

RISK MANAGEMENT POLICY

DOCUMENT INFORMATION

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Description	Risk Management
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Purpose	To provide guidance to manage risk that could impact Fluidra's mission and achieving its corporate objectives by protecting its staff and all other business assets and partners in order to ensure long term sustainability of the Company
Sponsor	CFTO
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TABLE OF CONTENTS

Section	Area	Page
1	Purpose	4
2	Scope	4
3	Definitions	4-5
4	Risk Management Framework	5-6
5	Risk Management System Roles and Responsibilities	7-9
6	Risk Categories	9-10
7	Risk Management Process	10
8	Risk Evaluation	11-12
9	Risk Management Information System	12
10	Review and Approval	12

1. PURPOSE

The purpose of the risk management policy is to provide guidance to manage risk that could impact Fluidra's mission and achieving its corporate objectives by protecting its staff and all other business assets and partners in order to ensure long term sustainability of the Company.

2. SCOPE

This policy extends to all activities and processes associated with the normal operation of Fluidra's Group. It forms part of Fluidra Governance framework and applies to all employees. The Risk Management Policy is developed and supplemented by specific internal policies or regulations with regard to certain areas of the Group.

3. DEFINITIONS

Risk is an uncertain event or condition that, if it occurs, has a positive or negative effect on one or more project objectives.

Risk is characterized and rated by considering two characteristics:

- Exposition (E) (frequency at which the actions that can occur are performed by the affected business unit)
- Impacts (I) of occurrence (is the outcome of an event, being a loss, disadvantage or gain. There may be a range of possible outcomes associated with an event).

This is expressed as $R \text{ (risk)} = E \text{ (exposition)} \times I \text{ (impact)}$.

Risk event is an event triggered by internal or external sources, through which a risk could occur and that impacts on the achievement of the objectives.

Inherent risk is the natural level in a process or activity without any risk mitigation plan being applied to reduce or mitigate both exposition and impact.

Current risk is the amount of risk associated with an action or event remaining after natural or inherent risks have been reduced by risk controls.

Current risk verified is current risk reviewed by a third line of defense after assure that risk management has been adequate.

Risk appetite is the degree of uncertainty an organization or individual is willing to accept in anticipation of a reward.

Risk management is the application of a management system to risk and includes identification, analysis, assessment, evaluation, treatment and monitoring.

Risk assessment is the process of identifying risks from a risk universe that have a potential to affect the company.

Risk evaluation is the process of calculating its impact and risk of occurrence in a detailed way in order to fine tune the assessment and prepare a plan for mitigation.

Risk mitigation plan means taking actions to first eliminate and if that is not possible, minimize the risks so far as is reasonably practicable.

Risk control is an indicator or evidence that allows risk monitoring.

Risk matrix is a tool to graphically identify key risks for the company both in terms of exposition as well as impact.

Risk owner is the person(s) responsible for managing risks and is the person directly responsible for the strategy, activity or function that relates to the risk.

4. RISK MANAGEMENT FRAMEWORK

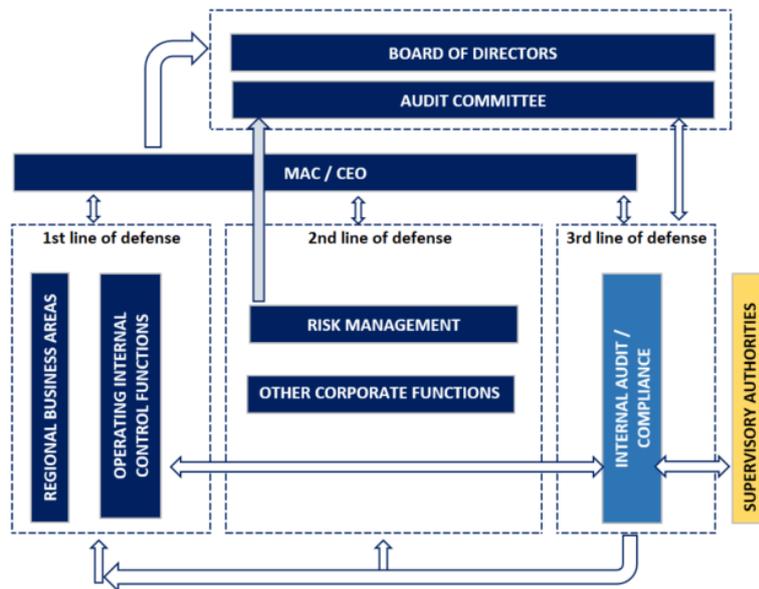
The Group's risk management framework is articulated through the following components and levels of control environment.

