

## **Compensation policy for the directors of Fluidra, S.A.**

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## **1. Introduction: Regulatory framework**

On 6th December 2014 Law 31/2014 (dated 3rd December), was published in the Official State Gazette, approving the Capital Companies Act in order to improve corporate governance (the "**CCA**") establishing, among others aspects, the need for listed companies to have a compensation policy for their directors and to submit it for approval by a binding vote of the company's General Meeting of Shareholders at least once every three years. According to the transitional regime established by the CCA, if the first ordinary general meeting of shareholders held in 2015 has approved, in an advisory capacity, the annual report on the remuneration of directors ("**ARRD**"), the company's compensation policy that the report contained shall be considered to have been approved.

The Ordinary General Meeting of Shareholders of Fluidra, S.A. ("**Fluidra**" or the "**Company**") held on 5th May 2015 approved (in an advisory capacity) the ARRD containing the compensation policy for the directors, thereby fulfilling the requirement established in the transitional regime regarding the approval of the compensation policy contained in the report.

However, in order to comply with the provisions of Article 529 (19) of the CCA, the Company's Board of Directors, based on a proposal by the Appointments and Compensation Committee ("**ACC**"), has approved the current compensation policy to the extent that, as stated in paragraph 5 of this Policy, it has modified the remuneration of the Company's executive president for the performance of executive duties in order to bring it in line with market conditions.

This compensation policy is approved in accordance with the provisions related to the remuneration of the directors envisaged in the CCA and taking into account the Company's internal regulations (Articles of Association and the Regulations of the Board of Directors) in force on the date of adoption of this policy.

Below is an analysis of the main aspects included in the CCA related to the approval requirements of the aforementioned compensation policy.

### **1.1 Obligation to approve the compensation policy for directors**

Articles 529, sections 17 and 18 of the CCA establish the requirement that listed companies have a compensation policy for directors in which they describe and detail the different forms of remuneration that they are entitled to receive in this capacity, as well as the characteristics and basis of the remuneration of the managers that carry out executive duties within the company.

This policy must be approved in listed companies by the General Meeting. The first paragraph of Article 529 (19) of the CCA establishes the obligation for listed companies to submit the adoption of a binding agreement on the compensation policy for the directors for the approval of the General Meeting of Shareholders, at least every three years, as a separate point on the agenda:

*“1. The compensation policy for the directors will be adjusted as appropriate in accordance with the compensation system envisaged in the articles of association and it shall be submitted for approval by the general meeting at least every three years as a separate item on the agenda.”*

Paragraph 3 of article 529 (19) states that:

*“3. The policy for the compensation of the directors that is approved in this way shall remain in force for three years after the year in which it is approved by the general meeting. Any modification or replacement of it during that period shall require the prior approval of the general meeting of shareholders in accordance with the procedure established for its approval.”*

With regard to the procedure for the approval of this policy, the second paragraph of Article 529 (19) states that the proposed compensation policy must be justified and accompanied by a report by the ACC:

*“2. The proposal for the policy for the remuneration of the Board must be justified and it must be accompanied by a specific report by the appointments and compensation committee. Both documents must be made*

*available to the shareholders on the company's website from the time that the general meeting is called and they may also request its free delivery. The announcement of the calling of the general meeting must mention this right. "*

## **1.2 Transitional regime**

With regard to the adoption of the compensation policy for directors, Law 31/2014 dated 3rd December introduced a transitional provision with the following wording:

*"2. Article 529 (19) of the Consolidated Text of the Capital Companies Act shall enter into force on 1st January 2015 and shall apply to listed companies in the following way:*

*a) If the first ordinary general meeting of shareholders that is held from 1st January 2015 onwards approves the report on the remuneration of directors in an advisory capacity, the company's compensation policy contained therein shall be considered to have also been approved for the purposes of Article 529 (19), with the aforementioned article applying to that company from that moment onwards.*

*b) If this ordinary general meeting does not approve the report on the remuneration of directors in an advisory capacity, the compensation policy for directors should be submitted for the binding approval of the general meeting of shareholders by no later than the end of the next year, in accordance with the provisions of Article 529 (19) and it shall be effective from the next year onwards."*

As noted above, in accordance with this transitional regime, the compensation policy for directors was approved on 5th May 2015 through the approval of the ARRD with the favourable advisory vote at Fluidra's first General Meeting of Shareholders held in that year.

