Social commitments	Amortization / depreciation of fixed assets	Others	Total
As of November 30, 2019	8,291	9,393	2,740	20,424
To profit or losses:				
For deferred tax assets	(770)	(339)	152	(957)
As of November 30, 2020	7,521	9,054	2,892	19,467
To profit And loss				
For deferred tax assets	(60)	(309)	(2,213)	(2,600)
As of November 30, 2021	7,461	8,746	661	16,867

All deferred tax assets shown on the statement of financial position at November 30, 2021 and 2020 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:

	2021	2020
Elevator installation contracts	79,346	73,551
Services	326,623	330,079
Exports	174,589	162,666
Other sales	439	149
Dividends	40,321	41,947
EThs	621,318	608,392

The majority of export sales were made to Otis Elevator Group companies, Eths 106,403 (2020: EThs: 91,933) are within the European Union.

b) Goods, raw materials and other consumables used

	2021	2020
Purchases	223,407	208,046
Change in inventories	(573)	(4,590)
	222,834	203,456

c) Employee benefit expenses

	2020	2020
Wages, salaries and similar	125,591	125,958
Welfare expenses and others	46,000	46,880
Pension contributions and provisions (Note 18)	1,880	2,364
	174,231	175,202

Since 2011, 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 recorded for this item in 2021 is Eths 717 (2020: EThs 922).

The item 'Welfare expenses and others' includes severance payments for EThs 1,880 in 2021 (2020: Eths 2,364).

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

	2021			2020		
	Men	Men	Total	Men	Women	Total
Managers	37	9	46	39	10	49
Administration/Workshop/Field supervisors	334	28	362	323	26	349
Engineers, university graduates and other experts	99	35	134	100	30	130
Administrative and technical personnel	308	222	530	298	227	525
Operators	1,994	16	2010	2,038	17	2,055
	2,772	310	3,082	2,798	310	3,108

The average number of people with a disability rating of 33% or higher employed by Zardoya Otis, S.A. during 2021 and 2020 was 26 (23 men and 3 women) in 2021 and 26 (25 men and 1 woman) in 2020.

d) External services

Details of external services are as follows:

	2021	2020
Leases	12,943	12,482
Repair and maintenance	2,074	2,246
Insurance premiums	331	652
Advertising, publicity	1,301	1,486
Transport	11,074	11,828
Supplies and other services	5,105	5,089
Freelance professionals	1,684	2,457
Others	9,091	8,562
EThs	44,360	44,802

As of November 30, 2021, lease expenses included the costs incurred for royalties under the agreement signed with Otis Elevator Company for an amount of EThs 9,793 (EThs 9,814 in 2020), corresponding to 3.5% of the Service activity. In addition, in 2021, an amount of EThs 1,013 (EThs 3,549 in 2020) was recorded under the elevator installation contracts 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:

2021	Profit and loss statement		Revenue and expenses allocated directly to equity	
	Increases	Decreases	Increases	Decreases
Balance revenue & expenses for the year	178,173	-	-	-
Foreign source income	-	(18,549)	-	-
Local source income	-	(23,754)	-	-
Permanent differences	154	-	-	-
Temporary differences	-	-	-	-
-originating in the year	3,439	-	-	-
-originating in previous years	-	(5,108)	-	-
Tax base (taxable profit)	181,766	(47,410)	-	-

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

Current income tax expense is calculated as follows:

	2021	2020
Tax base (taxable profit)	134,356	130,927
Gross tax payable 25%	33,589	32,732
Other deductions	(509)	(518)
Current tax	33,080	32,214

Corporate income tax expense is composed of:

	2021	2020
Current tax	33,080	32,214
Other previous years	808	(105)
Deferred taxes (Note 19)	2,600	957
EThs	36,488	33,066

As of reporting date, EThs 28,506 (EThs 28,414 in 2020) had been down paid 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

	2021	2020
Provision for corporate income tax	33,081	32,213
Down payments for corporate income tax	(28,506)	(28,414)
Balances receivable		
Social Security	0	0
Movable capital tax withholding	69	102
Input VAT	5,597	5,510
EThs	5,666	5,612
Credit balance		
Public Treasury, tax withholding operated	2,079	2,338
Public Treasury, VAT charged	4,818	3,309
Social Security	8,288	8,305
EThs	15,185	13,952

22. Financial profit

	2020	2019
Financial income:		
Marketable securities and other financial instruments		
- From third parties	106	160
	106	160
Financial expenses:		
Debt with Group companies	(407)	(370)
Debt with third parties	(100)	(94)
	(507)	(464)
Exchange rate differences	(12)	60
Financial profit	(413)	(244)

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 to third parties amounting to EThs 9,392 in the

ordinary course of business (EThs 9,506 in 2020).

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. The amount of the sanction was endorsed to appeal the administrative Resolution before the Contentious-Administrative Chamber of the Spanish National High Court, which issued a judgment that has been appealed for reversal before the Spanish Supreme Court.

The Spanish Supreme Court rejected Zardoya Otis' appeal and upheld the judgment by the Spanish National High Court (which had confirmed the infraction, but established that the sanction should be recalculated as it was excessive). The proceedings therefore returned to the CNMC so that they could be analyzed and the fine recalculated. The CNMC issued a recalculation resolution, fully confirming the amount of the initial fine, and the company is in the process of appealing before the Spanish National High Court.

24. Commitments

a) Purchase / sale commitments

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

	2021	2020
Property, plant & equipment	4,241	1,206
TOTAL	4,241	1,206

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 4,582 (EThs 3,820 in 2020).

Likewise, there were other operating lease commitments, mainly for vehicles. The annual estimated cost of these commitments was EThs 7,826 (EThs 5,137 in 2020).

25. Business combinations, mergers

Year 2021

During the 2021, 100% of the shares of the company Ascensores Fit, S.L. (March 11, 2021), dedicated to the maintenance and repair of elevating equipment in Spain, have been acquired. Likewise, a non-controlling interest in of Ascensores Eleva, S.L. (20%) (December 22, 2020) and Montes Tallón, S.A. (48%) (March 4, 2021) have been acquired.

Year 2020

During 2020, a non-controlling interest 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).

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.

26. Board of Directors and Senior Management

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

The global remuneration for all items accrued during the year by the members of the Board of Directors was EThs 1,621 (EThs 1,966 in 2020) and consisted of the following items:

	2021	2020
Fixed compensation	347	292
Variable compensation	348	240
Bylaw-stipulated items	500	683
Other long-term benefits	307	673
Pension scheme contributions	119	78
TOTAL	1,621	1,966

In 2020, the compensation accrued by senior management was EThs 323 (EThs 308 in 2020).

At closing of 2021 and 2020, 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. The cost of civil liability insurance for the members of the Board of Directors and group management in 2021 is EThs 31 (EThs: 23 in 2020).

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 such Law, except in cases where the relevant authorization had been obtained.

27. Other related-party transactions

Alder Holdings SAS held 50.02% of the Company's shares at the reporting date.

The following transactions were carried out with related parties:

(a) transactions with Zardoya Otis Group companies		
	2021	2020
Sales	42,625	42,062
Purchases	(37,195)	(29,282)
Dividend income (Note 22)	40,321	41,947
Receivables (Note 8)	21,317	8,656
Payables (Note 15)	(75,669)	(65,755)
Noncurrent loans	(37,010)	(37,001)

(b) transactions with Otis Group companies		
	2021	2010
Royalties	(13,598)	(13,363)
Billing of costs of engineering development center to Otis	4,233	3,806
Sales and other revenue	165,708	151,621
Purchases and other costs	(46,356)	(41,099)
Receivables (Note 8)	41,124	39,701
Payables (Note 15)	(16,748)	(11,796)

The Company requests on a regular basis 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 allows the Company to use the trademarks and have access to Research & Development activities and product global development. The cost of this agreement is a royalty of 3.5% of sales to end customers, excluding sales between the 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 the 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 2021, the expense for this item was EThs 716 (EThs 484 in 2020), relating to the fair value of the accumulated assets that serve as a reference of EThs 8,032 (EThs 7,316 in 2020).

As of November 30, 2021, the cash and cash equivalents heading included EThs 20,500 for a cash deposit placed by Zardoya Otis, S.A. with Otis Treasury Center INC (OTC). 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.

28. Environmental information

As of November 30, 2021, 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 main 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, which purchase cost is EThs 4,153 (2020: EThs 4,153), with accumulated depreciation of EThs 2,416 at the reporting date (2020: EThs 2,240).

In addition, in 2021, expenses for the removal or recycling of waste were recognized for a value of EThs 353 (2020: EThs 151).

29. Events after reporting date

On December 13, 2021, Zardoya Otis, S.A. declared the third dividend charged to the profit for the period, for a gross amount of 0.076 euros per share. The resulting amount is a gross dividend of EThs 35,755. This dividend was paid out on January 10, 2022.

30. Auditors' fees

The fees corresponding to the services provided by the auditing company KPMG Auditores, S.L. and other KPMG entities of the Annual Statements of Zardoya Otis S,A. corresponding to the year ended in November 30, 2021 (and by the auditing company PricewaterhouseCoopers Auditores, S.L. and other PricewaterhouseCoopers entities of the Annual Statements of Zardoya Otis S.A. corresponding to the year ended in November 30, 2020), regardless of the time of billing, are as follows:

	2021	2020
	KPMG Auditors, S.L. and other KPMG entities	PricewaterhouseCooper s Auditores, S.L. and other PricewaterhouseCoopers entities
For audit services	161	189
For other accounting verification services	37	40
For other services	11	20
TOTAL	209	249

The fees accrued during 2020 by PricewaterhouseCoopers Auditores, S.L. for the account auditing services included the review of procedures carried out in accordance with the requirements of the groups listed in the USA (Sarbanes Oxley).

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, 2021, 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 2021 was 178.2 million euros (174.8 million euros in 2020) and the EBITDA (operating profit + amortization/depreciation + impairment of investments in group companies + gains or losses on fixed asset disposals) was 182.6 million euros (184.9 million euros in 2020).

Total sales

The total sales of Zardoya Otis S.A. were 581.0 million euros in 2021, in comparison with the 566.4 million euros in 2020, representing an increase of 2.6%.

New sales billing represented 13.7% of total billing in 2021, while the service activity accounted for 56.3% and exports for 30.0%.

Employees

The headcount of Zardoya Otis, S.A. at the 2021 reporting date was 3,082 persons.

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

	2021			2020		
	Men	Women	Total	Men	Women	Total
Managers	37	9	46	39	10	49
Administration/workshop/field supervisors	334	28	362	323	26	349
Engineers, university graduates and other experts	99	35	134	100	30	130
Administrative and technical personnel	308	222	530	298	227	525
Other workers	1,994	16	2,010	2,038	17	2,055
	2,772	310	3,082	2,798	310	3,108

The average number of people with a disability rating of 33% or higher employed by Zardoya Otis, S.A. during 2021 and 2020 was 26 (23 men and 3 women) in 2021 and 26 (25 men and 1 woman) in 2020.

Dividends

At its meetings held in December 2020 and March 2021, the Board of Directors approved, respectively, the third interim dividend charged to the profit for 2020 and the first interim dividend charged to the 2021 profit, which were paid out on January 11 and April 9, respectively. In addition, the Ordinary General Shareholders' Meeting of Zardoya Otis held on May 19, 2021 passed a resolution to distribute a dividend charged to reserves, which was paid out on July 9, 2021.

Subsequently, at its September meeting, the Board of Directors approved the second interim dividend charged to the 2021 profit, which was paid out on October 11.

Date	Gross per share	Charged to	Shares entitled to dividend	Gross total
January 11	€ 0.068	3rd interim 2020	470,464,311	€ 31,991,573.15
		Treasury shares	(2,049,865)	(€ 139,390.82)
Total			468,414,446	€ 31,852,182.33
April 9	€ 0.070	1st interim 2021	470,464,311	€ 32,932,501.77
		Treasury shares	(163,477)	(€ 11,443.39)
Total			470,300,834	€ 32,921,058.38
July 9	€ 0.072	Reserves	470,464,311	€ 33,873,430.39
		Treasury shares	(534,890)	(€ 38,512.08)
Total			469,929,421	€ 33,834,918.31
October 11	€ 0.074	2nd interim 2021	470,464,311	€ 34,814,359.01
		Treasury shares	(533,655)	(€ 39,490.47)
Total			469,930,656	€ 34,774,868.54
Total €				€ 133,383,027.56

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 legal limits and requirements. At its meeting of December 11, 2018, the Board of Directors decided to acquire treasury shares so that they could be used in the company acquisition transactions that the Company carries out habitually.

At November 30, 2020, Zardoya Otis, S.A. held 1,420,016 treasury shares with a value of EThs 8,807. At the end of 2021, Zardoya Otis, S.A. held 533,655 treasury shares with a value of EThs 3,053. At the end of 2021, Zardoya Otis, S.A. held 533,655 treasury shares with a value of EThs 3,053.

During the 2021 fiscal year, 3,013,174 shares were handed over in the following transactions:

- On December 22, 2020, Zardoya Otis acquired the non-controlling interest of 20% of Ascensores Eleva S.L. through the exchange of 309,713 shares worth EThs 1,752.
- On March 4, 2021, Zardoya Otis acquired the non-controlling interest of 48% of Montes Tallón, S.A. through an exchange of 2,369,170 shares worth EThs 13,502.
- On March 11, 2021, it acquired 100% of Ascensores Fit, S.L. through the delivery of 333,056 shares worth EThs 1,868.
- On July 28, 2021, part of the debt for the purchase of Ascensores Eleva S.L. was paid through an exchange of 1,235 shares worth EThs 8.

Between December 1, 2020 and November 30, 2021, 2,126,813 shares were bought for a value of EThs 12,096.

Evolution of Zardoya Otis on the securities markets

The quoted share price at the end of 2021 was 7.11 euros per share, representing an increase in value of 24.1% in comparison with the adjusted value at the end of 2020.

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 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 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 2021 was less than 42 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, 2021, the income statement included expenses of ETHs 1.629 (2020: ETHs 1,640) for this item.

Significant events at November 30, 2021

PUBLIC TAKEOVER BID ANNOUNCED BY OTIS WORLDWIDE CORPORATION

On September 23, 2021, the company Opal Spanish Holdings, S.A.U. ("**OSH**" or the "**Offeror**"), a company indirectly controlled in full by Otis Worldwide Corporation, an indirect shareholder of the Company holding 50.01% of its shares, published, in a notification of Inside Information (register No. 1066), the prior announcement of the public tender offer for the totality of the shares representing the share capital of Zardoya Otis, S.A. (the "**Offer**"). Said notification included some of the terms and conditions of the Offer.

The consideration that the Offeror proposed to the Zardoya Otis, S.A. shareholders was initially 7.00 euros in cash for each share (the "**Initial Offer Price**"). This dropped to 6.93 euros per share (price rounded up to two decimal places) on October 7, 2021 (ex-dividend date) (as published in a notification of Other Relevant Information with register No. 12098), as a consequence of distribution of the second interim dividend charged to the 2021 profit for a sum of 0.074 euros per share. This dividend was paid out to the shareholders on October 11, 2022.

Subsequently, on October 28, 2021, the CNMV informed that the application for authorization of the Offer had been admitted for processing.

On December 16, 2021, the Offeror published a notification of Other Relevant Information (register No. 13202) stating that the Offer price would be reduced as the result of the distribution of a third interim dividend of 0.076 euros per share charged to the 2021 profit, which was to be paid out by Zardoya Otis, S.A. to its shareholders on January 10, 2022, meaning that the Offer would be fixed at 6.86 euros per share effective January 6, 2022 (ex-dividend date).

On December 21, 2021, the Offeror published Inside Information (register No. 1231) informing of signature of an agreement with Euro-Syns, S.A. ("**Euro-Syns**"), holder of 11.19% of the shares of Zardoya Otis, S.A., whereby Euro-Syns irrevocably undertook to accept the Offer for the totality of the shares it held in Zardoya Otis, S.A. at a price of 7.14 euros per

share. Said price included an improvement of 21 euro cents on the Initial Offer Price and had been adjusted by the second dividend distributed by ZOSA. The price was to be adjusted after distribution of the third interim dividend charged to the 2021 profit.

Subsequently, on January 10, 2022, the Offeror published Other Relevant Information (register No. 13554) notifying that the Offer price had been fixed at 7.07 euros per share effective January 6, 2022 (ex-dividend date) as a consequence of the foregoing.

Likewise, pursuant to the terms of the prior announcement and the application for authorization of the Offer, said publication stated that the Offer price would be reduced by an amount equivalent to the gross amount per share of any distribution of dividends, reserves or share premium, or any other distribution that the Company might make to its shareholders, provided that publication of the outcome of the Offer in the stock exchange bulletins coincided with or was later than the ex-dividend date of said distribution.

The Company's Board of Directors has been continuously monitoring all the foregoing and will issue a report with its opinion and observations when required to do so by law.

As of today's date, the Offer has been admitted for processing and is awaiting authorization by the CNMV. The admission of the application for processing does not imply any type of pronouncement on the decision concerning the authorization of the Offer or any of its terms or conditions, which will be issued within the time limits and in accordance with the other requirements set forth in the relevant regulations.

Meanwhile, observing the restrictions and duties set out in the regulations on public takeover bids, the Company will continue with the normal course of its business in the best interests of its shareholders, customers and employees.

Events after the reporting date

On December 13, 2021, Zardoya Otis, S.A. declared the third dividend charged to the profit for the period, for a gross amount of 0.076 euros per share. The resulting amount is a gross dividend of EThs 35,755. Such dividend was paid on January 10, 2022.

Annual Corporate Governance Report

The Annual Corporate Governance Report for the 2021 reporting period forms part of this Management Report.

Annual Report on Compensation of Directors

The Annual Report on Compensation of Directors for the 2021 reporting period forms part of this Management Report.

Statement of Non-financial Information

The Statement of Non-financial information for 2021 forms part of the Consolidated Management Report on the Zardoya Otis Group, of which the Company is the parent.

ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED COMPANIES



ISSUER IDENTIFICATION

YEAR-END DATE	11/30/2021
TAX IDENTIFICATION NO. [C.I.F.]	A28011153
COMPANY NAME	ZARDOYA OTIS, S.A.
REGISTERED OFFICE	CALLE GOLFO DE SALÓNICA, 73 MADRID

A. CAPITAL STRUCTURE

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

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

Remarks
N/A

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

Yes No

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

Remarks
N/A

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

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
OTIS WORLDWIDE CORPORATION (OTIS) (*)		50.018%			50.018%
CITIGROUP GLOBAL MARKETS LIMITED	1.020		0.001		1.021

EURO-SYNS, S.A.	11.345				11.345
NORGES BANK	1.105				1.105
SAMSON ROCK CAPITAL LLP			1.002		1.002
SETANTA ASSET MANAGEMENT LIMITED		1.529			1.529
BG MASTER FUND ICAV			1.169		1.169
BOUSSARD EMMANUEL			1.323		1.323

Remarks
<p>Figures as of December 2, 2021.</p> <p>(*) On October 28, 2021, the CNMV admitted for processing the application for authorization filed by Opal Spanish Holdings, S.A.U., whose indirect owner is Otis Worldwide Corporation (OWC), to issue a voluntary public tender offer for acquisition of Zardoya Otis, S.A. shares. To date, the prospectus of the public tender offer has not been published and the process has not been completed.</p> <p>After the closing date, on February 14, 2022, was reported to the CNMV a new significant participation of VARENNE CAPITAL PARTNERS with a 1.067% of direct voting rights.</p>

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.	50.018%		50.018%

Remarks
N/A

State the most significant shareholder structure changes during the year:

Name of shareholder	Transaction date	Description of transaction
CITIGROUP GLOBAL MARKETS LIMITED	10/19/2021	As per the notification sent on 10/25/2021, a shareholding of 1.021% was reached
DWS INVESTMENT GMBH	11/25/2021	As per the notification sent on 12/07/2021, a percentage of 1.513% was reached
NORGES BANK		As per the notification sent on 09/24/2021, a percentage of 1.105% was reached
OTIS WORLDWIDE CORPORATION	10/06/2021	As per the notification sent on 10/22/2021, a percentage of 50.018% was reached
SAMSON ROCK CAPITAL LLP	10/05/2021	As per the notification sent on 10/06/2021, a percentage of 1.002% was reached
SETANTA ASSER MANAMENT LIMITED	09/23/2021	As per the notification sent on 09/30/2021, a percentage of 1.529% was reached

Most significant movements

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.	11.186%				11.186%		
JOAO MIGUEL MARQUES PENEDO	0.002%				0.002%		

Total percentage of voting rights held by the Board of Directors	11.207%
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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.

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.	OTIS ELEVATOR COMPANY	Commercial
		As of November 30, 2021, Zardoya Otis, S.A. (the “ Company ” has commercial and contractual

Name of related party		Nature of relationship	Brief description
		Contractual	relations with Otis Elevator Company and Otis Worldwide Corporation (OWC)
		Corporate	As of November 30, 2021, 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 President of Otis Group for the Europe, Middle East & Africa Area (EMEA)
Robín Fiala	OTIS WORLDWIDE CORPORATION	OTIS ELEVATOR COMPANY	Representative of proprietary director
Stacy Petrosky	OTIS WORLDWIDE CORPORATION	OTIS ELEVATOR COMPANY	Proprietary director
Alberto Zardoya Arana	EUROSYNS, S.A.	EUROSYNS, S.A.	Representative of proprietary director
Joao Miguel Marques Penedo	OTIS WORLDWIDE CORPORATION	OTIS ELEVATOR COMPANY	Executive Director President of the Iberia & Africa Area

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, 2021.

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
See details in point A. As of November 30, 2021, 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..

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
<p>At its meeting of May 23, 2018, the Company's Ordinary General Shareholders' Meeting authorized the Board of Directors to acquire, directly or indirectly, treasury shares up to a maximum percentage of 10% the share capital, observing the limits and requirements established in article 146 and related articles of the Capital Companies Law.</p> <p>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").</p> <ol style="list-style-type: none"> 1. The number of shares to be acquired under the Purchase Program may not exceed an upper limit equivalent to 2% of the Company's shares. 2. The Purchase Program authorized includes a minimum price of two (2) euros per share and a maximum price of twenty-five (25) euros per share. 3. The maximum term of the Purchase Program is five years as of the date of the aforementioned General Shareholders' Meeting. <p>This decision was notified on December 14, 2018 (Material Event Register No. 272541).</p> <p>Acquisitions of treasury shares within the aforementioned "Purchase Program" were notified to the CNMV on a weekly basis. In 2021, these transactions took place between December 1, 2020</p>

and April 28, 2021, as per the breakdown shown below, and involved the acquisition of 2,126,813 treasury shares.

Subsequently, at the Company's Ordinary General Shareholders' Meeting held on May 19, 2021, the Board of Directors was granted authorization for a maximum term of five years to acquire, directly or indirectly, treasury shares up to a maximum percentage of 10% the share capital, observing the limits and requirements established in article 146 and related articles of the Capital Companies Law, making the unused part of the authorization granted at the Company's General Shareholders' Meeting of May 23, 2018 null and void.

As of November 30, 2021, 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
Total:	1,420,016

Remarks

Explain any significant changes during the year:

Explain significant changes		
"Purchase program", executed between December 1, 2020 and April 28, 2021		
Date	Shares acquired	Average price
12/02/2020	55,346	5.90 €
12/02/2020	56,000	5.93 €
12/03/2020	46,212	5.95 €
12/04/2020	55,500	5.91 €
12/07/2020	56,500	5.92 €
12/08/2020	56,500	5.91 €
12/09/2020	57,000	5.91 €
12/10/2020	56,000	5.91 €
12/11/2020	55,500	5.83 €
12/14/2020	55,000	5.87 €
12/15/2020	54,000	5.80 €
12/16/2020	55,000	5.76 €
12/17/2020	55,000	5.77 €

Explain significant changes			
	12/18/2020	50,774	5.76 €
	12/21/2020	55,000	5.69 €
	12/22/2020	52,000	5.75 €
	12/23/2020	52,500	5.74 €
	12/24/2020	15,730	5.71€
	02/01/2021	35,000	5.55 €
	02/02/2021	36,000	5.67 €
	02/03/2021	37,676	5.74 €
	02/04/2021	33,767	5.76 €
	02/05/2021	33,444	5.74 €
	02/06/2021	37,000	5.73 €
	02/09/2021	30,453	5.72 €
	02/10/2021	34,193	5.72 €
	02/11/2021	37,500	5.75 €
	02/12/2021	28,438	5.76 €
	02/15/2021	37,000	5.78 €
	02/16/2021	36,000	5.70 €
	02/17/2021	37,000	5.70 €
	02/18/2021	36,500	5.71 €
	02/19/2021	37,000	5.65 €
	02/22/2021	37,500	5.54 €
	02/23/2021	37,300	5.52 €
	02/24/2021	37,000	5.50 €
	02/25/2021	18,010	5.53 €
	03/01/2021	39,600	5.48€
	03/02/2021	40,500	5.54 €
	03/03/2021	38,157	5.56 €
	03/04/2021	40,800	5.61 €
	04/19/2021	41,000	5.38 €
	04/20/2021	44,500	5.38 €
	04/21/2021	46,500	5.43 €
	04/22/2021	49,500	5.44 €
	04/23/2021	50,500	5.38 €
	04/26/2021	52,500	5.34 €
	04/27/2021	55,500	5.35 €
	04/28/2021	31,413	5.36 €
	Total	2,126,813	€

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 19, 2021 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, making the unused part of the authorization granted at the Company's General Shareholders' Meeting of May 23, 2018 null and void.

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 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; and (iii) the authorization will remain in force for the maximum period allowed by Law at any given moment (currently five years) as from the date of the aforementioned Ordinary General Shareholders' Meeting (i.e. until May 19, 2026).

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

A.11 Estimated floating capital:

	%
Estimated floating capital	32.37%

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
No neutralization measures have been adopted. On September 23, 2021, Opal Spanish Holdings, a company indirectly controlled in full by Otis Worldwide Corporation, sent the CNMV a prior announcement of a public tender offer to acquire 100% of the share capital.

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, including those relating to 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	
05/22/2019	13.38%	59.96%	0.00%	0.00%	73.34%
06/16/2019	11.36%	60.06%	0.00%	0.00%	71.42%
05/19/2021	11.37%	59.69%			71.06%
Of which, free float	0.03 %	9.67%			9.65%

Remarks
<p>As of 05/19/2021, 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 05/19/2021, the percentage held by Euro-Syns, S.A. was eliminated from among those physically present and the percentage held by Otis Worldwide Corporation (OWC) was eliminated from among those present by proxy.</p> <p>In relation to the percentage of electronic votes cast during the General Meeting held on 05/19/2021, only 18 shareholders cast their vote in this way.</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

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

N/A

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

The address of the Company's website for access to corporate governance content as of November 30, 2021 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 2021, is included.

The Annual Corporate Governance Report for 2021 will be duly published on the website in March 2022.

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
The number of directors was fixed 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 & DIRECTOR	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	03/05/1961
OTIS ELEVATOR COMPANY	MS ROBIN FIALA	PROPRIETARY	DIRECTOR	05/30/1984	05/22/2019	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	09/20/1968

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 STACY PETROSKY	N/A	PROPRIETARY	DIRECTOR	07/26/2019 (co-option)	08/16/2020	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	08/22/19/73
MR JOAO MIGUEL MARQUES PENEDO	N/A	EXECUTIVE	CHIEF EXECUTIVE OFFCER	01/26/2021 (Co-option)	01/26/2021	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	06/26/1973
Total number of directors						7	

State if any directors, whether through resignation or as the result of a resolution of the General Shareholders' Meeting, 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
ROBIN FIALA	PROPRIETARY	05/23/2018	01/26/2021	Nominating and Compensation Commission	YES

Reason for leaving when this occurred before the end of the term and other remarks; information of whether the director sent a letter to the other board members and, in the case of non-executive directors, explanation or opinion of directors who were dismissed by the General Meeting

Ms Robin Fiala resigned from her position as a member of the Board of Directors on January 26, 2021 and therefore, left her position on the Nominating and Compensation Commission. As of said date, she was appointed as the personal representative of the legal person director Otis Elevator Company (OEC), replacing Mr Toby Smith, who had represented said director since October 14, 2020 until said date.

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 OF THE BOARD OF DIRECTORS

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 become general manager of Rolltore-Portis, another Group company.</p> <p>In 2007, he was appointed Service and Operations Manager of Otis Italy and, a year later, become Chief Executive Officer of Otis in Italy.</p> <p>In February 2012, he was appointed Chief Executive Officer of Zardoya Otis and President of Otis South Europe and Near East (SEMA).</p> <p>In December of the same year, he became President of South Europe of UTC Building & Industrial Systems, a division encompassing the brands: OTIS in elevators, Carrier in air-conditioning, Chubb and Marioff in fire protection and Portis in automatic doors, among others.</p> <p>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>

Name or company name of director	Post in organisational chart of the company
MR JOAO MIGUEL MARQUES PENEDO	CHIEF EXECUTIVE OFFICER

Profile
<p>He holds a degree in Business Administration (ISCTE, Lisbon, Portugal) and an MBA from INSEAD (Fontainebleau-France). He has completed various leadership courses at prestigious business schools in Europe and the United States.</p> <p>During his professional career, he has held various positions, such as Senior Auditor and Chief Financial Officer at KPMG and Toyota in Portugal and Angola.</p> <p>In 2004, he joined United Technologies Corporation, where he has held a number of positions until becoming Chief Financial Officer for EMEA FOR Carrier Commercial Refrigerators, working in France and the Czech Republic.</p> <p>In 2014, he joined Otis, where he holds the position of Vice President, Finance, for the South Europe and Africa Region (SEMA). In January 2021, he was appointed Chief Executive Officer of Zardoya Otis, S.A. and President of Otis’s Iberia and Africa Region.</p>

Total number of executive directors	2
Percentage of Board	28.58%

Remarks
<p>On January 26, 2021, Mr Calleja left his position of Chief Executive Officer but remained as a director. The Company’s Board of Directors appointed him as the Executive Chairman of the Company. Furthermore, the Board co-opted Mr Joao Penedo as a new board member, likewise appointing him as the Company’s Chief Executive Officer (notified on January 27, 2021; register No. 6776). Since that date, the Company has had 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
<p>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 <i>IEB, Instituto de Estudios Bursátiles</i>, Madrid. During his professional career, he has held various positions in companies such as Savera, Elevator Guide Rails (Vera de Bidasoa, Navarra, Spain), Otis Elevator Company (Gien, France), Andersen Consulting (Madrid, Spain), UTC Research Center (San Sebastián, Spain), Sikorsky Helicopters (Stratford, CT, U.S.A.), Sikorsky Helicopters (Gamesa, Vitoria, Spain), UTC Aerospace (San Sebastián, Spain). He is currently a member of the Board of Directors of Mecalux, SA (Barcelona, Spain) and administrator of Euro-Syns, SA (Madrid, Spain)</p>

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

Profile
<p>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.</p> <p>Its personal representative, Ms Robin Fiala, holds a Bachelor's degree in mechanical engineering from Union College in Schenectady, New York and Master of Business Administration from Fordham University in New York City.</p> <p>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.</p> <p>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.</p> <p>Since 2014, Robin Fiala has been Vice President, Sales and Marketing for New Equipment. In this position, she leads the company's global teams to develop innovative market-leading products and services for our Otis customers. Her team partners closely with the Engineering, Operations and Product Management organizations, helping to set critical sales strategy, drive sales effectiveness, and inform decisions around the company's product strategy roadmap and full product lifecycle offerings.</p>

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 & Analysis area, where she became Senior Director in 2015, subsequently becoming Senior Director, Finance Transformation and then Assistant Controller and Executive Director, Finance Transformation.</p>

Total number of proprietary directors	3
Percentage of the Board	42.66%

Remarks
N/A

INDEPENDENT DIRECTORS

Name of director	Profile
MR JOSÉ MIGUEL ANDRÉS TORRECILLAS	<p>Mr Andrés Torrecillas holds a degree in Economics and Business Studies from the <i>Universidad Complutense de Madrid</i>. He has postgraduate studies in Management Programs from IESE in Madrid, Harvard and IMD.</p> <p>He has spent most of his professional career with Ernst & Young, where he was Partner/Director General of the Audit and Advisory practices and Chairman of Ernst & Young Spain until 2014.</p> <p>In March 2015, José Miguel Andrés Torrecillas was appointed as an independent director by the General Shareholders' Meeting of Banco Bilbao Vizcaya Argentaria, S.A. He has been a member of the <i>Registro Oficial de Auditores de Cuentas</i> (ROAC – Official Account Auditors Register); the <i>Registro de Economistas Auditores</i> (REA – Economist/Auditor Register); the Board of Directors of <i>Instituto Español de Analistas Financieros</i> (Spanish Institute of Financial Analysts); the <i>Fundación Empresa y Sociedad</i> (Company and Society Foundation); the <i>Instituto de Censores Jurados de Cuentas de España</i> (Institute of Chartered Accountants of Spain); the Advisory Board to the <i>Instituto de Auditores Internos</i> (Internal Auditors Institute), the Institute of Chartered Accounts in England & Wales (the ICAEW); the Board of Deusto Business School (DBS); and a patron of the SERES Foundation.</p> <p>He is classified as an “independent director” and holds the positions of Lead Director, Chairman of the Nominating and Compensation Commission of Zardoya Otis, S.A., and Deputy Chairman of its Audit Committee.</p>
MS EVA CASTILLO SANZ	<p>Ms Castillo 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>Subsequently, she was a member of the Board of Directors of Bankia from January 2012 until 2021, when CaixaBank and Bankia merged. Since then she has been on the Board of CaixaBank.</p> <p>Likewise, she sits on the Boards of <i>Fundación Comillas-ICAI</i> and <i>Fundación Entreculturas</i>. Since December 2020, 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>

Number of independent directors	2
Percentage of the Board	28.57%

Remarks
N/A

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

No.

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

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

OTHER EXTERNAL DIRECTORS

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

Name of director	Reason	Company, director or shareholder to whom the director is related
N/A		

Profile
N/A

Total number of other external directors	0
Percentage of the Board	-

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
ROBIN FIALA	01/26/2021	PROPRIETARY DIRECTOR	PERSONAL REPRESENTATIVE OF DIRECTOR

Remarks
Ms Robin Fiala resigned from her position as a member of the Board of Directors on January 26, 2021 As of said date, she was appointed as the personal representative of the legal person director Otis Elevator Company (OEC), replacing Mr Toby Smith, who had represented said director since October 14, 2020 until said date.

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 2021	Year 2020	Year 2019	Year 2018	Year 2021	Year 2020	Year 2019	Year 2018
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	2 (*)	2	3	2	50.00%	50.00%	27.27%	18.18%
Independent	1	1	1	0	50.00%	50.00%	9.09%	0.00%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	3	3	4	2	42.86%	33.33%	36.36%	18.18%

Remarks
(*) The above information includes Ms Robin Fiala as personal representative of the director Otis Elevator Corporation. As of November 30, 2021, the female directors of the Company were: (i) Ms Robin Fiala (personal representative of Otis Elevator Corporation), (ii) Ms Stacy Petrosky, and (iii) Ms Eva Castillo.

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 nomination 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 2021 period (November 30, 2021), three of the seven members of the Board of Directors were proprietary directors, two were independent and two were 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 will ensure that the policies for selecting Board members apply exclusively criteria of merit and capacity, avoiding any bias that might imply gender discrimination that hinders the selection of 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.

At the same time, the director appointment mentioned in section C.1.4 above 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 2021 fiscal year (November 30, 2021), women accounted for 42.86% of the Board of Directors, the same percentage as in the preceding year. Likewise, the Board secretary is a woman.

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. In this respect, it should be noted that directors must have sufficient knowledge of both Spanish and English to enable them to perform their duties, since the Company's majority shareholder is American and, through its subsidiaries, it is present in other countries, such as Portugal, Morocco, Gibraltar and Andorra.

C.1.6 Describe the means, if any, agreed upon by the nomination 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. Also state whether favouring a significant number of women in senior management positions in the company is among these means:

Explanation of means

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

To do this, the Commission itself will ensure that the policies for selecting Board members apply exclusively criteria of merit and capacity, avoiding any bias that might imply gender discrimination that hinders the selection of 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 2021, the percentage of female directors remained at 42.86%, which shows that, as a result of applying the aforementioned policies, the number of women on the Board has been gradually increasing, rising from 18% in 2017 and 2018 to 36.36% in 2019 and 42.86% in 2020 and 2021.

Likewise, the Company's Code of Ethics, called "The Three Otis Absolutes", extends this diversity policy to all areas of the company, expressly stating that *"We do not discriminate, whether on the basis of race, religion, nationality, gender, age, ability, veteran status, marital status, citizenship, creed, sexual orientation or any other bias." ... We also make sure all our hiring and promoting is based fairly on skill and performance. And as champions of diversity and inclusion, we make accommodations for employees or job candidates who are alter-abled and observe all applicable labour and employment laws*".

Applying the foregoing, the Nominating and Compensation Commission promote the inclusion of women with a professional profile showing merits and ability among the potential candidates.

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 nomination committee regarding verification of compliance with the selection policy aimed at promoting an appropriate composition of the board of directors.

The Company is firmly committed to promoting diversity in all its manifestations and this forms part of the Code of Ethics (section C.1.6). As a consequence of this goal, the Board of Directors, jointly with the Nominating and Compensation Commission, succeeded in having the Board of Directors reach a percentage of female directors of 42.86% in 2020, which was maintained in 2021. This, together with the fact that the director profiles are varied and they come from different cultural environments and have experience in different sectors and areas of knowledge that may be related to the Company, the diversity goal is deemed to have been reached satisfactorily.

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 JOAO MIGUEL MARQUES PENEDO	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
MR BERNARDO CALLEJA FERNÁNDEZ	Under the resolution passed by the Company's Board of Directors on January 26, 2021, all the powers of the Board of Directors that could be delegated in accordance with the law the Bylaws were delegated to MR BERNARDO CALLEJA FERNÁNDEZ on a permanent basis.

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 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	ZARDOYA OTIS, S.A.	CHAIRMAN	YES
MR BERNARDO CALLEJA FERNANDEZ	OTIS WORLDWIDE CORPORATION (EEUU)	President for the Europe, Middle East and North Africa area (EMEA)	YES
MR ALBERTO ZARDOYA ARANA	OTIS ELEVADORES LDA. (PORTUGAL)	DIRECTOR	NO
JOAO MIGUEL MARQUES PENEDO	OTIS LIMITED (KENIA)	DIRECTOR	NO
JOAO MIGUEL MARQUES PENEDO	OTIS ELEVADORES LDA. (PORTUGAL)	DIRECTOR	NO
JOAO MIGUEL MARQUES PENEDO	BUGA OTIS ASANSOR SANAYI VE TICARET AS (TURQUIA)	DIRECTOR	NO
JOAO MIGUEL MARQUES PENEDO	OTIS MAROC S.A. (MARRUECOS)	CHAIRMAN	NO
ROBIN FIALA	OTIS ELEVATOR COMPANY (EEUU)	VICE PRESIDENT, SALES AND MARKETING	YES

C.1.11 List any directors or representatives of legal-person directors of your company who are members of the Board of Directors or representatives of legal-person directors of other companies listed on regulated 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	CAIXABANK, S.A.	DIRECTOR
MS EVA CASTILLO SANZ	INTERNATIONAL AIRLINES GROUP	DIRECTOR

Remarks
N/A

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

Yes No

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

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

Board remuneration in financial year (thousand euros)	1,624
Amount of vested pension interests for current members (thousand euros)	856
Amount of vested pension interests for former members (thousand euros)	-

Remarks

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

Name	Position
MR FRANCISCO JAVIER BARQUIN	GENERAL MANAGER
MR DOMINGOS EDMUNDO DA ASCENÇÃO OLIVEIRA	GENERAL MANAGER
MR HICHAM EL MOUSSAIF	GENERAL MANAGER

Number of female senior management staff	0
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Percentage of total members of senior management staff	0%
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Total senior management remuneration (thousand euros)	915
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C.1.15 State whether the Board rules were amended during the year:

Yes No

Description of amendment
N/A

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

1. SELECTION, APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

Likewise, article 5 of the Board of Directors Regulations states that the Board of Directors must ensure that the 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) 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, propose an action plan to improve how it operates, in accordance with the Law.

The Board of Directors evaluated the performance of both the Board itself and its commissions very favourably in the 2021 annual self-evaluation process, maintaining the trend seen in previous years. Therefore, no significant changes have derived in its internal organization or the procedures applicable to its activities. Notwithstanding the foregoing, in 2021, work was carried out on the areas for improvement identified in the Action Plan that resulted from the Board's self-evaluation in the preceding year.

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 12, 2021, the Board of Directors evaluated the results of the annual evaluation of its own performance and that of its commissions during 2020, analyzing the directors' replies to a questionnaire with almost a hundred questions and issuing a report which was prepared with the active participation of all the members of the Board of Directors. Likewise, the report took account of all the comments, suggestions and opinions expressed during the preparation process.

The questionnaire was distributed and supplemented through an information system, implemented in 2020, that guarantees the confidentiality of the opinions expressed by the directors. Through the questionnaire, it was possible to evaluate aspects that might affect the operation and composition of the Board of Directors, since it included questions on 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 improve the way they operate pursuant to the results of 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.

After the end of the 2021 reporting period, the Board of Director reviewed the status of compliance with said plan, the goals that had been met during the 2021 period 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 decided not to engage any consultant or external advisor for the 2021 evaluation

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

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

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

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

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

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

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

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

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

Yes No

If so, please describe the differences.

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

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

Yes No

Description of requirements
N/A

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

Yes No

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

Remarks
N/A

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

Yes No

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

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

In addition, article 11 of the Regulations of the Board of Directors states that each director may authorize another director to represent him 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.

Number of Board meetings	10
Number of Board meetings without the chairman	0

Remarks
N/A

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

Number of meetings	0
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Remarks
N/A

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

Number of meetings held by the Executive Committee	N/A
Number of meetings held by the Audit Committee	7
Number of Meetings held by the Nomination and Remuneration Committee	5
Number of meetings held by the Nomination Committee	N/A
Number of meetings held by the Remuneration Committee	N/A
Number of meetings held by the ____ Committee	N/A

Remarks
N/A

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

Number of meetings when all directors attended	10
% of attendance over total votes during the year	99%
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	100%

Remarks

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
Mr Francisco Bilbao Antón	Chief Financial Officer

Remarks
The Company's individual and consolidated annual financial statements are certified by the Chief Executive Officer and Chief Financial Officer before they are presented to the Board for approval.

C.1.28 Explain any measures established by the board of directors to ensure that the financial statements that the board of directors presents to the general shareholders' meeting are drawn up in accordance to accounting legislation:

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.

Article 12 A) 2.d) of the Regulations of the Board of Directors states that the Audit Committee's duties will include receiving information on and overseeing the process of preparing and presenting financial reporting, reviewing compliance with legal requirements and the correct application of accounting principles. Likewise, sub-paragraph (i) of article 12.A) 2.j) of said Regulations establishes that the Audit Committee must ensure that the interim financial statements are prepared using the same accounting principles as the annual financial statements, and the last paragraph of article 12.A) 3 of the Regulations of the Board of Directors states that the Audit Committee will strive to ensure that the Board of Directors seeks to present the annual statements to the General Shareholders' Meeting without reservations or qualifications in the audit report, and in the exceptional case that these may be included, the chairperson of the Audit Committee and the auditors will give a clear explanation to the shareholders on the content and extent of said reservations and qualifications.

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

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

Yes No

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

Name of secretary	Representative
Ms Lorea García Jauregui	N/A

Remarks

N/A

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

1. INDEPENDENCE OF THE EXTERNAL AUDITORS

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

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

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

- (i) To present 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.

The actions taken by the Company to ensure auditor independence includes the in-person presence of the auditors at least once every fiscal year, in order to explain their actions. Specifically, in the period ended November 30, 2021, the auditors were present at the meeting of the Board of Directors that took place on February 23, 2021.

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

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

- E-mail on the corporate website (info.accionista@otis.com).
- Contact person for information to shareholders:

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.).

Outgoing auditor	Incoming auditor
PricewaterhouseCoopers Auditores, S.L.	KPMG Auditores, S.L.

Remarks
At the General Meeting held on June 16, 2020, a resolution was passed to re-elect the Company's account auditor for fiscal year 2020, PricewaterhouseCoopers Auditores, S.L. and appoint KPMG Auditores, S.L. as the auditor of the Company and its consolidated group for fiscal years 2021, 2022 and 2023. This appointment was the result of a selection process conducted by the Audit Committee in accordance with Regulation (EU) No. 537/201 of the European Parliament and of the Council and other related regulations.

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

 Yes No

Explanation of disagreements
N/A

C.1.32 Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees it received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:

 Yes No

	Company	Group companies	Total
Amount invoiced for non-audit services (thousand euros)	48	0	48
Amount invoiced for non-audit services/Amount for audit work (in %)	22.97%	0	12.44%

Remarks
N/A

C.1.33 Indicate whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the 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	1	1
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	2.13%	2.13%

Remarks
N/A

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

Yes No

Explanation of procedure

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

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

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

Article 6 of the Regulations of the Board of Directors expressly states that the Chairman of the Board of Directors is 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, the Board, at its first meeting of the year, approved a schedule of the meetings it is intended to hold during the year and the items to be discussed at the meetings, to permit better planning, and specific presentations at Board meetings are arranged 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, which are given by the direct heads of the respective departments involved, also achieve greater communication between the directors and the Company's functional areas.

Likewise, to make the information and documentation necessary for deliberations and decision-making available to the directors, a specific software application is used. This 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 affect them, related or not to their actions in the company, and that may harm the company's name 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, unless there are special circumstances that have been recorded in the minutes, whether to board has been informed or otherwise become aware of any situation that affects a director, related or not to their actions in the company, that might harm the company’s name or reputation.

Yes No

Name of director	Nature of the situation	Remarks
N/A		

State whether the Board of Directors has examined the case. If so, explain in detail whether, attending to the particular circumstances, it has adopted any measure, such as opening an internal investigation, calling on the director to resign or proposing his or her dismissal.

Also state whether the board’s decision was supported by a report from the nominations committee.

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.

Number of beneficiaries	1
Beneficiary	Chief Executive Officer

Description of agreement	<p>The only director entitled to an indemnity in the event of termination of his/her contract is the CEO. The indemnity consists of 45 days' remuneration per year as from his appointment as the Company's CEO (i.e. January 26, 2021) 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>
Number of beneficiaries	1
Description	Chairman
Description of agreement	Non-competition clause for 2 years as from finalization of his contract, receiving a sum equivalent to 12 monthly salary payments during that period.

Number of beneficiaries	2
Beneficiary	Managers
Description of agreement	<p>The Company pays the compensation of several Otis Elevator Company executives who are former employees of the Company, although the amount is reimbursed to the Company by Otis Elevator Worldwide Sprl.</p> <p>One of these executives 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>

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
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Remarks
N/A

C.2 Committees of the Board of Directors

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

EXECUTIVE COMMITTEE

N/A

AUDIT COMMITTEE

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

Remarks
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.

During the 2020 period, the Audit Committee led the process of selecting and engaging new auditors, which was carried out in accordance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council and other related regulations. It concluded with the appointment of the new external account auditor at the General Shareholders' Meeting of June 16, 2020, where the change of auditor for the years 2021, 2022 and 2023 was approved (See C.1.31)

- (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 14, 2020, the Audit Committee reviewed and supervised the effectiveness of internal control, internal audit and risk control management during 2020, and supervised the proposals and approved the plan and budget of the internal audit service for 2021. Likewise, throughout the year, it monitored the actions take by the internal audit service.

- (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 23, 2021, 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 2020 profit at its meeting of December 14, 2020 and regarding payment of the first quarterly interim dividend charged to the 2021 profit at the Audit Committee meeting held on March 22, 2021. Lastly, it reported on payment of the second quarterly interim dividend charged to the 2021 profit at the Audit Committee meeting held on September 21, 2021.
- (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 received information on and assessed the security control systems of the Company's information and/or technological systems (cybersecurity) at its meeting of October 13, 2021.

Likewise, at its meeting of January 26, 2021, the Audited Committee reviewed and assessed the actions taken in compliance with the following corporate policies: corporate social responsibility, tax policy, investment and financing policy, dividend

policy, control and risk policy, and crime prevention policy, also evaluating whether it was necessary to update them.

- (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 October 13, 2021, the Audit Committee received a presentation given by the Manager of the Systems Department on the identified risks present in relation to said Department. Likewise, during the year, the Compliance Officer (ECO) gave several presentations to the Audit Committee on the activity of his department, specifically at the meetings of January 26, March 22, July 27 and October 13, 2021.
- (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 February 23, 2021.
 - 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 outgoing external auditors attended the Audit Committee meeting on January 28, 2021. Subsequently, at the Audit Committee meeting of February 23, 2021, the outgoing and incoming auditors attended, in order to report on the actions taken to make an orderly transition in the change of audit firm. (See C.1.31). The Audit Committee met with the auditors again on April 12 and July 27, 2021, as recorded in the minutes of said meetings.

- (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 23, 2021 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. In particular, in 2021, meetings were held with the current auditor on April 12, 2021 and July 27, 2021.
- (h) Encourage the group auditor to take on the auditing of all the Group companies. In this respect, the account auditors review the individual financial statements of each one of the subsidiaries as part of their audit process at consolidated level.
- (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. Specifically, the Audit Committee was informed directly by the group ECO on the actions taken by the Compliance Department at the Committee meetings held on January 26, 2021, March 22, 2021, July 27, 2021 and October 13, 2021.

- (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 23, 2021, the Audit Committee reviewed the 2020 Annual Corporate Governance Report. Likewise, at its meeting of December 14, 2020, it reviewed the actions taken to implement the distribution of and compliance with the Internal Code of Conduct and, at its meeting of January 26, 2021, it reviewed and assessed 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 26, 2021, the Audit Committee approved the financial reporting for the fourth quarter of 2020, which was then sent to the CNMV. Likewise, at its meeting of April 12, 2021, the information for the first quarter of 2021 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 27, 2021 in relation to the first semester of 2021. Lastly, at its meeting of October 13, 2021, the Audit Committee reviewed the information for the third quarter of 2021, 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 December 14, 2020, January 26, 2021 and July 27, 2021, 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 2021 and reviewed the status of compliance with the action plan to implement improvements as a result of the previous evaluation at its meeting of December 14, 2020.
- The Audit Committee issued a report on the payment of the quarterly interim dividends on each occasion.
- Lastly, in relation to the situation created by COVID-19, the Audit Committee carried out regular monitoring throughout the year in order to analyze the situation, studying the legal regulations that affected the Company in order to review the evolution of the pandemic regularly and be able to adopt 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 section 2.c) 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 section 2.e) above.

The Audit Committee met on 7 occasions in the 2021 reporting period.

When the 2022 Ordinary General Shareholders' Meeting is called, a report on the operation of the Audit Committee during the period ended November 30, 2021 will be placed at the shareholders' disposal.

Identify the members of the audit commission who were appointed due to their knowledge and experience in accounting, auditing or both and state the date on which the chairperson of this commission was appointed.

Names of directors with experience	MS EVA CASTILLO SANZ (Chairperson) MR JOSÉ MIGUEL ANDRÉS TORRECILLAS MS STACY PETROSKY
Date of appointment of chairperson	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.

NOMINATION AND REMUNERATION COMMISSION

Name	Post	Category
MR JOSÉ MIGUEL ANDRÉS TORRECILLAS	CHAIRPERSON	Independent
OTIS ELEVATOR COMPANY (represented by Ms Robin Fiala)	DEPUTY CHAIRPERSON	Proprietary
MS EVA CASTILLO SANZ	MEMBER	Independent
MS STACY PETROSKY	MEMBER	Proprietary
% of proprietary directors		50.00%
% of independent directors		50.00%
% of other external directors		0.00%

Remarks
There is a vacancy on the Nominating and Compensation Commission due to the resignation of Ms Robin Fiala from her position on the Board of the Company and, consequently, from her position on the Committee (notwithstanding her subsequent appointment as the personal representative of the director Otis Elevator Co. to replace Mr Toby Smith on 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 in 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.

- (d) To report on the proposals for appointment of other directors in order for them to be appointed by co-option or for their appointment to be submitted to the decision of the General Meeting, as well as proposals for the re-election or removal of said directors by the General Meeting.

In particular, the Nominating and Compensation Commission:

- at its meeting of January 26, 2021, issued a reports on:
 - the appointment of Mr Bernardo Calleja as Executive Chairman after his resignation as Chief Executive Officer,
 - the appointment of Ms Robin Fiala as the personal representative of the director Otis Elevator Company, and
 - the co-option of Mr Joao Miguel Marques Penedo as a new member of the Board of Directors and Chief Executive Officer.
- at its meeting of April 12, 2021, in order to approve the notice of the General Meeting:
 - it proposed the ratification and re-election of Mr Joao Miguel Marques Penedo as an executive director,
 - reported on the acknowledgement of the appointment of Ms Robin Fiala as the personal representative of the director Otis Elevator Company,
- at its meeting of May 19, 2021, after the pertinent approvals/ratifications by the General Meeting, it reported favourably on the re-election of Mr Joao Miguel Marques Penedo as Chief Executive Officer.

To report on the proposal for appointment of internal positions within the Board of Directors.

- (e) To propose the members of each committee to the Board of Directors.
- (f) To report to the Board of Directors on the nomination and removals of members of senior management and propose and report to the Board of Directors on the basic conditions of their contracts. At its meeting of March 19, 2021, after the General Shareholders' Meeting had approved the new compensation policy for 2021, 2022 and 2023, it reported in favour of the conditions of the contracts of the Chief Executive Officer and the Chairman of the Board.
- (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 that a proposal be put to the Board for the modification of the contracts signed by the Company with the Chairman and the Chief Executive Officer, respectively.

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 December 15, 2020, January 26, 2021, February 23, 2021, April 12, 2021 and May 19, 2021, the Nominating and Compensation Commission made a director and senior management compensation proposal for 2021 (including a report in the incentive plan). Likewise, at the meeting of the Commission held on April 12, 2021, a new compensation plan applicable to Board members was proposed for the years 2021 to 2023, which was subsequently approved by the Board of Directors and then by the General Meeting of May 19, 2021.

- (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 2020.
- (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 schedule for the 2021 period and reviewed the status of compliance with the action plan to implement improvements as a result of the previous evaluation at its meeting of December 15, 2020.

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 2022 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.

NOMINATION COMMITTEE

N/A

REMUNERATION COMMITTEE

N/A

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

	Number of female directors							
	Year 2021		Year 2020		Year 2019		Year 2018	
	No.	%	No.	%	No.	%	No.	%
AUDIT COMMITTEE	2	66.66%	2	66.66%	2	66.66%	2	66.66%
NOMINATING & COMPENSATION COMMISSION	3 (*)	60.00%	3	60.00%	3 (*)	60.00%	3	60.00%

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

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

- a) The rules on the organization, operation and duties of the two committees (Audit Commission and Nominating and Compensation Commission) are included in the Regulations of the Board of Directors, which may be consulted on the Company's website: (<http://www.otis.com/es/es/accionistas-inversores/>) and did not change in the 2021 reporting period.
- b) When the General Shareholders' Meeting is called, reports on the activities conducted by the Audit Committee and the Nominating and Compensation Commission in the preceding reporting period are published annually. It is planned to prepare annual reports on their activities in 2021 to be published when the 2022 General Shareholders' Meeting is called.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Describe, if applicable, the procedure and competent bodies 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 2021 in particular at its meeting of February 23, 2021, the Audit Committee 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 the two main contracts with the majority shareholder (the TAC and the Technical Assistance Agreement). At its meetings December 14, 2020 and January 26, 2021 and July 27, 2021, it again reviewed related transactions in general, notwithstanding the fact that, throughout the year, contracts are analyzed by the Audit Committee whenever this is deemed necessary and the Committee's proposal or opinion is then submitted to the Board of Directors. All the transactions were subsequently approved unanimously by the Board of Directors.

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

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

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
OTIS ELEVATOR COMPANY (OWC)	ZARDOYA OTIS, S.A.	Contractual	Licence agreements	19,964
OTIS WORLDWIDE CORPORATION (OWC)	ZARDOYA OTIS, S.A.	Transactions	Long-term incentive with OWC shares	832

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
OTIS WORDLWIDE CORPORATION (OWC)	ZARDOYA 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 WORDLWIDE CORPORATION (OWC)	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	2,112
OTIS ELEVATOR COMPANY	Otis Intercompany Lending Ireland Designated	Contract for cash deposit made by Zardoya Otis, S.A. with Otis Elevator Company	Cash deposit made by Zardoya Otis, S.A. with Otis Elevator Company	20,500

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)
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OTIS ELEVATOR COMPANY		Director	Imports (from) Otis Elevator Company	46,356
OTIS ELEVATOR COMPANY		Director	Exports (to) Otis Elevator Company	165,708
OTIS ELEVATOR COMPANY		Director	ID charge back of the Company (to) Otis Elevator Company	4,233
OTIS ELEVATOR COMPANY		Director	Cash deposit made by Zardoya Otis, S.A. with Otis Elevator Company	20,500

Remarks
N/A

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

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

Name of entity within the group	Brief description of the transaction	Amount (thousand €)
Otis Elevator Company	Imports (from) Otis Elevator Company	46,356
Otis Elevator Company	Exports (to) Otis Elevator Company	165,708
Otis Elevator Company	ID charge back of the Company (to) Otis Elevator Company	4,233
Zardoya Otis (Gibraltar) Limited.	Exports and services (to) Zardoya Otis (Gibraltar) Limited	870
Otis Elevator Worldwide Sprl	Service contract (from) Otis Elevator Worldwide Sprl	484
Otis Elevator Worldwide Sprl	Service contract (to) Otis Elevator Worldwide Sprl	2,112
Otis Intercompany Lending Ireland Designated	Cash deposit made by Zardoya Otis, S.A. with Otis Elevator Company	20,500

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 State whether the company is controlled, pursuant to the meaning established in article 42 of the Commercial Code, by another listed or non-listed entity and has, either directly or through its subsidiaries, business relationships with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to the activities of any of them.

Yes No

State whether the respective areas of activity and possible business relationships between, on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries have been disclosed publicly with specific information:

Yes No

State the respective areas of activity and possible business relationships between, on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries and identify where these aspects have been disclosed publicly.

See sections D.2, D.3 & D.4

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

Measures taken to resolve potential conflicts of interest

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 13, 2021, the Audit Committee assessed the effectiveness of the internal control during the preceding reporting period and established an action plan for 2022.

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 Ethics and Compliance Officer or ECO Coordinator for all the entities that form part of the group of which the Company is the parent, approved by the Board of Directors. The ECO Coordinator is responsible for coordinating the actions concerning the subject in all the companies over which effective control is held. 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 ethics training and communication for employees.

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 and allowing communications to be made anonymously, respecting the rights of both the complainant and the accused party.

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) Anonymity: the identity of the person making a communication is protected.
- b) Confidential treatment.
- c) Neutrality: support is given neither to Management nor to the employee.
- d) Independence: there is no hierarchical relationship between the person responsible for the program and Management.
- e) 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) Webline – Reports sent through a secure dedicated website, provided by an external provider. <https://otis.webline.saiglobal.com/>
- c) By email – Sending an email to ethics@otis.com.
- d) By post – Sending a letter or report form (translated versions are available) to Otis Global Ethics and Compliance.

The program ensures that no type of retaliation is taken against persons who, in good faith, report any irregularity or suspicion, in the event that their identity might be disclosed.

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

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

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

F.2 Assessment of financial information risks

Report on at least the following:

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

Whether the process exists and is documented.

The Group has a risk management system (the “Risk Map”), which is conducted by the Group’s different operating and functional units and submitted for review by the Audit Committee and Board of Directors. The Risk Map is based on integrated management of each and every one of the business processes and an appropriate segregation of the levels of risk, in order to achieve compliance with the strategic objectives fixed by the Group.

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

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

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

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

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

Likewise, following the best corporate governance practices, article 15.2.a) of the Regulations of the Audit Committee and article 12 (A) 2. (j). (ii) of the Regulations of the Board of Directors include, among the duties of the Audit Committee, the need to provide a report to the Board of Directors before the latter adopts any decisions on the creation or acquisition of shares or interests in special-purpose vehicles or entities resident in countries or territories considered tax havens, as well as any other similar transactions or operations that, given their complexity, could impair the Group’s transparency.

If the process takes into account the effects of other types of risk (operational, technological, financial, legal, 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 could subject to 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, 2021, this being the first year of audit, several meetings took place, on February 23, April 12 and July 27, 2021 and on January 28 and February 25, 2022) and presents the findings of its work at said meetings (See C.3.31). 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.

