

ANNUAL REPORT ON DIRECTOR COMPENSATION IN LISTED COMPANIES



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REGISTERED OFFICE	CALLE GOLFO DE SALÓNICA, 73 MADRID

**ANNUAL REPORT ON DIRECTOR COMPENSATION
IN LISTED COMPANIES**

A. THE COMPANY'S COMPENSATION POLICY FOR THE CURRENT YEAR

A.1 Explain the company's compensation policy. This section will include information on:

- The general principles and bases of the compensation policy.
- The most significant changes made to the compensation policy in comparison to the policy applied in the preceding fiscal year, together with any changes made during the year to the conditions for exercising previously-granted options.
- The criteria employed and the composition of the comparable groups of companies whose compensation policies were examined in order to fix the company's compensation policy.
- The relative importance of items of variable compensation in comparison to fixed items and the criteria followed to determine the different components of the Directors' compensation package.

Explain the compensation policy

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

During 2017, the criteria for the director compensation policy were similar to those applied in 2016. Said policy was approved by the Board of Directors and submitted to a consultative ballot at the General Shareholders' Meeting of May 24, 2017. The principles of the compensation policy are:

1. Director compensation (as stipulated in the Bylaws)

Said article 24 of the Bylaws fixes global remuneration consisting of a maximum share of 1.5% of the consolidated profit after tax up to 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 limit on the compensation.

This compensation will be distributed among its members in the manner freely determined by the Board of Directors in each annual period, depending on the duties and responsibilities attributed to each director, whether they sit on any Board committees and any other objective circumstances deemed relevant.

Furthermore, article 18 of the Board of Directors Regulations establishes the principles or criteria that should be taken into account when fixing the compensation of external directors. In particular, it states that this compensation will be the amount deemed necessary to remunerate the commitment, abilities and responsibility required by the position, although it must not be so high as to compromise their independence.

In this respect, in line with the general trend towards keeping Board of Director compensation stable, we highlight the fact that, as has been the case for several consecutive years, the Board itself (with a prior report in favour from the Nominating and Compensation Commission) decided to limit the total amount of the Bylaw-stipulated

compensation to 1,200,000 euros for 2017 (the same amount in 2016) at its meeting of February 21, 2017.

2. **Compensation of the CEO**

The compensation of the CEO (Mr Bernardo Calleja Fernández) for his executive duties in the Company is regulated in his contract with the Company, which was approved by at least two thirds of the Board of Directors (with the abstention of the CEO) and received a favourable report from the Nominating and Compensation Commission, in accordance with article 249 of the Capital Companies Law. Said compensation has a fixed component (see section .3) and a variable component (see section A.4).

3. **Summary of the items of compensation**

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

Class	Number	Fixed compensation	Variable compensation	Bylaw stipulated compensation	UTC long-term incentives scheme
Executive director	1	YES	YES	N/A	YES
Proprietary directors	7	N/A	N/A	YES	N/A
Independent directors	2	N/A	N/A	YES	N/A
Other external directors	1	N/A	N/A	YES	N/A

The criteria applied by the Company to establish its compensation policy are consistent with those generally applied by other listed companies.

Regarding the relative importance of the variable compensation items (as described in section A.4 below) in comparison with the fixed components (as described in section A.3 below), it is necessary to highlight the fact that former represented 40% of the total in 2017.

Likewise, on May 24, 2017, subsequent to a report explaining the reasons from the Nominating and Compensation Commission, the Ordinary General Shareholders meeting approved the director compensation policy for 2018, 2019 and 2020, in accordance with article 529 novodecies of the Capital Companies Law.

A.2 **Information on the preparatory work and decision-making process for determining the compensation policy and the role played, if applicable, by the Compensation Commission and other governing bodies in configuring the compensation policy. This information will include, if applicable, the mandate and composition of the Compensation Commission and the identity of any external advisors whose services were used to determine the compensation policy. Likewise, the classification of any directors who participated in defining the compensation policy must be stated.**

Explain the process for determining the compensation policy

1. The role of the Board of Directors

The Board of Directors adopted the decisions on the director compensation policy in the terms set forth by law and in the Bylaws, in accordance with article 3 of the Regulations of the Company's Board of Directors. Likewise, the Board of Directors approves the CEO's contract with the Company.