Therefore, in accordance with the provisions of Article 529 (19), the consequences of this approval were as follows:

- The compensation policy for the directors described in the ARRD that was approved with the advisory vote of the General Meeting of 2015 shall remain

in force for the three years following the year in which it was approved by the General Meeting (i.e. up to the year 2018 inclusive).

- When three years have passed following the approval of the ARR in the 2015 General Meeting (i.e., in 2018), the compensation policy must be submitted for a binding vote at the General Meeting of Shareholders, based on a specific prior report by the ACC. This compensation policy would remain in force for three years following the year of its approval (i.e. 2019, 2020 and 2021).
- If there are any changes to the compensation policy that are not reflected in the ARR approved by the 2015 General Meeting, a new approval by the General Meeting of Shareholders will be required.

Based on a proposal by the ACC, Hay Group S.A. (hereinafter, Hay Group), external consultants specialised in compensation policies, have carried out a benchmarking study of the executive president's remuneration for his management duties in order to compare his conditions with those of the market.<sup>1</sup> The ACC, at its meeting dated 20th January 2016, analysed the results of the benchmarking study in which it became clear that the executive president's remuneration, for his executive duties, was below the average for the comparable group of companies in the benchmarking study carried out. As a result of this, based on a proposal by the ACC, Fluidra's Board of Directors has approved the amendment of its annual fixed and variable compensation in order to bring it into line with market standards.

Based on the above, in accordance with Article 529 of the CCA (19), the Board of Directors has approved the current policy for the remuneration of directors including this amendment.

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<sup>1</sup> The remuneration of Fluidra's executive president has been compared with that of a selected group of comparable Spanish companies considering, among other things, its size and volume in terms of employees, turnover, etc.

## **2. Fluidra's internal regulations**

The remuneration of Fluidra's directors is determined in accordance with the provisions of the regulations applicable to capital companies, the Articles of Association, the Regulations of the Company's Board of Directors and the resolutions adopted by the General Meeting.

The CCA establishes that, along with other powers that cannot be delegated, the Board of Directors of a listed company is responsible for decisions related to the remuneration of the directors, within the framework of the articles of association and the compensation policy approved by the General Meeting.

In this regard, Fluidra's Board of Directors has received advice regarding remuneration from Hay Group and J&A Garrigues, S.L.P.

### **2.1 Duties of Fluidra's Board of Directors and the ACC**

The Articles of Association and the Regulations of Fluidra's Board of Directors regulate the duties of the Company's Board and the ACC with regard to the remuneration of the directors.

Article 39 of these Articles of Association ("*Powers of the Board of Directors*") states that:

*"The Board of Directors is responsible for the representation and the supreme management and administration of the Company in or outside of court, for all acts that are part of the corporate object defined in these articles of association, as well as any activities required by law, these articles of association and the Regulations of the Board of Directors, without prejudice to any acts that are expressly reserved by them for the General Meeting."*

With regard to the competences of the ACC, Article 45 of Fluidra's Articles of Association ("*Executive Bodies of the Board*") states that:

*"(...)*

*In any case, the Board must constitute an Audit Committee and an Appointments and Compensation Committee with the powers of information, supervision, advice*

*and proposal regarding the matters within its area of competence that are developed in the Regulations of the Board of Directors. Additionally, the Regulations of the Board of Directors shall determine the composition and operation of both executive bodies. "*

Article 5 of the Regulations of Fluidra's Board of Directors ("*General Purpose of the Board*") states that:

*"The Board of Directors may not delegate the following powers in any circumstances:*

*(...)*

*(ix) Decisions related to the remuneration of directors, within the framework of the articles of association and, where appropriate, the compensation policy approved by the General Meeting. "*

The Regulations of Fluidra's Board of Directors, in paragraph 3 of Article 14 ("*Appointments and Compensation Committee. Composition, competences and operation*") states that:

*"Without prejudice to other duties that may be assigned to it by the Law, the Board of Directors or the Articles of Association, the Appointments and Compensation Committee shall have the following basic responsibilities:*

*(...)*

- It shall propose to the Board of Directors: (i) the compensation policy for the directors and the executive presidents or whoever carries out its senior management duties reporting directly to the Board of Directors, the Executive Committee or executive presidents; (ii) the individual remuneration of the executive directors and the other terms of their contracts; (iii) the recruitment policies and the basic terms of the contracts for the Company's senior executives.*

*(...)*

- Ensure compliance with the compensation policy established by the Company and the transparency of the remuneration.*

*(...)"*

## 2.2 Compensation of Fluidra's directors

Both the Articles of Association and the Regulations of Fluidra's Board of Directors establish the principles and foundations on which the compensation policy for the Company's directors is based.

