

## APPENDIX I

### ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

#### ISSUER IDENTIFICATION PARTICULARS

<b>YEAR-END DATE</b>	31/12/2015
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<b>TAX IDENTIFICATION CODE</b>	A-17728593
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<b>REGISTERED NAME</b>
FLUIDRA, S.A.

<b>REGISTERED OFFICE</b>
AVENIDA FRANCESC MACIA, 60 PLANTA 20, (08208) SABADELL

# ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

## A OWNERSHIP STRUCTURE

A.1 Complete the following table regarding the company's share capital:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
30/03/2006	112,629,070.00	112,629,070	112,629,070

State whether there are different classes of shares with different rights attaching thereto:

Yes

No

A.2 List the direct and indirect holders of significant shareholdings in the company at the end of the year, excluding members of the board of directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Mr ROBERT GARRIGOS RUIZ	0	11,439,178	10.16%
Mr MANUEL PUIG ROCHA	0	5,642,716	0.00%
SANTANDER ASSET MANAGEMENT SA SGIIC	0	7,232,288	0.00%
NMAS1 ASSET MANAGEMENT SGIIC, S.A.	0	9,007,170	8.00%
MAVEOR, S.L.	5,642,716	0	5.01%
EDREM, S.L.	5,631,443	9,573,471	13.50%
DISPUR, S.L.	13,673,714	0	12.14%
BOYSER, S.L.	6,331,934	9,573,471	14.12%
SANTANDER SMALL CAPS ESPAÑA, FI	2,442,288	0	2.17%
SANTANDER ACCIONES ESPAÑOLAS FI	4,790,000	0	4.25%
QMC II BERIAN CAPITAL FUND FIL	8,268,582	0	7.34%

Name of indirect shareholder	Through: Name of direct shareholder	Number of voting rights
Mr ROBERT GARRIGOS RUIZ	ANIOL, S.L.	11,439,178
Mr MANUEL PUIG ROCHA	MAVEOR, S.L.	5,642,716
SANTANDER ASSET MANAGEMENT SA SGIIC	SANTANDER SMALL CAPS ESPAÑA, FI	2,442,288
SANTANDER ASSET MANAGEMENT SA SGIIC	SANTANDER ACCIONES ESPAÑOLAS FI	4,790,000
NMAS1 ASSET MANAGEMENT SGIIC, S.A.	QMC II BERIAN CAPITAL FUND FIL	9,007,170
EDREM, S.L.	EDREM CARTERA, S.L.U.	9,573,471
BOYSER, S.L.	BOYSER POOL, S.L.U.	9,573,471

State the most significant movements in the shareholding structure that have occurred during the year:

A.3 Complete the following tables regarding members of the board of directors who have voting rights attaching to shares in the company:

Name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Mr GABRIEL LÓPEZ ESCOBAR	100	0	0.00%
Mr RICHARD J. CATHCART	32,950	0	0.03%
Mr JUAN PLANES VILA	10,000	13,673,714	12.15%
Mr BERNARDO CORBERA SERRA	235,314	0	0.21%
Mr ELOY PLANES CORTS	108,177	0	0.10%
BANSABADELL INVERSIÓ DESENVOLUPAMENT, S.A.U.	5,631,454	0	5.00%
ANIOL, S.L.	11,439,178	0	10.16%
Mr JORGE VALENTÍN CONSTANS FERNÁNDEZ	0	18,142	0.02%

Name of indirect shareholder	Through: Name of direct shareholder	Number of voting rights
Mr JUAN PLANES VILA	DISPUR, S.L.	13,673,714
Mr JORGE VALENTÍN CONSTANS FERNÁNDEZ	ELO CAPITAL SICAV	18,142

<b>% of total voting rights held by members of the board of directors</b>	<b>27.67%</b>
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Complete the following tables regarding members of the company's board of directors who hold rights on shares in the company

Name of director	Number direct voting rights	Number of indirect voting rights	Number of equivalent shares	% of total voting rights
Mr ELOY PLANES CORTS	108,177	0	108,177	0.10%

A.4 State any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as they are known to the company, except where they are immaterial or derive from ordinary commercial transactions:

A.5 State any commercial, contractual or corporate relationships between owners of significant shareholdings and the company and/or the group, except where they are immaterial or derive from ordinary commercial transactions of the company:

A.6 State whether the company has been notified of any shareholders' agreements affecting the company pursuant to the provisions of articles 530 and 531 of the Companies Act (*Ley de Sociedades de Capital*). If so, briefly describe these agreements and list the shareholders bound by them:

Yes

No

Parties to the shareholders' agreement
BOYSER POOL, S.L.U.
EDREM CARTERA, S.L.U.
BOYSER, S.L.
DISPUR, S.L.
EDREM, S.L.
ANIOL, S.L.
BANSABADELL INVERSIÓ DESENVOLUPAMENT, S.A.U.

**Percentage share capital affected: 40.00%**

**Brief description of the agreement:**

On 5<sup>th</sup> September 2007 a shareholders' agreement was formalized the object of which was to regulate the form in which the Company's corporate resolutions were to be passed and, specifically, how the Syndicated Shareholders were to vote, and the regime for the transfer of shares held by them, subject to certain limitations. The National Securities Market Commission (CNMV) was notified of this agreement on 2<sup>nd</sup> January 2008 through Relevant Event communication no. 87808.

The agreement has been modified on 4 occasions on the dates indicated below for each one:

- 1) First novation: 10<sup>th</sup> October 2007
- 2) Second novation: 1<sup>st</sup> December 2010 (reported to the CNMV on 2<sup>nd</sup> December 2010 through Relevant Event communication no. 134239)
- 3) Third novation: 30<sup>th</sup> July 2015 (reported to the CNMV on the same date through Relevant Event communication no. 227028)
- 4) Fourth novation: 30<sup>th</sup> September 2015 (reported to the CNMV on the same date through Relevant Event communication no. 229114)

State whether the company is aware of the existence of concerted actions among its shareholders. If so, briefly describe them:

Yes

No

**Percentage share capital affected:** 40.00%

**Brief description of the concerted action:**

The rules of the concerted action are those established in the Agreement for syndicated voting and shares of Fluidra, S.A. approved on 30<sup>th</sup> July 2015 and modified on 30<sup>th</sup> September 2015. The concerted action was updated in the CNMV on 24<sup>th</sup> December 2015 to reflect the change in ownership of the shares which until then had been held by Boyser, S.L. and Edrem, S.L. and which were transferred, respectively, to Boyser Pool, S.L.U. and Edrem Cartera, S.L.U.

Parties to the concerted action
BOYSER POOL, S.L.U.
EDREM CARTERA, S.L.U.
DISPUR, S.L.
ANIOL, S.L.
BANSABADELL INVERSIÓ DESENVOLUPAMENT, S.A.U.

Expressly state whether any of such agreements, arrangements, or concerted actions have been modified or terminated during the financial year:

Yes, two modifications were made to the syndication agreement on 30<sup>th</sup> July 2015 and 30<sup>th</sup> September 2015. Furthermore, Boyser Pool, S.L.U. and Edrem Cartera, S.L.U. have replaced Boyser, S.L. and Edrem, S.L. as parties to the concerted action.

**A.7 State whether there is any individual or company that exercises or could exercise control over the company in accordance with article 4 of the Securities Market Act (*Ley del Mercado de Valores*). If so, identify that party:**

Yes

No

**Observations**

A.8 Complete the following tables regarding the company's own shares:

At year end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
509,786	0	0.45%

(\*) Through:

List any significant changes, pursuant to Royal Decree 1362/2007, that have occurred during the year:

Explain any significant changes
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A.9 Describe the terms and conditions and the duration of the powers currently in force given by the shareholders to the board of directors in order to issue, repurchase, or transfer own shares of the company:

At the General Shareholders' Meeting held on 6<sup>th</sup> June 2012, a resolution was passed granting authorization to the Company to proceed with the derivative acquisition of own shares, directly or through group companies, and with the express power to reduce the share capital to redeem own shares, delegating to the Board of Directors the necessary powers to execute the resolutions passed by the General Meeting in this regard, rendering the previous authorization without effect, and granting authorization to apply the portfolio of own shares, as the case may be, to the execution or coverage of remuneration systems. The authorization granted is valid for a term of five (5) years as of the date the resolution is passed, i.e. until 6<sup>th</sup> June 2017.

At the Board meeting of 26<sup>th</sup> March 2015, it was resolved to apply the Board's delegation to the CEO to acquire own shares up to the limit of 4% of the share capital. This authorization will be valid until 31/12/2016.

A.9.bis Estimated free float:

	%
Estimated free float	45.10

A.10 State whether there are any restrictions on the transfer of securities and/or any restrictions on voting rights. In particular, disclose the existence of any restrictions that might hinder a takeover of the company through the acquisition of its shares on the market.

Yes

No

Description of the restrictions
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The Agreement on syndicated voting and shares approved on 30<sup>th</sup> July 2015 establishes that none of the Syndicated Shareholders, except for Bansabadell Inversió Desenvolupament, SAU, may sell, transfer, assign, convey or otherwise dispose of or encumber title to the Syndicated Shares (40% of the share capital) or ownership of the inherent voting or economic rights attaching to such shares throughout the entire syndication term, i.e. the period from 31<sup>st</sup> October 2007 to 1<sup>st</sup> December 2018. The Agreement also establishes the mechanism for syndicating the vote attached to the Syndicated Shares.

A.11 State whether the general shareholders' meeting has approved the adoption of anti-takeover measures in the event of a takeover bid pursuant to the provisions of Act 6/2007:

Yes

No

If so, describe the measures approved and the terms on which the restrictions will become ineffective:

A.12 State whether the company has issued securities that are not traded on a regulated market within the European Community.

Yes  No

If applicable, specify the different classes of shares and the rights and obligations attaching to each class of shares.

## **B GENERAL SHAREHOLDERS' MEETING**

B.1 State and, if applicable, describe whether there are differences with respect to the minimum requirements set out in the Companies Act in connection with the quorum needed to hold a valid general shareholders' meeting.

Yes  No

B.2 State and, if applicable, describe any differences from the rules set out in the Companies Act for the adoption of corporate resolutions:

Yes  No

Describe how they differ from the rules provided by the Companies Act.

B.3 State the rules applicable to the amendment of the company's Articles of Association. In particular, disclose the majorities provided for amending the Articles of Association, and any rules provided for the protection of shareholders' rights in the amendment of the Articles of Association.

The procedure for amending the Articles of Association must conform to the provisions of article 285 and following of the Companies Act, which require approval by the General Shareholders' Meeting, with the quorum and majority established in articles 194 and 201 of the aforesaid Act, as well as the requirement to draw up and make available to the shareholders a mandatory report by the directors justifying the amendment. Article 27 of the Articles of Associations sets out the principle contained in article 194 of the Companies Act and establishes that in order for an ordinary or extraordinary General Meeting to resolve validly on any amendment of the Articles of Association, the attendance, in person or through a representative, of shareholders holding at least five per cent of the share capital with voting rights is required on the first call. On the second call, twenty-five per cent of the aforesaid capital will be sufficient.

Article 5 of the General Meeting Regulations expressly includes, among the competences of the General Meeting, the amendment of the Articles of Association. Notwithstanding the powers granted to the General Meeting, the Board of Directors may move the company's registered office within the same municipality (article 3 of the Articles of Association).

Article 24 of the General Meeting Regulations regulates the procedure for voting on proposed resolutions of the General Shareholders' Meeting, establishing, in the case of amendments to the Articles of Association, that each article or group of articles of sufficient entity is to be voted on separately.

B.4 State the data on attendance at the general shareholders' meetings held during the year this report refers to and those of the previous year:

Date of general meeting	Attendance data				
	% shareholders present in person	% represented	% absentee voting		Total
			Electronic voting	Other	
04/06/2014	0.34%	76.46%	0.00%	0.00%	76.80%
05/05/2015	28.19%	44.24%	0.00%	0.00%	72.43%

B.5 State whether there are any restrictions in the Articles of Association requiring a minimum number of shares in order to attend the general shareholders' meeting:

Yes  No

## B.6 Section deleted.

B.7 State the address and method for accessing the company's website to access information regarding corporate governance and other information regarding general shareholders' meetings that must be made available to the shareholders through the company's website.

www.fluidra.com

Following the route to SHAREHOLDERS AND INVESTORS, among other options the following will appear:

CORPORATE GOVERNANCE  
FINANCIAL AND ECONOMIC INFORMATION  
BOARD OF DIRECTORS  
GENERAL SHAREHOLDERS' MEETING

## C STRUCTURE OF THE COMPANY'S MANAGEMENT

### C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association:

<b>Maximum number of directors</b>	15
<b>Minimum number of directors</b>	5

C.1.2 C. Complete the following table identifying the members of the board:

<b>Name of director</b>	<b>Representative</b>	<b>Type of director</b>	<b>Position on the board</b>	<b>Date of first appointment</b>	<b>Date of last appointment</b>	<b>Selection procedure</b>
MR GABRIEL LÓPEZ ESCOBAR		Independent	DIRECTOR	30/10/2014	05/05/2015	GENERAL MEETING RESOLUTION
MR RICHARD J. CATHCART		Independent	DIRECTOR	05/09/2007	05/06/2013	GENERAL MEETING RESOLUTION
MR JUAN PLANES VILA		Proprietary	CHAIRMAN	05/09/2007	05/06/2013	GENERAL MEETING RESOLUTION
MR BERNARDO CORBERA SERRA		Proprietary	DIRECTOR	03/10/2002	05/06/2013	GENERAL MEETING RESOLUTION
MR OSCAR SERRA DUFFO		Proprietary	DIRECTOR	05/09/2007	05/06/2013	GENERAL MEETING RESOLUTION
MR ELOY PLANES CORTS		Executive	CEO	31/10/2006	08/06/2011	GENERAL MEETING RESOLUTION
MR JUAN IGNACIO ACHA-ORBEA ECHEVERRÍA		Independent	DIRECTOR	05/09/2007	05/06/2013	GENERAL MEETING RESOLUTION
BANSABADELL INVERSIÓ DESENVOLUPAMENT, S.A.U.	MR CARLOS VENTURA SANTAMANS	Proprietary	DIRECTOR	07/03/2003	05/06/2013	GENERAL MEETING RESOLUTION
ANIOL, S.L.	MR BERNAT GARRIGOS CASTRO	Proprietary	VICE-SECRETARY DIRECTOR	25/04/2012	06/06/2012	GENERAL MEETING RESOLUTION
MR JORGE VALENTÍN CONSTANS FERNÁNDEZ		Independent	DIRECTOR	05/05/2015	05/05/2015	GENERAL MEETING RESOLUTION

Total number of directors	10
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State the vacancies on the board of directors that have arisen during the reporting period:

C.1.3 Complete the following tables concerning board members and each member's status:

### EXECUTIVE DIRECTORS

Name of director	Position within the company's structure
MR ELOY PLANES CORTS	CEO

Total number of executive directors	1
% of total board	10.00%

### EXTERNAL PROPRIETARY DIRECTORS

Name of director	Name of the significant shareholders represented by that director or that proposed the director's appointment
MR JUAN PLANES VILA	DISPUR, S.L.
MR BERNARDO CORBERA SERRA	EDREM, S.L.
MR OSCAR SERRA DUFFO	BOYSER, S.L.
BANSABADELL INVERSIÓ DESENVOLUPAMENT, S.A.U.	BANSABADELL INVERSIÓ DESENVOLUPAMENT, S.A.U.
ANIOL, S.L.	ANIOL, S.L.