It serves as the foundation for the other components of risk management, providing discipline and structure. The internal environment influences the strategy and the established objectives, structuring the business activities, identifying, evaluating and interpreting risks.

The tone of the overall control environment is developed and supplemented by specific internal policies or regulations, that include without limitation:

- Code of Ethics
- Delegation of Authority from the Board
- General and functional group policies and procedures
- Legislation of each of the countries in which we operate

The group is organized in three lines of defense according to the attached pictogram:



1st line of defense: regional business areas and their transactional support functions and shared service units – responsible for managing risk on a daily basis. Should ensure that risks are aligned with approved risk appetite and associated limits.

2nd line of defense: other corporate functions supervising and controlling the group operations around the world, with the newly develop function of risk management within Corporate Finance – responsible for providing oversight and challenge to the risk management activities performed by the 1st line of defense. These functions ensure that risks are managed in accordance with the risk appetite defined by the Board and promote a strong risk culture throughout the organization.

3rd line of defense: Internal Audit and Compliance department – ensure that policies, methodologies and procedures are appropriate and effectively implemented for the management and control of all risks.

5. RISK MANAGEMENT SYSTEM ROLES AND RESPONSIBILITIES

Overview on risk governance structure and its responsibilities:

Governance structure	Responsibilities
Board of Directors	<ul style="list-style-type: none"> Set strategic objectives providing direction; Approve risk policy; Set annually risk tolerance level acceptable to the group; Approve annually the risk matrix update and risk mitigation plans.
Audit Committee	<ul style="list-style-type: none"> Review of risk management activities at least annually; Receive on a regular basis reports from the MAC and Risk Manager, on the results of risk management systems established, as well as on the results of the tests carried out by internal auditors; Assess the effectiveness of internal control and management systems relating to financial and non-financial risks, as well as of the measures established to mitigate the impact of identified risks; Assure that the process established to identify and re-assess financial and non-financial risks and to set the level of risk tolerance and inform the Board of Directors about findings and recommendations for approvals is completed at least on an annual basis; Identify and understand emerging risks as well as their alert mechanisms.
MAC members	<ul style="list-style-type: none"> Ensure the good running of the Risk Management system and namely that all relevant risks which affect the Company are duly identified, managed and evaluated; Take an active role in the preparation of the risk strategy and in the important decisions on risk management; Drive culture of risk management; Review and approve the risk register at least once a year; Ensure that risks are kept and managed within the levels of risk tolerance set by the Board.
CFTO	<ul style="list-style-type: none"> Empowered by the MAC to lead the risk management system within the Company; Ensure consistent evaluation of risks.
Risk Manager	<ul style="list-style-type: none"> Continuously improve risk management policy, strategy and supporting framework; Monitor the risks in accordance with the methodology and tools defined; Ensure that risk assessment exercises, evaluation of control efficiency, and completion of mitigation actions are properly completed by the risk owners;