The ICFR information submitted has been review by the external auditor which its report attached to this 2021 Corporate Governance Report on the Company.

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons so 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 listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:

- a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.

- a) The mechanisms established to resolve any conflicts of interest that may arise.

Complies Complies partially Explanation Not applicable

See section D.

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.

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies Complies partially Explanation

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

Given the Company's shareholder structure, where the number of institutional investors is very low, the Company has not, to date, prepared a formal policy of communication but, rather, employs general channels of communication, with practices and interlocutors appropriate to the specific case. Specifically, dates and meetings have been 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 nomination and remuneration committee.**
 - c) **Report by the audit committee regarding related-party transactions**

Complies Complies partially Explanation

Reports on auditor independence and the operation of the audit committee and nominating and compensation commission are prepared. The Audit Committee makes a detailed evaluation of both related-party transactions and the corporate social responsibility policy, although no ad hoc reports are prepared on these subjects.

7. That the company broadcasts live, through its website, the proceedings of the General Shareholders' Meetings.

And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

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, given the present special circumstances of health alert and restrictions on movement and meetings established by the legislation applicable during the 2020 reporting period, both the 2020 General Shareholders' Meeting and the 2021 General Shareholders' Meeting were held on a mixed basis (in person and online) and were streamed on the Company's corporate website. An electronic platform was enabled in order to hold the 2020 and 2021 General Shareholders' Meetings, so as to encourage the participation of all the shareholders without the need to attend in person. Distance and online voting was also enabled.

8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.

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 if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.**

Complies Complies partially Explanation Not applicable

12. **That the Board of Directors should perform 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 should seek to reconcile its own company interests, when appropriate, with the legitimate interests of its employees, suppliers, clients and other stakeholders that may be affected, 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 in a collegial manner, and that its optimum size is between five and fifteen members.**

Complies Explanation

14. **That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:**

- a) **Is concrete and verifiable.**

- b) **Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and**
- c) **Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.**

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the nomination 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.

The nomination 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 end of 2021, the percentage of female directors was 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.**

And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less than 30% prior to that date.

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 large-cap companies where very few shareholdings are legally considered significant.**

- b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.**

Complies Explanation

- 17. That the number of independent directors should represent 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 share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies Explanation

At the end of the reporting period, 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 to enable the Board to operate more flexibly and efficiently. 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, remaining stable in 2021.

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) Company shares and share options that they own.**

Complies Complies partially Explanation

19. That the Annual Corporate Governance Report, after verification by the nomination 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 shareholding. 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 nomination 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 takeover bid, merger or other similar corporate 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 application of the proportionate representation criterion provided in Recommendation 16.

See section: C.1.21

Complies Explanation

22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.

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 resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.

And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

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 nomination committee ensures that non-executive directors have sufficient time available 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 shareholdings 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 the duties assigned by law and the articles of incorporation, 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 make this advisable.**

Complies Complies partially Explanation

34. **That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; 127 to 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 to coordinate a succession plan for the chairman.**

Complies Complies partially Explanation Not applicable

When the Bylaws and Regulations of the Board of Directors were last amended, the need for the Company to have a Coordinating Director did not exist.

When the need for a Coordinating 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 Coordinating Director. He was re-elected to this position at the Board meeting of July 28, 2020.

It was decided that the Coordinating 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 Coordinating 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 nomination 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 nomination 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, it must contain at least two non-executive directors, at least one of whom must be independent, 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 unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, 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) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational, technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.**
- b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.**
- c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.**
- d) Generally ensuring that internal control policies and systems are effectively applied in practice.**

2. With regard to the external auditor:

- a) In the event that the external auditor resigns, examining the circumstances leading to such resignation.**
- b) Ensuring 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) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.**
- d) Ensuring 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 the development of its accounting and risks faced by the company.**
- e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing,**

limits on the concentration of the auditor's business, and, in general, all other rules regarding auditors' 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 (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.**
- b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.**
- c) The level of risk the company considers acceptable.**
- d) Measures in place to mitigate the impact of risks identified in the event that they should materialise.**
- e) Internal control and information systems to be used in order to control and manage the aforementioned 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, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:**

- a) Ensuring 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 participating in drawing up the risk strategy and in important decisions regarding risk management.**
- c) Ensuring 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 in designating members of the nomination and remuneration committee -- or of the nomination committee and the remuneration committee if they are separate – care be taken to ensure that they have the knowledge, ability and experience appropriate to the functions that they are called upon to perform 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. Until recently, the percentage represented by independent directors of the Company's total directors was 18.18%, which has now increased to 28.57%.

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 large-cap companies have formed separate nomination 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 nomination 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 nomination 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) Proposing basic conditions of employment for senior management.

- b) **Verifying compliance with company remuneration policy.**
- c) **Periodically reviewing 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) **Making sure that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.**
- e) **Verifying 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 should consult 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 foregoing recommendations, including:**

- a) **That they be composed exclusively of non-executive directors, with a majority of independent directors.**
- b) **That their chairpersons 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 each committee 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) in relation to the Nominating and Compensation Commission.

53. **That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee**

of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of selforganisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies Complies partially Explanation Not applicable

54. The minimum functions referred to in the foregoing recommendation are the following:

- a) **Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.**
- b) **Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.**
- c) **The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.**
- d) **Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy**
- e) **Supervision and evaluation of the way in which relations with the various stakeholders are handled.**

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.

55. That environmental and social sustainability policies identify and include at least the following:

- a) The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct**
- b) Means or systems for monitoring compliance with these policies, their associated risks, and management.**
- c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.**
- d) Channels of communication, participation and dialogue with stakeholders.**
- e) Responsible communication practices that impede the manipulation of data and protect integrity and honour.**

Complies Complies partially Explanation

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 judgement of non-executive directors.

Complies Explanation

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to 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 professional performance of its beneficiaries and 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 incurred 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 the company's rules and internal operating procedures and with its risk management and control policies.
- c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous performance over a period long enough to assess its contribution to the sustainable creation value such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.

Complies Complies partially Explanation Not applicable

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Complies Complies partially Explanation Not applicable

60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.

Complies Complies partially Explanation Not applicable

61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or instruments referenced to share value.

Complies Complies partially Explanation Not applicable

62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Complies Complies partially Explanation Not applicable

- 63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.**

Complies Complies partially Explanation Not applicable

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

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

- 64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.**

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies Complies partially Explanation Not applicable

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

H. FURTHER INFORMATION OF INTEREST

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

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

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

The Company does not adhere to the Code of Good Tax Practices of July 20, 2010.

The company OPAL SPANISH HOLDINGS, S.A. (OPAL), an entity indirectly controlled by Otis Worldwide Corporation, has issued a voluntary public tender offer for the acquisition of the totality of the shares that represent the share capital of Zardoya Otis, S.A. In this respect, on September 23, 2021, OPAL sent the prior announcement of a public tender offer to the CNMV. Subsequently, on October 15, 2021, OPAL applied to the CNMV for the authorization necessary to issue the Offer (other relevant information register No. 12210) and said application was admitted for processing by the CNMV on October 28, 2021 (other relevant information register No. 12426). As of the date of issue of this report, the CNMV has not adopted a decision on said application.

Likewise, on December 21, 2021, the Company published inside information (register No. 1231) at the CNMV stating that OPAL had signed an agreement with Euro-Syns whereby the latter undertook to accept irrevocably the Offer for the totality of its shareholding at a price of 7.14 euros per share. Consequently, OPAL agreed to increase the price of the Offer to 7.14 euros per share, although, as of January 6, 2022, it will be adjusted to 7.07 euros per share due to the dividend announced by ZOSA on December 14, 2021.

This annual corporate government report was approved by the Board of Directors of the Company at its meeting held on February 25, 2022.

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

ANNUAL REPORT ON COMPENSATION OF DIRECTORS OF LISTED COMPANIES



ISSUER IDENTIFICATION

YEAR-END DATE	11/30//2021
Tax identification No. (C.I.F.)	A28011153
COMPANY NAME	ZARDOYA OTIS, S.A.
REGISTERED OFFICE	CALLE GOLFO DE SALÓNICA, 73. MADRID

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

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

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

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

At any event, the following aspects should be reported:

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

Explanation

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

In the fiscal year ended November 30, 2020, the Compensation Policy approved by the General Meeting on May 24, 2017 for the fiscal 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**"). At the Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. held on June 16, 2020, a new policy was approved applicable to the years 2021, 2022 and 2023.

Before being approved by the General Meeting of June 16, 2020, to which it was submitted by the Board of Directors, the Compensation Policy was proposed by the Nominating and Compensation Commission at its meeting of April 14, 2020, confirming it complied with the applicable regulations and was appropriate to the economic context, the Company's results and the most consolidated market practices.

In 2021, the Company's Board of Directors, at the proposal of the Nominating and Compensation Commission, resolved to again submit the Director Compensation Policy **for the fiscal years 2021, 2022 and 2023** for the approval of the General Shareholders' Meeting. The text of the Policy is based on a substantiated report and proposal received from the Company's Nominating and Compensation Commission, all the terms of which were assumed by the Board.

The compensation of directors, both in their capacity as such and for performing executive functions, included in the Compensation Policy is consistent with the compensation system set out in the Capital Companies Law, the Company's Bylaws and the Regulations of the Board of Directors, as well as the motion that was put to the General Shareholders' Meeting.

The Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. was held on May 19, 2021 and approved the **new policy applicable for fiscal years 2021, 2022 and 2023**, which does not differ significantly from the policy applied in the year ended November 30, 2020. **This new Compensation Policy is 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.** Said Policy replaced the Director Compensation Policy in force up to that time, which had been approved at the Ordinary General Shareholders' Meeting of June 16, 2020, and **will be applicable for the fiscal years 2021** (for which the approval given at the Ordinary General Shareholders' Meeting of June 16, 2020 was completed and revised), **2022 and 2023**.

Likewise, at said 2021 General Meeting, a dispensation was approved so that the Executive Chairman and the Chief Executive Officer could, if applicable, receive long-term incentives from Otis Worldwide Corporation (the Company's parent), consisting of different Otis Worldwide Corporation share-based instruments, in the terms set out in the aforementioned Director Compensation Policy. This dispensation was granted to the extent necessary for the purposes of articles 229 and 230 of the Capital Companies Law.

The Board considered the proposed Compensation Policy to meet the guiding principles set out therein, to include director compensation appropriate to the directors' dedication and responsibilities without compromising the independence of their criteria, and to be oriented towards promoting the Company's long-term profitability and sustainability.

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 capacity 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 fiscal 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.
 - 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 compensation of directors for their executive functions 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. Performance and the degree of adaptation to the abilities 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 on the global compensation of the directors in their capacity 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.

In 2020, only one director performed executive functions, the Chief Executive Officer, who, at the same time, was Chairman of the Board of Directors. **As of January 26, 2021, the Company has had two directors with executive functions: the Executive Chairman, Mr Bernardo Calleja Fernández, and the Chief Executive Officer, Mr Joao Penedo.**

On this basis, the Compensation Policy for the fiscal years 2021, 2022 and 2023 approved at the Ordinary General Shareholders' Meeting held on May 19, 2021 establishes that the **compensation of said executive directors will have fixed and variable components**, mentioning that, at that time, **the executive directors were the only directors who received variable compensation linked to the Company's performance and their own personal performance**. Payment of the variable compensation takes account of whether said executive directors have complied with the Company's regulatory and ethics rules and procedures. In the event of any failure to comply with the regulations, the Company will be entitled to reduce the variable compensation of any executive director or, in very serious case, eliminate it.

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

(A) Fixed compensation

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

- (a) Executive Chairman: 124,000 euros

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

The above amounts may vary in each of the years 2022 and 2023 with a maximum limit of 30,000 euros per year.

- (ii) Contributions and payments to pension and insurance systems
The Company will make the following contributions and payments to pension and insurance systems in favour of the executive directors:

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

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

(2) These sums may be revised annually in accordance with the variation in the applicable CPI- National General Index (being revised and updated in November each year).

(3) The amount of 64,764.88 euros may be revised annually in November in accordance with the variation in the applicable CPI-National General Index calculated in November each year.

(4) 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).

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

- (iii) Liability insurance
The Company will take out liability insurance for the executive directors.
- (iv) Other remuneration in kind
The executive directors are assigned a company car for personal and professional use and receive, as compensation in kind, a fuel card, all of which is in accordance with the general policy applicable to members of company management.

(B) Variable compensation

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

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

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

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

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

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

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 fiscal 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 executive directors 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)	OWC long-term incentive scheme
Executive directors	2 ⁽¹⁾	YES	YES	NO	YES
Proprietary directors	3	NO	NO	YES ⁽²⁾	NO
Independent directors	2	NO	NO	YES ⁽²⁾	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 vesting 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 vested 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

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 directors have 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 directors have a long-term incentive package due to their status as OWC group executives. 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 executive directors is based on their performance over several years and the sustainable long-term value they create 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 May 19, 2021 at the Ordinary General Shareholders' Meeting, which actually reduces the sums permitted.

Notwithstanding the foregoing, as mentioned above, the Board has revised the Compensation Policy 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.

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- ***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 capacity 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 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 are 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.

- ***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 of May 19, 2021 is applicable. The part applicable to the fixed compensation of the executive directors, is as follows:

(A) Fixed compensation

(i) Fixed portion

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

- (a) Executive Chairman: 124,000 euros.
- (b) Chief Executive Officer: 231,000 euros.

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

(ii) Contributions to pension and insurance systems

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

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

Accident insurance premiums	€423.13	€1,000 ⁽²⁾	€1,000 ⁽²⁾
Health insurance premiums	€3,000	€7,000 ⁽²⁾	€7,000 ⁽²⁾

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

(2) These sums may be revised annually in accordance with the variation in the applicable CPI- National General Index (being revised and updated in November each year).

(3) The amount of 64,764.88 euros may be revised annually in November in accordance with the variation in the applicable CPI-National General Index calculated in November each year.

(4) 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).

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

(iii) Liability insurance

The Company will take out liability insurance for the executive directors.

As indicated, the fixed remuneration conditions approved for the two executive directors are framed within these guidelines, the amounts actually being lower than those approved.

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- ***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 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 addition, 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.

In the event that, finally, a new Director Compensation Policy is proposed to this year's General Shareholders' Meeting for the periods 2022 and 2023, said amounts may be revised with the prior approval of the Meeting.

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- ***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, at the end of the year, with the parameters used in the design of the variable compensation, explaining the criteria and factors applied in regard to the time required and methods of verifying that the performance or any other conditions linked***

to the accrual and vesting of each component of variable remuneration have effectively been met

- *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, states that:

(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 their 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 fiscal year 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

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

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

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

The Policy states that the compensation system described for the executive directors 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 vest 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 vesting 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 executive directors:

Item	Amount for 2020	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	7% of 64,764.88 euros, plus 23% of the difference between the gross fixed annual compensation and 64,764.88 euros
Insurance policy contribution to defined-benefit pension schemes	-	-	€7,000

The Policy states that the compensation system described for the executive directors 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, as mentioned above, the Board has revised 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 May 19, 2021.

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 is 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 is 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 con- 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 items of remuneration such as any deriving from the company's granting the director advances, loans or guarantees or any other remuneration.***

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 is 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 another 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. The aforementioned company belonging to the Otis group pays this compensation in full and, thus it does not entail any cost for 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 May 19, 2021 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 June 16, 2020 to be applied in the years 2021, 2020 and 2021.

At the aforementioned 2021 General Meeting, the Compensation Policy for fiscal years 2021, 2022 and 2023 was approved, supplementing and revising the Policy approved at the 2020 General Meeting and including 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). This Policy reflected the change in the number of executive directors, which had risen from one to two, and included some additional items of compensation that the executive directors may receive, as well as some technical or supplementary improvements.

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/documents/256045/60104368/Directors+Compensation+Policy+approved+at+19-05-2021+GSM.pdf/2d487798-138b-c123-f3ad-acfbb169d916?t=1644417966415>

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 2021 General Shareholders' Meeting, the percentage of votes in favour of the resolution concerning the consultative vote on the Annual Director Compensation Report was 90.83% 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 2020, which are maintained in the Compensation Policy approved at the General Meeting held on May 19, 2021, 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 2021 meeting, to limit the total amount of the compensation to 500,000 euros for 2021 (683,333.34 euros for 2020), thus reducing the amounts in previous years even further.

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 2021 meeting, the Board of Directors decided to pay 250,000 euros on account of the compensation of the directors in their capacity as such for 2021 (after the end of the first semester of 2021), 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 executive directors

(A1) Mr Bernardo Calleja Fernández, the Company's Executive Chairman in 2021, received fixed compensation for carrying out executive duties.

This **fixed compensation** was 166,857.12 euros in 2021. The amount for 2020 was 292,499.98 euros, when Mr Bernardo Calleja Fernández held the positions of both Executive Chairman and Chief Executive Officer. Likewise, during 2021, the Company contributed 76,000.00 euros to the defined-contribution **pension scheme** taken out for Mr Bernardo Calleja Fernández (77,009.69 euros in 2020).

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).

(B1) The **variable compensation** of the Executive Chairman was approved by the Board of Directors (at the proposal of the Nominating and Compensation Commission). This variable compensation consisted of a cash sum of 194,400.00 euros in 2021 (240,000.00 euros in 2020).

In addition, the Executive Chairman 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 2021, an OWC share package, received from OWC, for an amount of 306.879.69 euros was released to the Executive Chairman, corresponding to packages awarded in previous years. The sum released in 2020 was 673,431.43 euros, when Mr Bernardo Calleja Fernández held both the aforementioned positions.

(A2) Mr Joao Penedo, as the Company's Executive Chairman since January 26, 2021, received fixed compensation for carrying out executive duties.

This **fixed compensation** was 179,929.58 euros during the year ended November 30, 2021.

Likewise, during 2021, the Company contributed 42,767.62 euros to the defined-contribution **pension scheme** taken out for Mr Joao Penedo in 2021.

These 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).

(B2) The **variable compensation** of the Chief Executive Officer was approved by the Board of Directors (at the proposal of the Nominating and Compensation Commission). This variable compensation consisted of a cash sum of 154,000.00 euros in 2021.

In addition, the Executive Chairman 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.

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 2021 (42.86% 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 until 2018 (well below the quantitative limit fixed in the relevant Compensation Policy). The Board of Directors reduced that amount to 1,033,000 euros in 2019, 683,333.34 euros in 2020 and even further, to 500,000 euros, in 2020, as a result of the changes made to the Board of Directors over the last few years. 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 and vested in 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 2021, 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 capacity as such did not exceed the upper limit of 2,000,000 euros fixed in the Compensation Policy.

The individual fixed compensation of executive directors for their executive duties accrued in 2021 was calculated by applying the amounts approved by the Board of Directors at its February 2021 meeting (at the proposal of the Nominating and Compensation Commission), within the regulatory framework established by the Bylaws, the Compensation Policy and the contracts signed between the executive directors and the Company (which were approved in accordance with the requirements of the Capital Companies Law). Likewise, the Board of Directors, jointly 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 directors' variable compensation, including, but not limited to,

compliance with the Company's regulatory and ethics rules and procedures, management and risk control rules and procedures, and rules and procedures for personal safety 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
Votes cast	333,770,358	70.94%

	Number	% of votes cast
Votes against	30,140,684	9.02%
Votes in favour	303,629,674	90.83%
Abstentions	502,652	0.15%

B.5. Explain how the fixed components accrued and vested 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 500,000 euros in 2021 as Bylaw-stipulated compensation (683,333.34 euros in 2020).

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, 2021, there were no delegate bodies other than the Chief Executive Officer, Mr Bernardo Calleja Fernández, and the Company's Chief Executive Officer, Mr Joao Penedo, who had been assigned management duties.

The salaries for 2021 of both the Executive Chairman and the Chief Executive Officer were approved by the Board of Directors at its February 2021 meeting. The amounts are set out in section B.1. These amounts reflect the fact that, during 2020, only one director held executive functions, the Chief Executive Officer, who was, at the same time, the Chairman of the Board of Directors. Since January 26, 2021, the Company has two directors with executive functions: the Executive Chairman and the Chief Executive Officer.

B.7. Explain the nature and the main characteristics of the variable components of the compensation systems accrued and vested 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, any vesting conditions that apply, 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, explaining the criteria and factors applied in regard to the time required and the methods of verifying that the performance or any other kind of condition linked to the accrual and vesting of each component of variable remuneration have effectively been met.

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 (vesting) 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.

– Information is to be provided on any periods for accrual, vesting or deferment of payment of vested amounts applied and/or the periods for retention/unavailability of shares or other financial instruments, if any.

Pursuant to the Compensation Policy, the contracts 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 Executive Chairman, and Mr Joao Penedo, as the Chief Executive Officer, had received the following amounts as variable compensation components at the end of the 2021 period:

a) Annual incentive

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 2020).

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 ethics rules and procedures during the year is also assessed.

In particular, the annual incentive paid to the Executive Chairman in 2021 was 194,400 euros (240,000 euros in 2020), calculated on the gross fixed compensation at December 31, 2020 equivalent to 324,000 euros (300,000 euros at December 31, 2019), representing a variable incentive of 60.00% in 2021 (80.00% in 2020), which means a coefficient of 1.00 in 2021 (1.33 in 2020) applied to the target amount.

The annual incentive paid to the Chief Executive Officer in 2021 was 154,000 euros, calculated on a gross fixed compensation at 31 December, 2020 equivalent to 220,000 euros, representing a variable incentive of 70.00% in 2021, which means a coefficient of 1.40 in 2021 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 – shares or other OWC instruments.** Both Mr Bernardo Calleja Fernández and Mr Joao Penedo, since they are OWC (formerly UTC) Group executives, 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 2021 was 306,879.69 euros (673,431.43 euros in 2020), applying the following measurement criteria:

- (i) the shares are valued when they are given to the executive directors, inasmuch as they are not subject to any subsequent condition (they are vested from the beginning); and
- (ii) options are valued when the executive directors can exercise them.

For the totality of the Company's directors, the long-term OWC (formerly UTC) incentive scheme, represented a sum of 306,879.69 euros in 2021 (673,431.43 euros in 2020). The only directors benefiting from said scheme in 2021 were Mr Bernardo Calleja Fernández and Mr Joao Penedo.

Payment of variable compensation takes account of whether the executive directors have complied with the Company's regulatory and ethics 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 directors' 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 former case, payment of non-vested amounts has been deferred or, in the latter case, they have vested and been paid, on the basis of data that have subsequently been clearly shown to be inaccurate. Describe the amounts reduced or clawed back through the application of the "malus" (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 2021

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 under which economic rights vest 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 described above, the Company makes a contribution to the defined-contribution pension plan (savings policy) for the executive director Mr Bernardo Calleja Fernández, the amount of which was 76,000.00 euros in 2021 and 77,009.69 euros in 2020.

Likewise, the Company makes a contribution to the defined-contribution pension plan (savings policy) for the executive director Mr Joao Penedo, the amount of which was 42,767.62 euros in 2021. 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 2021 period, was calculated in two portions: (i) a first portion of 4,533.54 euros, equivalent to 7% of 64,764.88 euros, plus (ii) a second portion of 38,234.08 euros, calculated by applying 23% to the difference between Mr Joao Penedo's gross fixed annual compensation at the contribution date and 64,764.88 euros (amount updated by the insurance company at the payment date of the policy contribution).

The vesting of the contributions and the respective time of allocation or accrual are based on the gross annual compensation and 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 2021.

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.

In 2021, there were changes in the contracts of Mr Bernardo Calleja Fernández, Executive Chairman, and Mr Joao Penedo, Chief Executive Officer, as described in previous sections.

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

In 2021, 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 250,000 euros at the end of the first six months of 2021 (the total had been fixed at 500,000 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 2021 and that sufficient funds were available at said date to make this payment.
- (b) In the latest statement of financial position, dated November 30, 2020, 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 22, 2021, payment of the first interim dividend charged to the 2021 profit was approved for a gross amount of 0.07 euros per share with a par value of 0.10 euros, which was paid on April 9, 2021.

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) for the Executive Chairman, Mr Bernardo Calleja Fernández described in this report, the 2021 contribution to which totalled 76,000.00 euros (77,009.69 euros in 2020).
- (ii) The Executive Chairman's long-term incentive package due to his group executive status. In 2021, he received share options for a value of 306,879.69 euros (673,431.43 euros in 2020)
- (iii) The contribution to the savings policy (defined-contribution pension plan) for the Chief Executive Officer, Mr Joao Penedo described in this report, the 2021 contribution to which totalled 42,767.62 euros.
- (iv) The long-term incentive package of the Chief Executive Officer, Mr Joao Penedo, due to his group executive status. In 2021, he received share options.
- (v) 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.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 Toby Smith, Ms Stacy Petrosky y Ms Robin Fiala, did not receive any compensation as directors in their capacity as such during their respective accrual periods. Otis Elevator Company, likewise a proprietary director, received a total amount of 250,000 euros on their behalf in 2021, 341,666.67 euros in 2020 and 516,666.67 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.*

There were no items of compensation other than those set out in the preceding sections.

C. ITEMISED INDIVIDUAL COMPENSATION ACCRUED BY EACH DIRECTOR

Name	Type	Accrual period year 2021
OTIS ELEVATOR COMPANY	Proprietary	From 12/01/2020 hasta 11/30/2021
EURO-SYNS S.A.	Proprietary	From 12/01/2020 hasta 11/30/2021
MR BERNARDO CALLEJA FERNANDEZ	Executive (Chairman)	From 12/01/2020 hasta 11/30/2021
MR JOAO PENEDO	Executive (CEO)	From 01/26/2020 hasta 11/30/2021
MR JOSE MIGUEL ANDRES TORRECILLAS	Independent	From 12/01/2020 hasta 11/30/2021
MS EVA CASTILLO SANZ	Independent	From 12/01/2020 hasta 11/30/2021
MS STACY PETROSKY	Proprietary	From 12/01/2020 hasta 11/30/2021

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. 2021	Total F.Y. 2020
EURO-SYNS S.A.	0	0	0	0	0	0	0	50	50	50
MR JOSE MARIA LOIZAGA VIGURI	0	0	0	0	0	0	0	0	0	67
OTIS ELEVATOR COMPANY	0	0	0	0	0	0	0	250	250	342
MR ALBERTO ZARDOYA ARANA	0	0	0	0	0	0	0	0	0	25
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	100
MR BERNARDO CALLEJA FERNANDEZ	167	0	0	0	194	0	0	76	437	610
MR JOAO PENEDO	180	0	0	0	154	0	0	43	377	0
Mr PATRICK MARTIN (*)	0	0	0	0	0	0	0	0	0	266

Remarks

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 Toby Smith, Ms Stacy Petrosky y 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 250,000 euros in 2021, 341,666.67 euros in 2020 and 516,666.67 euros in 2019.
- (iii) (*) the remuneration figure in year 2020 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) Movement on share-based compensation systems and net profit on the vested shares or financial instruments:

Name	Name of plan	Financial instruments at beginning of 2021		Financial instruments awarded in 2021		Financial instruments vested in the year				Instruments matured but not exercised	Financial instruments at end of 2021	
		No. instruments	No. equivalent shares	No. instruments	No. equivalent shares	No. instruments	No. equivalent shares vested	Price of vested shares	Gross profit on vested shares or financial instruments (thousand €)	No. instruments	No. instruments	No. equivalent shares
Mr BERNARDO CALLEJA FERNANDEZ	Plan A 2018*	5,050	5,050			5,050	5,050	67.83	-	0	0	0
Mr BERNARDO CALLEJA FERNANDEZ	Plan B 2018*	2,752	2,752			2,752	2,752	65.59	307	0	0	0
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
Mr BERNARDO CALLEJA FERNANDEZ	Plan A 2021**			5,055	5,055					0	5,055	5,055
Mr BERNARDO CALLEJA FERNANDEZ	Plan B 2021**			22,064	22,064					0	22,064	22,064
Mr JOAO PENEDO	Plan A 2021**			1,058	1,058					0	1,058	1,058
Mr JOAO PENEDO	Plan B 2021**			4,668	4,668					0	4,668	4,668
Mr JOAO PENEDO	Plan C 2021**			2,115	2,115					0	2,115	2,115

(*) Plan originally awarded by UTC on UTC shares.

(**) Plan awarded by OTC on OTC shares

(ii) Long-term savings systems:

Name	Compensation from vesting of rights to savings systems
Mr BERNARDO CALLEJA FERNANDEZ	76
Mr JOAO PENEDO	43

Name	Company's contribution (thousand euros) - Saving systems with unvested economic rights		Amount of funds accumulated (thousand euros) – Saving systems with unvested economic rights	
	F.Y. 2021	F.Y. 2020	F.Y. 2021	F.Y. 2020
Mr BERNARDO CALLEJA FERNANDEZ	76	77	856	768
Mr JOAO PENEDO	43	-	43	-

(iv) Details of other items

N/A

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

(i) Compensation accrued 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 F.Y. 2021	Total F.Y. 2020
EURO-SYNS S.A.	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
OTIS ELEVATOR COMPANY	0	0	0	0	0	0	0	0	0	0
Mr ALBERTO ZARDOYA ARANA	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
Mr BERNARDO CALLEJA FERNANDEZ	0	0	0	0	0	0	0	0	0	0
Mr JOAO PENEDO	0	0	0	0	0	0	0	0	0	0
Mr PATRICK MARTIN	0	0	0	0	0	0	0	0	0	0

(ii) Table of changes in share-based compensation schemes and gross profit from vested 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					Comp				
	Total cash compensation	Gross profit from vested shares or instruments	Compensation through savings systems	Other items	Total F.Y. 2020 company	Total cash compensation	Gross profit from vested shares or instruments	Compensation through savings systems	Other items	Total F.Y. 2020 group
OTIS ELEVATOR COMPANY	250	0	0	0	250	0	0	0	0	0
EURO-SYNS S.A.	50	0	0	0	50	0	0	0	0	0
DON BERNARDO CALLEJA FERNANDEZ	361	307	76	0	744	0	0	0	0	0
DON JOAO PENEDO	334	0	43	0	377	0	0	0	0	0
DON ANDRES TORRECILLAS, JOSE MIGUEL	100	0	0	0	100	0	0	0	0	0
DOÑA EVA CASTILLO SANZ	100	0	0	0	100	0	0	0	0	0
TOTAL	1,195	307	119	0	1,621	0	0	0	0	0

D. OTHER INFORMATION OF INTEREST

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

This annual compensation report was approved by the Company's Board of Directors at its meeting of February 25, 2022.

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

Yes []

No []

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



ZARDOYA OTIS, S.A.

Auditor's Report on the "Information concerning the System of Internal Control over Financial Reporting (ICFR)" of ZARDOYA OTIS, S.A. for 2021

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)



KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Auditor's Report on the “Information concerning the System of Internal Control over Financial Reporting (ICFR)” of ZARDOYA OTIS, S.A. for 2021

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the directors of ZARDOYA OTIS, S.A.

As requested by the Board of Directors of ZARDOYA OTIS, S.A. (the “Company”) and in accordance with our proposal letter dated 28st December 2021, we have applied certain procedures to the “Information concerning the ICFR” attached in section F of the Annual Corporate Governance Report of ZARDOYA OTIS, S.A. for 2021, which summarises the Company's internal control procedures for annual financial reporting.

The Board of Directors is responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and oversight of an adequate system of internal control, the development of improvements to that system and the preparation and definition of the content of the information concerning the ICFR attached.

In this respect, it should be borne in mind that irrespective of the quality of the design and operation of the internal control system adopted by the Company in relation to annual financial reporting, the system may only provide reasonable, but not absolute assurance in relation to the objectives pursued, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Technical Auditing Standards, our evaluation of the Company's internal control was solely aimed at enabling us to establish the scope, nature and timing of the audit procedures on the Company's annual accounts. Consequently, the scope of our evaluation of the internal control, performed for the purposes of the audit of accounts, was not sufficient to enable us to issue a specific opinion on the efficiency of this internal control over regulated annual financial reporting.



For the purposes of issuing this report, we have applied only the specific procedures described below and set out in the Guidelines for preparing the auditor's report on the information on the system of internal control over financial reporting of listed entities, published on the website of the Spanish National Securities Market Commission (CNMV), which defines the work to be performed, the minimum scope of the work and the content of this report. As the scope of the work resulting from these procedures is in any event limited and substantially less than that of an audit or review of the internal control system, we do not express an opinion on its effectiveness or design or operational efficiency, with respect to the Company's annual financial reporting for 2021 described in the attached Information concerning the ICFR. Consequently, had additional procedures other than those defined in the aforementioned Guidelines been applied, or an audit or review been performed of the internal control system in relation to regulated annual financial reporting, other events or matters could have been identified, which would have been reported to you. Moreover, as this special engagement does not constitute an audit of accounts nor is it subject to prevailing legislation regulating the audit of accounts in Spain, we do not express an audit opinion in the terms envisaged in such legislation.

The procedures applied were as follows:

1. Reading and understanding of the information prepared by the Company in relation to the ICFR – disclosures included in the directors' report – and evaluation of whether it covers all the information required, taking into account the minimum content described in Section F, concerning the description of the ICFR, the Annual Corporate Governance Report model set out in Spanish National Securities Market Commission (CNMV) Circular 5/2013 of 12 June 2013 and subsequent amendments, the most recent being Circular 3/2021 of 28 September 2021 (hereinafter, the CNMV Circulars).
2. Inquiries of personnel responsible for preparing the information detailed in point 1 above in order to: (i) gain an understanding of the preparation process; (ii) obtain information that allows us to assess whether the terminology used conforms to the definitions contained in the reference framework; (iii) obtain information on whether the control procedures described are in place and operational in the Company.
3. Review of explanatory documentation supporting the information detailed in point 1 above, and which will mainly include that made directly available to those responsible for preparing the descriptive information on the ICFR. This documentation includes reports prepared by internal audit, senior management and other internal or external specialists supporting the audit and compliance committee.
4. Comparison of the information detailed in point 1 above with the understanding of the Company's ICFR gained as a result of the procedures performed within the framework of the audit work on the annual accounts.
5. Reading of the minutes of the meetings of the Board of Directors, audit and compliance committee and other committees of the Company for the purposes of assessing the consistency of the matters discussed at these meetings in relation to the ICFR with the information detailed in point 1 above.
6. Procurement of a representation letter concerning the work performed, duly signed by those responsible for preparing and drawing up the information detailed in point 1 above.



As a result of the procedures applied to the Information concerning the ICFR, no inconsistencies or incidents have come to light that could affect it.

This report has been prepared exclusively in the context of the requirements established in article 540 of the Revised Spanish Companies Act and the CNMV Circulars for the purposes of the description of the ICFR in Annual Corporate Governance Reports.

KPMG Auditores, S.L.

(Signed on original in Spanish)

María Lacarra

4th March 2022

Don Bernardo Calleja Fernández
Presidente

Don Joao Miguel Marques Penedo
Consejero Delegado

Doña Eva Castillo Sanz
Consejera

Don Jose Miguel Andrés Torrecillas
Consejero

Euro- Syns, S.A.
*Consejero - Representada por
Don Alberto Zardoya Arana*

Doña Stacy Petrosky
Consejera

Otis Elevator Company
*Consejero - Representada
por Doña Robin Fiala*

Courtesy Translation of foot note:

In accordance with provision 253.2 of the Spanish Companies Act and provision 37 of the Spanish Commerce Code, all members of this Board of Directors approve with their signature the content of the Annual Accounts and Management Report of Zardoya Otis and the consolidated Group, related to the fiscal year closed on November 30, 2021.

Madrid, February 25, 2022

COURTESY TRANSLATION

2021 ANNUAL FINANCIAL INFORMATION LIABILITY STATEMENT

The members of the Board of Directors of ZARDOYA OTIS, S.A. state that, to the best of their knowledge, the individual annual financial statements of ZARDOYA OTIS, S.A. (balance sheet, profit and loss statement, statement of change in shareholders' equity, statement of cash flows and notes), as well as the consolidated financial statements of ZARDOYA OTIS, S.A. and its subsidiaries (balance sheet, profit and loss statement, statement of changes in shareholders' equity, statement of cash flows and notes) for the fiscal year ended on November 30, 2021, presented by the Board of Directors at its meeting of February 25, 2022, and prepared in accordance with applicable accounting standards, present a fair view of the assets, financial condition and results of operations of ZARDOYA OTIS, S.A. as well as of the subsidiaries included within its scope of consolidation, taken as a whole, and that the management reports supplementing the individual and consolidated annual financial statements contain a true assessment of the corporate performance and results and the position of ZARDOYA OTIS, S.A. and of the subsidiaries included within its scope of consolidation, taken as a whole, as well as a description of the principal risks and uncertainties facing them.

Madrid, February 25, 2022

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

Don Bernardo Calleja Fernández
Presidente

Don Joao Miguel Marques Penedo
Consejero Delegado

Doña Eva Castillo Sanz
Consejera

Don Jose Miguel Andrés Torrecillas
Consejero

Euro- Syns, S.A.
*Consejero - Representada por
Don Alberto Zardoya Arana*

Doña Stacy Petrosky
Consejera

Otis Elevator Company
*Consejero - Representada
por Doña Robin Fiala*



Auditor's
Report on
Zardoya Otis, S.A.
and
Subsidiaries

(Together with the consolidated annual accounts
and consolidated directors' report of Zardoya
Otis, S.A. and subsidiaries for the year ended 30
November 2021)

*(Translation from the original in Spanish. In the
event of discrepancy, the Spanish-language
version prevails.)*



KPMG Auditores, S.L.
Paseo de la Castellana, 259C
28046 Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

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") and subsidiaries (together the "Group"), which comprise the consolidated statement of financial position at 30 November 2021, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 30 November 2021 and of its consolidated financial performance and its consolidated cash flows 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 prevailing legislation regulating the audit of accounts 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 regarding independence, that are relevant to our audit of the consolidated annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the 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.

Recoverable amount of goodwill and intangible assets with a finite useful life See notes 2.1.c), 2.6 and 6 to the consolidated annual accounts	
<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As indicated in note 6 to the accompanying consolidated annual accounts, the Group has goodwill and intangible assets amounting to Euros 162,312 thousand and Euros 143,246 thousand, respectively.</p> <p>Goodwill is allocated to three different geographical and market segments where the Group operates, namely Spain, Portugal and Morocco. At each reporting date the Group estimates the recoverable amount of goodwill, regardless of whether or not there are indications of impairment. The recoverable amount was determined considering the value in use by discounting future cash flows. To estimate this amount, the Group used valuation techniques that require the Directors to exercise judgement and make assumptions and estimates. As the estimated recoverable amount of goodwill exceeds its carrying amount, the Group did not recognise any impairment in 2021.</p> <p>Intangible assets with a finite useful life mainly comprise maintenance contracts amounting to Euros 137,281 thousand, acquired as a portfolio of contracts or as part of a business combination. On an annual basis the Group assesses whether there are potential indications of impairment of the maintenance portfolio assets considering the level of cancellations and customer rotations where said assets are allocated and, if such indications exist, tests the assets for impairment. No indications of impairment were identified in the Group's analysis in 2021.</p> <p>Due to the uncertainty associated with these estimates and the significance of the carrying amount of goodwill and intangible maintenance portfolio assets with a finite useful life, this has been considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - Evaluating the design and implementation of key controls related to process of estimating the recoverable amount of goodwill, as well as the process of assessing whether there are indications of impairment of the intangible maintenance portfolio assets. - Evaluating the reasonableness of the methodology used to calculate the value in use of the cash-generating units to which goodwill has been allocated, and the main assumptions considered, with the involvement of our valuation specialists. - Comparing the cash flow forecasts estimated in prior years in the calculation of the value in use of the cash-generating units to which goodwill has been allocated with the actual cash flows obtained. - Analysing the sensitivity of the estimates of the recoverable amount of goodwill to changes that could be considered reasonable in the key assumptions and relevant judgements. - Evaluating the criteria used by the Group's Directors and management in identifying indications of impairment of the maintenance portfolio assets. Assessing the historical financial performance of the capitalised maintenance contracts, as well as the changes in the Group's assessments performed in prior years. - We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Recognition of revenue from construction contracts

See notes 2.20 and 22 to the consolidated annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>A significant portion of the Zardoya Otis Group's revenues relate to construction contracts in which revenues are recognised using the percentage of completion method. In particular, they are recognised based on the estimated percentage completion of the works, making the necessary corrections through periodic re-estimates such that the margin of profit/loss arising upon completion of the contracts is not substantially different to the margins applied whilst the contracts are open. The recognition of revenue and the profit/loss on these contracts therefore entails a high level of judgement by management and the Directors and an exhaustive control of the estimates made and any deviations that might arise over the contract term. The estimates take into account all costs and revenue related to the contracts, including any costs incurred in addition to those originally budgeted.</p> <p>Due to the uncertainty associated with these estimates and the fact that changes therein could lead to material differences in the revenues recorded in relation to construction contracts, this has been considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">- We assessed the design and implementation of the most relevant controls established by the Group's Directors and management, including the control environment of the IT systems, over the process of recognising revenue using the percentage of completion method for construction contracts. We also tested the operating effectiveness of these controls.- For a sample of construction contracts selected using certain quantitative and qualitative criteria, we analysed the supporting documentation to evaluate the estimates and judgements made by the Group in the recognition of revenues.- For a sample of construction contracts, we analysed the profit/loss on the completed contracts versus the budgeted profit/loss, analysing the historical performance and the budget control performed by the Group and the judgement applied, assessing whether they adequately represent the contract risks.- We assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.

Other Matter

On 9 March 2021 other auditors issued their unqualified auditor's report on the annual accounts for 2020.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Other Information: Consolidated Directors' Report

Other information solely comprises the 2021 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility regarding the information contained in the consolidated directors' report is defined in the legislation regulating the audit of accounts, as follows:

- a) Determine, solely, whether the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.
- b) Assess and report on the consistency of the rest of the information included in the consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned consolidated annual accounts. Also, assess and report on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2021, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they 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'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 Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

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 prevailing legislation regulating the audit of accounts 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.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement 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's Directors.
- Conclude on the appropriateness of the Parent'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 a true and fair view.
- 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.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

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

From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which 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

Additional Report to the Audit Committee of the Parent _____

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 4 March 2022.

Contract Period _____

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 16 June 2020 for a period of three years, from the year commenced 1 December 2020.

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

María Lacarra
On the Spanish Official Register of Auditors ("ROAC") with No. 20.411
4 March 2022

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

Consolidated Annual Financial Statements
as of November 30, 2021

ZARDOYA OTIS S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF NOVEMBER 30, 2021 (thousand Euros - EThs)

		2021	2020
	ASSETS		
	Noncurrent assets		
	Property, plant & equipment (Note 5)	67,452	64,134
	Right-of-use assets (Note 33)	24,189	28,516
	Intangible assets (Note 6)	143,246	156,852
	Goodwill (Note 6)	162,312	161,078
	Noncurrent financial assets (Note 7)	6,834	8,009
	Deferred tax assets (Note 18)	22,666	22,833
	Total noncurrent assets	426,699	441,422
	Current assets		
	Inventories (Note 8)	29,598	29,479
	Trade debtors & other receivables (Notes 7 & 28)	202,890	205,634
	Current assets (Notes 7 & 28)	331	106
	Cash and cash equivalents (Notes 8 & 28)	67,041	57,886
	Total current assets	299,860	293,105
	Total assets	726,559	734,527

The attached consolidated report is an integral part of these Consolidated Annual Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF NOVEMBER 30, 2021 (thousand Euros - EThs)

		2021	2020
	Equity		
	Share capital (Note 10)	47,046	47,046
	Share Premium	306	306
	Legal reserve (Note 12)	11,290	10,914
	Reserves in subsidiaries & other reserves (Note 13)	296,316	284,942
	Treasury stock (Note 11)	(3,053)	(8,088)
	Retained earnings (Note 14)	144,651	140,404
	Interim dividends paid (Note 27)	(67,696)	(68,161)
	Foreign exchange differences	(98)	(25)
	Non-controlling interests (Note 13)	2,792	10,473
	Total equity	431,554	417,811
	LIABILITIES		
	Noncurrent liabilities		
	Provisions (Nota 19)	12,763	11,040
	Liabilities under lease agreements (Notes 15, 28 & 33)	13,432	17,696
	Long-term financial liabilities (Notes 15 & 28)	2,675	5,003
	Deferred tax liabilities (Note 17)	19,148	22,658
	Total noncurrent liabilities	48,018	56,397
	Current liabilities		
	Provisions (Nota 19)	11,491	11,721
	Liabilities under lease agreements (Notes 15, 28 & 33)	10,757	10,820
	Short-term financial liabilities (Notes 15 & 28)	2,292	3,466
	Trade creditors and other payables (Notes 15 & 28)	216,945	229,108
	Current tax liabilities	5,502	5,204
	Total current liabilities	246,987	260,319
	Total liabilities	295,005	316,716
	Total equity and liabilities	726,559	734,527

The attached consolidated report is an integral part of these Consolidated Annual Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS FOR THE YEAR ENDED ON NOVEMBER 30, 2021 (thousand Euros - EThs)

		2021	2020
	Regular income (Note 20)	806,470	786,390
	Other revenue	2,213	1,662
	Raw materials and other consumables used (Note 22)	(270,016)	(248,149)
	Employee remuneration expense (Note 21)	(268,029)	(268,855)
	Amortization expenses (Notes 5, 6 & 33)	(35,278)	(33,643)
	Trade debtors impairment and other receivables (Note 7)	(479)	(1,972)
	Result from disposals of assets (Note 5)	3,305	-
	Other expenses (Note 23)	(47,647)	(49,110)
	Operating profit	190,539	186,323
	Financial income (Note 24)	71	230
	Financial expenses (Note 24)	(723)	(1,080)
	Foreign exchange differences (Note 24)	85	(55)
	Other gains and losses	57	172
	Profit before tax	190,029	185,590
	Income tax expense (Note 25)	(44,271)	(44,488)
	Profit for the year (Note 14)	145,758	141,102
	Attributable to:		
	Shareholders of parent company	144,651	140,404
	Non-controlling interests	1,107	698
	Basic earnings per share (expressed in Euros per share (Note 26))		
	- Basic	0.3	0.3
	- Diluted	0.3	0.3

The attached consolidated report is an integral part of these Consolidated Annual Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED ON NOVEMBER 30, 2021 (thousand Euros - EThs)

	2021	2020
Profit for the year (Note 14)	145,758	141,102
Other comprehensive income:		
Items that can be transferred to profit and loss:		
Exchange rate differences	(73)	(87)
Items that will not be reclassified to profit and loss:		
Actuarial gains / (losses)	(801)	(92)
Total comprehensive income for the year, net of taxes	144,884	140,923
Attributable to:		
– Shareholders of parent company	143,777	140,225
– Non-controlling interests	1,107	698

The attached consolidated report is an integral part of these Consolidated Annual Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED ON NOVEMBER 30, 2021
(thousand Euros - EThs)

	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 as of November 30, 2019	47,046	306	10,538	(2,572)	62	269,934	85,768	11,852	422,934
Profit for the year (Note 14)	-	-	-	-	-	-	140,404	698	141,102
Other comprehensive income	-	-	-	-	(87)	-	(92)	-	(179)
Comprehensive income for the year	-	-	-	-	(87)	-	140,312	698	141,923
Distribution of profit 2019 (Note 14)	-	-	376	-	-	27,324	(140,550)	-	(112,850)
Dividend relating to the year 2019 (Note 27)	-	-	-	-	-	-	112,850	-	112,850
Interim dividend for the year 2020 (Note 27)	-	-	-	-	-	-	(105,767)	-	(105,767)
Dividend charged to reserves for the year 2020 (Note 27)	-	-	-	-	-	(28,205)	-	-	(28,205)
Other movements	-	-	-	-	-	(1,826)	-	-	(1,826)
Treasury stock purchase (Note 11)	-	-	-	(8,806)	-	-	-	-	(8,806)
Transactions with non-controlling interests (Notes 2 & 6)	-	-	-	3,291	-	(2,655)	-	(2,078)	(1,442)
Balance as of November 30, 2020	47,046	306	10,914	(8,087)	(25)	264,572	92,613	10,472	417,811
Profit for the year (Note 14)	-	-	-	-	-	-	144,651	1,107	145,758
Other comprehensive income	-	-	-	-	(73)	-	(801)	-	(874)
Comprehensive income for the year	-	-	-	-	(73)	-	143,850	1,107	144,884
Distribution of profit 2020 (Note 14)	-	-	376	-	-	40,015	(140,404)	-	(100,013)
Dividend relating to the year 2020 (Note 27)	-	-	-	-	-	-	100,013	-	100,013
Interim dividend for the year 2021 (Note 27)	-	-	-	-	-	-	(99,548)	-	(99,548)
Dividend charged to reserves for the year 2021 (Note 27)	-	-	-	-	-	(33,835)	-	-	(33,835)
Treasury stock purchase (Note 11)	-	-	-	(12,096)	-	-	-	-	(12,096)
Transactions with non-controlling interests (Note 2)	-	-	-	17,130	-	5,995	-	(8,787)	14,338
Balance as of November 30, 2021	47,046	306	11,290	(3,053)	(98)	276,747	96,524	2,792	431,554

The attached consolidated report is an integral part of these Consolidated Annual Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED ON NOVEMBER 30, 2021 (thousand Euros - EThs)

	2021	2020
Profit for the year	144,651	140,404
Cash flows from operating activities		
Adjustments to profit		
Amortization (Notes 5, 6 & 33)	35,277	33,643
Provisions (Nota 19)	1,837	1,972
Profit from asset disposal (Note 5)	(3,362)	-
Works done for the company	(1,625)	(1,640)
Income tax expense (Note 14)	44,271	44,488
Other gains and losses	60	905
Financial expenses	(71)	(1,080)
Financial income	723	229
Foreign exchange differences	(84)	-
Profit attributed to non-controlling interests	1,107	698
Changes in working capital		
Change in inventories	(119)	(6,004)
Changes in trade debtors and other receivables	2,605	(589)
Changes in trade creditors and other payables	(2,316)	15,968
Other financial assets and liabilities	1,156	-
Provisions	(872)	-
Tax payment	(47,724)	(49,571)
Cash flow from operating activities	175,514	179,423
Cash flows from investing activities		
Payments on investments		
Investment in Property, plant & equipment (Note 5)	(9,526)	(9,081)
Investment in intangible assets (Note 6)	(210)	(715)
Business combinations (Note 30)	(2,120)	(7,011)
Charges for divestments		
Acquisition of subsidiaries (Notes 33)	40	77
Property, plant & equipment sales (Note 5)	4,200	-
Cash flows from investing activities	(7,616)	(16,730)
Cash flows from financing activities		
Payments for		
Dividends paid (Notes 15.3 & 27)	(133,383)	(133,972)
Payments from financial liabilities with credit institutions (Note 15.3)	-	(504)
Payments for operating leases (Notes 15.3 & 33)	(13,264)	(12,114)
Treasury stock payments (Notes 15.3 & 11)	(12,096)	(8,806)
Cash flows from financing activities	(158,743)	(155,396)
Net Increase / (Decrease) in cash and cash equivalents	9,155	7,297
Cash and cash equivalents at the beginning of the year (Note 9)	57,886	50,589
Cash and cash equivalents at the end of the year (Note 9)	67,041	57,886

The attached consolidated report is an integral part of these Consolidated Annual Statements.

ZARDOYA OTIS S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR 2021

(thousand Euros - EThs)

1. Group nature, activities and structure

ZARDOYA OTIS, S.A. (the 'Company') was incorporated on May 9, 1934 as a corporation and has its registered office and fiscal domicile at Golfo de Salónica, 73, Madrid, Spain, where the effective center of their 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.

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, San Sebastian and a Modernization Center in Vigo, Spain.

Alder Holdings SAS, incorporated in France, holds a majority interest of 50.02% of the Company's shares. The Company is part of the Otis Group, incorporated in the United States of America (Notes 10 and 31), where the ultimate parent is Otis Worldwide Corporation. Zardoya Otis, S.A. is listed on Madrid, Barcelona, Bilbao and Valencia stock exchanges.

These consolidated annual financial statements were submitted by the Board of Directors on February 25, 2022 and are pending the approval of the Annual General Shareholders' Meeting. Nevertheless, Management considers that such consolidated financial statements will be approved as developed.

At the end of the year 2021, the Company notified the National Securities Market Commission (CNMV) that the Board of Directors had been made aware on that date of the announcement sent to the CNMV by OPAL SPANISH HOLDINGS, SAU (the 'Bidder'), entity indirectly entirely controlled by OTIS WORLDWIDE CORPORATION, shareholder of the Company holding at that time 50.01% of the share capital, and the terms and conditions of the public takeover bid that the Bidder has agreed to carry out on the rest of the Company's capital share up to 100% (the 'Bid'). The information regarding this offer is detailed in notes 10 and 34 of these consolidated annual statements.

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 Basis of presentation

The Consolidated Annual Statements of the Group as of November 30, 2021 have been developed based on the accounting records of ZARDOYA OTIS, S.A. and the consolidated entities. The consolidated annual accounts for the year as of November 30, 2021 have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU) and other applicable provisions of the financial reporting regulatory framework, with the purpose of showing the true image of the consolidated equity and the consolidated financial situation of ZARDOYA OTIS, S.A. and their subsidiaries as of November 30, 2021 and the consolidated financial performance, their consolidated cash flows and the changes in the consolidated net equity for the year ending on that date.

The Group's Consolidated Annual Financial Statements at November 30, 2021 include the figures for the preceding year to allow a comparison to be made. Likewise, these were prepared under the going-concern principle.

The Parent Company's Board of Directors estimates that the Consolidated Annual Statements for the year ended on November 30, 2021, which have been submitted on February 25, 2022, will be approved at the Annual General Meeting without any modification. The Consolidated Annual Financial Statements for 2020 were approved at the General Shareholders' Meeting on May 19, 2021.

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 scheme assets at a fair value; and
- Financial assets are measured at a fair value.

Impact caused by COVID-19

The situation arising from the evolution of the COVID-19 added a new uncertainty for the business community in general. The effects of the global pandemic situation may have an impact on 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 impact that may arise with enough success guarantees.

Specifically, Zardoya Otis Group implemented a course of action in 2020 to mitigate the effects of COVID-19, which main features are:

- Creation of a Crisis Committee with the participation of the General Management Department, Human Resources, Health, Safety and Works, Operations, Manufacturing, Health Services, Systems and the Communication Area, in order to monitor the situation in real time and implement response actions.
- Actions with preventive measures were taken 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.

The consolidated financial statements are shown in thousands euros, which is the parent Company's functional and reporting currency.

The items included in the financial statements of each one of the Group companies are valued using the currency of the main financial environment where the company operates ('the functional currency').

2.2 Consolidation principles

Subsidiaries are all entities (including structured entities) over which the Company has control, both directly or indirectly. 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 from the date when control is transferred to the Group. They are de-consolidated from the date when control ceases.

The consolidated annual statements have been prepared using the global integration method based on the accounting records of Zardoya Otis, S.A. and their subsidiaries. The income, expenses and cash flows of the subsidiaries are included in the consolidated annual statements from the date of acquisition, which is the date on which the Group effectively took control over them. Subsidiaries are excluded from consolidation from the date on which control is lost.

Transactions and balances with Group companies and unrealized profits or losses have been eliminated from the consolidation process. However, unrealized losses have been considered as an indicator of value impairment of the transferred assets.

The accounting policies of the subsidiaries have been adapted to the accounting policies of the Group, for transactions and other events that, being similar, have occurred in similar circumstances.

The annual statements or financial statements of the subsidiaries used in the consolidation process refer to the same submission date and the same period as those of the Company.

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.

2.3 Business Combinations

The Group has applied IFRS 3 'Business Combinations' revised in 2008 in transactions carried out from January 1, 2010.

For business combinations, the Group applies the acquisition method.

The acquisition date is the date on which the Group takes control of the acquired business.

The consideration delivered for the business combination is determined on the acquisition date by the sum of the fair values of the assets delivered, the liabilities incurred or assumed, the equity instruments issued and any contingent consideration that depends on future events or the fulfilment of certain conditions in exchange for control of the acquired business.

The consideration given excludes any disbursement that is not part of the exchange for the acquired business. Acquisition-related costs are recognized as an expense as incurred.

If the business combination is carried out in stages, the carrying amount at the acquisition date of the equity interest in the acquiree previously held by the acquirer is remeasured at a fair value on the acquisition date; any gain or loss arising from this new value is recognized in the result of the financial year.

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 accounting policies of the subsidiaries have been adapted to the accounting policies of the Group, for transactions and other events that, being similar, have occurred in similar circumstances.

(a) **Subsidiaries**

The list of subsidiaries and information thereon is as follows:

Company and registered office	Activity	%	2021		2020		Parent company
			Carrying amount (EThs)	%	Carrying amount (EThs)	%	
(+) 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. (Girona)	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%	54,485	100%	20,357	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%	21,949	100%	19,966	Zardoya Otis S.A.
Montes Tallón, S.A (Alicante).	Installation & Service of Elevators	-	-	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)
(+) 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, S.L. (Alicante)	Installation & Service of Elevators	-	-	80%	9,126	Zardoya Otis, S.A.
Soluciones de Accesibilidad LV3 S.L. (Barcelona)	Installation and Service of Accessibility Solutions Equipment	80%	450	80%	450	Zardoya Otis, S.A.
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 and service of automatic doors	100%	-	100%	1,049	Puertas Automáticas Portis, S.L.
Puertas Automáticas Seleman	Installation and service of automatic doors	100%	-	100%	189	Puertas Automáticas Portis, S.L.
Puertas Automáticas Karpy, S.L.	Installation and service of automatic doors	100%	629	-	-	Zardoya Otis, S.A.
Ascensores FIT S.L. (*)	Elevator service	100%	2,000	-	-	Zardoya Otis, S.A.
Door matic Industries 2018, S.L. (*)	Installation and service of automatic doors	100%	160	-	-	Zardoya Otis, S.A.

(+) Companies audited by KPMG in 2021.

(*) Companies acquired by Group entities belonging to the CGU Spain that 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 2021:

- Companies belonging to the CGU Grupo Zardoya Otis (Spain), have acquired 100% of the shares of the companies Puertas Automáticas Karpy, S.L. (February 12, 2021) and DoorMatic Industries 2018, S.L. (June 11, 2021), dedicated both to the installation and maintenance of automatic doors.
- In addition, 100% of the shares of the company Ascensores Fit, S.L. (March 11, 2021), dedicated to the maintenance and repair of elevating equipment in Spain, have been acquired.

- Likewise, the non-controlling interests of Ascensores Eleva, S.L. (20%) (December 22, 2020) and Montes Tallón, S.A. (48%) (March 4, 2021) have been acquired.
- In June 2021, the mergers of Ascensores Eleva, S.L. and N&V Servirema, S.L.U. with Ascensores Pertor, S.L. and Puertas Automáticas Portis, S.L., respectively, were completed. Subsequently, in July 2021, Seleman merged with Puertas Automáticas Portis, S.L. Finally, the merger of Montes Tallón, S.A. into Ascensores Pertor, S.L. was also completed in October 2021.

The following transactions and changes in the Group's scope of consolidation took place in 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, they acquired a non-controlling interest in Ascensores Pertor S.L. (5.87%) (November 4, 2020).
- In September 2020, the project to merge the company Sige Ascensores S.L. into Zardoya Otis was completed.
- Additionally, in September and October, 2020, respectively, Elko Sistemas d'Elevació, S.L.U. and Elevadores del Tormes S.L. merged into the structure of the CGU Zardoya Otis Group.

The annual statements or financial statements of the subsidiaries used in the consolidation process refer to the same submission date and the same period as those 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.

2.4 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) regarding which differentiated 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 revenue (see note 4).

2.5 Transactions and balances in a foreign currency

(a) Transactions and balances

Foreign currency transactions are converted 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'.

Monetary assets and liabilities denominated in a foreign currency have been converted into euros applying the rate prevailing at the end of the year, while non-monetary assets valued at historical cost are converted by applying the exchange rates applied on the date on which the transaction took place. For these purposes, advances from suppliers and clients are considered non-monetary items, so they are converted at the exchange rate of the date on which the payment or collection took place. The subsequent accounting of the reception of stocks or income from sales, for the part of the advance, is made at the original exchange rate and not that of the date of the transaction. Finally, non-monetary assets that are valued at fair value have been converted into euros by applying the exchange rate on the date on which it was quantified.

(b) Overseas business conversion

Gains and losses and the financial situation of the 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 converted into the latter as follows:

- i) The assets and liabilities of each statement of financial position presented are converted at the closing exchange rate on the reporting date.
- ii) The income and expenses of each income statement are converted 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.
- iv) Capital and reserves of foreign operations have been converted at historical exchange rates.

