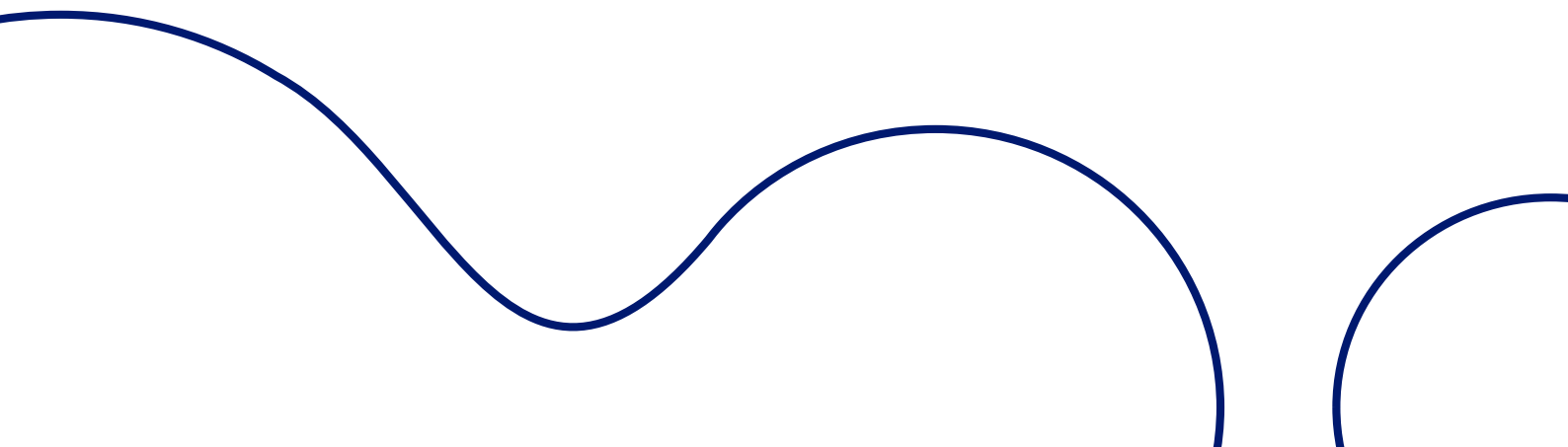


FLUIDRA

ANNUAL REPORT ON
AUDIT COMMITTEE ACTIVITIES

2021



2021

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1. PRESENTATION

I am pleased to present the Fluidra Group Annual Report on Audit Committee Activities for the year 2021. It was prepared in compliance with the Company's Articles of Association, was approved by the Audit Committee and was presented to and validated by the Board of Directors on 30 March 2022.

While 2020 saw the start of the pandemic and the ensuing restrictions, 2021 has been an emotional roller coaster with its fair share of uncertainties. Fluidra has continued to make people's health its top priority and, further to a widespread vaccination programme, it appears that we have started taking initial steps towards some kind of normality.

This year, we must highlight the historical milestone of joining the exclusive IBEX35 club. The Audit Committee would like to take this opportunity to congratulate all Group employees on their work and to thank the investors for placing their trust in us. Thank you so much. The Company's senior management team is keenly aware of the fact that achieving this goal comes with responsibilities and is ready to face new challenges.

This year, new companies have also been incorporated into the group and the Committee has continuously overseen business combination accounting with the invaluable support of the Internal Audit Department in coordination with the external auditors.

The Company is experiencing a period of expansion and the Committee has taken steps to ensure that we do this in a sustainable manner by providing support and guidance in ESG Department responsibilities. The Committee has also continued performing an effective review of Company risks, and risk management structures and policies have been reinforced. Particular attention has been paid to matters of cybersecurity.

Lastly, as usual, the external auditor submitted a favourable report on the information relating to the internal controls over the financial reporting system (FIICS) for the 2021 financial year, and 23 internal audit reviews were carried out in the Group's subsidiaries in accordance with the schedule set at the beginning of the year.

With a view to 2022, correct and efficient integration of the Group's recently-acquired companies is one of the Audit Committee's priorities, plus continuing to monitor cybersecurity activity and resilience within the framework of Company risk management and sustainable growth of the Group in matters of ESG.

Brian McDonald

Chairman of the Audit Committee

2. THE AUDIT COMMITTEE

The Audit Committee is regulated by the Regulations of the Audit Committee, article 13 of the Board of Directors' Regulations and article 14 of the Internal Code of Conduct in markets. The full text can be found in Annex I. The Regulations of the Audit Committee were approved by the Board of Directors on 26 March 2021.