Regarding the remuneration of the directors, Article 44 of Fluidra's Articles of Association ("*Compensation of the directors*") states as follows:

*"1. The compensation of the directors shall consist of a fixed and pre-established annual amount and fees for attending the meetings of the Board of Directors and its Executive or Advisory Committees. The maximum amount of the annual remuneration that the Company may pay to all of its directors in their capacity as such for both concepts shall be the amount established for this purpose by the General Meeting, which shall remain in force until the General Meeting changes it. Unless the General Meeting decides otherwise, it shall be the responsibility of the Board of Directors to freely determine the exact amount to be paid within this limit and its distribution between the various directors, as well as the payment schedule. The amount of remuneration to be received by each of the directors will be determined based on the criteria that the amount should be a reflection of the effective professional performance of each of them and it should take into consideration the roles and responsibilities attributed to each director and their membership of the committees of the Board of Directors.*

*2. Furthermore, apart from the remuneration envisaged in the preceding paragraph, compensation systems may be established linked to the market price of the shares or that entail the handover of shares or share options to the directors. The application of these compensation systems must be approved by the General Meeting. The General Meeting's resolution must include the maximum number of shares that can be allocated each year to this compensation system, the value of the shares taken as a reference, the number of shares to be handed over to each director, the strike price or the system for calculating the strike price of the stock options, the duration of this compensation system and any other conditions that are considered appropriate.*

*3. The remuneration envisaged in the preceding paragraphs, arising from membership of the Board of Directors, must be compatible with any other professional or employment compensation that is accrued by the directors for any other executive or advisory functions that they may perform for the Company other than their supervision and decision-making duties as directors, which shall be subject to the legal regimes applicable to them. "*

In this regard, Article 25 ("*Compensation of the Directors*") of the Regulations of Fluidra's Board of Directors also establishes with regard to the remuneration of directors that:

*"1. The remuneration of the Directors shall consist of a fixed and pre-established annual amount and fees for attending the meetings of the Board of Directors and its Executive or Advisory Committees. The maximum amount of the annual remuneration that the Company may pay to all of its directors in their capacity as such for both concepts shall be the amount established for this purpose by the General Meeting, which shall remain in force until the General Meeting changes it. Unless the General Meeting decides otherwise, it shall be the responsibility of the Board of Directors to freely determine the exact amount to be paid within this limit and its distribution between the various directors, as well as the payment schedule. The amount of remuneration to be received by each of the directors will be determined based on the criteria that the amount should be a reflection of the effective professional performance of each of them and it should take into consideration the roles and responsibilities attributed to each director and their membership of the committees of the Board of Directors.*

*2. Furthermore, the Board of Directors must ensure that the amount of the remuneration of external directors is such that it offers incentives for dedication without compromising their independence.*

*3. Furthermore, apart from the remuneration envisaged in the preceding paragraph, compensation systems may be established linked to the market price of the shares or that entail the handover of shares or share options to the directors. The application of these compensation systems must be approved by the General Meeting. The General Meeting's resolution must include the maximum number of shares that can be allocated each year to this compensation system, the value of the shares taken as a reference, the number of shares to be handed over to each director, the strike price or the system for calculating the strike price of the stock options, the duration of this compensation system and any other conditions that are considered appropriate.*

*4. The remuneration envisaged in the preceding paragraphs, arising from membership of the Board of Directors, must be compatible with any other professional or employment compensation that is accrued by the directors for any other executive or advisory functions that they may perform for the Company other than their supervision and decision-making duties as directors, which shall be subject to the legal regimes applicable to them.*

*5. The Board of Directors must prepare an annual report on the remuneration of its directors, which must include complete, clear and understandable information about the Company's compensation policy approved by the General*