2. The role of the Nominating and Compensation Commission

In accordance with the Capital Companies Law, article 529 quidecies, and the Regulations of the Board of Directors, article 12 B) 2 (j), the Nominating and Compensation Commission must:

- (a) propose the director compensation policy to the Board of Directors;
- (b) propose the compensation policy for the CEO to the Board of Directors, together with his individual compensation and other conditions of his contract; and
- (c) ensure the compensation policy is respected.

Likewise, the Nominating and Compensation Commission reported favourably on this Annual Compensation Report at its meeting of February 20, 2018. At the same meeting, the Nominating and Compensation Commission approved a director and senior management compensation policy proposal for 2018.

Furthermore, the Nominating and Compensation Commission reported in favour of the compensation policy for 2018, 2019 and 2020 approved by the Ordinary General Shareholders' Meeting held on May 24, 2017.

At the end of 2017, the Nominating and Compensation Commission had the following composition:

Name	Position	Class
Mr Jose Maria Loizaga Viguri	Chairman	Independent
Otis Elevator Company (represented by Ms Nora LaFreniere)	Deputy Chairman	Proprietary
Mr José Miguel Andrés Torrecillas	Member	Independent
Ms Robín Fiala ¹	Member	Proprietary
Mr Pierre Dejoux	Member	Proprietary

3. The role of the General Shareholders' Meeting

Likewise, article 24 of the Company's By-Laws and article 529 novodecies of the Capital Companies Law state that the director compensation policy will be submitted for the approval of the General Shareholders' Meeting at least every three years, as a

¹ On October 5, 2017, Ms Robin Fiala replaced Mr Philippe Delpech as a member of the Nominating and Compensation Commission.

separate item on the Agenda. Said proposal of the compensation policy for the Board of Directors submitted to the General Meeting must contain the reasons therefor and be accompanied by a specific report from the Nominating and Compensation Commission. Both these documents will be made available to the shareholders on the Company's website as from the time when notice of the General Meeting is given. The shareholders may also ask for them to be given or sent to them free of charge.

Furthermore, the director compensation policy thus approved will remain in force during the three annual periods following the period in which it is approved by the General Meeting. Any amendment or replacement thereof during said period will require the prior approval of the General Shareholders' Meeting in accordance with the procedure established for its approval.

Consequently, the 2016 Annual Director Compensation Report in relation to director compensation in 2017 was submitted to the Ordinary General Shareholders' Meeting held on May 24, 2017 in a consultative ballot.

Likewise, the Ordinary General Shareholders' Meeting held on May 24, 2017 approved the new director compensation policy that will be applicable for 2018, 2019 and 2020. The report on said policy stipulated in the Capital Companies Law, article 529 novodecies 2, was duly drawn up by the Nominating and Compensation Commission and, together with the rest of the documentation, was made available to the shareholders as from the date the General Shareholders' Meeting was called.

4. Other

During the annual period to which this report refers, the Company did not use the services of external advisors to determine the compensation policy for its directors and, consequently, the Board of Directors itself, with the participation of all its members, and the Nominating and Compensation Commission are the bodies responsible for designing, approving and implementing the compensation policy, under the supervision of the General Shareholders' Meeting.

A.3 State the amount and nature of the fixed components, with details, if applicable, of the executive directors' compensation for performing senior management duties, any additional compensation for the chairman or members of any Board committees, the per diem allowances for attending meetings of the Board and its committees, or any other fixed compensation for directors, together with an estimate of the annual fixed compensation to which the foregoing give rise. Identify any other non-cash benefits and the basic parameters for granting them.

Explain the fixed components of the compensation

Mr Bernardo Calleja Fernández, the Company's Chief Executive Officer in 2017 and the Company's only executive director, received fixed compensation for carrying out executive duties. The fixed compensation, which, as stated in Section D.1 below, was 281,429 euros in 2017 and 249,107 euros in 2016.