AUDIT COMMITTEE STRUCTURE AND SESSIONS IN 2021

On 31 December 2021, the Audit Committee members consisted of the following persons appointed by the Board of Directors:

Name	Position	Appointment date
Brian McDonald (independent)	Chairman	06/09/2019
Gabriel López (independent)	Committee member	30/10/2014
Bernat Corbera (external proprietary director)	Committee member	03/12/2014
Jorge Constans (independent)	Committee member	02/07/2018
José Manuel Vargas (external proprietary director)	Committee member	02/07/2018



In compliance with article 13 of the Board of Directors' Regulations, Committee members were appointed taking into account their knowledge, skills and experience in accounting, audits and risk management, as well as other areas of Committee responsibility. In compliance with the Board of Directors' Regulations, the Committee holds ordinary meetings on a quarterly basis, although it can meet whenever requested by any of its members and when notified by the Chairman. It held six sessions in 2021.

COMMITTEE RESPONSIBILITIES AND PERFORMANCE

The Audit Committee's responsibilities and performance are regulated by the Regulations of the Audit Committee. They are summarised below:

- Provide the Annual General Shareholder's Meeting with information on the issues it discusses and for which it is responsible;
- Propose to the Board of Directors the appointment of external account auditors (and the contract conditions, scope of the professional mandate and revocation or renewal);
- Supervise internal audit systems;
- Supervise the preparation and presentation process of regulated financial information;

- Review the Company's accounts, and ensure regulatory compliance and the correct use of the generally accepted accounting principles;
- Manage and supervise professional relations with external auditors;
- Oversee compliance with the audit contract (report and results);
- Oversee compliance with the legislation on related party transactions.
- Assess compliance with the Internal Code of Conduct and, in general, the Company's governing regulations;
- Receive information and, where applicable, issue reports on disciplinary measures to be applied to members of the Company's senior management team;
- In terms of information systems and internal controls, the Audit Committee is responsible for:
 - Supervising the process of generating and ensuring the integrity of financial information (compliance with regulatory requirements, the scope of consolidation, and correct use of accounting criteria);
 - Periodical reviews of internal control and risk management systems;
 - Ensuring independence and efficiency in internal audit responsibilities;
 - Establishing and supervising a mechanism to allow employees to confidentially report irregularities; and
 - Supervising implementation of the general policy on disclosure of economic and financial, non-financial and corporate information.
- In terms of the external auditor, the Committee's duties include:
 - Making auditor selection, appointment, re-election and substitution proposals to the Board of Directors;
 - Regularly receiving information from the external auditor on the audit plan and its results;
 - Ensuring the independence of the external auditor;
 - Encouraging the Group's auditor to take responsibility for all the companies to be audited; and
 - Guaranteeing seamless and steady communication with the accounts auditor.
- In terms of the risk management policy, the Committee covers matters including:
 - Supervision of the different risk types (operative, technological, financial, legal and reputation), including contingent liabilities and off-balance-sheet risks;
 - Proposals on establishing the level of risk considered acceptable;
 - Assessment of the list of the most significant financial and non-financial risks at least once per year;
 - Risk management and control policy appraisal, when necessary;
 - Identification of the measures established for the mitigation of identified risks, should they arise; and

- Identification of the information and internal control systems to be used for managing and controlling identified risks, including contingent liabilities and off-balance-sheet risks.
- With reference to listed company obligations, the Committee must give the Board prior notification of decisions it plans to make regarding:
 - The financial information that must be made public;
 - The creation or acquisition of an equity interest in special purpose vehicles or entities domiciled in countries or territories classified as tax havens, and any other transaction or operation of a nature that may impair the Group's transparency;
 - Related Party Transactions; and
 - Transactions that entail or may entail a conflict of interests.
- With reference to Compliance, the Audit Committee must:
 - Submit compliance policy proposals to the Board of Directors;
 - Submit proposals for approval to the Board of Directors, along with a favourable report from the Appointments and Remunerations Committee, regarding appointment and dismissal of the head of compliance,;
 - Oversee Ethics Committee activities and address its corrective action proposals;
 - Oversee compliance with corporate governance standards, internal codes of conduct and other particulars that the Audit Committee may agree upon at any given time;
- Include training on matters of compliance in the annual requirements for Audit Committee members;
- Gather and analyse all the necessary information and documentation about operations the Company intends to pursue with Board Members and significant shareholders. The Audit Committee must assess the impact on social interest if the transaction is made under market conditions;
- Verify that the information that is published on the Company webpage is up to date and matches the information that has been authorised for release by the Board of Directors and published, where applicable, on the Spanish Securities and Exchange Commission (CNMV) webpage;
- Review the operation and efficiency of the Company's complaints system by revising periodic reports and key parameters.