*Meeting. The report must include the remuneration that is paid or is payable to directors in their capacity as such and, where appropriate, for carrying out executive duties. It must also include an overall summary of how the compensation policy was applied during the year, as well as details of the individual remuneration accrued for all purposes by each of the directors during that business year.*

6. *The report will be distributed and put to the vote in an advisory capacity as a separate item on the agenda at the Annual General Meeting.*

7. *The Board of Directors shall formulate the compensation policy for the directors, which will be adjusted as appropriate in accordance with the compensation system envisaged in the articles of association and it shall be submitted for approval by the General Meeting at least every three years as a separate item on the agenda. The policy for the remuneration of directors that is approved in this way shall remain in force for three years after the year in which it is approved by the general meeting. Any modification or replacement of it during that period shall require the prior approval of the general meeting of shareholders in accordance with the procedure established for its approval. However, if the annual report on the remuneration of the directors was rejected in the advisory vote during the Ordinary General Meeting, the compensation policy applicable for the next business year shall be subject to the approval of the General Meeting prior to its application, even if the aforementioned period of three years has not yet elapsed. This is excepted in cases in which the compensation policy is adopted at the same Annual General Meeting. Any remuneration that is received by the directors for the exercise or termination of their post and for the performance of executive duties must be in accordance with the compensation policy for the directors that is in force at any moment in time, except for remuneration that is expressly approved by the General Meeting of shareholders.*

### **3. General principles of the compensation policy for Fluidra's directors**

#### **3.1 Principles and foundations**

When Fluidra's Board of Directors defined the compensation policy for its directors, it decided that it should be based on the following principles:

- The compensation policy must ensure that the remuneration is reasonable and consistent with the trends and references regarding remuneration followed in the market by companies with a similar structure and overall size and it

should take into account the Company's strategic approach and the situation in the territories in which the Company operates.

- The remuneration must be in line with the interests of shareholders and the sustainable performance of the Company.
- The compensation policy should seek to reward quality, dedication, responsibility, business knowledge and commitment to the Company.
- The remuneration must consider internal equity.
- The rules for the management of compensation must be explicit, known by the directors and must be written in a clear and concise manner.
- The Company must comply in any case with all of the reporting requirements related to the remuneration of directors under the CCA, as well as any other applicable regulations.

The general principles and foundations of the compensation system established for the directors are that their remuneration is in reasonable proportion to the size of the Company, its economic situation and the market standards of comparable companies.

The compensation system distinguishes between the remuneration of the directors in their capacity as such and remuneration for the performance of executive duties within the Company.

### **3.2 Characteristics of the compensation policy for the directors in their capacity as such**

The application of the principles set out in paragraph 3.1 above regarding the system for the remuneration of Fluidra's directors in their capacity as such has the following characteristics:

- It is transparent with regard to the information about the directors' remuneration.
- Remuneration is paid as an incentive for their dedication, qualifications and responsibility, without compromising their independence.
- The remuneration is made up of an annual fixed amount and fees for attending the meetings of the Board of Directors and its Executive and Advisory Committees, depending on their position and responsibilities within the Board of Directors and its Committees.
- The remuneration does not include components linked to profits or market value, in order to separate it from short-term objectives and variables.
- The directors are remunerated for their travel and any other expenses incurred in order to attend the Company's meetings or to carry out their duties.

### **3.3 Characteristics of the compensation policy for executive directors**

The general principles and foundations of the aforementioned system that apply to the executive president, the only Company's only executive director, are as follows:

- The remuneration is allocated for the performance of executive duties in accordance with the policy established for the remuneration of senior executives and what is stated in their respective contracts, based on objective criteria.
- The compensation system presents a balanced and efficient relationship between the fixed and variable components on an annual and multi-year basis, so that the fixed component constitutes a sufficiently high proportion of the total remuneration.
- The compensation system includes components in cash and in kind.

- The variable compensation is set with a medium- and long-term view, which provides an incentive for their performance in strategic terms in addition to the achievement of short-term results, considering the current situation and the Company's outlook and objectives with regard to sustainable growth, without the variable compensation threatening the Company's ability to maintain its solvency and financial situation.
- The compensation policy is intended to promote and encourage the achievement of the Company's strategic objectives by incorporating long-term incentives, reinforcing continuity in the Company's competitive development, fostering motivation, loyalty and retention, whilst keeping their compensation in line with best practices.
- The long-term incentive includes a clause that enables the Company to demand repayment of the remuneration arising from it in the event that it is subsequently discovered that its determination was based on incorrect or inaccurate data.