Total number of proprietary directors	5
% of total board	50.00%

### EXTERNAL INDEPENDENT DIRECTORS

**Name of director:**

MR GABRIEL LÓPEZ ESCOBAR

**Profile:**

Born in Madrid in 1956, holder of a degree in Business Science and a Master's degree in Economic Sciences, and a Postgraduate Diploma in Economic Sciences from the University of Nancy (France). Registered in the Official Register of Auditors and in the Roster of the PCAOB (USA).

He has been chairman of the Supervision Committee of PwC Spain, and has considerable experience in all kind of audit, financial advising and financial investigation services. He joined PwC in 1984 and has been a partner of the firm since 1995. He has been responsible for the audit of major Spanish groups of companies as well as the subsidiaries of international groups.

He has provided his services to companies such as Abengoa (IBEX 35, Nasdaq), Deutsche Bank, Kraft Foods, Marsans, Nacex, Randstad, RIU, Quirón, Securitas, Telvent (Nasdaq), ThyssenKrupp, TUI, Volkswagen/ Seat.

**Name of director:**



## MR RICHARD J. CATHCART

### Profile:

Born in Washington (USA) on 28<sup>th</sup> September 1944. Graduated as a pilot from the United States Air Force Academy.

Between 1975 and 1995 he held several management positions at Honeywell Inc.

In 1996 he was appointed manager of Pentair Water Businesses (Minneapolis, USA).

From 2005 to 2007 he held the position of Vice-Chairman of the Board of Directors Pentair (Minneapolis, USA), where he was responsible for international operations and business development.

In September 2007, Mr Cathcart was appointed a member of the Board of Directors of Watts Water Technology Co, a position he continues to hold at present.

### Name of director:

## MR JUAN IGNACIO ACHA-ORBEA ECHEVERRÍA

### Profile:

Born in San Sebastián on 1<sup>st</sup> July 1956. Holder of a degree in Economic Sciences from the Complutense University of Madrid and Master's degree in Business Management from IESE Business School.

From 1982 to 1986 he held the post of Director at Chemical Bank, in Madrid and New York.

From 1986 to 1989 he held the post of Variable Income and Investment Funds Director of Bankinter.

In 1989 he became CEO and Chairman of BBVA Bolsa, S.V. until 2003. From 2003 to 2006 he was a member of the Board of Directors of the listed company TPI Páginas Amarillas as an independent director.

In 2003 he was also appointed chairman of the company Equity Contraste Uno, a post which he still holds at present.

### Name of director:

## MR JORGE VALENTÍN CONSTANS FERNÁNDEZ

### Profile:

Jorge Constans holds a degree in Economics from the University of Barcelona, the General Management Programme of IESE and Business Management from ESADE.

In a career spanning 22 years at Danone he held several positions in sales, marketing, general management in Spain and was later Chairman and CEO of Danone France. He was then responsible for the Europe region, and responsibility for the USA was later added. During the last two years in the company he was chairman of the dairy product division, with turnover of 12 B€ and present in more than 50 countries.

At Louis Vuitton he held the position of Chairman and CEO.

He is currently a member of the Board of Directors of THOM Europe (leader in the jewellery sector in France), Royal Van Lent (Dutch shipyard belonging to the LVMH group), Fluidra, Puig and Codorniu.

<b>Total number of independent directors</b>	4
<b>% of total board</b>	40.00%

State whether any director classified as independent receives from the company or its group any amount or benefit for items other than director remuneration, or maintains or has maintained during the last year a business relationship with the company or with any company of its group, whether in the director's own name or as a significant shareholder, director, or senior manager of an entity that maintains or has maintained such a relationship.

Prior to becoming an Independent Director of the company, Mr Constans provided consultancy services to the group through a company controlled by him.

If applicable, include a reasoned statement from the board regarding the reasons why it considers that the director in question can carry out his duties as an independent director.

### **OTHER EXTERNAL DIRECTORS**

Identify the other external directors and describe the reasons why they cannot be considered proprietary or independent directors as well as their ties, whether with the company, its management, or its shareholders:

State the changes, if any, in the category of each director during the period:

C.1.4 Complete the following table with information regarding the number of female directors for the last 4 years, as well as the status of such directors:

	Number of female directors				% of total directors of each category			
	2015	2014	2013	2012	2015	2014	2013	2012
<b>Executive</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Proprietary</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Independent</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Other External</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Total:</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%

C.1.5 Explain any measures adopted to include on the board of directors a number of women that allows for a balanced presence of men and women.

Explanation of measures
At the end of 2015 with the resignation of the Chairman of the Board and his replacement by the CEO a process commenced for the replacement of the proprietary director, promoting the selection of a female candidate. Finally, in January 2016, the Board appointed Dispur, S.L. by co-optation, and Ms Eulalia Planes Corts acts as the natural person who is the representative of that company for the purposes of exercising the post.

C.1.6 Explain any measures approved by the appointments committee in order for selection procedures to be free of any implied bias that hinders the selection of female directors, and in order for the company to deliberately search for women who meet the professional profile that is sought and include them among potential candidates:

Explanation of measures
In its criteria for the selection and appointment of Directors by the Board of Directors, Fluidra establishes that the company will take gender diversity into consideration in choosing directors, with the object of ensuring equality of opportunity as indicated in the Equality Act (22 <sup>nd</sup> March 2007). Similarly, Fluidra will strive to achieve in its Board of Directors, not only gender diversity, but also geographical diversity and diversity of age and professional experience.
At the end of 2015 with the resignation of the Chairman of the Board and his replacement by the CEO a process commenced for the replacement of the proprietary director, promoting the selection of a female candidate. Finally, in January 2016, the Board appointed Dispur, S.L. by co-optation, and Ms Eulalia Planes Corts acts as the natural person who is the representative of that company for the purposes of exercising the post.

If there are few or no female directors despite any measures adopted, describe the reasons for this:

**Explanation of reasons**

The criteria established in article 18 of the Board of Directors' Regulations have been followed.

C.1.6 bis Explain the conclusions of the appointments committee regarding verification of compliance with the director selection policy. In particular, explain how said policy is promoting the goal that the number of female directors should represent at least 30% of the total number of members of the board of directors by 2020.

**Explanation of conclusions**

At the end of 2015 with the resignation of the Chairman of the Board and his replacement by the CEO a process commenced for the replacement of the proprietary director, promoting the selection of a female candidate. Finally, in January 2016, the Board appointed Dispur, S.L. by co-optation, and Ms Eulalia Planes Corts acts as the natural person who is the representative of that company for the purposes of exercising the post.

C.1.7 Explain the form of representation on the board of shareholders with significant holdings.

BOYSER, S.L. represented by Mr Oscar Serra Duffo

Dispur, S.L. represented by Mr Juan Planes Vila

Bansabadell Inversio Desenvolupament, S.A. represented by itself, which appointed Mr Carles Ventura Santamans as the natural person to be its representative.

Edrem, S.L. represented by Mr Bernardo Corbera Serra

Aniol, S.L. represented by itself, which appointed Mr Bernat Garrigós Castro as the natural person to be its representative.

C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed at the proposal of shareholders whose shareholding is less than 3% of share capital:

State whether there has been no answer to formal petitions for presence on the board received from shareholders whose shareholding is equal to or greater than that of others at whose proposal proprietary directors have been appointed. If applicable, describe the reasons why such petitions have not been answered:

Yes

No

C.1.9 State whether any director has withdrawn from the position before the expiration of the director's term of office, whether the director has given reasons to the board and by what means, and in the event that the director gave reasons in writing, describe at least the reasons given thereby:

C.1.10 State any powers delegated to the CEO(s):

**Name of director:**

MR ELOY PLANES CORTS

**Brief description:**

The present CEO, Mr Eloy Planes, has received permanent delegation of all the faculties permitted by law.

C.1.11 Identify any members of the board who are directors or officers of other companies that form part of the listed company's group:

Name of director	Name of group company	Position	Does he/she have executive duties?
MR ELOY PLANES CORTS	ASTRAL NIGERIA. LTD	DIRECTOR	NO
MR ELOY PLANES CORTS	ASTRAL POOL SWITZERLAND	ATTORNEY-IN-FACT	NO
MR ELOY PLANES CORTS	ASTRAL POOL AUSTRALIA PTY LTD	DIRECTOR	NO
MR ELOY PLANES CORTS	FLUIDRA THAILAND CO.. LTD	JOINT & SEVERAL DIRECTOR	NO
MR ELOY PLANES CORTS	FLUIDRA COMMERCIALE ITALIA, S.P.A.	SOLE DIRECTOR	NO
MR ELOY PLANES CORTS	FLUIDRA SERBICA DOO	DIRECTOR/ CHAIRMAN	NO
MR ELOY PLANES CORTS	FLUIDRA SOUTH AFRICA (PTY) LTD	JOINT & SEVERAL DIRECTOR	NO
MR ELOY PLANES CORTS	AQUAPRODUCTS. INC	DIRECTOR – CHAIRMAN	NO
MR ELOY PLANES CORTS	FLUIDRA TR SV VE HAVUZ EKIPMANLARI	DIRECTOR	NO
MR ELOY PLANES CORTS	CERTIKIN INTERNATIONAL. LIMITED	DIRECTOR	NO
MR ELOY PLANES CORTS	FLUIDRA YOULI FLUID SYSTEMS (WENZHO) CO. LTD	DIRECTOR	NO
MR ELOY PLANES CORTS	AP IMMOBILIERE	SOLE DIRECTOR	NO
MR ELOY PLANES CORTS	CERTIKIN PORTUGAL. S.A.	DIRECTOR	NO
MR ELOY PLANES CORTS	FLUIDRA MONTENEGRO. DOO	DIRECTOR	NO
MR ELOY PLANES CORTS	AQUATRON ROBOTIC TECHNOLOGY. LTD	DIRECTOR /CHAIRMAN	NO
MR ELOY PLANES CORTS	TURCAT POLYESTER SANAYI VE TICARET ANONIM SIRKETI	DIRECTOR	NO
MR ELOY PLANES CORTS	FLUIDRA ROMANIA. S.A.	CHAIRMAN	NO
MR ELOY PLANES CORTS	ASTRAL POOL THAILAND. CO. LTD	JOINT & SEVERAL DIRECTOR	NO
MR ELOY PLANES CORTS	FLUIDRA USA. LLC	DIRECTOR	NO
MR ELOY PLANES CORTS	FLUIDRA BALKANS JSC	DIRECTOR	NO
MR ELOY PLANES CORTS	AO ASTRAL. SNG	DIRECTOR	NO
MR ELOY PLANES CORTS	FLUIDRA POLSKA. S.A.	DIRECTOR	NO
MR ELOY PLANES CORTS	FLUIDRA COLOMBIA. S.A.S.	JOINT & SEVERAL DIRECTOR	NO
MR ELOY PLANES CORTS	FLUIDRA HELLAS	DIRECTOR	NO
MR ELOY PLANES CORTS	FLUIDRA INDUSTRY. SAU	Representative of Sole Director	NO
MR ELOY PLANES CORTS	FLUIDRA COMMERCIAL SAU	Representative of Sole Director	NO
MR ELOY PLANES CORTS	ASTRAL POOL MEXICO, S.A. DE CV	DIRECTOR	NO
MR ELOY PLANES CORTS	SWIMCO CORP. S.L.	Sole Director	NO
MR ELOY PLANES CORTS	FLUIDRA DEUTSCHLAND GMBH	JOINT & SEVERAL DIRECTOR	NO
MR ELOY PLANES CORTS	US.POOL HOLDINGS. INC	DIRECTOR / CHAIRMAN	NO
MR ELOY PLANES CORTS	INQUIDE ITALIA. SRL	DIRECTOR	NO
MR ELOY PLANES CORTS	ASTRAL POOL UK. LIMITED	DIRECTOR	NO
MR ELOY PLANES CORTS	ASTRALPOOL CYPRUS. LTD	DIRECTOR	NO
MR ELOY PLANES CORTS	FLUIDRA DANMARK A/S	DIRECTOR	NO
MR ELOY PLANES CORTS	FLUIDRA CHILE. SOCIEDAD ANÓNIMA CERRADA	DIRECTOR	NO

Name of director	Name of group company	Position	Does he/she have executive duties?
MR ELOY PLANES CORTS	FLUIDRA MAGYARORSZÁG. KFT	JOINT & SEVERAL DIRECTOR	NO
MR ELOY PLANES CORTS	FLUIDRA SVERIGE AB	DIRECTOR	NO

C.1.12 Identify the directors of your company, if any, who are members of the board of directors of other companies listed on official stock exchanges other than those of your group, which have been reported to your company:

C.1.13 State and, if applicable, explain whether the company has established rules on the number of boards of which its directors may be members:

Yes

No

C.1.14 Section deleted.

C.1.15 State the overall remuneration of the board of directors:

Remuneration of the board of directors (thousand euros)	1,446
Amount of pension rights accumulated by present directors (thousand euros)	83
Amount of pension rights accumulated by former directors (thousand euros)	0

C.1.16 Identify the members of the company's senior management who are not executive directors and state the total remuneration accruing to them during the year:

Name	Position
MR JAVIER ESPARZA HERRAIZ	DIVISION GENERAL MANAGER
MR JAUME CAROL PAÑACH	DIVISION GENERAL MANAGER
MR CARLES FRANQUESA CASTRILLO	DIVISION GENERAL MANAGER
MR JAVIER TINTORÉ SEGURA	CORPORATE FINANCE GENERAL MANAGER
MR JOSEP TURA ROF	CORPORATE HR MANAGER
MR MARC PÉREZ DOMEDEL	MARKETING MANAGER

Total senior management remuneration (in thousand euros)	1,482
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C.1.17 State the identity of the members of the board, if any, who are also members of the board of directors of companies of significant shareholders and/or companies of their group:

Name of director	Name of significant shareholder	Position
MR JUAN PLANES VILA	DISPUR, S.L.	CHAIRMAN
MR BERNARDO CORBERA SERRA	EDREM, S.L.	CEO
MR OSCAR SERRA DUFFO	BOYSER, S.L.	DIRECTOR
MR ELOY PLANES CORTS	DISPUR, S.L.	DIRECTOR

Name of director	Name of significant shareholder	Position
ANIOL, S.L.	ANIOL, S.L.	CEO

Describe any significant relationships, other than the ones contemplated in the prior item, of the members of the board of directors linking them to significant shareholders and/or companies within their group:

C.1.18 State whether the regulations of the board have been amended during the year:

Yes

No

Description of amendments
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The Board of Directors Regulations were amended by a resolution of the Board on 26<sup>th</sup> March 2015 in order to adapt them to the new provisions introduced by Act 31/2014, of 3<sup>rd</sup> December, modifying the Companies Act for the improvement of corporate governance, and to adapt the text of certain articles of the Regulation to conform to the present situation of the Company.