Likewise, the contribution to the defined-contribution pension plan made by the Company for the CEO, Mr Bernard Calleja Fernández, should be included in the fixed components that form part of the director compensation mix. The amount was 66,597 in 2017 and 56,888 in 2016.

There is no extra compensation for holding the position of Chairman, there are no other delegate bodies (apart from the CEO) and no per diem expenses are paid for attending

Board meetings or meetings of the Nominating and Compensation Commission or Audit Committee. Notwithstanding, the duties and responsibilities, whether they sit on Board committees and other objective circumstances deemed relevant, are taken into account when distributing the compensation among the directors.

A.4 Explain the amount, nature and principal characteristics of the variable components of the compensation systems.

In particular:

- Identify each one of the compensation plans of which the directors are beneficiaries, the scope thereof, its date of approval, its date of implementation, the term for which it is in force and its main features. In the case of stock option plans and other financial instruments, the general features of the plan must include information on the conditions for exercising said options or financial instruments for each plan.
- State any compensation that originates from profit-sharing or bonuses and the reason why it is awarded.
- Explain the basic parameters and grounds for any annual bonus system.
- The types of director (executive directors, external proprietary directors, external directors, external independent directors or other external directors) that are the beneficiaries of compensation systems or plans that include variable compensation.
- The basis of said variable compensation systems or plans, the criteria chosen for evaluating performance and the evaluation components and methods used to determine whether or not said evaluation criteria have been met, as well as an estimate of the total amount of variable compensation to which the current compensation plan would give rise, depending on the degree to which the assumptions or objectives taken as a reference are met.
- If applicable, state the periods for which an already-established payment may be deferred or delayed and/or the periods for which shares or other financial instruments, if any, may be retained.

Explain the variable components of the compensation systems
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1. Bylaw-stipulated compensation

As stated in section A.1 above, article 24 of the Bylaws fixes compensation subject to certain quantitative limits, which is subsequently distributed by the Board of Directors among its members on the basis of certain criteria. Said Bylaw-stipulated compensation is contained in the Compensation Policy approved by the Ordinary General Shareholders' Meeting for 2018, 2019 and 2020.

In addition, we must highlight the fact that the Board of Directors unanimously adopted the following decisions at its meeting of February 21, 2017:

- (a) To limit the total amount of the compensation stipulated in the Bylaws to 1,200,000 euros; and
- (b) To delegate the distribution of the Bylaw-stipulated compensation among the Company's directors to the Chairman of the Board, depending on the duties

and responsibilities attributed to each director, as well as whether they sit on Board commissions, and any other objective circumstances deemed relevant.

Likewise, at its meeting of July 26, 2017, it was decided to pay 600,000 euros on account of the Bylaw-stipulated compensation at the end of the first six months of 2017.

Bylaw-stipulated compensation is fixed in accordance with the Company's profits

2 Variable compensation of the Chief Executive Officer

The target of the annual incentive of Mr Bernardo Calleja Fernández as an executive is 60% of the gross fixed annual salary. To pay the incentive, a payment multiplier is established, depending on the results of the business unit, the profit plan and the cash flow generated. For the final coefficient, Mr Bernard Calleja Fernández's performance in relation to the financial and non-financial objectives of the assessment of the contribution to the results of the business during the year is taken into account.

The incentive paid in 2017 was 230,000, calculated on his gross fixed compensation at December 31, 2016 (275 thousand euros) with an incentive of 83.6% representing a coefficient of 1,39 of the target amount.

Within the director compensation mix, there is the possibility that Mr Bernardo Calleja Fernández, since he is a UTC Group executive, may receive an annual long-term incentive package (UTC share-based compensation scheme) from the UTC 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 corporation and its subsidiaries, such as, for example, the Company in the present case. The share schemes are awarded annually and depend on individual performance and the attainment of objectives of the Company, Otis and United Technologies Corporation. This incentive scheme is subject to the Recharge Agreement signed in September 2010 between United Technologies Corporation (UTC) and the Company.