These are the Committee's responsibilities, notwithstanding any additional duties required by law, the Company's Articles of Association and the Board of Directors.

The Regulations of the Audit Committee also call for minutes of Audit Committee meetings to be written up and made available to all Board members.

In order to duly comply with responsibilities, the Committee may request guidance from external experts when it is deemed necessary.

The Board of Directors' Regulations authorise the Committee to request the presence of any Fluidra Group employee (including senior management) and the accounts auditor at meetings.

As indicated in the activities report, the Committee is in permanent contact with the accounts auditor, the Director of Internal Audit and Compliance and with the Group senior management team. Communication between them is fluid. The Director of Internal Audit and Compliance routinely participates in the meetings.

AUDIT COMMITTEE MEMBER PROFILES

D. Brian McDonald

Brian McDonald served as the CEO of RGIS from 2014 to 2017. RGIS is the world's leading inventory management company, a \$680 M business with 53,000 associates located in 30 countries around the world. Prior to RGIS, Brian served as Executive VP and Chief Operating Officer of Tyco International, where he had direct responsibility for their \$7.8 billion Fire and Security Installation and Services division. Brian was with Tyco for more than 10 years in a variety of roles including Director of Sales, VP of Field Operations, VP of Southern Operations and Managing Director of ADT UK/Ireland. Prior to Tyco, Brian held various executive roles with the UTC Power and Otis Elevator units of United Technologies. He is manager at BLM Advisors, LLC since January 2018. In addition, on September 2021 he joined the board of directors of KPI Solutions, a U.S. company that provides integration services in the warehouse automation sector. He holds a Bachelor of Science degree in Physics from the United States Naval Academy and a Master of Business Administration degree in Operations from the Darden Graduate School at the University of Virginia. Upon graduation from the Naval Academy, Brian served 5 years as a Lieutenant and Division Officer aboard a U.S. Navy aircraft carrier, overseeing its nuclear systems. He is trustee of the US Naval Academy Athletics and Scholarship Foundation..

D. Gabriel López Escobar

Born in Madrid in 1956, Gabriel holds a licentiate in business, a master's in economics and a postgraduate degree in economics and European studies from Nancy-University (France). He joined PwC in 1984 and was a partner in the company until 2014. He has extensive experience in all types of auditing, financial advisory and financial research services. He has been in charge of auditing major Spanish groups as well as subsidiaries of international groups, providing services to companies such as Abengoa (IBEX 35, Nasdaq), Deutsche Bahn, Kraft Foods, Marsans, Nacex, Randstad, RIU, Quirón, Securitas, Telvent (Nasdaq), ThyssenKrupp, TUI, and Volkswagen / Seat.

During his last years at the firm he was also chairman of PwC España's supervisory committee. In 2015 he was the counsel to the Family Board of Grupo Empresarial Fuertes, S.L.

Since May 2018 he serves as an adviser to the Audit Committee of Corporación Químico-Farmacéutico Esteve, S.A.

Since July 2020 he serves as independent board member of 'Bansabadell Vida', of 'BanSabadell Seguros Generales' and of 'BanSabadell Pensiones'.

He joined Fluidra's board as an independent member in October 2014.

D. Bernat Corbera

Born in Barcelona in 1965, he has a degree in Business Studies from ESEI and a Senior Management Business Program degree from IESE. He has held several positions in the Fluidra Group. Specifically, he started his career at Astral Export, S.A., heading the company's expansion into Africa, the Middle East and Central America. He moved to the United States in 1993, where he headed market research and the subsequent roll out of Astral Products and Poltank in the US. In 1999 he joined Astral Group as head of North America and Mexico and was appointed to the Executive Committee. He was appointed member of the Fluidra Board of Directors in 2000, as well as CEO of Edrem S.L., a family-run investment company. He also manages and sits on the board of directors of the following companies in which he is also a significant investor: Beran Cartera, S.L., Inmobiliaria Tralsa, S.A. and Contralsa, S.R.L.