The compensation policy is therefore based on the generation of value for the Company, seeking alignment with the interests of shareholders, with prudent risk management and strict compliance with the regulations in force regarding the remuneration of the directors of listed companies.

The system for the remuneration of directors, based on the aforementioned principles and foundations, is described below.

#### **4. Compensation system applicable to the directors in their capacity as such**

As stated above, the remuneration of directors in their capacity as such consists of the following:

- A fixed cash compensation that is established based on their position and responsibility. In this respect, the fixed compensation of the president and the

coordinator of the Board of Directors is higher than that of other members of the Board of Directors.

- A fixed cash compensation for their participation in the ACC and/or the Audit Committee. The amount paid to chairpersons of these Committees is greater than the amount paid to the other members of these Committees.
- Fees for attending the meetings of the Board or its Committees. The amount received by the directors that reside outside of Spain is higher than the amount received by the other members of the Board.

The maximum amount of the annual compensation that the Company may pay to all of its Directors in their capacity as such for both concepts shall be the amount established for this purpose by the General Meeting, which shall remain in force until the General Meeting changes it, although the Board of Directors may establish a lower amount. The establishment of the exact amount to be paid within this limit and its distribution amongst the directors shall be carried out by the Board of Directors in the proportion that it freely determines. For the year 2016, the maximum amount of remuneration approved by the General Meeting of Shareholders held on 5th June 2009 amounted to 1,200,000 euros. For the duration of this policy, the maximum amount of remuneration will be maintained in accordance with the same terms.

Of this amount, for 2016 the Board has envisaged remuneration for all of the previous items of 962,500 euros, having increased it by 1.2% over that of the previous year.

The Company has not taken on any obligation or commitment related to pensions, retirement or similar arrangements with the Board members in their capacity as such.

There are no other compensation schemes for the directors in their capacity as such or any share-based incentive systems involving the directors in their capacity as such.

## **5. Compensation system applicable to the executive directors**

The compensation system for the executive president, Fluidra's only executive director, is made up of:

### **5.1 Fixed compensation**

It aims to reward the performance of his executive duties.

In this regard, the aforementioned benchmarking of the remuneration of the executive president for his executive duties carried out by Hay Group has shown that the remuneration was lower than the average for a comparable group of companies. As a result of this, the Board has agreed to modify the fixed compensation of the executive president during the period of validity of this policy.

The amount of the fixed cash compensation during the year 2016 was 255,000 euros and an increase of more than 20% of this amount is not envisaged during the term of this policy.

Furthermore, according to Fluidra's policy in this regard for its executives, he receives certain benefits in kind including the use of a vehicle owned by the Company and family health insurance.

### **5.2 Variable compensation**

#### **5.2.1 Variable annual compensation**

As stipulated in his contract, the executive president receives a gross variable annual compensation linked to the fulfilment of economic and management objectives related to the budget established by the Board of Directors for each

business year. During the period of validity of this variable compensation policy, prior to its weighting based on the scale of achievement, it must not exceed 100% of the fixed compensation for executive duties. The scale of achievement of the economic objectives ranges up to a maximum of 200% in the event that the maximum values set for each indicator are achieved.

The percentage that the variable compensation represents with regard to the fixed compensation for executive duties, the indicators and the evaluation of the performance will be determined annually by the Board of Directors, who will later determine their degree of fulfilment.

The variable annual compensation and its updating with regard to the previous year is based on its adaptation to market conditions, based on the benchmarking study carried out by Hays Group. As a result of this, in 2016 the Board of Directors modified the variable annual compensation of the executive president, increasing it prior to its weighting based on the degree of achievement of the objectives from 50% to 70% of the fixed compensation for executive duties.

As an example, in 2016 the indicators are (i) 85% economic objectives: Free Cash Flow, Net Income from sales and overall sales growth and (ii) 15% management objectives. Furthermore, in 2016 the achievement scale ranged from 40% of the payment of the variable compensation in the event that the minimum levels established for each of the indicators is achieved up to a maximum of 200% of the payment in the event that the maximum values set for each indicator are achieved. As stated above, each year the Board of Directors shall be responsible for determining the indicators for the variable annual compensation, their weighting and the scale of achievement.