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.

2.6 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. The rest of repairs and maintenance are charged to the profit and loss statement during the year in which they are incurred.

Amortization on other assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated life:

Buildings	33 years
Machinery	4, 8, 10 & 13 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, 2021 includes the effect of the revaluation carried out under Spanish regulations in the year 1996 by virtue of Royal Decree 7/1996 of 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 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.

As of November 30, 2021, the aforementioned restatement had an impact of EThs 231 (EThs 231 in 2020) on the net carrying amount of property, plant and equipment. Consequently, the effect of this restatement on the provision for the year 2021 was EThs 19 (EThs 19 in 2020).

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

The Group assesses and determines the losses and reversals of losses due to impairment of property, plant and equipment in accordance with the criteria mentioned in section 2.7.

The Group recognizes the derecognition of property, plant and equipment at the time of disposal or when it does not expect to receive future financial benefits from their use or disposal. The date of disposal of property, plant and equipment is the date on which the buyer takes control of them as indicated in the accounting policy for Income from contracts with clients. The Group records a gain or loss on disposal of property, plant and equipment for the difference between the consideration received for the property, plant and equipment eliminated and the net carrying amount of the property, plant and equipment at the time of disposal of the property, plant and equipment.

2.7 Intangible assets

(a) 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 period considered equivalent to its estimated life (10 to 20 years, depending on the characteristics of the portfolio, based on the characteristics of the contractual agreements signed with clients by the acquired company, the specific future expectations of such portfolios based on the current market and macroeconomic expectations). Impairment testing is carried out regularly whenever there are factors that indicate a possible impairment loss.

Intangible assets for internally generated maintenance contracts are not capitalized.

Trademarks and other related assets resulting from portfolio acquisitions are shown at historical cost. They have a defined life and their carrying amount is the cost of acquisition less accumulated amortization and any loss due to impairment of value. Amortization is calculated using the straight-line method, systematically distributing the depreciable amount over their life. Such life is calculated individually for each maintenance portfolio at the time of its acquisition based on the best estimates available by Management.

For these purposes, depreciable amount is understood to be the acquisition cost or attributed cost (or revalued value) less its residual value.

The Group reviews the residual value, the life and the amortization method of intangible assets at the end of each year. Changes in the initially established criteria are recognized as a change in estimate.

(b) Goodwill

Goodwill is determined following the criteria set forth in the section on business combinations.

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. Gains or losses on the sale of a company include the carrying amount of the goodwill associated to the company sold.

Goodwill is not amortized, but is tested for impairment annually or earlier, if there are indications of a potential loss in asset value. For these purposes, the goodwill resulting from the business combination is assigned to each of the Group's cash-generating units (CGU) or groups of CGUs that are expected to benefit from the synergies of the combination and are applied the criteria referred to in section 2.7 (Losses due to impairment of non-financial assets). After initial recognition, goodwill is valued at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Internally generated goodwill is not recognized as an asset.

(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 period.

(d) Asset impairment

The Group assesses and determines the losses and reversals of losses due to impairment of intangible assets in accordance with the criteria mentioned in section 2.7.

(E) Eliminations

The Group recognizes the derecognition of the intangible asset at the time of disposal or when it does not expect to receive future financial benefits from its use or disposal. The date of disposal of intangible assets is the date on which the buyer takes control of them as indicated in the accounting policy for Income from contracts with clients. The amount of the consideration for the disposal of the intangible asset and the recording of subsequent changes is determined by applying the criteria indicated in the accounting policy for Income from contracts with clients.

2.8 Impairment losses on non-financial assets subject to amortization or depreciation

The Group follows the criteria of evaluating the existence of indications that could reveal the potential impairment of non-financial assets subject to amortization or depreciation, in order to verify whether the carrying amount of the aforementioned assets exceeds their recoverable value.

Likewise, and regardless the existence of any impairment indication, the Group checks, at least once a year, the potential impairment that could affect goodwill, intangible assets with an indefinite life, as well as intangible assets that are not yet available for use.

The recoverable value of the assets is the higher of their fair value less transfer costs or disposal by other means and their value in use.

The calculation of the value in use of the asset is made based on the expected future cash flows that will derive from the use of the asset, the expectations about possible variations in the amount or temporal distribution of the flows, the temporary value of money, the price to be paid to bear the uncertainty related to the asset and other factors that market participants would consider in valuing the future cash flows related to the asset.

The negative differences resulting from comparing the carrying amounts of the assets with their recoverable values are recognized in profit and loss.

The recoverable value must be calculated for an individual asset, unless the asset does not generate cash inflows that are largely independent from those corresponding to other assets or groups of assets. If this is the case, the recoverable amount is determined for the Cash Generating Unit (CGU) to which it belongs. To assess the potential impairment of non-financial assets, the Group considers each of the geographical segments in which it operates (Spain, Portugal and Morocco) as a CGU (see note 4).

If there are impairment indications in a CGU to which goodwill has not been allocated, the Group first tests the impairment of the CGU, without including goodwill, and recognizes, where appropriate, the loss due to impairment at the CGU level. Then, the Group tests the impairment at the level of the group of CGUs to which the goodwill has been allocated and recognizes, where appropriate, the loss due to impairment at the level of the group of CGUs.

When checking the impairment of a CGU, the Group identifies the common assets related to it. If a part of the common assets can be reasonably and consistently allocated to the CGU, the Group compares the carrying amount of the CGU, including the common assets, with the recoverable amount and recognizes, if applicable, the loss due to impairment at the CGU level. If the Group cannot allocate a part of the common assets in a reasonable and consistent manner to the CGU, the Group compares the carrying amount of the unit, without the common assets, with the recoverable amount and recognizes, if applicable, the loss due to impairment at the CGU level. Then, the Group identifies the smallest group of CGUs to which the carrying amount of the common assets can be allocated in a reasonable and consistent manner and compares the carrying amount of the group of CGUs, including the common assets, with the recoverable amount and recognizes, where appropriate, the loss due to impairment at the level of the group of CGUs.

Losses related to impairment of the CGU initially reduce, where appropriate, the value of the goodwill assigned to it and subsequently to the other assets of the CGU, prorated according to the carrying amount of each of the assets, with the limit for each of them of the greater of their fair value less the transfer costs or disposal by other means, their value in use and zero.

The Group assesses at each closing date whether there is any indication that the impairment loss recognized in previous years no longer exists or could have decreased. Impairment losses corresponding to goodwill are not reversible. Impairment losses on other assets are only reversed if there has been a change in the estimates used to determine the asset's recoverable value.

The reversal of the impairment loss is recorded with a credit to profit and loss, except in those cases in which the noncurrent asset is recorded at its revalued value. However, the loss reversal cannot increase the carrying amount of the asset above the carrying amount it would have had, net of depreciation, if the impairment had not been recorded.

The amount for the loss reversal of a CGU is distributed among its assets, except goodwill, prorated according to the carrying amount of the assets, with the limit per asset of the lower of its recoverable value and the carrying amount it would have had, net of depreciation, if the loss had not been recorded.

2.9 Financial instruments

2.9.1 Recognition and classification of financial instruments

Financial instruments are classified at the time of their initial recognition as a financial asset, a financial liability or an equity instrument, in accordance with the economic substance of the contractual agreement and with the definitions of financial asset, financial liability or equity instrument developed in IAS 32 'Financial instruments: Presentation'.

Financial instruments are recognized when the Group becomes an obligated party to the contract or legal transaction in accordance with their provisions.

For measurement purposes, the Group classifies financial instruments in the categories of financial assets and liabilities at fair value through profit or loss, separating those initially designated from those held for trading or mandatorily valued at fair value through profit or loss, assets and financial liabilities valued at amortized cost and financial assets valued at fair value with changes in other comprehensive income, separating the equity instruments designated as such from the rest of the financial assets. The Group classifies financial assets, other than those designated at fair value through profit or loss, and equity instruments designated at fair value through other comprehensive income, in accordance with the business model and the characteristics of the contractual flows. The Group classifies financial liabilities as measured at amortized cost, except those designated at fair value through profit or loss and those held for trading.

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 a fair value, gains and losses are recognized in profit and loss or other comprehensive income.

The Group designates a financial liability initially at fair value through profit or loss if doing so eliminates or significantly reduces any measurement or recognition inconsistency that would otherwise arise if the measurement of the assets or liabilities or the recognition of the results of these were made on different bases or a group of financial liabilities or financial assets and financial liabilities is managed, and its performance is evaluated, on the basis of fair value, in accordance with an investment strategy or a documented risk management strategy, and information relating to that group is provided internally on the same basis to key Group management personnel.

The Group classifies the rest of financial liabilities, except the financial guarantee contracts, the commitments to grant a loan at an interest rate below the market rate and the financial liabilities resulting from a transfer of financial assets that do not meet the requirements for derecognition or that are accounted for using the continuing involvement approach, as financial liabilities at amortized cost.

2.9.2 Financial assets and liabilities at fair value with changes in income

Financial assets and liabilities at fair value through profit or loss are initially recognized at fair value. Transaction costs directly attributable to the acquisition or issue are recognized as expenses as incurred.

The fair value of a financial instrument at the beginning is usually the transaction price, unless such price contains different elements of the instrument, in which case, the Group determines its fair value. If the Group determines that the fair value of an instrument differs from the transaction price, it records the difference in income, to the extent that the value has been obtained by reference to a price quoted in an active market for an identical asset or liability or was obtained from an assessment technique that used only observable data. In all other cases, the Group recognizes the difference in results, to the extent that it arises from a change in a factor that market participants would consider when determining the price of the asset or liability. (IFRS 7.28 a)

After their initial recognition, they are recognized at fair value, registering the variations in profit and loss. Changes in fair value include the component of interest and dividends. The fair value is not reduced by the transaction costs that may be incurred for its eventual sale or disposal by other means.

Notwithstanding the foregoing, for financial liabilities designated at fair value through profit or loss, the Group recognizes changes in fair value attributable to own credit risk in other comprehensive profit and loss. Amounts deferred in other comprehensive profit and loss are not subsequently reclassified to the profit and loss statement.

The Group determines the change in fair value attributable to credit risk, initially calculating the internal rate of return at the beginning of the period using the fair value and contractual flows and discounting the reference interest rate from such rate to determine the rate specific to the credit risk component, provided that the change in the reference interest rate is not significant and that there are no other factors that imply relevant changes in the fair value. On each closing date, the Group discounts the contractual flows at the rate determined as the sum of the reference rate on that date, plus the specific rate of the credit risk component. The difference between the fair value at year end and the previous amount represents the variation linked to credit risk.

2.9.3 Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value, plus or minus the transaction costs incurred, and are subsequently valued at amortized cost, using the effective interest rate method.

2.9.4 Financial assets at fair value with changes in 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.

2.9.5 Derecognition

Financial assets

The Group applies the criteria for derecognition of financial assets to a part of a financial asset or to a part of a group of similar financial assets or to a financial asset or to a group of similar financial assets.

Financial assets are derecognized when the rights to receive cash flows related to them have expired or have been transferred and the Group has substantially transferred the risks and benefits derived from their ownership. Likewise, the derecognition of financial assets in those circumstances in which the Group retains the contractual rights to receive the cash flows, only occurs when contractual obligations that determine the payment of such flows to one or more recipients have been assumed and the following requirements are met:

- Payment of cash flows is conditional on their prior collection;
- The Group cannot proceed to the sale or pledge of the financial asset; and
- The cash flows collected on behalf of the eventual recipients are submitted without significant delay and the Group is not able to reinvest the cash flows. The application of this criterion is exempted from investments in cash or cash equivalents made by the Group during the settlement period between the date of collection and the date of submission agreed with the eventual recipients, provided that the accrued interest is attributed to potential recipients.

In transactions in which the derecognition of a financial asset is entirely recorded, the financial assets obtained or the financial liabilities, including the liabilities corresponding to the administration services incurred, are recorded at fair value.

The derecognition of a financial asset in its entirety implies the recognition of results for the difference between its carrying amount and the sum of the consideration received, net of transaction expenses, including the assets obtained or liabilities assumed and any deferred gain or loss in other comprehensive profit and loss, except for equity instruments designated at fair value through other comprehensive profit and loss.

Financial liabilities

The Group eliminates a financial liability or part of it when it has fulfilled the obligation contained in the liability or is legally exempt from the main responsibility contained in the liability, either by virtue of a judicial process or by the creditor.

The exchange of debt instruments between the Group and the counterpart or the substantial modifications of the initially recognized liabilities are accounted for as a cancellation of the original financial liability and the recognition of a new financial liability, provided that the instruments have substantially different conditions.

The Group recognizes the difference between the carrying amount of the financial liability or part of it canceled or assigned to a third party and the consideration paid, including any assigned asset other than cash or liability assumed in profit and loss.

2.9.6 Impairment

The Group recognizes in profit and loss a value correction for expected credit losses of financial assets valued at amortized cost, fair value with changes in other comprehensive profit and loss, receivables for finance leases, contract assets, loan commitments and financial guarantees.

The Group values on each closing date the valuation correction in an amount equal to the credit losses expected in the following twelve months, for financial assets for which the credit risk has not increased significantly since the date of initial recognition or when it considers that the credit risk of a financial asset has no longer increased significantly.

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. When assessing whether there is a significant increase in the risk of credit risk, the Group considers all reasonable and supportable forward-looking information, specifically:

- Internal and external credit risk ratings;
- Current or expected adverse changes in business, financial or economic conditions that may cause a material change in the borrower's ability to meet their obligations;
- Significant current or expected changes in the borrower's operating profit or loss;
- Significant increases in credit risk in other financial instruments of the same borrower;
- Significant changes in the value of the guarantee that supports the obligation or in the quality of the guarantees or credit enhancements of a third party;
- Macroeconomic information such as interest rates, growth, unemployment rates, GDP of the area or region, real estate market prices or rental income.

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.

For trade debtors, the Group determines the expected credit losses throughout the life of the financial assets collectively grouped by operating segment (Spain, Portugal and Morocco), considering that for each of them there is uniformity in the kind of business, historical trend of collectability and future economic expectations. Expected credit losses are included in Zardoya Otis Group's policies that contemplate the provisioning by maturity tranches of amounts from 10% to 100% of the balance for trade credits.

The default percentages are calculated according to the probability that a receivable progresses to the following stages of default until it is definitively eliminated. The percentages are calculated separately for each one of the groups and are based on the current default experience in recent years and are adjusted for the differences between current and historical economic conditions and considering projected information, which is reasonably available.

Notwithstanding the foregoing, the Group determines the expected credit losses on an individual basis for bad trade debtors in accordance with legal monitoring.

The Group directly reduces the carrying amount of a financial asset when it has reasonable expectations of full or partial recovery.

2.9.7 Trade debtors and other 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) Assets from contracts with clients

Assets on contracts with clients 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 clients. Such 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.

The Group presents the heading Trade debtors and other receivables 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). Milestone billing not yet paid by customers and amounts withheld are included within trade and other receivables.

2.9.8 Trade creditors and other 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 by suppliers at fair value and are subsequently measured at amortized cost using the effective interest rate method.

2.9.9 Financial liabilities

Financial liabilities are initially recognized at fair value net of any transaction costs incurred. Subsequently, external resources are valued at their amortized cost. 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 liabilities, applying the effective interest rate method.

Liabilities are classified as current liabilities unless the Group has the unconditional right to defer their settlement for at least 12 months after the reporting date.

2.9.10. 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 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.

2.11 Inventories

Inventories are measured at the lower of their net realizable value or average cost of acquisition or production. The cost of finished products and work in progress includes the acquisition price of raw materials and other consumable materials and the costs directly related to the units produced and a systematically calculated part of the indirect, variable or fixed costs incurred during the process of its transformation. The process of distributing fixed indirect costs is carried out according to normal production capacity or actual production, whichever is greater.

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.

2.12 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, bank overdrafts are classified as financial liabilities in the current liabilities.

2.13 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 reserve account corresponds to freely-available reserves.

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 parent Company 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 these shares are sold or subsequently reissued, any amount received, net of any directly-allocable incremental transaction cost, it is included in equity.

2.14 Income tax and deferred

Income tax expense or income includes both current tax and deferred tax.

Income tax expense or income includes both current tax and deferred tax.

Current tax is the amount payable or recoverable for income tax relative to the consolidated tax profit or loss for the year. Current income tax assets or liabilities are valued at the amounts expected to be paid or recovered from the tax authorities, using the regulations and tax rates that are approved or are about to be approved on the closing date.

Deferred tax liabilities are the amounts to be paid in the future for corporate income tax related to taxable temporary differences, while deferred tax assets are the amounts to be recovered for corporate income tax due to the existence of temporary differences. deductible, offsettable negative tax bases or deductions pending on application. For these purposes, a temporary difference is understood to be the difference between the carrying amount of assets and liabilities and their tax base.

Current or deferred income tax is recognized in profit and loss, unless it arises from a transaction or economic event that has been recognized in the same or a different year, against equity or from a business combination.

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.

The Group recognizes deductions for investment applying the recognition and measurement criteria for current or deferred tax assets, unless they come from subsidies. If the deductions are from subsidies, they are recognised, presented and valued applying the corresponding accounting policy. For these purposes, the Group considers that those deductions which application is independent from the existence of a positive gross tax charge and that have substantive operational conditions additional to the completion or maintenance of the investment.

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 liabilities recognition

The Group recognizes deferred tax liabilities in all cases except those:

- arising from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, as of the date of the transaction does not affect either the accounting result or the tax base and as of the date of the transaction taxable and deductible temporary differences do not arise for the same amount;
- corresponding to differences related to investments in subsidiaries, associates and joint ventures over which the Group has the ability to control the time of their reversal and it is not probable that their reversal will occur in the foreseeable future.

Deferred tax assets recognition

The Group recognizes deferred tax assets as long as:

- it is likely that there will be enough future tax profits for their offset or when the tax law provides for the possibility of future conversion of deferred tax assets into a claim against the Public Treasury. Nevertheless, the assets arising from the initial recognition of assets or liabilities in a transaction that is not a business combination, as of the date of the transaction does not affect either the accounting result or the tax base and as of the date of the transaction taxable and deductible temporary differences do not arise for the same amount will not be recognized.
- they correspond to temporary differences related to investments in subsidiaries, associates and joint ventures to the extent that the temporary differences are going to reverse in the foreseeable future and it is expected to generate positive future taxable profits to offset the 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.

If in a transaction that is not a business combination, a deferred tax asset and a deferred tax liability arise for the same amount on initial recognition, but the deferred tax asset cannot be recognized because it is not probable that future tax profits for offset or different tax rates are applied, the difference is recognized in profit and loss.

The Group recognizes the conversion of a deferred tax asset into a receivable from the Public Treasury, when it is required according to the provisions of the current tax law. For these purposes, the elimination of the deferred tax asset is recognized with a charge to the deferred income tax expense and the receivable with a credit to the current income tax. Similarly, the Group recognizes the exchange of a deferred tax asset for Public Debt securities, when ownership thereof is obtained.

The Group recognizes the payment obligation derived from the property lien bonds as an operating expense with a credit to the debt with the Public Treasury.

It is considered likely that the Group will have enough tax profits to recover the deferred tax assets, as long as that there are taxable temporary differences of a sufficient amount, related to the same tax authority and referring to the same taxpayer, which reversal is expected in the same year in which the deductible temporary differences are expected to reverse or in years in which a tax loss, arising from a deductible temporary difference, can be offset with previous or subsequent profits.

In order to determine future taxable profits, the Group considers tax planning opportunities, as long as they intend to adopt them or are likely to adopt them.

Deferred tax assets and liabilities valuation

Deferred tax assets and liabilities are valued at the tax rates that will be applicable in the years in which the assets are expected to be realized or the liabilities paid, based on the regulations and rates that are approved or are about to be approved and once the tax consequences that will derive from the way in which the Group expects to recover the assets or settle the liabilities have been considered. For these purposes, the Group has considered the deduction for the reversal of temporary measures developed in the thirty-seventh transitional arrangement of Law 27/2014, of November 27, on Corporate Tax, as an adjustment to the tax rate applicable to the temporary difference deductible associated with the non-deductibility of amortizations made in the years 2013 and 2014 and the updating of balances of Law 16/2012, of December 27.

The Group reviews the carrying amount of deferred tax assets on the closing date of the financial year, in order to reduce such amount to the extent that it is unlikely that there will be enough future positive tax bases to offset them.

Deferred tax assets that do not meet the above conditions are not recognized in the consolidated statement. The Group reconsiders at year end whether the conditions for recognizing deferred tax assets that had not previously been recognized are met.

2.15 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 regarding the defined-benefit pension schemes is the fair value on the reporting date less the current 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 contributions to which form part of employee benefit 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 31, 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. (see note 2.15.c)

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).

The liability and asset recognized in the statement of financial position in respect of the defined-benefit pension plans is the fair value on the reporting date less the current value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

(b) Compensations

The Company recognizes these benefits when they have 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.

(c) Payments for services and goods based on shares

The Group recognizes the goods or services received or acquired in a share-based payment transaction, at the time of obtaining such goods or when the services are received. If the goods or services are received in a transaction with payment based on shares that are settled in equity instruments, an increase in equity is recognized, while if they are settled in cash, a liability is recognized, with a balancing entry in profit and loss or the assets of the consolidated statement.

The Group recognizes share-based payment transactions settled through Group equity instruments, including capital increases for non-monetary contributions, as well as the corresponding increase in equity related to them, for the fair value of the goods or services received, unless such fair value cannot be estimated reliably, in which case the value is determined by reference to the fair value of the equity instruments delivered.

Deliveries of equity instruments in consideration for services provided by Group employees or third parties providing similar services are valued by reference to the fair value of the equity instruments offered.

2.16 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 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, regardless 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.

2.17 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:

(b) Revenue from construction contracts

Revenue from construction contracts 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.

Projects are considered a single performance obligation satisfied over time. Revenue from projects is recognized over time because the execution of the Group produces an asset controlled by the clients, who are entitled to payment for the execution.

The Group records the income from the contracts using the method based on the costs incurred over the total expected costs. The Group makes adjustments to measure progress for inefficiencies not initially contemplated in the contract. This way, the Group only recognizes income for the cost incurred.

The Group adjusts the measure of progression as circumstances change and records the impact prospectively as a change in estimate.

The income recognized by the measure of progression is recognized as a contract asset, to the extent that the amount is not due, and as a receivable, if there is an unconditional right to collection.

(b) Revenue from maintenance contracts

Revenue from maintenance contracts is apportioned on a straight-line basis as it is earned. Billing 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) Exports

Export revenue corresponds mainly to sales of equipment to other group companies. Revenue is allocated to the consolidated profit and loss statement based on the accrual criterion, i.e., when the real flow of goods and services that they represent occurs, regardless of the moment when the monetary or financial flow derived from them.

Revenue is recorded at the amount of the consideration to which the Group expects to be entitled in exchange for transferring the committed goods or services, excluding amounts collected on behalf of third parties.

In these annual accounts, revenue from contracts with clients is referred to as the net amount of turnover.

(d) Revenue from interest

Revenue from interest is recognized using the effective interest rate method.

(e) Contract costs

The Group recognizes as an expense the general and administrative costs, costs of materials, labor or other wasted resources, unless they are specifically recoverable from the client, costs related to obligations already satisfied and costs that cannot be identified with past or future obligations.

2.18 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.

2.19 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 Group assesses at the beginning of a contract if it contains a lease. A contract is or contains a lease if it grants the right to control the use of the identified asset for a term in exchange for consideration. The term during which the Group uses an asset includes consecutive and non-consecutive terms. The Group only reassesses the conditions when there is a modification of the contract

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.

Leased assets cannot be used as a guarantee for financial debt purposes.

Until the 2019 reporting period, leases on property, plant and equipment were classified as either finance or operating leases. 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 arisen from a lease are initially measured on a current 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 such 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.

For sale-leaseback transactions, the Group applies the criteria for recognizing revenue from contracts with clients to assess whether the sale of the asset should be recognised. Additionally, the Group evaluates the kind of lease contract signed after the sale in order to consider whether it is necessary to record right-of-use assets and liabilities or if, otherwise, they were short-term leases.

In the case of sale operations with subsequent leasing of assets which lease contract does not exceed 12 months, the accounting criteria for the derecognition of the assets sold are governed by the accounting policy described in section 2.6 of this note and the leasing after such sale as described in this section corresponding to short-term leases.

2.20 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.

2.21 New standards and interpretations

The accounting policies and processes that have been followed in these consolidated annual financial statements for the twelve-month term ended on November 30, 2021 are the same as those used in the preparation of the consolidated annual financial statements for the year ended on November 30, 2020, additionally considering the regulations that have entered into force in the year 2021, which are detailed below:

- Amendments to IFRS 3: Business definition. Clarifications to the definition of business.
- Amendments to IAS 1 and IAS 8: Definition of 'materiality'. Amendments to align the definition of 'materiality' with that contained in the conceptual framework.
- Amendment to IFRS 9, IAS 39 and IFRS 7: Reform of Benchmark Interest Rates – Phase 1 – amendments regarding the ongoing reform of benchmark indices IBOR Reform Phase 1.
- Amendments to IFRS 16 for rent concessions derived from COVID-19. The entity must apply the standard in its first IFRS financial statements for terms beginning on or after June 1, 2020.
- Amendments to IFRS 16 Leases: Rent improvements – amendments to make it easier for tenants to account for rent improvements related to Covid-19
- Amendments to IAS 37 Provisions, contingent liabilities and contingent assets – Provisions for onerous contracts.

These standards have not entailed relevant changes in the accounting policies applied in the year 2020

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.

(a) Market risk

(i) Exchange rate risk

The Group operates internationally and is occasionally exposed to exchange rate risk arising from transactions in US dollars. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities in a currency other than the functional one.. 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, 2021.

In order 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 7.9 million euros and 1.2 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 not exposed to a significant exchange rate risk. As of November 30, 2020, there were balances payable in foreign currencies other than euro for a value equivalent to EThs 2,106 (EThs 1,762 in 2020).

(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's credit risk arises mainly from trade receivables and deposits in financial institutions.

Regarding trade receivables, the Group has three differentiated businesses – maintenance services, construction of facilities and exports.

The breakdown in EThs for the years 2021 and 2020 is as follows:

	11/30/2021	11/30/2020
New Sale	93,460	97,287
Services	115,881	116,992
Exports	40,343	39,701
Total	249,684	253,980

On the one hand, the amounts receivable related to exports correspond to balances with related entities (Grupo Otis) so they are not subject to credit risk as they have a history of solvent liquidity. Out of the amount of clients at the end of the year 2021, the amount corresponding to receivables by group companies (exports) is EThs 40,343 (EThs 39,701 at the end of 2020).

Regarding maintenance services and the new constructions, the services are provided to small-sized clients, these being mainly communities of neighbors, companies and public treasury. There are no individually significant clients by volume of revenue or significant receivables with specific clients. Receivables related with maintenance services and new construction are evaluated together due to the fact that they have a similar credit risk. These receivables are those on which the Group's credit risk is mainly concentrated.

The Group has no significant concentrations of risk with customers and there are no significant old credit balances (see notes 7.1 and 7.3). The Group has policies in place to ensure that installation construction sales are made to customers with appropriate credit histories and, in addition, regular debt-monitoring procedures are conducted by the legal and sales departments involved in debt collection.

The Group assesses on a prospective basis the expected credit losses associated with their trade receivables.

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.

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.

The amounts of trade receivables are shown in the statement of financial position net of the provision for impairment. As of November 30, 2021, this provision amounts to EThs 68,644 (EThs 70,284 in the year 2020) (Note 7), with 48% relating to construction contracts and 52% relating to contracts for the provision of services. The Group makes provisions according to the percentages established for each maturity tranche in accordance with the criteria detailed in note 2.9.6.

As stated in Note 9, on November 30, 2021 and 2020, the Group holds short-term deposits with financial institutions of EThs 10,993 and EThs 11,338 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.

As of November 30, 2021, cash and cash equivalents represented EThs 67,041 (EThs 57,886 in 2020), including amounts held as cash, in banks and as current deposits with financial institutions in the short run.

The Group's exposure to liquidity risk as of November 30, 2021 and 2020 is detailed below. The attached tables show the analysis of financial liabilities by contractual dates of remaining maturities.

The Group presents a history of profit after tax (EThs 145,758 in 2021 and EThs 141,102 in 2020), operating profit (EThs 190,539 in 2021 and EThs 186,323 in 2020) and positive and recurrent net increases in cash (EThs 9,157 in 2021 and EThs 7,297 in 2020). In the same way, these increases consider cash outflows for the distribution of dividends for amounts of EThs 133,382 and EThs 133,972 in the years 2021 and 2020, respectively.

These results are expected to remain stable over time due to the recurrence of the business and the strength of the activity.

The Group has a positive working capital as of November 30, 2021 of EThs 52,873 (EThs 32,786 as of November 30, 2020). There are no specific and significant obligations in current liabilities other than those related to normal business activity that require specific short-term cash outflows that could put the Group's liquidity at risk. Likewise, there are no significant long-term obligations other than the lease obligations detailed in note 33 and the provisions for long-term employee benefits detailed in note 19 that could put the group's cash at risk in the short term and long term.

The Group holds committed credit lines for an amount sufficient to maintain flexibility in funding. Notwithstanding, these lines are only used occasionally. As of the 2020 reporting date, the total current financial debt balance included EThs 291 (2020: EThs 290) relating to other non-bank credits granted to the Group and to the interest calculated on acquisitions.

Capital risk management

The Group considers the leverage as a capital management indicator. This ratio measures the proportion of net financial debt over the total cost of resources used by the company. It allows to analyze the evolution of the company and facilitates the comparison with other companies. The leverage is calculated by dividing the net debt by the total capital.

Net financial debt is a magnitude used to analyze the Group's net debt scenario. This is calculated as financial liabilities plus lease liabilities less long-term and short-term financial assets and cash and other cash equivalents.

	11/30/2021	11/30/2020
Long-term and short-term financial liabilities	(4,967)	(8,469)
Lease liabilities	(24,189)	(28,516)
Financial assets	7,165	8,115
Cash and cash equivalents	67,041	57,886
Net financial debt	45,050	29,016
Equity	431,554	417,811
Leverage (*)	0.10	0.07

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

As of November 30, 2021, this net debt represented 0.199 of EBITDA (0.132 at the end of 2020). (EBITDA: operating profit + amortization + depreciation).

The Group considers EBITDA as an alternative performance measure that is used as an approximation of the financial resources that could be obtained from operating assets, before taxes, amortization and other gains and losses. The calculation of EBITDA for years 2021 and 2020 is detailed below:

	11/30/2021	11/30/2020
Operating profit	190,539	186,323
+ Amortization expenses	35,278	33,643
- Income from disposal	(3,305)	-
EBITDA EThs	222,512	219,966

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.

November 2021	Sales	Operating profit	Assets			Liabilities
			Total assets	Amortization charge	Long-term asset investments	
Grupo Zardoya Otis – Spain	740,145	172,113	608,852	(33,719)	13,736	235,697
Grupo Otis – Portugal	63,895	22,028	73,326	(1,483)	106	30,536
Otis Maroc – Morocco	19,182	719	44,382	(76)	189	28,772
Disposals - intragroup transactions	(16,752)	(4,321)	-	-	-	-
Consolidated	806,470	190,539	726,760	(35,278)	14,013	295,005
November 2020	Sales	Operating profit	Assets			Liabilities
			Total assets	Amortization charge	Long-term asset investments	
Grupo Zardoya Otis – Spain	720,703	163,279	625,473	(32,774)	11,059	272,479
Grupo Otis – Portugal	63,602	22,490	71,276	(565)	422	21,718
Otis Maroc – Morocco	17,325	1,489	37,778	(304)	704	22,519
Disposals - intragroup transactions	(15,240)	(935)	-	-	-	-
Consolidated	786,390	186,323	734,527	(33,643)	12,185	316,716

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

November 2021	Sales	Operating profit	Profit before tax	%	Long-term asset investments
Zardoya Otis S.A.	621,318	136,286	176,190	74.73%	12,534
Spanish companies of the Group - (16 companies)	223,391	35,827	36,759	15.59%	1,203
Grupo Otis Elevadores y Enor – Portugal (3 companies)	63,895	22,028	22,066	9.36%	106
Otis Maroc – Morocco	19,182	719	765	0.32%	189
Total Group	927,786	194,860	235,780		14,031
Disposals - intragroup transactions	(121,316)	(4,321)	(45,751)		
Consolidated	806,470	190,539	190,029		9,526
November 2020	Sales	Operating profit	Profit before tax	%	Long-term asset investments
Zardoya Otis S.A.	608,392	131,886	173,762	75.53%	9,581
Spanish companies of the Group - (15 companies)	211,222	31,392	32,480	14.12%	1,478
Grupo Otis Elevadores y Enor – Portugal (3 companies)	63,602	22,490	22,538	9.80%	422
Otis Maroc – Morocco	17,325	1,489	1,284	0.55%	704
Total Group	900,541	187,257	230,064		12,185
Disposals - intragroup transactions	(114,151)	(934)	(44,474)		
Consolidated	786,390	186,323	185,590		12,185

Note 6 details the intangible assets by segment as of November 30, 2021 and 2020.

Note 20.1 details the revenue by business line and by segment as of November 30, 2021 and 2020.

The operating profit of the Otis Maroc – Morocco segment has been affected by a non-recurring expense related to a litigation over claims collection rights. The group hopes to recover ETs 608 after the legal appeal filed by the Group Company in Morocco.

5. Property, plant & equipment

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

	Land & constructions	Machinery	Furniture, fittings and equipment	Total
As of November 30, 2019				
Cost	63,785	31,367	73,537	168,689
Accumulated amortization	(17,582)	(25,210)	(64,355)	(107,147)
Net carrying amount	46,203	6,157	9,182	61,542
2020				
Additions	5,273	2,753	1,057	9,083
Eliminations	(69)	-	(259)	(328)
Amortization charge	(1,152)	(1,504)	(3,766)	(6,422)
Eliminations from amortization	-	-	259	259
	4,052	1,249	(2,709)	2,592
As of November 30, 2020				
Cost	68,989	34,120	74,335	177,444
Accumulated amortization	(18,734)	(26,714)	(67,862)	(113,310)
Net carrying amount	50,255	7,406	6,473	64,134
2021				
Additions and business combination	6,472	-	3,055	9,527
Eliminations	(272)	(48)	(695)	(1,015)
Amortization charge	(1,373)	(1,251)	(2,921)	(5,545)
Eliminations from amortization	128	48	175	351
Other movements	4,948	-	(4,948)	-
	9,903	(1,251)	(5,334)	3,318
As of November 30, 2021				
Cost	80,137	34,072	71,747	185,956
Accumulated amortization	(19,979)	(27,917)	(70,608)	(118,504)
Net carrying amount	60,158	6,155	1,139	67,452

Note 30 identifies those additions from business combinations in 2021 and 2020.

The main property, plant and equipment consists of buildings and installations related to the Leganés plant purchased in 2008 for EThs 27,739 (EThs 27,729 in 2020) 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 12,298 (EThs 12,403 in 2020). In 2021, the construction of the new SSW factory was completed for an activated value of EThs 11,143.

In July 2021, the sales contract for the old San Sebastián factory was signed for EThs 4,200. The affected fixed assets have been eliminated with a net carrying amount of EThs 548, which corresponds mainly to the land where the factory is located. As part of such sale, a one-year lease term has been agreed to manage the orderly transition of production with the new factory, which construction was completed in 2021.

As of November 30, 2021 and 2020, the following items of property, plant and equipment had been fully depreciated:

	<u>Thousand euros</u>	
	<u>2021</u>	<u>2020</u>
Land and constructions	5,709	3,548
Vehicles and machinery	43,600	44,439
Furniture, fittings and equipment	11,604	12,404
EThs	<u>60,912</u>	<u>60,391</u>

From the total property, plant and equipment net of depreciation, the value of which is EThs 67,451, a total of EThs 497 is in Portugal and a total of EThs 2,491 in Morocco (EThs 697 and EThs 2,522, respectively, in 2020). There is no other property, plant and equipment outside Spain.

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.

As of November 30, 2021 and 2020 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.

Investments committed by the end of 2021 and 2020 but not incurred on such date were as follows:

EThs	<u>2021</u>	<u>2020</u>
Property, plant & equipment	2,846	1,207

At the end of 2021, there were purchase commitments for property, plant and equipment for EThs 2,846 (EThs 1,207 in 2020), EThs 2,065 of which had been paid in advance (EThs 441 in 2020).

6. Intangible assets

Details of the main categories of intangible assets and the movement on these accounts are shown below:

EThs	Maintenance portfolios	Goodwill	Brands and others	Total
As of November 30, 2019				
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	164,804	161,208	5,966	331,978
2020				
Additions	704	-	1,657	2,361
Business combinations (Note 30)	874	516	-	1,390
Closing adjustment of acquisition price 2019	-	(646)	-	(646)
Amortization charge	(14,183)	-	(1,646)	(15,829)
Others	(1,324)	-	-	(1,324)
	(13,929)	(130)	11	(14,048)
As of November 30, 2020				
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	150,875	161,078	5,977	317,930
2021				
Additions	14	-	1,625	1,639
Business combinations (Note 30)	1,632	1,234	-	2,866
Amortization charge	(15,240)	-	(1,637)	(16,877)
	(13,594)	1,234	(12)	(12,372)
As of November 30, 2021				
Cost	343,649	170,366	24,505	538,520
Accumulated amortization	(206,368)	-	(18,540)	(224,908)
Impairment loss	-	(8,054)	-	(8,054)
Net carrying amount	137,281	162,312	5,965	305,558

As of November 30, 2021, the income statement includes research expenses of EThs 1,629 for this item (2020: EThs 1,640).

In 2021 and 2020, the Group carried out the business combinations described in Note 30.

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.

As may be seen in Note 2.3, in 2021 and 2020, 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 Company parent.

The main 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:

EMhs Year 2021	Grupo Zardoya Otis Spain	Grupo Zardoya Otis Portugal	Grupo Zardoya Otis Morocco	Total
Maintenance contracts	131,251	5,418	612	137,281
Goodwill	133,525	13,168	15,619	162,312
Other intangible assets	5,965	-	-	5,965
Property, plant & equipment	64,464	497	2,491	67,452
Other noncurrent assets	50,752	2,197	740	53,689
Current assets	222,895	52,046	24,919	299,860
Total assets	608,852	73,326	44,381	726,559
Noncurrent liabilities	48,018	-	-	48,018
Current liabilities	187,679	30,536	28,772	246,987
Total liabilities	235,697	30,536	28,772	295,005
Net assets	373,155	42,790	15,609	431,554

EMhs Year 2020	Grupo Zardoya Otis Spain	Grupo Zardoya Otis Portugal	Grupo Zardoya Otis Morocco	Total
Maintenance contracts	144,181	6,030	664	150,875
Goodwill	132,291	13,168	15,619	161,078
Other intangible assets	5,978	-	-	5,978
Property, plant & equipment	60,915	697	2,522	64,134
Other noncurrent assets	55,736	2,558	1,063	59,357
Current assets	226,372	48,823	17,910	293,105
Total assets	625,473	71,276	37,778	734,527
Noncurrent liabilities	56,397	-	-	56,397
Current liabilities	216,442	21,718	22,159	260,319
Total liabilities	272,839	21,718	22,159	316,716
Net assets	352,634	49,558	15,619	417,811

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 portfolios

Initially, the Group reviews and evaluates the existence of possible indications of impairment in the assets for activated maintenance portfolios based on the review of the rate of cancellations and client turnover in accordance with the information and statistics handled by the Group's Management. In the event of identifying assets with indications of impairment, Management would perform impairment tests on such assets. At the end of years 2021 and 2020, no signs of impairment were identified in the maintenance portfolio assets.

Goodwill

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.

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

	2021		
	Spain	Portugal	Morocco
Perpetual growth rate	1.7%	2%	3.5%
Maximum growth rate business plan	2.8	2.4	10%
Discount rate before tax	6.99	8.66%	9.31%
	2020		
	Spain	Portugal	Morocco
Perpetual growth rate	2.5%	2.2%	3.69%
Maximum growth rate business plan	2.5%	4.0%	8.0%
Discount rate before tax	7.37%	9.4%	10.39%

The term considered in the calculation of the value in use is 4 years plus a perpetuity.

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 perpetual growth rate is in line with the rate used by similar industries in the countries in which the Group operates.

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.

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 2021 and 2020, the values in use of the assets of the three CGUs – Zardoya Otis Group, (Spain, Portugal and Morocco) calculated in accordance with the aforementioned model, were, in all cases, much higher than the net carrying amounts recognized in these consolidated annual financial statements.

In the CGU – Zardoya Otis Morocco, being the recoverable value higher than the net assets value, are followed explained the principal assumptions sensitivities. In no case would any deterioration arise to possible reasonable variations that may be undergone by the key assumptions upon which the determination of the recoverable amounts.

In order to determine the sensitivities that must be indicated and considered in the sensitivity analysis of the main assumptions, the Group has considered a series of reasonably possible scenarios based on the economic environment in which each of the CGUs operate and the variations recorded in previous years.

Regarding the aforementioned sensitivity analysis, the corresponding calculation of the value in use corresponding to the Zardoya Otis Morocco Group CGU is shown in the following table, considering growth changes and the discount rate, which are compared with the net assets value of the CGU indicated at the beginning of the present note:

Year 2021: (million euros)

	Growth				
Rate Discount after tax	2.5%	3.0%	3.7%	4.0%	4.5%
8.50%	39.8	42.8	47.9	50.6	55.90
7.60%	46.9	51.2	59.0	63.3	72.3
6.50%	60.1	67.6	82.5	91.5	112.4

Year 2020: (million euros)

	Growth				
Rate Discount after tax	2.5%	3.0%	3.7%	4.0%	4.5%
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.

As stated in the accounting policies in the Notes to the consolidated annual financial statements for 2021 and 2020 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.

7. Financial assets by category

Detail of the items corresponding to financial assets included in the financial statements is as follows:

	November 31	
	2021	2020
	Thousand euros	
	Financial assets at amortized costs	
Noncurrent assets		
Other long-term financial assets	6,834	8,009
TOTAL	6,834	8,009
Current assets		
Trade debtors and other receivables	202,890	205,634
Other current financial assets	331	106
TOTAL	203,221	205,740

The carrying amount of financial assets does not differ significantly from their fair value.

7.1 Trade debtors and other receivables

Details of in trade debtors and other receivables are as follows:

	2021	2020
Clients by sales	140,697	143,995
Clients by sales to related parties	40,343	39,701
Several debtors	7,790	10,804
Employees	789	817
Public Treasury	10,851	9,327
Accruals	2,420	990
Total	202,890	205,634

Clients by sales and clients by sales to related parties

These headings include current trade credits for sales to their clients. The breakdown of these credits is as follows:

	2021	2020
Clients by sales	209,341	214,279
Clients by sales to related parties	40,343	39,701
Total clients by sales	249,684	253,980
Impairment	(68,644)	(70,284)
Total	181,040	183,696

Impairment

Movement on the provision for the impairment of receivables was as follows:

	2021	2020
Initial balance	70,284	69,090
Endowment	3,279	3,984
Reversal	(2,800)	(2,012)
Write-offs	(2,118)	(778)
Ending balance	68,644	70,284

The provisions and reversals are included on the income statement under the heading 'Trade debtors impairment and other receivables'. The net provision made in the period 2021 was 0.06% of Group sales (2020: 0.25%).

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 2021, the Group wrote off provisions of EThs 2,118 (EThs 778 in 2020) with no effect on profit and loss.

The criteria followed by the Group to calculate the provision for insolvency is detailed in note 2.9.6.

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

Year 2021

Thousand euros	Total	Impaired	Net	Not yet due	Due but not impaired
Less than 6 months	95,009	(910)	94,099	69,776	24,323
6 months to 1 year	10,795	(1,079)	9,716	0	9,716
1 to 2 years	8,240	(4,336)	3,904	0	3,904
Over 2 years	17,852	(17,852)	0	0	0
In dispute	44,467	(44,467)	0	0	0
Total	176,363	(68,644)	107,719	69,776	37,943

Year 2020

Thousand euros	Total	Impaired	Net	Not yet due	Due but not impaired
Less than 6 months	86,395	(739)	85,656	66,007	19,649
6 months to 1 year	13,708	(1,872)	11,836	-	11,836
1 to 2 years	20,398	(11,285)	9,113	-	9,113
Over 2 years	12,146	(12,146)	-	-	-
In dispute	44,242	(44,242)	-	-	-
Total	176,889	(70,284)	106,605	66,007	40,598

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 EThs 910 (EThs 739 in 2020) as of November 30, 2020 for debt aged less than 6 months, representing 0.96% of the balance of such bracket, in line with the credit experience with our customers.

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 4,344 (EThs 4,286 in 2020) and assets for pension schemes derived from the fair value on the reporting date the current value of the obligation of the assets of the scheme.

The Group's receivables related to sales are limited and have a low credit risk due to the short settlement time and the nature of the settlement. Receivables with Group companies do not exceed an average maturity of 60 days.

7.2 Other financial assets

Details of the other financial assets are as follows:

	2021	2020
Receivables	4,344	4,286
Deposits	762	743
Pensions	1,728	2,980
Total noncurrent assets	6,834	8,009
Other current financial assets	331	106
Total current assets	331	106

7.3 Financial assets by maturity

Detail of the financial assets by maturity is as follows:

November 30, 2021							TOTAL
	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	
Clients by sales	140,697	-	-	-	-	-	140,697
Clients by sales to related parties	40,343	-	-	-	-	-	40,343
Several debtors	7,790	-	-	-	-	-	7,790
Employees	789	-	-	-	-	-	789
Public Treasury	10,851	-	-	-	-	-	10,851
Accruals	2,420	-	-	-	-	-	2,420
Receivables	1,499	2,178	593	74	-	-	4,344
Deposits	-	-	-	-	-	762	762
Other financial assets	331	-	-	-	-	-	331
Total	203,221	2,178	593	74	0	762	208,327

November 30, 2020							TOTAL
	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	
Clients by sales	143.995	-	-	-	-	-	143.995
Clients by sales to related parties	39.701	-	-	-	-	-	39.701
Several debtors	10.804	-	-	-	-	-	10.804
Employees	817	-	-	-	-	-	817
Public Treasury	9.327	-	-	-	-	-	9.327
Accruals	990	-	-	-	-	-	990
Receivables	1.479	2.150	657	-	-	-	4.286
Deposits	-	-	-	-	-	743	743
Other financial assets	106	-	-	-	-	-	106
Total	207.219	2.150	657	-	-	743	210.769

8. Inventories

Detail of inventories as of November 30, 2021 and 2020 is as follows:

	2021	2020
Raw materials and other supplies	22,877	21,290
Work in progress	6,721	8,189
Total	29,598	29,479

At the end of the years 2021 and 2020, there is no provision for the Group's inventories.

The Group companies have several insurance policies to cover the risks to which the inventories are subject. The coverage of these policies is considered sufficient.

As of November 30, 2021 and 2020, there are no commitments to purchase inventories by the Group.

9. Cash and cash equivalents

Detail of cash and cash equivalents as of November 30, 2021 and 2020 is as follows:

	2021	2020
Caja and banks	35,548	32,548
Short-term current deposits with financial institutions	10,993	11,338
Cash deposits with related entities (Note 31)	20,500	14,000
TOTAL	67,041	57,886

The effective interest rate on current deposits with financial institutions was 0.00% (2020: 0.01%) and the average term of these deposits was less than one month.

As of November 30, 2021 and 2020, the Company did not hold any restricted amounts in banks.

Additionally, as of November 30, 2021, the Group presents in the cash and equivalents section treasury deposits held by Zardoya Otis, S.A in Otis Treasury Center INC (OTC) for EThs 20,500 (EThs 14,000 as of November 30, 2020)

10. Share capital

	Amount of shares	Ordinary shares	Face value	Total
As of November 30, 2020	470,464,311	470,464,311	0.1	470,464,311
As of November 30, 2021	470,464,311	470,464,311	0.1	470,464,311

Holder	Shares		% interest	
	2021	2020	2021	2020
Otis Worldwide Corporation	235,314,731	235,279,377	50.02	50.01
Euro-Syns, S.A.	52,628,034	53,373,751	11.19	11.34
Other non-controlling shareholders	181,987,891	180,391,167	38.68	38.34
Treasury stock	533,655	1,420,016	0.11	0.30
TOTAL	470,464,311	470,464,311	100.00	100.00

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 Company are of the same class and have the same voting rights. There are no restrictions on their free transferability.

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

Takeover bid

On September 23, 2021, the company Opal Spanish Holdings, SAU ('OSH' or the 'Bidder'), an entity indirectly controlled in its entirety by Otis Worldwide Corporation, indirect shareholder of the Company and owner of 50.01% of the share capital, made public through communication of inside information (registration number 1066) the prior announcement of the voluntary takeover bid for all the shares representing the share capital of Zardoya Otis, SA (the 'Bid'). Such communication included some of the terms and conditions of the Bid.

The consideration proposed by the Bidder to the shareholders of Zardoya Otis, SA was initially 7.00 euros in cash for each share (the 'Initial Price of the Bid'), which was reduced to 6.93 euros per share (price rounded up to two decimals) on October 7, 2021 (ex-dividend date) (as made public through communication of other relevant information with registration number 12098), as a result of the distribution of the second interim dividend to the profit and loss for the year 2021 for an amount of 0.074 euros per share. This dividend was paid to shareholders on October 11, 2021.

Subsequently, on October 28, 2021, the CNMV reported the acceptance for processing of the request for authorization of the Bid.

On December 16, 2021, the Bidder made public by communication of Other Relevant Information (registration number 13202) that the price of the Bid would be reduced as a result of the distribution of a

third interim dividend for 0.076 euros per corresponding share to the results of the year 2021, and which would be paid by Zardoya Otis, S.A. to their shareholders on January 10, 2022, in such a way that the price of the Bid would be set at 6.86 euros per share in force from January 6 2022 (ex-dividend date).

On December 21, 2021, the Bidder made public through communication of Inside Information (registration number 1231) the signing of a contract with Euro-Syns, S.A. ('Euro-Syns'), owner of 11.19% of the shares of Zardoya Otis, S.A., whereby Euro-Syns irrevocably undertakes to accept the Bid for all the shares of Zardoya Otis, S.A. owned by them at a price of 7.14 euros per share. Such price incorporates an improvement of 0.21 euros over the Initial Bid Price and had been adjusted for the second dividend distributed by ZOSA. Such price would be adjusted after the distribution of the third interim dividend from the profit and loss of 2021.

Subsequently, on January 10, 2022, the Bidder made public through communication of Other Relevant Information (registration number 13554) that the price of the Bid was set at 7.07 euros per share, in force from January 6, 2022. (ex-dividend date) as a result of the foregoing.

Likewise, in accordance with the terms of the prior announcement and the request for authorization of the Bid, it is reported that the price of the Bid will be reduced by an amount equal to the gross amount per share of any distribution of dividends, reserves or share premium issuance, or any other distribution to its shareholders that the Company may make, provided that publishing the result of the Bid in the listing bulletins coincides with or is after the ex-dividend date of such distribution.

The Board of Directors of the Company has carried out a constantly monitored all of the foregoing and will issue a report with their opinion and comments when legally required.

On this date, the Bid has been admitted for processing and is pending authorization by the CNMV. The admission to processing of the aforementioned request does not imply any declaration on the resolution regarding the authorization of the Bid, or any of its terms and conditions, which must take place in accordance with the deadlines and other requirements provided for in the regulations.

In the meantime, in compliance with the limitations and duties of action set forth in the regulations on takeover bids, the Company will continue to operate their businesses on a regular basis in the best interest of their shareholders, clients and employees.

11. 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 of November 30, 2020, Zardoya Otis, S.A. held 1,420,016 treasury stock worth EThs 8,087. At the end of November 2021, Zardoya Otis, S.A. has 533,655 treasury stock worth EThs 3,053.

3,013,174 shares were delivered in the following operations:

- On December 22, 2020, Zardoya Otis acquired the non-controlling interest of 20% of Ascensores Eleva S.L. through the exchange of 309,713 shares worth EThs 1,752.
- On March 4, 2021, Zardoya Otis acquired the non-controlling interest of 48% of Montes Tallón, S.A. through an exchange of 2,369,170 shares worth EThs 13,502.
- On March 11, 2021, it acquired 100% of Ascensores Fit, S.L. through the delivery of 333,056 shares worth EThs 1,868.
- On July 28, 2021, they paid part of the debt for the purchase of Ascensores Eleva S.L. through an exchange of 1,235 shares worth EThs 8.

From December 1, 2020 to November 30, 2021, 2,126,813 shares worth EThs 12,096 were purchased.

12. 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.

The legal reserve for each company of the Group as of November 30, 2021 and 2020 are as follows:

	2021	2020
<u>Parent company of the Group</u>		
Zardoya Otis S.A.	11,291	10,915
<u>Subsidiaries</u>		
Ascensores Ingar, S.A.	32	32
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 Industriales Lda	50	50
Ascensores Pertor, S.L.	25	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
Ascensores Enor S.A.	601	601
Electromecánica del Noroeste S.A.	204	204
Electromecánica Hemen Elevadores, S.L.	2	2
Otis Lliset S.L.U. (Andorra)	-	-
Soluciones de Accesibilidad LV3 S.L.	32	32
Ascensores Eleva S.L.	-	91
Integra Ascensores S.L.	37	37
Puertas Automáticas Karpy, S.L.	7	-
Ascensores Fit, S.L.	20	-
Door Matic Industries 2018, S.L.	1	-

13. Reserve in consolidated companies, other reserves and non-controlling interests

Reserves in consolidated companies and other reserves

EThs	Reserves in consolidated companies	Other reserves	Total
Balance as of November 30, 2019	79,752	190,182	269,934
Profit 2019	35,971	34,172	70,143
Dividends paid in the year (see note 27)	(42,818)	(28,205)	(71,023)
Transactions with non-controlling interests	(4,481)	-	(4,481)
Balance as of November 30, 2020	68,424	190,182	264,573
Profit 2020	39,292	41,685	80,977
Dividends paid in the year (see note 27)	(40,963)	(33,835)	(74,798)
Transactions with non-controlling interests	5,995	-	5,995
Balance as of November 30, 2021	72,748	203,999	276,747

Details by company of reserves in consolidated companies and other reserves as of November 30, 2021 and 2020 are as follows:

<u>Company</u>	<u>2021</u>	<u>2020</u>
Zardoya Otis S.A.	216,847	205,319
Ascensores Ingar, S.A.	(5,191)	(5,604)
Cruxent-Edelma-Aspe, S.L.	(19,217)	(19,217)
Ascensores Serra, S.A.	2,873	2,426
Puertas Automáticas Portis, S.L.	1,834	1,834
Grupo Otis Elevadores (Portugal)	27,530	27,960
Ascensores Pertor, S.L. (*)	(1,274)	(1,398)
Acresa Cardellach, S.L.	25,272	25,193
Zardoya Otis (Gibraltar) Limited	717	499
Conservación de Aparatos Elevadores Express, S.L.	21,222	21,837
Otis Maroc, S.A.	6,989	6,158
Companies of Enor 16	(73)	16
Electromecánica Hemen Elevadores, S.L.	(142)	(304)
Otis Lliset SLU	(260)	(204)
Soluciones de Accesibilidad LV3 S.L.	87	30
Integra Ascensores S.L.	(506)	(341)
Companies acquired in merging process	39	369
Total	276,747	264,573

(*) Montes Tallón S.L. and Ascensores Pertor, S.L. merged in 2021 with Ascensores Pertor S.L.

Non-controlling interests

Details of non-controlling interests by company as of November 30, 2021 and 2020 are as follows:

<u>Company</u>	<u>Non-controlling interests</u>		<u>Paid dividends</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Ascensores Serra, S.A.	845	795	446	403
Acresa Cardellach, S.L.	1,161	1,160	79	99
Montes Tallón S.L.	-	5,303	-	19
Ascensores Eleva SL	-	2,012	-	-
Masel Otis Elevadores de Madeira, Lda	643	1,076	891	394
Soluciones de Accesibilidad LV3 SL	143	126	57	28
EThs	2,792	10,472	1,473	943

14. Profit for the year

The contribution of each consolidated company to the net consolidated profit, including the portion relating to non-controlling interests, is as follows:

<u>Company</u>	2021		2020	
	Consolidated profit	Profit attributed to non-controlling interests	Consolidated profit	Profit attributed to non-controlling interests
EThs				
Zardoya Otis S.A.	100,428	-	98,657	-
Ascensores Ingar, S.A.	165	-	413	-
Ascensores Serra, S.A.	1,982	496	1,787	448
Cruxent-Edelma-Aspe, S.L.	2,156	-	1,880	-
Grupo Otis Elevadores (Portugal)	15,966	459	16,168	493
Puertas Automáticas Portis, S.L.	4,116	-	3,064	-
Zardoya Otis (Gibraltar) Limited	502	-	218	-
Ascensores Pertor, S.L.	2,840	-	2,101	-
Conservación de Aparatos Elevadores Express, S.L.	1,957	-	2,424	-
Acresa Cardellach, S.L.	2,460	79	2,437	79
Otis Maroc, S.A.	212	-	831	-
Montes Tallón, S.A. (merged)	-	-	(408)	(335)
Ascensores Enor, S.A.	6,287	-	6,098	-
Electromecánica del Noroeste, S.A.	4,886	-	4,142	-
Electromecánica Hemen Elevadores, S.L.	230	-	162	-
Soluciones de Accesibilidad LV3, S.L.	365	73	286	13
Ascensores Eleva, S.L. (merged)	-	-	80	-
Integra Ascensores, S.L.	(143)	-	(165)	-
Otis Liset SLU	348	-	190	-
Companies acquired in merging process	(106)	-	39	-
EThs	144,651	1,107	140,404	698

The proposed distribution of 2021 profit of the parent company that will be submitted for approval at the Annual General Shareholders' Meeting, together with the 2019 profit distribution approved by the General Shareholders' Meeting of Zardoya Otis, S.A. on May 19, 2021 is as follows:

	2021	2020
<u>Basis for distribution</u>		
Profit for the year	141,685	141,699
EThs	141,685	141,699
<u>Distribution</u>		
Legal reserve	376	376
Other reserves	37,898	41,309
Dividends	103,411	100,014
EThs	141,685	141,699

15. Financial liabilities by category

Detail of the items corresponding to financial liabilities in the financial statements is as follows:

	November 31	
	2021	2020
	Thousand euros	
Noncurrent liabilities	Financial Liabilities at amortized costs	
Lease liabilities	13,432	17,696
Other financial liabilities	2,675	5,003
TOTAL	16,107	22,699
Current liabilities		
Lease liabilities	10,757	10,820
Trade creditors and other payables	216,852	229,108
Other financial liabilities	2,292	3,466
TOTAL	229,901	243,394

The carrying amount of trade and other payables does not differ significantly from the fair value.

15.1 Other financial liabilities

The balances corresponding to other long-term and short-term financial liabilities correspond mainly to agreed deferred payments in share acquisitions in Group companies.

In relation to commitments from acquisitions, the table below shows the maturities of the outstanding amounts for this item, presented as other financial liabilities:

Year 2021				
	Short term	2022	2023/24	Long term
Acquisitions 2020 & earlier	2,010	483	2,146	2,629
Acquisitions 2021	282	10	36	47
EThs	2,292	493	2,182	2,675
Year 2020				
	Short term	2021	2022/23	Long term
Acquisitions 2019 & earlier	2,846	1,016	2,381	3,397
Acquisitions 2020	465	491	230	721
EThs	3,311	1,507	2,611	4,118

Summary of the 2021 debt

	Short term	Long term
<u>Acquisitions until 2021</u>		
Acquisitions CGU Spain	2,292	2,675
Acquisitions CGU Portugal	-	-
Acquisitions CGU Morocco	-	-
	2,292	2,675

Summary of the 2020 debt

	Short term	Long term
<u>Acquisitions until 2020</u>		
Acquisitions CGU Spain	3,311	4,118
Acquisitions CGU Portugal	-	-
Acquisitions CGU Morocco	-	-
	3,311	4,118

15.2 Trade creditors and other payables

Detail of trade creditors and other payables is as follows:

	2021	2020
Suppliers	51,551	54,266
Suppliers	40,375	38,592
Invoices not yet received	11,176	15,674
Suppliers with group companies	17,008	12,055
Sundry creditors	15,552	28,041
Trade bills and other payables	11,621	23,886
Others	3,931	4,155
Liabilities from contracts with clients (Note 20.2)	77,401	78,950
Advances received from clients for new construction and services contracts	55,680	57,386
Advances received for maintenance contracts	21,721	21,564
Other debts with the public entities	28,522	28,018
Outstanding employee remuneration	26,911	27,778
Total	216,945	229,108

As of November 30, 2020 The item payable included an obligation for EThs 13,345 related to the share purchase agreement signed in 2011 with the sellers of Montes Tallón. This entire obligation has been paid during the year 2021.