D. José Manuel Vargas

José Manuel Vargas has been a senior advisor at Rhône since 2006 and partner and managing director of the firm since 2017. However, Mr. Vargas has temporarily stepped down as managing director of Rhône to devote his efforts to Maxam, a company within the investment portfolio of Rhône, while actively maintaining his other positions in the firm. In May 2020, Mr. Vargas assumed the office of Executive Chairman and CEO at Maxam. Previously he had been Chairman and CEO of Aena SME, SA, where he led the restructuring process, partial privatization and IPO in 2015. He has also served as CEO and Financial Director of Vocento and CEO of ABC. Previously, he had been Financial Director and General Secretary of JOTSA (of the Philipp Holzmann group). Mr. Vargas has served on several boards, such as those of Cadena COPE, Net TV and Diario El Correo. In 2015 he won the prize for Best Executive of the Year awarded by the Spanish Executives Association (Asociación Española de Directivos -AED) and was named Person of the Year in the economic and financial field by Spanish economic newspaper El Economista. He graduated in Business and Economics from the Complutense University of Madrid and holds a Law Degree from UNED. He is also a chartered accountant. Mr. Vargas currently serves also on the Boards of Directors of Fluidra and Wellbore Integrity Solutions, two companies in Rhône's investment portfolio.

D. Jorge Constans

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 currently serves on the Boards of Puig and Fluidra.

3. 2021 FINANCIAL YEAR ACTIVITIES

The Company's Audit Committee met six times during the 2021 financial year and discussed numerous issues to do with its basic areas of responsibility, as provided for in the Articles of Association, in the Regulations of the Audit Committee, in the Board of Directors' Regulations, and the Internal Code of Conduct. As such, it has frequently been in contact with the Director of Internal Audit and Compliance and, whenever requested, with the Finance Department, the General Manager, the Head of Legal and Tax Departments, the Head of Human Resources and ESG and external auditors in order to obtain information and/or provide necessary explanations on matters that have arisen in the Committee.

Further to review and a favourable report, the most relevant activities to be taken to the Board of Directors for approval and favourable feedback were:

- Quarter, semester and annual financial information closures to be reported to the Spanish Securities and Exchange Commission (CNMV);
- Annual Non-financial Information Statements;
- Significant related party transactions carried out during the financial year;
- Evaluation of Financial Information Internal Control Systems;
- The results of the Ethics Channel;
- Conclusions from the risks map update.

This section includes a summary of Audit Committee activities in the 2021 financial year with activities arranged into groups based on basic functions. The main activities carried out are summarised below:

FINANCIAL INFORMATION

The Committee has dedicated particular attention to reviewing Fluidra Group annual accounts and quarterly and six-month financial statements and other information made available to the market or supervising bodies during the financial year, prior to the review carried out by the Board of Directors.

Group senior managers participated in all the Committee meetings held in the 2021 financial year. This meant that they were able to get to know the quarterly and six-month financial statement elaboration and consolidation process with sufficient time and to check compliance with regulations and applicable accounting principles. As such, the assets and changes in assets, the financial situation and the Group's results for the period have been duly indicated in those statements.

In the meetings held on **3 May, 28 July and 25 October**

2021, the Audit Committee issued a favourable report on the financial statements at 31 March, 30 June and 30 September, respectively. This was prior to Board approval and communication to markets and supervising bodies.

In terms of annual accounts and the management report for the 2021 financial year which are due to be reviewed in the 2022 Annual General Meeting, the Committee, in its meeting held on **29 March 2022**, following a review, issued a favourable report on their content prior to taking them to the Board of Directors.

ACCOUNTS AUDITOR

EY was the individual and consolidated accounts auditor for Fluidra Group in the 2021 financial year. Corporate policy means that the Group will favour the accounts auditor also carrying out this role in the different branches, as long as there are no specific reasons for which this is inadvisable. The aim is to guarantee adequate coordination and achieve a more appropriate and efficient audit process.

The external auditors participated in Audit Committee meetings on **five occasions** in the 2021 financial year. The activities carried out included:

- Planning tasks for the 2021 financial year;
- Reporting on the main conclusions of the limited review of the semester closure on 30 June 2021. No issues of importance were identified and a favourable report was issued on those interim financial statements;
- Presenting the main internal control recommendations to which the company should continue to pay special attention and control;
- Delivering training on the new IFRS regulations;
- Presenting progress of the interim procedures up to December with regards to the 2021 financial year consolidated annual accounts audit, the 2021 financial year non-financial information statements audit and evaluating the internal controls on the interim stage, and following up on recommendations.
- Providing information on the main conclusions of the review of the 2021 financial and non-financial information annual closure. In their opinion, no matters of significant interest were identified.