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

In this respect, the valuation of the options awarded to Mr Bernardo Calleja Fernández in 2017 was 306 thousand euros, applying the following measurement criteria:

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

For the totality of the Company's directors, the long-term UTC incentive scheme represented a sum of 306,987 in 2017 (since the only director benefiting from said scheme was Mr Bernardo Calleja Fernández).

Variable compensation is payable in the following fiscal year, once the annual financial statements have been approved by the Board of Directors.

3 Other

Lastly, it is necessary to consider that:

- (a) Regarding the classes of director who benefit from the variable compensations systems, please see the chart summarizing the applicable items of compensation in accordance with the classification of the Company's directors in Section A.1 above, in relation to the items of compensation applicable to the different classes of director in the Company.
- (b) The basis of the variable compensation system and the methods for assessing performance used by the Company to distribute it may be found in the aforementioned articles 24 of the Bylaws and 18 of the Regulations of the Board of Directors.
- (c) No periods of deferral or delay in payment of the compensation of the members of the Company's Board of Directors have been established.

A.5 Explain the principal features of the long-term saving systems, including retirement and any other survivor benefits, financed fully or in part by the company, irrespective of whether the provision is made internally or externally, with an estimate of the amount thereof or equivalent annual cost, stating the type of plan, whether it is a defined-contribution or defined-benefit plan, the conditions under which the economic rights are consolidated in favour of the directors and its compatibility with any kind of indemnity for early rescission or termination of the contractual relationship between the company and the director.

Also state the contributions made in the director's favour to defined-contribution pension plans or the increase in the director's consolidated rights in the case of contributions to defined-benefit plans.

Explain the long-term saving systems

As mentioned in section A.3, the fixed component of the director compensation mix includes the contribution to the defined-contribution pension plan made by the Company for the Chief Executive Officer, Mr Bernardo Calleja Fernández, the amount of which was 67 thousand euros in 2017 and 57 thousand euros in 2016.

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, calculated in two portions: the sum of 66,597.24 euros, composed of a first portion of 4,400.99 euros, equivalent to 7% of 62,871.28 euros (the amount fixed with the insurance company for 2017), plus a second portion of 62,196.04 euros, which was calculated by applying 28% to the difference between Mr Bernardo Calleja Fernández's gross fixed annual compensation at the contribution date and the 62,871.28 euros established in the first portion. Therefore, the consolidation of the contributions and the respective allocation or time of accrual is based on the gross annual compensation.

A.6 State any indemnities agreed or paid in the event that a director ceases to hold office as such.

Explain the indemnities

The only director entitled to an indemnity in the event he ceases to hold office is the Chief Executive Officer. This indemnity consists of 45 days' remuneration for each year of service from the time he was appointed as the Company's Chief Executive Officer (i.e. as from February 14, 2012) until the termination date of the contract. Said indemnity for termination of his contract is the same as he initially had in his employment relationship.

- A.7 State the conditions that must be observed by the contracts of those who perform senior management duties as executive directors. Among others, information must be included on the term, the limits on the amounts of any indemnity, continuity clauses, notice periods and/or any other clauses relating to hiring bonuses, as well as indemnities or golden parachutes for the early rescission or termination of the contractual relationship between the company and the executive director. Include, among others, any no-compete, exclusivity, continuity, loyalty or post-contractual non-competition clauses or agreements.**

Explain the contract conditions of the executive directors

The contract of the CEO (Mr Bernardo Calleja Fernández) received a favourable report from the Nominating and Compensation Commission and was approved by at least two thirds of the Board of Directors, in accordance with articles 249 and 529 quidecies of the Capital Companies Law.