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 2,106 (2020: EThs 1,762).

As of November 30, 2020 and 2020, 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'.

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.

15.3 Changes in liabilities arising from financing activities

The reconciliation of the balances of liabilities classified as financing activities is as follows:

Thousand euros	Lease liabilities	Borrowings	Treasury stock	Reserves in consolidated companies and other reserves	Accumulated gains	Lease liabilities
Net carrying amount as of December, 1 2019	-	795	(2.572)	269.934	85.768	353.925
Other changes						
Initial lease registration	40.630	-	-	-	-	40.630
Profit for the year	-	-	-	-	140.312	140.312
Distribution of profit and interim dividends	-	-	-	27.324	(27.700)	(376)
Others	-	(136)	-	(1.826)	-	(1.962)
Total other changes	40.630	(136)	-	25.498	112.612	178.604
Cash flows from financing activities						
Paid dividends	-	-	-	(28.205)	(105.767)	(133.972)
Payment for repayment of financial debt	-	(504)	-	-	-	(504)
Payments for operating leases	(12.114)	-	-	-	-	(12.114)
Treasury stock payments	-	-	(8.806)	-	-	(8.806)
Cash flows from financing activities	(12.114)	(504)	(8.806)	(28.205)	(105.767)	(155.395)
Transactions with non-controlling interests (Notes 2 & 6)	-	-	3.291	(2.655)	-	636
Balance as of November 30, 2020	28.516	155	(8.087)	264.572	92.613	377.769
Other changes						
Lease update	8.937	-	-	-	-	8.937
Profit for the year	-	-	-	-	143.850	143.850
Distribution of profit and interim dividends	-	-	-	40.015	(40.391)	(376)
Others	-	(155)	-	-	-	(155)
Total other changes	8.937	(155)	-	40.015	103.459	(152.256)
Cash flows from financing activities						
Paid dividends	-	-	-	(33.835)	(99.548)	(133.383)
Payments for operating leases	(13.264)	-	-	-	-	(13.264)
Treasury stock payments	-	-	(12.096)	-	-	(12.096)
Cash flows from financing activities	(13.264)	-	(12.096)	(33.835)	(99.548)	(158.743)
Changes in non-controlling interests	-	-	17.130	5.995	-	23.125
Balance as of November 30, 2021	24.189	-	(3.053)	276.747	96.524	394.407

15.4 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, during the year 2021, total payments of EThs 306,613 were made to suppliers (2020: EThs 276,558), meeting the requirements of such law.

	2021	2020
	Days	Days
Average period of payments to suppliers	39	38
Ratio of transactions paid	39	36
Ratio of transactions with outstanding payments	37	52
	Euros	Euros
Total payments made	306,613	276,558
Total outstanding payments	44,272	36,338

16. Public Treasury

	2021	2020
Balances receivable		
Withholding tax	151	182
Public Treasury VAT	9,788	8,206
Tax for previous years	912	939
EThs	10,851	9,327
Credit balance		
Provision for corporate income tax	47,313	46,505
Down payments for corporate income tax	(41,911)	(41,301)
EThs	5,402	5,204
Public Treasury, withholding tax operated	2,237	3,122
Public Treasury, VAT due	7,237	6,954
Public Treasury, VAT charged	8,605	7,410
Social Security	10,442	10,532
EThs	28,522	28,018

17. Deferred taxes

	<u>2021</u>	<u>2020</u>
Deferred tax assets:		
to be recovered after over 12 months	22,429	22,325
to be recovered within 12 months	237	508
	<u>22,666</u>	<u>22,833</u>
EThs		
Deferred tax liabilities:		
to be recovered after over 12 months	19,148	22,455
to be recovered within 12 months	-	203
	<u>19,148</u>	<u>22,658</u>
EThs		

Movements on deferred tax assets and liabilities during the year were as follows:

<u>Deferred tax assets</u>	Welfare commitments	Amortization intangible assets	Others	Total
As of November 30, 2019	10,713	6,831	5,930	23,474
P&L impact	(770)	(126)	254	(641)
As of November 30, 2020	9,943	6,705	6,184	22,833
P&L impact	(60)	387	(494)	(167)
As of November 30, 2021	9,883	7,092	5,690	22,666

<u>Deferred tax liabilities</u>	Welfare commitments	Amortization intangible assets	Others	Total
As of November 30, 2019	-	24,948	-	24,948
P&L impact	-	(2,508)	-	(2,508)
Business combinations (Note 30)	-	218	-	218
As of November 30, 2020	-	22,658	-	22,658
P&L impact	-	(3,918)	-	(3,918)
Business combinations (Note 30)	-	408	-	408
As of November 30, 2021	-	19,148	-	19,148

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. In order to determine its amount, the tax rates approved or about to be approved at the balance sheet date are used and are expected to apply when the corresponding deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets come mainly from temporary differences corresponding to welfare commitments, amortization of intangibles, provision for bad debts, delayed costs and other provisions that will revert in future years, mainly from Zardoya Otis, S.A. Deferred tax liabilities correspond to differences generated by trading funds.

18. Obligations for 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, according to the projected unit credit method, showing the consolidated income statement an expense of EThs 2,092 (2020: EThs 2,023) for this item as employee benefit expenses.

The amounts recognized in the balance under the heading of other long-term financial assets have been determined as follows:

	<u>2021</u>	<u>2020</u>
Current value of financed obligations	45,339	45,746
Fair value of assets attached to the plan	(47,067)	(48,726)
Liability (Asset) in statement	(1,728)	(2,980)

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

	Recognized obligation	Plan assets
As of November 30, 2019	42,782	(47,398)
Service cost	2,387	-
Interest cost	408	-
Return on assets	-	(433)
Benefits paid	(1,430)	1,430
Contributions	-	(480)
Actuarial losses / gains	2,136	(2,043)
Settlements	(537)	198
As of November 30, 2020	45,746	(48,726)
Service cost	2,468	-
Interest cost	254	-
Return on assets	-	(260)
Benefits paid	(1,401)	1,401
Contributions	-	(1,641)
Actuarial losses / gains	(1,229)	2,030
Settlements	(498)	129
As of November 30, 2021	45,339	(47,067)

The main actuarial assumptions applied were as follows:

	<u>2021</u>	<u>2020</u>
Discount rate varies depending on the term of the commitment between	0.00%-0.53%	0.00%-0.53%
Survival tables	PERMF 2000P	PERMF 2000P
Wage increase	2.25%	2.25%
Estimated average early retirement age	65 to 67 years old	65 to 67 years old

The amounts recognized in profit and loss were as follows:

	<u>2021</u>	<u>2020</u>
Current service cost	2,467	2,387
Interest cost	254	408
Expected return on plan assets	(260)	(432)
Settlements	(368)	(339)
Actuarial (gains) / losses	-	-
Total included in employee benefit expenses (income) (Note 21)	<u>2,092</u>	<u>2,024</u>

The amounts corresponding to the current period and the three preceding annual periods of the present value of the defined benefit obligation and the fair value of the plan assets are:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current value of financed obligations	45,339	45,746	42,783	38,447
Fair value of plan assets	(47,067)	(48,726)	(47,398)	(42,284)

The Group's best estimate of the contributions to be paid in the year ending November 30, 2021 is EThs 2,568 (2020: EThs 2,461).

The actuarial gains and losses shown in the statement of recognized income and expenses, recognized in equity for an actuarial loss of EThs 801 (actuarial gain of EThs 92 in 2020), relate mainly to the effects of experience with the group on which the calculation was based and are the sum of an actuarial loss of 1,135 EThs (2020: actuarial gain of EThs 261); actuarial gain of EThs 366 (2020: actuarial gain of EThs 233) attributable to salary deviations and in Social Security variables that were different than expected, EThs actuarial gain of 26 due to change in the mortality tables applied in the valuation of the obligation and the asset (2020: there were no change of tables) and actuarial loss of EThs 59 (2020: EThs 120) 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 716 (EThs 760 in 2020).

19. Long and short term provisions

	2021	2020
Long term		
Other commitments with employees	12,763	11,040
Short term		
Litigations for transactions with clients	97	56
Guarantees for services and contracts	7,320	8,192
Other taxes	4,075	3,473
Total	11,491	11,721

The provision for guarantees for services and contracts 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. The provision for other taxes includes the tax risks identified.

Provisions for other commitments with employees contains the seniority awards EThs 3,786 and the share-based compensation schemes EThs 8,977 explained in note 18. (EThs 3,724 and EThs 7,316 as of November 30, 2020, respectively).

The following table shows the provisions movement:

	Other long-term commitments with employees and others	Litigations for transactions with clients	Guarantees	Others
As of November 30, 2019	8,663	172	7,481	2,802
Provisions / (reversals)	2,377	(116)	711	671
Applications	-	-	-	-
As of November 30, 2020	11,040	56	8,192	3,473
Provisions / (reversals)	716	41	-	602
Applications and others	1,007	-	(872)	-
As of November 30, 2021	12,763	97	7,320	4,075

20. Ordinary income

20.1 Revenue recognized during the year

Income by geographical segments for the years 2021 and 2020 is detailed in Note 6.

Below is the sales breakdown by activity as of November 30, 2021 and 2020, as well as the breakdown of the temporary record of income. This is shown based on the breakdown required by IFRS 15, as well as the detail of revenue by geographical segment:

	As of November 31, 2021				
	Grupo Zardoya Otis Spain	Grupo Otis Portugal	Grupo Zardoya Otis Morocco	Eliminations	Total
EThs					
Revenue recorded at a specific time					
Service provision	451,359	53,701	7,282	-	512,342
Exports	174,923	-	-	(16,752)	158,171
Recorded revenue over time					
Revenue from construction contracts	97,109	10,195	11,900	-	119,204
Exports	16,752	-	-	-	16,752
Other sales	-	-	-	-	-
Total revenue	740,143	63,896	19,182	(16,752)	806,470

	As of November 31, 2020				
	Grupo Zardoya Otis Spain	Grupo Otis Portugal	Grupo Zardoya Otis Morocco	Eliminations	Total
EThs					
Revenue recorded at a specific time					
Service provision	449,828	53,918	6,209	-	509,955
Exports	164,038	-	-	(15,240)	148,798
Recorded revenue over time					
Revenue from construction contracts	91,597	9,684	11,116	-	112,397
Exports	15,240	-	-	-	15,240
Other sales	-	-	-	-	-
Total revenue	720,703	63,602	17,325	(15,240)	786,390

The income recorded at a specific time for service provision corresponds to maintenance services, as well as the sale of equipment (exports) in which there is no construction contract.

Unit installation projects make up revenue from construction contracts and are considered a single performance obligation satisfied over time. This is due to the fact that the projects are designed specifically for the clients and are projects with a high degree of integration. Revenue from projects is recognized over time because the execution of the Group produces an asset controlled by the clients, who are entitled to payment for the execution until the reporting date with no alternative use for the Group.

20.2 Assets and liabilities from contracts with clients

The information regarding receivables, contract assets and contract liabilities from contracts with clients is detailed below:

	2021	2020
Trade receivables for revenue recorded at a specific time	105,839	106,606
Assets from contracts with clients	34,858	38,017
Trade receivables for sales (note 7.1)	140,697	144,623
Advances received from clients for new sales and services contracts	55,680	57,386
Advances received from clients for maintenance contracts	21,721	21,564
Liabilities from contracts with clients (Note 15.2)	77,401	78,950

The total amount of the costs incurred at the reporting date was EThs 157,594 (2020: EThs 167,511), a figure that includes recognized profits (less recognized losses) for all ongoing contracts for EThs 6,330 (2020: EThs 5,575). In 2021 there has not been a significant difference with the profit estimation recorded in 2020. 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 122,738 (EThs 129,495 in 2020). As of November 30, 2021, the client balance showed an amount of EThs 3,662 (2020: EThs 3,637) 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.

Detail of assets from contracts with clients is as follows:

	2021	2020
Costs incurred with margin	157,594	167,511
Advance billing net of advances from clients	(122,736)	(129,494)
Assets from contracts with clients	34,858	38,017

Advances from clients for maintenance contract work correspond to the advance billing of contracts. The income is accrued based on the kind of bill and service accrual.

The amounts received from clients for work on new sales contracts and services is the billing associated with construction contracts pending execution.

21. Employee benefit expenses

	2021	2020
Salaries	194,013	196,442
Social security and others	71,924	70,389
Expenses for welfare commitments (note 19)	2,092	2,024
EThs	268,029	268,855

Social security and others include severance payments to employees for EThs 3,671 in 2021 (2020: EThs 2,855).

From the 2011 reporting period, a long-term Otis Group incentive plan has also been included in salaries expenses 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 2021 was EThs 716 (2020: EThs 922).

22. Raw materials and other consumables used

	As of November 31	
	2021	2020
Materials and subcomponents for installations and services	345,672	310,732
Elimination of intragroup transactions	(75,775)	(67,152)
Change in inventories	119	4,569
Total	270,016	248,149

23. Other expenses

Depending on their nature, other net expenses are broken down into:

	2021	2020
Leases	14,176	13,799
Repair and maintenance	2,798	2,924
Insurance premiums	413	740
Advertising, publicity	1,660	1,912
Transport	6,715	5,482
Supplies and other services	8,487	8,217
Freelance professionals	2,553	3,492
Outsourcing	5,092	4,754
Others	5,753	7,791
EThs	47,647	49,110

The leases listed in this note are exempt from application of IFRS 16.

24. Financial income and expenses and exchange differences

	As of November 31	
	2021	2020
Interest expenses:		
– interest on leases	(527)	(722)
– loans from financial institutions	(139)	(358)
	<u>(666)</u>	<u>(1,080)</u>
Interest income:		
– from financial institutions	71	230
	<u>71</u>	<u>230</u>
Net gains / (losses) on exchange differences	85	(55)
	<u>(510)</u>	<u>(905)</u>

25. Income tax

	2021	2020
Profit before tax	190,019	185,590
Permanent differences	(614)	(2,211)
Profit from foreign companies	(22,832)	(23,823)
Temporary differences from previous years	(12,456)	(1,291)
Adjusted accounting profit	154,127	158,265
Temporary differences from the ongoing year	(2,548)	(6,177)
Taxable income (tax result)	151,579	152,088
Net tax liability	37,895	38,022
Tax deductions (R&D tax deduction)	(450)	(461)
Other differences (FIN48)	631	595
Net corporate income tax expense, foreign companies	6,195	6,332
Tax expense	44,271	44,488

The deferred tax asset accumulated as of November 30, 2021 was EThs 22,666 (EThs 22,833 in 2020). This prepaid taxes come basically from temporary differences relating to welfare commitments, insolvency provision, delayed costs and other provisions that will reverse in future years. Furthermore, there are deferred tax liabilities of EThs 19,148 (EThs 22,658 in 2020) relating to differences generated by goodwill.

Deductible temporary differences relate principally to welfare commitments of EThs 9,242 (2020: EThs 10,187), which are expected to be offset as follows:

Year 2022: EThs 552
Year 2023: EThs 474
Year 2024: EThs 433
Rest of years: EThs 7,783

On the reporting date, EThs 41,911 (EThs 41,301 in 2020) had been down paid of the final corporate income tax payable. Corporate income tax expense included EThs 3,751 of revenue from deferred taxes (EThs 1,867 of revenue from deferred taxes in 2020) (Note 17).

The effective tax rate of the group companies in Spain is 20% (20% in 2020), while the one relating to Otis Elevadores, Lda. (Portugal) is 25% and that of Otis Maroc, S.A., 30% (26.00% and 30.00%, respectively, in 2020), while corporate income tax expense for 2021 is EThs 5,642 and EThs 553, respectively (EThs 5,878 and 453 in 2020).

For Zardoya Otis, S.A. and the rest of the Spanish subsidiaries and for Otis Maroc, S.A., the Grupo Otis Elevadores (Portugal) and Enor Portugal, the last four tax years 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 managers 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.

26. 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 stock acquired by the Company. No event that could dilute the earnings per share has occurred.

	<u>2021</u>	<u>2020</u>
Profit attributable to the Company shareholders	144,651	140,404
Weighted average number of ordinary shares in issue during the year	470,464,311	470,464,311
Weighted average number of treasury stock	(900,718)	(441,037)
Basic earnings per share	<u>0.31</u>	<u>0.30</u>

27. Dividends and partial cash distribution of share premium:

In 2021, three quarterly dividends and a dividend charged to reserves were paid, as follows:

1st Dividend 0.070 euros gross per share, charged to the year 2021. Declared on March 23, 2021 and paid out on April 9, 2021. Shares: 470,464,311 (treasury stock: 163,477) Gross total = 32,932,501.77 Euros	32,921
Dividend charged to reserves: 0.072 euros gross per share. Declared on May 19, 2021 and paid out on July 9, 2021. Shares: 470,464,311 (treasury stock: 534,890) Gross total = 33,873,430.39 Euros	33,835
2nd Dividend 0.074 euros gross per share, charged to the year 2021. Declared on September 21, 2021 and paid out on October 11, 2021. Shares: 470,464,311 (treasury stock: 533,655) Total = 34,814,359.01 Euros	34,775
Dividend at end of year	101,531
3rd Dividend 0.076 euros gross per share, charged to the year 2021. Declared on December 13, 2021 and paid out on January 10, 2022. Shares: 470,464,311 (treasury stock: 533,655) Total = 35,755,287.64 Euros	35,715
TOTAL 2021	137,249

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 year 2020. Declared on March 20, 2020 and paid out on April 9, 2020. Shares: 470,464,311 (treasury stock: 385,869) 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 year 2020. Declared on September 15, 2020 and paid out on October 9, 2020. Shares: 470,464,311 (treasury stock: 385,869) Total = 30,580,180.20 Euros	30,555
Dividend at end of year	96,366
3rd Dividend 0.068 euros gross per share, charged to the year 2020. Declared on December 15, 2020 and paid out on January 11, 2021. Shares: 470,464,311 (treasury stock: 2,049,865) Total = 31,991,573.15 Euros	31,852
TOTAL 2020	128,218

In relation to the interim dividends distributed by Zardoya Otis, S.A. in the year 2021, the existence of enough liquidity for their distribution was verified, in accordance with the Capital Companies Law, art. 277.

	Dividend:		
	1st February	2nd August	3rd November
Gross profit	45,282	141,162	162,796
Estimate of corporate income tax payable	(7,495)	(25,514)	(30,913)
Available net profit	37,787	115,648	131,883
Amount distributed previously	-	32,921	67,696
Amount proposed and distributed	32,933	34,814	35,755
Liquidity in cash	25,838	44,248	34,405
Temporary financial investments	14,711	22185	0
Short-term trade bills receivable	19,155	21,565	20,022
Payables	(7,600)	(20,109)	(14,018)
Loans and receivables	-	290	290
Net liquidity	52,104	68,179	40,699

28. Financial instruments

The following table shows the carrying amounts of financial assets and liabilities. The Group assessed that the fair values of cash and other cash equivalents, lease security deposits, trade debtors, other receivables, trade creditors and other payables, as well as current loans and indebtedness and financial lease liabilities, get close to their carrying amounts due mainly to the short-term maturities of these instruments.

The fair values of financial liabilities, loans and indebtedness and noncurrent lease security deposits differ insignificantly from their carrying amounts.

	Financial assets at amortized costs	Financial Liabilities at amortized costs
<i>November 30, 2021 (thousand euros)</i>		
Financial assets not valued at a fair value		
Lease security deposits	341	
Long-term trade bills receivable	4,003	
Trade and other receivables	202,890	
Cash and cash equivalents	67,041	
Other current financial assets	331	
Financial liabilities not valued at a fair value		
Trade creditors and other payables		216,945
Long-term and short-term lease financial liabilities		24,189
Long-term and short-term financial liabilities		4,967
Debt with financial institutions		292
	Financial assets at amortized costs	Financial Liabilities at amortized costs
<i>November 30, 2020 (thousand euros)</i>		
Financial assets not valued at a fair value		
Lease security deposits	598	
Long-term trade bills receivable	3,689	
Trade debtors and other receivables	205,634	
Cash and cash equivalents	57,886	
Other current financial assets	106	
Financial liabilities not valued at a fair value		
Trade creditors and other payables		229,108
Long-term and short-term lease financial liabilities		28,516
Long-term and short-term financial liabilities		8,469
Debt with financial institutions		290

The balance corresponding to cash and cash equivalents as of November 31, 2021 and 2020 corresponds to cash and bank balances (EThs 35,548 as of November 30, 2020), deposits in credit institutions with a maturity of less than one month (EThs 11,338 as of November 30, 2020) and cash deposits in related entities (EThs 14,000 as of November 30, 2020).

29. Off-balance sheet commitments

The Group has granted bank and other guarantees regarding the ordinary course of business. No significant liability is expected to arise thereof. The Group has given guarantees in the ordinary course of business amounting to EThs 10,424 (2019: EThs 13,238).

As a 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. The amount was endorsed to appeal the Administrative Resolution before the Contentious-Administrative Chamber of the Spanish National High Court, which issued a judgment that has been appealed for reversal before the Spanish Supreme Court.

The Spanish Supreme Court rejected Zardoya Otis' appeal and upheld the judgment by the Spanish National High Court (which had confirmed the infraction, but established that the sanction should be recalculated as it was excessive). The proceedings therefore returned to the CNMC so that they could be analyzed and the fine recalculated. The CNMC issued a recalculation resolution, fully confirming the amount of the initial fine, and the company is in the process of appealing before the Spanish National High Court.

30. Business combinations

Year 2021

During the year 2021, companies belonging to the CGU Grupo Zardoya Otis (Spain), have acquired 100% of the shares of the companies Puertas Automáticas Karpy, S.L. (February 12, 2021) and Door Matic Industries 2018, S.L. (June 11, 2021), dedicated both to the installation and maintenance of automatic doors. In addition, 100% of the shares of the company Ascensores Fit, S.L. (March 11, 2021), dedicated to the maintenance and repair of elevating equipment in Spain, have been acquired.

Detail of the consideration given, the fair value of the net assets acquired and the goodwill in each of the business combinations carried out at closing is as follows:

	EThs
Assets	
Property, plant & equipment	112
Maintenance portfolios	1,632
Inventory and receivables	744
Cash and cash equivalents	41
Liabilities	
Other financial liabilities	(372)
Deferred tax liabilities	(408)
Fair value of assets and liabilities acquired (provisional)	1,746
Fair value of the consideration delivered	2,789

The total cost of business combinations indicated above has been provisionally determined. The costs related to the business combination correspond to expenses for professional services that are not significant and have been recorded in the year profit and loss statement.

As a difference with the price paid, goodwill arises from EThs 1,110 euros and a maintenance portfolio of EThs 1,632 euros (Note 6).

The consideration delivered in some acquisitions has been through treasury and, in others, through the delivery of treasury stock (see notes 2.3a and 11) and, in Note 15.1, they are broken down by amounts pending payment for acquisitions at the end of 2021 and 2020.

Had the acquisitions been made at the beginning of the year, the effect on the main figures in the consolidated profit and loss statement and balance sheet would not have been significant.

Year 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 the maintenance and repair of elevators in Spain.

Details of the assets and liabilities that were included are as follows:

	Total
Assets	
Property, plant & equipment	69
Maintenance portfolios	874
Inventory and receivables	249
Cash and cash equivalents	10
Liabilities	
Other financial liabilities	(420)
Deferred tax liabilities	(218)
Fair value of assets and liabilities acquired (provisional)	564
Fair value of the consideration given	1,238

On the price paid for the 2020 business combinations, adjustments have been made to such price for an amount of EThs 124.

31. Related-party transactions

As of November 30, 2021, Otis Worldwide Corporation S.A. (incorporated in France) held 50.02% of the parent company, Zardoya Otis, S.A.

The following transactions were carried out with related parties:

<i>EThs</i>	2021	2020
<i>Transactions with Otis Elevator Co</i>		
Royalties	(19,965)	(19,556)
Billing of costs of engineering development center to Otis	4,233	3,806
<i>Transactions with Otis Group company, sales and purchases of goods and services</i>		
Ordinary revenue and other revenue	165,708	151,621
Raw materials and other consumables used and other expenses	(46,334)	(41,099)
<i>Balance with group companies</i>		
Trade debtors & other receivables (Note 7.1)	40,343	39,701
Cash and cash equivalents (Note 9)	20,500	14,000
Trade creditors and other receivables (Note 15.2)	(17,008)	(12,055)

The Group considers all trading and non-trading transactions carried out by any Group company with shareholders, managers or associated companies to be related transactions.

The Company requests, on a regular basis, 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 allows the Company to use the brands and have access to Research and Development activities and global product development. The cost of this agreement is a royalty of between 2.1% and 3.5% on sales to end customers, excluding intragroup sales.

As of November 30, 2021, the cash and cash equivalents heading included EThs 20,500 relating to a cash deposit held by Zardoya Otis, S.A. with Otis Intercompany Lending Ireland Designated Activity Company and Otis Elevator Company (EThs 14,000 in 2020).. 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 only transactions that the Group has with their shareholder Alder Holdings SAS correspond to the distribution of dividends.

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 is the only current agreement. These plans are triennial and have annual payments. 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 716 (EThs 967 in 2019), relating to the fair value of the accumulated assets to which it is indexed, which was EThs 8,814 (EThs 7,316 in 2019).

The global remuneration for all items accrued during the year by the members of the Board of Directors was EThs 1,621 (EThs 1,966 in 2020) and consisted of the following items:

	2021	2020
Fixed compensation	347	292
Variable compensation	348	240
Bylaw-stipulated items	500	683
Other long-term benefits	307	673
Pension scheme contributions	119	78
TOTAL	1,621	1,966

On the 2021 and 2020 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 915 (EThs 848 in 2019), as reported in Sections C.1.15 and C.1.16 of the 2021 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 such Law, except in cases where the relevant authorization had been obtained.

32. Environmental information

As of 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 main programs established are intended to reduce the effects of environmental pollution by:

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

The Madrid-Leganés plant was designed to minimize energy consumption by including the installation of photovoltaic panels on the roof, which purchase cost is EThs 4,153 (2020: EThs 4,153), with accumulated depreciation of EThs 2,416 at the reporting date (2020: EThs 2,240).

In addition, in 2021, expenses for waste disposal or recycling were EThs 353 (2020: EThs 151).

The business activities carried out by Grupo Zardoya Otis do not have a significant impact on the environment nor do they pose a threat to global warming and biodiversity. These are mainly activities related to service provision. The greatest environmental impact could come from manufacturing and product transformation activity. Regarding this, the Group has actions to control and reduce energy consumption and greenhouse gas emissions in accordance with SP017 and under the requirements of ISO 50001. These gases are emitted only by the heating boilers, since none of the factories emit this kind of gas due to processes.

Regarding this:

- Each factory must prepare and maintain a list of all points of energy consumption (work area, equipment, processes, etc.) and the sources of direct emission of GHGs.
- Standards of action are established in order to improve energy efficiency in the company – in the offices of the sales network and Central Services with the indicators defined in policy SE017-2.
- Electricity consumption in offices and the fuel consumption of the vehicle fleet are measured and controlled on a regular basis in order to analyze their evolution according to the plan.
- CO2 emissions (emissions) are measured and controlled for Company vehicles, in order to analyze and see the possibility of improvement for the environment.
- A SWOT analysis (Strengths, Weaknesses, Threats and Opportunities) has been carried out. The stakeholders have also been analyzed in order to detect risks and opportunities regarding the Environment area and establish necessary actions to manage them.

Therefore, the Group do not consider that the possible accounting effects that may arise due to climate change could become significant for the Group’s estimates.

33. Leases

NIIF 16

The right-of-use assets recognized are related to the following kinds of asset:

EThs	2021	2020
Real estate	8,928	15,254
Equipment	1,296	1,528
Vehicles	13,965	11,734
Total right-of-use assets	24,189	28,516

The Group's leases correspond mainly to the car fleet used to provide services to their clients, as well as office premises and multifunction machines leases. During the year, new leases were registered and the conditions of existing ones were extended.

The Group is not exposed to payments for variable leases, residual value guarantees or leases not yet begun to which they have been committed, which are significant. There are no restrictions or agreements imposed by the leases.

As of November 30, 2021 and 2020, lease liabilities matured as follows:

11/30/2021	Short term	Long term	Total
Lease liabilities	10,757	13,432	24,189
11/30/2020	Short term	Long term	Total
Lease liabilities	10,820	17,696	28,516

The impact of applying the lease standard is as follows:

	11/30/2021	11/30/2020
Asset depreciation (expense)	12,856	11,393
Lease payments	(13,383)	(12,114)
Financial expense (Note 24)	527	722

Expenses for short-term leases, which expense is recorded as other expenses (see note 33) amounts to EThs 14,176 and EThs 13,799 in years 2021 and 2020, respectively.

The reclassifications of cost increase the EBITDA for the year ended on November 30, 2021 by EThs 12,856 (EThs 11,393 in 2020), corresponding to the expense for amortization of assets classified from 2019 as part of the amortization of the year, not considered in the EBITDA according to the definition broken down in note 3 of these consolidated annual financial statements.

Liabilities for classified long-term leases are mainly distributed homogenous during the next five years.

34. Events after the reporting date

On December 13, 2021, Zardoya Otis, S.A. declared the third dividend charged to the profit for the period, for a gross amount of 0.076 euros per share. The resulting amount is a gross dividend of EThs 35,775. Such dividend was paid on January 10, 2022.

35. Other information

a) Number of Group employees by category (average – reporting date)

The average number of people with a disability rating of 33% or more employed by the Group in the 2021 and 2020 reporting years was 53 (44 men and 9 women) and 49 people (42 men and 7 women) in 2020.

	Men	Women	2021
Managers	62	11	73
Administration/Workshop/Field supervisors	543	45	588
Engineers, university graduates and other experts	223	70	293
Administrative and technical personnel	530	458	988
Other workers	3,532	24	3,556
	4,890	608	5,498

	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

(b) Fees for account auditors and companies belonging to their group or related companies

The amount and breakdown of the fees accrued by KPMG Auditores, SL, the firm that audits Grupo Zardoya Otis Group, for 2021 is as follows:

	<u>2021</u>
For audit services	294
For other accounting verification services	37
For other services	11
	<u>342</u>

Other accounting verification services correspond to the review of the interim financial statements provided by KPMG Auditores, S.L. to the Group and their controlled companies during the six-month term ended on May 30, 2021 (EThs 40 by the former auditor of the Group for the same term).

Likewise, fees accrued during the year by other companies in the KPMG network as a result of audit services to foreign subsidiaries were EThs 44.

The amount of the fees accrued by PricewaterhouseCoopers Auditores, S.L., which audited Zardoya Otis Group, for the year 2020, was EThs 314, 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 EThs 60.

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 EThs 59 in 2020.

MANAGEMENT REPORT OF ZARDOYA OTIS

CONSOLIDATED FINANCIAL STATEMENTS 2021

(Thousands of euros - EThs)

Presentation of the annual financial statements

The Group's consolidated annual financial statements at November 30, 2021 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.

Business evolution

Profit and loss

The EBITDA (operating profit plus amortization and depreciation) at the end of the 2021 fiscal year was 222.5 million euros, 1.2% up on the 2020 figure.

The EBITDA figures at the end of both 2021 and 2020 continued to reflect the impact of application of "IFRS-16 Leases", which introduced the requirement for companies to show leased assets attached to the activity in their statements of financial position.

Consolidated profit before tax was 190.0 million euros at the end of 2021, 2.4% up on the 2020 figure. This figure includes an impact of EThs 3,305 of the sale of the old San Sebastián plant.

Profit after tax was 144.7 million euros at the end of 2021, 3.0% higher than the 140.4 million euros obtained in 2020.

Sales

Total consolidated sales at the end 2021 were 806.5 million euros, in comparison with 786.4 million euros at the end of the preceding year, representing an increase of 2.6%.

New installations

Work completed

The value of new installations at the end of 2021 was 119.2 million euros, 6.1% up on the 112.4 million euros of 2020. In 2021, new installation sales accounted for 14.8% of total sales (14.3% in 2020).

Orders received and backlog of unfilled orders

At the end of 2021, the total cumulative amount was 357.5 million euros, including orders received for modernizations, new installations and exports, including new and existing buildings and marine. The marine activity was affected by the consequences of the pandemic, since it includes international cruise ship activity.

The cumulative figure for 2021 represents an increase of 3.4% on the 345.6 million euros obtained in 2020 and an order volume of close to 90 million euros per quarter.

The backlog of unfilled orders at the end of 2021 was 195.1 million euros, an increase of 6.2% on the 183.6 million euros obtained in the 2020 period.

Service

Sales

Consolidated service sales totalled 512.3 million euros (510.0 million euros at the end of 2020), representing an increase of 0.5%.

Service activity accounted for 63.5% of total Group billing in the period (64.8% in 2020). This lower percentage of the total is partly explained by the significant increases in the new sales and exports figures in comparison with the end of 2020 (+6.1% and +6.6%, respectively).

Units under maintenance

Our maintenance portfolio rose by 0.6% in comparison with the same period of the preceding year, totalling 296,106 units at the end of 2021, due to the inclusion of close to 1,800 units.

Exports

At the end of 2021, cumulative net export sales, after elimination of the sales to our subsidiaries in the consolidation process, were 174.9 million euros, 6.6% up on the 164.0 million euros obtained at the end of the preceding year.

Export sales accounted for 21.7% of consolidated Group sales at the end of 2021 (20.9% at the end of 2020).

Employees

The Group had 5,498 employees at the end of the 2021 period, showing slight decrease of 0.6% 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	62	11	73	63	12	75
Administrative/workshop/field supervisors	543	45	588	514	39	553
Engineers, university graduates and other experts	223	70	293	220	72	292
Administrative and technical personnel	530	458	988	514	458	972
Other workers	3,532	24	3,556	3,611	28	3,639
	4,890	608	5,498	4,922	609	5,531

The average number of persons with a disability rating of 33% or more employed by the Group in the 2021 and 2020 reporting periods was 53 (44 men and 9 women) in 2020 and 49 (42 men and 7 women) in 2020.

Dividends

At its meetings held in December 2020 and March 2021, the Board of Directors approved, respectively, the third interim dividend charged to the profit for 2020 and the first interim dividend charged to the 2021 profit, which were paid out on January 11 and April 9, respectively. In addition, the Ordinary General Shareholders' Meeting of Zardoya Otis held on May 19, 2021 passed a resolution to distribute a dividend charged to reserves, which was paid out on July 9, 2021.

Subsequently, at its September meeting, the Board of Directors approved the second interim dividend charged to the 2021 profit, which was paid out on October 11.

Date	Gross per share	Charged to	Shares entitled to dividend	Gross total
January 11	€ 0.068	3rd interim 2020	470,464,311	€ 31,991,573.15
		Treasury shares	(2,049,865)	(€ 139,390.82)
Total			468,414,446	€ 31,852,182.33
April 9	€ 0.070	1st interim 2021	470,464,311	€ 32,932,501.77
		Treasury shares	(163,477)	(€ 11,443.39)
Total			470,300,834	€ 32,921,058.38
July 9	€ 0.072	Reserves	470,464,311	€ 33,873,430.39
		Treasury shares	(534,890)	(€ 38,512.08)
Total			469,929,421	€ 33,834,918.31
October 11	€ 0.074	2nd interim 2021	470,464,311	€ 34,814,359.01
		Treasury shares	(533,655)	(€ 39,490.47)
Total			469,930,656	€ 34,774,868.54
Total €				€ 133,383,027.56

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 legal limits and requirements. At its meeting of December 11, 2018, the Board of Directors decided to acquire treasury shares so that they could be used in the company acquisition transactions that the Company carries out habitually.

At November 30, 2020, Zardoya Otis, S.A. held 1,420,016 treasury shares with a value of EThs 8,807. At the end of 2021, Zardoya Otis, S.A. held 533,655 treasury shares with a value of EThs 3,053. At the end of 2021, Zardoya Otis, S.A. held 533,655 treasury shares with a value of EThs 3,053.

During the 2021 fiscal year, 3,013,174 shares were handed over in the following transactions:

- On December 22, 2020, Zardoya Otis acquired the non-controlling interest of 20% of Ascensores Eleva S.L. through the exchange of 309,713 shares worth EThs 1,752.
- On March 4, 2021, Zardoya Otis acquired the non-controlling interest of 48% of Montes Tallón, S.A. through an exchange of 2,369,170 shares worth EThs 13,502.
- On March 11, 2021, it acquired 100% of Ascensores Fit, S.L. through the delivery of 333,056 shares worth EThs 1,868.
- On July 28, 2021, they paid part of the debt for the purchase of Ascensores Eleva S.L. through an exchange of 1,235 shares worth EThs 8.

Between December 1, 2020 and November 30, 2021, 2,126,813 shares were bought for a value of EThs 12,096.

Evolution of Zardoya Otis on the securities markets

The quoted share price at the end of 2021 was 7.11 euros per share, representing an increase in value of 24.1% in comparison with the adjusted value at the end of 2020.

Forecast evolution

The International Monetary Fund (IMF) states, in its latest update, that the global recovery is continuing, although with less momentum, since uncertainty has increased and there are still divergences in relation to vaccine access and early policy support.

In this environment, the IMF projects that the global economy will grow 4.9% in 2022, specifically 4.5% in advanced economies, partly affected by supply disruptions, and 5.1% in emerging and developing economies, where the near-term prospects among commodity-exporting countries improve. Notwithstanding the foregoing, they also indicate that the rapid spread of the Delta/Omicron variants and the threat of new variants have increased uncertainty about how quickly the pandemic can be overcome.

Regarding inflation, the most recent data from reliable sources (FUNCAS) indicate that Spain closes 2021 with a 3.1% increase in interannual terms, with 3.7% expected for 2022, primarily as a consequence of the heavy rise in energy product prices (+21.2% in 2021 and

+11.5% forecast for 2022, respectively). Attention should be drawn to the fact that, according to FUNCAS, in monthly terms, the figures for November and December 2021 were 5.5% and 6.5%, although 1.8% and 0.6% are expected for the same months of 2022, following a gradual decrease throughout the rest of the year.

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 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 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 2021 was less than 39 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, 2021, the income statement included expenses of EThs 1.629 (2020: EThs 1,640) for this item.

Significant events at November 30, 2020

In 2021, a company belonging to the CGU Zardoya Otis Group (Spain) acquired 100% of the shares in the company Puertas Automáticas Karpy, S.L.U. (February 12, 2021) and also 100% of the shares in the company Door Matic Industries 2018, S.L. (June 11, 2021).

The corporate purpose of all of them is maintenance and repairs of automatic doors in Spain.

In June 2021, the mergers of Ascensores Eleva, S.L. and N&V Servirema, S.L.U. with Ascensores Pertor, S.L. and Puertas Automaticas Portis, S.L., respectively took place. Subsequently, in July 2021, the merger of Puertas Automáticas Seleman, S.L. with Automatic Doors Portis, S.L. Finally, the merger of Montes Tallón, S.A. was completed in the same way in October 2021. at Ascensores Pertor, S.L.

PUBLIC TAKEOVER BID ANNOUNCED BY OTIS WORLDWIDE CORPORATION

On September 23, 2021, the company Opal Spanish Holdings, S.A.U. ("**OSH**" or the "**Offeror**"), a company indirectly controlled in full by Otis Worldwide Corporation, an indirect shareholder of the Company holding 50.01% of its shares, published, in a notification of Inside Information (register No. 1066), the prior announcement of the public tender offer for the totality of the shares representing the share capital of Zardoya Otis, S.A. (the "**Offer**"). Said notification included some of the terms and conditions of the Offer.

The consideration that the Offeror proposed to the Zardoya Otis, S.A. shareholders was initially 7.00 euros in cash for each share (the "**Initial Offer Price**"). This dropped to 6.93 euros per share (price rounded up to two decimal places) on October 7, 2021 (ex-dividend date) (as published in a notification of Other Relevant Information with register No. 12098), as a consequence of distribution of the second interim dividend charged to the 2021 profit for a sum of 0.074 euros per share. This dividend was paid out to the shareholders on October 11, 2022.

Subsequently, on October 28, 2021, the CNMV informed that the application for authorization of the Offer had been admitted for processing.

On December 16, 2021, the Offeror published a notification of Other Relevant Information (register No. 13202) stating that the Offer price would be reduced as the result of the distribution of a third interim dividend of 0.076 euros per share charged to the 2021 profit, which was to be paid out by Zardoya Otis, S.A. to its shareholders on January 10, 2022, meaning that the Offer would be fixed at 6.86 euros per share effective January 6, 2022 (ex-dividend date).

On December 21, 2021, the Offeror published Inside Information (register No. 1231) informing of signature of an agreement with Euro-Syns, S.A. ("**Euro-Syns**"), holder of 11.19% of the shares of Zardoya Otis, S.A., whereby Euro-Syns irrevocably undertook to accept the Offer for the totality of the shares it held in Zardoya Otis, S.A. at a price of 7.14 euros per share. Said price included an improvement of 21 euro cents on the Initial Offer Price and had been adjusted by the second dividend distributed by ZOSA. The price was to be adjusted after distribution of the third interim dividend charged to the 2021 profit.

Subsequently, on January 10, 2022, the Offeror published Other Relevant Information (register No. 13554) notifying that the Offer price had been fixed at 7.07 euros per share effective January 6, 2022 (ex-dividend date) as a consequence of the foregoing.

Likewise, pursuant to the terms of the prior announcement and the application for authorization of the Offer, said publication stated that the Offer price would be reduced by an amount equivalent to the gross amount per share of any distribution of dividends, reserves or share premium, or any other distribution that the Company might make to its shareholders, provided that publication of the outcome of the Offer in the stock exchange bulletins coincided with or was later than the ex-dividend date of said distribution.

The Company's Board of Directors has been continuously monitoring all the foregoing and will issue a report with its opinion and observations when required to do so by law.

As of today's date, the Offer has been admitted for processing and is awaiting authorization by the CNMV. The admission of the application for processing does not imply any type of pronouncement on the decision concerning the authorization of the Offer or any of its terms or conditions, which will be issued within the time limits and in accordance with the other requirements set forth in the relevant regulations.

Meanwhile, observing the restrictions and duties set out in the regulations on public takeover bids, the Company will continue with the normal course of its business in the best interests of its shareholders, customers and employees.

Events after the reporting date

On December 13, 2021, Zardoya Otis, S.A. declared the third dividend charged to the profit for the period, for a gross amount of 0.076 euros per share. The resulting amount is a gross dividend of EThs 35,755. Such dividend was paid on January 10, 2022.

Annual Corporate Governance Report

The Annual Corporate Governance Report for the 2021 reporting period forms part of this Management Report.

Annual Report on Compensation of Directors

The Annual Report on Compensation of Directors for the 2021 reporting period forms part of this Management Report.

Statement of Non-financial Information

The Statement of Non-financial Information for the 2021 reporting period forms part of this Management Report.

ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED COMPANIES



ISSUER IDENTIFICATION

YEAR-END DATE	11/30/2021
TAX IDENTIFICATION NO. [C.I.F.]	A28011153
COMPANY NAME	ZARDOYA OTIS, S.A.
REGISTERED OFFICE	CALLE GOLFO DE SALÓNICA, 73 MADRID

A. CAPITAL STRUCTURE

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

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

Remarks
N/A

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

Yes No

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

Remarks
N/A

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

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
OTIS WORLDWIDE CORPORATION (OTIS) (*)		50.018%			50.018%
CITIGROUP GLOBAL MARKETS LIMITED	1.020		0.001		1.021

EURO-SYNS, S.A.	11.345				11.345
NORGES BANK	1.105				1.105
SAMSON ROCK CAPITAL LLP			1.002		1.002
SETANTA ASSET MANAGEMENT LIMITED		1.529			1.529
BG MASTER FUND ICAV			1.169		1.169
BOUSSARD EMMANUEL			1.323		1.323

Remarks
<p>Figures as of December 2, 2021.</p> <p>(*) On October 28, 2021, the CNMV admitted for processing the application for authorization filed by Opal Spanish Holdings, S.A.U., whose indirect owner is Otis Worldwide Corporation (OWC), to issue a voluntary public tender offer for acquisition of Zardoya Otis, S.A. shares. To date, the prospectus of the public tender offer has not been published and the process has not been completed.</p> <p>After the closing date, on February 14, 2022, was reported to the CNMV a new significant participation of VARENNE CAPITAL PARTNERS with a 1.067% of direct voting rights.</p>

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.	50.018%		50.018%

Remarks
N/A

State the most significant shareholder structure changes during the year:

Name of shareholder	Transaction date	Description of transaction
CITIGROUP GLOBAL MARKETS LIMITED	10/19/2021	As per the notification sent on 10/25/2021, a shareholding of 1.021% was reached
DWS INVESTMENT GMBH	11/25/2021	As per the notification sent on 12/07/2021, a percentage of 1.513% was reached
NORGES BANK		As per the notification sent on 09/24/2021, a percentage of 1.105% was reached
OTIS WORLDWIDE CORPORATION	10/06/2021	As per the notification sent on 10/22/2021, a percentage of 50.018% was reached
SAMSON ROCK CAPITAL LLP	10/05/2021	As per the notification sent on 10/06/2021, a percentage of 1.002% was reached
SETANTA ASSER MANAMENT LIMITED	09/23/2021	As per the notification sent on 09/30/2021, a percentage of 1.529% was reached

Most significant movements

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.	11.186%				11.186%		
JOAO MIGUEL MARQUES PENEDO	0.002%				0.002%		

Total percentage of voting rights held by the Board of Directors	11.207%
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Remarks
N/A

Breakdown of the indirect holding:

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

Remarks
N/A

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

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

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

Name of related party	Nature of relationship	Brief description
ALDER HOLDINGS, S.A.S.	OTIS ELEVATOR COMPANY	Commercial
		As of November 30, 2021, Zardoya Otis, S.A. (the “ Company ” has commercial and contractual

Name of related party		Nature of relationship	Brief description
		Contractual	relations with Otis Elevator Company and Otis Worldwide Corporation (OWC)
		Corporate	As of November 30, 2021, 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 President of Otis Group for the Europe, Middle East & Africa Area (EMEA)
Robín Fiala	OTIS WORLDWIDE CORPORATION	OTIS ELEVATOR COMPANY	Representative of proprietary director
Stacy Petrosky	OTIS WORLDWIDE CORPORATION	OTIS ELEVATOR COMPANY	Proprietary director
Alberto Zardoya Arana	EUROSYNS, S.A.	EUROSYNS, S.A.	Representative of proprietary director
Joao Miguel Marques Penedo	OTIS WORLDWIDE CORPORATION	OTIS ELEVATOR COMPANY	Executive Director President of the Iberia & Africa Area

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, 2021.

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
See details in point A. As of November 30, 2021, 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..

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
<p>At its meeting of May 23, 2018, the Company's Ordinary General Shareholders' Meeting authorized the Board of Directors to acquire, directly or indirectly, treasury shares up to a maximum percentage of 10% the share capital, observing the limits and requirements established in article 146 and related articles of the Capital Companies Law.</p> <p>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").</p> <ol style="list-style-type: none"> 1. The number of shares to be acquired under the Purchase Program may not exceed an upper limit equivalent to 2% of the Company's shares. 2. The Purchase Program authorized includes a minimum price of two (2) euros per share and a maximum price of twenty-five (25) euros per share. 3. The maximum term of the Purchase Program is five years as of the date of the aforementioned General Shareholders' Meeting. <p>This decision was notified on December 14, 2018 (Material Event Register No. 272541).</p> <p>Acquisitions of treasury shares within the aforementioned "Purchase Program" were notified to the CNMV on a weekly basis. In 2021, these transactions took place between December 1, 2020</p>

and April 28, 2021, as per the breakdown shown below, and involved the acquisition of 2,126,813 treasury shares.

Subsequently, at the Company's Ordinary General Shareholders' Meeting held on May 19, 2021, the Board of Directors was granted authorization for a maximum term of five years to acquire, directly or indirectly, treasury shares up to a maximum percentage of 10% the share capital, observing the limits and requirements established in article 146 and related articles of the Capital Companies Law, making the unused part of the authorization granted at the Company's General Shareholders' Meeting of May 23, 2018 null and void.

As of November 30, 2021, 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
Total:	1,420,016

Remarks

Explain any significant changes during the year:

Explain significant changes		
"Purchase program", executed between December 1, 2020 and April 28, 2021		
Date	Shares acquired	Average price
12/02/2020	55,346	5.90 €
12/02/2020	56,000	5.93 €
12/03/2020	46,212	5.95 €
12/04/2020	55,500	5.91 €
12/07/2020	56,500	5.92 €
12/08/2020	56,500	5.91 €
12/09/2020	57,000	5.91 €
12/10/2020	56,000	5.91 €
12/11/2020	55,500	5.83 €
12/14/2020	55,000	5.87 €
12/15/2020	54,000	5.80 €
12/16/2020	55,000	5.76 €
12/17/2020	55,000	5.77 €

Explain significant changes			
	12/18/2020	50,774	5.76 €
	12/21/2020	55,000	5.69 €
	12/22/2020	52,000	5.75 €
	12/23/2020	52,500	5.74 €
	12/24/2020	15,730	5.71€
	02/01/2021	35,000	5.55 €
	02/02/2021	36,000	5.67 €
	02/03/2021	37,676	5.74 €
	02/04/2021	33,767	5.76 €
	02/05/2021	33,444	5.74 €
	02/06/2021	37,000	5.73 €
	02/09/2021	30,453	5.72 €
	02/10/2021	34,193	5.72 €
	02/11/2021	37,500	5.75 €
	02/12/2021	28,438	5.76 €
	02/15/2021	37,000	5.78 €
	02/16/2021	36,000	5.70 €
	02/17/2021	37,000	5.70 €
	02/18/2021	36,500	5.71 €
	02/19/2021	37,000	5.65 €
	02/22/2021	37,500	5.54 €
	02/23/2021	37,300	5.52 €
	02/24/2021	37,000	5.50 €
	02/25/2021	18,010	5.53 €
	03/01/2021	39,600	5.48€
	03/02/2021	40,500	5.54 €
	03/03/2021	38,157	5.56 €
	03/04/2021	40,800	5.61 €
	04/19/2021	41,000	5.38 €
	04/20/2021	44,500	5.38 €
	04/21/2021	46,500	5.43 €
	04/22/2021	49,500	5.44 €
	04/23/2021	50,500	5.38 €
	04/26/2021	52,500	5.34 €
	04/27/2021	55,500	5.35 €
	04/28/2021	31,413	5.36 €
	Total	2,126,813	€

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 19, 2021 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, making the unused part of the authorization granted at the Company's General Shareholders' Meeting of May 23, 2018 null and void.

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 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; and (iii) the authorization will remain in force for the maximum period allowed by Law at any given moment (currently five years) as from the date of the aforementioned Ordinary General Shareholders' Meeting (i.e. until May 19, 2026).

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

A.11 Estimated floating capital:

	%
Estimated floating capital	32.37%

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
No neutralization measures have been adopted. On September 23, 2021, Opal Spanish Holdings, a company indirectly controlled in full by Otis Worldwide Corporation, sent the CNMV a prior announcement of a public tender offer to acquire 100% of the share capital.

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, including those relating to 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	
05/22/2019	13.38%	59.96%	0.00%	0.00%	73.34%
06/16/2019	11.36%	60.06%	0.00%	0.00%	71.42%
05/19/2021	11.37%	59.69%			71.06%
Of which, free float	0.03 %	9.67%			9.65%

Remarks
<p>As of 05/19/2021, 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 05/19/2021, the percentage held by Euro-Syns, S.A. was eliminated from among those physically present and the percentage held by Otis Worldwide Corporation (OWC) was eliminated from among those present by proxy.</p> <p>In relation to the percentage of electronic votes cast during the General Meeting held on 05/19/2021, only 18 shareholders cast their vote in this way.</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

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

N/A

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

The address of the Company's website for access to corporate governance content as of November 30, 2021 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 2021, is included.

The Annual Corporate Governance Report for 2021 will be duly published on the website in March 2022.

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
The number of directors was fixed 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 & DIRECTOR	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	03/05/1961
OTIS ELEVATOR COMPANY	MS ROBIN FIALA	PROPRIETARY	DIRECTOR	05/30/1984	05/22/2019	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	09/20/1968

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 STACY PETROSKY	N/A	PROPRIETARY	DIRECTOR	07/26/2019 (co-option)	08/16/2020	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	08/22/19/73
MR JOAO MIGUEL MARQUES PENEDO	N/A	EXECUTIVE	CHIEF EXECUTIVE OFFCER	01/26/2021 (Co-option)	01/26/2021	RESOLUTION GENERAL SHARE-HOLDERS' MEETING	06/26/1973
Total number of directors						7	

State if any directors, whether through resignation or as the result of a resolution of the General Shareholders' Meeting, 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
ROBIN FIALA	PROPRIETARY	05/23/2018	01/26/2021	Nominating and Compensation Commission	YES

Reason for leaving when this occurred before the end of the term and other remarks; information of whether the director sent a letter to the other board members and, in the case of non-executive directors, explanation or opinion of directors who were dismissed by the General Meeting

Ms Robin Fiala resigned from her position as a member of the Board of Directors on January 26, 2021 and therefore, left her position on the Nominating and Compensation Commission. As of said date, she was appointed as the personal representative of the legal person director Otis Elevator Company (OEC), replacing Mr Toby Smith, who had represented said director since October 14, 2020 until said date.

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 OF THE BOARD OF DIRECTORS

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 become general manager of Rolltore-Portis, another Group company.</p> <p>In 2007, he was appointed Service and Operations Manager of Otis Italy and, a year later, become Chief Executive Officer of Otis in Italy.</p> <p>In February 2012, he was appointed Chief Executive Officer of Zardoya Otis and President of Otis South Europe and Near East (SEMA).</p> <p>In December of the same year, he became President of South Europe of UTC Building & Industrial Systems, a division encompassing the brands: OTIS in elevators, Carrier in air-conditioning, Chubb and Marioff in fire protection and Portis in automatic doors, among others.</p> <p>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>

Name or company name of director	Post in organisational chart of the company
MR JOAO MIGUEL MARQUES PENEDO	CHIEF EXECUTIVE OFFICER

Profile
<p>He holds a degree in Business Administration (ISCTE, Lisbon, Portugal) and an MBA from INSEAD (Fontainebleau-France). He has completed various leadership courses at prestigious business schools in Europe and the United States.</p> <p>During his professional career, he has held various positions, such as Senior Auditor and Chief Financial Officer at KPMG and Toyota in Portugal and Angola.</p> <p>In 2004, he joined United Technologies Corporation, where he has held a number of positions until becoming Chief Financial Officer for EMEA FOR Carrier Commercial Refrigerators, working in France and the Czech Republic.</p> <p>In 2014, he joined Otis, where he holds the position of Vice President, Finance, for the South Europe and Africa Region (SEMA). In January 2021, he was appointed Chief Executive Officer of Zardoya Otis, S.A. and President of Otis’s Iberia and Africa Region.</p>

Total number of executive directors	2
Percentage of Board	28.58%

Remarks
<p>On January 26, 2021, Mr Calleja left his position of Chief Executive Officer but remained as a director. The Company’s Board of Directors appointed him as the Executive Chairman of the Company. Furthermore, the Board co-opted Mr Joao Penedo as a new board member, likewise appointing him as the Company’s Chief Executive Officer (notified on January 27, 2021; register No. 6776). Since that date, the Company has had 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
<p>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 <i>IEB, Instituto de Estudios Bursátiles</i>, Madrid. During his professional career, he has held various positions in companies such as Savera, Elevator Guide Rails (Vera de Bidasoa, Navarra, Spain), Otis Elevator Company (Gien, France), Andersen Consulting (Madrid, Spain), UTC Research Center (San Sebastián, Spain), Sikorsky Helicopters (Stratford, CT, U.S.A.), Sikorsky Helicopters (Gamesa, Vitoria, Spain), UTC Aerospace (San Sebastián, Spain). He is currently a member of the Board of Directors of Mecalux, SA (Barcelona, Spain) and administrator of Euro-Syns, SA (Madrid, Spain)</p>

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

Profile
<p>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.</p> <p>Its personal representative, Ms Robin Fiala, holds a Bachelor's degree in mechanical engineering from Union College in Schenectady, New York and Master of Business Administration from Fordham University in New York City.</p> <p>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.</p> <p>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.</p> <p>Since 2014, Robin Fiala has been Vice President, Sales and Marketing for New Equipment. In this position, she leads the company's global teams to develop innovative market-leading products and services for our Otis customers. Her team partners closely with the Engineering, Operations and Product Management organizations, helping to set critical sales strategy, drive sales effectiveness, and inform decisions around the company's product strategy roadmap and full product lifecycle offerings.</p>

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 & Analysis area, where she became Senior Director in 2015, subsequently becoming Senior Director, Finance Transformation and then Assistant Controller and Executive Director, Finance Transformation.</p>

Total number of proprietary directors	3
Percentage of the Board	42.66%

Remarks
N/A

INDEPENDENT DIRECTORS

Name of director	Profile
MR JOSÉ MIGUEL ANDRÉS TORRECILLAS	<p>Mr Andrés Torrecillas holds a degree in Economics and Business Studies from the <i>Universidad Complutense de Madrid</i>. He has postgraduate studies in Management Programs from IESE in Madrid, Harvard and IMD.</p> <p>He has spent most of his professional career with Ernst & Young, where he was Partner/Director General of the Audit and Advisory practices and Chairman of Ernst & Young Spain until 2014.</p> <p>In March 2015, José Miguel Andrés Torrecillas was appointed as an independent director by the General Shareholders' Meeting of Banco Bilbao Vizcaya Argentaria, S.A. He has been a member of the <i>Registro Oficial de Auditores de Cuentas</i> (ROAC – Official Account Auditors Register); the <i>Registro de Economistas Auditores</i> (REA – Economist/Auditor Register); the Board of Directors of <i>Instituto Español de Analistas Financieros</i> (Spanish Institute of Financial Analysts); the <i>Fundación Empresa y Sociedad</i> (Company and Society Foundation); the <i>Instituto de Censores Jurados de Cuentas de España</i> (Institute of Chartered Accountants of Spain); the Advisory Board to the <i>Instituto de Auditores Internos</i> (Internal Auditors Institute), the Institute of Chartered Accounts in England & Wales (the ICAEW); the Board of Deusto Business School (DBS); and a patron of the SERES Foundation.</p> <p>He is classified as an “independent director” and holds the positions of Lead Director, Chairman of the Nominating and Compensation Commission of Zardoya Otis, S.A., and Deputy Chairman of its Audit Committee.</p>
MS EVA CASTILLO SANZ	<p>Ms Castillo 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>Subsequently, she was a member of the Board of Directors of Bankia from January 2012 until 2021, when CaixaBank and Bankia merged. Since then she has been on the Board of CaixaBank.</p> <p>Likewise, she sits on the Boards of <i>Fundación Comillas-ICAI</i> and <i>Fundación Entreculturas</i>. Since December 2020, 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>

Number of independent directors	2
Percentage of the Board	28.57%

Remarks
N/A

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

No.

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

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

OTHER EXTERNAL DIRECTORS

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

Name of director	Reason	Company, director or shareholder to whom the director is related
N/A		

Profile
N/A

Total number of other external directors	0
Percentage of the Board	-

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
ROBIN FIALA	01/26/2021	PROPRIETARY DIRECTOR	PERSONAL REPRESENTATIVE OF DIRECTOR

Remarks
Ms Robin Fiala resigned from her position as a member of the Board of Directors on January 26, 2021 As of said date, she was appointed as the personal representative of the legal person director Otis Elevator Company (OEC), replacing Mr Toby Smith, who had represented said director since October 14, 2020 until said date.

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 2021	Year 2020	Year 2019	Year 2018	Year 2021	Year 2020	Year 2019	Year 2018
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	2 (*)	2	3	2	50.00%	50.00%	27.27%	18.18%
Independent	1	1	1	0	50.00%	50.00%	9.09%	0.00%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	3	3	4	2	42.86%	33.33%	36.36%	18.18%

Remarks
(*) The above information includes Ms Robin Fiala as personal representative of the director Otis Elevator Corporation. As of November 30, 2021, the female directors of the Company were: (i) Ms Robin Fiala (personal representative of Otis Elevator Corporation), (ii) Ms Stacy Petrosky, and (iii) Ms Eva Castillo.