C.1.19 State the procedures for the selection, appointment, re-election, evaluation, and removal of directors. Describe the competent bodies, the procedures to be followed, and the criteria applied in each of such procedures.

The Board of Directors will be made up of not less than five (5) and not more than fifteen (15) members, the exact number being determined by the General Shareholders' Meeting.

It is within the power of the General Shareholders' Meeting to establish the number of directors. For this purpose, it will proceed directly by establishing this number through an express resolution or indirectly by filling vacancies or appointing new directors, within the maximum limit established above.

The General Meeting shall strive to ensure, to the extent possible, that in the composition of the Board of Directors the number of external or non-executive directors constitutes an ample majority compared to executive directors. Furthermore, the number of executive directors must be the minimum necessary, taking into account the complexity of the corporate group and the percentage shareholding of the executive directors in the Company's capital. Finally, the number of independent directors should represent at least one third (1/3) of the total directors.

The definitions of the different categories of directors will be as established in the Companies Act.

In the event that there is an external director who cannot be considered to be either a proprietary or an independent director, the Company will explain this circumstance and the director's ties either with the Company or its officers, or with its shareholders.

The category of each director must be explained by the Board to the General Shareholders' Meeting that is to make or ratify each director's appointment.

Appointment of Directors:

- Article 17.1 of the Board Regulations establishes that directors will be appointed (i) at the proposal of the Appointments and Remuneration Committee, in the case of independent directors, and (ii) following a prior report by the Appointments and Remuneration Committee in the case of all other directors; by the General Shareholders' Meeting or by the Board of Directors in accordance with the provisions contained in the Companies Act. The proposal for appointment or re-election must be accompanied by a justificatory report from the Board assessing the competence, experience and merits of the proposed candidate and this will also apply to the natural persons that are designated as the representatives of a director.

In relation to external directors, article 18 of the Board Regulations establishes that the Board of Directors will strive to ensure that the elected candidates are persons of acknowledged solvency, competence and experience, and must exercise particular rigour in relation to those persons who are called upon to fill the positions of independent directors established in article 6 of the Regulations.

Re-election of Directors:

Article 19 establishes that before proposing directors to the General Meeting, the Board of Directors will evaluate the quality of the work and dedication to the position of the proposed director during the preceding term of office, and the affected parties will abstain from this process, in accordance with article 22 of the Regulations.

Evaluation of Directors:

- In accordance with the provisions of article 14 of the Board of Directors Regulations, the Appointments and Remuneration Committee will evaluate the necessary skills, knowledge and experience in the Board and will define, consequently, the functions and aptitudes necessary in the candidates who are to fill each vacancy and will evaluate the time and dedication required for them to carry out their duties properly.

Removal of Directors:

- Article 21.1 of the Board Regulations establishes that directors will be removed from their post when the period for which they were appointed has ended and when the General Meeting so decides making use of the faculties conferred on it by law or the Articles of Association. Reference should therefore be made to the situations established in the Companies Act, specifically in article 223 and following.

The Board of Directors may only propose the removal of an independent director before the end of the term established in the Articles of Association when there is due cause, observed by the Board following a report by the Appointments and Remuneration Committee. In particular, due cause will be deemed to exist when the director has failed to comply with the inherent duties of the position or has incurred in the course of the term of office in any of the circumstances of impediment described in the definition of independent director established in the Companies Act.

**C.1.20 Explain the extent to which the annual evaluation of the board has given rise to significant changes in its internal organization and regarding the procedures applicable to its activities:**

Description of changes
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The audit prepared by ABA with the action plan proposed by the Board was approved at the Board meeting of 2<sup>nd</sup> December and would be implemented after January 2016.

Based on the annual reviews of the Board, measures for improvement have been taken such as:

- A) Incorporating 2 external directors with knowledge of the Auditing and Marketing areas respectively.
- B) It was also decided to eliminate the Executive Committee and reinforce the Audit Committee and the Appointments and Remuneration Committee.
- C) The format of the Board meetings has been modified, and they are now more extensive, more strategic and more focused on decision making and are held every two months.
- D) To achieve a better gender balance among Board members it has been decided to incorporate a female proprietary director.

**C.1.20.bis Describe the evaluation process and the areas evaluated by the board of directors, assisted, as the case may be, by an external consultant, regarding diversity in its composition and powers, the operation and composition of its committees, the performance of the chairman of the board and chief executive officer, and the performance and contribution of each director.**

During 2015, the Appointments and Remuneration Committee of the Board engaged the services of an external consultant to examine the composition, powers and operation of both the Board and its committees and the Board leadership structure.

The recommendations of the consultant's report will be implemented throughout 2016 and developed in more depth on the basis of the evaluation to be carried out at the end of that year. The scope of the consultant's work did not include an evaluation of the performance of the chairman, the chief executive officer or the contribution by each of the directors.

**C.1.20.ter List any business relationships of the consultant or any company of its group with the company or any company of its group.**

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**C.1.21 State the circumstances under which the resignation of directors is mandatory.**

In accordance with article 21.2 of the Board Regulations, directors must offer their resignation to the Board of Directors, formalizing their resignation if the Board so decides, in the following cases:

- a) When they cease to held the executive position to which their appointment as director was associated.
- b) When they incur in any of the situations of incompatibility or prohibition established by law.
- c) When they are severely reprimanded by the Board of Directors because of breaching their obligations as directors.

- d) When their continued presence on the Board could endanger or damage the Company's interests, credit or reputation or when the reasons for which they were appointed no longer exist (for example, when a proprietary director disposes of its shareholding in the Company).
- e) In the case of independent directors, they may not remain in their position as such for a continued period of more than 12 years, and therefor at the end of that term they must offer their resignation to the Board of Directors.
- f) In the case of proprietary directors (i) when the shareholder they represent sells the shareholding in full and; furthermore (ii) in respect of the corresponding number, when the aforesaid shareholder reduces its shareholding to a level that requires a reduction in the number of proprietary directors.
- Article 21.3 also establishes that, in the event that a director ceases to hold his position before the end of the term of office, due to resignation or any other reasons, the aforesaid director must explain the reasons in a letter which will be sent to all the members of the Board.

C.1.22 Section deleted.

C.1.23 Are qualified majorities, different from the statutory majorities, required to adopt any type of decision?

Yes  No

If so, describe the differences.

Description of differences
----------------------------

In order to modify the Board Regulations, a majority of 2 thirds of the directors present or represented is required (article 3.3. of the Board of Directors Regulations).

C.1.24 Explain whether there are specific requirements, other than the requirements relating to directors, to be appointed chairman of the board of directors.

Yes  No

C.1.25 State whether the chairman has the casting vote in the event of a tie:

Yes  No

Matters on which a casting vote is permitted
--

On all matters in the event of a tie.

C.1.26 State whether the Articles of Association or the Board regulations establish any age limit for directors:

Yes  No

C.1.27 State whether the Articles of Association or Board regulations establish any limit on the term of office for independent directors that is different than the term provided by regulatory provisions:

Yes  No

C.1.28 State whether there are specific rules for proxy-voting at meetings of the board of directors, the manner of doing so and, in particular, the maximum number of delegations that a director may hold, as well as whether any restriction has been established regarding the categories of directors who may be delegated beyond the restrictions imposed by law. If so, briefly describe such rules.



Directors shall make every effort to attend Board meetings and when it is impossible for them to attend in person, they will grant representation in writing, on a special basis for each meeting, appointing another member of the Board as proxy with the pertinent instructions and notifying the Chairman of the Board of Directors of this. Non-executive directors may only delegate another non-executive director to represent them.

Representation will be granted in writing, necessarily in favour of another director, and will be granted specially for each meeting in a letter addressed to the Chairman.

C.1.29 State the number of meetings that the board of directors has held during the year. In addition, specify the number of times the board has met, if any, at which the chairman was not in attendance. Proxies granted with specific instructions shall be counted as attendance.

<b>Number of meetings of the board</b>	10
<b>Number of Board meetings at which the Chairman was not in attendance</b>	2

If the chairman is an executive director, state the number of meetings held without the attendance in person or by proxy of any executive director and chaired by the lead independent director.

<b>Number of meetings</b>	0
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State the number of meetings held by the different committees of the board of directors during the year:

<b>Committee</b>	<b>Number of meetings</b>
APPOINTMENTS AND REMUNERATION COMMITTEE	6
AUDIT COMMITTEE	5
EXECUTIVE COMMITTEE	0

C.1.30 State the number of meetings that the board of directors has held during the year with the attendance of all of its members. Proxies granted with specific instructions shall be counted as attendance:

<b>Number of meetings attended by all the directors</b>	8
<b>% attendance in respect of total votes during the year</b>	80.00%

C.1.31 State whether the individual and consolidated annual accounts that are submitted to the board for approval are previously certified:

Yes  No

Identify, if applicable, the person/persons that has/have certified the individual and consolidated annual accounts of the company for preparation by the board:

C.1.32 Explain the mechanisms, if any, established by the board of directors to avoid any qualifications in the audit report on the annual individual and consolidated accounts prepared by the board of directors and submitted to the shareholders at the general shareholders' meeting.

The Board of Directors will strive to draw up the accounts definitively in such a way that they do not give rise to qualifications by the auditor. In exceptional cases in which there are qualifications, both the Chairman of the Audit Committee and the external auditors will explain clearly to the shareholders the content of such reservations and exceptions. However, when the Board considers that it should uphold its criteria, it will explain publicly the content and scope of the discrepancy.

C.1.33 Is the secretary of the board a director?

Yes

No

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

Name of secretary	Representative
MR ALBERT COLLADO ARMENGOL	

C.1.34 Section deleted.

C.1.35 State the mechanisms, if any, established by the company to preserve the independence of the external auditors, financial analysts, investment banks, and rating agencies.

See section H.1.

C.1.36 State whether the Company has changed the external auditor during the year. If so, identify the incoming and the outgoing auditor:

Yes

No

If there has been any disagreement with the outgoing auditor, provide an explanation thereof:

C.1.37 State whether the audit firm performs other non-audit work for the company and/or its group. If so, state the amount of the fees paid for such work and the percentage they represent of the aggregate fees charged to the company and/or its group:

Yes

No

	Company	Group	Total
Amount of other non-audit work(thousand euros)	23	58	81
Amount of non-audit work /Total amount billed by the audit firm (%)	9.09%	7.33%	7.57%

C.1.38 State whether the audit report on the annual accounts for the previous year has observations or qualifications. If so, state the reasons given by the chairman of the audit committee to explain the content and scope of such observations or qualifications.

Yes

No

C.1.39 State the number of years for which the current audit firm has been auditing the annual accounts of the company and/or its group without interruption. In addition, state the percentage represented by that number of years audited by the current audit firm with respect to the total number of years in which the annual accounts have been audited:

	Company	Group
Number of years without a break	12	14
Number of years audited by current audit firm / Number of years the company has been audited (%)	100.00%	100.00%

C.1.40 State whether there is any procedure for directors to hire external advisory services, and if so, describe it:

Yes  No

**Describe the procedure**

In accordance with article 24 of the Board of Directors Regulations, all directors may, in order to obtain assistance in carrying out their duties, obtain from the Company the advising required to fulfil their duties. To this end the Company will set up adequate channels which, in special circumstances, may include external advising paid for by the Company. In any case, the engagement must necessarily concern specific problems of certain importance and complexity arising in the course of carrying out their duties. The decision to hire external services must be reported to the Chairman of the Company and may be vetoed by the Board of Directors if it is shown that: a) it is not necessary for correct discharge of the duties entrusted to the external directors. b) The cost is not reasonable in light of the importance of the problem and of the company's assets and income, or c) the technical assistance in question may be provided adequately by experts and technical personnel of the Company.

C.1.41 State whether there is any procedure for directors to obtain sufficiently in advance the information required to prepare for meetings of management bodies and, if so, describe it:

Yes  No

**Describe the procedure**

Article 23 of the Board Regulations establishes:

1. Directors may request information on any matter for which the Board is competent and, in this regard, examine its books, records, documents and other documentation. The right to information extends to companies in which it holds a stake whenever possible.
2. The request for information must be addressed to the Secretary of the Board of Directors, who will forward it to the Chairman of the Board of Director and the appropriate party in the Company.
3. The Secretary will notify the director of the confidential nature of the information requested and received and of the duty of confidentiality in accordance with the provisions of these Regulations.
4. The Chairman may refuse to provide the information if he considers: (i) that it is not necessary for correct discharge of the director's duties or (ii) the cost thereof is not reasonable in light of the importance of the problem and the Company's assets and income.

C.1.42 State whether the company has established any rules requiring directors to inform the company — and, if applicable, resign from their position— in cases in which the credit and reputation of the company may be damaged, and if so provide a detailed description:

Yes  No

**Explain the rules**

Article 34.2 of the Board Regulations establishes the obligation for directors to inform the Company in any cases that might damage the company's credit or reputation and, in particular, to inform the board of any criminal investigations in which they are involved as investigated persons, as well as the subsequent procedural phases, of any disqualification procedures initiated against them, of near-insolvency economic situations of any trading companies in which they hold stakes or which they represent or, as the case may be, of the commencement of insolvency proceedings against them.

This same article also establishes that in the event that a director is prosecuted or an order is issued against a director for the commencement of a trial for any of the criminal offences listed in article 213 of the Companies Act, the Board will examine the case as soon as possible and, in light of its specific circumstances, will decide whether or not the director is to remain in office.

C.1.43 State whether any member of the board of directors has informed the company that he/she has been prosecuted or that an order for the commencement of a trial has been issued against that member for any of the criminal offences listed in article 213 of the Companies Act:

Yes

No

State whether the board of directors has analysed the case. If so, provide a duly substantiated explanation of the decision adopted regarding whether or not the director should remain in office or, if applicable, describe the actions taken by the board of directors up to the date of this report or that it plans to take.

C.1.44 Describe the significant agreements entered into by the company that go into effect, are amended, or terminate in the event of a change in control at the company as a result of a takeover bid, and effects thereof.

NOT APPLICABLE

C.1.45 Identify on an aggregate basis and provide a detailed description of the agreements between the company and its management level and decision-making positions or employees that provide for indemnities, guarantee or “golden parachute” clauses upon resignation or unfair dismissal, or if the contractual relationship is terminated as a result of a takeover bid or other type of transaction.

**Number of beneficiaries: 3**

**Type of beneficiary:**

Executive Director / Senior managers

**Description of the Agreement:**

Improvement in severance compensation according to contract.

The General Meeting is informed only in the case of the CEO.