### 5.2.2 Long-term variable compensation

The executive directors may participate in long-term incentive plans linked to strategic conditions and objectives payable in cash or shares that are established

by the Company for its management. These plans will recur over time, with the Board of Directors proposing subsequent approvals to the General Meeting.

During the period of validity of this policy, Fluidra's executive president is a beneficiary of the following long-term incentive plans implemented by the Company:

(a) The 2013–2015 long-term incentive plan

On 5th June 2013 the Company's Ordinary General Meeting of Shareholders approved the "2013–2015 long-term incentive plan" ("**Plan I**") addressed to the executive president and some of the Company's executives, whose objectives were:

- To design a sustainable long-term compensation policy for the management team.
- To achieve greater alignment of the management team with the interests of the shareholders.
- To promote the generation of long-term value for the Company, considering the particular impact that the management team has on the Company's strategy and results.
- To motivate and retain the management team, linking part of their remuneration to the constant creation of value for the Company.

The creation of a system based on the delivery each year of a number of rights that are expected to be converted into shares after three years makes it possible to ensure that part of the management team's remuneration is linked to the continuous creation of value.

Plan I is structured as follows: part of the incentive is granted in units that can be converted to shares ("**RSUs**"), which will be paid in Company shares after three years; the other part of the incentive is implemented by granting rights to the revaluation of the Company's shares ("**SARs**"), which will be payable in Company shares after three years.

The beneficiaries are the Company's executive president and the members of the management team that belong to the Group's Executive Committee and that have a professional seniority in the Group of six months and that are expressly invited to participate in some or all of the cycles of Plan I. The Company's Board of Directors, based on a proposal by the ACC, can approve the addition of new beneficiaries to Plan I during the whole of its period of duration.

Plan I consists of three cycles, each lasting three years. The definition of each cycle is determined from a grant date and a value measurement period.

The grant date of RSUs and SARs in each of the cycles is as follows:

- First cycle: 15th July 2013.
- Second cycle: 15th July 2014.
- Third cycle: 15th July 2015.

The Company's Ordinary General Meeting of Shareholders held on 5th May 2015 cancelled the third phase of Plan I.

For each of the cycles of Plan I, a value measurement period is established which will be the length of time during which the increase in the value of Fluidra's shares will be measured and this will determine the final amount of the incentive derived from the SARs.

With regard to the RSUs, the value measurement period is the maturity period that must elapse before they can be converted into shares.

The duration of the value measurement period for each of the cycles of Plan I currently in force shall be three years from the grant date of each cycle, in accordance with the following scheme:

- First cycle: from 15th July 2013 to 15th July 2016.

- Second cycle: from 15th July 2014 to 15th July 2016.

For each grant, an initial share reference value is established for each of the cycles. The initial reference value is the one from which the increase in value is measured in order to determine the portion of the incentive to be received resulting from the SARs and it will correspond to the average weighted price of Fluidra's shares in the 30 trading sessions prior to each grant date. Furthermore, a final reference value shall be established for each of the cycles that will correspond to the weighted average price of the shares in the 30 trading sessions preceding the end of the measurement period corresponding to each of the cycles.

The settlement date of the RSUs and SARs and the corresponding delivery of the shares will take place within 15 working days of the end of the value measurement period.

Once the value measurement period for each cycle has ended, the beneficiaries will receive one of the Company's shares for each RSU that they have. In the case of the SARs, the beneficiaries will receive the difference between the final reference value and the initial reference value multiplied by the number of SARs granted in Company shares.

In each of the cycles, a certain number of RSUs and SARs are assigned to each beneficiary as determined individually by the ACC. For the executive

president, the total number of RSUs and SARs granted during the first and second phases of Plan I was 26,666 and 80,000, respectively.

(b) The 2015–2018 performance share plan

The General Meeting of Shareholders held on 5th May 2015 approved a new long-term incentive plan called the "2015–2018 performance share plan" ("**Plan II**") for the Group's key managers and executive directors.