The specific conditions contained in this contract are as follows:

- (a) Term: for as long as Mr Bernardo Calleja Fernández is the CEO of the Company.
- (b) Indemnity for early dismissal or termination by the Company: 45 days' compensation per year from the time he was appointed as the Company's CEO (i.e. February 14, 2012) until the date of termination of the contract.
- (c) Exclusivity agreement: during the time the contract is in force, unless he has the express prior authorization of the Board of Directors, Mr Bernardo Calleja Fernández will work exclusively for the Company and, if necessary, for any other UTC Group company.
- (d) Continuity or loyalty agreement: none.

- A.8 Explain any supplementary compensation accrued by the directors in consideration for the services rendered other than those inherent to the position.**

Explain the supplementary compensation

With the exception of the Chief Executive Officer, the only executive director of the Company, none of the other members of the Board of Directors have rendered services to the Company other than those inherent to their positions. Please see Section A.3 and A.4 above regarding the specific characteristics of this supplementary compensation received by the Chief Executive Officer for this reason.

- A.9 State any compensation in the form of advances, credits, guarantees granted, mentioning the interest rate, their basic features and any amounts that may be repayable, as well as any obligations acquired on the directors' behalf as a guarantor.**

Explain the advances, credits and guarantees granted

The Board of Directors agreed to pay 600,000 euros on account of the Bylaw-stipulated compensation at the end of the first six months of 2017.

Before it was approved, the Audit Committee reported in favour of said advance payment, given that:

- (a) The Company had sufficient funds;
- (b) In the latest statement of financial position, dated November 30, 2016, the needs of the legal reserve and the Bylaw-stipulated reserve were fully covered; and
- (c) At the meeting of the Board of Directors held on March 21, 2017 payment of the first interim dividend charged to the 2017 profit was approved for a gross amount of 0.080 euros per share with a par value of 0.10 euros, which was paid on April 10, 2017.

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

A.10 Explain the main features of any compensation in kind.

Explain the compensation in kind

The Company has not awarded any compensation in kind to the directors (except for the pension plan in favour of the CEO described in section A.5).

A.11 State any compensation accrued by a director due to the payments made by the listed company to another company to which the director provides his/her services, when said payments are intended to remunerate the director's services to the company.

Explain any compensation accrued by a director due to the payments made by the listed company to another company to which the director provides his/her services

As shown in the chart included in Section D.1 below, some of the proprietary directors do not receive the above mentioned Bylaw-stipulated compensation, which is, instead, received by Otis Elevator Company on their behalf.

A.12 Any other item of compensation apart from the foregoing, irrespective the nature thereof or the group company that settles it, especially when it is classified as a related-party transaction or payment thereof distorts the accurate picture of the total compensation accrued by the director.

Explain the other items of compensation

No compensation items are settled by Group entities other than those explained above.

A.13 Explain the measures adopted by the company in relation to the compensation system in order to reduce exposure to excessive risks and adjust it to the company's long-term objectives, values and/or interests. This will, if applicable, include mention of: preventive measures to ensure that company's long-term results are taken into account in the compensation policy, any measures that

establish an appropriate balance between the fixed and variable compensation components, measures adopted in relation to those categories of personnel whose professional activities have a material effect on the company's risk profile, repayment formulas or clauses to enable the company to claim the return of any results-based variable compensation components when said components were paid on the basis of figures that have since clearly been shown to be inaccurate, and, if applicable measures in place to avoid conflicts of interest.

Explain the actions adopted to reduce risks
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The current composition of the Board of Directors (63.64% of its members were proprietary directors in 2017) guarantees that the director compensation policy takes the results that should be obtained by the Company in the long term into account.

Thus, with the sole exception of the executive director, who receives additional fixed compensation for performing executive duties in the Company, the compensation of the Board of Directors is variable in its entirety and, therefore, is based on the Company's results. Furthermore, the quantitative limits contained in the Company's By-Laws and Board of Directors Regulations help to necessarily link director compensation to the Company's best long-term interests. Likewise the compensation policy is approved by the Board, subsequent to a report from the Nominating and Compensation Commission, and is submitted to the Company's General Shareholders' Meeting.

B COMPENSATION POLICY PLANNED FOR FUTURE YEARS

Repealed.