State whether such agreements must be reported to and/or approved by the decision-making bodies of the company or its group:

	Board of directors	General Shareholders' Meeting
Body that authorizes the clauses	Yes	Yes

	Yes	No
Is the General Shareholders' Meeting informed of the clauses?	X	

## C.2 Committees of the board of directors

C.2.1 Describe all of the committees of the board of directors, the members thereof, and the proportion of executive, proprietary, independent, and other external directors of which they are comprised:

### **APPOINTMENTS AND REMUNERATION COMMITTEE**

Name	Position	Category
MR RICHARD J. CATHCART	CHAIRMAN	Independent
MR OSCAR SERRA DUFFO	MEMBER	Proprietary
ANIOL, S.L.	SECRETARY	Proprietary
MR JORGE VALENTÍN CONSTANS FERNÁNDEZ	MEMBER	Independent

<b>% proprietary directors</b>	50.00%
<b>% independent directors</b>	50.00%
<b>% other external directors</b>	0.00%

Explain the duties assigned to this committee, describe the procedures and rules of organization and operation thereof, and summarize its most significant activities during the year.

Duties:

- Lead the definition of profiles of Board members and review them annually as part of the Board Evaluation.
- Lead the selection process for new members of the Board.
- Lead the evaluation of the Board, at least once a year, ensuring that suitable feedback is provided to the Board and its members individually.
- Lead the annual review of the Board Charter and of the Committees, in order to guarantee that both the Board and the Committees have clear objectives that stay aligned with those of the Company as they evolve.
- Ensure that there are succession plans (or, at least, contingency plans) to guarantee leadership of the Board and senior management.
- Review compliance by the Board and the Committees in relation to aspects of the Board Charter Process at least twice a year and make sure the Board takes responsibility for such compliance.
- Carry out a prior review of the Human Resources Policies and Procedures that will be submitted to the Board.
  - Specifically, in collaboration with senior managers of HR and the CEO, develop, evaluate and modify (when necessary) incentive and remuneration policies for executives, and benefits, both in annual plans and in long-term incentive plans.
  - Encourage the company to implement, maintain and communicate these policies and procedures so that they fulfil the purpose of aligning people with the company's strategy and so that they can act as elements of motivation and retention.
  - Ensure that the above is done in a suitable timeframe.
- Review the evaluations of the performance and remuneration policies of the management team.

### **AUDIT COMMITTEE**

Name	Position	Category
MR GABRIEL LÓPEZ ESCOBAR	CHAIRMAN	Independent
MR JUAN PLANES VILA	MEMBER	Proprietary
MR BERNARDO CORBERA SERRA	MEMBER	Proprietary
MR JUAN IGNACIO ACHA-ORBEA ECHEVERRÍA	MEMBER	Independent
BANSABADELL INVERSIÓ DESENVOLUPAMENT, S.A.U.	SECRETARY	Proprietary

% proprietary directors	60.00%
% independent directors	40.00%
% other external directors	0.00%

Explain the duties assigned to this committee, describe the procedures and rules of organization and operation thereof, and summarize its most significant activities during the year.

See section H.1.

Identify the director who is a member of the audit committee and who has been appointed taking into account the director's knowledge and experience in the areas of accounting, auditing, or both, and report the number of years that the chairman of this committee has held office.

Name of director with experience	MR GABRIEL LÓPEZ ESCOBAR
No. of years chairman has held office	1

### **EXECUTIVE COMMITTEE**

Name	Position	Category
MR BERNARDO CORBERA SERRA	MEMBER	Proprietary
MR OSCAR SERRA DUFFO	MEMBER	Proprietary
MR ELOY PLANES CORTS	CHAIRMAN	Executive
MR JUAN IGNACIO ACHA-ORBEA ECHEVERRÍA	MEMBER	Independent
BANSABADELL INVERSIÓ DESENVOLUPAMENT, S.A.U.	MEMBER	Proprietary
ANIOL, S.L.	SECRETARY	Proprietary

% executive directors	17.00%
% proprietary directors	67.00%
% independent directors	17.00%
% other external directors	0.00%

Explain the duties assigned to this committee, describe the procedures and rules of organization and operation thereof, and summarize its most significant activities during the year.

SEE SECTION H.1.

State whether the composition of the executive committee reflects the participation of the different directors within the board based on their category:

Yes

No

C.2.2 Complete the following table with information regarding the number of female directors on the committees of the board of directors for the last four years:

	Number of female directors							
	2015		2014		2013		2012	
	Number	%	Number	%	Number	%	Number	%
APPOINTMENTS AND REMUNERATION COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%

	Number of female directors							
	2015		2014		2013		2012	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
EXECUTIVE COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Section deleted

C.2.4 Section deleted.

C.2.5 State, if applicable, the existence of regulations of the board committees, where such regulations may be consulted, and the amendments made during the year. Also state if any annual report on the activities performed by each committee has been voluntarily prepared.

Name of committee:  
APPOINTMENTS AND REMUNERATION COMMITTEE

The Committee is regulated in the Board Regulations (article 14), which are published both at the CNMV and on the Company's website.

The activities of the Appointments and Remuneration Committee are reflected in 3 documents:

- agendas for meetings
- contents of meetings
- agreements in the form of minutes signed by the Committee

Name of committee:  
EXECUTIVE COMMITTEE

Brief description

The Committee is regulated in the Board Regulations (article 12), which are published both at the CNMV and on the Company's website.

Name of committee:  
AUDIT COMMITTEE

Brief description

The Committee is regulated in the Board Regulations (article 13) and in the Internal Rules of Conduct, which are published both at the CNMV and on the Company's website. The Company has drawn up an annual report on the Audit Committee.

At its meeting of 26<sup>th</sup> March 2015, the Board of Directors resolved to amend, among others, the following articles of the Board Regulations, to adapt them to the modifications made to the Companies Act (Consolidating Act) by Act 31/2014, of 3<sup>rd</sup> December, amending the Companies Act to improve corporate governance and to adapt the drafting of the articles to conform to the current situation of the company:

- 1) Article 12.- Delegated bodies of the Board of Directors
- 2) Article 13.- Audit Committee. Composition, competences and operation
- 3) Article 14.- Appointments and Remuneration Committee. Composition, competences and operation

C.2.6 Section deleted.

## **D RELATED-PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS**

**D.1 Explain any procedures for approving related-party and intragroup transactions.**

### **Procedure for the approval of related-party transactions**

The Audit Committee performs a prior approval procedure. The consideration is established on an arm's length basis.

D.2 Describe those transactions that are significant due to their amount or subject-matter between the company or entities of its group and the company's significant shareholders:

Name of significant shareholder	Name or company of entity in its group	Nature of the relationship	Type of transaction	Amount (thousand euros)
BOYSER, S.L.	FLUIDRA INDUSTRY FRANCE, S.A.R.L.	Contractual	Other	626
BOYSER, S.L.	METALAST, S.A.U.	Contractual	Other	828
BOYSER, S.L.	FLUIDRA COMERCIAL ESPAÑA, S.A.U.	Contractual	Purchases of finished or other goods	1,166
BOYSER, S.L.	FLUIDRA COMMERCIAL FRANCE S.A.S.	Commercial	Purchases of finished or other goods	801

D.3 Describe those transactions that are significant due to their amount or subject-matter between the company or entities of its group and the company's directors or officers:

Name of directors of officers	Name of the related party	Relationship	Nature of the transaction	Amount (thousand euros)
MR RICHARD J. CATHCART	FLUIDRA, S.A.	DIRECTOR	Remuneration	104
MR JUAN PLANES VILA	FLUIDRA, S.A.	DIRECTOR	Remuneration	122
MR BERNARDO CORBERA SERRA	FLUIDRA, S.A.	DIRECTOR	Remuneration	91
MR OSCAR SERRA DUFFO	FLUIDRA, S.A.	DIRECTOR	Remuneration	91
MR ELOY PLANES CORTS	FLUIDRA, S.A.	DIRECTOR	Remuneration	505
MR JUAN IGNACIO ACHA-ORBEA ECHEVERRÍA	FLUIDRA, S.A.	DIRECTOR	Remuneration	99
BANSABADELL INVERSIÓ DESENVOLUPAMENT, S.A.U.	FLUIDRA, S.A.	DIRECTOR	Remuneration	91
ANIOL, S.L.	FLUIDRA, S.A.	DIRECTOR	Remuneration	91
MR GABRIEL LÓPEZ ESCOBAR	FLUIDRA, S.A.	DIRECTOR	Remuneration	93
MR JORGE VALENTÍN CONSTANS FERNÁNDEZ	FLUIDRA, S.A.	DIRECTOR	Remuneration	59

D.4 Report the significant transactions made by the company with other entities belonging to the same group, provided they are not eliminated in the preparation of the consolidated financial statements and they are not part of the ordinary course of business of the company as to their purpose and conditions.

In any case, report any intragroup transaction with entities established in countries or territories considered to be tax havens:

D.5 State the amount of transactions with other related parties.

0 (in thousand Euros).



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

SEE SECTION H.1.

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

Yes

No

Identify the subsidiaries listed in Spain:

### Listed subsidiary

State whether they have publicly and accurately defined their respective areas of activity and any possible business relationships between them, as well as those between the listed subsidiary and the other companies within the group:

Define the possible business relationships between the parent company and the listed subsidiary, and between the subsidiary and the other companies in the group

Identify the mechanisms established to resolve possible conflicts of interest between the listed subsidiary and the other companies in the group:

Mechanisms for the resolution of possible conflicts of interest

## E RISK MANAGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the company's Risk Management System, including the system for managing tax risks.

Fluidra's risk management system is designed to mitigate all the risks to which the company may be exposed on account of its activity. The structure of risk management is based on three pillars.

- Common management systems, designed specifically to mitigate business risks.
- Internal control procedures, aimed at mitigating the risks deriving from drawing up financial information and improving the reliability of these procedures which have been designed in accordance with Financial Reporting Internal Control Systems (FRICS).
- The risk map, which is the methodology used by Fluidra to identify, understand and assess the risks that affect the company. The aim is to obtain an overall view of risks, designing a system of efficient responses aligned with the business objectives.

These elements constitute an integrated system that provides adequate management of the risks and the controls that mitigate them at all levels of the organization.

Fluidra's risk management system is a global and dynamic system. Its sphere of action is the entire organization and its environment. It is intended to be permanently in force and compliance with it is mandatory for all employees, managers and directors of the company.

In addition, the internal audit department is responsible for overseeing compliance with and correct operation of these systems.

E.2 Identify the decision-making bodies of the company responsible for preparing and implementing the Risk Management System, including the system for managing tax risks.

Responsibility for drawing up and executing the risk management system is exercised basically by the audit committee, specifically supported by the internal audit department.

The internal audit department is in charge of supervision and the correct operation of the risk management system.

The objectives of the audit committee are:

- To report to the General Shareholders' Meeting on any matters arising within its sphere of competence.
- To propose to the Board of Directors, for submission to the General Shareholders' Meeting, the appointment of auditors or audit firms as referred to in article 264 of the Companies Act, and their contract conditions, the scope of their professional engagement and, as the case may be, their revocation or non-renewal.
- To supervise the efficiency of the Company's internal control, specially Financial Reporting Internal Control, internal audit, as the case may be, and the risk management systems, and to discuss with the auditors or audit firms any significant internal control weaknesses detected in the course of the audit.
- To supervise the process of drawing up and presenting regulated financial information.
- To review the Company's accounts, ensure compliance with legal requirements and correct application of generally accepted accounting principles, for which purpose it has the direct collaboration of the external and internal auditors.
- To handle relations with the auditors or audit firms to receive information on any matters that could endanger their independence, to be examined by the Committee, and any other matters related to the auditing process, as well as any other communications established in auditing legislation and auditing standards. It must in any case receive each year from the auditors or audit firms written confirmation of their independence from the company or entities related to it directly or indirectly, and information on any additional services of any kind provided to such entities by such auditors or audit firm, or by persons or entities related to them in accordance with the provisions of Accounts Audit Act 19/1988, of 12<sup>th</sup> July.
- To issue annually, prior to the issue of the audit report, a report expressing an opinion on the independence of the auditors or audit firms. This report must disclose the provision of additional services as referred to above.
- To supervise performance of the audit contract, ensuring that the opinion on the Annual Accounts and the main contents of the audit report are expressed clearly and precisely, and to evaluate the results of each audit.
- To supervise compliance with the legislation concerning related-party transactions. In particular, it will ensure that information on such operations is reported to the market, in compliance with the provisions of Order 3050/2004, of the Ministry of Economy and Finance, of 15<sup>th</sup> September 2004.
- To examine compliance with the Internal Rules of Conduct, the Board of Directors Regulations, and, in general, the Company's rules of good governance and to make the necessary proposals for improvement.
- To receive information and, as the case may be, issue a report on any disciplinary measures sought to be imposed on members of the Company's senior management team.

### E.3 Point out the principal risks, including tax risks, that could affect the achievement of business goals.

In the process of identifying, understanding and assessing the risks that affect the company, the following risk factors have been considered:

Operational risks

- a) Safety incidents
- b) Erroneous actions and relations with workers
- c) Market risks and risks of the activities in which the Group does business
- d) Brand reputation
- e) Risks relating to processes
- f) Economic environment
- g) Climatology
- h) Geopolitical risk
- i) Integrations of new companies

Financial risks

- a) Credit risk
- b) Default / Insolvency of customers
- c) Liquidity risk

### E.4 . Identify whether the entity has a risk tolerance level, including one for tax risk.

The various risks are identified and assessed on the basis of an analysis of the possible events that could give rise to such risks. The assessment is carried out using parameters that measure probability and impact. The controls in place to mitigate them are determined as well as the additional action plans necessary if such controls are considered insufficient.

This process, performed annually, lets the Company's Risk Map be obtained. The most relevant risks are taken from this map and, together with the main variations compared to the previous year, are submitted to the Audit Committee for discussion and approval.

The definition of the scale of gravity and the scale of probability is carried out on the basis of qualitative and quantitative criteria. Once the critical risks have been identified and assessed, Company Management establishes specific actions, determining the person responsible and time to perform them, to mitigate the impact and probability of such risks and at the same time reviews the current controls over these risks. The analysis of risks, controls and actions to mitigate their impact and probability is presented annually to the Audit Committee, for supervision and approval. The Audit Committee subsequently reports to the Board of Directors.

## E.5 State what risks, including tax risks, have materialized during the year.

Risks that have materialized in 2015

- Impact of the weak economic situation in the People's Republic of China. During 2015, a general slowdown in the People's Republic of China has been evident which reflects the current macroeconomic situation in that country, the effects of which have had repercussions in the region. Fluidra has proceeded to redefine objectives based on reasonable criteria that will allow them to be met, and to encourage sales in market segments where the economic situation is more favourable. Fluidra has made structural changes at operational and logistical level to align expectations and drive this segment.

- Weakness in the evolution of the residential swimming-pool market in the USA. In 2011 Fluidra acquired the Aqua group, with production presence on the US and Israeli market. The forecasts for growth and market penetration in the US market have not been fulfilled at the level that was initially expected. It is for this reason that the value in use of the cash generating unit resulting from the acquisition of the Aqua Group does not cover the value of the net assets and goodwill assigned and therefore impairment has been recorded in the goodwill on the purchase, reducing it by 7 million euros.