Plan II aims to encourage, motivate and retain the management team, linking the incentive to the fulfilment of Fluidra's medium- and long-term strategic plan, which will align the interests of the beneficiaries with those of shareholders by offering them competitive remuneration that is in line with the market's remuneration practices and the Group's new organisation and strategy, the main basic conditions of which are as follows:

- a) Objective. Plan II aims to achieve the highest degree of motivation and loyalty of its beneficiaries, linking part of their remuneration to the Company's share price.
- b) Instrument. Plan II is implemented through the granting of a certain number of units that can be converted to shares ("**PSUs**"), which will be settled in Company shares after a certain period of time as long as certain strategic objectives of Fluidra and the requirements established in the rules of Plan II are met. However, in order to build loyalty and retain key executives, for the beneficiaries that are not executive directors of the Company the Board of Directors may determine that a percentage of PSUs granted, which could range between 15% and 25%, will be converted into the Company's shares if the length of service requirement is met.
- c) Beneficiaries. The beneficiaries of Plan II will be the members of Fluidra's management team and the investee companies that make up

the consolidated Group, as determined by the Board of Directors based on the ACC's proposal, including directors with executive duties.

The number of beneficiaries approved by the Board of Directors based on the ACC's proposal at the beginning of Plan II is 34. For these purposes, Fluidra's General Meeting of Shareholders designated the executive president as a beneficiary of Plan II.

However, the Board of Directors, based on a proposal by the ACC, may decide on the inclusion of new beneficiaries that were not foreseen initially, except in the case of members of the Board of Directors with executive duties, for which the General Meeting of Shareholders shall be responsible for deciding on their inclusion.

Plan II shall be voluntary for the beneficiaries.

- d) Maximum number of PSUs to be granted and shares to be handed over. The maximum number of PSUs to be granted under Plan II amounts to 2,161,920.

Therefore, the maximum number of Company shares to be granted under Plan II amounts to a total of 2,161,920 shares, representing 1.92% of the Company's share capital.

Notwithstanding the foregoing, the number of units to be granted to each beneficiary and the final number of shares affected by Plan II will be determined by the Company's Board of Directors, based on a proposal by the ACC.

- e) Duration. Plan II was launched on 1st January 2015 and will end on 31st December 2018, without prejudice to the effective settlement of Plan II that will occur during the month of January 2019.

Notwithstanding the foregoing, Plan II was formally started on 5th May 2015.

- f) Individual assignment. The individual assignment of the number of PSUs for each of the beneficiaries of Plan II is carried out by the Board of Directors based on the ACC's proposal.

The Board of Directors, based on a proposal by the ACC, may assign new PSUs, include new beneficiaries or increase the number of units initially granted to the beneficiaries, except in the case of members of the Board of Directors with executive duties, for which the General Meeting of Shareholders shall be responsible assigning any new PSUs.

Fluidra's General Meeting of Shareholders decided to grant 171,233 PSUs to the executive president.

The maximum number of shares authorised stated in section d) above take into account the shares that are necessary to enable new PSUs to be granted to new beneficiaries or for granting new PSUs to existing beneficiaries.

The aforementioned individual assignment is carried out merely for calculation purposes and will not imply the acquisition of status as a shareholder or any other rights related to this status by the beneficiary. Also, the units and the rights granted shall be *intuitu personae* and therefore are not transferable to third parties.

- g) Metrics. The degree of achievement of the incentive will depend on the degree of compliance with the financial objectives that Plan II is linked to, with regard to the percentage of PSUs whose conversion into shares depends on the aforementioned compliance.

The specific number of Fluidra's shares to be given to each recipient on the settlement date if the conditions established are met, with regard to the PSUs granted linked to the fulfilment of the financial objectives, shall be established based on:

- (i) The evolution of Fluidra's total shareholder return ("**TSR**") in absolute terms.
- (ii) The evolution of Fluidra's EBITDA or, in the case of the beneficiaries designated for this purpose by the Board of Directors, the EBIT of the Fluidra subsidiary that the beneficiary is responsible for.

The General Shareholders' Meeting decided that the percentage weightings for the executive president are set at 70% for the TSR target and 30% for Fluidra's EBITDA target.

Both the TSR and the EBITDA/EBIT will be determined during the period of measurement of compliance with the economic objectives, which will be the time period between 1st January 2015 and 31st December 2017.