In the Committee's opinion, all relevant aspects of the annual accounts for the year ended 31 December 2021 are a true and faithful representation of Fluidra and the Group's assets and consolidated financial situation to date. It is also a true and faithful reflection of its results, of changes to net assets and cashflows for the 2021 financial year. The accounts include all necessary information for adequate interpretation

and comprehension. The aforementioned individual and consolidated annual accounts have been audited by the account auditor. The corresponding audit reports are due to be issued on 30 March 2022. Likewise, and in the Committee's opinion, the individual and consolidated Group management reports for the 2021 financial year include a true and faithful analysis of evolution and business results as well as Fluidra's and the Group's position, and a description of the main risks and uncertainties they face. Next, highlight the EY partner rotation in 2021 to a new partner from the same firm, after reaching the maximum legal period of 5 years. Last of all, it should be highlighted that the non-financial report and the integrated annual report contain all the necessary information and they have been duly audited by another partner at the account auditor's company who will issue the audit report with no reserves alongside the opinion of the annual accounts. The Committee received the account auditor's confirmation that complete access to all necessary information was given and that the Group's teams collaborated adequately in the process.

The accounts auditor carried out his tasks independently, in compliance with independence regulations applicable under current Spanish regulations. The Commission completed the necessary report, arriving at the conclusion that the external auditor is independent from the Fluidra Group.

In 2021, the external auditors and the firm's international associated companies provided the following non-auditing services:

- In Spain, review of the Non-financial Report and the Integrated Annual Report.
- In Spain, the review and evaluation of the content of section F of the Annual Corporate Governance Report (FIICS).
- In Spain, the agreed-upon procedures report regarding the Annual Packaging Declaration.
- In Spain, assurance services aimed at enforcing agreed-upon procedures related to the information drafted by the Fluidra Group companies on the calculation of royalties.
- In Spain, agreed-upon procedures for the review of the report supporting the different ACCIO subsidiaries issued to the company.
- In Spain, review of the Non-financial Report and the Integrated Annual Report.
- In Spain, agreed-upon procedures for the review of the report supporting the different ICAEN and IVACE subsidiaries issued to the company.
- In France, agreed-upon 'Eco Attestation' procedures regarding the packaging declaration.
- In France, agreed-upon procedures in compliance with local legislation on capital increases.
- In Belgium, agreed-upon procedures in compliance with local legislation on mergers.

The fees paid to the global organisation, EY, for different services provided to Group Companies in 2021 included the following charges:

Audits	1,699,816 €
Audit-related services	100,400 €
TOTAL	1,800,216 €

GROUP INTERNAL AUDIT AND INTERNAL CONTROL SYSTEMS

As is customary by now, the Internal Audit and Compliance team has been a cornerstone in ensuring that the Audit's Committees supervision responsibilities have been effective and efficient. Task performance efficiency was not hampered by the pandemic.

In its meeting on **2 December** 2021, the Committee approved the Internal Audit programme for the 2022 financial year and the departmental budget.

The Director of Internal Audit and Compliance attended the six Committee meetings and reported on the audits held, the scope of reviews and the main conclusions.

Audit reports for 23 internal audits performed over the financial year were duly handed over to the Audit Committee members, the Group's senior management and the accounts auditor. Additionally, the Director of Internal Audit and Compliance provided the Committee with regular reports on the resolution of incidents detected in internal audits and was required to provide the Group's senior management with explanations on those incidents that had not been satisfactorily cleared up, as well as propose new resolution plans and dates. Last of all, the ESG area engaged in the scope of Internal Audit and Compliance team reviews, which is an indication of effective supervision by the Audit Committee.

The Internal Audit Department carried out limited reviews of the accounting closures for March and September to be sent to the CNMV and informed the Committee and the Finance Department about the work carried out and the conclusions drawn.

Furthermore, the Internal Audit Department and the CFO provided explanations on the steps taken in order to continue reinforcing and improving the Company's accounting policies and procedures.

The Internal Audit Department also reviewed the efficiency of the Fluidra Group's internal controls on the generation of financial information in the Group's consolidated annual accounts at 31 December 2021. As discussed in the

Committee meeting held on 29 March 2022, it concluded that no significant deficiencies or material weaknesses in the internal control model had been identified. This conclusion was endorsed by the external auditor's favourable report on the financial information internal control system (FIICS) for the 2021 financial year.