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 nomination 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 2021 period (November 30, 2021), three of the seven members of the Board of Directors were proprietary directors, two were independent and two were 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 will ensure that the policies for selecting Board members apply exclusively criteria of merit and capacity, avoiding any bias that might imply gender discrimination that hinders the selection of 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.

At the same time, the director appointment mentioned in section C.1.4 above 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 2021 fiscal year (November 30, 2021), women accounted for 42.86% of the Board of Directors, the same percentage as in the preceding year. Likewise, the Board secretary is a woman.

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. In this respect, it should be noted that directors must have sufficient knowledge of both Spanish and English to enable them to perform their duties, since the Company's majority shareholder is American and, through its subsidiaries, it is present in other countries, such as Portugal, Morocco, Gibraltar and Andorra.

C.1.6 Describe the means, if any, agreed upon by the nomination 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. Also state whether favouring a significant number of women in senior management positions in the company is among these means:

Explanation of means

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

To do this, the Commission itself will ensure that the policies for selecting Board members apply exclusively criteria of merit and capacity, avoiding any bias that might imply gender discrimination that hinders the selection of 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 2021, the percentage of female directors remained at 42.86%, which shows that, as a result of applying the aforementioned policies, the number of women on the Board has been gradually increasing, rising from 18% in 2017 and 2018 to 36.36% in 2019 and 42.86% in 2020 and 2021.

Likewise, the Company's Code of Ethics, called "The Three Otis Absolutes", extends this diversity policy to all areas of the company, expressly stating that *"We do not discriminate, whether on the basis of race, religion, nationality, gender, age, ability, veteran status, marital status, citizenship, creed, sexual orientation or any other bias." ... We also make sure all our hiring and promoting is based fairly on skill and performance. And as champions of diversity and inclusion, we make accommodations for employees or job candidates who are alter-abled and observe all applicable labour and employment laws*".

Applying the foregoing, the Nominating and Compensation Commission promote the inclusion of women with a professional profile showing merits and ability among the potential candidates.

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 nomination committee regarding verification of compliance with the selection policy aimed at promoting an appropriate composition of the board of directors.

The Company is firmly committed to promoting diversity in all its manifestations and this forms part of the Code of Ethics (section C.1.6). As a consequence of this goal, the Board of Directors, jointly with the Nominating and Compensation Commission, succeeded in having the Board of Directors reach a percentage of female directors of 42.86% in 2020, which was maintained in 2021. This, together with the fact that the director profiles are varied and they come from different cultural environments and have experience in different sectors and areas of knowledge that may be related to the Company, the diversity goal is deemed to have been reached satisfactorily.

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 JOAO MIGUEL MARQUES PENEDO	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
MR BERNARDO CALLEJA FERNÁNDEZ	Under the resolution passed by the Company's Board of Directors on January 26, 2021, all the powers of the Board of Directors that could be delegated in accordance with the law the Bylaws were delegated to MR BERNARDO CALLEJA FERNÁNDEZ on a permanent basis.

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 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	ZARDOYA OTIS, S.A.	CHAIRMAN	YES
MR BERNARDO CALLEJA FERNANDEZ	OTIS WORLDWIDE CORPORATION (EEUU)	President for the Europe, Middle East and North Africa area (EMEA)	YES
MR ALBERTO ZARDOYA ARANA	OTIS ELEVADORES LDA. (PORTUGAL)	DIRECTOR	NO
JOAO MIGUEL MARQUES PENEDO	OTIS LIMITED (KENIA)	DIRECTOR	NO
JOAO MIGUEL MARQUES PENEDO	OTIS ELEVADORES LDA. (PORTUGAL)	DIRECTOR	NO
JOAO MIGUEL MARQUES PENEDO	BUGA OTIS ASANSOR SANAYI VE TICARET AS (TURQUIA)	DIRECTOR	NO
JOAO MIGUEL MARQUES PENEDO	OTIS MAROC S.A. (MARRUECOS)	CHAIRMAN	NO
ROBIN FIALA	OTIS ELEVATOR COMPANY (EEUU)	VICE PRESIDENT, SALES AND MARKETING	YES

C.1.11 List any directors or representatives of legal-person directors of your company who are members of the Board of Directors or representatives of legal-person directors of other companies listed on regulated 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	CAIXABANK, S.A.	DIRECTOR
MS EVA CASTILLO SANZ	INTERNATIONAL AIRLINES GROUP	DIRECTOR

Remarks
N/A

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

Yes No

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

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

Board remuneration in financial year (thousand euros)	1,624
Amount of vested pension interests for current members (thousand euros)	856
Amount of vested pension interests for former members (thousand euros)	-

Remarks

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

Name	Position
MR FRANCISCO JAVIER BARQUIN	GENERAL MANAGER
MR DOMINGOS EDMUNDO DA ASCENÇÃO OLIVEIRA	GENERAL MANAGER
MR HICHAM EL MOUSSAIF	GENERAL MANAGER

Number of female senior management staff	0
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Percentage of total members of senior management staff	0%
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Total senior management remuneration (thousand euros)	915
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C.1.15 State whether the Board rules were amended during the year:

Yes No

Description of amendment
N/A

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

1. SELECTION, APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

Likewise, article 5 of the Board of Directors Regulations states that the Board of Directors must ensure that the 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) 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, propose an action plan to improve how it operates, in accordance with the Law.

The Board of Directors evaluated the performance of both the Board itself and its commissions very favourably in the 2021 annual self-evaluation process, maintaining the trend seen in previous years. Therefore, no significant changes have derived in its internal organization or the procedures applicable to its activities. Notwithstanding the foregoing, in 2021, work was carried out on the areas for improvement identified in the Action Plan that resulted from the Board's self-evaluation in the preceding year.

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 12, 2021, the Board of Directors evaluated the results of the annual evaluation of its own performance and that of its commissions during 2020, analyzing the directors' replies to a questionnaire with almost a hundred questions and issuing a report which was prepared with the active participation of all the members of the Board of Directors. Likewise, the report took account of all the comments, suggestions and opinions expressed during the preparation process.

The questionnaire was distributed and supplemented through an information system, implemented in 2020, that guarantees the confidentiality of the opinions expressed by the directors. Through the questionnaire, it was possible to evaluate aspects that might affect the operation and composition of the Board of Directors, since it included questions on 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 improve the way they operate pursuant to the results of 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.

After the end of the 2021 reporting period, the Board of Director reviewed the status of compliance with said plan, the goals that had been met during the 2021 period 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 decided not to engage any consultant or external advisor for the 2021 evaluation

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

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

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

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

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

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

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

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

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

Yes No

If so, please describe the differences.

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

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

Yes No

Description of requirements
N/A

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

Yes No

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

Remarks
N/A

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

Yes No

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

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

In addition, article 11 of the Regulations of the Board of Directors states that each director may authorize another director to represent him 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.

Number of Board meetings	10
Number of Board meetings without the chairman	0

Remarks
N/A

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

Number of meetings	0
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Remarks
N/A

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

Number of meetings held by the Executive Committee	N/A
Number of meetings held by the Audit Committee	7
Number of Meetings held by the Nomination and Remuneration Committee	5
Number of meetings held by the Nomination Committee	N/A
Number of meetings held by the Remuneration Committee	N/A
Number of meetings held by the ____ Committee	N/A

Remarks
N/A

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

Number of meetings when all directors attended	10
% of attendance over total votes during the year	99%
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	100%

Remarks

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
Mr Francisco Bilbao Antón	Chief Financial Officer

Remarks
The Company's individual and consolidated annual financial statements are certified by the Chief Executive Officer and Chief Financial Officer before they are presented to the Board for approval.

C.1.28 Explain any measures established by the board of directors to ensure that the financial statements that the board of directors presents to the general shareholders' meeting are drawn up in accordance to accounting legislation:

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.

Article 12 A) 2.d) of the Regulations of the Board of Directors states that the Audit Committee's duties will include receiving information on and overseeing the process of preparing and presenting financial reporting, reviewing compliance with legal requirements and the correct application of accounting principles. Likewise, sub-paragraph (i) of article 12.A) 2.j) of said Regulations establishes that the Audit Committee must ensure that the interim financial statements are prepared using the same accounting principles as the annual financial statements, and the last paragraph of article 12.A) 3 of the Regulations of the Board of Directors states that the Audit Committee will strive to ensure that the Board of Directors seeks to present the annual statements to the General Shareholders' Meeting without reservations or qualifications in the audit report, and in the exceptional case that these may be included, the chairperson of the Audit Committee and the auditors will give a clear explanation to the shareholders on the content and extent of said reservations and qualifications.

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

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

Yes No

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

Name of secretary	Representative
Ms Lorea García Jauregui	N/A

Remarks

N/A

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

1. INDEPENDENCE OF THE EXTERNAL AUDITORS

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

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

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

- (i) To present 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.

The actions taken by the Company to ensure auditor independence includes the in-person presence of the auditors at least once every fiscal year, in order to explain their actions. Specifically, in the period ended November 30, 2021, the auditors were present at the meeting of the Board of Directors that took place on February 23, 2021.

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

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

- E-mail on the corporate website (info.accionista@otis.com).
- Contact person for information to shareholders:

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.).

Outgoing auditor	Incoming auditor
PricewaterhouseCoopers Auditores, S.L.	KPMG Auditores, S.L.

Remarks
At the General Meeting held on June 16, 2020, a resolution was passed to re-elect the Company's account auditor for fiscal year 2020, PricewaterhouseCoopers Auditores, S.L. and appoint KPMG Auditores, S.L. as the auditor of the Company and its consolidated group for fiscal years 2021, 2022 and 2023. This appointment was the result of a selection process conducted by the Audit Committee in accordance with Regulation (EU) No. 537/201 of the European Parliament and of the Council and other related regulations.

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

Yes No

Explanation of disagreements
N/A

C.1.32 Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees it received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:

Yes No

	Company	Group companies	Total
Amount invoiced for non-audit services (thousand euros)	48	0	48
Amount invoiced for non-audit services/Amount for audit work (in %)	22.97%	0	12.44%

Remarks
N/A

C.1.33 Indicate whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the 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	1	1
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	2.13%	2.13%

Remarks
N/A

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

Yes No

Explanation of procedure

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

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

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

Article 6 of the Regulations of the Board of Directors expressly states that the Chairman of the Board of Directors is 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, the Board, at its first meeting of the year, approved a schedule of the meetings it is intended to hold during the year and the items to be discussed at the meetings, to permit better planning, and specific presentations at Board meetings are arranged 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, which are given by the direct heads of the respective departments involved, also achieve greater communication between the directors and the Company's functional areas.

Likewise, to make the information and documentation necessary for deliberations and decision-making available to the directors, a specific software application is used. This 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 affect them, related or not to their actions in the company, and that may harm the company's name 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, unless there are special circumstances that have been recorded in the minutes, whether to board has been informed or otherwise become aware of any situation that affects a director, related or not to their actions in the company, that might harm the company's name or reputation.

Yes No

Name of director	Nature of the situation	Remarks
N/A		

State whether the Board of Directors has examined the case. If so, explain in detail whether, attending to the particular circumstances, it has adopted any measure, such as opening an internal investigation, calling on the director to resign or proposing his or her dismissal.

Also state whether the board's decision was supported by a report from the nominations committee.

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.

Number of beneficiaries	1
Beneficiary	Chief Executive Officer

Description of agreement	<p>The only director entitled to an indemnity in the event of termination of his/her contract is the CEO. The indemnity consists of 45 days' remuneration per year as from his appointment as the Company's CEO (i.e. January 26, 2021) 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>
Number of beneficiaries	1
Description	Chairman
Description of agreement	Non-competition clause for 2 years as from finalization of his contract, receiving a sum equivalent to 12 monthly salary payments during that period.

Number of beneficiaries	2
Beneficiary	Managers
Description of agreement	<p>The Company pays the compensation of several Otis Elevator Company executives who are former employees of the Company, although the amount is reimbursed to the Company by Otis Elevator Worldwide Sprl.</p> <p>One of these executives 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>

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
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Remarks
N/A

C.2 Committees of the Board of Directors

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

EXECUTIVE COMMITTEE

N/A

AUDIT COMMITTEE

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

Remarks
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.

During the 2020 period, the Audit Committee led the process of selecting and engaging new auditors, which was carried out in accordance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council and other related regulations. It concluded with the appointment of the new external account auditor at the General Shareholders' Meeting of June 16, 2020, where the change of auditor for the years 2021, 2022 and 2023 was approved (See C.1.31)

- (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 14, 2020, the Audit Committee reviewed and supervised the effectiveness of internal control, internal audit and risk control management during 2020, and supervised the proposals and approved the plan and budget of the internal audit service for 2021. Likewise, throughout the year, it monitored the actions take by the internal audit service.

- (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 23, 2021, 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 2020 profit at its meeting of December 14, 2020 and regarding payment of the first quarterly interim dividend charged to the 2021 profit at the Audit Committee meeting held on March 22, 2021. Lastly, it reported on payment of the second quarterly interim dividend charged to the 2021 profit at the Audit Committee meeting held on September 21, 2021.
- (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 received information on and assessed the security control systems of the Company's information and/or technological systems (cybersecurity) at its meeting of October 13, 2021.

Likewise, at its meeting of January 26, 2021, the Audited Committee reviewed and assessed the actions taken in compliance with the following corporate policies: corporate social responsibility, tax policy, investment and financing policy, dividend

policy, control and risk policy, and crime prevention policy, also evaluating whether it was necessary to update them.

- (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 October 13, 2021, the Audit Committee received a presentation given by the Manager of the Systems Department on the identified risks present in relation to said Department. Likewise, during the year, the Compliance Officer (ECO) gave several presentations to the Audit Committee on the activity of his department, specifically at the meetings of January 26, March 22, July 27 and October 13, 2021.
- (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 February 23, 2021.
 - 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 outgoing external auditors attended the Audit Committee meeting on January 28, 2021. Subsequently, at the Audit Committee meeting of February 23, 2021, the outgoing and incoming auditors attended, in order to report on the actions taken to make an orderly transition in the change of audit firm. (See C.1.31). The Audit Committee met with the auditors again on April 12 and July 27, 2021, as recorded in the minutes of said meetings.

- (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 23, 2021 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. In particular, in 2021, meetings were held with the current auditor on April 12, 2021 and July 27, 2021.
- (h) Encourage the group auditor to take on the auditing of all the Group companies. In this respect, the account auditors review the individual financial statements of each one of the subsidiaries as part of their audit process at consolidated level.
- (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. Specifically, the Audit Committee was informed directly by the group ECO on the actions taken by the Compliance Department at the Committee meetings held on January 26, 2021, March 22, 2021, July 27, 2021 and October 13, 2021.

- (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 23, 2021, the Audit Committee reviewed the 2020 Annual Corporate Governance Report. Likewise, at its meeting of December 14, 2020, it reviewed the actions taken to implement the distribution of and compliance with the Internal Code of Conduct and, at its meeting of January 26, 2021, it reviewed and assessed 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 26, 2021, the Audit Committee approved the financial reporting for the fourth quarter of 2020, which was then sent to the CNMV. Likewise, at its meeting of April 12, 2021, the information for the first quarter of 2021 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 27, 2021 in relation to the first semester of 2021. Lastly, at its meeting of October 13, 2021, the Audit Committee reviewed the information for the third quarter of 2021, 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 December 14, 2020, January 26, 2021 and July 27, 2021, 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 2021 and reviewed the status of compliance with the action plan to implement improvements as a result of the previous evaluation at its meeting of December 14, 2020.
- The Audit Committee issued a report on the payment of the quarterly interim dividends on each occasion.
- Lastly, in relation to the situation created by COVID-19, the Audit Committee carried out regular monitoring throughout the year in order to analyze the situation, studying the legal regulations that affected the Company in order to review the evolution of the pandemic regularly and be able to adopt 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 section 2.c) 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 section 2.e) above.

The Audit Committee met on 7 occasions in the 2021 reporting period.

When the 2022 Ordinary General Shareholders' Meeting is called, a report on the operation of the Audit Committee during the period ended November 30, 2021 will be placed at the shareholders' disposal.

Identify the members of the audit commission who were appointed due to their knowledge and experience in accounting, auditing or both and state the date on which the chairperson of this commission was appointed.

Names of directors with experience	MS EVA CASTILLO SANZ (Chairperson) MR JOSÉ MIGUEL ANDRÉS TORRECILLAS MS STACY PETROSKY
Date of appointment of chairperson	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.

NOMINATION AND REMUNERATION COMMISSION

Name	Post	Category
MR JOSÉ MIGUEL ANDRÉS TORRECILLAS	CHAIRPERSON	Independent
OTIS ELEVATOR COMPANY (represented by Ms Robin Fiala)	DEPUTY CHAIRPERSON	Proprietary
MS EVA CASTILLO SANZ	MEMBER	Independent
MS STACY PETROSKY	MEMBER	Proprietary
% of proprietary directors		50.00%
% of independent directors		50.00%
% of other external directors		0.00%

Remarks
There is a vacancy on the Nominating and Compensation Commission due to the resignation of Ms Robin Fiala from her position on the Board of the Company and, consequently, from her position on the Committee (notwithstanding her subsequent appointment as the personal representative of the director Otis Elevator Co. to replace Mr Toby Smith on 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 in 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.

- (d) To report on the proposals for appointment of other directors in order for them to be appointed by co-option or for their appointment to be submitted to the decision of the General Meeting, as well as proposals for the re-election or removal of said directors by the General Meeting.

In particular, the Nominating and Compensation Commission:

- at its meeting of January 26, 2021, issued a reports on:
 - the appointment of Mr Bernardo Calleja as Executive Chairman after his resignation as Chief Executive Officer,
 - the appointment of Ms Robin Fiala as the personal representative of the director Otis Elevator Company, and
 - the co-option of Mr Joao Miguel Marques Penedo as a new member of the Board of Directors and Chief Executive Officer.
- at its meeting of April 12, 2021, in order to approve the notice of the General Meeting:
 - it proposed the ratification and re-election of Mr Joao Miguel Marques Penedo as an executive director,
 - reported on the acknowledgement of the appointment of Ms Robin Fiala as the personal representative of the director Otis Elevator Company,
- at its meeting of May 19, 2021, after the pertinent approvals/ratifications by the General Meeting, it reported favourably on the re-election of Mr Joao Miguel Marques Penedo as Chief Executive Officer.

To report on the proposal for appointment of internal positions within the Board of Directors.

- (e) To propose the members of each committee to the Board of Directors.
- (f) To report to the Board of Directors on the nomination and removals of members of senior management and propose and report to the Board of Directors on the basic conditions of their contracts. At its meeting of March 19, 2021, after the General Shareholders' Meeting had approved the new compensation policy for 2021, 2022 and 2023, it reported in favour of the conditions of the contracts of the Chief Executive Officer and the Chairman of the Board.
- (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 that a proposal be put to the Board for the modification of the contracts signed by the Company with the Chairman and the Chief Executive Officer, respectively.

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 December 15, 2020, January 26, 2021, February 23, 2021, April 12, 2021 and May 19, 2021, the Nominating and Compensation Commission made a director and senior management compensation proposal for 2021 (including a report in the incentive plan). Likewise, at the meeting of the Commission held on April 12, 2021, a new compensation plan applicable to Board members was proposed for the years 2021 to 2023, which was subsequently approved by the Board of Directors and then by the General Meeting of May 19, 2021.

- (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 2020.
- (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 schedule for the 2021 period and reviewed the status of compliance with the action plan to implement improvements as a result of the previous evaluation at its meeting of December 15, 2020.

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 2022 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.

NOMINATION COMMITTEE

N/A

REMUNERATION COMMITTEE

N/A

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

	Number of female directors							
	Year 2021		Year 2020		Year 2019		Year 2018	
	No.	%	No.	%	No.	%	No.	%
AUDIT COMMITTEE	2	66.66%	2	66.66%	2	66.66%	2	66.66%
NOMINATING & COMPENSATION COMMISSION	3 (*)	60.00%	3	60.00%	3 (*)	60.00%	3	60.00%

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

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

- a) The rules on the organization, operation and duties of the two committees (Audit Commission and Nominating and Compensation Commission) are included in the Regulations of the Board of Directors, which may be consulted on the Company's website: (<http://www.otis.com/es/es/accionistas-inversores/>) and did not change in the 2021 reporting period.
- b) When the General Shareholders' Meeting is called, reports on the activities conducted by the Audit Committee and the Nominating and Compensation Commission in the preceding reporting period are published annually. It is planned to prepare annual reports on their activities in 2021 to be published when the 2022 General Shareholders' Meeting is called.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Describe, if applicable, the procedure and competent bodies 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 2021 in particular at its meeting of February 23, 2021, the Audit Committee 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 the two main contracts with the majority shareholder (the TAC and the Technical Assistance Agreement). At its meetings December 14, 2020 and January 26, 2021 and July 27, 2021, it again reviewed related transactions in general, notwithstanding the fact that, throughout the year, contracts are analyzed by the Audit Committee whenever this is deemed necessary and the Committee's proposal or opinion is then submitted to the Board of Directors. All the transactions were subsequently approved unanimously by the Board of Directors.

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

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

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
OTIS ELEVATOR COMPANY (OWC)	ZARDOYA OTIS, S.A.	Contractual	Licence agreements	19,964
OTIS WORDLWIDE CORPORATION (OWC)	ZARDOYA OTIS, S.A.	Transactions	Long-term incentive with OWC shares	832

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
OTIS WORDLWIDE CORPORATION (OWC)	ZARDOYA 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 WORDLWIDE CORPORATION (OWC)	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	2,112
OTIS ELEVATOR COMPANY	Otis Intercompany Lending Ireland Designated	Contract for cash deposit made by Zardoya Otis, S.A. with Otis Elevator Company	Cash deposit made by Zardoya Otis, S.A. with Otis Elevator Company	20,500

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)
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OTIS ELEVATOR COMPANY		Director	Imports (from) Otis Elevator Company	46,356
OTIS ELEVATOR COMPANY		Director	Exports (to) Otis Elevator Company	165,708
OTIS ELEVATOR COMPANY		Director	ID charge back of the Company (to) Otis Elevator Company	4,233
OTIS ELEVATOR COMPANY		Director	Cash deposit made by Zardoya Otis, S.A. with Otis Elevator Company	20,500

Remarks
N/A

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

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

Name of entity within the group	Brief description of the transaction	Amount (thousand €)
Otis Elevator Company	Imports (from) Otis Elevator Company	46,356
Otis Elevator Company	Exports (to) Otis Elevator Company	165,708
Otis Elevator Company	ID charge back of the Company (to) Otis Elevator Company	4,233
Zardoya Otis (Gibraltar) Limited.	Exports and services (to) Zardoya Otis (Gibraltar) Limited	870
Otis Elevator Worldwide Sprl	Service contract (from) Otis Elevator Worldwide Sprl	484
Otis Elevator Worldwide Sprl	Service contract (to) Otis Elevator Worldwide Sprl	2,112
Otis Intercompany Lending Ireland Designated	Cash deposit made by Zardoya Otis, S.A. with Otis Elevator Company	20,500

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 State whether the company is controlled, pursuant to the meaning established in article 42 of the Commercial Code, by another listed or non-listed entity and has, either directly or through its subsidiaries, business relationships with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to the activities of any of them.

Yes No

State whether the respective areas of activity and possible business relationships between, on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries have been disclosed publicly with specific information:

Yes No

State the respective areas of activity and possible business relationships between, on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries and identify where these aspects have been disclosed publicly.

See sections D.2, D.3 & D.4

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

Measures taken to resolve potential conflicts of interest

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 13, 2021, the Audit Committee assessed the effectiveness of the internal control during the preceding reporting period and established an action plan for 2022.

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 Ethics and Compliance Officer or ECO Coordinator for all the entities that form part of the group of which the Company is the parent, approved by the Board of Directors. The ECO Coordinator is responsible for coordinating the actions concerning the subject in all the companies over which effective control is held. 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 ethics training and communication for employees.

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 and allowing communications to be made anonymously, respecting the rights of both the complainant and the accused party.

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) Anonymity: the identity of the person making a communication is protected.
- b) Confidential treatment.
- c) Neutrality: support is given neither to Management nor to the employee.
- d) Independence: there is no hierarchical relationship between the person responsible for the program and Management.
- e) 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 – Reports sent through a secure dedicated website, provided by an external provider. <https://otis.weblines.saiglobal.com/>
- c) By email – Sending an email to ethics@otis.com.
- d) By post – Sending a letter or report form (translated versions are available) to Otis Global Ethics and Compliance.

The program ensures that no type of retaliation is taken against persons who, in good faith, report any irregularity or suspicion, in the event that their identity might be disclosed.

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

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

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

F.2 Assessment of financial information risks

Report on at least the following:

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

Whether the process exists and is documented.

The Group has a risk management system (the “Risk Map”), which is conducted by the Group’s different operating and functional units and submitted for review by the Audit Committee and Board of Directors. The Risk Map is based on integrated management of each and every one of the business processes and an appropriate segregation of the levels of risk, in order to achieve compliance with the strategic objectives fixed by the Group.

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

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

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

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

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

Likewise, following the best corporate governance practices, article 15.2.a) of the Regulations of the Audit Committee and article 12 (A) 2. (j). (ii) of the Regulations of the Board of Directors include, among the duties of the Audit Committee, the need to provide a report to the Board of Directors before the latter adopts any decisions on the creation or acquisition of shares or interests in special-purpose vehicles or entities resident in countries or territories considered tax havens, as well as any other similar transactions or operations that, given their complexity, could impair the Group’s transparency.

If the process takes into account the effects of other types of risk (operational, technological, financial, legal, 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 could subject to 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, 2021, this being the first year of audit, several meetings took place, on February 23, April 12 and July 27, 2021 and on January 28 and February 25, 2022) and presents the findings of its work at said meetings (See C.3.31). 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.

The ICFR information submitted has been review by the external auditor which its report attached to this 2021 Corporate Governance Report on the Company.

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons so 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 listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:

- a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.
- a) The mechanisms established to resolve any conflicts of interest that may arise.

Complies Complies partially Explanation Not applicable

See section D.

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.

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies Complies partially Explanation

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

Given the Company's shareholder structure, where the number of institutional investors is very low, the Company has not, to date, prepared a formal policy of communication but, rather, employs general channels of communication, with practices and interlocutors appropriate to the specific case. Specifically, dates and meetings have been 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 nomination and remuneration committee.**
 - c) **Report by the audit committee regarding related-party transactions**

Complies Complies partially Explanation

Reports on auditor independence and the operation of the audit committee and nominating and compensation commission are prepared. The Audit Committee makes a detailed evaluation of both related-party transactions and the corporate social responsibility policy, although no ad hoc reports are prepared on these subjects.

7. That the company broadcasts live, through its website, the proceedings of the General Shareholders' Meetings.

And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

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, given the present special circumstances of health alert and restrictions on movement and meetings established by the legislation applicable during the 2020 reporting period, both the 2020 General Shareholders' Meeting and the 2021 General Shareholders' Meeting were held on a mixed basis (in person and online) and were streamed on the Company's corporate website. An electronic platform was enabled in order to hold the 2020 and 2021 General Shareholders' Meetings, so as to encourage the participation of all the shareholders without the need to attend in person. Distance and online voting was also enabled.

8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.

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 if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.**

Complies Complies partially Explanation Not applicable

12. **That the Board of Directors should perform 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 should seek to reconcile its own company interests, when appropriate, with the legitimate interests of its employees, suppliers, clients and other stakeholders that may be affected, 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 in a collegial manner, and that its optimum size is between five and fifteen members.**

Complies Explanation

14. **That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:**

- a) **Is concrete and verifiable.**

- b) **Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and**
- c) **Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.**

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the nomination 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.

The nomination 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 end of 2021, the percentage of female directors was 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.**

And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less than 30% prior to that date.

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 large-cap companies where very few shareholdings are legally considered significant.**

- b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.**

Complies Explanation

- 17. That the number of independent directors should represent 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 share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies Explanation

At the end of the reporting period, 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 to enable the Board to operate more flexibly and efficiently. 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, remaining stable in 2021.

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) Company shares and share options that they own.**

Complies Complies partially Explanation

19. That the Annual Corporate Governance Report, after verification by the nomination 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 shareholding. 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 nomination 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 takeover bid, merger or other similar corporate 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 application of the proportionate representation criterion provided in Recommendation 16.

See section: C.1.21

Complies Explanation

22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.

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 resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.

And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

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 nomination committee ensures that non-executive directors have sufficient time available 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 shareholdings 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 the duties assigned by law and the articles of incorporation, 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 make this advisable.**

Complies Complies partially Explanation

34. **That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; 127 to 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 to coordinate a succession plan for the chairman.**

Complies Complies partially Explanation Not applicable

When the Bylaws and Regulations of the Board of Directors were last amended, the need for the Company to have a Coordinating Director did not exist.

When the need for a Coordinating 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 Coordinating Director. He was re-elected to this position at the Board meeting of July 28, 2020.

It was decided that the Coordinating 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 Coordinating 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 nomination 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 nomination 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, it must contain at least two non-executive directors, at least one of whom must be independent, 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 unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, 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) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational, technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.**
- b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.**
- c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.**
- d) Generally ensuring that internal control policies and systems are effectively applied in practice.**

2. With regard to the external auditor:

- a) In the event that the external auditor resigns, examining the circumstances leading to such resignation.**
- b) Ensuring 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) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.**
- d) Ensuring 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 the development of its accounting and risks faced by the company.**
- e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing,**

limits on the concentration of the auditor's business, and, in general, all other rules regarding auditors' 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 (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.**
- b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.**
- c) The level of risk the company considers acceptable.**
- d) Measures in place to mitigate the impact of risks identified in the event that they should materialise.**
- e) Internal control and information systems to be used in order to control and manage the aforementioned 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, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:**

- a) Ensuring 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 participating in drawing up the risk strategy and in important decisions regarding risk management.**
- c) Ensuring 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 in designating members of the nomination and remuneration committee -- or of the nomination committee and the remuneration committee if they are separate – care be taken to ensure that they have the knowledge, ability and experience appropriate to the functions that they are called upon to perform 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. Until recently, the percentage represented by independent directors of the Company's total directors was 18.18%, which has now increased to 28.57%.

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 large-cap companies have formed separate nomination 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 nomination 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 nomination 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) Proposing basic conditions of employment for senior management.

- b) **Verifying compliance with company remuneration policy.**
- c) **Periodically reviewing 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) **Making sure that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.**
- e) **Verifying 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 should consult 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 foregoing recommendations, including:**

- a) **That they be composed exclusively of non-executive directors, with a majority of independent directors.**
- b) **That their chairpersons 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 each committee 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) in relation to the Nominating and Compensation Commission.

53. **That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee**

of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of selforganisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies Complies partially Explanation Not applicable

54. The minimum functions referred to in the foregoing recommendation are the following:

- a) **Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.**
- b) **Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.**
- c) **The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.**
- d) **Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy**
- e) **Supervision and evaluation of the way in which relations with the various stakeholders are handled.**

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.

55. That environmental and social sustainability policies identify and include at least the following:

- a) The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct**
- b) Means or systems for monitoring compliance with these policies, their associated risks, and management.**
- c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.**
- d) Channels of communication, participation and dialogue with stakeholders.**
- e) Responsible communication practices that impede the manipulation of data and protect integrity and honour.**

Complies Complies partially Explanation

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 judgement of non-executive directors.

Complies Explanation

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to 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 professional performance of its beneficiaries and 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 incurred 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 the company's rules and internal operating procedures and with its risk management and control policies.
- c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous performance over a period long enough to assess its contribution to the sustainable creation value such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.

Complies Complies partially Explanation Not applicable

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Complies Complies partially Explanation Not applicable

60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.

Complies Complies partially Explanation Not applicable

61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or instruments referenced to share value.

Complies Complies partially Explanation Not applicable

62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Complies Complies partially Explanation Not applicable

- 63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.**

Complies Complies partially Explanation Not applicable

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

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

- 64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.**

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies Complies partially Explanation Not applicable

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

H. FURTHER INFORMATION OF INTEREST

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

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

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

The Company does not adhere to the Code of Good Tax Practices of July 20, 2010.

The company OPAL SPANISH HOLDINGS, S.A. (OPAL), an entity indirectly controlled by Otis Worldwide Corporation, has issued a voluntary public tender offer for the acquisition of the totality of the shares that represent the share capital of Zardoya Otis, S.A. In this respect, on September 23, 2021, OPAL sent the prior announcement of a public tender offer to the CNMV. Subsequently, on October 15, 2021, OPAL applied to the CNMV for the authorization necessary to issue the Offer (other relevant information register No. 12210) and said application was admitted for processing by the CNMV on October 28, 2021 (other relevant information register No. 12426). As of the date of issue of this report, the CNMV has not adopted a decision on said application.

Likewise, on December 21, 2021, the Company published inside information (register No. 1231) at the CNMV stating that OPAL had signed an agreement with Euro-Syns whereby the latter undertook to accept irrevocably the Offer for the totality of its shareholding at a price of 7.14 euros per share. Consequently, OPAL agreed to increase the price of the Offer to 7.14 euros per share, although, as of January 6, 2022, it will be adjusted to 7.07 euros per share due to the dividend announced by ZOSA on December 14, 2021.

This annual corporate government report was approved by the Board of Directors of the Company at its meeting held on February 25, 2022.

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

ANNUAL REPORT ON COMPENSATION OF DIRECTORS OF LISTED COMPANIES



ISSUER IDENTIFICATION

YEAR-END DATE	11/30//2021
Tax identification No. (C.I.F.)	A28011153
COMPANY NAME	ZARDOYA OTIS, S.A.
REGISTERED OFFICE	CALLE GOLFO DE SALÓNICA, 73. MADRID

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

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

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

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

At any event, the following aspects should be reported:

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

Explanation

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

In the fiscal year ended November 30, 2020, the Compensation Policy approved by the General Meeting on May 24, 2017 for the fiscal 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**"). At the Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. held on June 16, 2020, a new policy was approved applicable to the years 2021, 2022 and 2023.

Before being approved by the General Meeting of June 16, 2020, to which it was submitted by the Board of Directors, the Compensation Policy was proposed by the Nominating and Compensation Commission at its meeting of April 14, 2020, confirming it complied with the applicable regulations and was appropriate to the economic context, the Company's results and the most consolidated market practices.

In 2021, the Company's Board of Directors, at the proposal of the Nominating and Compensation Commission, resolved to again submit the Director Compensation Policy **for the fiscal years 2021, 2022 and 2023** for the approval of the General Shareholders' Meeting. The text of the Policy is based on a substantiated report and proposal received from the Company's Nominating and Compensation Commission, all the terms of which were assumed by the Board.

The compensation of directors, both in their capacity as such and for performing executive functions, included in the Compensation Policy is consistent with the compensation system set out in the Capital Companies Law, the Company's Bylaws and the Regulations of the Board of Directors, as well as the motion that was put to the General Shareholders' Meeting.

The Ordinary General Shareholders' Meeting of Zardoya Otis, S.A. was held on May 19, 2021 and approved the **new policy applicable for fiscal years 2021, 2022 and 2023**, which does not differ significantly from the policy applied in the year ended November 30, 2020. **This new Compensation Policy is 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.** Said Policy replaced the Director Compensation Policy in force up to that time, which had been approved at the Ordinary General Shareholders' Meeting of June 16, 2020, and **will be applicable for the fiscal years 2021** (for which the approval given at the Ordinary General Shareholders' Meeting of June 16, 2020 was completed and revised), **2022 and 2023**.

Likewise, at said 2021 General Meeting, a dispensation was approved so that the Executive Chairman and the Chief Executive Officer could, if applicable, receive long-term incentives from Otis Worldwide Corporation (the Company's parent), consisting of different Otis Worldwide Corporation share-based instruments, in the terms set out in the aforementioned Director Compensation Policy. This dispensation was granted to the extent necessary for the purposes of articles 229 and 230 of the Capital Companies Law.

The Board considered the proposed Compensation Policy to meet the guiding principles set out therein, to include director compensation appropriate to the directors' dedication and responsibilities without compromising the independence of their criteria, and to be oriented towards promoting the Company's long-term profitability and sustainability.

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 capacity 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 fiscal 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.
 - 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 compensation of directors for their executive functions 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. Performance and the degree of adaptation to the abilities 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 on the global compensation of the directors in their capacity 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.

In 2020, only one director performed executive functions, the Chief Executive Officer, who, at the same time, was Chairman of the Board of Directors. **As of January 26, 2021, the Company has had two directors with executive functions: the Executive Chairman, Mr Bernardo Calleja Fernández, and the Chief Executive Officer, Mr Joao Penedo.**

On this basis, the Compensation Policy for the fiscal years 2021, 2022 and 2023 approved at the Ordinary General Shareholders' Meeting held on May 19, 2021 establishes that the **compensation of said executive directors will have fixed and variable components**, mentioning that, at that time, **the executive directors were the only directors who received variable compensation linked to the Company's performance and their own personal performance**. Payment of the variable compensation takes account of whether said executive directors have complied with the Company's regulatory and ethics rules and procedures. In the event of any failure to comply with the regulations, the Company will be entitled to reduce the variable compensation of any executive director or, in very serious case, eliminate it.

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

(A) Fixed compensation

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

(a) Executive Chairman: 124,000 euros

(b) Chief Executive Officer: 231,000 euros

The above amounts may vary in each of the years 2022 and 2023 with a maximum limit of 30,000 euros per year.

- (ii) Contributions and payments to pension and insurance systems
The Company will make the following contributions and payments to pension and insurance systems in favour of the executive directors:

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

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

(2) These sums may be revised annually in accordance with the variation in the applicable CPI- National General Index (being revised and updated in November each year).

(3) The amount of 64,764.88 euros may be revised annually in November in accordance with the variation in the applicable CPI-National General Index calculated in November each year.

(4) 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).

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

- (iii) Liability insurance
The Company will take out liability insurance for the executive directors.
- (iv) Other remuneration in kind
The executive directors are assigned a company car for personal and professional use and receive, as compensation in kind, a fuel card, all of which is in accordance with the general policy applicable to members of company management.

(B) Variable compensation

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

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

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

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

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

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

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 fiscal 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 executive directors 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)	OWC long-term incentive scheme
Executive directors	2 ⁽¹⁾	YES	YES	NO	YES
Proprietary directors	3	NO	NO	YES ⁽²⁾	NO
Independent directors	2	NO	NO	YES ⁽²⁾	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 vesting 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 vested 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

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 directors have 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 directors have a long-term incentive package due to their status as OWC group executives. 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 executive directors is based on their performance over several years and the sustainable long-term value they create 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 May 19, 2021 at the Ordinary General Shareholders' Meeting, which actually reduces the sums permitted.

Notwithstanding the foregoing, as mentioned above, the Board has revised the Compensation Policy 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 capacity 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 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 are 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.

- ***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 of May 19, 2021 is applicable. The part applicable to the fixed compensation of the executive directors, is as follows:

(A) Fixed compensation

(i) Fixed portion

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

- (a) Executive Chairman: 124,000 euros.
- (b) Chief Executive Officer: 231,000 euros.

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

(ii) Contributions to pension and insurance systems

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

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

Accident insurance premiums	€423.13	€1,000 ⁽²⁾	€1,000 ⁽²⁾
Health insurance premiums	€3,000	€7,000 ⁽²⁾	€7,000 ⁽²⁾

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

(2) These sums may be revised annually in accordance with the variation in the applicable CPI- National General Index (being revised and updated in November each year).

(3) The amount of 64,764.88 euros may be revised annually in November in accordance with the variation in the applicable CPI-National General Index calculated in November each year.

(4) 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).

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

(iii) Liability insurance

The Company will take out liability insurance for the executive directors.

As indicated, the fixed remuneration conditions approved for the two executive directors are framed within these guidelines, the amounts actually 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 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 addition, 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.

In the event that, finally, a new Director Compensation Policy is proposed to this year's General Shareholders' Meeting for the periods 2022 and 2023, said amounts may be revised with the prior approval of the Meeting.

- ***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, at the end of the year, with the parameters used in the design of the variable compensation, explaining the criteria and factors applied in regard to the time required and methods of verifying that the performance or any other conditions linked***

to the accrual and vesting of each component of variable remuneration have effectively been met

- *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, states that:

(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 their 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 fiscal year 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

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

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

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

The Policy states that the compensation system described for the executive directors 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 vest 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 vesting 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 executive directors:

Item	Amount for 2020	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	7% of 64,764.88 euros, plus 23% of the difference between the gross fixed annual compensation and 64,764.88 euros
Insurance policy contribution to defined-benefit pension schemes	-	-	€7,000

The Policy states that the compensation system described for the executive directors 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, as mentioned above, the Board has revised 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 May 19, 2021.

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 is 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 is 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 con- 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.

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- ***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.

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- ***Other items of remuneration such as any deriving from the company's granting the director advances, loans or guarantees or any other remuneration.***

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.

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- ***The nature and estimated amount of any other planned supplementary compensation accrued by directors in the year in progress that is 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 another 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. The aforementioned company belonging to the Otis group pays this compensation in full and, thus it does not entail any cost for 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 May 19, 2021 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 June 16, 2020 to be applied in the years 2021, 2020 and 2021.

At the aforementioned 2021 General Meeting, the Compensation Policy for fiscal years 2021, 2022 and 2023 was approved, supplementing and revising the Policy approved at the 2020 General Meeting and including 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). This Policy reflected the change in the number of executive directors, which had risen from one to two, and included some additional items of compensation that the executive directors may receive, as well as some technical or supplementary improvements.

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/documents/256045/60104368/Directors+Compensation+Policy+approved+at+19-05-2021+GSM.pdf/2d487798-138b-c123-f3ad-acfbb169d916?t=1644417966415>

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 2021 General Shareholders' Meeting, the percentage of votes in favour of the resolution concerning the consultative vote on the Annual Director Compensation Report was 90.83% 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 2020, which are maintained in the Compensation Policy approved at the General Meeting held on May 19, 2021, 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 2021 meeting, to limit the total amount of the compensation to 500,000 euros for 2021 (683,333.34 euros for 2020), thus reducing the amounts in previous years even further.

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 2021 meeting, the Board of Directors decided to pay 250,000 euros on account of the compensation of the directors in their capacity as such for 2021 (after the end of the first semester of 2021), 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 executive directors

(A1) Mr Bernardo Calleja Fernández, the Company's Executive Chairman in 2021, received fixed compensation for carrying out executive duties.

This **fixed compensation** was 166,857.12 euros in 2021. The amount for 2020 was 292,499.98 euros, when Mr Bernardo Calleja Fernández held the positions of both Executive Chairman and Chief Executive Officer. Likewise, during 2021, the Company contributed 76,000.00 euros to the defined-contribution **pension scheme** taken out for Mr Bernardo Calleja Fernández (77,009.69 euros in 2020).

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).

(B1) The **variable compensation** of the Executive Chairman was approved by the Board of Directors (at the proposal of the Nominating and Compensation Commission). This variable compensation consisted of a cash sum of 194,400.00 euros in 2021 (240,000.00 euros in 2020).

In addition, the Executive Chairman 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 2021, an OWC share package, received from OWC, for an amount of 306.879.69 euros was released to the Executive Chairman, corresponding to packages awarded in previous years. The sum released in 2020 was 673,431.43 euros, when Mr Bernardo Calleja Fernández held both the aforementioned positions.

(A2) Mr Joao Penedo, as the Company's Executive Chairman since January 26, 2021, received fixed compensation for carrying out executive duties.

This **fixed compensation** was 179,929.58 euros during the year ended November 30, 2021.

Likewise, during 2021, the Company contributed 42,767.62 euros to the defined-contribution **pension scheme** taken out for Mr Joao Penedo in 2021.

These 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).

(B2) The **variable compensation** of the Chief Executive Officer was approved by the Board of Directors (at the proposal of the Nominating and Compensation Commission). This variable compensation consisted of a cash sum of 154,000.00 euros in 2021.

In addition, the Executive Chairman 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.

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 2021 (42.86% 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 until 2018 (well below the quantitative limit fixed in the relevant Compensation Policy). The Board of Directors reduced that amount to 1,033,000 euros in 2019, 683,333.34 euros in 2020 and even further, to 500,000 euros, in 2020, as a result of the changes made to the Board of Directors over the last few years. 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 and vested in 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 2021, 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 capacity as such did not exceed the upper limit of 2,000,000 euros fixed in the Compensation Policy.

The individual fixed compensation of executive directors for their executive duties accrued in 2021 was calculated by applying the amounts approved by the Board of Directors at its February 2021 meeting (at the proposal of the Nominating and Compensation Commission), within the regulatory framework established by the Bylaws, the Compensation Policy and the contracts signed between the executive directors and the Company (which were approved in accordance with the requirements of the Capital Companies Law). Likewise, the Board of Directors, jointly 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 directors' variable compensation, including, but not limited to,

compliance with the Company's regulatory and ethics rules and procedures, management and risk control rules and procedures, and rules and procedures for personal safety 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
Votes cast	333,770,358	70.94%

	Number	% of votes cast
Votes against	30,140,684	9.02%
Votes in favour	303,629,674	90.83%
Abstentions	502,652	0.15%

B.5. Explain how the fixed components accrued and vested 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 500,000 euros in 2021 as Bylaw-stipulated compensation (683,333.34 euros in 2020).

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, 2021, there were no delegate bodies other than the Chief Executive Officer, Mr Bernardo Calleja Fernández, and the Company's Chief Executive Officer, Mr Joao Penedo, who had been assigned management duties.

The salaries for 2021 of both the Executive Chairman and the Chief Executive Officer were approved by the Board of Directors at its February 2021 meeting. The amounts are set out in section B.1. These amounts reflect the fact that, during 2020, only one director held executive functions, the Chief Executive Officer, who was, at the same time, the Chairman of the Board of Directors. Since January 26, 2021, the Company has two directors with executive functions: the Executive Chairman and the Chief Executive Officer.

B.7. Explain the nature and the main characteristics of the variable components of the compensation systems accrued and vested 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, any vesting conditions that apply, 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, explaining the criteria and factors applied in regard to the time required and the methods of verifying that the performance or any other kind of condition linked to the accrual and vesting of each component of variable remuneration have effectively been met.

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 (vesting) 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.

– Information is to be provided on any periods for accrual, vesting or deferment of payment of vested amounts applied and/or the periods for retention/unavailability of shares or other financial instruments, if any.

Pursuant to the Compensation Policy, the contracts 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 Executive Chairman, and Mr Joao Penedo, as the Chief Executive Officer, had received the following amounts as variable compensation components at the end of the 2021 period:

a) Annual incentive

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 2020).

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 ethics rules and procedures during the year is also assessed.

In particular, the annual incentive paid to the Executive Chairman in 2021 was 194,400 euros (240,000 euros in 2020), calculated on the gross fixed compensation at December 31, 2020 equivalent to 324,000 euros (300,000 euros at December 31, 2019), representing a variable incentive of 60.00% in 2021 (80.00% in 2020), which means a coefficient of 1.00 in 2021 (1.33 in 2020) applied to the target amount.

The annual incentive paid to the Chief Executive Officer in 2021 was 154,000 euros, calculated on a gross fixed compensation at 31 December, 2020 equivalent to 220,000 euros, representing a variable incentive of 70.00% in 2021, which means a coefficient of 1.40 in 2021 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 – shares or other OWC instruments.** Both Mr Bernardo Calleja Fernández and Mr Joao Penedo, since they are OWC (formerly UTC) Group executives, 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 2021 was 306,879.69 euros (673,431.43 euros in 2020), applying the following measurement criteria:

- (i) the shares are valued when they are given to the executive directors, inasmuch as they are not subject to any subsequent condition (they are vested from the beginning); and
- (ii) options are valued when the executive directors can exercise them.

For the totality of the Company's directors, the long-term OWC (formerly UTC) incentive scheme, represented a sum of 306,879.69 euros in 2021 (673,431.43 euros in 2020). The only directors benefiting from said scheme in 2021 were Mr Bernardo Calleja Fernández and Mr Joao Penedo.

Payment of variable compensation takes account of whether the executive directors have complied with the Company's regulatory and ethics 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 directors' 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 former case, payment of non-vested amounts has been deferred or, in the latter case, they have vested and been paid, on the basis of data that have subsequently been clearly shown to be inaccurate. Describe the amounts reduced or clawed back through the application of the "malus" (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 2021

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 under which economic rights vest 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 described above, the Company makes a contribution to the defined-contribution pension plan (savings policy) for the executive director Mr Bernardo Calleja Fernández, the amount of which was 76,000.00 euros in 2021 and 77,009.69 euros in 2020.

Likewise, the Company makes a contribution to the defined-contribution pension plan (savings policy) for the executive director Mr Joao Penedo, the amount of which was 42,767.62 euros in 2021. 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 2021 period, was calculated in two portions: (i) a first portion of 4,533.54 euros, equivalent to 7% of 64,764.88 euros, plus (ii) a second portion of 38,234.08 euros, calculated by applying 23% to the difference between Mr Joao Penedo's gross fixed annual compensation at the contribution date and 64,764.88 euros (amount updated by the insurance company at the payment date of the policy contribution).

The vesting of the contributions and the respective time of allocation or accrual are based on the gross annual compensation and 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 2021.

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.

In 2021, there were changes in the contracts of Mr Bernardo Calleja Fernández, Executive Chairman, and Mr Joao Penedo, Chief Executive Officer, as described in previous sections.

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

In 2021, 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 250,000 euros at the end of the first six months of 2021 (the total had been fixed at 500,000 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 2021 and that sufficient funds were available at said date to make this payment.
- (b) In the latest statement of financial position, dated November 30, 2020, 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 22, 2021, payment of the first interim dividend charged to the 2021 profit was approved for a gross amount of 0.07 euros per share with a par value of 0.10 euros, which was paid on April 9, 2021.

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) for the Executive Chairman, Mr Bernardo Calleja Fernández described in this report, the 2021 contribution to which totalled 76,000.00 euros (77,009.69 euros in 2020).
- (ii) The Executive Chairman's long-term incentive package due to his group executive status. In 2021, he received share options for a value of 306,879.69 euros (673,431.43 euros in 2020)
- (iii) The contribution to the savings policy (defined-contribution pension plan) for the Chief Executive Officer, Mr Joao Penedo described in this report, the 2021 contribution to which totalled 42,767.62 euros.
- (iv) The long-term incentive package of the Chief Executive Officer, Mr Joao Penedo, due to his group executive status. In 2021, he received share options.
- (v) 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.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 Toby Smith, Ms Stacy Petrosky y Ms Robin Fiala, did not receive any compensation as directors in their capacity as such during their respective accrual periods. Otis Elevator Company, likewise a proprietary director, received a total amount of 250,000 euros on their behalf in 2021, 341,666.67 euros in 2020 and 516,666.67 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.

There were no items of compensation other than those set out in the preceding sections.

C. ITEMISED INDIVIDUAL COMPENSATION ACCRUED BY EACH DIRECTOR

Name	Type	Accrual period year 2021
OTIS ELEVATOR COMPANY	Proprietary	From 12/01/2020 hasta 11/30/2021
EURO-SYNS S.A.	Proprietary	From 12/01/2020 hasta 11/30/2021
MR BERNARDO CALLEJA FERNANDEZ	Executive (Chairman)	From 12/01/2020 hasta 11/30/2021
MR JOAO PENEDO	Executive (CEO)	From 01/26/2020 hasta 11/30/2021
MR JOSE MIGUEL ANDRES TORRECILLAS	Independent	From 12/01/2020 hasta 11/30/2021
MS EVA CASTILLO SANZ	Independent	From 12/01/2020 hasta 11/30/2021
MS STACY PETROSKY	Proprietary	From 12/01/2020 hasta 11/30/2021

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. 2021	Total F.Y. 2020
EURO-SYNS S.A.	0	0	0	0	0	0	0	50	50	50
MR JOSE MARIA LOIZAGA VIGURI	0	0	0	0	0	0	0	0	0	67
OTIS ELEVATOR COMPANY	0	0	0	0	0	0	0	250	250	342
MR ALBERTO ZARDOYA ARANA	0	0	0	0	0	0	0	0	0	25
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	100
MR BERNARDO CALLEJA FERNANDEZ	167	0	0	0	194	0	0	76	437	610
MR JOAO PENEDO	180	0	0	0	154	0	0	43	377	0
Mr PATRICK MARTIN (*)	0	0	0	0	0	0	0	0	0	266

Remarks

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 Toby Smith, Ms Stacy Petrosky y 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 250,000 euros in 2021, 341,666.67 euros in 2020 and 516,666.67 euros in 2019.
- (iii) (*) the remuneration figure in year 2020 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) Movement on share-based compensation systems and net profit on the vested shares or financial instruments:

Name	Name of plan	Financial instruments at beginning of 2021		Financial instruments awarded in 2021		Financial instruments vested in the year				Instruments matured but not exercised	Financial instruments at end of 2021	
		No. instruments	No. equivalent shares	No. instruments	No. equivalent shares	No. instruments	No. equivalent shares vested	Price of vested shares	Gross profit on vested shares or financial instruments (thousand €)	No. instruments	No. instruments	No. equivalent shares
Mr BERNARDO CALLEJA FERNANDEZ	Plan A 2018*	5,050	5,050			5,050	5,050	67.83	-	0	0	0
Mr BERNARDO CALLEJA FERNANDEZ	Plan B 2018*	2,752	2,752			2,752	2,752	65.59	307	0	0	0
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
Mr BERNARDO CALLEJA FERNANDEZ	Plan A 2021**			5,055	5,055					0	5,055	5,055
Mr BERNARDO CALLEJA FERNANDEZ	Plan B 2021**			22,064	22,064					0	22,064	22,064
Mr JOAO PENEDO	Plan A 2021**			1,058	1,058					0	1,058	1,058
Mr JOAO PENEDO	Plan B 2021**			4,668	4,668					0	4,668	4,668
Mr JOAO PENEDO	Plan C 2021**			2,115	2,115					0	2,115	2,115

(*) Plan originally awarded by UTC on UTC shares.

(**) Plan awarded by OTC on OTC shares

(ii) Long-term savings systems:

Name	Compensation from vesting of rights to savings systems
Mr BERNARDO CALLEJA FERNANDEZ	76
Mr JOAO PENEDO	43

Name	Company's contribution (thousand euros) - Saving systems with unvested economic rights		Amount of funds accumulated (thousand euros) – Saving systems with unvested economic rights	
	F.Y. 2021	F.Y. 2020	F.Y. 2021	F.Y. 2020
Mr BERNARDO CALLEJA FERNANDEZ	76	77	856	768
Mr JOAO PENEDO	43	-	43	-

(iv) Details of other items

N/A

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

(i) Compensation accrued 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 F.Y. 2021	Total F.Y. 2020
EURO-SYNS S.A.	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
OTIS ELEVATOR COMPANY	0	0	0	0	0	0	0	0	0	0
Mr ALBERTO ZARDOYA ARANA	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
Mr BERNARDO CALLEJA FERNANDEZ	0	0	0	0	0	0	0	0	0	0
Mr JOAO PENEDO	0	0	0	0	0	0	0	0	0	0
Mr PATRICK MARTIN	0	0	0	0	0	0	0	0	0	0

(ii) Table of changes in share-based compensation schemes and gross profit from vested 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					Comp				
	Total cash compensation	Gross profit from vested shares or instruments	Compensation through savings systems	Other items	Total F.Y. 2020 company	Total cash compensation	Gross profit from vested shares or instruments	Compensation through savings systems	Other items	Total F.Y. 2020 group
OTIS ELEVATOR COMPANY	250	0	0	0	250	0	0	0	0	0
EURO-SYNS S.A.	50	0	0	0	50	0	0	0	0	0
DON BERNARDO CALLEJA FERNANDEZ	361	307	76	0	744	0	0	0	0	0
DON JOAO PENEDO	334	0	43	0	377	0	0	0	0	0
DON ANDRES TORRECILLAS, JOSE MIGUEL	100	0	0	0	100	0	0	0	0	0
DOÑA EVA CASTILLO SANZ	100	0	0	0	100	0	0	0	0	0
TOTAL	1,195	307	119	0	1,621	0	0	0	0	0

D. OTHER INFORMATION OF INTEREST

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

This annual compensation report was approved by the Company's Board of Directors at its meeting of February 25, 2022.

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



**NON FINANCIAL
INFORMATION STATEMENT 2021**

FEBRUARY 2022

1. ABOUT THIS CHAPTER

This non-financial information statement 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 by which The Code of Commerce, the consolidated text of the Law on Capital Companies approved by Royal Legislative Decree 1/2010, of July 2, and Law 22/2015, of July 20, on Account Auditing, are modified, in non-financial information and diversity (from Royal Decree-Law 18/2017, of November 24).

In its preparation, 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 the non-financial information statement, Zardoya Otis, SA aims to report on environmental, social, personnel and human rights issues that are relevant to the company in the performance of its 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 2021 financial year have been considered. In this analysis, various sources of information have been taken into account, including internal audits, data of the company and information registered by it, according to the degree of relevance they have 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 safety Fight against corruption and bribery Respect for human rights Environmental management	Pollution Training Consumers Subcontracting and suppliers Employment Equality Company commitments to sustainable development Circular economy and waste prevention and management Sustainable use of resources Universal accessibility for people with disabilities	Biodiversity protection work organization Social relationships Climate change

This statement of non-financial information has been subjected to an independent external review process, having been verified by Ernst & Young (EY), one of the most important and prestigious auditing firms worldwide. The independent assurance report where the objectives and scope of the process are included, as well as the review procedures used and their conclusions, is included at the end of this document.

2. BUSINESS MODEL

2.1. ENVIRONMENT

This business analysis is carried out in response to the requirements of the ISO9001: 2015 standard to deepen the understanding of the organization's environment/context.

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 environment, as long as one and the other can be reflected in the business. The current situation and a short or medium-term forecast (1-5 years) are also taken into account to get an idea of the evolution in the different aspects: graphical representation, accumulated growth and average annual growth.

Said analysis contemplates 6 factors: Political, Economic, Sociocultural, Technological, Environmental and Legal, which we proceed to 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 valued as a useful reference for the design and development of Zardoya Otis's policies and strategies.

The serious pandemic situation caused by Covid-19 has marked Spanish political news as a priority. From March 14, 2020, the date on which the state of alarm was decreed as an exceptional measure to contain this pandemic, until today, political management has needed to focus on 2 main axes: the health management of the pandemic and the management of the associated economic impact. Both have not been without controversy and both from the sphere of the political parties, Government and opposition, as well as from the perspective of the Autonomous Communities, there have been frequent tensions and cross-criticism about the best way to manage the crisis.

Health management has been articulated around the policies of the Government, the Autonomous Communities and the agreements of the Interterritorial Council of the National Health System (cooperation and intercommunication body of the health services of the Autonomous Communities among themselves and with the Public Administration). of the State). With the advancement of vaccination, expectations and indicators seem to point towards a progressive reduction both in the number of cases and in severity.

Regarding the economic policy management associated with the impact of the pandemic, actions have been promoted at the national and regional levels to alleviate the impact of COVID-19. Among other measures, budget adjustments, sectoral economic injections, tax payment deferrals and ERTes (Temporary Employment Regulation Files) specifically adapted for this crisis situation have been approved.

Similarly, within the European Union, the European Parliament approved dedicating part of the European funds to the NextGenerationEU, a temporary instrument designed to deal with the economic consequences of the pandemic and promote recovery. This mechanism is part of the European Union Recovery Fund and the central idea is to help change the

economy of European countries, also improve job prospects and prepare so that in 2050 the European Union can be the first region in the world with neutrality climate. It is about not only mitigating the strong impact that the pandemic has had on European economies, but also that they can be strengthened and find new paths of growth and sustainability.

As far as the autonomous political sphere is concerned, several electoral processes have been held during this pandemic period: Galicia and the Basque Country in July 2020, Catalonia in February 2021 and Madrid in May 2021. In the case of Catalonia, the results they were the following, very tight and in a context of a sovereigntist attempt (2017) and of nationalist-non-nationalist blocs:



Finally, Pere Aragonès (ERC) became president of the Generalitat (5/21/21), receiving the support of the pro-independence deputies (ERC, JxCat and CUP).