C OVERVIEW OF THE IMPLEMENTATION OF THE COMPENSATION POLICY IN THE YEAR ENDED

C.1 Summarize the main features of the structure and items of the compensation policy applied in the year ended that gave rise to the details of the individual compensation accrued by each one of the directors shown in section D of this report, as well as a summary of the decisions made by the Board for application of said items.

Explain the structure and items of the compensation policy applied in the year

The following is a summary of the structure and items of the Company's director compensation policy applied to the members of the Company's Board of Directors in 2017, including the amounts of the compensation for 2016 and 2015.

As stated above, the structure of the director compensation policy may be divided into: (i) those items of compensation that comprise the fixed income received by the members of Company's Board of Directors, which is only applicable to the Chief Executive Officer, the main features and procedure for application of which are described in Section A.3 above; (ii) the compensation stipulated in the Bylaws, the main features and procedure for application of which are described in Section A.1 above.

For further clarification, in addition to the chart describing the individual compensation accrued by each one of the directors as set forth in Section D.1 below, the breakdown of the compensation by item (in thousands of euros) for the years 2015, 2016 and 2017 may be summarized as follows:

Compensation item	2017	2016	2015
Salaries	281	249	210
Fixed compensation	0	0	0
Variable compensation	230	100	140
Bylaw-stipulated compensation	1.200	1.200	1.100
Share-based compensation system	306	70	330
Cash compensation	2,017	1,619	1,780
Other compensation items	67	57	47
TOTAL	2,084	1,676	1,827

D. DETAILS OF INDIVIDUAL COMPENSATION ACCRUED BY EACH DIRECTOR

Name	Class	Accrual period 2017
MR MARIO ABAJO GARCIA	Other external	From Dec. 1, 2016 to Nov. 30, 2017
OTIS ELEVATOR COMPANY	Proprietary	From Dec. 1, 2016 to Nov. 30, 2017
MR PIERRE DEJOUX	Proprietary	From Dec. 1, 2016 to Nov. 30, 2017
EURO-SYNS S.A.	Proprietary	From Dec. 1, 2016 to Nov. 30, 2017
MR ALBERTO ZARDOYA ARANA	Proprietary	From Dec. 1, 2016 to Nov. 30, 2017
MR JOSE MARIA LOIZAGA VIGURI	Independent	From Dec. 1, 2016 to Nov. 30, 2017
MR BERNARDO CALLEJA FERNANDEZ	Executive	From Dec. 1, 2016 to Nov. 30, 2017
MR MARK GEORGE	Proprietary	From Dec. 1, 2016 to Nov. 30, 2017
MS ROBIN FIALA ¹	Proprietary	From Oct. 5, 2017 to Nov. 30, 2017
MR PATRICK BLETHON	Proprietary	From Dec. 1, 2016 to Nov. 30, 2017
MR JOSE MIGUEL ANDRÉS TORRECILLAS	Independent	From Dec. 1, 2016 to Nov. 30, 2017

D.1 Complete the following charts on the individual compensation of each one of the directors (including compensation for performing executive duties) accrued during the year.

a) Compensation accrued in the company to which this report refers:

(i) Cash compensation (in thousands of €)

Name	Salaries	Fixed compensation	Per Diem	Short-term variable compensation	Long-term variable compensation	Compensation for membership of Board committees	Indemnities	Other items	Total 2017	Total 2016
EURO-SYNS S.A.	0	0	0	0	0	0	0	50	50	50
MR MARIO ABAJO GARCIA	0	0	0	0	0	0	0	200	200	200
MR JOSE MARIA LOIZAGA VIGURI	0	0	0	0	0	0	0	200	200	200
MR OTIS ELEVATOR COMPANY	0	0	0	0	0	0	0	600	600	600
MR ALBERTO ZARDOYA ARANA	0	0	0	0	0	0	0	50	50	50
MR JOSE MIGUEL ANDRES TORRECILLAS	0	0	0	0	0	0	0	100	100	100
MR BERNARDO CALLEJA FERNANDEZ	281	0	0	230	0	0	0	67	578	406
MR PIERRE DEJOUX	0	0	0	0	0	0	0	0	0	0
MR MARK GEORGE	0	0	0	0	0	0	0	0	0	0
MS ROBIN FIALA	0	0	0	0	0	0	0	0	0	0
MR PATRICK BLETHON	0	0	0	0	0	0	0	0	0	0