	<ul style="list-style-type: none"> • Coordinate first and second lines of defense to ensure proper communication and supervision is executed and inform MAC about findings; • Responsible of calling for the constitution of the Crisis Committee once approved by the MAC member responsible for the imminent risk; • Provide relevant information to risk owners to identify potential new risks and opportunities; • Promote a strong risk culture throughout the organization.
Risk owner	<ul style="list-style-type: none"> • Identify events which may entail potential risks and opportunities; • Define specific controls and KRI's for new risks; • Perform the risk and control assessment; • Define the proper risk treatment and mitigation actions for each risk; • Validate with the MAC Owner the assessment and risk treatment; • Coordinate with the Risk Manager the ERM activities in order to be completely aligned.
Managers	<ul style="list-style-type: none"> • Ensure staff in their business units/departments comply with the risk management policy and foster a culture where risks can be identified, escalated and manage.
Staff	<ul style="list-style-type: none"> • Comply with risk management policies and procedures.
Internal Audit	<ul style="list-style-type: none"> • Contribute to the improvement of risks management, control and governance processes; • Provide the Audit Committee with an effective and independent supervision of the risk management system and internal control system; • Issue recommendations for the Group to help reduce to reasonable levels the potential impact of risks which hamper the achievement of the objectives of the Company; • Must always remain independent in respect of risk management system, and it shall not be responsible for making any key decisions regarding its operation.
Crisis Committee	<ul style="list-style-type: none"> • Evaluate and analyze the strategy to be followed in case of an imminent risk; • Align the different departments to achieve efficient and quick management of the risks; • Take decisions and execute them; • Ensure that the vision, mission and strategic objectives of the Company are consistent with risk management; • Ensure that decisions comply with existent regulations and Company's values.

The Crisis Committee is a transversal committee across all areas of the organization and its composition may vary depending on the risk to be monitored and managed (i.e. Committee for the Covid19 Pandemic). Main members are:

- **Risk Manager:** its function is to protect the Company assets considering all eventual contingencies. It is in charge of calling for the meeting and establishing crisis committee agreements.
- **CFTO:** assesses the economic impact of the materialization of the risk to which the Company is exposed.
- **Independent members:** appointed by the MAC based on the risk to be monitored and managed. They may change depending on the evolution of the risk.

When a Crisis Committee meeting takes place to analyze and manage a risk on the higher risk level of the matrix, the Chairman, CEO and Head of the Audit Committee should be immediately informed due to the possible financial, reputational or other impact that could arise for the Company.

6. RISK CATEGORIES

Fluidra has established the following key risk types in its risk framework:

- **Strategic:** Include the range of external events and trends (such as World mega trends, Government policy changes, Technological evolution, etc), that can impact Fluidra's strategic trajectory and destroy shareholder value.
- **Operational:** Are those associated to day to day operations of the group both internal as well as external regarding interaction with customers, suppliers and other stakeholders. Includes risks associated with the eventual occurrence of extraordinary events beyond the control of the Group (fires, natural disasters, strikes of haulers or of key suppliers, cyberattacks, etc) that may significantly affect normal operations.
- **Financial:** Include foreign exchange risk, interest risks and credit risk.
- **Regulatory compliance:** Are those arising from regulatory changes made by the various regulators, such as intellectual property, data protection and privacy regulations also changes in regulated activities or in the required conditions of supply, tax or listed company regulations. Including risks related to political changes that might affect legal security and the legal framework applicable to the businesses of the Group in each jurisdiction (nationalization or expropriation of assets, the cancellation of operating licenses).
- **Environmental:** Are those related to company's impact in the environment, impact to climate changes, adaptation to new climate conditions, waste management and the use of natural resources and energy. Due to the increasing weight of regulations in this area, changes to environmental regulation will be contemplated in this category.
- **Human Resources:** Are those arising out of a potential dependence on key personnel and of the difficulty in properly identifying and retaining talent, as well as keeping an appropriate work environment at all work centers.
- **Reputational:** Potential negative impact on the Company resulting from conduct on the part of the Company that is below the expectations created among various stakeholders

(customers, employees, shareholders, society and suppliers), including corporate governance.

7. RISK MANAGEMENT PROCESS

When undertaking a risk management process, the following steps must be taken:

- Definition of strategic objectives as context for risk management: within the context of mission and vision, strategic objectives for the company are established. These objectives must exist before events capable of preventing their achievement can be identified. Risk management analyzes, monitors and supervises that the strategic objectives are compatible with the degree of tolerance to risk accepted by the group.
- Risk identification: identify events capable of affecting the Group, which may have positive or negative impacts. To identify possible events, Management must consider both internal and external factors and may be helped by outside analysis around risks and future scenarios. A live risk register will be maintained in order to help this identification.
- Risk assessment: The assessment of risks is a process by which key management of the group consider the potential events that could affect the achievement of its objectives established in the strategy. The risk assessment methodology is a combination of qualitative and quantitative techniques that leads to a risk matrix for the group. This matrix will be calibrated by the Management team and the Audit Committee of the group. This matrix ranks risks in 4 categories: red, orange, yellow and green.
- Risk evaluation and risk mitigation plans: once assessment is completed, the MAC owner or someone in his/her representation, will elaborate a complete evaluation and a risk mitigation plan. The mitigation process will start with the higher risk on the risk matrix, as the mitigation of these risks are the priority with respect to Group objectives.