## E.6 Explain the plans for responding to and supervising the entity's main risks, including tax risks.

Economic environment:

Continuing valuation of the company's assets by a multidisciplinary team to detect in advance any situation of impairment and determine the actions to be taken, with the aim of maintaining the profitability of operations in the area.

Development of new products:

Continuing analysis of sales of new strategic products and comparison with competitors based on market research monitoring tools, statistical database analysis by type of market and product.

Performance of comparative studies that will let us differentiate ourselves from competitors and update the product valuation dossiers with the information obtained. Specific action plans aimed at ensuring production capacities are adapted to production capacities at the demand levels forecast for these new products.

Financial risks:

Financial risks undergo continuous monitoring of, among others, the exposure to exchange rate and/or interest rate risk of each Business Unit. Policies and decisions for action are proposed to Corporate Financial Management.

Credit and default risks:

The Fluidra Group has a highly diversified portfolio of national and international customers, in which there is no customer that represents a significant percentage of turnover for the year, and therefore the credit risks is also mitigated.

Technological risks:

Given the activities carried on by the different Business Units of Fluidra, protecting their technology and developments is an essential milestone in order to maintain their competitive advantage. To this end the Group has certain development and action criteria and policies, as well as legal protocols that guarantee such protection.

Fluidra is firmly determined and convinced that reinforcing and harmonizing its procedures and internal controls in the subsidiaries of the company is the right way to improve efficiency and achieve greater productivity in all its processes. This will also help the early detection and eradication of any irregularity in the management of the subsidiaries. In this regard, an implementation and roll-out project called Invictus is in progress which is a very valuable tool in the pursuit of this goal.

Irregularities in the management of subsidiaries:

The following measures have also been taken:

- Incorporation of experts in both the audit committee and in the internal audit team.
- Incorporation of additional resources into the internal audit team
- Adaptation of the Ethics Committee to the changes in ruling legislation and study and driving of internal actions to promote the use of the ethics channel throughout the entire group.

Development of new activities:

The continuing evaluation by Fluidra of new activities that will contribute more value to the group culminated in 2014 with the creation of Fluidra Engineering Services.

Aware that any new activity entails an intrinsic risk, the company has engaged the services of specialist external consultants who have analysed the processes and controls necessary to mitigate the risk associated to the development of any new activity. Furthermore, in the case of Fluidra Engineering Services (FES), expert personnel in the activity have been contracted.

Human capital risks:

The companies of the Fluidra Group have a variable remuneration policy linked to professional development and the achievement of personal objectives in order to identify and reward its best professionals in this way.

The parent company has a whistleblowing channel created by the Audit Committee, under the collegiate management of corporate HR management, Internal Audit and Legal, so that any employee of the group can report any issues relating to internal control, accounting, HR management, the environment, or any type of irregular situation.

The company has Internal Rules of Conduct on matters relating to the securities market.

Process-related risks:

These risks are handled by the corresponding Business Unit, monitored centrally by the Financial department and verified by the Internal Audit department.

The processes of obtaining consolidated financial information are carried out centrally under corporate criteria, and both the consolidated annual accounts and the individual annual accounts of each subsidiary are verified by external auditors.

Climatology:

The Company manages climatological risk through internationalization and through the development of products and applications that allow the installations to be used and enjoyed in adverse climates.

## **F INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (FRICS)**

Describe the mechanisms making up the risk management and control systems with respect to the entity's financial reporting process (FRICS).

### **F.1 Control environment at the entity**

Indicate at least the following, specifying their main features:

**F.1.1. What bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective financial reporting internal control system (FRICS); (ii) the implementation of this system; and (iii) supervision of the system.**

Fluidra S.A. and its subsidiaries, (hereinafter Fluidra) formally defines the responsibilities for the adequate and effective existing of the FRICS in the Board of Directors Regulations.

The Board of Directors has designated Corporate Financial Management of Fluidra as responsible for the implementation and maintenance of the FRICS.

As regards responsibility for supervising FRICS, article 13.3 of the Board Regulations explicitly includes the responsibility of the Audit Committee in relation to supervision of the FRICS, as well as the responsibility for supervising the process of drawing up and presenting regulated financial information.

The Audit Committee has the Internal Audit function as support in fulfilling its responsibilities and this is reflected in the charter for that function.

**F.1.2. Whether any of the following are in place, particularly as regards the financial information preparation process:**

- Departments and/or mechanisms in charge of: (i) the design and revision of the organizational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of work and duties; and (iii) ensuring that there are sufficient procedures for the proper dissemination thereof at the entity.

Fluidra has internal processes that establish the authorization levels necessary to modify the organizational structure. Defining the structure and reviewing it are ultimately responsibilities of the CEO, with the support of the Appointments and Remuneration Committee. Up to the beginning of December 2014, the Appointments and Remuneration Committee was made up of three members of the Board of Directors, two of whom were independent directors. Since early December 2014, the Committee has been made up of 4 directors, of whom 2 are proprietary directors and 2 are independent.

Fluidra has an internal organization chart available on the corporate intranet which covers the main business areas and ranges from the position of CEO to the level of General Management of each business. This organization chart specified the areas and departments (including the departments involved in the preparation, analysis and supervision of the financial information), and details the hierarchical dependencies.

For the purposes of preparing regulated financial information, the Group Accounting Manual (GAM) sets out the basic lines of responsibility existing in the process, policies, documentation necessary and timing.

- Code of conduct, body that approves it, degree of dissemination and instruction, principles and values included (indicating whether the recording of transactions and the preparation of financial information are specifically mentioned), body in charge of reviewing breaches and of proposing corrective actions and penalties.

Fluidra's commitments including focusing its efforts on ensuring that operations are carried out in an environment of ethical professional practice, not only with the implementation of mechanisms aimed at preventing and detecting fraud committed by employees, or inappropriate practice that could lead to sanctions, fines or damage the Group's image, but also by reinforcing the importance of ethical values and integrity among its professionals.

Fluidra has a Code of Conduct (hereinafter Ethics Code), the first version of which was approved by the Board of Directors at a meeting held on 16<sup>th</sup> December 2008. On 28<sup>th</sup> February 2012, the Audit Committee approved the review of the Ethics Code with the aim of incorporating modifications that reflected the evolution of the legal framework to which it is subject, especially with regard to the responsibilities of the Board of Directors and of the Audit Committee. During 2015, Fluidra has reviewed the Ethics Code with the aim of adapting it to legislative changes. The revised version of the Ethics Code was approved by the Audit Committee on 28<sup>th</sup> April 2015 and by the Board of Directors on 30<sup>th</sup> September 2015.

At present, updates and amendments of the Ethics Code are proposed and promoted by the Audit Committee. Fluidra is in the process of consolidating the operation of an Ethics Committee, the main mission of which is to promote the dissemination and application of the Ethics Code throughout the Group and provide a channel for communication to all employees for queries and notifications of breaches of the Code. Fluidra is currently in the process of development Regulations for the Ethics Committee that will confer on it the functions of proposing improvements and updates of the Ethics Code to the Audit Committee.

The Ethics Code must be observed by all employees of the Group and is accessible to all employees through the corporate website, Intranet and Living Fluidra. All employees, when they join Fluidra, receive a copy of the Ethics Code which they have to sign as acceptance to comply with the internal policies of Fluidra

In general, the main values including in the Ethics Code are those of bringing maximum transparency to Fluidra's business, creating an environment of trust for its customers, suppliers, shareholders, employees, public and private institutions and for society in general. The Ethics Code is based on the ten principles declared in the UN Global Compact and seeks to be the guide that sets out the most relevant ethic principles and behaviour to be observed in internal and external relation, including and updating all conduct that is not permitted from a legal approach.

The general ethical principles considered in the Fluidra Ethics Code are specified in terms of the FRICS, in values associated to professional integrity and responsibility, guidelines for action related to a greater or lesser extent to the reliability of the financial information and compliance with applicable legislation.

- Whistleblowing channel that makes it possible to report any irregularities of a financial or accounting nature to the audit committee, as well as any possible breach of the code of conduct and irregular activities at the organization, specifying, if appropriate, whether it is confidential.

Fluidra has an internal whistleblowing channel through which all employees can address their queries and reports. A communication channel has been enabled to send them: via the corporate website, intranet, Living Fluidra and an e-mail address.

The role of the Ethics Committee is to deal with the queries and complaints received. Its objective is to carry out monitoring and control of compliance with the principles established in the Ethics Code.

The Ethics Committee reports annually to the Audit Committee the breaches of the Ethics Code identified and the corrective actions and disciplinary measures proposed, if necessary.

All communications between the Ethics Committee and the employees of Fluidra are totally confidential, respecting the limitations established in Personal Data Protection Act 15/1999, of 13<sup>th</sup> December. In this regard, all members of the Ethics Committee are authorized to know the combined information of all queries and notifications received from the group through the query and notification procedure.

- Regular training and update programmes for personnel involved in the preparation and review of financial information, as well as in the evaluation of the FRICS, covering at least accounting policies, auditing, internal control, and risk management.

With the aim of promoting training, Fluidra has the in-house school: FluidrAcademy. The aim of FluidrAcademy is to consolidate an offer of corporate training on multidisciplinary and business contents to promote the transmission of internal knowledge and interrelation between the professionals of and on the other hand to strengthen internal training in Fluidra by offering courses on the main functional and business areas given by internal trainers whenever possible taking advantage of the knowledge of Fluidra.

For aspects related to the preparation of financial information, Fluidra has 2 fundamental lines in training on accounting and financial skills:

1.- GAM Online Training: This comprises 4 modules related to the most critical areas for financial reporting. Aimed at all personnel responsible for preparing financial statements in all the group companies, this is a compulsory course.

2.-Subsidiary Training: In addition, Fluidra's training is provided to foreign subsidiaries through visits by teams of the Division and even from Central Services, going over reporting status, the different information needs or criteria for obsolescence and insolvency, among others. For new employees, a week-long training visit is made to central services.

Finally, as regards the audit and internal control areas, the personnel responsible for the financial and internal audit function identify the needs of their teams in terms of training and propose training courses to cover any sporadic needs that may exist. Specifically, during 2015 training has been given to employees related to the tool used for the management and supervision of the FRICS.

## F.2 Financial reporting risk assessment

Indicate at least the following:

### F.2.1. What are the main features of the risk identification process, including the process of identifying the risks of error or fraud, with respect to:

- Whether the process exists and is documented.

The process followed by Fluidra to identify risks of error in the financial information is systematic and is documented. Fluidra places special emphasis on the identification of risks of material error or fraud, by determining financial reporting control objectives for each of the risks identified. This risk identification process is carried out and documented by Financial Management of Fluidra and is supervised by the Audit Committee, with the support of Internal Audit.

- Whether the process covers all the financial reporting objectives (existence and occurrence; completeness; valuation; presentation, breakdown and comparability, and rights and obligations), whether it is updated, and how often.

The process is structured so that, on a regular basis, the areas that can have a material effect on the financial statements are analysed based on a range of criteria that include quantitative and qualitative factors, identifying at transaction level, relevant areas/locations, to the extent that they are affected by transactions with a material impact on the financial statements.

The scope of the areas identified is reviewed by Corporate Financial Management of Fluidra, and is ultimately supervised by the Audit Committee.

If in the course of the year (i), circumstances not previously identified that show possible errors in the financial information or (ii), substantial changes in the operations of Fluidra come to light, Financial Management assesses the existing of the risks that should be added to the risks that have already been identified.

- The existence of a process for the identification of the consolidation perimeter, taking into account, among other matters, the possible existence of complex corporate structures, holding entities, or special purpose entities.

Through meetings with General Management of the divisions and the Legal Department, Financial Management regularly updates the corporate structure defining the consolidation perimeter for accounting and tax purposes.

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

The process takes into account other types of risk to the extent that they affect the financial statements.

- What governance body of the entity supervises the process?

As indicated in the Board of Directors Regulations, the Audit Committee is responsible for reviewing the internal control and risk management systems periodically, so that the main risks are identified, managed and reported adequately.

### F.3 Control activities

Indicate whether at least the following are in place and describe their main features:

- F.3.1. Procedures for review and authorization of financial information, and description of the FRICS to be published in the securities market, indicating the persons or divisions responsible for them, as well as documentation describing the flows of activities and controls (including those relating to risk of fraud) of the various types of transactions that could materially affect the financial statements, including the closing process and the specific review of significant judgements, estimates, valuations, and projections.

Fluidra has a range of procedures to validate the accounting closing and the preparation of financial information for all areas. The control activities identified and documented formally focus on activities related directly to balances and transactions that could have a material effect on the financial statements and also seek to mitigate the risk of fraud.

As regards the closing procedure and the procedure for the review and authorization of the financial information published on the market, it commences with the establishment of a detailed calendar of closing activities duly distributed over all the divisions through the GAM. Thereafter, each subsidiary reports its financial data using a standard format determined by Financial Management using the Hyperion tool. Financial Management is then responsible for the consolidation process, and prepares the Consolidated Annual Accounts, which are validated by Corporate Financial Management for subsequent presentation to and supervision by the CEO, Internal Audit, the Audit Committee and the Board of Directors.

Fluidra also has a series of procedures through which Financial Management reviews the FRICS, mainly consisting of:

- Existence of a FRICS management policy that articulates the scope, responsibilities, procedure for evaluating the effectiveness of the model, supervision of the model, establishment of actions plans and their follow up, and supervision by the Audit Committee.
- System for evaluating the internal control model through Self-Evaluation questionnaires: Financial Management of Fluidra, based on the process of identifying and assessing risks and controls, defines self-evaluation questionnaires considering the minimum requisites to guarantee reasonable assurance as to the reliability of the financial information which must be completed by the Divisions. Internal Audit supervises the effectiveness of the model in accordance with the provisions of the internal audit plan.

In relation to the specific review of relevant judgements, estimates, valuations and projections, this takes place initially in the existing control activities either in the routine transactions of Fluidra, or through the control mechanisms in place in the process of preparing the financial information detailed in the GAM. Depending on the degree of judgement and estimation applied and the potential impact on the financial statements, there is a subsequent scale of discussion and review involving General and Financial Management of the Division, Corporate Financial Management, the CEO, the Audit Committee and the Board of Directors, in that order, in cases of substantially relevant aspects in the preparation of financial information.

When third-party experts are involved in areas subject to judgement, estimate, valuation and projections, they discuss and present their results to Financial Management, after having applied a series of control and supervision procedures to the work carried out by these experts.

In particular, the main judgements and estimates broached during the year are those indicated in the notes to the Consolidated Annual Accounts for the year.

### F.3.2. Financial reporting system internal control policies and procedures (including, among others, secure access, control of changes, operation of the systems, operational continuity, and segregation of duties) that provide support for the significant processes of the entity in connection with the preparation and publication of financial information.

Fluidra uses information systems to carry out and maintain adequate recording and control of its operations. As part of the process of identifying risks of error in the financial information, Fluidra identifies, through Financial Management, the systems and applications that are relevant in preparing it. The systems and applications identified include both those directly used in preparing the financial information and the interfaces with this system, notably in relation to sales/accounts receivable and purchases/accounts payable.