When preparing the above chart, the following were taken into account:

- (i) The Bylaw-stipulated compensation (i.e. a 1.5% share in the consolidated profit after tax with an upper limit of 1% of the consolidated profit) cannot be classified as “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, said variable compensation is included as “Other compensation items”.
- (ii) The proprietary directors appointed at the proposal of UNITED TECHNOLOGIES HOLDINGS, S.A.S. (“UTC”) (i.e., Mr Pierre Dejoux, Mr Mark George, Mr Patrick Blethon and Mr Philippe Delpech (replaced by Ms Robin Fiala) did not receive the aforementioned Bylaw-stipulated compensation, which is received by Otis Elevator Company (a UTC Group company) on their behalf.

This is because UTC Group policy is that directors appointed at the proposal of UTC do not receive any remuneration for holding directorships in Group companies. Furthermore, no UTC Group company subsequently pays said compensation to the proprietary directors, although they are remunerated in accordance with their positions and responsibilities.

(ii) Share-based compensation systems

Name/Type/Accrual period 2017	Options held at beginning of 2017 period				Options allocated during 2017 period					Shares awarded during 2017 period
	No. of options	No. of shares affected	Exercise price (€)	Exercise period	No. of options	No. of shares affected	Exercise price (€)	No. of options	Exercise requirements	Price / Amount
MR BERNARDO CALLEJA FERNANDEZ										
Plan A 2014	40.100	40.100	101,0	10	N/A	N/A	N/A	N/A	N/A	N/A
Plan B 2014	1.370	1.370	0	3	N/A	N/A	N/A	N/A	N/A	N/A
Plan A 2015	6.300	6.300	103,3	10	N/A	N/A	N/A	N/A	N/A	N/A
Plan B 2015	6.870	6.870	0	3	N/A	N/A	N/A	N/A	N/A	N/A
Plan A 2016	11.900	11.900	85,8	10	N/A	N/A	N/A	N/A	N/A	N/A
Plan B 2016	2.390	2.390	0	3	N/A	N/A	N/A	N/A	N/A	N/A
Plan A 2017	N/A	N/A	N/A	N/A	5.200	5.200	98,6	10	Must be kept for a minimum period of 3 years	N/A
Plan B 2017	N/A	N/A	N/A	N/A	3.116	3.116	0	3	Must be kept for a minimum period of 3 years	3.116

Name/Type/Accrual period 2017	Stock options exercised in 2017 period				Options matured but not exercised	Stock options at the end of 2017 period				
	No. of options	No. of shares affected	Exercise price (€)	Gross profit (€)		No. of options	No. of options	No. of shares affected	Exercise price (€)	Exercise term
MR BERNARDO CALLEJA FERNÁNDEZ										
Plan A 2014	40,100	40,100	121,28	306	N/A	N/A	N/A	N/A	N/A	N/A
Plan B 2014	0	0	0	0	1,370	N/A	N/A	N/A	N/A	N/A
Plan A 2015	N/A	N/A	N/A	N/A	N/A	6,300	6,300	103,3	10	Must be kept for a minimum period of 3 years
Plan B 2015	N/A	N/A	N/A	N/A	N/A	6,870	6,870	0	3	Must be kept for a minimum period of 3 years
Plan A 2016	N/A	N/A	N/A	N/A	N/A	11,900	11,900	85,8	10	Must be kept for a minimum period of 3 years
Plan B 2016	N/A	N/A	N/A	N/A	N/A	2,390	2,390	0	3	Must be kept for a minimum period of 3 years
Plan A 2017	N/A	N/A	N/A	N/A	N/A	5,200	5,200	98,6	10	Must be kept for a minimum period of 3 years
Plan B 2017	N/A	N/A	N/A	N/A	N/A	3,116	3,116	0	3	Must be kept for a minimum period of 3 years