Last of all, the Audit Committee was informed of activity in the complaints channel set up by the Ethics Committee and the reviews and improvements carried out.

The Internal Audit and Compliance Director confirmed that the internal audit department worked entirely independently and objectively in 2021.

The Committee informed the Board of Directors of the work carried out by the Internal Audit and Compliance Department.

COMPLIANCE

In 2021, the compliance function, in its different duties, focused on the following issues:

- Crime prevention models: review of the crime prevention model as part of continuous improvement.
- Data Protection: given increased activity in this area, the team has been bolstered and progress has been made in the area's master plan.
- Stock exchange regulatory compliance: the Company has ensured adequate provision in due time and form of the communications of inside information and/or other relevant information concerning the Company. In addition, it has responded successfully to all the communications submitted by the Spanish Securities and Exchange Commission (CNMV).

RISK MANAGEMENT

The risk management policy was drawn up and approved in 2021. As a result of this policy, a risk management function has been developed through creation of the ERM Department. It has been assigned responsibility for coordination and oversight of Company risks. The department is managed by the CFTO.

The Internal Audit Department will provide a third line of defence through independent oversight of the risk management system.

RELATED PARTY TRANSACTIONS

According to the requirements provided for in the Corporate Enterprises Act (ley de sociedades de capital), the Audit Committee verified that the related party transactions carried out did not qualify for the conditions established by law requiring authorisation by the governing bodies. No members of the Board of Directors, directly or indirectly, have carried out relevant transactions with Fluidra or under unusual market conditions. The Committee examined the information on related party transactions contained in the annual accounts.

4. PRIORITIES

The 2021 financial year priorities, as indicated in the 2020 financial year report, were put into action during the year. The following are of particular relevance:

- The Company's reorganisation process was supervised;
- We ensured the utmost precision of the financial information made available to the market, in compliance with the requirements set by the Spanish Securities and Exchange Commission (CNMV);
- The procedures and controls in the risk management area have increased;
- We continued developing the Company's framework for good governance through the release of new policies and procedures;
- The existing internal control procedures and policies have been further strengthened, with particular emphasis on their review and compliance;
- The Company has continued supervising the Financial Information Internal Control Systems and ensured their compliance with the plans of action implemented by the Group's senior management;
- In the Compliance area, work continued in a centralised manner and continued to broaden the scope of action taken;
- We continued to plan and carry out internal audit reviews, covering the risks related to the strategic aims defined by the Group's senior management, as well as covering those areas that are more likely to be subject to possible significant errors (quantitative, qualitative, estimates, areas of judgement, complex accounting matters, etc.) with the

aim of improving internal control in the corresponding areas.

- We supervised preparation of the Non-financial Information Statements.

The priorities for the 2022 financial year agreed upon by the Audit Committee include:

- Supervising correct and efficient integration of recently-acquired companies;
- Supervising progress in ESG with regards to release of non-financial information statements and internal control of those statements;
- Ensuring the utmost accuracy of the financial information made available to the market, in compliance with the requirements of the Spanish Securities and Exchange Commission (CNMV);
- Continuing to develop the Company's good governance framework by setting up new policies and procedures;
- Continuing to reinforce current internal control procedures and policies with particular emphasis on reviewing and fulfilling them;
- Continuing to supervise Financial and Non-financial Information Control Systems and monitor compliance with plans of action implemented by the Group's senior management;
- Continuing to work in a centralised manner in the Compliance area and increase the scope of the steps taken;
- Continuing to plan and carry out internal audit reviews, covering the risks related to the strategic aims defined by the Group's senior management, as well as covering those areas that are more likely to be subject to possible significant errors (quantitative, qualitative, estimates, areas of judgement, complex accounting matters, etc.) with the aim of improving internal controls in the corresponding areas.
- Performing effective monitoring of the risk management area, especially in the area of cybersecurity.

5. CONCLUSION

This report includes a summary of the activities carried out by the Audit Committee in the 2021 financial year in compliance with its areas of responsibility.

Throughout the year, the different Group senior management teams and Account Auditors worked together and the Internal Audit Department provided invaluable support so that the responsibilities outlined in the regulations could be fulfilled.