In the case of Madrid, in March 2021 a possible agreement emerged between the Spanish Socialist Workers Party (PSOE) and Ciudadanos (Cs) to carry out motions of censure against the governments of the Popular Party (PP) in the governments of Madrid and of Murcia, where both PP and Cs governed since the regional and municipal elections of 2019. This caused the president of the Community of Madrid, Isabel Díaz Ayuso (PP), to call early regional elections for May 4, 2021. The result of these elections gave a victory close to the absolute majority to the PP, and its candidate, Isabel Díaz Ayuso, renews her presidency:



For its part, the international political context shows a panorama where some of the following factors with the most impact for Spain stand out:

- European Union management of aid to alleviate the consequences of the COVID-19 pandemic.
- Increase in provisions of the European Union that are transposed into national legal systems (RGPD data protection, environment, PSD2 internet banking activity, etc.).
- Consequences of Brexit (imports/exports, movement of people, ...).
- A certain new nationalist boom as a potential germ of euroscepticism.
- New presidency in the US and a new approach to international relations.
- Increased instability in Central Asia with the arrival of the Taliban regime to power, after the withdrawal of Western troops and international institutions.
- Unresolved tension in Europe-US relations. USA- China.
- Management of the migratory problem in the environment of the European Union. Recurring conflicts between Spain and Morocco over this issue.

Given all these circumstances, national politics seems to show a minimally stable panorama from the point of view of support and coalition government. However, the unresolved situation of the pandemic and the results of the last regional elections (Catalonia: sovereignist claims and Madrid: significant progress of the PP) could significantly affect the political situation.

As a general conclusion, in what may affect Zardoya Otis, the current political scenario is marked by complexity and uncertainty. The impact of the COVID-19 pandemic continues to be the main reference vector. Therefore, a political management very oriented to reduce as soon as possible its impact on public health and to reactivate the economy is expected. Both lines of action should favor a gradual return to normalcy in social and economic terms.

Therefore, possible news and political trends, both internal and external, that may influence the Company's activity, must be monitored and periodically evaluated.

ECONOMIC FACTORS

These are the factors that affect the purchasing power and spending pattern of consumers and forecast the evolution of the main macroeconomic magnitudes.

From a more global perspective, as reported by the World Bank, the COVID-19 pandemic has caused a major global recession, from which the global economy appears to be beginning to recover given its growth rates.

According to the latest IMF estimates, the world economy would have grown by 5.9% in 2021 (5% in advanced economies, 6.5% in emerging economies and 5.2% in the euro zone).



On the other hand, in a more national approach, the Bank of Spain and international organizations indicate that the GDP in Spain would have grown by 5% in 2021.

The immediate policy priorities must be to reduce human costs and mitigate short-term economic losses. Once the crisis subsides, a credible commitment to sustainable policies and reforms will need to be reaffirmed as needed to support long-term prospects, protect vulnerable populations, and enhance countries' ability to face similar events in the future. Global coordination and cooperation will be essential.

In 2021, new General State Budgets (PGE) have been approved, which replace those established in 2018. In them, a very notable increase in the spending ceiling and in the authorization of indebtedness stands out, generating an income/expenditure gap of almost €200 billion. This is intended to strengthen the health system and the reactivation of consumption and of the areas that will be greatly damaged by the pandemic, such as tourism, hospitality and industry.

The recovery is subject to high uncertainty, particularly with regard to the recovery of the tourism sector and the response of private agents to the relaxation of containment measures. The take-off of economic activity will largely depend on the effectiveness of mass vaccination campaigns and how they manage to combat the new strains of the virus. At least in Spain, and during the second half of the year, a change in trend is expected, as vaccination affects the health situation and restrictions are relaxed, facilitating the recovery of private spending and tourism.

If circumstances permit, the expansionary momentum of the second half of the year will carry over to 2022. The main factors of the recovery will operate at full capacity: private consumption will grow strongly thanks to the absorption of much of the oversaving

generated by the crisis, tourism will gradually return to normal and the stimuli from the European recovery plan could exceed what is expected, once the start-up procedures are well established. The relaxation of the containment measures and the monetary, financial and fiscal policies that have been put in place are also key.

On the other hand, and according to Banco Santander's forecasts, the economic recovery from the COVID-19 crisis will be faster than in the case of the 2008/09 recession. Now the structure of the economy is much more solid than at that time and the balance sheets of companies, families and banks are much more consolidated and free of inefficient assets. 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 make a difference compared to previous crises, so if they continue they will serve to give it the boost that companies need to reactivate and return to the path of normality sooner than some forecasts predict. But nevertheless, we must be cautious and given the margin of uncertainty that exists due to the fact that it is a health crisis and not for strictly economic reasons. This crisis does not respond to traditional parameters and analysts have been forced to make weekly forecasts and not quarterly forecasts as usual. The speed of recovery of the different sectors will be different, and the return of economic activity to 2019 levels will depend largely on the rate of vaccination, the intensity of the outbreaks that may occur from the pandemic and its control by the health, to avoid new restrictions that cause the economy to come to a standstill again. This crisis does not respond to traditional parameters and analysts have been forced to make weekly forecasts and not quarterly forecasts as usual. The speed of recovery of the different sectors will be different, and the return of economic activity to 2019 levels will depend largely on the rate of vaccination, the intensity of the outbreaks that may occur from the pandemic and its control by Health authority, to avoid new restrictions that cause the economy to come to a standstill again.

Likewise, studies by Banco Santander indicate that the markets are usually ahead of economic realities and that the rapid recovery that is taking place is currently surprising when starting from a sharp drop in activity caused by the closure of a large part of the economy. and confinement, which abruptly stopped consumption. It seems that the markets are reacting positively to the monetary and fiscal action, providing liquidity to the markets, something that did not happen in the 2008 recession.

Finally, it is important to underline that, although the combination of investments and reforms is crucial from the point of view of the transformation of the production model in the medium and long term, in the short term the recovery depends to a large extent on the evolution of tourism.

Regarding a more sectoral approach to Zardoya Otis' 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, as reflected in one of its latest reports on the real estate sector, in which it analyzes the impact that the COVID-19 pandemic is having on the sector and its possible consequences.

The economic repercussions of the pandemic will considerably affect employment and, with it, the demand for properties. Uncertainty about job prospects and household income, especially among the younger population, and declining immigration will mean buyers may postpone long-term investment decisions, such as buying a home. living place.

The Caixabank Research report explains that the context of uncertainty regarding the evolution of the pandemic and economic activity will negatively affect demand. This will influence the price of housing, which could experience an accumulated adjustment (2020 and 2021), of between 6% and 9% below pre-crisis levels, in Spain as a whole. In any case, it underlines that the evolution of prices will be different depending on the geographical area and the type of housing, with tourist areas and second-hand housing being the ones that suffer the greatest impact.



During 2020, construction activity was directly affected during the state of alarm, but resumed relatively quickly as restrictions on activity were lifted. However, it is very likely that there will be a notable slowdown in the initiation of new building projects due to the climate of uncertainty.

After more than a decade of decline, the construction credit portfolio in Spain reversed its trend and grew by 7.2% in 2020. The outbreak of COVID-19, the confinement and the stoppage of works forced construction companies to increase their debt.

The rental market will possibly be less affected, as it will be supported by greater demand given the difficulties households have in gaining access to home ownership.

For Spain as a whole, it is estimated that 49% of tenants have a sufficient level of income to buy a home. However, only 13% also have the necessary savings. And precisely this insufficient savings capacity, which especially affects the youngest segments of the population, continues to be the main restriction for accessing home ownership.

In response to the crisis, and with the NextGenerationEU funds, the Government of Spain has designed a Recovery Plan, which aims to mobilize significant investments to launch a series of structural reforms. "The objective is to activate the sector of the rehabilitation of public and private buildings and promote the construction of a rental housing stock, which is currently insufficient" (Gonzalo García, Secretary of State for the Economy and Business Support, June 2021) .

According to the summary of the Euroconstruct report (June 2021) on the impact suffered by the European construction sector, there is a chance of recovering pre-pandemic production in 2022. The fall in production (-5.1%) has been less than what was feared in the Euroconstruct winter report, and much less dramatic than that suffered in the previous crisis of 2008-09. However, this lesser impact has not had much influence on the forecast rate of recovery from 2021 onwards.

Another of the real estate niches that can emerge stronger from this crisis is that of home renovation. The pandemic is causing changes in multiple aspects of our lives: telecommuting, much more time at home... that can drive the works to transform and adapt homes to new needs.

It is estimated that the real estate sector has much stronger fundamentals than in the previous crisis of 2008 and, therefore, its ability to overcome the current crisis is much greater. There was no oversupply of homes and banks have been much stricter in their lending criteria throughout this decade. The financial situation of Spanish households and the solvency and liquidity position of the banking sector also contribute to this.

As general conclusions, we have that COVID-19 is a turning point, also in the economic aspect, even more so than the 2008/09 crisis. In addition to providing uncertainty, it has accelerated the inclusion of innovations that companies had planned in the longer term.

Considering this complex economic context, the industrial and commercial activities of Zardoya Otis are being affected by the specific factor of the COVID-19 alarm situation. To manage this exceptional situation, the Company works with specific indicators for its different lines of business and implements specific measures that make it possible to minimize the negative impact of the crisis and ensure a progressive recovery of activity, results and growth.

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. For this, 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 must also be considered in relation, for example, to the availability of qualified labor (design, production, sales, assembly, management, etc.).

The current crisis is triggering changes in multiple aspects of our lives, many of them related to our residential preferences. The pandemic could also accelerate transformations in areas such as the aforementioned housing renovation, which would support the transition to a more sustainable economy. Once the peak of the epidemic has passed, we must focus all our forces on recovery. The economic and social changes that will result can be far-reaching and will lead to a transformation of the real estate market. In this situation, we must work to turn challenges into opportunities.

Thanks to the reception of European funds, an increase in public investment is expected. In response to this situation, the restructuring of the Company's business operations is announced, with the objectives of:

- Increase sales, adapting our commercial network to customer requirements and improving commercial follow-up.
- Bringing decision-making closer to daily business, with area addresses closer to the customer.
- Increase efficiency and speed in the implementation of projects.
- Homogenize the way of working.

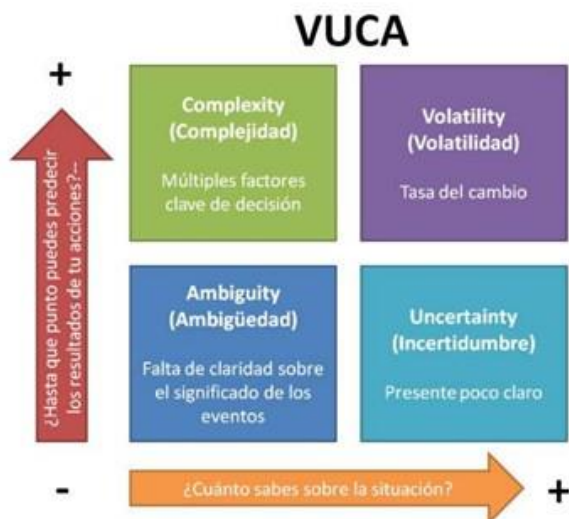
Regarding the competition, in the risk analyzes (ERM and SWOT's) the competitors are taken into account and their initiatives, commercial strategies and their positioning, both local and national, are analyzed.

SOCIOCULTURAL FACTORS

The social values, lifestyle, behaviors, level of education, level of income, customs, norms and preferences of a society evolve and affect the company. In 2020, the outbreak of COVID-19 made concepts such as disruption or paradigm shift cease to be theoretical assumptions and forced us to rethink strategies, actions, opportunities for improvement and even the reason for being of each company.

SOCIETY

The COVID-19 crisis is motivating 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 (Volatile, Uncertain, Complex and Ambiguous) environment.



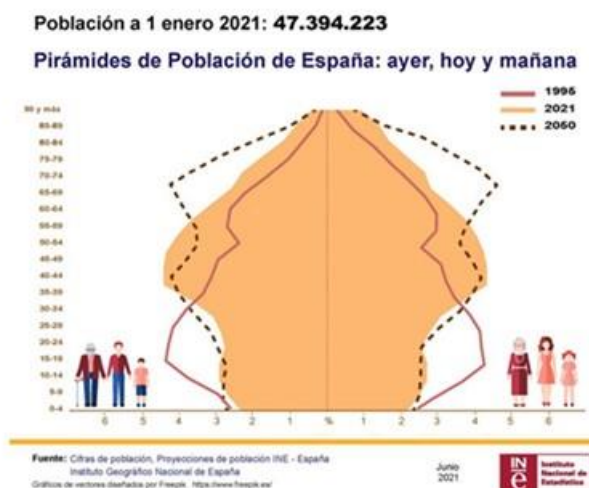
One of the greatest social effects is that the social groups that were in the most complex situations have begun to notice the economic disparities that existed before the crisis with much more intensity. Therefore, a model for restarting the economy is imposed that softens the gap in the socioeconomic segments, where the separation could generate a rupture of pre-COVID-19 paradigms.

We are immersed in a time of geopolitical instability. Who will be the new world powers? Nationalisms and localisms are radicalized, which generates a protectionist and autarchic framework that can make trade relations between countries and even between regions more difficult and more expensive. Raw materials become more expensive, forcing supplier policies to be reviewed, and the possible increase in labor costs must also be taken into account.

Fear and mistrust prevail towards the other, who can "infect" or "invade" our safe habitat. Travel is severely limited. Globalization is questioned, resources are diminishing and more expensive.

SPAIN

Spain is being one of the countries in the world hardest hit by the pandemic, so it may suffer all the consequences of it with special intensity. The impact on demography due to deaths caused by the virus could leave a significant gap in different socioeconomic spaces. For example, we know that it affects men more seriously than women, more people over 65, about 80% affected, and people with weak immune systems for other reasons. The population pyramid in Spain for 2021 is attached. This increases by 1.4% compared to 2020, and maintains the structure of an aging population:



(Fuente: INE)

Population dispersion. The risk of remaining in large cities due to social contagion has increased, and there is a possibility that the population will move to small and medium-sized cities. New forms of consumption may emerge in these small cities. The trend towards the concentration of land demand in large cities could be broken, and real estate activity in general come to a standstill.

SAFETY AND HEALTH

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.

The new user, very informed and with a critical personality, adds one more factor to his requirements: safety. All businesses with customer service must implement biosecurity measures for their customers and employees, either through the use of masks, gels or barriers.

This includes lifts, for which there are safety measures and recommendations to follow (there is the possibility of transmission of COVID-19 in lifts), as well as the opportunity to market solutions that mitigate the risk.

As for employees, their health is affected by various factors linked to the uncertainty of the current situation, and this affects the company itself.

All this can translate into a decrease in worker productivity. The adaptation to the new circumstances will be progressive, and if active tools are not implemented to detect and treat cases quickly, the result may be permanent.

NEW COMPANY / NEW FORMS OF WORK

Employment is going to be one of the variables most affected by this crisis. The jobs with the highest risk identified by the International Labor Organization are those in the hotel and food sector, the real estate sector and administrative and commercial activities, the manufacturing industry, repair services and shops and stores. It will be necessary to reconvert these new unemployed to new labor needs.

New forms of work are developed based on the model of social distancing and the "home office". Work will be done to design a new work model based on three variables: digitization, collaborative work and flexibility. The "home office" is going to be implemented as a policy of almost all companies that can do it, in different modalities, either 100% of the time or a few days a week. What other new work modalities will exist after this crisis? It is the hour of conciliation. New concept: home, education, work and leisure as part of a whole, with the best possible balance between work and home. All this with the challenge of keeping the quality of products and services intact.

NEW CLIENT

The confinement measures and the need to minimize the risk of contagion have caused 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 personalized communication trends aimed at people scattered in their respective areas of residence. Thus, new technological business challenges inserted in the virtual world are posed (augmented reality, virtual reality, holographic or other technologies not yet developed).

CONCLUSIONS

Zardoya Otis must be attentive to the challenges posed by the interested parties, which are the same but with new characteristics. Meeting these challenges goes through:

- Search for new opportunities in the VUCA environment. Replace plans with "scenarios". Contingency plans to anticipate new critical situations.
- Guarantee the safety of the employee and the user.
- Digital Transformation plays an essential role in customer loyalty.
- Need to maintain a good working environment. Evaluate the role of teleworking and conciliation.

- Develop new elevator models that prioritize user safety in the new circumstances. New individual models? Devices for the elderly population or those with physical limitations. Devices for new models of urban centers, more dispersed. Adaptations.
- New marketing and personalized communication tools. E-commerce, multichannel and multidevice.
- CSR. Society increasingly demanding in relation to sustainability.

TECHNOLOGICAL FACTORS

The speed with which technological changes occur today is dizzying. In addition, the COVID-19 pandemic is forcing adaptations or technological changes in companies, both internally and in relation to stakeholders. The technologies that are appearing today may change society in the near future. Examples of the factors that can affect us the most are:

- Agents that promote ICT innovation. Focus on studying and influencing the Company's stakeholders.
- Investment in R + D + I of the countries or continents. Within the EU, Spain can be considered a “moderate innovator”:



(Source: EURAXESS)

In the PGE 2021, the budgets of the Ministry of Science and Innovation increase by almost 60%. In total, the Ministry has a budget of 3,232 million euros this year, the largest budget for civil R&D&I in the history of Spain.

The appearance of disruptive technologies that change the rules of the game in many sectors. In our most immediate environment, the new generation of intelligent lifts will be a priority, allowing for simpler technical development and use with fewer risks.

New forms of production and distribution. The Lean Transformation technology must be the main milestone to be developed by the Company's Management and the Manufacturing Management.

CONCLUSIONS

The pandemic has accelerated digital transformation and the adoption of new technologies. Users have access to powerful technology capabilities. This accessibility to technology will allow users to optimize their work or solve problems on their own.

The transformation of the Company's service through new smart devices must be a priority. Thanks to this transformation, Zardoya Otis is one of the most prepared, both at the media level and at the social level, to face the challenges of this COVID-19 crisis.

ENVIRONMENTAL FACTORS

It may seem that these factors only affect companies in very specific sectors, but in reality the opposite is true. We are interested in being up to date not only about the possible normative changes related to ecology, but also about the social conscience of this movement. Issues such as the following affect Zardoya Otis:

- Environmental protection laws and recycling of waste generated by the activity. Its compliance is included as an obligatory requirement of the ISO 14001: 2015 standard, Environmental Management Systems.
- Regulation on energy consumption, a regulation that is included as an identified and compliance requirement in the ISO 50001: 2011 standard, Energy Management System.
- Concern about global warming and its impact on climate change.
- Current and future ecological social awareness.
- Concern about pollution and climate change.
- 2030 Agenda: Sustainable Development Goals (UN).



The Zardoya Otis, SA Company has different Management Systems, which are qualified by notified and accredited Bodies to comply with the applicable ISO standards for this point:

-Environmental Management System (ISO 14001): this Management System is accredited by AENOR for all the Factories of Zardoya Otis, SA. The part of the business relating to the Commercial Network and Central Offices (Staff) is accredited by Audelco.

-Energy Efficiency Management System (ISO 50001): this Management System is accredited by AENOR for all the Factories of Zardoya Otis, SA, the Commercial Network and Central Managements (Staff).

-The Safety, Health and Environment Management System integrates Occupational Risk Prevention (ISO 45001), the Environment (ISO 14001) and Energy Efficiency management (ISO 50001) as a complement to the environmental part, in order to take advantage of the evident synergies in internal follow-up and deployment.

CONCLUSIONS

For Zardoya Otis SA, mere regulatory compliance is not enough. The Company's commitment to preserving the environment and sustainable growth is intrinsic to a whole series of actions in which it can have an impact, among which the following stand out:

- Development of products with maximum energy efficiency, which in some configurations even allow autonomous operation using solar energy.
- Maintenance programs designed to optimize equipment performance, minimizing energy consumption and the use of raw materials.
- Supplier approval processes, through which it is guaranteed that the entire supply line of the Company is aligned with its environmental policies and meets the same requirements.
- Minimization of packaging and recycling policies and management of waste generated in all the Company's activities.
- Projects to reduce energy consumption in all activities, both at the work center level and through the management of the vehicle fleet and continuous optimization of routes.
- Training and awareness campaigns for the Company's workforce to promote their alignment with the company's environmental objectives beyond compliance with the established policies.



LEGAL FACTORS

These factors refer to all those changes in the legal regulations related to the Company that may affect it positively or negatively. We will need to consider issues such as the following:

- New legislation relating to the sector, or modification of the existing one, at the national level. The ITC AEM1 Lifts, now under review and with an estimated entry into force in 2023, is a good example of this. There must also be the use made by the Autonomous Communities of their powers to legislate on those aspects of industrial safety not sufficiently developed by national legislation, such as the case of mandatory periodic inspections and preventive maintenance. 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 Departments, the Commercial Departments and the Safety and Works Department.●

Other addresses they are also involved in regulatory and legislative aspects that may affect the Company:

- Laws on employment. Laws of the metal sector, workers' statute, Labor Reform Law... Human Resources Directorate.
- Intellectual Property Rights. Product development patents. Manufacturing Management, Engineering.
- Occupational health and safety laws. Zardoya Otis, SA has different Management Systems qualified by notified and accredited Bodies to comply with ISO standards, which they apply as appropriate. For this point, the Company has the Occupational Risk Prevention Management System (ISO 45001) for the entire Company Zardoya Otis, SA Safety and Works Department.
- Protected or regulated sectors. High direction.
- Competition (I). In the management and shipment of spare parts to competitors, which is carried out from the Vigo Service Center (situation in which the competition can become a supplier or customer), the Company must preserve free and healthy market competition.

Legal Advice has developed an initiative to ensure that the spare parts sales service complies with what is established by law.

- Competition (II). The Company's relations with competitors constitute an issue of great importance that is developed in the code "The Otis Absolutes", emphasizing the importance of respecting and enforcing the Competition Law at all times. Action guides have been developed for employees who may come into contact with competitors, to remind them of the correct way to act in defense of antitrust rules and to limit the use of competitive or sensitive information about the business.

CONCLUSIONS

Legislation is a changing reality and new initiatives and modifications 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. Legal Advice and Legislation and Regulations are connected to this reality through various channels (participation in UNE, CEN and ISO standardization committees, informative talks, publications, projects, doctrine). In this way, they can anticipate making the appropriate decisions and, once the legislation or regulation is approved, quickly adapt to it (adaptation of templates, contracts, internal or external communications, issuance of informative Notes via communications to the zones and publication on the intranet, etc.).

2.2. DESCRIPTION OF THE BUSINESS MODEL

Zardoya Otis emerged 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, both in terms of volume and profitability. Currently, its business segments operate in Spain (89.7% of sales and 87.8% of operating income), Portugal (7.9% and 11.8%) and Morocco (2.4% and 0.4%). The Spain business unit manages and integrates the figures for Andorra and Gibraltar, areas in which Zardoya Otis, SA has subsidiaries.

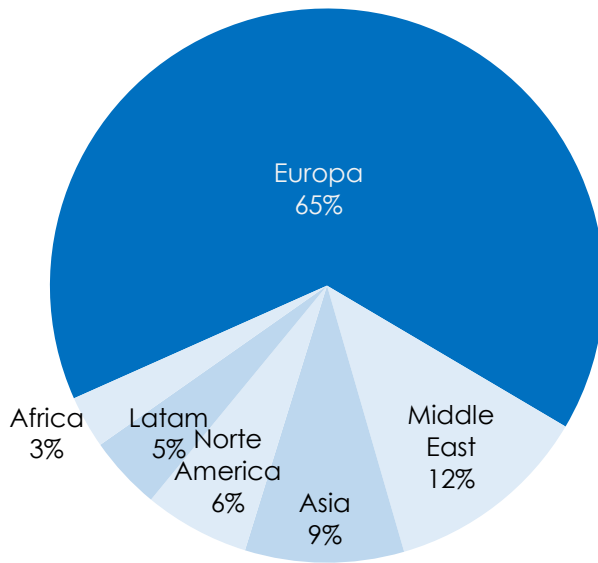
The Zardoya Otis Group is the leading vertical transport business group in the Spanish, Portuguese and Moroccan markets. It has the largest maintenance park in Spain, Portugal and Morocco for lifts, escalators and moving walks. It has 3 factories located in Madrid, San Sebastián and Vigo and an extensive 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 excellence in service. With this objective, the company contemplates and encompasses within its activity all the phases that comprise the safe and comfortable vertical transport of people and belongings, which begins with the design and manufacture, continues with the assembly and ends 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 lifts, escalators, platforms, platforms, as well as automatic doors and stairlifts (among other devices that facilitate accessibility), which combine existing technological advances to offer the aforementioned equipment both in buildings of new construction as in existing buildings. In addition, in recent years, lift modernization and replacement activities aimed at improving operating conditions in terms of comfort and consumption, along with the installation of equipment to remove architectural barriers, have been added to the group's daily work and teams of professionals specialized in these activities have been created.

The Group carries out its activities in three lines of business: New installations (14.8%, 14.3% and 14.5% of sales in 2021, 2020 and 2019 respectively), Services (63.5, 64.8% and 64.5%) and Exports. This export tradition translates into the sale of elevators to other Otis companies around the world. The export represented in 2021 the 21.7% of the Group's consolidated sales (20.9% in 2020, 21.0% in 2019).

EXPORTACIÓN POR REGIONES



The graph shows the geographical destination of export sales in 2021

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 lifting solutions for limited spaces and moderate loads, preferably adapted to residential buildings, and in high performance lifts for high-traffic buildings, 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 Gen 360 elevator, the Gen2 Switch Solar and the innovative eView system are some recent examples. We therefore continue to expand our range, developing products and services for each height and segment.

OTIS

PRODUCTOS Y SERVICIOS

GAMA DE PRODUCTOS

Ascensor para edificios poca altura
 Ascensor para edificios de media altura
 Ascensor para edificios altos
 Escaleras y Andenes Móviles
 Distribución

POR SEGMENTO

Residencial
 Comercios
 Oficinas
 Hospitales
 Hoteles
 Edificios de usos múltiples
 Aeropuertos- Ferrocarriles - Metro

SERVICIO

Otis Signature Service
 Service eCatalog

OTISLINE

Servicio 24 horas para emergencias y llamadas de avería.
 901 24 00 24 | 924 92 50 24

MODERNIZACION

Modernización
 Experiencia del pasajero
 Decoraciones

With this we intend to respond to the different needs of each group of customers; An example 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, residences, and small hotels or businesses.
- Gen2 Switch Solar: Easy to install, safe and power generator, it works 100% with solar energy. The Gen2 Switch Solar is a highly efficient elevator, created especially for buildings without an elevator, which, connected to two or four panels of 250W each, works with the energy they provide.
- Gen2 Fit: This equipment has been designed for minimal openings, with cabins for up to one person, and brings together all the advantages of the latest generation Otis elevators: extreme safety, comfort, respect for the environment and energy regeneration.
- **Our newest release is the revolutionary Gen 360**, whose main characteristics include the following:
 - Maintenance can be carried out from the cabin itself, eliminating the need to access the lift ceiling. Therefore, the roof of the shaft no longer overhangs the roof, so a flat roof can be built, allowing for a much simpler and more elegant flat roof design. The efficiency of the opening is maximized both in the ceiling and in small pits and elements such as the safety railing can be eliminated.
 - It allows remote diagnosis, thanks to the 360° cameras on the ceiling and under the elevator. A network of sensors provides real-time knowledge of elevator status, resulting in drastically reduced downtime as technicians can visually confirm, tune, diagnose and resolve issues remotely, even without having to stop the elevator.
 - All critical parameters can be monitored to anticipate failures, a multitude of data is transmitted thanks to electronics, and AI algorithms provide predictive information and therefore lead to proactive actions. This is done through Otis ONE, our IoT solution, native to the Gen 360.
 - Active safety or "Drive by wire", widely used in the aerospace and automotive sectors. Safety elements are electronic rather than mechanical, saving shaft space by eliminating moving physical parts. It allows 24/7 supervision and immediate evaluation of the situation. An example, when the safety brake is activated the elevator stops, but it can be unlocked remotely.
 - It has backup batteries, two-way emergency video calling via eView and provides a much-improved travel experience.

Product Range / Segments



Gen560
 Más que un ascensor, una plataforma digital de movilidad vertical completamente reinventada

Recorrido	Capacidad	Velocidad
75m	320-1020 kg	1-1.75 m/s

Genesis
 Seguridad y confort

Recorrido	Capacidad	Velocidad
30 m	1000 kg	1 m/s

Gen2 Life
 Elevador sin cuarto de máquinas para edificios residenciales.

Recorrido	Capacidad	Velocidad
45 m	320-1020 kg	1-1.6 m/s

GeN2 Flex
 Donde caben 4 horas caben 6

Recorrido	Capacidad	Velocidad
45 m	225 - 630 kg	1 m/s

GeN2 Stream
 Ascensor sin cuarto de máquinas para edificios residenciales y comerciales.

Recorrido	Capacidad	Velocidad
130 m	630-2500 kg	2-2.5 m/s

SkyRise®
 Nuestro ascensor más avanzado para edificios de gran altura

Recorrido	Capacidad	Velocidad
600 m	900-4.500 kg	2-14 m/s

Robusta
 Tecnología sin cuarto de máquinas para aplicaciones de carga de servicio pesado.

Recorrido	Capacidad	Velocidad
75 m	3000-5000 kg	0.5-1.75 m/s



Link™
 Escalera mecánica para locales comerciales y de baja altura.

Altura Máxima	Inclinación	Velocidad
8m	30,35 deg	0.5m/s

515NPE
 Escalera mecánica para tiendas de gran altura, comerciales, estadios y ferrocarriles.

Altura Máxima	Inclinación	Velocidad
15 m	30,35 deg	0.5, 0.6 m/s

520NPE
 Escalera mecánica de servicio pesado para aeropuertos, metros y centros de transporte.

Altura Máxima	Inclinación	Velocidad
20 m	27.3, 30 deg	0.5, 0.6, 0.75 m/s



606NCT
 Paseos en movimiento para tiendas y espacios comerciales.

Longitud máxima	Inclinación	Velocidad
80 m	0-6, 10, 12 deg	0.5 m/s



OTIS

Tipo de construcción

Residencial	Fábricas y Almacenes	Tiendas
Oficinas	Hospital	Hotel
Comercial	Stadiums	Aeropuertos
Railways	Metro	Naval

ORGANIZATION AND STRUCTURE

The Board of Directors

Except in matters reserved to the competence of the General Meeting, the Board of Directors is the highest decision-making body of the Company, having been assigned the powers granted to it by Law and the Company Bylaws.

The principles of action of the Board of Directors of Zardoya Otis SA, as well as the basic rules of 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 the obligation to know, understand, comply with and enforce said Regulations. The Board of Directors will adopt the appropriate measures so that the Regulations are disseminated among shareholders and the investing public in general.

The Board of Directors is made up of the number of directors determined by the General Meeting within the limits set by the Company Bylaws and may set up those Committees or Commissions that it deems appropriate for the development of its work, determining their composition, appointing its members and establishing the functions assumed by each of them. In particular, the Board of Directors has created an Audit Committee and an Appointments and Remuneration Committee.

At the closing date of the fiscal year, the composition of the Board of Directors was as follows:

- Bernardo Calleja Fernandez, President
- Mr. Joao Miguel Marques Penedo, CEO
- Mr. José Miguel Andrés Torrecillas, Independent Director
- Mrs. Eva Castillo Sanz, Independent Director
- Euro-Syns SA (represented by Alberto Zardoya Arana), Director
- Otis Elevator Company (represented by Ms. Robin Fiala), Director
- Ms. Stacy Petrosky, Counselor

The Audit Committee is made up of the following directors:

- Mrs. Eva Castillo Sanz, President
- Mr. José Miguel Andrés Torrecillas, Vice President
- Ms. Stacy Petrosky, Member

The Appointments and Remuneration Committee is made up of the following directors:

- Mr. José Miguel Andrés Torrecillas, Chairman
- Otis Elevator Company (Ms. Robin Fiala), Vice President
- Mrs. Eva Castillo Sanz, Member
- Ms. Stacy Petrosky, Member

Organizational structure

The organizational structure of the Group is articulated 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 services or support departments, with a high degree of integration of activities and functioning as a single unit in each country where we operate.

Manufacturing area: The Group's manufacturing area assumes the production and logistics functions of components and lifts. At Group level, it includes both the factories or industrial centers owned by Zardoya Otis (San Sebastián, Leganés and Vigo), as well as the spare parts distribution center (Service Center), which meets the needs of the entire network of installation entities and maintainers, engineering centers and subsidiaries, as well as export. On the other hand, the San Sebastián factory, whose new plant was inaugurated this year, bases its activity on the design and manufacture of machines and safety systems for lifts.

Area of operations: The operations area includes the functions of sales, installation and maintenance of equipment, developed both in Zardoya Otis and in 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).

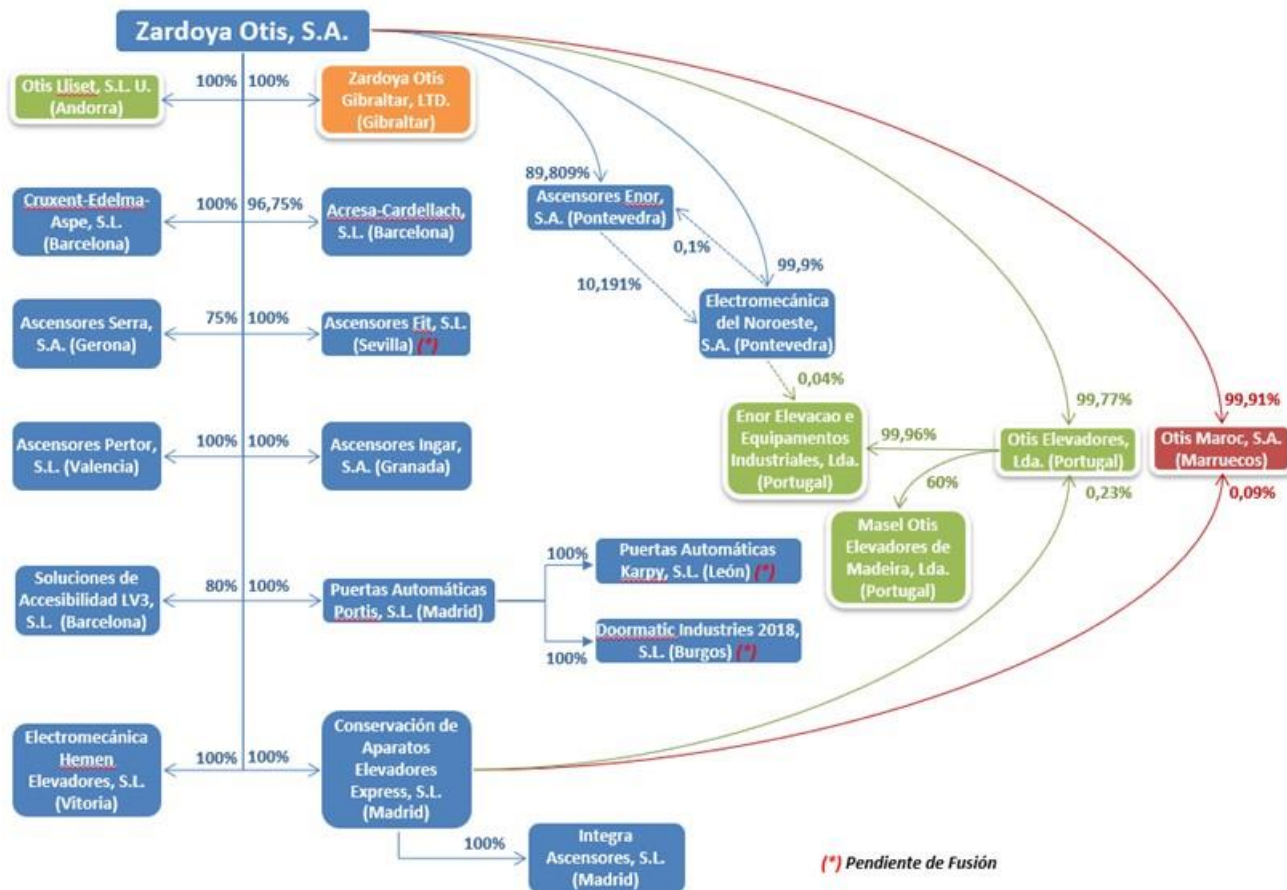
Component production (SSI): San Sebastián and Leganés factories produce subsystems and components for incorporation into lifts or as spare parts for repair and maintenance services. The supplies of materials or components needed in these facilities come from both external suppliers and other Otis companies worldwide.

Elevator production (CLC): Leganés and Vigo factories centralize orders for lifts 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 may be destined for the installation in Spain by Zardoya Otis itself and its subsidiaries or the installation abroad by other Otis companies ("exports of elevators and spare parts").

Installation and maintenance of elevators (SSE): Finally, the product supply chain concludes with the installation and maintenance of the elevators. Generally, the lifts sold and installed by Zardoya Otis will have been manufactured by Zardoya Otis itself. However, it has the entire catalog of elevators and escalators produced by the factories of the Otis Group, which are available to Spanish customers according to their needs. Consequently, the lifts 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 lifts and spare parts").

Corporate structure

The legal structure of Grupo Zardoya Otis, SA at the end of the 2021 financial year is detailed below:



Business environment

Companies that operate in the lifting sector can do so in an international, national and/or regional geographic scope and, at the same time, can participate in one or more activities of the value chain, from the manufacture of components and lifting devices to its repair. According to industry sources, the vast majority of companies operating in this field 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 devices, while the rest have the manufacture of components as their main activity. The sector is led by a group of large companies, which are present in all the activities of the cycle described above. In addition, there are also manufacturing companies without installation activity, 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 in-depth knowledge of the business environment in which it carries out its activities, the Zardoya Otis Group uses market data and sectoral analyzes from various sources, among which we can mention the Spanish Lift Business Federation, the Informa Platform, the Report Euroconstruct issued by the European Construction Business Research and Forecasting Group, the Plimsoll Sector Report, studies from Santander Equity Research, the Alimarket Elevation Sector Report, periodic 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 carefully monitoring the opportunities and threats that may arise in the sector in which it operates through the systematic monitoring and updating of SWOT analyzes at different levels.

To comply with the requirements of ISO 9001:2015, and at the request of AENOR, it has carried out the process of updating the SWOT analyzes of the Central Directorates and Area Directorates, taking into account the improvements proposed in the external audit: Systematize and more solidly interrelate the different tools to determine the context and requirements of existing stakeholders in the Company: PESTAL / SWOT, ERM / CAME, and that these are as adjusted as possible to the reality of the business. Likewise, the corresponding CAME (Correct, Confront, Maintain, Exploit) actions were prepared to deal with possible opportunities and risks. Likewise, the PESTAL analysis (Political, Economic, Social, Technological, Ecological and Legal factors) and ERM (Enterprise Risk Management) are applied.

In the Management Meetings, a monthly follow-up is carried out that includes the analysis of the main business indicators (Annual Plan) and review of the Company's strategies. There is also a local deployment in Delegations through EMC meetings (Quality Improvement Teams).

The activities of the Group are framed in the regulations and applicable legislation in matters of design, manufacture, installation, maintenance and inspection of lifting devices.

There are two main aspects of this legislative framework: manufacturing, installation and placing on the market, which is regulated at a European level through Directives and standards that give presumption of conformity with them, and commissioning, maintenance, modernization and inspection, which is legislated at the national level through Royal Decree 88/2013, of February 8, which approves the Complementary Technical Instruction AEM 1 «Lifts and the UNE 192008 Standards for Inspections and UNE 58720 for maintenance, the latter of recent publication.

Regarding the EN81-20/50 Standards, on January 27, 2021, the new updated versions were published in the Official Journal of the European Union: EN 81-20:2020 and EN 81-50:2020 as Harmonized Standards, no technical changes compared to the previous versions of 2014, only with some editorial and legal modifications. Applicable for units delivered after July 27, 2022.

In this legislative framework/panorama, the year 2021 has been marked mainly by the review that is being done at the national level of the ITC and of which, in December 2020, the Ministry of Industry opened the process of public information of the project of RD that approves the new **Complementary Technical Instruction AEM 1 "Lifts" of the Regulation of lifting and maintenance equipment**, approved by Royal Decree 2291/1985, of November 8. Therefore, in 2021 the review of said document and the making of the appropriate allegations by the different interlocutors, for the study of said allegations by the Ministry, have been completed. At the beginning of 2022, it is still waiting for this project to be studied in the European Commission so that it issues the corresponding report, and it is sent to the different Ministries so that they make their contributions and the final version is validated. Taking into account the deadlines of the administration in this type of procedure, the expected date for its approval could be at the end of 2022 or the beginning of 2023.

The main changes that the new ITC is going to introduce are going to be:

- The implementation of measures to increase safety in existing lifts
- The mandatory compliance with the UNE 58720:2020 Maintenance Standard.
- The unification at the national level of the protocols of mandatory periodic inspections through the UNE 192008 standard.
- The expansion of access routes to the profession of elevator conservator.

Pending these legislative developments, during the year we have continued to comply with Directive 2014/33/EU on lifts, Directive 2006/42/EU on machines and Royal Decree 88/2013, which approved the ITC-AEM1 currently in force.

As in previous years, after the audit carried out by AENOR in October 2021, the Company renewed the ISO 9001:2015 Certification of the Quality Management System and confirmed compliance with Directive 2014/33/EU on Lifts and the ITC-AEM 1 (RD 88/2013).

Company goals and strategies

The Group has been focusing its operations on the following strategic axes:



**People
first**



Safety



Accessibility



Innovation



Digitalization



Growth

We are convinced that our activity must be centered on people. It is the people who make up this group who make it possible for customers to feel satisfied and also who make it possible for millions of users to feel safe and comfortable when using Otis equipment. This way of carrying out our activity, with people as the main axis, explains and sustains Zardoya Otis's investment and research efforts to achieve a more accessible world, constantly introducing innovations and relying on digitized processes.

Architectural barriers are present in all population centers and there are groups that face physical, sensory and intellectual disabilities, elderly people with movement difficulties, etc. Zardoya Otis is aware of this situation, which is why part of the research and investment efforts have been aimed, for years, at creating solutions and devices to eliminate this type of barrier. Elevators for single-family homes, stair lifts, automated access doors or mobile platforms are some of the solutions that we propose and that aim to change the lives of many people, since they make autonomous movement possible.

The clear demographic trend (with an increasing dependency ratio defined as over 65 as a percentage of the working age population) should drive demand for accessibility solutions in the 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 floors or more without a lift. In short, the accessibility market (automatic doors, chair lift platforms, lifts or stair lifts) is a possibly fragmented market, with higher risk and lower margins than the lift maintenance segment, with some regulations pending implementation, but with significant growth potential for the reasons stated.

Proof of our effort to consolidate our position in this market is our company Portis, SL, focused mainly on the installation and maintenance of automatic doors. This Group company currently has more than 42,000 units under maintenance, increasing its portfolio year after year thanks to both organic growth and through acquisitions of other companies in the sector. Another of the Group's companies is LV3, mainly dedicated to the marketing and installation of stairlifts and chairlift platforms. This company, whose main engine is to provide customized accessibility solutions, both to public and private clients, has completed 25 years

in the market offering a comprehensive service: advice, production, installation and after-sales service.

In line with all of the above, our unequivocal commitment to the **digitization of the service** is framed. This technological advance allows our customers and users to enjoy a more efficient and faster maintenance service, providing unprecedented quality standards and increasing the lift's availability time. Zardoya Otis has been immersed in recent years in a transformation process that has placed it in a privileged position, going from being a mainly industrial company to being an example of a digitized company.

Connectivity translates into more loyal and satisfied customers, in innovation with people in mind. The complex, demanding and extremely competitive world in which we work requires us to be at the forefront of technology and devote significant efforts to innovation, research and personalized service processes. And it is in our R&D center in Leganés (Madrid) where this vector of activity is concentrated, which allows us to continue responding to the challenges demanded by increasingly demanding customers.

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 stakeholders 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 on its interaction with the technical support service. Increased connectivity between users, elevators and technicians improves customer satisfaction due to increased elevator uptime and better service provided by technicians. The high level of customer satisfaction indicators in recent years is proof of this (eg: experience and relationship with OTIS: 94.46% satisfaction in 2021, (97.12% in 2020, 94.83% in 2019).

As part of the digitization strategy, the following measures have been carried out:

- The company has provided smartphones and specific applications to its technicians so that they can have access to all the device's data, which allows a faster and more personalized service, increasing its efficiency and performance potential.
- 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). In this way, trends in the operation and performance of the equipment can be analyzed, and the tools and parts that will be necessary can be determined in advance, so that the intervention is more efficient and the incident is solved much faster.
- The digital services division directs the remote monitoring and intervention project of our units. In 2021 we will connect another 18,000 elevators and we already have more than 125,000 elevators connected. Our goal is to reach 200,000 by 2024. These units have remote monitoring devices, communication with our 24-hour technical service center and distribution of media content.

The most technologically sophisticated services provide an important element of differentiation in our industry, while increasing customer loyalty and the efficiency of maintenance activities. Zardoya Otis is creating a powerful digital ecosystem that makes it possible to manage elevator history with accurate and updated information in real time.

In short, our way of doing things is based on people working for people so that they can move safely and comfortably, in spaces free of architectural barriers thanks to new vertical transport equipment, which is also connected to each other and provides precise information to technicians and users, increasing the efficiency and quality of the Zardoya Otis service with a personalized service.

The foundations of our excellence are what we call **Otis's 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's why we've 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 indicates, to the world around us, our goals.

Our three absolutes are:

- **Ethics:** Do business the right way, honestly, always and strictly within the law and in an ethical manner.
- **Safety:** Otis safely moves the equivalent of the world's population every three days. Whether it is personnel responsible for the manufacture, installation or maintenance of our products, or users, safety always comes first.
- **Quality:** We want it to be 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 thanks in part to successful mergers and acquisitions, most of them in the area of maintenance services, although including, as mentioned, accessibility businesses, automatic doors, special lifts and installation or lift activities. for cruise ships. However, and as has been pointed out, maintenance services continue to be the main business area.

Lastly, it should be noted that one of the distinctive characteristics of the Group has been the remuneration of its shareholders. On average, the last 15 years have delivered close to 100% payout, backed by strong cash generation and a solid operating margin. During 2020 and 2021, despite the situation caused by the pandemic, which has affected the vast majority of world markets, the Group has continued to distribute quarterly dividends to its shareholders.

Public Tender Offer Announced by Otis Worldwide Corporation

On September 23, 2021, the company Opal Spanish Holdings, S.A.U. ("OSH" or the "Offeror"), a company indirectly controlled in full by Otis Worldwide Corporation, an indirect shareholder of the Company holding 50.01% of its shares, published, in a notification of Inside Information (register No. 1066), the prior announcement of the public tender offer for the totality of the shares representing the share capital of Zardoya Otis, S.A. (the "Offer"). Said notification included some of the terms and conditions of the Offer.

The consideration that the Offeror proposed to the Zardoya Otis, S.A. shareholders was initially 7.00 euros in cash for each share (the "Initial Offer Price"). This dropped to 6.93 euros per share (price rounded up to two decimal places) on October 7, 2021 (ex-dividend date) (as published in a notification of Other Relevant Information with register No. 12098), as a consequence of distribution of the second interim dividend charged to the 2021 profit for a sum of 0.074 euros per share. This dividend was paid out to the shareholders on October 11, 2022.

Subsequently, on October 28, 2021, the CNMV informed that the application for authorization of the Offer had been admitted for processing.

On December 16, 2021, the Offeror published a notification of Other Relevant Information (register No. 13202) stating that the Offer price would be reduced as the result of the distribution of a third interim dividend of 0.076 euros per share charged to the 2021 profit, which was to be paid out by Zardoya Otis, S.A. to its shareholders on January 10, 2022, meaning that the Offer would be fixed at 6.86 euros per share effective January 6, 2022 (ex-dividend date).

On December 21, 2021, the Offeror published Inside Information (register No. 1231) informing of signature of an agreement with Euro-Syns, S.A. ("Euro-Syns"), holder of 11.19% of the shares of Zardoya Otis, S.A., whereby Euro-Syns irrevocably undertook to accept the Offer for the totality of the shares it held in Zardoya Otis, S.A. at a price of 7.14 euros per share. Said price included an improvement of 21 euro cents on the Initial Offer Price and had been adjusted by the second dividend distributed by ZOSA. The price was to be adjusted after distribution of the third interim dividend charged to the 2021 profit.

Subsequently, on January 10, 2022, the Offeror published Other Relevant Information (register No. 13554) notifying that the Offer price had been fixed at 7.07 euros per share effective January 6, 2022 (ex-dividend date) as a consequence of the foregoing.

Likewise, pursuant to the terms of the prior announcement and the application for authorization of the Offer, said publication stated that the Offer price would be reduced by an amount equivalent to the gross amount per share of any distribution of dividends, reserves or share premium, or any other distribution that the Company might make to its shareholders, provided that publication of the outcome of the Offer in the stock exchange bulletins coincided with or was later than the ex-dividend date of said distribution.

The Company's Board of Directors has been continuously monitoring all the foregoing and will issue a report with its opinion and observations when required to do so by law.

As of today's date, the Offer has been admitted for processing and is awaiting authorization by the CNMV. The admission of the application for processing does not imply any type of pronouncement on the decision concerning the authorization of the Offer or any of its terms

or conditions, which will be issued within the time limits and in accordance with the other requirements set forth in the relevant regulations.

Meanwhile, observing the restrictions and duties set out in the regulations on public takeover bids, the Company will continue with the normal course of its business in the best interests of its shareholders, customers and employees.

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 FOR THE ISSUES RAISED IN THIS REPORT

Zardoya Otis has explicit policies regarding the fight against corruption and bribery, with an internal control system, as well as a code of ethics, compliance audits, confidential communication channels and follow-up meetings.

Regarding respect for human rights, the code of ethics is disseminated among all company employees, who must take training courses on it.

In its relationship with stakeholders, it uses traditional and online channels, and monitors the degree of customer satisfaction, in addition to having established complaint management systems. It also promotes an inclusive and non-discriminatory culture, and collaborates in improving its social environment through different initiatives.

In environmental matters, it carries out preventive measures in accordance with current regulations and records and controls different indicators, including the generation of waste or the emission of CO₂. Zardoya Otis has been a pioneer in the development, manufacture and marketing of highly energy efficient elevators through its Gen2 technology. It has also introduced elevators on the market that do not require a specific three-phase electrical installation for the elevator, which facilitates their installation in existing buildings, thus improving their accessibility. It also sells a solar elevator model, capable of operating 100% with clean and renewable energy. In 2021, it launched the Gen360 model, an elevator conceived from its design for the digital world,

MAIN RISKS INHERENT IN OUR ACTIVITY

The main risks derive from the aging 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 acquired a company specializing in accessibility, LV3, based in Barcelona, and developed an elevator capable of adapting to minimal openings, being able to have a capacity of just one person, to facilitate accessibility for people with reduced mobility who live in an environment where, until now, it was impossible to install a lift.

Another challenge identified is the application to the elevation sector of technologies such as the Internet of Things (IoT) and digital services in general. For this reason, the company launched a digitalization process that ranges from the supply of devices and applications to technical personnel, to the installation of elevator operation monitoring systems. The launch of its Otis Gen360 vertical transport digital solution is part of this digitization policy.

3.2. FIGHT AGAINST CORRUPTION AND BRIBERY

In 2021 Zardoya Otis has incorporated important changes in its commercial and central organization, to carry out the transformation strategy in favor of efficiency and improvement of service to customers. All this without losing our commitment to our Absolute OTIS (Safety, Ethics and Quality) who are a reference in everything we do, maintaining the commitment to our stakeholders, complying with the laws and in defense of competition, always preserving and defending our principles and ethical values.

Ethics remains Absolute due to the growing importance of transparency, good governance and business sustainability, being key in ESG initiatives (Environment, Social and Governance) that are benchmark factors in socially responsible investment and that reinforce the trust of our stakeholders that we will act always doing the right thing, with respect, honesty and integrity, complying with the law, respecting the competition and providing products and services to the market, with the highest levels of excellence.

For the first time as a communication initiative in Otis EMEA, the month of October 2021 was dedicated to ethics with different messages, videos, numerous initiatives and activities for the dissemination and importance of ethics in everything we do. The visible and active participation from senior management ("Tone at the Top") through video messages, served to reflect the importance of Ethics as Absolute in everything we do, and encourage the use of communication channels (SPEAK UP) before any suspicion of irregularity and also to consult or clarify any doubt or ethical dilemma. On October 20, the Ethics Day was celebrated, proposing the holding of a workshop on fraud, led by management, delegates and managers and, through group dynamics,



The celebration of International Anti-Corruption Day also took place on December 9, with the broadcast of a video showing the conversation between Nora LaFreniere (WHQ, Executive VP – Legal Counsel) and Bernardo Calleja (President of the Boards of Directors), an animation to avoid bribery or any inappropriate payment, together with a corporate video from OTIS WHQ, with the participation of 265 employees from 19 different countries, transmitted by email, intranet and Yammer to the entire Company, with the shared commitment that is summarized with a message: “ NO TO CORRUPTION”



Zardoya Otis maintains its Crime Prevention Plan, its code of conduct, as well as the corporate policies for the entire group, including the CPM 48 A, B, C, D, E anti-corruption policies, as well as the CPM17 for suppliers and CPM 11 for donations. These last two have been reviewed and updated in 2021.

The training courses serve to reinforce the principles of the code of ethics: “The Absolutes of Otis” and remind all employees of the commitment to comply with anti-corruption policies and any other corporate policy. By completing the "Annual Certification" online module, all employees ratify their ethical commitment and declare any potential conflicts of interest that may exist, aspects that are reviewed by the ECO to establish the decisions and/or control measures that are required.

The company has a Compliance Committee (“Compliance Council”) that meets quarterly, as well as a disciplinary committee that reviews the cases investigated and establishes the disciplinary measures to be applied depending on the seriousness and nature of the irregularity that has been verified.

All the company's stakeholders can use the communication channels in any of their forms (telephone, email, weblines) to report any irregularity or suspicion, with the assurance that the identity of the source is protected or that they can be anonymous. The “Zero” retaliation policy has also been reinforced – in any of its forms – towards those who report an irregularity in good faith, for the benefit of the company's interests.

The company's commitment against corruption, with transparency and good governance, together with ethical values and principles, provide intangible value and reinforce the sense of belonging of employees, and reinforces the culture (Our Culture) based on the Three Absolutes: Safety, Ethics and Quality.

INTERNAL CONTROL, INFORMATION AND TRANSPARENCY

One of the group's priority objectives is to promote transparency with the markets and shareholders. Thus, it undertakes to:

Work to ensure that the financial statements are complete and accurate.

Promote that assets, liabilities, income, expenses, and business transactions are fully and accurately recorded in the group's books and records, in accordance with applicable law, generally accepted accounting principles, and established financial policies and procedures.

Refrain from establishing or maintaining unaccounted for assets or liabilities.

Disseminate relevant information about the group.

Comply with the information required by the applicable regulations in each country in which it operates.

Ensure the rights of investors and shareholders according to the Bylaws and the Regulations of the Shareholders' Meeting, offering tools and channels to facilitate the involvement and communication with these interest groups.

Comply with the securities market legislation and, in particular, the regulations on market abuse.

The mission of the Board of Directors, as established in the Regulations of the Board of Directors, is to determine the risk control and management policy, including tax risks, and the supervision of the internal information and control systems.

For its part, the Audit Committee supervises the effectiveness of the group's internal control, internal audit and risk management systems, including tax risks, and ensures the independence and effectiveness of the internal audit function. Among other functions, the Audit Committee discusses with the accounts auditor any significant weaknesses in the internal control system detected during the audit, if any. Its mission is also to supervise the process of preparing and presenting the mandatory financial information, including compliance with regulatory requirements and the correct application of accounting principles. It also regularly collects information from the external auditor on the audit plan and its execution, always preserving its independence in the exercise of its functions.

Additionally, a Crime Prevention Model and the Risk Map were approved, which are periodically reviewed and updated. As previously mentioned, a Compliance Committee has been created made up of directors, whose specific obligations are the review and approval of any modification of the Crime Prevention Model and the Risk Map and submit it to the prior report of the Audit Committee. It also monitors any internal complaint received and an ongoing investigation into criminal matters, periodically reporting its actions to the Audit Committee.

The group has an internal audit department that reports directly to the Audit Committee, which independently guarantees that business practices and processes are sound, effective and efficient.

The internal audit department reviews the audit program every year to include those risks detected in (i) the Risk Map, (ii) conversations with the Company's Management and (iii) the internal audits carried out. This program is accessible to all employees on the Company's Intranet.

After each audit, a summary report is issued with the incidents detected. This report is sent to the company's management and the relevant points are highlighted during the Audit Committee.

The points of improvement that have been identified both in the reviews of the internal audit department and after the verification of the external auditors, are reported in the monitoring tool until we are sure that they are permanently corrected.

Likewise, the group has an Internal Code of Conduct whose objective is to protect the interests of investors and their confidence in the market. Said Regulation has a set of guidelines and rules applicable to the group, its directors, its executives and employees regarding the management and control of privileged and relevant information, the performance of operations with own securities, the execution of treasury operations, the detection and treatment of conflicts of interest; all with the aim of avoiding any situation of market abuse.

CONTRIBUTIONS TO FOUNDATIONS AND OTHER NON-PROFIT ENTITIES

During the 2021 financial year, contributions to foundations and other non-profit entities have focused on our strategic positioning and contribution to the Sustainable Development Goals (SDGs) established by the United Nations.

Within this context, the objective of these contributions is always to improve the conditions of the communities in which Zardoya Otis carries out its activity, not only in the present, but also to guarantee a better future.

Thus, entities with specific programs dedicated to the removal of barriers have been chosen, understanding these in a broad way, which may be physical, architectural, sensory, cognitive, social or of any other nature.

In addition, collaboration has been maintained with entities dedicated to promoting STEM education and the integration of people with disabilities.

The total amount of the contributions made during 2021 amounts to €131,369, while in 2020 they were €187,027, and in 2019 €91,481.

3.3. RESPECT FOR HUMAN RIGHTS

To guarantee respect for human rights, contemplated in our code of ethics, we have the following tools and processes:

- Dissemination of the code of ethics to all employees.
- Due Diligence process for newly acquired companies.
- Ethics and compliance questionnaire.
- Ethics training plan (online courses).
- Internal control audits according to an annual plan.
- Quarterly ECO+Legal audits.
- Promotion of the use of the confidential and/or anonymous complaint 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 in the event of verified cases of irregularities or breaches in the company.
- Preparation of an action protocol against harassment
- Commitment to compliance with the Code of Conduct by suppliers with their signature.

The exceptional circumstances caused by the COVID-19 health crisis that began in March 2020 and the new waves of infections throughout 2021, although they have been easing in terms of the severity of the health impact as the vaccination process progresses in Spain, they have continued to be present. The prospects for economic recovery that had been forecast for 2021 have not been fully realized, but they have allowed the economy to be reactivated in some sectors that paralyzed their activity due to the pandemic, also thanks to the help of economic and social policy measures in favor of the productive fabric. The difficulty of supplying some raw materials and the strong annual increase in prices (CPI) impacted by the increase in the price of electricity,

In 2021 Zardoya Otis has maintained its leadership position in the sector, even achieving a slight increase in its maintenance portfolio. Changes have been incorporated in the commercial and central organization, to carry out the transformation strategy in favor of efficiency and service improvement. All this without losing the commitment to our OTIS Absolutes (Safety, Ethics and Quality) that are a reference in everything we do, maintaining the commitment to our stakeholders, complying with the laws and in defense of competition, along with our principles. and ethical values.

Ethics remains Absolute due to the growing importance of transparency, good governance and business sustainability, being key in ESG initiatives (Environment, Social and Governance) that are benchmark factors in socially responsible investment and that reinforce the trust of our customers in which we will act always doing the right thing, with respect, honesty and integrity, complying with the law, respecting the competition and providing products and services to the market, with the highest levels of excellence.

For the first time as a communication initiative in Otis EMEA, the month of October 2021 was dedicated to ethics with different messages, videos, various initiatives and activities to spread the importance of ethics in everything we do.

As in previous years, the 2021 Ethics and Compliance plan has been deployed with the development of the following five lines of action:

1. Management Leadership
2. Policies and Risk Prevention (Audit and Evaluation)
3. Education and Training
4. Communication
5. Case Investigation – Disciplinary and Corrective Actions

During the 2021 financial year, no complaints of human rights violations have been registered in the Zardoya Otis Group (neither were they registered in 2020).

MANAGEMENT LEADERSHIP

The Management's commitment to the OTIS Absolutes (“Tone at the top”) provides support and deployment - at all levels of the Company - of our Ethical Culture. Ethics as “absolute” reinforces the managerial commitment collected with the signatures of all the directors who have signed our code of ethics: The Otis Absolutes, as well as the internal code of conduct. Distributed in 2021 to all Zardoya Otis zone, associate, factory and central offices in Spain, also signed by the directors of Otis Portugal and Morocco.



In the (3) ZOSA countries, quarterly meetings of the Compliance Council and also of the Disciplinary Committee (DPC) have been held in cases where it has been required.