(iii) Long-term saving systems

Name	Company's contribution during period. (thousands of euros)		Amount of accumulated funds (thousands of euros)	
	Period 2017	Period 2016	Period 2017	Period 2016
MR BERNARDO CALLEJA FERNANDEZ	67	57	517	442

b) Compensation accrued by directors of the company from sitting on Boards of Directors of other group companies

(i) Cash compensation (thousands of €)

Name	Salaries	Fixed compensation	Per Diem	Short term variable compensation	Long term variable compensation	Compensation for membership of Board committees	Indemnities	Other compensation	Total 2017	Total 2016
EURO-SYNS S.A.	0	0	0	0	0	0	0	0	0	0
BERNARDO CALLEJA FERNANDEZ	0	0	0	0	0	0	0	0	0	0
MARIO ABAJO GARCIA	0	0	0	0	0	0	0	0	0	0
JOSE MARIA LOIZAGA VIGURI	0	0	0	0	0	0	0	0	0	0
ALBERTO ZARDOYA ARANA	0	0	0	0	0	0	0	0	0	0
OTIS ELEVATOR COMPANY	0	0	0	0	0	0	0	0	0	0
ANDRES TORRECILLAS, JOSE MIGUEL	0	0	0	0	0	0	0	0	0	0

(ii) Share-based compensation systems

N/A

(iii) Long-term saving systems

N/A

c) Summary of compensation (thousands of €):

The summary must include the amounts for all the items of compensation included in this report that were accrued by the director, in thousands of euros.

In the case of long-term saving systems, the contributions or provisions made to systems of this nature must be included:

Name	Compensation accrued in the company				Compensation accrued in group companies				Total		
	Total cash compensation	Amount of shares awarded	Gross profit on options exercised	Total 2017 Company	Total cash compensation	Amount of shares awarded	Gross profit on options exercised	Total 2016 Group	Total 2016	Total 2015	Contribution to saving systems in the period
BERNARDO CALLEJA FERNANDEZ	578	0	306	884	0	0	0	0	884	476	67
JOSE MARIA LOIZAGA VIGURI	200	0	0	200	0	0	0	0	200	200	0
ALBERTO ZARDOYA ARANA	50	0	0	50	0	0	0	0	50	50	0
EURO-SYNS S.A.	50	0	0	50	0	0	0	0	50	50	0
MARIO ABAJO GARCIA	200	0	0	200	0	0	0	0	200	200	0
OTIS ELEVATOR COMPANY	600	0	0	600	0	0	0	0	600	600	0
ANDRES TORRECILLAS, JOSE MIGUEL	100	0	0	100					100	100	
TOTAL	1.778	0	306	2,084	0	0	0	0	2,084	1,676	67

D.2 Describe the relationship between the compensation obtained by the directors and the results or other measurements of the company's performance, explaining, if applicable, how variations in the company's performance may have affected the variation in the directors' compensation.

With the sole exception of the executive director, who receives additional fixed compensation for performing executive duties in the Company, the compensation of the Board of Directors is variable in its entirety and, therefore, based on the Company's results. Furthermore, the quantitative limits contained in the Company's Bylaws and Regulations of the Board of Directors have necessarily determined that director compensation is linked to the Company's best long-term interests.

In addition to said quantitative limits, as mentioned in Section A.4 above, at its meeting of July 26, 2017, the Board of Directors unanimously decided to limit the total amount of the By-Law stipulated compensation to 1,200,000 euros.

D.3 State the result of the consultative ballot at the General Shareholders' Meeting on the annual compensation report for the preceding year, giving the number of votes against, if any.

	Number	% of total
Votes issued	370,480,294	78.75%

	Number	% of total
Votes against	28,715,272	7.75%
Votes in favour	341,735,442	92.24%
Abstentions	29,580	0.01%

E 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 20, 2018.

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

Yes []

No [X]