As a result of its work, the Audit Committee members:

- Consider that the Committee's work, in terms of its responsibilities, as indicated in the corresponding regulations, was satisfactory;
- Have informed the Board of Directors and the company's managers of matters to do with company financial and economic information, the efficiency of internal control systems in terms of relevant risks and the degree to which the company complies with good governance rules and recommendations; and
- Reported to the Board of Directors and company senior management on areas that may be susceptible to improvements in each of the areas of responsibility.

Sabadell, 29 de March de 2022

Chairman

D. Brian McDonald

Committee Member

D. Bernat Corbera

Committee Member

D. José Manuel Vargas

Committee Member

D. Jorge Constans

Committee Member

D. Gabriel López Escobar

APPENDIX I

REGULATIONS OF THE AUDIT COMMITTEE OF FLUIDRA, S.A.

ARTICLE 1.- ORIGIN AND PURPOSE

Artículo 1.- Origen y Finalidad

1. These Regulations have been approved by the Board of Directors of FLUIDRA, S.A. (the “Company”) and will be reported to the Shareholders’ Meeting. The purpose of these Regulations is to establish the guidelines for the Audit Committee’s actions and the basic rules governing its organization and functioning and the conduct of its members (the “Audit Committee Regulations” or the “Regulations”).

Article 2.- Interpretation

1. These Regulations complete the regulations applicable to the Audit Committee pursuant to the legislation in force, the Company’s Bylaws and the Board of Directors’ Regulations. They shall be interpreted in accordance with the applicable statutory and bylaw provisions and with the principles and recommendations on the corporate governance of listed companies approved or issued by the Spanish authorities and the authorities of comparable countries, or by special commissions or working groups established by virtue of the mandate of such authorities.

2. Any queries relating to the application and interpretation of these Regulations shall be resolved by the Board of Directors in accordance with the general criteria for interpretation of statutory provisions.

Article 3.- Amendment

1. These Regulations may only be amended at the proposal of the Chairman of the Board of Directors, the Chief Executive Officer or one-third of the directors or of the Board of Directors, accompanying the amendment proposal with an explanatory report.

2. The text of the proposed amendment and the explanatory report must be attached to the call notice for the Board of Directors meeting at which the proposal will be discussed. The call notice for said meeting shall be sent at

least ten (10) days in advance.

3. In order to be valid, any amendment to the Regulations shall require a resolution adopted by a majority comprising two-thirds (2/3) of the directors present at the meeting in person or by proxy. These Regulations must be updated whenever necessary in order to bring their content into line with the applicable legislation in force.

Article 4.- Dissemination

1. The members of the Audit Committee must be familiar, comply and ensure compliance with these Regulations. For such purposes, the Board Secretary shall provide each member of the Audit Committee with a copy of the Regulations on acceptance of their respective appointments or on signature of their contracts, as applicable, and they must deliver to the Secretary a signed statement, following the model attached hereto as Schedule I, indicating that they are aware of and accept the content of these Regulations, undertaking to fulfil all such obligations falling to them hereunder.

2. The Board of Directors shall adopt the appropriate measures to ensure that these Regulations are disseminated among the shareholders and the investing public in general.

CHAPTER II.- FUNCTIONS OF THE AUDIT COMMITTEE

Article 5.- Basic principles of action

The Audit Committee, when exercising its powers, must comply with the basic principles of:

- (i) Responsibility, given that, as a collective body, it has specific responsibilities to advise the Board and to supervise and control the financial information preparation and presentation processes, as well as responsibilities regarding the independence of the external auditor and the effectiveness of the internal risk management and internal control systems, notwithstanding the responsibility of the Board;
- (ii) Scepticism, sufficiently questioning the data, the assessment processes and the preliminary conclusions reached by the Company’s executives and managers, which entails a critical attitude, not automatically accepting their opinion, noting the pros and the cons and forming its own view, not only individually (each of its members) but also collectively;

- (iii) Dialogue, both:
- (a) Among its members, so as to favour a diversity of opinion that enriches the Audit Committee's analyses and proposals, establishing a climate within the Audit Committee that fosters constructive dialogue among its members, promoting free speech and a critical attitude; and
 - (b) With the Company's management (in particular, general and financial management), the Global Director of the Internal Audit and Compliance and the external auditor.
- (iv) Sufficient analytical capacity, being authorized to obtain, if deemed necessary or appropriate, expert advice from a third party capable of aiding the Audit Committee in the process of analysing particularly complex aspects (for example, contentious or new accounting treatments, determination of the reasonable value of certain assets or liabilities, valuation of related-party transactions or tax treatments or complex risks or of key audit areas). To best perform its functions, the Audit Committee shall have the power, resources and budget to seek advice from the external experts when it considers it necessary for the correct fulfilment of its duties.