This plan will be reviewed twice a year by the MAC and at least annually by Internal Audit. It will be reported at least annually to the Audit Committee and approved by the Board. The outcome of this plan will be reflected in each year's budget so that the risk mitigation plans are properly funded.

All risks identified by the Management team are compiled in the risk register and are divided by the above-mentioned categories. The purpose of the risk register is to provide detail of all risks to be analyzed by Management.

On an annual basis a survey will be prepared as well as interviews to identify new risks to be added or eliminated from the risk register.

The risk register is prepared by the Risk Manager, reviewed and approved by the MAC. The Audit Committee will review it on their annual risk review process.

8. RISK EVALUATION

Fluidra has defined different levels to evaluate the inherent and the current risk, from very low to very high. The evaluation of the inherent risk will be based on the following formula:

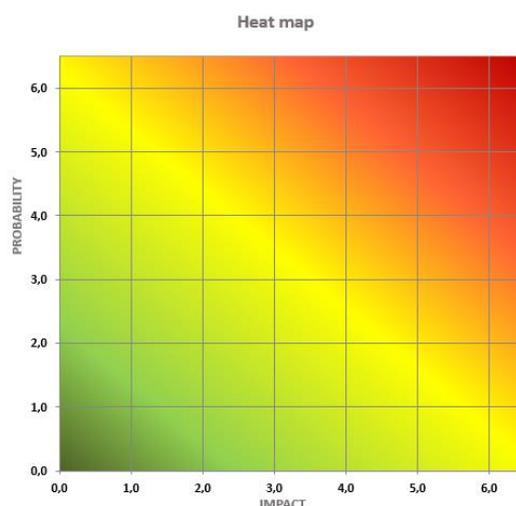
$$R (\text{risk}) = E (\text{exposition}) \times I (\text{impact}).$$

The level of the current risk will be evaluated taking in consideration the impact of the risk mitigation plans in the inherent risk. These plans will be prepared by the risk owners using the following key strategies:

- Risk avoidance: by not performing an activity that could carry risk.
- Risk transfer: mitigation by having another party to accept the risk, either partial or total, typically by contract or by hedging.
- Risk reduction: employing methods/solutions that reduce the severity of the loss.
- Risk retention: accepting the loss when it occurs.

The evaluation of the risk levels for the inherent and current risks will be based on criteria for impact such as economic, strategic, regulatory and compliance, operations, information and reporting and reputational evaluated at different levels. As well as different levels of probability between short and long term.

Both inherent and residual Fluidra's risks will be presented in a risk matrix like the one presented below:



After the adoption of the above-mentioned mitigation strategy the current risk matrix has to be submitted to the Board, at least once a year, for final approval of the plans prepared for each risk, according to the risk appetite of the Company.

Beyond the global risk matrix, there are risk matrix for each region (North America – EMEA – APAC) showing the evaluation that each region has of the risks impacts. These regional matrixes are part of the global risk matrix.

9. RISK MANAGEMENT INFORMATION SYSTEM

An enterprise-wide integrated Risk Management Information System will be implemented. Both historical and current data will be collected. Historical data tracks actual performance against target and also provides warning signals concerning potential risk-related events.

Current data gives management a real time view of inherent risks in a process, function or unit. This will enable the Company to alter its activities as needed in keeping with its risk appetite.

10. REVIEW AND APPROVAL

Risk management policy will be reviewed annually by Risk Manager. The MAC will review any changes to this policy and recommend approval to the Board of Directors through the Audit Committee. Final approval of any changes to this policy will be executed by the Board of Directors.