The policies and procedures concerning Fluidra's information systems cover both physical and logical security with regard to access (ensuring segregation of functions through adequate restriction of access), procedures to check the design of new systems or modifications to existing systems and continuity in their operation (or start-up of alternative systems and applications) in the event of incidents that affect their operation. These policies seek, among others, to guarantee the following aspects:

- Security of access both to data and applications.
- Control over changes in the applications.
- Correct operation of the applications.
- Availability of data and continuity of the applications
- Adequate segregation of functions

#### a) Secure access:

A series of measures at different levels have been defined to prevent unauthorized access both to data and to the applications.

At software, operating system and database level, the user-password combination is used as a preventive control. At data level, profiles have been defined which limit access to data and on which a segregation of functions matrix is being developed that will ensure the compatibility of the user's functions according to his/her responsibilities.

#### b) Control of changes:

A change management methodology has been developed and implemented which establishes the safeguards and validations necessary to limit the risk in this process. Since 2012 a new methodology called "change request" has been in use.

The main aspects featured include the following:

- Approval by the business area
- Testing prior to production
- Specific environment for development and test tasks
- Reverse procedures
- Segregation of functions as the development team does not have access to production.

#### c) Operation:

To ensure that operations are carried out correctly, the interfaces between the systems involved in preparing financial information are monitored. There is also an internal "Help Desk" services for end users in the event of detecting any kind of incident, query or request for training and which controls the efficiency of the operation of the information systems.

#### d) Availability and continuity:

The Company has two Data-Processing Centres (main and backup) that enable it to ensure the availability of the information system in a contingency. All of this is supported, furthermore, by a Disaster Recovery Plan with the tasks and steps to be carried out to restore the systems in such an event. This DRP is tested in real conditions once a year.

In addition, daily backups are made of the data and applications, which are kept at a secure location temporarily. To recover such data there is a specific procedure although integral tests are not carried out regularly. Partial information recovery processes are however carried out regularly.

#### e) Segregation of functions:

A series of profiles have been defined describing the functionalities to which a user should have access in the Information Systems. These profiles are used to prevent a user from having more privileges than are strictly necessary. The definition of these profiles is currently under review.

### F.3.3. Internal control policies and procedures designed to supervise management of activities outsourced to third parties, as well as the aspects of assessment, calculation, or valuation entrusted to independent experts, which may materially affect the financial statements.

If a service has to be outsourced or an independent expert involved in assessments, calculations and valuations with a significant impact on the financial information, Financial Management of Fluidra leads the decision-making process. For 2015, Financial Management has not considered it necessary to outsource activities or have assessments, calculations or valuations performed by independent experts.



## F.4 Information and communication

Indicate whether at least the following are in place and describe their main features:

F.4.1. A specific function charged with defining and updating accounting policies (accounting policy area or department) and with resolving questions or conflicts arising from their interpretation, maintaining fluid communications with those responsible for operations at the organization, as well as an updated accounting policy manual that has been communicated to the units through which the entity operates.

Among other functions, Financial Management is responsible for keeping the accounting policies applicable to the group up to date. In this regard, it is responsible for updating the GAM, which includes the group's accounting policies and chart of accounts, as well as an analysis of any regulatory and accounting changes that could have an impact on the financial information of Fluidra.

The GAM is updated periodically, or when a significant new development so requires, and was last updated in June 2015. The updates review both accounting policies based on changes in applicable EU-IFRS and the group's accounting structure, ensuring the traceability between individual charts of accounts of the group subsidiaries and the Fluidra chart of accounts which is used as the basis for drawing up the different reporting packages to be provided to external bodies.

Once the GAM has been updated, it is distributed to all responsible financial personnel in the organization by e-mail. Financial Management is also responsible for clearing up any doubts about the accounting treatment of certain transactions raised by the personnel responsible for preparing the financial information of Fluidra.

To add greater convenience and efficiency to the responsibility of keeping the GAM up-to-date, and to identify incidents and weaknesses that have to be remedied, there is a working group on accounting procedures, made up of a member of Corporate Financial Management, the Internal Audit Manager and the person responsible for updating the GAM, the aim of which is to update the GAM based on the incidents detected by internal audit in the course of its duties, which are not contemplated in the Group's current policies. This working group meets once a quarter and records minutes of the meetings.

F.4.2. Mechanisms to capture and prepare financial information using standardized formats, to be applied and used by all units of the entity or the group, supporting the main financial statements and the notes, as well as the information provided on FRICS.

All the companies that form part of the Consolidated Group at the end of 2015 using a single standardized reporting format. Most of them (approximately 75% of turnover), have the same Corporate System for accounting in terms of capture and preparation of financial information. For the remaining 25%, which have not implemented that Information System at present, Fluidra ensures that standardized formats are used in preparing the financial information through mechanisms that reflect those used in the integrated tool. The financial information reported by all the subsidiaries covers the composition of the main Financial Statements and the notes. The Financial Management department of Fluidra is responsible for obtaining data from all the subsidiaries, and with this information makes the necessary consolidation adjustments to obtain the consolidated figures and complements the financial information with the reserved notes to Consolidated Financial Statements. In 2013, new reporting and consolidation software was implemented and is fully active in 2015.

To ensure the reliability of the information reported by the subsidiaries, they must report a range of data to allow an analysis of variations in asset and liability items and results obtained with respect to the monthly budget and the previous year, in which the various balance sheet and income statement items are interrelated, permitting greater knowledge in detail of the operations reported at local level.

The Company has also implemented FRICS management software through which twice a year the subsidiaries included in the scope complete self-evaluation questionnaires on control and submit evidence of key controls. These questionnaires are suitably supervised by the responsible financial personnel of the corresponding division, creating action plans if considered necessary. Internal audit carries out supervision of the effectiveness of the controls twice a year, in accordance with the annual audit plan, reporting the results to the Audit Committee.

## F.5 Supervision of the operation of the system

Indicate and describe the main features of at least the following:

F.5.1. The FRICS supervision activities carried out by the audit committee as well as whether the entity has an internal audit function whose duties include providing support to the committee in its work of supervising the internal control system, including the FRICS. Information is also to be provided concerning the scope of the evaluation of the FRICS performed during the year and on the procedure whereby the person or division charged with performing the evaluation reports the results thereof, whether the entity has an action plan in place describing possible corrective measures, and whether the impact thereof on the financial information has been considered.

The duties of the Audit Committee in relation to the supervision of the FRICS are established in article 13 of the Board of Directors Regulations and, among others, are focused on:

- Supervising the efficiency of the Company's internal control, especially Financial Reporting Internal Control, internal audit, as the case may be, and the risk management systems, and discussing with the auditors or audit firms any significant internal control weaknesses detected in the course of the audit.

- Supervising the process of drawing up and presenting regulated financial information.

- Reviewing the Company's accounts, ensuring compliance with legal requirements and correct application of generally accepted accounting principles, for which purpose it has the direct collaboration of the external and internal auditors.

- In relation to the information systems and internal control:

- To supervise the process of drawing up and the integrity of the financial information relating to the Company and, as the case may be, the group, reviewing compliance with regulatory requisites, adequate definition of the consolidation perimeter and correct application of accounting policies.

- To review the internal control and risk management systems periodically, so that the main risks are identified, managed and reported adequately.

- To ensure the independence and efficacy of the internal audit function; propose the selection, appointment, re-election and removal of the person responsible for the internal audit service; propose the budget for the service; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

- To establish and supervise a mechanism that allows employees to report, confidentially and, if considered appropriate, anonymously, any irregularities of potential relevance, especially financial and accounting irregularities that they observe in the Company.

The Internal Audit Function is located within the Group's organization structure, and depends on the Audit Committee, so that its independence is guaranteed as well as the performance of the assigned functions. All the actions carried out by the Internal Audit Function that require approval are approved by the Board of Directors at the proposal of the Audit Committee.

Internal Audit prepares and presents an Annual Internal Audit Plan which is reviewed and approved by the Audit Committee. In 2015, Internal Audit met with the Audit Committee in the months of March, April, July and October, to present the results and evolution of its work. At these meetings, Internal Audit reported the weaknesses identified in the design of the internal control model, proposed the corresponding action plans and the dates of implementation of these plans. In turn, Internal Audit supervises the correct implementation of corrective actions.

In the months of May, October and December 2015, the Audit Commit, through the Internal Audit Function, has supervised the correct review of the effectiveness of the controls conducted by Financial Management. A small number of weaknesses was been detected, in May only, in relation to which it has been concluded that they do not have a significant impact on the financial information. The weaknesses detected are reported to the heads of the Divisions and the corresponding action plans are designed, with a follow-up of their implementation.

F.5.2. Whether it has a discussion procedure whereby the auditor (as provided in the Technical Auditing Standards), the internal audit function, and other experts can inform senior management and the audit committee or the directors of the entity of the significant internal control weaknesses detected during the review of the annual accounts or such other reviews as may have been entrusted to them. Information shall also be provided on whether there is an action plan to attempt to correct or mitigate the weaknesses found.

The Audit Committee meets at least four times a year, with the aim of obtaining and analysing the necessary information to fulfil the tasks with which it has been entrusted by the Board of Directors.

Special attention is given to the review of the company's quarterly financial information, which is presented by General Financial Management. In order to carry out this process, the Audit Committee is assisted by Internal Audit, General Financial Management (responsible for preparing the financial information) and the Auditor, with the aim of ensuring the correct application of ruling accounting policies and the reliability of the financial information, and in order to be able to report any significant control weaknesses identified, if there are any, and the corresponding action plans.

Prior to the reports issued by the Audit Committee, Internal Audit discusses the results of its work with local management, Financial Management and Corporate General Management, thus ensuring fluid and efficient communication among all parties.

In relation to the External Auditors, they present annually the scope, timing and areas of emphasis of their audit work on the annual accounts, in accordance with the applicable auditing standards. They also meet with the Audit Committee to present the conclusions of their work and areas for improvements. The weaknesses reported are communicated to Internal Audit for inclusion in the implementation plan. It should be noted that the External Auditors have stated that no significant internal control weaknesses have come to light during the audit performed in 2015.

## F.6 Other relevant information

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## F.7 External audit report

Report on:

F.7.1. Whether the information on FRICS sent to the markets has been reviewed by the external auditor, in which case the entity should include the corresponding report as an appendix. Otherwise, the reasons for this should be provided.

Fluidra has submitted the information on FRICS sent to the markets for the 2015 to review by the External Auditor. The report issued by the External Auditor is attached as an appendix to this document.

## **G** DEGREE TO WHICH CORPORATE GOVERNANCE RECOMMENDATIONS ARE FOLLOWED

State the company's degree of compliance with the recommendations of the Good Governance Code of Listed Companies.

If the company does not comply with any recommendation or follows it partially, a detailed explanation of the reasons must be given, providing shareholders, investors, and the market in general with sufficient information to assess the company's course of action. Generalized explanations will not be acceptable.

1. The Articles of Association of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Complies

Explain

2. When a parent and subsidiary company are both listed, they should provide detailed disclosure on:
- a) The business activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.
  - b) The mechanisms in place to resolve possible conflicts of interest.

Complies       Complies in part       Explain       Not applicable

3. During the ordinary general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:
- a) Changes taking place since the previous ordinary general meeting.
  - b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative rules followed instead.

Complies       Complies in part       Explain

4. The company should draw up and promote a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be published on the company's website, complete with details of how it has been put into practice and the identities of the relevant spokespersons or those charged with its implementation.

Complies       Complies in part       Explain

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without a preferential subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When the board approves any issue of shares or convertible securities without preferential subscription rights, the company should immediately post on its website the reports explaining the exclusion referred to in mercantile legislation.

Complies       Complies in part       Explain

6. Listed companies that draw up the following reports on a voluntary or compulsory basis should publish them on their website sufficiently in advance of the ordinary general meeting, even if their distribution is not mandatory:

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

Complies       Complies in part       Explain

7. The company should broadcast its general shareholders meetings live on the corporate website.

Complies

Explain

To date the Company has not transmitted general shareholders' meetings live on its website, although, if requests to do so were received from shareholders, the Company would study this possibility and would make every effort to implement this measure.

8. The audit committee should strive to ensure that the board of directors presents the company's accounts to the general shareholders' meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of the content and scope of such limitations or qualifications.

Complies

Complies in part

Explain

9. The company should publish the requisites and procedures it will accept as evidence of ownership of shares, the right to attend general meetings and the exercise or delegation of voting rights permanently on its website.

Such requisites and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies

Complies in part

Explain

10. When a shareholder entitled to do so exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) Immediately circulate these supplementary items and new proposals for resolutions.
- b) Publish the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the way of voting.
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies

Complies in part

Explain

Not applicable

11. In the event that the company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Complies

Complies in part

Explain

Not applicable

12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the attainment of a profitable business that is sustainable in the long term, promoting its continuity and maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct based on good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile the company's interests with the legitimate interests of its employees, suppliers, customers and other stakeholders, as well as with the impact of its activities on the broader community and the environment.

Complies

Complies in part

Explain

13. The board of directors should have an optimal size to promote its efficient functioning and maximize participation. The recommended range is accordingly between five and fifteen members.

Complies

Explain

14. The board of directors should approve a director selection policy that:

a) Is concrete and verifiable.

b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs; and

c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of the board's needs should be reflected in the appointments committee's report, to be published when the general meeting is convened that is to resolve on the ratification, appointment or re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by female directors by the year 2020.

The appointments committee should perform an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Complies

Complies in part

Explain

15. Proprietary and independent directors should constitute an ample majority on the board of directors, and the number of executive directors should be the minimum necessary bearing in mind the complexity of the corporate group and the percentage shareholding of the executive directors in the company's capital.

Complies

Complies in part

Explain

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the capital of the company represented by such directors and the remainder of the company's capital.

This criterion can be relaxed:

a) In large cap companies where few or no shareholdings attain the legal threshold to be regarded as significant.

b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Complies

Explain

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

Complies

Explain

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

- a) Background and professional experience.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c) Statement of the director category to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
- d) Dates of their first appointment as a board member and subsequent re-elections.
- e) Shares held in the company, and any options on such shares.

Complies

Complies in part

Explain

19. Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the request of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies

Complies in part

Explain

Not applicable

20. Proprietary directors should resign when the shareholders they represent dispose of their shareholding in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the number of proprietary shareholders should be reduced accordingly.

Complies

Complies in part

Explain

Not applicable

21. The board of directors should not propose the removal of independent directors before the expiry of their term of office established in the Articles of Association, except when there is due cause, found to exist by the board of directors following a report of the appointments committee. In particular, due cause will be deemed to exist when directors take up new posts or responsibilities that prevent them allocating sufficient time to their duties as a board member, or are in breach of the inherent duties of their post or come under one of the disqualifying grounds for classification as independent director enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Complies

Explain

22. Companies should establish rules obliging directors to disclose any circumstance that might be damaging to the company's credit and reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

As soon as a director is indicted or tried for any of the offences stated in legislation on companies, the board of directors should examine the case as soon as possible and, in light of the particular circumstances, decide whether or not he or she should remain in office. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Complies       Complies in part       Explain

23. All directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes significant or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Complies       Complies in part       Explain       Not applicable

24. Directors who cease to hold their post before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a relevant event, the motivating factors should be explained in the annual corporate governance report.