A total of (10) people (Spain) have been recognized in 2021 for their good ethical practices, within the #DoTheRightThing campaign. These recognitions have been posted on Yammer and/or in internal communications.

Otis EMEA has highlighted Otis Spain as Best in Class in Europe in terms of ethical recognitions achieved in 2021, as a result of the #DoTheRightThing campaign promoted by the Management since 2018, with the support of the ECO and of the Compliance Council. The elements that have been considered key to promoting cases of ethical recognition have been the following:

- Management Commitment. The Management supports and is present at the award ceremony.
- Visibility and diffusion. Certificate is delivered and published internally.
- Proposals from people who "Do the right thing" with simple examples, without looking for exceptional facts, are recognized.
- Acknowledgments are one more element that must be encouraged to create and reinforce the Ethical Culture, supported by real cases where an employee has acted in an exemplary manner, and his manager recognizes him in the team, providing motivation.

Commitment of the Company with the ESG factors (Environmental / Social / Governance) integrating with the strategic lines of the Company.

The social action and responsible action initiatives carried out in 2021 are focused on Zardoya Otis' commitment to the Sustainable Development Goals (SDGs).

The importance of Ethics and Integrity, together with the OTIS Company-wide focus on diversity, equity and inclusion, have been differentiating elements that are being recognized by our stakeholders, including suppliers, shareholders and groups. investors. OTIS has received in 2021 some recognitions for it.

In 2021 Zardoya Otis and its employees have continued to collaborate in social responsibility actions, focusing their attention on accessibility with the annual awards "For a World without Barriers", with solidarity initiatives in favor of equality, for the integration of disadvantaged and collaborating in the Otis campaign "Made to Move Communities" with the participation of students from educational centers.

The Management of the OTIS Company has promoted in 2021 the commitment in favor of Diversity and Inclusion, for a more egalitarian society without discrimination. The celebration of International Women's Day on March 8 reinforced initiatives in favor of equality.

For this reason, webinars were held at OTIS Portugal, articles and newsletters were sent to publicize the reason for this day from the Management.

In favor of Diversity and Inclusion, as part of our culture at Otis (CultureU); In particular, promoting respect for the LGTBIQ+ collective, the celebration of Pride Day was promoted together with HR during the month of June.

The results of the employee survey have been analyzed, in particular the answers and comments obtained in the question referring to ethics and the fear of reprisals have been evaluated, establishing improvement plans. In Otis Portugal, the analysis was carried out and the (5) areas/bosses with the lowest scores were identified. An action plan has been defined based on the reinforcement of the Speak Up culture (“Hazte Oír”).

The commitment to Ethics at Zardoya Otis and the monitoring of the Compliance Program has been carried out on a quarterly basis from the Audit Board, with the participation of Andrés Táboas (ECO Coordinator for Zardoya Otis) who has presented the Ethics and Compliance according to plan, with the collaboration of local ECOs from Otis Portugal (Alexandra Neta) and Otis Morocco (Hicham Maarouf).

POLICIES AND RISK PREVENTION

Preparation of the 2021 Risk Map: ERM (Enterprise Risk Management), including Compliance Risks, with a quarterly review of mitigation and control actions.

The TOP 5 (main risks) of Compliance that have been determined in 2021 have been:

- Cybersecurity – electronic attacks and hacks.
- Subcontractors: ensure certification with required levels of quality and efficiency defined by Otis.
- Comply 100% with maintenance inspections.
- Protection of personal data (Data Privacy)
- Claim from the social part – signature of a new collective agreement

For each of these risks, mitigation actions have been defined that have been reviewed in December 2021, confirming their implementation.

Throughout the year, the ECO has sent messages, videos and communications promoting the use of the Communication Channels with the Speak Up initiative so that ethical concerns are communicated and possible irregularities are reported, without fear of reprisals since we have with a policy of "Zero Tolerance" against any form of retaliation.

The celebration of the Ethics Month, during the month of October together with the World Ethics Day on October 20, have reinforced the knowledge of the Corporate Policies, the use of the Communication Channels and the importance of “making oneself heard” .

The “Annual Certification” of all the employees who declare to know and understand The Absolutes of OTIS and the Corporate Policies has been carried out, identifying possible Conflicts of Interest for control by the ECO. Likewise, with each new contract, a COI questionnaire is filled out.

During 2021 and as part of the Due Diligence process for the new companies that are going to be acquired, the code "The Otis Absolutes" has been distributed among its employees, and the Ethics questionnaire has been carried out on employees responsible for the acquisitions that have been proposed to incorporate during this year.

Regarding compliance with the Anti-Corruption Policies (CPM 48 family), communications have been sent that include requirements and control procedures (workflow) and approval of gifts or business gifts to customers (CPM 48A), as well as the CPM 48B policy on sponsored

trips to third parties. The follow-up (list of receiving clients) of the VIP gifts has been carried out.

As in previous years, in December a communication ("Gift letter") was sent to suppliers from Purchasing to avoid sending gifts to people in contact with Otis, especially on Christmas dates, complying with what is indicated in the Code of Conduct for suppliers.

Controls of purchasing policies have been maintained in the approval, registration and registration of suppliers, applying the CPM 17 for service providers, ensuring that all suppliers have signed and subscribed the conditions of purchase, and the Code of Conduct for suppliers of the OTIS group where, among others, respect for Human Rights, the Competition Law, the Data Protection Law and full compliance with all laws and regulations applicable to the operation of your business are ensured.

Communications have been sent from the ECO and Legal Advice, addressed to the management team and also to Finance and Operations personnel, to remind them of the importance of protecting documentation and sensitive information, respecting periods of silence (blackout) and not making use of information privileged by virtue of the regulations of the CNMV and the Internal Code of Conduct.

Quarterly meetings of the Privacy Committee ("Privacy Committee") have been held, updating and publication on the intranet of the documentation required by the Data Protection Law, personalized for each Associate, review and updating of the data protection clauses in websites and coordination of responses to those who demand the exercise of their ARCO rights (Access, Rectification, Cancellation, Opposition), to ensure the Company's response. All cases of exercising rights in 2021 have been processed and answered within the deadline and form.

On January 28, Data Protection Day was celebrated, and the controls on computer equipment for the detection and prevention of cyber-attacks and phishing attempts have been reinforced, improving the reporting tools for this type of threat.

In the month of November, (2) training days were given in relation to the protection of personal data (Data Privacy), aimed at new employees incorporated in 2021. A specific online course on Data Privacy has also been launched at WorkDay, the application of HR management within the Company, mandatory for all employees, reinforcing the main concepts to consider regarding the protection and treatment of data privacy, considering some important requirements of the General Data Protection Regulation (RGPD) and the help of the Privacy Committee has been offered for support, queries and resolution of doubts.

On the occasion of the celebration of International Anti-Corruption Day (December 9), a communication was sent to all the group's employees, together with the broadcast of a video with the conversation between Nora LaFreniere (WHQ, Executive VP – Legal Counsel) and Bernardo Calleja (President of EMEA), an animation and a corporate video from OTIS WHQ, with the participation of 265 employees from 19 different countries, transmitted by email and Yammer to the entire Company, with the shared commitment that is summarized with a message: "NO TO CORRUPTION".

EDUCATION AND TRAINING

The Group has implemented a training platform for online ethics courses: ECLC (Ethics & Compliance Learning Center) for all employees.

In 2020, each employee took eight online courses, including the Annual Certification and the cybersecurity module. In the case of new hires, the training modules have been required in a shorter period of time (90 days) to ensure compliance. At the end of 2020, the courses were 100% completed in Otis Portugal and Morocco and 99% in Otis Spain.

In 2021, each employee has completed six online courses, including the Annual Certification and the "Ethics Talks" course taught by their bosses. The deadline for completion of each course has been 45 days, from that date, the application has sent weekly reminders.

In 2021, the courses carried out were the following, with the percentages of completion indicated:

- Antitrust: Spain (99%), Portugal (100%), Morocco (94%).
- Ethics: Spain (100%), Portugal (100%), Morocco (96%).
- Compliance: Spain (99%), Portugal (100%), Morocco (91%).
- Annual Certification: Spain (99%), Portugal (100%), Morocco (87%).
- Our absolutes: Spain (95%), Portugal (100%), Morocco (82%).
- Global risks and problems: Spain (93%), Portugal (99%), Morocco (72%).

Training in online Ethics courses during 2020 accounted for a total of 5,156 hours, with 14,718 courses completed in December by employees of the Zardoya Otis group: 1,540 in Spain (including Associated companies), 227 in Portugal and 59 in Morocco.

Training in online Ethics courses during 2021 has accounted for a total of 6,993 hours, with a total of 13,986 courses taken by employees of the Zardoya Otis group: 1,690 employees in Spain (including Associated companies), 228 in Portugal and 74 in Morocco . Due to the pandemic, no face-to-face courses have been given for the group of operators and technicians, who have been informed through ECO communications and "Learn and Comply" examples, including links to access Ethics videos through the Corporate iPhone maintenance technicians.

In terms of training, the ECOs have also carried out specific training courses on Data Privacy, on the International Trade Rules (ITC) and on the processes and guidelines for the investigation of Ethics cases.

Through WorkDay, a specific online course on Data Privacy has been proposed, mandatory for all employees, reinforcing the main concepts to consider on data privacy protection and treatment, considering the most important requirements of the General Data Protection Regulation (RGPD) and the help of the Privacy Committee has been offered to provide support, consult and resolve doubts.

In Otis Spain and for the new incorporations of 2021, an introductory course on data protection and privacy (Data Privacy) was given, which was carried out electronically in (2) training sessions held in the month of November.

In relation to the new companies that have been acquired from the Portis group, the ECO has given the course "Introduction to the Absolutes of Otis" (telematically by Teams) to the staff of Servirema, Seleman, Karpy, Ascensores FIT y Door Matic.

Training for the management team given by the Director of Legal and the ECO, on unannounced government investigations, called "Dawn Raids".

As a training tool for employees and technicians, the "Aprende y Cumple" (Learn & Be in Compliance) communications have been 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 messages through vignettes of what should be done in these situations.

COMMUNICATION

In 2020, 30 "ECO INFORMA" communications were issued for Zardoya Otis in Spain. In 2021, 36 have been issued.

In Otis Portugal and Morocco, ECO messages have also been distributed via email, messages in the OTIS NEWS magazine, through Newsletters and from internal social networks (Yammer).

In 2020, 126 consultations were registered with the ECO in Zardoya Otis Spain, In 2021, 142 have been registered, mainly focused on resolutions on Conflicts of Interest (COI's) for new incorporations, relations with competitors in events, possible actions with competing companies for technical assistance, reviews of Codes of Conduct required by clients to validate Otis as a supplier and clarify the application of the new Corporate Policies.

The use and consultation of the Ethics and Compliance intranet has been promoted, which collects news, communications, various documents on Ethics and Compliance, with content and links to Los Absolutos de Otis and the Corporate Policies, together with the documentation on Data Protection and the Crime Prevention Model; as well as dissemination material including links and references for access to posters, videos and presentations.

Distribution of posters and banners with those responsible for Ethics (ECO's) and communication channels, as well as the Commitment to Our Absolutes.

Launch and distribution of new posters on the OTIS Communication Channels, so that employees, suppliers and third parties can express any concern or Ethical issue (Speak Up) while maintaining confidentiality and protecting the identity of the issuer if they wish to remain in the anonymity. To ensure and promote the trust of these channels (email, weblines, telephone), the Zero Retaliation Policy is of vital importance.

From the Management, as a sign of the "Tone at the Top" ethical commitment, messages from Judy Marks (President of OTIS), Nora Lafreniere (VP WHQ LEGAL and E&C) incorporated into the online courses, also a video by Bernardo Calleja (President EMEA, SEMA and ZOSA) on the importance of defending OUR ABSOLUTES OTIS as a guide to make the right decisions, presenting the communication campaign "October, Month of Ethics".

CASE INVESTIGATION – DISCIPLINARY AND CORRECTIVE ACTIONS

The use of communication channels and complaints of possible irregularities addressed directly to the ECOs of the countries in which Zardoya Otis operates, have been the main sources of open and investigated cases (reported in C360), whose resolution has entailed measures disciplinary action, when the case has been verified, including dismissal in some situations.

SUMMARY C360 - YEAR 2020

2 open cases in 2019 closed (not verified) in 2020.

1 case opened in 2019 closed (verified) in 2020.

7 open cases in 2020 – Of which, 6 were closed (5 verified, 1 not verified) and 1 pending, under investigation.

SUMMARY C360 - YEAR 2021

1 pending case from 2020 closed (not verified) in 2021.

13 open cases in 2021 – Of which, 10 were closed (6 verified, 4 not verified) and 3 pending, under investigation.

3.4. RELATIONSHIP WITH STAKEHOLDERS

Zardoya Otis makes traditional communication channels and digital communication channels available to its clients and the general public. In addition to fax, telephone and email, the following channels are available:

- Independent line for complaints and claims through the Customer Ombudsman (phone and mail)
- Through the website www.otis.com/es/es/
- GeraRec Application
- online-chat
- Social networks: Twitter, LinkedIn, Facebook, Instagram and YouTube.

Likewise, there is a special telephone number and email for shareholder attention.

Throughout the year, the Marketing and Communication Department organizes various activities aimed at the most influential groups related to its activity, mainly associations of quantity surveyors, architects and property managers.

Among the actions carried out during the 2021 financial year, we can highlight the sponsorship of the Zardoya Otis Prize awarded by the Architecture and Society Foundation, of which the prestigious architect Francisco Mangado is a patron, as well as the sponsorship of the Excellence in Management Club, which promotes excellent management based on innovation and sustainability.

Zardoya Otis, with the aim of contributing to the configuration of a better educated and innovative future society, collaborates in the financing of scholarships at the Carlos III University. Also in 2021, the first edition of the international program, called "Made To Move Communities", concluded at the end of 2020, in which schools and institutes from different countries of the world participate, and which consists of the development, by students between 15 and 18 years old, of a project that improves inclusive mobility with the collaboration of company employees. Zardoya Otis was represented by a Madrid school that exhibited her work before an international jury in March 2021.



In October 2021, the “Made To Move Communities” program was launched for the second consecutive year. This time the company will be represented by students from a school in San Sebastián, in the Basque Country.



In 2021, the third edition of the "Zardoya Otis Awards for a world without barriers" was held. This year the number of applications has tripled compared to the first edition, reaching more than 100, with great echo in the specialized press and social networks. The jury, like last year, was made up of prominent personalities from architecture, Paralympic sports, the media and associations representing groups with disabilities. One of the members of the jury has been the Paralympic athlete Desireé Vila, who participated in the Tokyo games and who has a great activity and impact on social networks.



During 2021, the work of strengthening the company's relations with the media, both general and specialized, has continued. In this sense, we can highlight the interviews with the CEO, João Penedo, in the newspaper Cinco Días, with the director of Manufacturing, Rosa Querejeta, in the Diario Vasco, with the general manager, Javier Barquín, by Servimedia, and the article about the new Otis Gen360 published in the prestigious Forbes magazine.

An advertising plan was also carried out in the most relevant magazines in the sector, as well as in the most important construction and accessibility websites, in which articles and reports related to the activity, services and products of the company, in addition to a constant presence in social networks.

While in 2019 the amount of sponsorships was €23,430, that of those carried out during the 2020 financial year was €2,000, due to the fact that most of the face-to-face events to promote professional activity were not held this year, due to health circumstances. In 2021 the amount of sponsorships amounted to €16,450. Collaborations and donations with educational, health and inclusive foundations are not included in this section.

3.5. SOCIAL AND EMPLOYEES ISSUES

Culture

The group establishes a series of policies and programs, which focus on people, creating a work environment that fosters Respect, Health, Safety, Well-being at Work and Equal Opportunities. The Human Resources Department is responsible for drawing up and promoting the respective training, selection, development, reception and integration policies, labor relations, compensation and benefits, etc. These policies are periodically 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 enhanced and, in the parent company, there is a common vision that unites and commits as a group.

Globally, our principles, leadership behaviors, strategy and absolutes that define the new Otis Culture have been defined:



– Our culture:

- We drive imagination: We encourage the creation of new ideas and take controlled risks to continue innovating.
- We believe in the team: Together we are stronger and we inspire each other through collaboration, autonomy and trust among all.
- We respect all opinions: The best ideas come from diverse teams with people who think differently than we do.
- We are better working together: We work as a single team and collaborate with each other to provide the best service to our customers.
- We strive to be the best: We set ambitious goals for ourselves, we grow to achieve them and we achieve it as a team.
-

– Our Behaviors:

- Imagination: We innovate through new ways of working and taking risks intelligently to build competitive advantages

- Collaboration: We understand how our individual goals lead to global goals, and how we help maximize Otis' results
- Empathy: We put ourselves in the customer's shoes, think globally and make decisions to improve our delivery times
- Inclusion: We actively seek ideas and opinions from other people who are or think differently from us
- 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 take responsibility

– **Our strategy:** strategic axes



– **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 in an ethical and honest manner 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 excellent service that we provide them, as well as by the users who use our products; to continue being a leading company worldwide, focused on the client and oriented on the perceived service (Signature Service).



Employment

Of the total group employees in the three countries, which add up to 5,552 employees, of which 51% are governed by the Zardoya Otis Collective Agreement, the rest of the employees are governed by provincial or national sector agreements.

TOTAL GROUP EMPLOYEES BY SEX

	2021			2020			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Spain	4,287	487	4,774	4,313	486	4,799	4,366	476	4,842
Portugal	490	96	586	502	96	598	523	102	625
Morocco	156	36	192	110	25	135	124	25	149
Grand Total	4,933	619	5,552	4,925	607	5,532	5,013	603	5,616

SPAIN Data

EMPLOYEES BY SEX

	2021	2020	2019
Man	4,287	4,313	4,366
Woman	487	486	476
Grand Total	4,774	4,799	4,842

EMPLOYEES BY AGE

	2021	2020	2019
Under 25 years	42	49	44
25-40 years	1,228	1,380	1,563
41-55 years	2,898	2,803	2,681
Older 55 years	606	567	554
Grand Total	4,774	4,799	4,842

WORKFORCE BY CLASSIF. PROFESSIONAL

	2021	2020	2019
Higher graduates	194	187	185
Intermediate degree graduates	215	214	211
Bosses, Administrative, Workshop and Field	1,193	1,163	1,194
Operators	3,172	3,235	3,252
Grand Total	4,774	4,799	4,842

The distribution of positions by category in all countries is as follows:

- Managers, Administrative, Workshop and Field: employees in positions without a university degree requirement (includes Department Heads, Supervisors, Sales Representatives, Administrative)
- Operators: employees in positions without a university degree requirement (Assembly, Maintenance and Manufacturing Operators)
- Intermediate level graduates: employees with an intermediate level academic degree (includes positions of non-operating technicians, deputy directors, delegates, engineering...)
- Higher Graduates: employees with a higher academic degree and engineers (includes positions of directors, deputy directors, delegates...)

EMPLOYEES BY COUNTRY

	2021	2020	2019
Andorra	15	15	15
Spain	4,755	4,781	4,822
United Kingdom	4	3	5
Grand Total	4,774	4,799	4,842

EMPLOYEES BY TYPE OF CONTRACT

	2021	2020	2019
Indefinite T. Complete	4,403	4,378	4,374
Indefinite T. Partial	136	151	172
Temporary T. Full	234	268	294
Temporary T. Partial	1	2	2
Grand Total	4,774	4,799	4,842

AVERAGE EMPLOYEES BY TYPE OF CONTRACT AND SEX

	Man	Woman	Grand Total 2021	Man	Woman	Grand Total 2020	Man	Woman	Grand Total 2019
Indefinite T. Complete	3,966	441	4,407	3,955	421	4,376	3,860	410	4,270
Indefinite T. Partial	117	21	138	135	27	162	149	29	178
Temporary T. Full	212	26	238	248	33	281	291	42	333
Temporary T. Partial	2	1	3	2	0	2	1	1	1
Grand Total	4,297	489	4,786	4,340	481	4,821	4,301	482	4,783

AVERAGE EMPLOYEES BY TYPE OF CONTRACT AND AGE RANGE

2021	Under 25 years	25-40 years	41-55 years	Older 55 years	Grand Total
Indefinite T. Complete	18	1,153	2,786	450	4,407
Indefinite T. Partial	0	0	10	128	138
Temporary T. Full	26	133	77	2	238
Temporary T. Partial	1	1	0	1	3
Grand Total	45	1,287	2,873	581	4,786

2020	Under 25 years	25-40 years	41-55 years	Older 55 years	Grand Total
Indefinite T. Complete	16	1,301	2,649	410	4,376
Indefinite T. Partial	0	3	12	147	162
Temporary T. Full	30	167	82	2	281
Temporary T. Partial		0		2	2
Grand Total	46	1,471	2,743	561	4,821

2019	Under 25 years	25-40 years	41-55 years	Older 55 years	Grand Total
Indefinite T. Complete	13	1,395	2,491	371	4,270
Indefinite T. Partial	0	3	eleven	164	178
Temporary T. Full	25	215	91	2	333
Temporary T. Partial	0	1	0	1	2
Grand Total	38	1,614	2,593	538	4,783

AVERAGE EMPLOYEES BY TYPE OF CONTRACT AND CATEGORY

2021	Higher graduates	Intermediate degree graduates	Administrative Heads, Workshop and Field	Operators	Grand Total
Indefinite T. Complete	196	207	1,100	2,904	4,407
Indefinite T. Partial	2	6	44	86	138
Temporary T. Full	0	1	53	184	238
Temporary T. Partial	1	0	1	1	3
Grand Total	199	214	1,198	3,175	4,786

2020	Higher graduates	Intermediate degree graduates	Administrative Heads, Workshop and Field	Operators	Grand Total
Indefinite T. Complete	182	202	1,065	2,927	4,376
Indefinite T. Partial	3	7	55	97	162
Temporary T. Full	1	2	58	220	281
Temporary T. Partial	1	1	0	0	2
Grand Total	187	212	1,178	3,244	4,821

2019	Bosses, Administrative, Workshop and Field	Intermediate degree graduates	Higher graduates	Operators	Grand Total
Indefinite T. Complete	1,054	201	177	2,838	4,270
Indefinite T. Partial	70	7	3	99	179
Temporary T. Full	75	4	1	252	332
Temporary T. Partial	0	1	1	0	2
Grand Total	1,199	213	182	3,189	4,783

DISMISSALS BY AGE, SEX AND CATEG. PROFESSIONAL

2021	Man				Total Men	Woman			Total Woman	Grand Total
	Under 25 years	25-40 years	41-55 years	Older 55 years		25-40 years	41-55 years	Older 55 years		
Higher graduates										
Intermediate degree graduates			1		1	1	1		2	3
Bosses, Administrative, Workshop and Field		4	4	8	16	1	1		2	18
Operators		12	16	10	38					38
Grand Total		16	21	18	55	2	2		4	59

2020	Man				Total Men	Woman			Total Woman	Grand Total
	Under 25 years	25-40 years	41-55 years	Older 55 years		25-40 years	41-55 years	Older 55 years		
Higher graduates			1		1					1
Intermediate degree graduates			1		1					1
Bosses, Administrative, Workshop and Field		4	7	4	15	2	4	2	8	23
Operators	6	14	25	4	49	1			1	50
Grand Total	6	18	34	8	66	3	4	2	9	75

2019	Man			Total Men	Woman			Total Woman	Grand Total
	25-40 years	41-55 years	Older 55 years		25-40 years	41-55 years	Older 55 years		
Higher graduates			1	1					1
Intermediate degree graduates			1	1					1
Bosses, Administrative	1	7	4	12	5	3	4	12	24
Operators	12	21	5	38					38
Grand Total	13	28	11	52	5	3	4	12	64

AVERAGE GROSS ANNUAL SALARY BY SEX (€) – GAP

2021	Man	Woman	Gap
Grand Total	39,446.30	36,708.79	6.94%

2020	Man	Woman	Gap
Grand Total	38,949.66	35,700.13	8.34%

2019	Man	Woman	Gap
Grand Total	39,132.26	35,289.67	9.82%

The number of women in Spain has increased by 0.21% compared to 2020, while the number of men has decreased by 0.6%.

Among the 2023 objectives, we continue working on the development of equitable salary structures, both internal and external, thus facilitating the identification of deviations and improving our value proposition.

Salary gap formula:

$(\text{Average remuneration for men} - \text{Average remuneration for women}) / \text{Average remuneration for men}$

The average remuneration includes fixed and variable concepts such as incentives, bonuses, premiums, availability, 24-hour service, etc.

Being a company in the industrial sector, made up of a workforce mostly made up of men with high seniority, are factors that affect the salary gap.

AVERAGE REMUNERATION BY CATEGORY (€)

2021	Average Remuneration
Bosses, Administrative, Workshop and Field	39,179.53
Operators	36,213.30
Intermediate degree graduates	55,462.03
Higher graduates	69,326.51
Grand Total	39,167.04

2020	Average Remuneration
Bosses, Administrative, Workshop and Field Operators	38,953.90
Intermediate degree graduates	35,723.24
Higher graduates	54,708.14
Higher graduates	68,259.65
Grand Total	38,620.58

2019	Average Remuneration
Bosses, Administrative, Workshop and Field	38,082.24
Operators	34,922.45
Intermediate degree graduates	54,210.80
Higher graduates	67,030.53
Grand Total	37,768.93

AVERAGE REMUNERATION BY AGE (€)

2021	Less 25 years	25-40 years	41-55 years	Higher 55 years	Total general
Bosses, Administrative, Workshop and Field	24,516.82	33,328.52	40,599.11	44,106.06	39,179.53
Operators	25,512.90	33,349.13	37,336.82	38,186.28	36,213.30
Intermediate degree graduates		38,800.59	56,742.19	61,800.17	55,462.03
Higher graduates		58,732.06	71,760.41	72,379.32	69,326.51
Grand Total	25,323.17	34,262.91	40,473.95	43,814.38	39,167.04

2020	Less 25 years	25-40 years	41-55 years	Higher 55 years	Total general
Bosses, Administrative, Workshop and Field	24,003.49	32,774.85	40,513.51	44,464.96	38,953.90
Operators	24,060.53	32,984.04	37,159.88	37,594.35	35,723.24
Intermediate degree graduates		38,165.81	55,666.10	64,132.15	54,708.14
Higher graduates		56,403.89	71,192.54	70,705.91	68,259.65
Grand Total	24,052.38	33,674.34	40,353.75	43,350.00	38,620.58
2019	Less 25 years	25-40 years	41-55 years	Higher 55 years	Total general
Bosses, Administrative, Workshop and Field	27,118.07	33,105.97	39,223.38	43,999.77	38,082.24
Operators	22,681.54	32,547.36	36,464.55	36,470.24	34,922.45
Intermediate degree graduates		40,015.71	56,155.42	64,695.17	54,210.80
Higher graduates		55,067.45	65,079.44	90,843.16	67,030.53
Grand Total	23,286.52	33,400.80	39,417.61	43,264.39	37,768.93

The global remuneration for all concepts accrued during the year by both the Chairman of the Board of Directors and the CEO of the Zardoya Otis S.A. group, these being the only executives who receive remuneration other than statutory benefits, amounts to:

	2021	2020	2019
Total Chairman of the Board	744	1,283	952
Total CEO	377	---	---

Note: During the 2019 and 2020 financial years, only one director performed executive functions, the Chief Executive Officer, who in turn held the position of Chairman of the Board of Directors. Since January 26, 2021, the Company has two directors with executive functions, the Executive Chairman and the Chief Executive Officer.

The Group's senior management (not directors, all of them men, therefore, the salary gap calculation does not apply) is made up of the three General Managers of the cash-generating units (Spain, Portugal and Morocco). The average remuneration of these executives, for all concepts (including variable, allowances, compensation and payment to long-term savings forecast systems), at the end of the year is:

	2021	2020	2019
Middle Senior Management	305	283	290

Regarding the organization of working time, we follow the hours established in the Collective Bargaining Agreement, in accordance with the schedule agreed with the workers' representatives in each work center.

A digital disconnection policy for Zardoya Otis Spain is currently being prepared and will be negotiated, in accordance with the provisions of Organic Law 3/2018. While this negotiation process is closing, it should be noted that We ensure compliance with the schedules agreed with the representatives of the workers, having implemented a very favorable day for the reconciliation of personal and work life.

ABSENTEEISM HOURS

2021	Hours
Man	446,528
Woman	35,416
Total	481,944

2020	Hours
Man	478,584
Woman	42,656
Grand Total	521,240

2019	Hours
Man	285,509
Woman	25,580
Grand Total	311,090

The total hours of absenteeism for this 2021 have included the hours of absenteeism of Zardoya Otis and the Group of Associated entities (Acresa, Cruxent, Electromecánica, Enor Express, Hemen, Ingar, Integra, LV, Montes, Pertor, Portis and Saw).

In these data, the hours of absenteeism due to Covid19 have been excluded due to their exceptional nature

RELATIONSHIP OF ACCIDENTS AND OCCUPATIONAL ILLNESSES

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 rate			Absenteeism hours			
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 rate			Absenteeism hours			
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	

The accident rates provided are calculated in accordance with the statistical formulas established by the National Institute of Safety and Hygiene at Work:

- o Frequency Index (IF) = (number of work accidents with sick leave x 106)/number 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 workers of the Otis Group, no situation of risk of occupational disease has been detected, nor has any case occurred in any worker regardless of their

	Number of accidents			Number of occupational diseases					
	TOTAL	Women	Men	TOTAL	Women	Men			
	36	0	36	0	0	0			
Accident frequency rate			Accident severity rate			Absenteeism hours			
TOTAL	Women	Men	TOTAL	Women	Men	TOTAL	Women	Men	
4,3	0	4,80	0.0815	0	0.09085	5,456	0	5,456	

sex.

EMPLOYEES WITH DISABILITIES

	2021	2020	2019
>= 33% and < 65%	40	36	35
>= 33% and < 65% with help	1	1	1
>= 65%	4	4	4
Grand Total	45	41	40

PORTUGAL Data

EMPLOYEES BY SEX

	2021	2020	2019
Man	490	502	522
Woman	96	96	102
Grand Total	586	598	624

EMPLOYEES BY AGE

	2021	2020	2019
Under 25 years	17	21	23
25-40 years	140	173	197
41-55 years	342	320	321
Older 55 years	87	84	83
Grand Total	586	598	624

WORKFORCE BY CLASSIF. PROFESSIONAL

	2021	2020	2019
Higher graduates	26	33	35
Intermediate degree graduates	113	111	35
Administrative Heads, Workshop and Field	91	92	176
Operators	356	362	378
Grand Total	586	598	624

EMPLOYEES BY TYPE OF CONTRACT

	2021	2020	2019
Indefinite T. Complete	571	558	565
Indefinite T. Partial	0	0	0
Temporary T. Full	15	40	59
Temporary T. Partial	0	0	0
Grand Total	586	598	624

AVERAGE EMPLOYEES BY TYPE OF CONTRACT AND SEX

	Man	Woman	Grand Total 2021	Man	Woman	Grand Total 2020	Man	Woman	Grand Total 2019
Indefinite T. Complete	481	91	572	473	88	561	470	89	559
Indefinite T. Partial						0	0	0	0
Temporary T. Full	18	4	22	41	12	53	40	11	51
Temporary T. Partial						0	0	0	0
Grand Total	499	95	594	514	100	614	510	100	610

AVERAGE EMPLOYEES BY TYPE OF CONTRACT AND AGE RANGE

2021	Under 25 years	25-40 years	41-55 years	Older 55 years	Grand Total
Indefinite T. Complete	11	129	339	94	573
Indefinite T. Partial					
Temporary T. Full	5	14	3		22
Temporary T. Partial					
Grand Total	16	143	342	94	595

2020	Under 25 years	25-40 years	41-55 years	Older 55 years	Grand Total
Indefinite T. Complete	7	144	321	89	561
Indefinite T. Partial					
Temporary T. Full	13	33	7		53
Temporary T. Partial					
Grand Total	20	177	328	89	614

2019	Under 25 years	25-40 years	41-55 years	Older 55 years	Grand Total
Indefinite T. Complete	5	159	310	85	559
Indefinite T. Partial	0	0	0	0	0
Temporary T. Full	13	31	6	1	51
Temporary T. Partial	0	0	0	0	0
Grand Total	18	190	316	86	610

AVERAGE EMPLOYEES BY TYPE OF CONTRACT AND CATEGORY

2021	Higher graduates	Intermediate degree graduates	Administrative Heads, Workshop and Field	Operators	Total general
Indefinite T. Complete	23	109	100	341	573
Indefinite T. Partial					
Temporary T. Full		3	2	17	22
Temporary T. Partial					
Grand Total	23	38	177	357	595

2020	Higher graduates	Intermediate degree graduates	Administrative Heads, Workshop and Field	Operators	Total general
Indefinite T. Complete	33	100	90	338	561
Indefinite T. Partial					
Temporary T. Full		8	8	37	53
Temporary T. Partial					
Grand Total	33	108	98	375	614

2019	Higher graduates	Graduates middle grade	Bosses, Administrative, Workshop and Field	Operators	Grand Total
Indefinite T. Complete	35	35	152	337	559
Indefinite T. Partial	0	0	0	0	0
Temporary T. Full	0	0	18	33	51
Temporary T. Partial	0	0	0	0	0
Grand Total	35	35	170	370	610

DISMISSALS BY AGE, SEX AND CATEG. PROFESSIONAL

2021	Man				Total Men	Woman			Total Woman	Grand Total
	Under 25 years	25-40 years	41-55 years	Older 55 years		25-40 years	41-55 years	Older 55 years		
Higher graduates										
Intermediate degree graduates				1	1	1		1	2	3
Bosses, Administrative, Workshop and Field		3	2	2	7					7
Operators	6	4	6	5	21					21
Grand Total	6	7	8	8	29	1		1	2	31

2020	Man				Total Men	Woman			Total Woman	Grand Total
	Under 25 years	25-40 years	41-55 years	Older 55 years		25-40 years	41-55 years	Older 55 years		
Higher graduates			2		2					2
Intermediate degree graduates				1	1	1			1	2
Bosses, Administrative, Workshop and Field		2	2	1	5	2		2	7	12
Operators	3	15	9	5	32	1			1	33
Grand Total	3	17	13	7	40	4	3	2	9	49

2019	Man			Total Men	Woman			Total Woman	Grand Total
	25-40 years	41-55 years	Older 55 years		25-40 years	41-55 years	Older 55 years		
Higher Graduates				0				0	
Middle Grade Graduates			1	1				1	1
Bosses, Administrative	2	3	2	7	2		1	3	10
Operators	8	4	9	21				0	21
Grand Total	10	7	12	29	0	1	3	32	32

AVERAGE GROSS ANNUAL SALARY BY SEX (€) - GAP

2021	Man	Woman	Gap
Grand Total	27,979	26,957	3.65%

2020	Man	Woman	Gap
Grand Total	27,408	26,874	1.5%

2019	Man	Woman	Gap
Grand Total	27,036	25,711	4.94%

AVERAGE REMUNERATION BY CATEGORY (€)

	Average Remuneration 2021	Average Remuneration 2020	Average Remuneration 2019
Bosses, Administrative, Workshop and Field Operators	33,785	25,089	26,202
Intermediate degree graduates	22,496	22,099	21,536
Higher graduates	25,412	31,741	38,226
	64,876	75,740	75,364
Grand Total		27,321	26,820

AVERAGE REMUNERATION BY AGE (€)

2021	Less 25 years	25-40 years	41-55 years	Higher 55 years	Total general
Bosses, Administrative, Workshop and Field		30,137	33,734	40,119	25,998
Operators	13,967	21,051	23,502	24,185	20,674
Intermediate degree graduates	15,753	21,327	25,582	29,856	23,130
Higher graduates		48,225	75,646	109,306	77,726
Grand Total	14,169	22,581	27,693	39,362	

2020	Less 25 years	25-40 years	41-55 years	Higher 55 years	Total general
Bosses, Administrative, Workshop and Field	14,469	20,885	26,693	26,585	25,089
Operators	12,688	21,059	23,468	22,730	22,099
Intermediate degree graduates	14,874	28,012	31,602	38,435	31,741
Higher graduates		40,451	67,741	103,438	54,541
Grand Total	12,975	22,844	27,879	38,096	

2019	Less 25 years	25-40 years	41-55 years	Higher 55 years	Grand Total
Bosses, Administrative, Workshop and Field	12,717	23,355	26,641	30,007	26,202
Operators	9,612	20,786	23,064	22,886	21,536
Intermediate degree graduates	13,980	30,048	41,864	41,250	38,226
Higher graduates	0	41,888	67,068	107,198	75,364
Grand Total	10,017	22,457	27,688	38,467	

Regarding the organization of working time, working hours in Portugal are those defined by Portuguese law and that the Collective Agreement does not modify, that is, 8 hours per day, 40 hours per week.

In Portugal we also do not have a policy of disconnection from work as such. However, we ensure compliance with the schedules agreed with the workers' representatives, having implemented a very favorable day for reconciling personal and work life.

HOURS OF ABSENTEEISM

Hours of absenteeism 2021		
Total	Woman	Man
99,407	5,288	84,369

Hours of absenteeism 2020		
Total	Woman	Man
99,407	18,774	80,633

Hours of absenteeism 2019		
Total	Woman	Man
96,385	20,782	75,603

RELATIONSHIP OF ACCIDENTS AND OCCUPATIONAL ILLNESSES

2021	Number of accidents			Number of occupational diseases		
	TOTAL	Women	Men	TOTAL	Women	Men
	6	0	6	0	0	0
	Accident frequency rate			Accident severity rate		
	TOTAL	Women	Men	TOTAL	Women	Men
	0.71%	0	0.71%	0	0	0

2020	Number of accidents			Number of occupational diseases		
	TOTAL	Women	Men	TOTAL	Women	Men
	6	0	6	0	0	0
	Accident frequency rate			Accident severity rate		
	TOTAL	Women	Men	TOTAL	Women	Men
	0.71%	0	0.71%	0	0	0

- Frequency of accident rates:

Number of accidents with sick leave and by sex, occurring during the working day, for every million hours worked:

$(\text{number of accidents} / \text{number of hours worked}) * 1,000,000$

- Accident severity rate:

Number of days lost by sex as a result of occupational accidents for every 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 workers of the Otis Group, no situation of risk of occupational disease has been detected, nor has any case occurred in any worker regardless of their sex.

EMPLOYEES WITH DISABILITIES

Disability Degree	2021	2020	2019
>= 33% and < 65%		0	
>= 33% and < 65% with help	2	2	
>= 65%	8	7	8
Grand Total	10	9	8

MOROCCO Data

EMPLOYEES BY SEX

	2021	2020
Man	134	110
Woman	32	25
Grand Total	166	135

EMPLOYEES BY AGE

	2021	2020
Under 25 years	19	17
25-40 years	86	62
41-55 years	15	47
Older 55 years	11	9
Grand Total	166	135

WORKFORCE BY CLASSIF. PROFESSIONAL

	2021	2020
Higher graduates	29	19
Intermediate degree graduates	29	0
Bosses, Administrative, Workshop and Field	19	28
Operators	89	88
Grand Total	166	135

EMPLOYEES BY TYPE OF CONTRACT

	2021	2020
Indefinite T. Complete	141	126
Indefinite T. Partial	0	0
Temporary T. Full	25	9
Temporary T. Partial	0	0
Grand Total	166	135

AVERAGE EMPLOYEES BY TYPE OF CONTRACT

	2021	2020
Indefinite T. Complete	125	122
Temporary T. Full	9	4
Grand Total	134	126

AVERAGE EMPLOYEES BY TYPE OF CONTRACT AND SEX

	Man	Woman	Grand Total 2021	Man	Woman	Grand Total 2020
Indefinite T. Complete	99	26	125	99	23	122
Temporary T. Full	6	3	9	3	1	4
Grand Total	105	29	134	102	24	126

AVERAGE EMPLOYEES BY TYPE OF CONTRACT AND AGE RANGE

2021	Under 25 years	25-40 years	41-55 years	Older 55 years	Grand Total
Indefinite T. Complete	0	59	55	11	125
Temporary T. Full	0	5	4	0	9
Grand Total	0	64	59	11	134

2020	Under 25 years	25-40 years	41-55 years	Older 55 years	Grand Total 2020
Indefinite T. Complete	9	58	46	9	122
Temporary T. Full	3	1	0	0	4
Grand Total	12	59	46	9	126

AVERAGE EMPLOYEES BY TYPE OF CONTRACT AND CATEGORY

2021	Higher graduates	Intermediate degree graduates	Bosses, Administrative, Workshop and Field	Operators	Grand Total
Indefinite T. Complete	17	27	32	49	125
Temporary T. Full	1	2	2	4	9
Grand Total	18	29	3.4	53	134

2020	Higher graduates	Intermediate degree graduates	Bosses, Administrative, Workshop and Field	Operators	Grand Total
Indefinite T. Complete	19	0	26	77	122
Temporary T. Full	0	0	1	3	4
Grand Total	19	0	27	80	126

DISMISSALS BY AGE, SEX AND CATEG. PROFESSIONAL

2021	Man			Total Men	Woman			Total Woman	Grand Total
	25-40 years	41-55 years	Older 55 years		25-40 years	41-55 years	Older 55 years		
Higher graduates	2	0	0	2	1	0	0	1	3
Intermediate degree graduates	1	0	0	1	0	0	0	0	1
Bosses, Administrative, Workshop and Field	0	1	0	1	0	0	0	0	1
Operators	0	0	0	0	0	0	0	0	0
Grand Total	3	1	0	4	1	0	0	1	5

2020	Man			Total Men	Woman			Total Woman	Grand Total
	25-40 years	41-55 years	Older 55 years		25-40 years	41-55 years	Older 55 years		
Higher graduates	0	0	0	0	0	0	0	0	0
Intermediate degree graduates	0	0	0	0	0	0	0	0	0
Bosses, Administrative, Workshop and Field	5	0	0	5	1	0	1	2	7
Operators	5	0	0	5	0	0	0	0	5
Grand Total	10	0	0	10	1	0	1	1	12

AVERAGE GROSS ANNUAL SALARY BY SEX (€) - GAP

2021	Man	Woman	Gap
Grand Total	15,795.46	13,517.55	14.4%

2020	Man	Woman	Gap
Grand Total	17,140.04	14,781.64	13.76%

AVERAGE GROSS ANNUAL SALARY BY AGE RANGE (€)

2021	Under 25 years	25-40 years	41-55 years	Older 55 years	Grand Total
Higher graduates	3,004.65	24,516.86	57,199.03	0.00	32,790.83
Intermediate degree graduates	4,404.86	8,188.78	16,021.08	15,278.20	12,365.47
Bosses, Administrative, Workshop and Field	8,227.98	15,943.01	25,616.90	0.00	18,694.97
Operators	2,468.74	7,989.03	16,098.31	19,199.33	9,937.24
Grand Total	3,306.98	12,780.82	23,990.04	17,060.54	15,356.33

2020	Under 25 years	25-40 years	41-55 years	Older 55 years	Grand Total
Higher graduates	14,821.09	29,265.37	60,271.22	0	39,928.35
Bosses, Administrative, Workshop and Field	5,123.29	13,502.32	20,250.48	14,844.25	15,563.82
Operators	6,663.45	10,900.95	14,717.04	20,200.82	12,051.36
Grand Total	7,052.72	14,746.56	22,561.30	17,820.13	16,690.22

AVERAGE GROSS ANNUAL SALARY BY CATEGORY (€)

2021	Grand Total
Higher graduates	32,790.83
Intermediate degree graduates	12,365.47
Bosses, Administrative, Workshop and Field	18,694.97
Operators	9,937.24

2020	Grand Total
Higher graduates	39,928.35
Bosses, Administrative, Workshop and Field	15,563.82
Operators	12,051.36

HOURS OF ABSENTEEISM

We are working on the implementation of a system for recording absenteeism hours for the year, it has not yet been implemented and we will provide detailed information for next year.

RELATIONSHIP OF ACCIDENTS AND OCCUPATIONAL ILLNESSES

	Number of accidents			Number of occupational diseases		
	TOTAL	Women	Men	TOTAL	Women	Men
2021	2	0	2	0	0	0
	Accident frequency rate			Accident severity rate		
	TOTAL	Women	Men	TOTAL	Women	Men
	6.97	0	6.97	0.08	0	0.08

	Number of accidents			Number of occupational diseases		
	TOTAL	Women	Men	TOTAL	Women	Men
2020	2	1	1	0	0	0
	Accident frequency rate			Accident severity rate		
	TOTAL	Women	Men	TOTAL	Women	Men
	3.9%	19.6%	4.8%	0.39%	0.68%	0.3%

- Frequency of accident rates:

Number of accidents with sick leave and by sex, occurring during the working day, for every million hours worked:

$(\text{Number of accidents} / \text{number of hours worked}) * 1,000,000$

- Accident severity rate:

Number of days lost by sex as a result of occupational accidents for every 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 workers of the Otis Group, no situation of risk of occupational disease has been detected, nor has any case occurred in any worker regardless of their sex.

EMPLOYEES WITH DISABILITIES

There are no disabled employees.

Innovation

This year we have experienced a technological change with a significant impact on our operations, transforming the way the company acts, communicates and operates.

We invest more and more in technology to adapt quickly to market changes.

We have made the transition from a traditional system to the digitization of processes through Workday Human Capital Management (HCM) solutions.

During this 2021, the following have been implemented:

- Human Resources Management "My HR": Little by little the functionalities of this system are being implemented, an example of which is the communication of contracting in the system. What provides precise information on the people who collaborate in the organization, their situation within it, visibility of their working conditions, work history. In general, it allows to have a very wide visibility of all the employees accessible to the managers, so that it allows them to carry out a management with data of their employees.

- Talent and Training

In this section, with the introduction of Workday, it is allowing us to carry out a structured management of the management of the objectives of the employees, monitoring of them and evaluation of the employee. Once again highlighting the visibility and monitoring of the same that allows structured policies for their personal and professional development.

Likewise, with the implementation of Workday Learning, a training portal has been opened that is accessible to the majority of employees (technicians will be given access during the year 2023) that allows, both by individual initiative and by recommendation of the company, Continuous training is carried out to improve the capacity of employees.

- Total Rewards

With the inclusion of salary information in Workday, it allows the company to manage employee compensation, salary increases, in an automated way. It also provides the necessary data to be able to carry out studies on pay equity, both internal and external.

We must not forget that technology alone does not transform businesses, nor does it quickly meet market expectations, we need human talent to achieve it. At Zardoya Otis, people are the ones who carry out the transformation, and we consider the human team, a differentiating factor and competitive advantage, the center of our strategy.



Diversity and inclusion

In a sector with opportunities in terms of Gender Diversity, the incorporation of female talent into the group is one of the great challenges being worked on, something that Zardoya Otis strives for every day. During 2021 we continue to work on parity indices at all levels to promote the growth and development of female talent within the group.

Zardoya Otis continues for another year to adhere to the "More women, better companies" initiative promoted by the Ministry of Health, Social Services and Equality. With this collaboration, the group is committed to promoting the balanced participation of women and men in pre-executive positions, directors and management committees.

In addition and as part of the Commitment to Change signed by the Executive Committee at a global level in 2020, in 2021 two training programs have been rolled out aimed at all employees of the organization, with a special focus on team leaders and managers.

These two programs were developed through the NeuroLeadership Institute and were available through Workday Learning.

The first of them, called DECIDE, was deployed in April and was aimed at identifying and mitigating unconscious bias.

The second, called INCLUDE, took place in October and sought to provide tools and strategies for team inclusion, seeking common ground among its members and raising their potential.

In addition to these training actions, Zardoya Otis joins in the celebration or commemoration of some international days that promote respect for diversity of gender, sexual orientation or mental and physical health.



These international days are: International Women's Day (March 8), LGBTQ+ Pride Month (June), Mental Health Day (October 10) and International Day of Persons with Disabilities (Friday, October 3). December).



In all cases, HR carried out communication and awareness actions that sought to give visibility to the diversity of society and of which Otis should be a reflection. We want all people to feel welcomed, listened to and valued for everything they are.

Measures to promote employment

We have a selection process that guarantees the application of objective criteria based on professionalism and the adaptation of people to the jobs and the potential for development in the company.

Proximity to universities continues to be a key factor in attracting talent and building a strong employer brand. Zardoya Otis makes agreements with the main training centers in the territory, assuming the commitment to contribute to the employment of young people in our environment. Training scholarships offer experience, skills development and employability. This year 29 scholarship holders have 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 the majority.

Under equal conditions and suitability for the performance of functions, we encourage the entry of people of the less represented gender.

It is worth highlighting our positioning as an employer brand. Every year we participate in job fairs to attract potential candidates, increase our visibility and maintain contact with other companies.

This year, for example, we have participated in the employment fair organized by the Tecnum engineering school of the University of Navarra and in the fair organized by the Carlos III University of Madrid.

Training

The group's main asset is People and Training is one of the keys to success. All group employees have the opportunity and the right to access training, a key element that contributes to facilitating the personal and professional growth and development of employees. The training and development plans are followed and analyzed in the steering committees.

In 2021, an average of 20.45 hours of training per year has been given per employee in matters of safety, ethics, technical training, quality, sales, leadership, office automation, languages, etc. Through internal trainers or external consultants and in different methodologies (face-to-face, online or mixed training). The professional growth of employees is also encouraged with individualized development programs (University Degrees or Masters) at any public university.

Data of the training carried out in Spain during 2021:

AREA	Number of Hours	Number of Participants	Number of Courses
HR	29,137	632	337
FIELD	21,764	2,074	340
SAFETY	34,160	14,605	3,414
	85,061	17,311	4,091
ETHICS AND COMPLIANCE*	4,609	1,620	9,218
Workday Learning Estimated	3,546	1,713	452
	93,216	20,644	13,761

*In 2021, the Ethics and Compliance Training Plan was carried out through the Workday Learning platform. Estimated data are reported at the end of December 2021.

Data of the training carried out in Spain during 2020:

AREA	Number of Hours	Number of . Participants	No. Courses
HR	26,272	2,307	253
FIELD	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
	70,357	15,076	13,681

- o Training given in Spain

	Hours 2021	Hours 2020	Hours 2019
Higher graduates	6,202	4,055.75	6,274
Intermediate degree graduates	4,796	6,485.25	7,412
Bosses, Administrative, Workshop and Field	19,384	19,708.50	29,144
Operators	54,679.5	35,772.50	103,794
Total	85,061.5	66,022.00	146,624

These figures only include the hours taught in HR, Works and Safety.

- o Training given in Portugal

	Hours 2021	Hours 2020	Hours 2019
Higher graduates	1,418	578	104
Intermediate degree graduates	3,581	18	1,186
Bosses, Administrative, Workshop and Field	5,084	686	4,601
Operators	13,178	4,954	11,953
Total	23,261	6,236	17,844

- o Training given in Morocco

	Hours 2021	Hours 2020
Higher graduates	123	428
Intermediate degree graduates	650	
Bosses, Administrative, Workshop and Field	248	630
Operators	19,695.5	1,890
Total	20,716.5	2,948

This year, as a result of the implementation of the HCM Workday and specifically the Learning module, the training 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 own training career, choosing topics of interest to him, which broadens the possibilities of professional growth for all.

One of the strategic objectives established for 2021 was the retraining of the Supervisor function to align it with the new "Service Specialists" strategy. Specifically, we have designed a program for experienced Supervisors called **Going-up: Leading the Otis Business**.

The program was developed over three intense days and was attended by 24 supervisors from Otis y Asociadas in which they had the opportunity to acquire financial knowledge (balance sheet, profit and loss account, cash flow, working capital), understand how their operations have a direct impact on the company's results and how to lead more autonomous and efficient teams knowing how to delegate, give and receive feedback, collaborate and adapt to different communication styles.

In addition, the program included two internal sessions: in the first, Javier Barquín explained the importance of the role of the supervisor as a business catalyst, and in the second, Javier Cervera shared his experiences in managing teams and the value of people.



Performance management

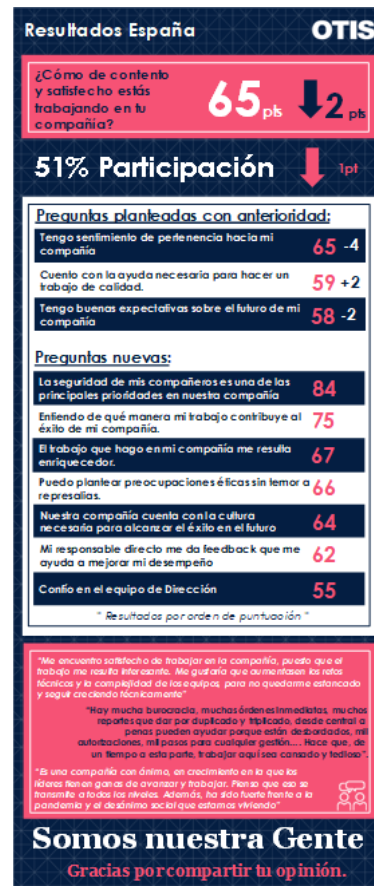
As part of Workday's implementation strategy as a people management HCM, in 2021 the Talent Review module was implemented, which aims to assess the talent of the staff as well as identify potential successors for key positions.

The deployment of this module has been done in a pilot test, so the group evaluated in 2021 has been limited to the management layers of the organization. Extensive deployment to other layers is planned in the coming years.

Working environment

As was done in previous years, in 2021 we have maintained our regular Climate surveys but these have been reduced to two per year. In this way, we have more time to identify potential areas for improvement and develop action plans.

The Pulse surveys carried out throughout this year have been in March and September, with the aggregated global results shown below:



Compensation & Benefits

Zardoya Otis defines its global compensation policy based on the principles of retributive justice, personal development and both internal and external equity, positioning the organization in the sector in a more competitive way.

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 remuneration audit controls, guaranteeing that this policy is not based on reasons of gender, culture or age, we favor inclusion and diversity.

Employees enjoy a complete flexible, variable and in-kind remuneration package that includes, among others, medical and life insurance, housing benefits, study benefits and special discounts on different leisure and cultural offers.

EAP – Employee Assistance Program:



As part of the employee benefits and the responsibility of Otis with the mental health of our teams, it is worth highlighting the launch of the Otis Care program in December 2021 .

An employee assistance program through the global provider Workplace Options.

This program is based on confidential advice from professionals. Thanks to Otis Care, the employee has access to individual therapy, support for conflict management, help in overcoming critical situations, business conflicts, stress management, as well as financial and legal consultations to deal with particular cases.

The program covers both the employee and their direct family members.

Otis Care reaches all of our employees through a 24/7 telephone consultation line where professional assistance is accessed and a dynamic online platform full of content that is regularly updated.

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

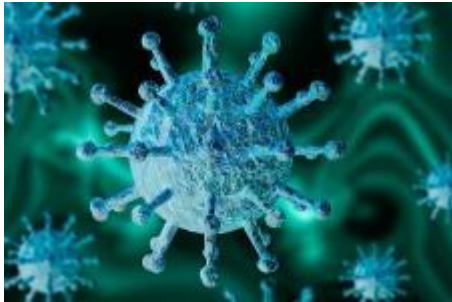
Incentives and bonuses

- 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

All over the world, great efforts are being made to contain COVID-19.

Rarely can a crisis be isolated and controlled by bringing unpredictable ups and downs. For this reason, Zardoya Otis focuses its attention on the management of work organization in a COVID-19 scenario.



Our premise:

"Protect the health of our employees, ensure continuity of service to our customers and keep production running"

For this, in March 2020 we established a Mitigation Plan with voluntary and exceptional measures for the reinforced containment of Covid-19 (RD 8/2020) taking advantage of 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:

- Employees of the PDC and zones.
- Field operators.
- Factory and engineering office workers.
- Factory 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

Crisis Committee:

A crisis committee was established since the beginning of the pandemic with the participation of the General Management, Human Resources, EHS, Operations, Manufacturing, Company Doctor, IT and Communication with the aim of monitoring the situation in real time and developing the necessary actions.

Continuous communication to employees:

As for dialogue with people, continuous and regular contact with employees has been maintained.

- Periodic communication and negotiation with unions and industrial associations (FEDA)
- Communication of Preventive measures
- Communication of alternatives to face-to-face 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 present in the common areas of each center.
- Communication and messages in the vaccination campaign against Covid-19.

Operational actions:

Work at home:

It is an exceptional measure adopted on an extraordinary basis for the duration of the COVID19 situation, allowing the employee to carry out part of the usual work from home for office staff.

From Zardoya Otis guidelines have been sent to help our teams achieve better performance and ultimately improve their quality of life, recommendations on the organization of time, how to maintain effective communication, how to focus on day-to-day life and also take care of yourself at home.

This measure is currently maintained, varying the presence ratios in the centers depending on the situation and evaluation of the pandemic.

Exceptional COVID measures: Royal Decree 8/2020, Article 6 MECUIDA Plan:

The employee can request reduction, adaptation, change of position/modality, including the provision of remote work, during the COVID period, this plan of measures has been extended until February 28, 2022.

Employee requests are addressed by proposing solutions that maintain a balance between the company's organizational needs and the need for family reconciliation.

- In response to the situation of the pandemic and in those cases in which it was possible, meetings are encouraged by telematic means to limit travel and displacement
- Carrying out training sessions, both face-to-face and online, according to the data and evolution of the pandemic.
- 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
- Notification and weekly report of Covid cases in the company
- Physical measures that guarantee distances at all times (separation of posts, partitions...)

All employees have a guide full of instructions on how to proceed before entering the workplace, recommendations during the working day and hygiene measures to follow.

At all times, both unions and staff delegates; from which we receive support in the measures and their collaboration in the implementation of the same, have been and are informed pertinently.

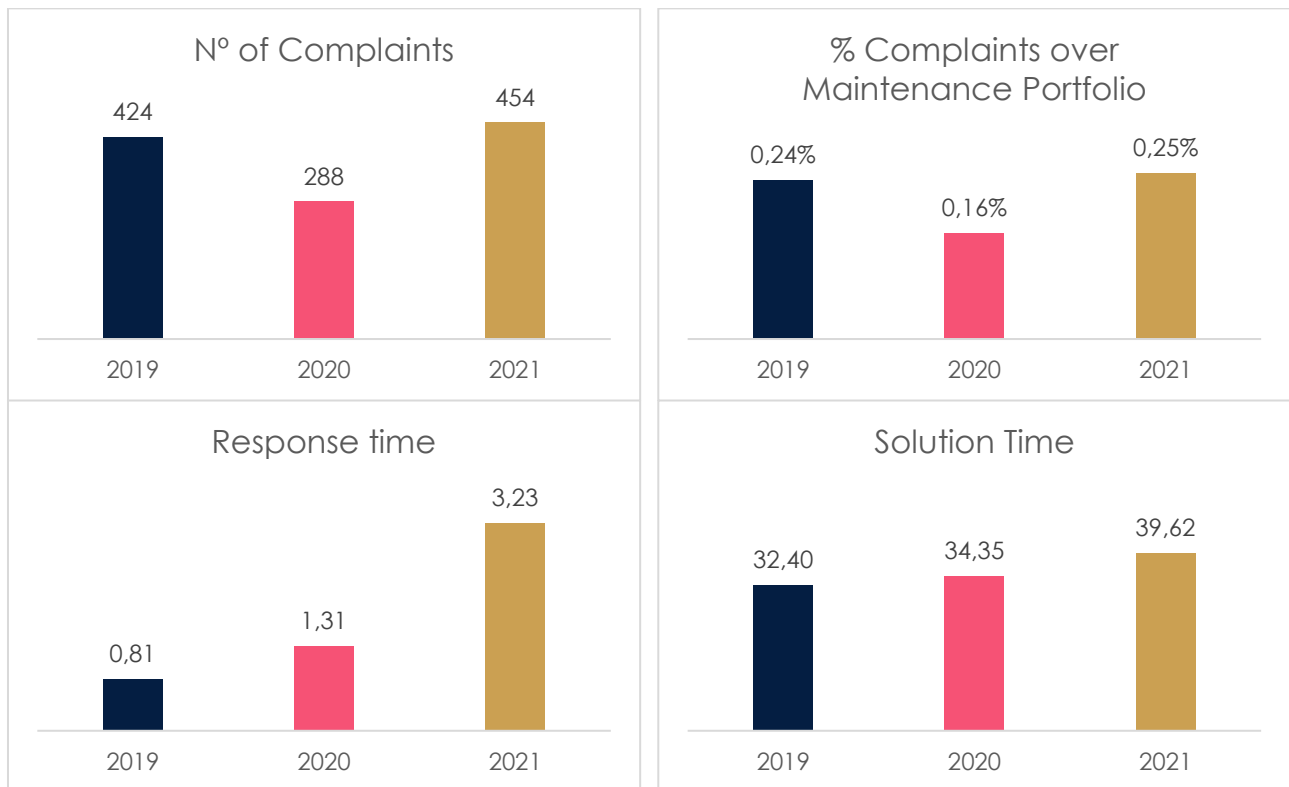
Zardoya Otis continues to work to adapt to changes, guaranteeing the least possible impact on the family and economic life of the employee and ensuring their safety and the continuity of the activity.