- h) Handover of the shares and availability regime. The handover of the shares in payment of the variable compensation shall be implemented either by Fluidra or by a third party in accordance with the hedging systems adopted by the Board of Directors.
- i) From the time that the shares are allocated until a period of three years after their acquisition, the executive directors may not transfer the ownership of a number of shares equivalent to twice their fixed annual compensation. However, the above shall not apply to any shares that an executive director needs to dispose of, if necessary, to meet the

costs associated with their acquisition, including taxation arising from the handover of the shares.

### **5.3 Social Welfare**

There is a commitment for the contingencies of death and disability of the executive president.

Furthermore, there is a commitment to a defined contribution pension involving the establishment of a fund for retirement, with annual contributions made by the Company. This saving system is compatible with the compensation envisaged for the rescission of the executive president's contractual relationship.

### **5.4 Main conditions of the contracts of the executive directors**

The contract with the Company's executive president is of a commercial nature and its object states that he will provide the services of executive president to the Company, with the duties generally specified in business law and the Articles of Association, the Rules applicable to the Company's bodies and those assigned by Fluidra's General Meeting of Shareholders, which has delegated all of the powers of the Board of Directors to him with the sole exception of those that are non-delegable.

In particular, the executive president is responsible for the senior management of the Company and is responsible for the management and administration of all areas of the Company.

The contract establishes a post-contractual non-competition agreement, as well as certain rights in the event of its termination:

#### **a) Post-contractual non-competition agreement**

Notwithstanding the agreement by which the executive president undertakes, whilst the contract is in force, not to compete with the Company, a post-contractual non-competition agreement is established with a duration of two

years from the conclusion of the effective provision of his services.

The financial compensation that is established for the obligation taken on by the executive president under the post-contractual non-competition agreement is two times his annual fixed gross annual compensation in force at the time of termination of the contract.

b) Severance pay in the event of termination of the contract

Following the recommendations of the good governance code for listed companies, in 2015 the Board of Directors reduced the severance pay to which the Company's executive president would be entitled in the event of termination of the contract by Fluidra for any reason, except in the case of serious and wilful or negligent non-fulfilment of his duties as the Company's executive president, to an amount equal to two years' of his remuneration, based on the fixed annual gross salary earned in the year in which the termination takes place and the gross annual salary for the preceding year. Until the aforementioned modification the executive president was entitled to three annual payments.

The executive president shall be entitled to receive this severance pay if he decides to terminate his contract of his own choice, if this termination is due to any of the following causes:

- Serious breach by the Company of any of the contractual obligations related to his position.
- Reduction and substantial limitation of his duties or powers.
- Substantial modification of the conditions agreed in the contract.
- Change of ownership of Fluidra's share capital with or without changing the Company's governing bodies.

In the cases described above, the parties must give at least six months' notice before the effective date of termination, except when it occurs due to serious and wilful or negligent non-fulfilment of the executive president's professional duties or a serious breach by the Company of the obligations undertaken related to the position of the executive president. In the event of non-fulfilment of the obligation to give notice, the party not in breach shall be entitled to receive an amount equal to the fixed compensation pending payment during the period of non-compliance.

#### **5.5 Incorporation of new executive directors**

In principle, the compensation policy and the basic contractual conditions described above shall also apply to any new executive director that joins the Board during the period of validity of this policy, taking into account the duties assigned, the responsibilities taken on and their professional experience.

#### **6. Application of this policy**

Without prejudice to the provisions of the CCA with regard to the policy for the remuneration of the directors, based on the relevant reports of the ACC, Fluidra's Board of Directors will adopt and periodically review the general principles of the compensation policy for the directors and it shall be responsible for overseeing its implementation. For this purpose, Fluidra's Board of Directors shall annually review the policy described in order to incorporate or, where appropriate, propose any appropriate modifications, adaptations, implementation rules or regulatory criteria.

#### **7. Period of validity of the compensation policy**

Without prejudice to the provisions of the CCA with regard to the compensation policy for the members of the Board of Directors, the policies and procedures contained in this document shall be applied in the year of its approval by the General Shareholders' Meeting and the following three years, except in the event

of any modifications, adaptations, updates or replacements that are agreed at any time, which will be submitted for the approval of Fluidra's General Meeting of Shareholders.