Complies       Complies in part       Explain       Not applicable

25. The appointments committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of directors regulations should lay down the maximum number of company boards on which directors can serve:

Complies       Complies in part       Explain

Although the Board Regulations do not establish the maximum number of Boards of companies that their directors may be a member of, this information is taken into account in evaluating the suitability of candidates in the director appointment process.

26. The board should meet with the necessary frequency to properly perform its functions, and at least eight times a year, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Complies       Complies in part       Explain

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate another director to represent them and issue appropriate instructions.



Complies  Complies in part  Explain

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minutes if the person expressing them so requests.

Complies  Complies in part  Explain  Not applicable

29. The company should establish suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external advising at the company's expense.

Complies  Complies in part  Explain

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Complies  Explain  Not applicable

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

When, exceptionally, for reasons of urgency, the chairman wishes to present decisions or resolutions for board approval that were not on the agenda, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Complies  Complies in part  Explain

32. Directors should be regularly informed of movements in share ownership and of the views of significant shareholders, investors and rating agencies on the company and its group.

Complies  Complies in part  Explain

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's Articles of Association, should prepare and submit to the board a schedule of meeting dates and agendas; organize and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Complies  Complies in part  Explain

34. When a lead independent director has been appointed, the Articles of Association or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman and vice-chairs, if any; give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's, succession plan.

Complies  Complies in part  Explain  Not applicable

35. The secretary of the board should make special efforts to ensure that the board's actions and

decisions are informed by the governance recommendations of the Good Governance Code that are applicable to the company.

Complies

Explain

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

a) The quality and efficiency of the board's operation.

b) The operation and composition of its committees.

c) The diversity in the composition and competences of the board.

d) The performance of the chairman of the board of directors and the company's chief executive.

e) The performance and contribution of each individual director, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the appointments committee.

Every three years, the board of directors should engage an external consultant to aid in the evaluation process. This consultant's independence should be verified by the appointments committee.

Any business dealings that the consultant or any company in its group has with the company or with any company in its group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be described in the annual corporate governance report.

Complies

Complies in part

Explain

37. Where there is an executive committee, the participation structure of the different categories of directors should be similar to that of the board. The secretary of the board should also act as secretary to the executive committee.

Complies

Complies in part

Explain

Not applicable

The secretary of the Executive Committee is not the same as the secretary of the Board of Directors.

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the executive committee's minutes.

Complies

Complies in part

Explain

Not applicable

39. The members of the audit committee, particularly its chairman, should be appointed taking into account their knowledge and experience in accounting, auditing and risk management matters. A majority of the members of this committee should be independent directors.

Complies  Complies in part  Explain

Most of the members are not independent directors.

40. Under the supervision of the audit committee, there should be a unit in charge of the internal audit function to oversee proper operation of reporting and internal control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Complies  Complies in part  Explain

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit a report on its activities at the end of each year.

Complies  Complies in part  Explain  Not applicable

42. In addition to the functions established by law, the audit committee should have the following functions:

1. In relation to internal control and reporting systems:

- a) Supervise the process of drawing up and the integrity of the financial information relating to the Company and, as the case may be, the group, reviewing compliance with regulatory requisites, adequate definition of the consolidation perimeter and correct application of accounting policies.
- b) Ensure the independence of the unit that undertakes the internal audit function; propose the selection, appointment, re-election and removal of the person responsible for the internal audit service; propose the budget for the service; approve the approach and its work plans, ensuring that its activity is focused mainly on the relevant risks of the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- c) Establish and supervise a mechanism that allows employees to report, confidentially and, if considered appropriate, anonymously, any irregularities of potential relevance, especially financial and accounting irregularities that they observe in the Company.

2. In relation to the external auditor:

- a) Investigate the circumstances giving rise to the resignation of the external auditor, should this come about.
- b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.
- c) Ensure that the company notifies any change of external auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and, in general, other regulations on auditor independence.

Complies  Complies in part  Explain

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior manager.

Complies  Complies in part  Explain

44. The audit committee should be informed of any structural and corporate modification operations the company is planning, so the committee can analyse and report to the board beforehand on their economic conditions and accounting impact, especially, when applicable, on the proposed swap ratio.

Complies  Complies in part  Explain  Not applicable

The Company performed a detailed update of the analysis to identify and assess the business risks of the group on account of its activity and current environment, as well as the controls associated to each risk, focusing especially on the risks classified as high risk and/or with weak controls. In addition, with regard to the critical risks identified in the last update of the risk map, a detailed analysis was made of the recommendations and action plans of previous reviews, as well as of their status. A schedule was agreed with Management to continue working on the project during 2015. It is important to the company to identify the improvements to these measures and controls in order to improve the risk management practice by being more effective and more efficient.

45. The risk management and control policy should identify at least:

- a) The different types of financial and non-financial risks the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off- balance-sheet risks.
- b) The determination of the risk level the company sees as acceptable.
- c) The measures devised to mitigate the impact of the risks identified, should they materialize.
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance- sheet risks.

Complies  Complies in part  Explain

46. Companies should establish an internal risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that all the significant risks the company is exposed to are adequately identified, managed and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems are mitigating risks adequately in the context of the policy defined by the board of directors.

Complies  Complies in part  Explain

47. Members of the appointments and remuneration committee - or of the appointments committee and the remuneration committee, if they are separate - should be appointed ensuring that they have adequate knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Complies  Complies in part  Explain

48. Large cap companies should have separate appointments and remuneration committees.

Complies  Explain  Not applicable

49. The appointments committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director should be able to approach the appointments committee to propose candidates that it might consider suitable.

Complies  Complies in part  Explain

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

a) Propose to the board the standard conditions for senior management contracts.

b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for directors and senior managers, including share-based remuneration systems and their application, and ensure that their individual remuneration is proportionate to the amounts paid to other directors and senior managers in the company.

d) Ensure that conflicts of interest do not undermine the independence of any external advice provided to the committee.

e) Verify the information on director and senior manager remuneration contained in corporate documents, including the annual report on directors' remuneration.

Complies  Complies in part  Explain

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior managers.

Complies  Complies in part  Explain

52. The rules on the composition and operation of the supervisory and control committees should be set out in the board of directors regulations and should be consistent with the rules applicable to legally mandatory committees in accordance with the above recommendations, including the following rules:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.

b) They should be chaired by independent directors.

c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and report back on their activities and work at the first full board meeting following each committee meeting.

d) The committees may engage external advice, when they feel it necessary for the discharge of their

functions.

e) Minutes of their meetings should be drawn up and made available to all board members.

Complies  Complies in part  Explain  Not applicable

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organization, with at the least the following functions:

a) Oversee compliance with the company's internal codes of conduct and corporate governance rules.

b) Oversee the strategy for communication and relations with shareholders and investors, including small and medium-sized shareholders.

c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of the other stakeholders.

d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.

e) Monitor corporate social responsibility strategy and practice and assess the degree of compliance.

f) Oversee and evaluate processes in relation to the different stakeholder groups.

g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Complies  Complies in part  Explain

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

a) The goals of its corporate social responsibility policy and the support instruments to be developed.

b) The corporate strategy with regard to sustainability, the environment and social issues.

c) Concrete practices in matters relating to: shareholders, employees, employees, customers, suppliers, social issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conduct.

d) The methods or systems for monitoring the results of the application of the practices referred to above, and identifying and managing related risks.

e) The mechanisms for supervising non-financial risk, ethics and business conduct.

f) Channels for stakeholder communication, participation and dialogue.

g) Responsible communication practices that prevent the manipulation of information and protect honour and integrity.

Complies  Complies in part  Explain

We have a Corporate Social Responsibility master plan for the Fluidra group. We have a Corporate Social Responsibility committee that meets 5-6 times a year.

We draw up an integrated reported every year.

The United Nations Global Compact has been signed and is renewed annually. The Board approved an Equality and Diversity policy in 2010.

In 2015 we have adapted the ethics code to the new legislation and we have a plan to distribute it to all employees for their information.

We have an ethics committee that receives reports of breaches of the ethics code.

We have a plan that encourages compliance with the ethics code by suppliers.

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Complies  Complies in part  Explain

56. Directors' remuneration should be sufficient to attract and retain individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non- executive directors.

Complies  Explain

57. Variable remuneration linked to the company and the director's performance, and remuneration in the form of awarding shares, options or rights on shares or instruments linked to the share price and long-term savings schemes such as pension plans, retirement systems or other benefits should be confined to executive directors.

Share-based remuneration of non-executive directors may be considered when it is subject to the condition that the shares must be kept until the end of their term of office. This condition, however, will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies  Complies in part  Explain

58. In the case of variable remuneration, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or other similar circumstances.

In particular, variable remuneration components should meet the following conditions:

a) They should be subject to predetermined and measurable performance criteria that take into account the risk assumed to obtain a given outcome.

b) They should promote the sustainability of the company and include non-financial criteria that are relevant for the creation of value in the long term, such as compliance with the company's internal rules and procedures and its risk management and control policies.

c) They should be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Complies  Complies in part  Explain  Not applicable

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Complies  Complies in part  Explain  Not applicable

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce the amount of such earnings.

Complies  Complies in part  Explain  Not applicable

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies  Complies in part  Explain  Not applicable

62. Once shares or options or rights on shares have been awarded as part of share-based remuneration, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies  Complies in part  Explain  Not applicable

63. Contractual arrangements should include a clause that allows the company to reclaim variable components of remuneration when payment was not in line with the director's actual performance or based on data subsequently found to be inaccurate.

Complies  Complies in part  Explain  Not applicable

64. Severance payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that the director has met the predetermined performance criteria.

Complies  Complies in part  Explain  Not applicable

## **H** OTHER INFORMATION OF INTEREST

1. If there are any significant aspects regarding corporate governance in the company or entities of the group that have not been included in the other sections of this report, but should be included in order to provide more complete and well-reasoned information regarding the corporate governance structure and practices in the entity or its group, briefly describe them.
2. In this section, you may also include any other information, clarification, or comment relating to the prior sections of this report to the extent they are relevant and not repetitive.

Specifically, state whether the company is subject to laws other than Spanish laws regarding corporate governance and, if applicable, include such information as the company is required to provide that is different from the information required in this report.



3. The company may also state whether it has voluntarily adhered to other international, industrial, or other codes of ethical principles or good practice. If so, identify the code in question and the date of adherence thereto.

\*A.6.1.

Brief description of the main contents of the ruling Agreement on Syndication of votes and shares of the Company:

- 1) Syndication of voting of Syndicated Shares (40% of share capital) until 1<sup>st</sup> December 2018, excluding from the syndication any resolutions that must be passed as required by law.
- 2) Non-transferability of the Syndicated Shares until 1<sup>st</sup> December 2018 by all Syndicated Shareholders except Bansabadell Inversió Desenvolupament, SAU.
- 3) Establishment of the procedure and regime for the transfer of Fully Paid-Up Shares by the Syndicated Shareholders.
- 4) Establishment of the rules for the composition of the board and directors and its committees.

\*C.1.35.

To preserve the independence of the external auditors:

Article 13 of the Board Regulations establishes that the Audit Committee has the following functions in relation to the external auditor or audit firm:

- To propose to the Board of Directors, for submission to the General Shareholders' Meeting, the appointment of auditors or audit firms as referred to in article 264 of the Companies Act, and their contract conditions, the scope of their professional engagement and, as the case may be, their revocation or non-renewal;
- To handle and supervise relations with the auditors or audit firms to receive information on any matters that could endanger their independence, to be examined by the Committee, and any other matters related to the auditing process, as well as any other communications established in auditing legislation and auditing standards.
- It must in any case receive each year from the auditors or audit firms written confirmation of their independence from the company or entities related to it directly or indirectly, and information on any additional services of any kind provided to such entities by such auditors or audit firm, or by persons or entities related to them in accordance with the provisions of legislation on Auditing.
- To issue annually, prior to the issue of the audit report, a report expressing an opinion on the independence of the auditors or audit firms. This report must contain the valuation of the provision of additional services as referred to above, other than statutory audit, individually considered and in aggregate, and in relation to the regime of independence or with legislation regulating auditing.
- To receive periodic information from the auditor or audit firm on the audit plan and the results of the audit and verify that senior management takes into account their recommendations;
- To ensure the independence of the auditor or audit firm and, for that purpose, (i) that the Company report the change in auditor to the CNMV as a relevant event, together with a statement on the existence of any disagreements with the outgoing auditor and, if any, the content thereof; (ii) that the Company and the auditor respect the legal provisions in force on the provision of non-audit services and, in general, the other legal provisions established to ensure the auditors' independence; and (iii) that in the event of the resignation of the auditor or audit firm the circumstances causing it be examined.
- In the case of groups, favour that the auditor of the group undertake responsibility for the audits of the companies that make up the group.

In turn, article 54 of the Company's Articles of Association establish that the auditors are to be appointed by the General Meeting before the end of the financial year that is to be audited, for an initial term, which may not be less than three years nor more than nine years, as of the date on which the first financial year to be audited commences, notwithstanding the provisions established in the legislation regulating the audit activity with regard to the possibility of an extension.

The General Meeting may appoint one or several natural or legal persons who will act jointly.

When the persons appointed are natural persons, the General Meeting must appoint as many alternates as principal auditors.

The General Meeting may not revoke the auditors' appointment before the end of the term for which they were appointed, unless there is due cause.

The Audit Committee will refrain from proposing to the Board of Directors, and the latter in turn will refrain from submitted to the General Meeting, the appoint as auditor of the Company's accounts of any firm that incurs in a cause of incompatibility under legislation on auditing as well as any firms in which the fees to be paid to them by the Company, for all services, are more than five per cent of its total revenues during the last financial year.

To preserve the independence of the financial analysts, investment banks and rating agencies:

The Company maintains relations with financial analysts and investment banks in which it ensures the transparency, non-discrimination, veracity and reliability of the information provided. Corporate Financial General Management, through Investor Relations Management is responsible for co-ordinating relations with and handling requests for information from institutional or private investors. The mandates to investment banks are granted by Corporate Financial General Management. Analysis and Planning Management grants the pertinent advising mandates to the Investment banks in its sphere of action and in co-ordination with Corporate Financial General Management.

The Company does not have a credit rating and therefore has no relations with rating agencies.

The independence of financial analysts is protected by the existence of Investment Relations Management which is specifically dedicated to dealing with them, guaranteeing objective, equitable and non-discriminatory treatment among investors. To guarantee the principles of transparency and non-discrimination, and complying at all times with the regulations on the Securities Market, the Company has several communication channels:

- . Personalized attention to analysts and investors
- . Publication of information on quarterly results, relevant events and other communications. Publication of press releases.
- . E-mail on the website (investor\_relations@fluidra.com, accionistas@fluidra.com)
- . Shareholder information telephone service (34 937243900)
- . Presentations, both face-to-face and by telephone. Visits to the Company's premises

All this information is accessible through the Company's website (www.fluidra.com).