3.6. CONSUMERS / CUSTOMERS

The Company offers the Customer Ombudsman channel to attend to and process possible complaints and claims. The defined management system allows its registration, monitoring and closure in collaboration with the functional Management/Delegation object of said complaint. Likewise, if their participation is necessary, the D. Legal Advice can participate in this management.

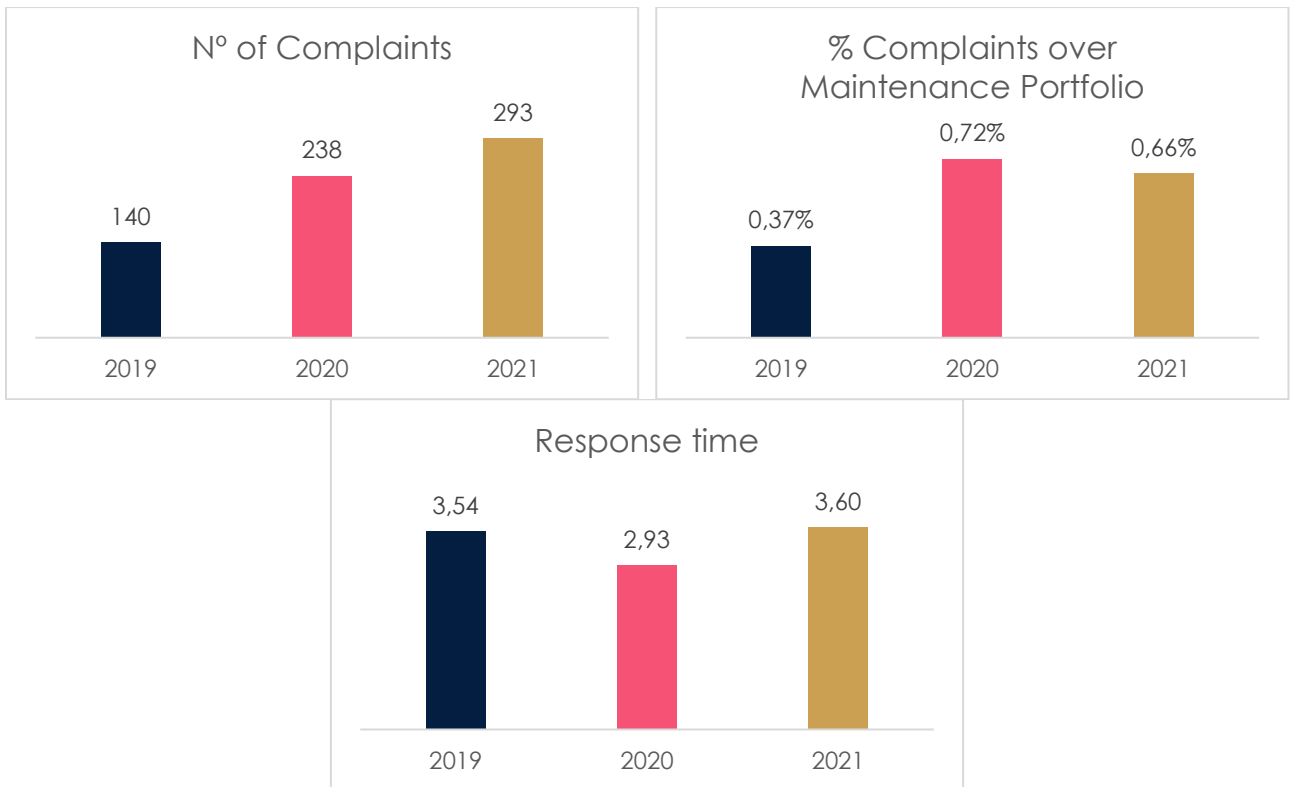
As regards Spain, in 2021, 454 complaints were received, which represents 0.25% of the maintenance portfolio. The average response time was 3.23 days and the average resolution time was 39.62 days.

These graphs show a comparison of the years 2019-2020-2021:



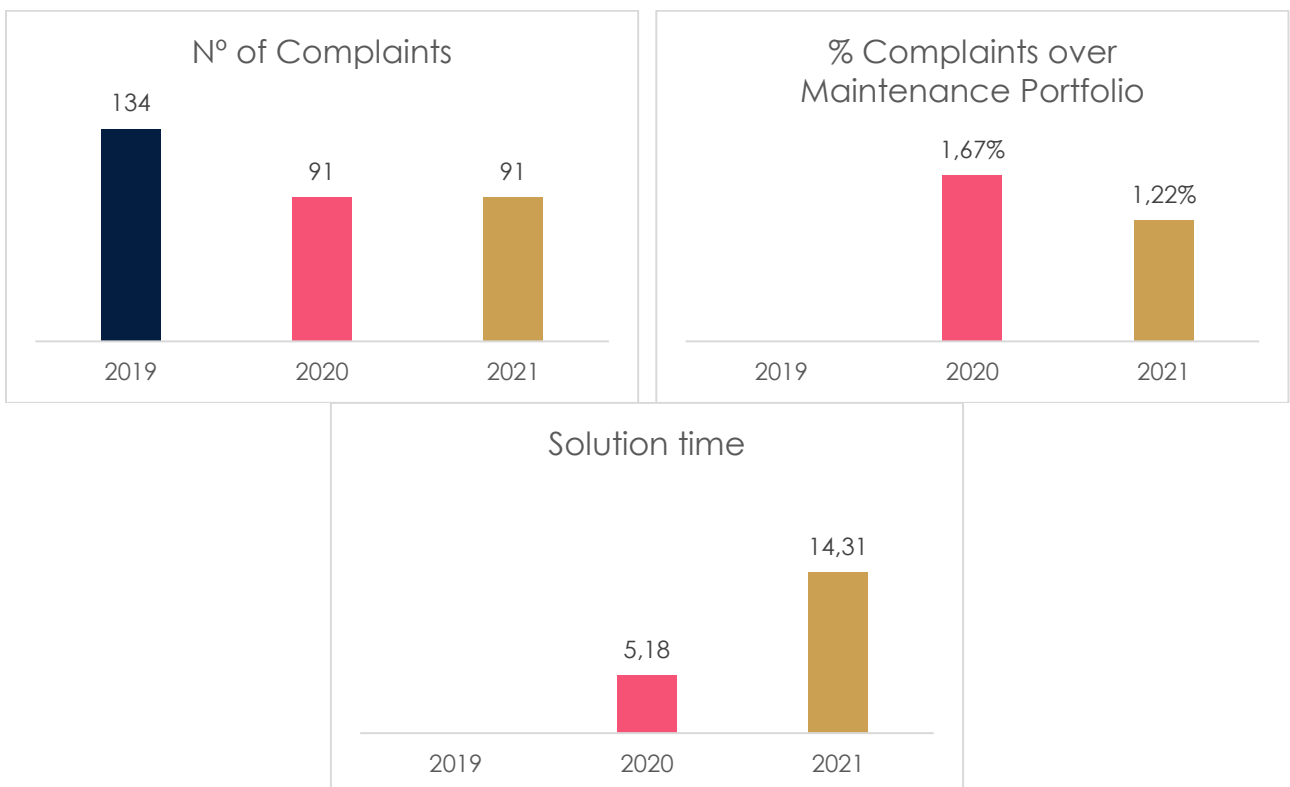
In Portugal, during 2021, 293 complaints were registered, representing 0.66% of the maintenance portfolio, with an average response time of 3.6 days.

This is the comparison of the years 2019-2020-2021:



In the case of Morocco, in 2021, 91 complaints were received, which represents 1.22% of the maintenance portfolio and the average solution time was 14.31 days.

This is the comparative view of the number of complaints for the years 2019-2020-2021:



3.7. SOCIETY

DIGITAL TRANSFORMATION

The process of Digital Transformation in which it is immersed represents a challenge of the first magnitude due to the cultural change that it implies. The companies that make up the group have adapted to this new reality. The technical staff and supervisors currently work with advanced digital mobility tools that integrate smartphone technology and make communication, management and service technology available to customers. These tools allow the reduction of administrative tasks, generating greater productivity and efficiency to offer personalized, agile and effective customer service.

The objective is to continue strengthening the leadership position in the sector, transforming the Service and incorporating connectivity technologies and efficient management, providing reliability, productivity, flexibility and transparency, to continue providing an excellent service to customers.

INNOVATION

For the group, it is essential to promote Innovation to maximize value creation. The Madrid Engineering Center is a world reference center for Otis, where a multitude of patent applications for the products and processes developed are initiated. Since 2001, more than 500 patent applications have been filed from Spain around the world and almost 300 patents have been granted. Specifically, during 2021, 6 patents were obtained out of the 16 requested.

Likewise, there is a Suggestions Program, which encourages and rewards the generation of new ideas on product, service or process improvements.

ACCESSIBILITY

Regarding Accessibility, the entity is aware of the situation of millions of people with difficulties in overcoming the many existing architectural barriers in cities. In Spain, for example, there are more than a million buildings in which measures should be applied to facilitate accessibility.

The group, together with organizations of people with disabilities and the administration, has always been active in the development of legislative standards that improve the accessibility of people in elevators. The group is committed to the development of technical solutions, technological advances and social initiatives aimed at contributing decisively to the elimination of accessibility barriers. An example of this is the incorporation of devices as standard in elevators that facilitate their use by people with some type of disability: Braille language on the buttons, improved signage, audible messages for maneuver information, improved stopping precision, door closing early detection systems,

In 2018, 80% of LV3 Accessibility Solutions, SL, a company dedicated to the elimination of architectural barriers and accessibility solutions with stairlifts and platforms, were acquired.

SUSTAINABLE DEVELOPMENT: CORPORATE RESPONSIBILITY

During 2021, the company has continued to develop its Corporate Responsibility Plan aligned with the Sustainable Development Goals (SDG) and in accordance with the business objectives and the established strategy. The sustainable development goals on which the company's CSR strategy is based are:

- Objective number 3: Health and Wellness
- Objective number 4: Quality education
- Goal number 7: Affordable and clean energy
- Objective number 9: Industry, Innovation and Infrastructure
- Objective number 10: Reduction of inequalities
- Goal number 11: Sustainable cities and communities

It also collaborates with educational centers to offer training and professional development opportunities to students with potential and talent, who lack the necessary resources to qualify for them. In addition, through collaborations with vocational training centres, young graduates are hired, contributing with both actions to the reduction of unemployment levels, mainly in the youth field.

Social action policies are communicated to all employees through the various internal communication channels.

All of the above has made it possible to obtain the international certificate "Top Employers Institute" for the sixth consecutive year, one of the most valued and important worldwide and which recognizes the group's parent company as one of the best companies to work for in Spain.

The entire collection obtained by the celebration of the VII Solidarity Race, which this year, due to the circumstances, has had to be held again virtually through an app, was allocated to the Spanish Association of Amyotrophic Lateral Sclerosis (adELA) .



In 2021, Zardoya Otis has participated in the World Blindness Summit, held this year in Spain and organized by ONCE.



Other entities with which it has collaborated this year have been the San José Institute Foundation, dedicated to the treatment of patients with neurological damage, the Juan XXIII-Roncalli Foundation, which works for the social inclusion of people with disabilities, and the Envera Group, dedicated to the integration into the world of work of people with intellectual disabilities.



It should also be noted that the company has been a finalist for the XII Corresponsables Awards and the NAN 2021 Awards with its project "Elevator connected to the service of people".

TAX INFORMATION

The Zardoya Otis Group has a fiscal strategy policy approved by the Board of Directors. Said policy is based on the identification of operations of special fiscal risk to be necessarily approved by the Board of Directors.

According to article 529 ter of the consolidated text of the Capital Companies Law, approved by Royal Legislative Decree 1/2010, of July 2, the powers of the Board of Directors cannot be delegated, among others, the approval of:

- investments or operations of all kinds, which due to their high amount or special characteristics, have a strategic nature or special fiscal risk, unless their approval corresponds to the general meeting; and
- the creation or acquisition of shares in special purpose entities or domiciled in countries or territories that are considered tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, could undermine the transparency of the company and its group.

In application of these regulations, the Company has proceeded to include these powers in article 3 of the Regulations of the Board of Directors, which regulates the functions of said body.

For the purposes of the provisions of article 529 ter and concordant of the Capital Companies Law, as well as in article 3 of the Regulations of the Board of Directors, special tax risk operations shall be understood as the following:

1. Any investment, disinvestment or operation of any nature, the amount of which exceeds the lesser of the following two amounts:
 - 5% of the net amount of the turnover of the previous year
 - 20 million euros, except in the case of operations carried out in the ordinary course of business.
2. Intra-group financing or capitalization operations, except renewals or extensions, whose amount exceeds 20 million euros, unless such operations are carried out between entities included in a consolidation tax group.
3. Operations of any nature covered by a preferential tax regime or to which a tax incentive or benefit may be applicable, for those operations involving an amount greater than 5 million euros.
4. Creation of branches or constitution of subsidiaries abroad.
5. Creation of special purpose entities.
6. Investments or any other operations involving entities resident in countries or territories considered tax havens or with low or no taxation, except for the Company's normal traffic operations.
7. Restructuring and structural modifications in which Zardoya Otis, SA or other entities within its fiscal consolidation perimeter intervene, as the case may be, such as mergers, spin-offs, global assignment of assets and liabilities, transfer of international address, spin-offs or non-monetary contributions of branch of activity.

Restructuring operations between the other Group companies will also be subject to approval, provided that their amount exceeds 15 million euros.

8. Acquisition or development of new activities or substantial modification of existing ones, provided that these are outside the ordinary course of business of the Otis Group and the investment or expected annual turnover that they entail exceeds 10 million euros.
9. Operations and investments that are outside the ordinary course of business of the Otis Group in which companies residing in more than two different jurisdictions are involved.
10. Any other operations or investments that the Board of Directors may discretionally consider to be of special fiscal risk.

Any operation that is included in 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 Financial Management of the Company or the Committee Audit, depending on the type of operation to be carried out.

BRIEF INTRODUCTION TO THE QUANTITATIVE INDICATORS PROVIDED

Result obtained after taxes: An entity recognizes all items of income and expense for the period in profit or loss. This indicator corresponds to the Group's profit after tax without discounting the profit attributable to non-controlling interests, which in 2021 totaled 1,107 thousand euros (698 thousand euros in 2020 and 660 thousand euros in 2019), of which (459 thousand euros correspond to the result of non-controlling interests in subsidiaries located in Portugal and 648 thousand euros to Spain).

Income tax: The calculation of the corporate tax expense includes the corporate tax rate accrued in the year, the effect of the deferral of the differences produced between the taxable base of the tax and the accounting result before applying the tax that reverts in subsequent periods. , as well as bonuses and deductions from the quota taken by the Group companies.

Public subsidies received: amount of money that has been granted to companies of the Group, by an entity or an institution as financial aid to carry out a work or expense, especially that received from the State or an official body. In 2019 the Group received the approval of an aid that is conditioned to the completion of the work of the new factory in San Sebastian. The aid resolution is dated January 16, 2019 and allows a construction execution period until September 2022.

	Profits obtained after taxes - 2021 (thousands of euros)	Profits obtained after taxes - 2020 (thousands of euros)	Profits obtained after taxes - 2019 (thousands of euros)
Spain	129,121	123,611	123,341
Portugal	16,425	16,660	16,146
Morocco	212	831	1,723
TOTAL	145,758	141,102	141,210

	Public subsidies received - 2021 (thousands of euros)	Public subsidies received - 2020 (thousands of euros)	Public subsidies received - 2019 (thousands of euros)
Spain	-	-	325
Portugal	-	-	-
Morocco	-	-	-
TOTAL	-	-	325

	Income tax – 2021 (thousands of euros)	Taxes on profits (%)	Income tax – 2020 (thousands of euros)	Taxes on profits (%)	Income tax – 2019 (thousands of euros)	Taxes on profits (%)
Spain	38,076	22.8	38,156	23.6	39,306	24.2
Portugal	5,642	25.6	5,879	26.1	5,797	26.4
Morocco	553	72.3	453	35.3	911	34.6
TOTAL	44,271	23.3	44,488	24.0	46,014	24.6

EUROPEAN TAXONOMY FOR THE CLASSIFICATION OF ENVIRONMENTALLY SUSTAINABLE ECONOMIC ACTIVITIES

The EU taxonomy is a classification system that establishes a list of environmentally sustainable economic activities.

It is an important element because it provides; precise and common definitions on the economic activities that can be considered environmentally sustainable, aims to create safety for investors, protect private investors from "greenwashing", help companies to plan the transition, mitigate market fragmentation and, finally, help to shift investments towards those activities of greatest need.

The Taxonomy establishes that economic activities must be aligned with the following technical selection criteria to be considered sustainable:

1. They have a significant contribution to at least one of the **6 environmental objectives**:



2. Does not cause any significant harm to any of the other environmental objectives

3. Compliance with minimum social guarantees (Human Rights)

The financial indicators of eligible economic activities as environmentally sustainable within the Taxonomy are detailed below. They are considered eligible for their contribution to achieving the first objective, that is, "Mitigation of climate change".

% SALES VOLUME ALIGNED WITH THE TAXONOMY

The objective of this section is to provide the proportion of the Company's economic activities that are eligible for the Taxonomy as environmentally sustainable. Among all the activities contemplated by the Climate Delegated Act, we base ourselves on the following sections to describe the indicator:

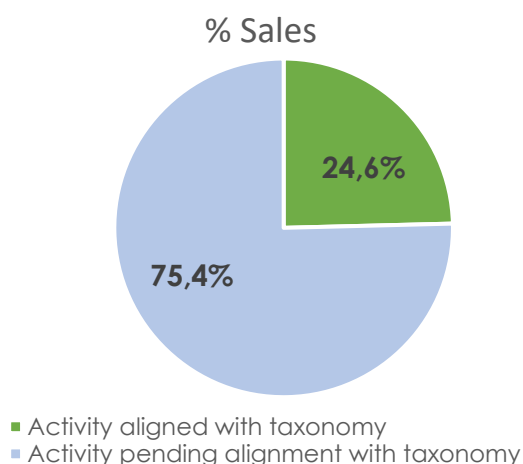
3.5. Manufacture of energy efficient equipment for buildings

7.3. Installation, maintenance and repair of energy efficient equipment

To determine the volume of section 3.5, all sales from New Sales activities are included, as well as international sales (factory in Madrid and San Sebastián) of those equipment whose technology is efficient from the energy point of view. As support for this information, the environmental declarations of the aforementioned equipment are available, where all the details on the efficiency of their technology from the energy point of view are provided.

Section 7.3 includes the sale and installation of energy efficient equipment from the modernization activity.

To calculate the indicator "Sales aligned with the European taxonomy" we take the sum of sales from sections 3.5 and 7.3 for the numerator, and for the denominator part we take the figure of Consolidated Sales at the end of 2021 (806.5 million euros), obtaining a ratio of 24.6%.



% CAPEX ALIGNED WITH THE TAXONOMY

Among all the activities contemplated by the Climate Delegated Act, we base ourselves on the following sections to describe the indicator:

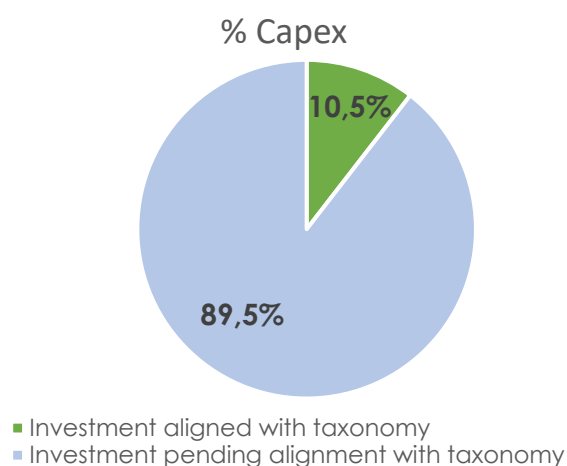
7.3. Installation, maintenance and repair of energy efficient equipment

5.5. Collection and transport of non-hazardous waste in fractions segregated at origin

To determine the volume of section 7.3, the items attributable to the current year are included in relation to the environmental action carried out in the new plant in San Sebastián, **"Installations of a new plant with a LEED energy efficiency certificate"**.

To determine the volume of section 5.5, the items attributable to the current year in relation to the environmental action carried out in the new plant in San Sebastián, **"Centralized vacuum systems for shavings and coolants"**, are included.

To calculate the indicator "% Capex aligned with the European taxonomy" we take for the numerator the sum of the investments in sections 7.3 and 5.5, and for the denominator part we take the additions and business combinations in relation to fixed assets both tangible and intangible for the current financial year that is the subject of this report.



% OPEX ALIGNED WITH THE TAXONOMY

No data is presented regarding the % Opex aligned with the European taxonomy as it is not material compared to the total operating expenses of the Group.

3.8. SUBCONTRACTING AND SUPPLIERS

At the Zardoya Otis Group we are committed to offering 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 collaboratively with our suppliers to achieve quality and price improvements for our customers.

CODE OF CONDUCT FOR SUPPLIERS

Otis Elevator Company maintains a firm commitment to its Code of Ethics and ethical conduct in all its areas of activity. Our Code of Ethics, as well as its annex called "Gifts from our suppliers", are available to our suppliers. Our gift policy is based on maintaining fairness and mutual respect. Our goal is to avoid even the appearance that Otis' business decisions may be based on anything other than merit in our business relationships. Likewise, we indicate to our suppliers the form of action when reporting in the event of a possible breach of our ethical policy.

Report a violation

If Supplier becomes aware of any potentially non-compliant act related to Otis business by an Otis employee or its own employees or any employee of its business partners, Supplier must notify us as soon as possible. He can contact through the following communication channels, which protect the identity of the complainant, and which can be used by 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 an external provider that has translators available for callers.
- Webline – You can report electronically using a dedicated, secure website provided by a third-party provider. <https://otis.webline.saiglobal.com/>
- Email – You can send an email to 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.

Provider performance

The performance of the supplier is an essential element to be able to count on an integral supply chain, in continuous development and of the highest level. Otis suppliers must meet performance expectations. The program **Supplier Premier** helps our suppliers to improve their results and, at the same time, to improve the activity in general terms.

This supplier policy applies to Spain, Portugal and Morocco.

3.9. ENVIRONMENTAL ISSUES

The Company has established a "Safety, Health, Environment and Energy Efficiency Policy", which supports the OTIS policy. It describes the philosophy, commitments and expectations in these matters, providing a guide to the entire organization.

Vision: At Otis, we take care of everyone who works on our equipment, both employees and subcontractors, and the people who use it. At Otis, we believe it is necessary to protect our planet now and for future generations. Otis will continue to set the highest standards, meet the most demanding requirements, and develop the most ambitious strategies to achieve these goals in accordance with our values.

Commitment: The commitment of the Group's Management with the objective of achieving the maximum results in environmental protection and the efficient use of energy was included in the updated policy document that is visible in all the company's centers, signed by the President and CEO

We take care of our Environment:

- Developing products with the least possible environmental impact.
- Implementing the ISO14001 standard to reduce our environmental footprint in all manufacturing and business activities.
- Implementing the ISO50001 standard to reduce energy consumption in our factories and facilities.
- Properly managing waste to contribute to reducing the environmental impact of our activity.
- Optimizing our vehicles and their driving to reduce air pollution
- Improving manufacturing processes to reduce the consumption of resources and the generation of waste in our production.

The necessary preventive measures are established to eliminate or minimize risks to the environment through:

- The standard: Prevention and Control of Air Pollution
- The ISO 14001 standard in the Zones and Associates and in the factories of Madrid, San Sebastián and Vigo. (See obtained certifications)
- The standard Prevention and Control of Water Pollution. See PM Chap 5.- SP009.
- Establishing water and energy consumption control plans.
- Factory Waste Management.
- Management of Containers and Packaging in Factories
- Waste Management in Areas.
- Management of Mercury in Electrical Switches.
- Management of electrical and electronic waste.

The different indicators are described below:

- Water consumption and air pollution (in factories).
- Waste generated in Zones and Factories.
- Energy efficiency.

In factories, actions are established to control and reduce energy consumption and greenhouse gas emissions in accordance with SP017 and under the requirements of both ISO 50001. These gases are those emitted only by heating boilers and DHW, since none of the factories emit this type of gas due to processes.

- Each factory must prepare and maintain a list of all the points of energy consumption (work area, equipment, processes, etc.) and the sources of direct emission of GHG gases.

Standards of action are established to improve energy efficiency at the company level in the offices of the commercial network and Central Services with the indicators defined in policy SE017-2.

- Electricity consumption in offices and the fuel consumption of the vehicle fleet are measured and controlled periodically to analyze their evolution according to what was 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, Threats and Opportunities) has been carried out, and of the interested parties, to detect the risks and opportunities related to the Environment area and establish the necessary actions to manage them.

Among the most significant threats (risks) detected, are the following:

- A large part of the improvements are directly related to the personal commitment of the workers.
- The pressure for results and increasingly reduced business margins can limit investments for improvements in the short term.
- Increasing restrictions on the use of vehicles in certain areas of large cities.
- San Sebastián factory located in a residential area, problems of inconvenience to residents closest to the factory, noise, night lighting.
- In the San Sebastián factory there is a work in the contiguous area - building on adjoining land, continuous passage of vehicles, right of way to your plot.
- In the San Sebastian factory there is a water tank in the adjoining area, which is likely to break and flood our facilities.

Given this situation, the following opportunities for improvement are established:

- Subsidies and energy saving and efficiency projects, existence of subsidies for energy saving and efficiency projects for new machines

- Incorporate energy efficiency criteria in the rental of premises, choice of air conditioning equipment, vehicle fleet, etc.
- Incorporation of electric or hybrid vehicles in the industrial and/or management fleet
- Next new factory in San Sebastián, sustainable building, no gas, efficient lighting, etc.
- Periodic optimization of routes and fleets.

Depending on the significance of the risks and opportunities detected, actions are established to manage those with greater value, which are included in the Company's Annual Security Plan.

The identification of environmental aspects is carried out by the Department of Safety, Health and the Environment, through an analysis of the processes of the activities of factories, assembly and maintenance developed by the Otis Group. This identification will be completed with those arising from the identification of risks due to emergency situations.

The aspects identified, the criteria of significance and the level of associated impact are reviewed when changes occur in the activities and processes or the appearance of new requirements.

The actions established to achieve these objectives are:

Product Optimization for greater energy efficiency (Engineering).

Safety and the Environment are integrated in the planning and design of products, as well as in the modification of processes through:

- Safety and environmental standards defined at an international level in the Company's Action Policies.
- Verifying in Engineering that the products designed and specified comply with the Otis safety standards worldwide (WWJSSS) and the Elevator Regulation
- Verifying in the factories that the materials used and the production process comply with Otis safety standards (Standard Practices SP's)
- Carrying out Safety and Environment risk assessments of new products before their launch according to the document "Design for Safety and Environment Standard (DfS&E)
- Prohibiting the use of products that negatively affect health and the environment.
- Replacing polluting components with less polluting ones, such as:
 - Gear machines with oils, for machines without gear,
 - Steel cables (oil and grease) by non-polluting polyurethane flat belts.
 - Fluorescent tubes for LEDs
 - Hydraulic elevators by electric elevators that generate energy. (Gen2 regenerative)
 - Electric lifts with 230v single-phase power supply. (Gen2 Switch)
 - Elevators powered by solar panels. (Gen 2 Solar Switch).

Equipment in general that reduces energy between 40-70%, compared to previous models.

Route optimization, to reduce travel and, consequently, emissions: Based on the geographical location of the units and available technicians, a proprietary computer tool is available that allows optimization of the allocation of resources to guarantee the performance of work in accordance with regulatory requirements and contractual, always counting on the most suitable technicians for each activity to be carried out in the facilities

By optimizing journeys, customer waiting times are reduced, the kilometers traveled per vehicle are reduced, which is an advantage for the environment in relation to CO2 emissions, per vehicle.

We have a certified Environmental Management System in accordance with ISO 14001 with the following scope:

- Assembly, maintenance and modernization of escalators.
- Design and production of modeled elevators and components in the Madrid factory.
- Production of components and parts for modeled and special elevators.
- We have an energy management system in accordance with the UNE-EN ISO 50001:2011 standard for energy management activities at the headquarters, delegations and factories, for the following activities:
 - A) The design and development of elevators for passengers, passengers and loads or loads of any kind, and their components and elements used in them.
 - B) The production of modeled, special and residential elevators, and their components and elements used in them.
 - C) The sale, installation, maintenance and after-sales service (repairs, modifications and improvements, replacements or creations of elevators in existing buildings, etc.) of the elevators defined in A) and B), plus lifting platforms, stairs mechanics and moving walks.

The implementation of the Management System that integrates Environment and Energy Efficiency is led by the company's Management and is implemented with the support of the Prevention Service (Department of Safety and Works).

The functions 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.

The safety coordinators of the factories, area directorates and associated companies are in charge of monitoring the actions foreseen in the annual plans to ensure the correct implementation of the system and the achievement of the established objectives.

The monitoring of the plans and objectives is carried out at a first level by the local managers and at the company level by the Central Security Body (OCS), made up of the General Manager and the directors who report to him, and which meets monthly.

The Zardoya Otis Group Civil Liability Policy, in accordance with its conditions and limits, provides coverage guaranteeing claims against the Insured for Personal and Material Damages caused by polluting or polluting events that occur accidentally, suddenly and unforeseen. Included in said coverage are the expenses that are the responsibility of the

Insured consisting of cleaning, removal, containment, treatment, detoxification or neutralization of said irritating, polluting or polluting substances.

As far as emissions of substances that deplete the ozone layer are concerned, they are not used in the activity carried out in the zones and substances of this type are not handled in the factories either.

Regarding the measures to prevent, reduce or repair noise emissions, the three factories carry out measures if there has been any significant change, or at least every 5 years. All of them are within legal limits. The years in which it has been determined this aspect, the values have been adequate. In none of the three factories have claims or complaints been received for this.

To prevent light pollution in the facilities, evaluations are made included in the "Risk assessments of factory jobs, hygienic measurements". This is for outdoor areas only, not covered by our ER. Existing exterior lighting is evaluated and specified in the design tasks of the building itself. There is exterior lighting at the Vigo and Madrid factories only for the parking areas and around the factory.

The action guidelines to correctly manage waste in the Zones are described in policy Sp011-3.

It is carried out through an authorized Manager and with Registration as a Small producer of hazardous waste. The follow-up and control of the amounts generated is reported through the Security Data Web and is published monthly in the statistics.

Dangerous residues	2021				
	Zones and Associates (kg)	Factory Madrid (kg)	Factory Vigo (kg)	San Sebastian Factory (kg)	Consolidated (kg)
Waste oil	20,552	301			20,853
Metallic Containers	769	7			776
Plastic bottles	2,251	47	57		2,355
Rags and absorbents	3,813	142	100	6,978	11,033
Aerosol sprays	347			112	459
Fluorescent	1,687	87	two		1,776
Solid glue residue		186			186
Sepiolite		147			147
Oil emulsion				10,686	10,686
HC-impregnated cardboard				600	600
Coolant		141			141
Luminaires			90		90
Obsolete electronic equipment		190	449		639

Dangerous residues	2020				
	Zones and Associates (Kg)	Factory Madrid (kg)	Factory Vigo (kg)	San Sebastian Factory (kg)	Consolidated (kg)
Waste oil	23,571	250	1,800	600	26,221
Metallic Containers	518	two		76	596
Plastic bottles	2,116	37	201	17	2,371
Rags and absorbents	3,808	81	137	8,949	12,975
Aerosol sprays	526			42	568
Fluorescent	1,446	73	two		1,521
Solid glue residue		73			73
Sepiolite					0
Oil emulsion				5,228	5,228
HC-impregnated cardboard				897	897
Luminaires		333			333
Obsolete electronic equipment		447*			447

*Process of substitution of conventional luminaires to LED

Dangerous residues	2019				
	Zones and Associates (Kg)	Factory Madrid (kg)	Factory Vigo (kg)	San Sebastian Factory (kg)	Consolidated (kg)
Waste oil	19,459	292			19,751
Metallic Containers	464		60		524
Plastic bottles	2,357		100		2,457
Rags and absorbents	3,718	166	95	5,101	9,080
Aerosol sprays	482				482
Fluorescent	1,534	two	10		1,546
Solid glue residue		127			127
Sepiolite		148			148
Oil emulsion				5,389	5,389
HC-impregnated cardboard				1,590	1,590
Luminaires					0
Obsolete electronic equipment					0

The necessary preventive measures are established to eliminate or minimize risks to the environment through:

- Factory Waste Management.
- Certification in the ISO 14001 standard in factories and work centers.
- Management of Containers and Packaging in Factories.
- Waste Management in Areas through authorized waste managers.
- Management of Mercury in Electrical Switches, for its reuse.
- Management of Electrical and Electronic Waste (control panel plates, etc.).

WATER CONSUMPTION

The Vigo and Madrid centers do not have processes that use water. Yes in San Sebastian. Controls for possible water leaks have been implemented. Awareness courses are given on the proper use of water and there are posters in bathrooms, toilets, fountains.

Water consumption	2021			
	Factory Madrid	Vigo Factory	San Sebastian Factory	Consolidated
Extraction Source	m3 consumed	m3 consumed	m3 consumed	m3 consumed
Water supply network	1,232	736	3,138	5,106

Water consumption	2020			
	Factory Madrid	Vigo Factory	San Sebastian Factory	Consolidated
Extraction Source	m3 consumed	m3 consumed	m3 consumed	m3 consumed
Water supply network	821	778	3,300	4,899

Water consumption	2019			
	Factory Madrid	Vigo Factory	San Sebastian Factory	Consolidated
Extraction Source	m3 consumed	m3 consumed	m3 consumed	m3 consumed
Water supply network	1,147	1,400	2,730	5,277

CONSUMPTION OF RAW MATERIALS

Raw material consumption	2021			
	Factory Madrid	Vigo Factory	San Sebastian Factory	Consolidated
Strip steel (kgs)	753,707			753,707
Steel in flats (kgs)			828,296	828,296
Steel in formats (pcs)	209,639	46,620	8,283,787	8,540,046
Steel in billets (kgs)			96,804	96,804
Copper (kg)			323,021.5	323,021
Forge (pcs)			90,808	90,808
Foundry (pcs)			53,820	53,820

Note: the oxyfuel steel at FS Sebastián in 2020 was accounted for only in billets (pcs) and since mid-2021 it is also accounted for in flats (kgs)

Raw material consumption	2020			
	Factory Madrid	Vigo Factory	San Sebastian Factory	Consolidated
Strip steel (kgs)	669,825	-	3,224,510	3,894,335
Steel in formats (pcs)	185,338	46,682	-	232,020
Billet steel (pcs)	-	-	152,918	152,918
Copper (kg)	-	-	463,340	463,340
Forge (pcs)	-	-	92,241	92,241
Foundry (pcs)	-	-	51,373	51,373

Raw material consumption	2019			
	Factory Madrid	Vigo Factory	San Sebastian Factory	Consolidated
Strip steel (kgs)	770,144	0	2,579,210	3,349,354
Steel in formats (pcs)	209,795	30,873	0	240,668
Billet steel (pcs)	0	0	138,000	138,000
Copper (kg)	0	0	384,120	384,120
Forge (pcs)	0	0	105,013	105,013
Foundry (pcs)	0	0	57,364	57,364

There is a plan to minimize containers and packaging, and there is also a continuous optimization of box adjustments with respect to their content.

Consumption of raw materials (others)	2021			
	Factory Madrid	Vigo Factory	San Sebastian Factory	Consolidated
Carton (kg)	423,811	237,580	55,611	717,002
Wood (kg)	974,092	93,322	688,289	1,755,703
Plastic (kg)	9,359	2,005	7,639	19,003
Polystyrene (kg)	12,191			12,191

Consumption of raw materials (others)	2020			
	Factory Madrid	Vigo Factory	San Sebastian Factory	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			
	Factory Madrid	Vigo Factory	San Sebastian Factory	Consolidated
Carton (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

	2021	Zones + Central Offices + Associates	Factory Madrid	Vigo Factory	San Sebastian Factory	Consolidated
Vehicles	Diesel (L)	2,815,982.35				2,815,982.35
Fixed combustion equipment	Natural Gas (Nm3)	47,715	128,821	27,375	108,870	237,691
	Diesel C (L)		0	52,104		52,104
	Electricity (Kwh)	1,703,804.57	2,133,716	499,424	2,454,850	6,791,794.57
	2020	Zones + Central + Associated Offices	Factory Madrid	San Sebastian Factory	Vigo Factory	Consolidated
	Fuel	Quantity	Quantity	Quantity	Quantity	Quantity
Vehicles	Diesel (l)	2,519,216.32				2,519,216.32
Fixed combustion equipment	Natural gas (m3/Nm3)*	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	Zones + Central + Associated Offices	Factory Madrid	San Sebastian Factory	Vigo Factory	Consolidated
	Fuel	Quantity	Quantity	Quantity	Quantity	Quantity
Vehicles	Diesel (l)	2,179,875.00				2,179,875.00
Fixed combustion equipment	Natural gas (m3/Nm3)*	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

(*) The consolidated data for natural gas includes only the total of the factories, since the measurement units in the rest of the centers considered (central offices) are different. Headquarters (m3) and Factories (Nm3).

In factories, actions are established to control and reduce energy consumption and greenhouse gas emissions according to:

- Each factory must prepare and maintain a list of all the points of energy consumption (work area, equipment, processes, etc.) and the sources of direct emission of GHG gases.
- Standards of action are established to improve energy efficiency at the company level in the offices of the commercial network and Central Services.
- Electricity consumption in offices and the fuel consumption of the vehicle fleet are measured and controlled periodically to analyze their evolution according to what was planned.
- CO2 emissions are measured and controlled for Company vehicles, to analyze and see the possibility of improvement for the environment.
- The Madrid factory has a solar energy production facility on the roof. Everything that is generated is uploaded to the network, it is not consumed. 2021 production: 795,759Kwh.

Production KW/h solar panels Madrid (P01-P11)	2019	2020	2021
	856,600	714,172	795,759

GROUP CARBON FOOTPRINT

2021	Electricity: ONLY D. ZONE. (Without Associates, not included in ISO5001)		Factory Madrid		Vigo Factory		San Sebastian Factory		Consolidate d
Greenhouse gas emissions	Tn CO2 equivalent	Comments	Tn CO2 equivalent	Comments	Tn CO2 equivalent	Comments	Tn CO2 equivalent	Comments	Tn CO2 equivalent
Scope 1	108,520	Derived from the fuel consumption of vehicles "MITECO Emission Factors Version 17 April 2021, Factor B7 2020" Heating DHW central offices " Emission factor MITECO Version 17 Natural Gas Factor 2020. Conversion factor from m3 to Kwh source: ENAGAS published in the BOE"	272	Invoice data. Conversion: MITECO version April 17, 2021	207	Invoice data. Conversion: MITECO version April 17, 2021	230	Invoice data. Estimated December. Conversion: MITECO version April 17, 2021	109,229
Scope 2	426	Derived from electricity consumption Kwh in offices, with the "MITECO Emission Factor Version 17 Factor Mix 2020"	0	Derived from electricity consumption Kwh, with the conversion factor MITECO Version 17 Factor Mix 2020	0	Derived from electricity consumption Kwh, with the conversion factor MITECO Version 17 Factor Mix 2020	0	Derived from electricity consumption Kwh, with the conversion factor MITECO Version 17 Factor Mix 2020	426
Total GHG emissions	108,946		272		207		230		109,655

Electricity marketer in central offices and Zones: ELEIA energy

Change of electricity supplier for the three factories: GESTERNOVA

2020	Electricity: ONLY D. ZONE. (Without Associates, not included in ISO5001)		Factory Madrid		San Sebastian Factory		Vigo Factory		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 the fuel consumption of vehicles "MITECO Emission Factors Version 15 Factor B7 2019" Heating DHW central offices " MITECO Version 15 emission factor Natural Gas Factor 2019. Conversion factor from m3 to Kwh source: ENAGAS published in the BOE"	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 Factor C 2019"	103,025
Scope 2	449	Derived from electricity consumption Kwh 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									
Total GHG emissions	102,968		218		165		123		103,475

The data for natural gas from central offices in 2020 is included
Electricity marketer in central offices and Zones: ELEIA energy
Change of electricity supplier for the three factories: GESTERNOVA

2019	ONLY D. ZONE. (Without Associates, not included in ISO5001)		Factory Madrid		San Sebastian Factory		Vigo Factory		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	102,689	Derived from the fuel consumption of vehicles "MITECO Emission Factors Version 12 Diesel Factor A or B 2018" Heating DHW central offices " Emission factor MITECO Version 12 Natural Gas Factor 2018. Conversion factor from m3 to Kwh source: ENAGAS published in the BOE"	284	Heating and DHW production. "MITECO Emission Factors Version 12 Natural Gas Factor 2018. Conversion factor from m3 to kWh source: ENAGAS.es published in BOE, 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 BOE, according to invoice"	207	Heating "MITECO Emission Factors Version 12 Gasoil Factor C 2018"	103,374
Scope 2	691	Derived from electricity consumption Kwh 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									
Total GHG emissions	103,380		1,210		1,122		443		106,155

The objective established for the reduction of CO2 emissions derived from fuel consumption has been established based on the improvements introduced by the route optimization project.

Emissions from electricity consumption are considered 0 since the supply company, GESTERNOVA, only sells renewable energy for the three factories. Thus, its conversion factor to Tn of CO2 is 0, according to the 2019 version 15 publication of the Ministry for Ecological Transition and Demographic Challenge.

The estimate of use and consumption for 2019 has been estimated in relative value with respect to the number of existing vehicles in the company's fleet.

This, added to the optimization projects of the fleet itself (replacement with more efficient vehicles) and the awareness campaigns allow us to maintain a reduction target of 2% per year.

Based on the materiality of the Zardoya Otis Group, the following indicators are not relevant due to its 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: adjustment of comfort temperatures, elimination of leaks, etc. In application of the regulations in force (IT 3.8.2 of RD1027/2007, RITE, modified by RD 1826/2009), in centers that have air conditioning systems, temperatures must be adjusted to at least within the following limits:

- Summer: minimum temperature 26°C.

- Winter: maximum temperature 21°C.

In addition, a poster with the above information must be placed in a visible place. (Annex 6 model).

- Improvements in the solar factor of glass facades: blinds, treatments, thermal bridge breakage, etc.

- Lighting: analysis of the use of incandescent lighting and considering its replacement by low consumption devices, installation of automatic ignition devices, etc.

- Study the use of auxiliary equipment such as individual heaters, etc., and assess alternatives such as rationalization of use, improvement of facilities, reorganization of spaces, replacement by more efficient equipment, etc.

- Buildings: improvement of enclosures and insulation. In case of changes of premises, assess the level of energy efficiency among the selection criteria according to the certificate that the owner must provide.

- Vehicles: route optimization, fleet reduction, adequate maintenance, etc.

4. INDEX OF CONTENTS

General areas

Scopes		Reporting framework	Reference	Comments/ Reason for omission
Business model	Description of the business model: - Business environment - Organization and structure - Markets in which it operates - Objectives and strategies - Main factors and trends that may affect its future evolution	GRI 102-2 GRI 102-3 GRI 102-4 GRI 102-15	3,31	
	Risk management Analysis of risks and impacts related to key issues	Internal frame. Qualitative and quantitative description of the company's materiality and risks	25,32	

Environmental issues

Scopes		Reporting framework	Reference	Comments/ Reason for omission
Management approach		GRI 103-1 GRI 103-2 GRI 103-3	93	
Environmental management	Current and foreseeable effects of the company's activities	Internal frame. Description of the impact of the activity on the environment	93-97	
	Evaluation or certification procedures environmental	Internal frame. Certified Environmental Management System.	93	
	Dedicated Resources to the prevention of environmental risks	Internal frame. Qualitative description of resources dedicated to the prevention of environmental risks	93-97	
	Application of the precautionary principle	GRI 102-11	80-81	
	Amount of provisions and guarantees for environmental risks	Internal frame. Qualitative description of preventive measures of environmental risks	103-107	
Pollution	Measures to prevent, reduce or repair carbon emissions (also includes noise and light pollution)	Internal framework: Qualitative description of the main measures and actions	106-107	

Scopes		Reporting framework	Reference	Comments/ Reason for omission
Circular economy and waste prevention and management	Measures prevention, recycling, reuse, other forms of recovery and disposal of waste	Internal framework: Qualitative description of measures related to the management of waste and information quantity of total waste	93-107	
	Actions to combat food waste	Internal framework: Qualitative description of the non-materiality of food waste for the Group	-	These types of actions have not been established due to the nature of our activities.
Sustainable use of resources	Consumption water and water supply according to local limitations	GRI 303-1	100	
	Consumption raw material	Internal framework: Quantitative description of consumption of raw materials	101-102	
	Measures adopted to improve the efficiency of its use	Internal framework: Qualitative description of the measures taken	93-107	
	Consumption , direct and indirect energy	GRI 302-1 GRI 302-2	103	
	Measures taken to improve energy efficiency	Internal framework: Qualitative description of the measures taken	103	
	Use of renewable energies	Internal framework: Qualitative and quantitative description of the use of renewable energies	103-104	
Climate change	Elements important of greenhouse gas emissions generated	GRI 305-1 GRI 305-2	94,103-106	
	Measures taken to adapt to the consequences of climate change	Internal framework: Qualitative description of measures adopted to adapt to the	93-107	

Scopes		Reporting framework	Reference	Comments/ Reason for omission
		consequences of climate change.		
	Goals voluntarily established reduction	GRI 305-5	103-107	
Biodiversity protection	Measures taken to preserve or restore biodiversity	Internal framework: Qualitative description of the measures	93	The activity of Zardoya Otis does not imply significant effects on biodiversity or significant impacts on protected areas.
	Impacts caused by activities or operations in protected areas	Internal framework: Qualitative description of the impacts	93	

Social and employees issues

Scopes		Reporting framework	Reference	Comments/ Reason for omission
Management approach		GRI 103-1 GRI 103-2 GRI 103-3	48-49	
Employment	Number total and distribution of employees by sex, age, country and professional category	GRI 102-8 GRI 405-1	50-51,59,66	
	Number total and distribution of employment contract modalities	GRI 102-8	51,60,61,59,66	
	Average number of permanent, temporary and part-time contracts by sex, age and professional category	Internal frame. Annual average of contracts by type broken down by sex, age and professional category	52,60,66	
	Number dismissals by sex, age and professional category	Internal frame: Breakdown of dismissals for the year by sex, age and professional classification	53,61,68	
	Wage gap	Internal framework: Quantitative description of the wage gap	54,62,68	
	Remuneration average by sex, age and professional category	Internal frame: Remuneration average (includes fixed and variable remuneration)	54-55,62,63,68,69	
Remuneration average number of directors by gender	Internal framework: Remuneration of the director	56		

		(includes fixed and variable remuneration)		
	Remuneration average number of managers by gender	Internal framework: Average remuneration of Senior Management by gender (includes fixed and variable remuneration)	56	
	Implementation of labor disconnection policies	Internal framework: Qualitative description of policies	64	No job disconnection policies have been established
	Employees disabled	Internal frame: Quantitative description of the number of employees with disabilities	58,65,70	
Work organization	Organization of working time	Internal frame: Description Qualitative and quantitative organization of working time	56,64,80-	
	Number hours of absenteeism	Internal frame: Quantitative description of the number of hours of absenteeism	56,57,64,69,70	
	Measures intended to facilitate the enjoyment of conciliation and encourage the co-responsible exercise of these by both parents	Internal frame: Description Qualitative of reconciliation means	12,56,64,80	
Health and safety	Terms health and safety at work	GRI 403-2	11-12- ,16,45,79,57,64, 70	
	Number of occupational accidents and occupational diseases by sex, rate of frequency and severity by sex			
Social relationships	Organization of social dialogue	Internal framework: Qualitative description of the organization of social dialogue	50,64	
	Percentage of employees covered by collective agreement by country	GRI 102-41		
	Balance of collective agreements, particularly in the field of health and safety at work	Internal framework: Qualitative description of the balance of agreements collective		
Training	Policies implemented in the field of training	GRI 404-2	42,73-75	
	Quantity total hours of training by professional category.	GRI 404-1 Internal framework: Quantitative		

		description of the number of hours of training by professional category		
Universal accessibility for people with disabilities		Internal frame: Description Qualitative universal accessibility for people with disabilities	84	
Equality	Measures adopted to promote equal treatment and opportunities between women and men	Internal frame. Measures to promote diversity	32,36,39,48,72, 73,86-	
	equality plans measures taken to promote employment, protocols against sexual and gender-based harassment	Internal framework: Equality Plan		
	Integration and universal accessibility of people with disabilities	Internal frame. Hiring people with disabilities and integration and accessibility measures		
	Politics against all types of discrimination and, where appropriate, diversity management	Internal frame. anti-discrimination policy		

Information about respect for human rights

Scopes	Reporting framework	Reference	Comments/ Reason for omission
Management approach	GRI 103-1 GRI 103-2 GRI 103-3	37	
Application human rights due diligence procedures	GRI 102-16 GRI 102-17 GRI 412-2	37-38-	
Prevention of risks of human rights violations and, where appropriate, measures to mitigate, manage and repair possible abuses committed	GRI 102-16 GRI 102-17 GRI 412-2	38	
Complaints for cases of violation of human rights	Internal framework: Quantitative description of the number of complaints of human rights violations	38	In the last exercise Zardoya Otis did not detect complaints related to the breach of the Human rights
Promotion and fulfillment of the provisions of the core ILO conventions related to respect for 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	32,73	

Information related to the fight against corruption and bribery

Scopes	Reporting framework	Reference	Comments/ Reason for omission
Management approach	GRI 103-1 GRI 103-2 GRI 103-3	2,33	
Measures taken to prevent corruption and bribery	GRI 102-16 GRI 102-17	33-34,40-41	
Measures to fight money laundering	GRI 102-16 GRI 102-17	33-35	
Contributions to foundations and non-profit entities	Internal frame. Contributions to foundations and non-profit entities	36	

Information about the company

Scopes	Reporting framework	Reference	Comments/ Reason for omission
Management approach	GRI 103-1 GRI 103-2 GRI 103-3	10,48	
Company commitments to sustainable development	Impact of the company's activity in employment and local development	GRI 413-1	73,85
	Impact of the company's activity in local populations and in the territory	GRI 413-1	
	Relations maintained with the actors of the local communities and the modalities of the dialogue with these	Internal framework: Qualitative description of the relationships maintained with the actors of the local communities and the modalities of dialogue with them	73,85
	Actions partnership or sponsorship	Internal framework: Qualitative description of association or sponsorship actions	45,47
Subcontracting and suppliers	Inclusion in the purchasing policy for social, gender equality and environmental issues	Internal framework: Qualitative description of Purchasing Policies	39,72,86
	Consideration in relationships with suppliers and subcontractors of their social and environmental responsibility	Internal framework: Qualitative description of relationships with suppliers	15,39-41,92
	Systems of supervision and audits and their results	Internal framework: Qualitative description of supervision systems and audits and their results	41,92
Consumers	Measures for the health and safety of consumers	GRI 416-1	82,83
	Systems of claim	Internal framework: Qualitative description of claim systems	82,83
	Complaints received and their resolution	Internal framework: Quantitative description of the complaints received and their resolution	82,83
Tax information	Profits obtained country by country	Internal framework: Quantitative description of the benefits obtained by country	88,89

	Taxes on benefits paid	Internal framework: Quantitative description of taxes paid by country		
	Grants received public	Internal framework: Quantitative description of public subsidies received		

Information related to the European Taxonomy regulations

European Taxonomy	KPI: % Sales	Internal framework: Reglamento (UE) 2020/852	90	
European Taxonomy	KPI: % Capex	Internal framework: Reglamento (UE) 2020/852	90-91	
European Taxonomy	KPI: % Opex	Internal framework: Reglamento (UE) 2020/852	91	



ZARDOYA OTIS, S.A.

Auditor's Report on the "Information concerning the System of Internal Control over Financial Reporting (ICFR)" of ZARDOYA OTIS, S.A. for 2021

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)



KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Auditor's Report on the “Information concerning the System of Internal Control over Financial Reporting (ICFR)” of ZARDOYA OTIS, S.A. for 2021

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the directors of ZARDOYA OTIS, S.A.

As requested by the Board of Directors of ZARDOYA OTIS, S.A. (the “Company”) and in accordance with our proposal letter dated 28st December 2021, we have applied certain procedures to the “Information concerning the ICFR” attached in section F of the Annual Corporate Governance Report of ZARDOYA OTIS, S.A. for 2021, which summarises the Company's internal control procedures for annual financial reporting.

The Board of Directors is responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and oversight of an adequate system of internal control, the development of improvements to that system and the preparation and definition of the content of the information concerning the ICFR attached.

In this respect, it should be borne in mind that irrespective of the quality of the design and operation of the internal control system adopted by the Company in relation to annual financial reporting, the system may only provide reasonable, but not absolute assurance in relation to the objectives pursued, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Technical Auditing Standards, our evaluation of the Company's internal control was solely aimed at enabling us to establish the scope, nature and timing of the audit procedures on the Company's annual accounts. Consequently, the scope of our evaluation of the internal control, performed for the purposes of the audit of accounts, was not sufficient to enable us to issue a specific opinion on the efficiency of this internal control over regulated annual financial reporting.



For the purposes of issuing this report, we have applied only the specific procedures described below and set out in the Guidelines for preparing the auditor's report on the information on the system of internal control over financial reporting of listed entities, published on the website of the Spanish National Securities Market Commission (CNMV), which defines the work to be performed, the minimum scope of the work and the content of this report. As the scope of the work resulting from these procedures is in any event limited and substantially less than that of an audit or review of the internal control system, we do not express an opinion on its effectiveness or design or operational efficiency, with respect to the Company's annual financial reporting for 2021 described in the attached Information concerning the ICFR. Consequently, had additional procedures other than those defined in the aforementioned Guidelines been applied, or an audit or review been performed of the internal control system in relation to regulated annual financial reporting, other events or matters could have been identified, which would have been reported to you. Moreover, as this special engagement does not constitute an audit of accounts nor is it subject to prevailing legislation regulating the audit of accounts in Spain, we do not express an audit opinion in the terms envisaged in such legislation.

The procedures applied were as follows:

1. Reading and understanding of the information prepared by the Company in relation to the ICFR – disclosures included in the directors' report – and evaluation of whether it covers all the information required, taking into account the minimum content described in Section F, concerning the description of the ICFR, the Annual Corporate Governance Report model set out in Spanish National Securities Market Commission (CNMV) Circular 5/2013 of 12 June 2013 and subsequent amendments, the most recent being Circular 3/2021 of 28 September 2021 (hereinafter, the CNMV Circulars).
2. Inquiries of personnel responsible for preparing the information detailed in point 1 above in order to: (i) gain an understanding of the preparation process; (ii) obtain information that allows us to assess whether the terminology used conforms to the definitions contained in the reference framework; (iii) obtain information on whether the control procedures described are in place and operational in the Company.
3. Review of explanatory documentation supporting the information detailed in point 1 above, and which will mainly include that made directly available to those responsible for preparing the descriptive information on the ICFR. This documentation includes reports prepared by internal audit, senior management and other internal or external specialists supporting the audit and compliance committee.
4. Comparison of the information detailed in point 1 above with the understanding of the Company's ICFR gained as a result of the procedures performed within the framework of the audit work on the annual accounts.
5. Reading of the minutes of the meetings of the Board of Directors, audit and compliance committee and other committees of the Company for the purposes of assessing the consistency of the matters discussed at these meetings in relation to the ICFR with the information detailed in point 1 above.
6. Procurement of a representation letter concerning the work performed, duly signed by those responsible for preparing and drawing up the information detailed in point 1 above.



As a result of the procedures applied to the Information concerning the ICFR, no inconsistencies or incidents have come to light that could affect it.

This report has been prepared exclusively in the context of the requirements established in article 540 of the Revised Spanish Companies Act and the CNMV Circulars for the purposes of the description of the ICFR in Annual Corporate Governance Reports.

KPMG Auditores, S.L.

(Signed on original in Spanish)

María Lacarra

4th March 2022

**Independent Limited Assurance Report of the Non-Financial Statement
for the year ended November 30, 2021**

ZARDOYA OTIS, S.A. AND SUBSIDIARIES

Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

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, 2021 of ZARDOYA OTIS, S.A. and Subsidiaries (in advance the Group) which is part of the Director's Report of the Group.

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 section 4 "Index of contents", included in the attached NFS report.

Responsibility of the Board of Directors and Management

The Board of Directors of the Group is responsible for the approval and content of the NFS included in the Director's Report of the Group. 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 section 4 "Index of contents", 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 Group 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.

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.

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 2021. 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 Group 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 the Group 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 Group and described in the section 1 "About this chapter" 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 2021, 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 2021, NFS and its correct compilation from the data provided.
- ▶ Obtaining a representation letter from the Directors and Management.

Emphasis paragraph

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on setting up a framework to facilitate sustainable investments establishes the obligation to disclose information on how and to what extent the Group's activities are associated with economic activities that are considered environmentally sustainable in relation to climate change mitigation and climate change adaptation objectives the first time for the financial year 2021 provided that the non-financial information statement is published as of 1 January 2022. Consequently, the accompanying NFS does not include comparative information with respect to previous years on this issue. In addition, information has been included for which the directors of the Group have chosen to apply the criteria which, in their opinion, best enable compliance with the new obligation and which are defined in the section " European taxonomy for the classification of environmentally sustainable economic activities ". Our conclusion has not been modified in relation to this issue.

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 2021 NFS of the Group corresponding to the fiscal year ended November 30, 2021 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 section 4 "Index of contents".

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)

Alberto Castilla Vida

March 2, 2022

Don Bernardo Calleja Fernández
Presidente

Don Joao Miguel Marques Penedo
Consejero Delegado

Doña Eva Castillo Sanz
Consejera

Don Jose Miguel Andrés Torrecillas
Consejero

Euro- Syns, S.A.
*Consejero - Representada por
Don Alberto Zardoya Arana*

Doña Stacy Petrosky
Consejera

Otis Elevator Company
*Consejero - Representada
por Doña Robin Fiala*

Courtesy Translation of foot note:

In accordance with provision 253.2 of the Spanish Companies Act and provision 37 of the Spanish Commerce Code, all members of this Board of Directors approve with their signature the content of the Annual Accounts and Management Report of Zardoya Otis and the consolidated Group, related to the fiscal year closed on November 30, 2021.

Madrid, February 25, 2022

COURTESY TRANSLATION

2021 ANNUAL FINANCIAL INFORMATION LIABILITY STATEMENT

The members of the Board of Directors of ZARDOYA OTIS, S.A. state that, to the best of their knowledge, the individual annual financial statements of ZARDOYA OTIS, S.A. (balance sheet, profit and loss statement, statement of change in shareholders' equity, statement of cash flows and notes), as well as the consolidated financial statements of ZARDOYA OTIS, S.A. and its subsidiaries (balance sheet, profit and loss statement, statement of changes in shareholders' equity, statement of cash flows and notes) for the fiscal year ended on November 30, 2021, presented by the Board of Directors at its meeting of February 25, 2022, and prepared in accordance with applicable accounting standards, present a fair view of the assets, financial condition and results of operations of ZARDOYA OTIS, S.A. as well as of the subsidiaries included within its scope of consolidation, taken as a whole, and that the management reports supplementing the individual and consolidated annual financial statements contain a true assessment of the corporate performance and results and the position of ZARDOYA OTIS, S.A. and of the subsidiaries included within its scope of consolidation, taken as a whole, as well as a description of the principal risks and uncertainties facing them.

Madrid, February 25, 2022

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

Don Bernardo Calleja Fernández
Presidente

Don Joao Miguel Marques Penedo
Consejero Delegado

Doña Eva Castillo Sanz
Consejera

Don Jose Miguel Andrés Torrecillas
Consejero

Euro- Syns, S.A.
*Consejero - Representada por
Don Alberto Zardoya Arana*

Doña Stacy Petrosky
Consejera

Otis Elevator Company
*Consejero - Representada
por Doña Robin Fiala*