\*C.2.1.

Name of committee

APPOINTMENTS AND REMUNERATION COMMITTEE

Description

The Committee will be made up of a minimum of 3 non-executive directors, at least two of whom must be independent directors, who will be appointed by the Board of Directors, notwithstanding that executive directors or senior managers may attend meetings when the members of the Committee so agree expressly.

The members will be appointed taking into account their knowledge, skills and experience as well as the tasks entrusted to the Committee. Any director may ask the Committee to take candidates into consideration to cover vacancies, if they are considered suitable.

The Chairman shall necessarily be an independent director, elected among the independent directors who form part of the Committee.

Notwithstanding any other functions that may be assigned by law, the Articles of Association or the Board of Directors, the Appointments and Remuneration Committee has the following basic responsibilities:

- To draw up and review the criteria to be followed for the composition of the management team of the Company and its subsidiaries and for the selection of candidates.
- To evaluate the skills, knowledge and experience necessary in the Board and, consequently, define the necessary duties and skills of candidates who are to cover each vacancy, and evaluate the time and dedication required so that they can discharge their duties.
- Report and submit to the Board of Directors the proposals for the appointment and removal of senior managers and managers proposed by the chief executive, and the basic conditions of their contracts.
- Report to the Board on matters of gender diversity and qualifications of directors, as established in article 6.2 of these Regulations.
- It will propose to the Board of Directors: (i) the remuneration policy for directors and general managers or whoever carries out senior management tasks directly accountable to the Board, the Executive Committee or CEO; (ii) the individual remuneration of executive directors and other conditions of their contracts; (iii) the policies for hiring senior managers of the Company and the basis conditions of their contracts.
- To examine and organize, in the manner considered appropriate, the succession of the Chairman and the chief executive and, as the case may be, make proposals to the Board, so that this succession takes place in an orderly and well-planned manner.
- To ensure that the remuneration policy established by the Company is respected and that remuneration is transparent.
- To establish a goal for representation of the least represented sex on the Board of Directors and to draw up guidelines as to how to reach this goal.
- To submit to the Board of Directors the proposals for the appointment of independent directors to be appointed by co-optation or to be submitted to the decision of the General Shareholders' Meeting, as well as proposals for the re-election or removal of such directors by the General Shareholders Meeting.
- To report on proposal for the appointment of the remaining directors to be appointed by co-optation or to be submitted to the decision of the General Shareholders' Meeting, as well as proposal for their re-election or removal by the General Shareholders' Meeting.

The Appointments and Remuneration Committee will meet, ordinarily, every quarter. It will also meet every time a meeting is convened by its Chairman, who must do so whenever the Board or the Chairman of the Board asks for a report or for proposals to be accepted and, in any case, whenever appropriate for the proper discharge of its duties.

Notice convening ordinary meetings of the Appointments and Remuneration Committee will be sent by registered letter, fax, telegram or e-mail, and will be authorized with the signature of the Chairman of the Committee or, as the case may be, the signature of the Secretary of the Committee by order of the Chairman. Notice will be sent at least five days in advance and must include the agenda for the meeting. The Chairman of the Committee may convene extraordinary meetings of the Committee when, in his opinion, the circumstances so require, and in this case the term of prior notice indicated above shall not apply. Furthermore, meetings of the Appointments and Remuneration Committee will be deemed valid without the need for prior notice if all the members are present and represented and agree unanimously to hold the meeting.

The resolutions of meetings of the Appointments and Remuneration Committee held by videoconference, multiple conference call or other remote communication techniques will be valid provided that none of the members of the Committee objects to this procedure, they have the necessary means to hold the meeting in this way and can recognize each other. This must be expressly stated in the minutes of the Committee meeting. In this case, a single meeting of the Committee will be deemed to have been held at the Company's registered office.

The meetings of the Committee will be quorate when at least a majority of its members are present in person or represented.

Resolutions will be adopted by majority of the members in attendance (present in person or represented) at the meeting.

For the better fulfilment of its duties, the Appointments and Remuneration Committee may obtain advising from external experts when considered necessary for the adequate discharge of its duties.

The Committee must report on its activity and give an account of the work carried out at the first full meeting of the Board of Directors held after its meetings. The Committee must also draw up minutes of its meetings, a copy of which will be sent to all the members of the Appointments and Remuneration Committee and which will be available to the members of the Board of Directors.

The Committee must consult the Chairman and chief executive of the Company, especially with regard to matters concerning the executive directors and senior managers. The Board of Directors will deliberate on the proposals and reports that the Committee submits to it.

Name of committee  
EXECUTIVE COMMITTEE

Description

Notwithstanding the delegation of faculties to one or more managing directors or executive officers and the powers of attorney that may be granted to any person, the Board of Directors may designate an Executive Committee made up of five directors on the Board. The qualitative composition of the Executive Committee will reflect, as far as possible, the composition of the Board and the balance established in that body between executive, proprietary and independent directors.

The Chief Executive Officer will act as Chairman of the Executive Committee. The Secretary of the Executive Committee will be appointed by the Board of Directors and may be a Director or someone who is not. If a Director, the Secretary may or may not be a member of the Executive Committee. Consequently, in the latter case the Secretary will not be entitled to vote.

The Executive Committee will meet as often as it is convened by the Chairman of this Committee.

The meetings of the Executive Committee will be quorate when a majority of its members are present in person or represented. Resolutions will be adopted by majority of the members in attendance (present in person or represented) at the meeting.

In the event that the Executive Committee were not to approve any of the decisions submitted to it for consideration, the Chairman of this Committee may submit any resolutions not passed to the consideration of the Board of Directors, whenever he considers it appropriate in light of the relevance of the matter.

The Secretary will draw up minutes of each of the meetings of the Executive Committee, and will report punctually to the Board on the matters discussed and the decisions adopted at its meetings. The Secretary shall also deliver a copy of the minutes to each one of the members of the Board of Directors.

Name of committee  
AUDIT COMMITTEE

Description

The Committee will be made up of a minimum of 3 directors, who will be exclusively non-executive directors, who will be appointed by the Board of Directors, notwithstanding that executive directors or senior managers may attend meetings when the members of the Committee so agree expressly. At least two of the members of the Committee will be independent directors and one of them will be appointed taking into account his/her knowledge, skills and experience in the field of accounting, auditing or both. The members of the Audit Committee, especially the Chairman, will be appointed taking into account their knowledge, skills and experience in the field of accounting, auditing or risk management as well as their knowledge, skills and experience with regard to the other tasks entrusted to the Committee.

The Chairman of the Audit Committee will be appointed out of the independent directors who form part of it, and must be replaced every four years. The Chairman may be re-elected once one year has elapsed since the date of stepping down from the post. The person designated out of the Committee's members shall act as Secretary.

Notwithstanding any other functions that may be assigned by law, the Articles of Association or the Board of Directors, the Audit Committee shall have the following basic functions:

- To report to the General Shareholders' Meeting on any matters arising within its sphere of competence.
- To propose to the Board of Directors, for submission to the General Shareholders' Meeting, the appointment of auditors or audit firms as referred to in article 264 of the Companies Act, and their contract conditions, the scope of their professional engagement and, as the case may be, their revocation or non-renewal.
- To supervise the efficiency of the Company's internal control, especially Financial Reporting Internal Control, internal audit, as the case may be, and the risk management systems, and to discuss with the auditors or audit firms any significant internal control weaknesses detected in the course of the audit.
- To supervise the process of drawing up and presenting regulated financial information.
- To review the Company's accounts, ensure compliance with legal requirements and correct application of generally accepted accounting principles, for which purpose it has the direct collaboration of the external and internal auditors.
- To handle and oversee relations with the external auditors or audit firms to receive information on any matters that could endanger their independence, to be examined by the Committee, and any other matters related to the auditing process, as well as any other communications established in auditing legislation and auditing standards.
- To supervise performance of the audit contract, ensuring that the opinion on the Annual Accounts and the main contents of the audit report are expressed clearly and precisely, and to evaluate the results of each audit.
- To supervise compliance with the legislation concerning related-party transactions. In particular, it will ensure that information on such operations is reported to the market, in compliance with the provisions of Order 3050/2004, of the Ministry of Economy and Finance, of 15<sup>th</sup> September 2004.
- To examine compliance with the Internal Rules of Conduct, the Board of Directors Regulations, and, in general, the Company's rules of good governance and to make the necessary proposals for improvement.
- To receive information and, as the case may be, issue a report on any disciplinary measures sought to be imposed on members of

the Company's senior management team.

The Audit Committee is also responsible for the following:

1) In relation to internal control and reporting systems:

(a) Supervising the process of drawing up and the integrity of the financial information relating to the Company and, as the case may be, the group, reviewing compliance with regulatory requisites, adequate definition of the consolidation perimeter and correct application of accounting policies.

(b) Reviewing the internal control and risk management systems periodically, so that the main risks are identified, managed and reported adequately.

(c) Ensuring the independence and efficacy of the internal audit function; proposing the selection, appointment, re-election and removal of the person responsible for the internal audit service; proposing the budget for the service; receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.

(d) Establishing and supervising a mechanism that allows employees to report, confidentially and, if considered appropriate, anonymously, any irregularities of potential relevance, especially financial and accounting irregularities that they observe in the Company.

2) In relation to the external auditor or audit firm:

(a) Submitting proposals to the Board of Directors for the selection, appointment, re-election and replacement of the external auditor or audit firm, and their contract conditions

(b) Receiving regular information from the external auditor or audit firm on the audit plan and the results of the audit and verify that senior management takes into account their recommendations;

(c) Ensuring the independence of the external auditor or audit firm and, for that purpose, (i) that the Company report the change in auditor to the CNMV as a relevant event, together with a statement on the existence of any disagreements with the outgoing auditor and, if any, the content thereof; (ii) that the Company and the auditor respect the legal provisions in force on the provision of non-audit services and, in general, the other legal provisions established to ensure the auditors' independence; and (iii) that in the event of the resignation of the external auditor or audit firm the circumstances causing it be examined.

The Audit Committee must receive each year from the external auditors or audit firms written confirmation of their independence from the company or entities related to it directly or indirectly, and information on any additional services of any kind provided and the fees received from such entities by such auditors or audit firm, or by persons or entities related to them in accordance with the provisions of legislation on auditing.

The Audit Committee must also issue annually, prior to the issue of the audit report, a report expressing an opinion on the independence of the auditors or audit firms. This report must contain the valuation of the provision of additional services as referred to above, other than statutory audit, individually considered and in aggregate, and in relation to the regime of independence or with legislation regulating auditing.

(d) In the case of groups, favour that the auditor of the group undertake responsibility for the audits of the companies that make up the group.

3) In relation to risk management and the risk policy:

(a) Identifying the different types of risks (operational, technological, financial, legal, reputational) the company is exposed to, including contingent liabilities and other off-balance-sheet risks as financial or economic risks.

b) Identifying the risk level the Company considers acceptable.

c) Identifying the measures devised to mitigate the impact of the risks identified, should they materialize.

d) Identifying the internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

4) In relation to the obligations of listed companies:

Reporting to the Board of Directors, before it adopts the corresponding decisions, on all the matters established by law, the Articles of Association and in the Board of Directors Regulations, in particular, on:

(a) The financial information which the Company is required to publish on a regular basis in its capacity as a listed company. The Audit Committee must ensure that the interim accounts are drawn up using the same accounting policies as the annual accounts and, to that end, must consider whether it is appropriate for the external auditor or audit firm to carry out a limited review.

(b) The creation or acquisition of shares in special-purpose entities or entities that are domiciled in countries or territories considered to be tax havens, and any other transactions or operations of a similar nature which, in light of their complexity, may undermine the group's transparency.

(c) Related-party operations.

(d) Transactions that entail or could entail a conflict of interest.

The Audit Committee will not exercise the functions described in sections (a), (b) and (c) above when these functions have been attributed in the Company's Articles of Association to another supervisory or control committee, in accordance with the provisions of the law.

The Audit Committee will meet, ordinarily, every quarter in order to review the periodic financial information that has to be sent to the Stock Exchange authorities as well as the information that the Board of Directors has to approve and include within its annual public documentation. It will also meet at the request of any of its members and whenever a meeting is convened by its Chairman, who must do so whenever the Board of the Chairman of the Board asks for a report to be issued or for proposals to be adopted and, in any case, whenever advisable for the proper discharge of its duties.

Notice convening ordinary meetings of the Audit Committee will be sent by registered letter, fax, telegram or e-mail, and will be authorized with the signature of the Chairman of the Committee or, as the case may be, the signature of the Secretary of the Committee by order of the Chairman. Notice will be sent at least five days in advance and must include the agenda for the meeting. The Chairman of the Committee may convene extraordinary meetings of the Committee when, in his opinion, the circumstances so require, and in this case the term of prior notice indicated above shall not apply. Furthermore, meetings of the Audit Committee will be deemed valid without the need for prior notice if all the members are present and represented and agree unanimously to hold the meeting.

The resolutions of meetings of the Audit Committee held by videoconference, multiple conference call or other remote communication techniques will be valid provided that none of the members of the Committee objects to this procedure, they have the necessary means to hold the meeting in this way and can recognize each other. This must be expressly stated in the minutes of the Committee meeting. In this case, a single meeting of the Committee will be deemed to have been held at the Company's registered office.

The meetings of the Committee will be quorate when at least a majority of its members are present in person or represented.

Resolutions will be adopted by majority of the members in attendance (present in person or represented) at the meeting. In the event of a tie, the Chairman shall have a casting vote.

The Audit Committee may meet with any member of the management team or any employee of the Company and may even order their appearance without the presence of any other senior manager. Such persons will be bound to attend the meetings of the Audit Committee and provide their collaboration and access to any information in their possession. The Committee may also require that the auditors attend its meetings.

For the better fulfilment of its duties, the Audit Committee may obtain advising from external experts when considered necessary for the adequate discharge of its duties.

The Company has an internal audit function which, under the supervision of the Audit Committee, ensures the proper operation of the internal control and reporting systems. The person responsible for the internal audit functions must submit the annual work plan to the Audit Committee, and must also report directly to the Committee any incidents arising in the course of such work and must submit a report on its activities to the Committee at the end of each year.

The Committee must report on its activity and give an account of the work carried out at the first full meeting of the Board of Directors held after its meetings. The Committee must also draw up minutes of its meetings, a copy of which will be sent to all the members of the Audit Committee and which will be available to the members of the Board of Directors. The Audit Committee will draw up an annual report on its operation, highlighting the main incidents arising, if any, in relation to its inherent functions. Furthermore, when the Audit Committee considers it appropriate, it will include proposals in that report for the improvement of the Company's governance rules. The report of the Audit Committee will be attached to the Company's annual corporate governance report and will be made available to shareholders and investors through the website.

This annual corporate governance reports was approved by the Board of Directors of the company at its meeting of 30/03/2016.

State whether any directors voted against or abstained in relation to the approval of this Report.

Yes

No