Article 6.- Basic functions of the Audit Committee

Without prejudice to any other tasks assigned to the Audit Committee by law, the Bylaws or the Board of Directors, the basic functions of the Audit Committee shall be as follows:

- (i) Inform the Shareholders' Meeting of any questions that arise regarding matters falling within its remit;
- (ii) Propose to the Board of Directors, for submission at the Shareholders' Meeting, the appointment of the Company's statutory auditor or external audit firm as referred to in article 264 of the Capital Companies Law, as well as the conditions of the engagement, the scope of the professional mandate and, where appropriate, the revocation or non-renewal thereof;
- (iii) Supervise the effectiveness of the Company's internal control systems and, in particular, its internal control over financial reporting, internal audit, where applicable, and risk management systems (including for tax risk) and to discuss with the statutory auditor or external audit firm any significant weaknesses detected in the internal control system during the course of the audit;
- (iv) Monitor the process of drawing up and disclosing regulated financial information;
- (v) Review the Company's accounts and oversee compliance with legal requirements and the correct application

of generally accepted accounting principles, directly working to that end with internal and external auditors. In particular, the Audit Committee shall strive to ensure that in those cases where the audit firm includes any qualification in its report, the Chairman of the Audit Committee should give a clear explanation at the General Meeting of the opinion of the Audit Committee regarding its scope and content, making a summary of that opinion available to the shareholders at the time of the publication of the notice of the meeting, along with the rest of proposals and reports of the Board;

- (vi) Maintain and oversee relationships with the statutory auditor or external audit firms to obtain information on those matters that could jeopardize their independence, for review by the Audit Committee, and any other audit-related items, as well as any other notices provided for in audit legislation and standards;
- (vii) Oversee compliance with the audit services agreement, ensuring that the opinion on the annual financial statements and the main content of the audit report are drafted in a clear and precise manner and evaluating the results of each audit performed;
- (viii) Supervise compliance with legislation on related-party transactions. In particular, the Audit Committee shall ensure that information on these transactions is disclosed to the market in compliance with the provisions of Ministry of Economy and Finance Order 3050/2004, of September 15, 2004;
- (ix) Examine compliance with the Internal Code of Conduct, with these Regulations and, in general, with the Company's corporate rules and make any proposals as may be appropriate for the improvement thereof; and
- (x) Receive information and, when appropriate, issue reports on the disciplinary measures to be imposed on the members of the Company's senior management team.

Article 7.- Functions over information and internal control systems

Without prejudice to any other tasks assigned to the Audit Committee by law, the Bylaws or the Board of Directors, the functions of the Audit Committee with respect to internal control and reporting systems shall include:

- (i) Monitor and evaluate the preparation and the integrity of the financial and nonfinancial information prepared, as well as the control and management systems of financial and non-financial risks relating to the Company and, where appropriate, the group, verifying compliance with legal provisions, the accurate demarcation of the consolidation scope and the correct application of accounting principles;
- (ii) Review internal control and risk management systems

on a regular basis, ensuring that the main risks are properly identified, managed and disclosed;

- (iii) Monitor the independence and efficacy of the internal audit function, propose the selection, appointment and removal of the Director of internal audit; propose the department's budget; approve or make a proposal for approval to the Board of Directors of the guidelines and annual work programme of the internal audit unit, ensuring that it focuses primarily on the main risks (including reputational risks); receive regular report-backs on its activities and verify that senior management are acting on the findings and recommendations of its reports;
- (iv) Establish and supervise a mechanism that allows employees and other persons related to the Company, such as directors, shareholders, suppliers, customers, contractors or subcontractors, to report irregularities of potential significance, including financial or accounting irregularities, or those of any other nature, related to the Company, that they notice within the Company or its group. This mechanism must guarantee confidentiality and enable communications to be made anonymously, respecting the rights of both the complainant and the accused party;
- (v) Supervise the application of the general policy for the communication of economic financial, non-financial and corporate information. Similarly, the way in which the Company communicates and relates with small and medium-sized shareholders should be monitored.

Article 8.- Functions relating to the external auditor or audit firm

Without prejudice to any other tasks assigned to the Audit Committee by law, the Bylaws or the Board of Directors, the functions of the Audit Committee with respect to the statutory auditor or the external audit firm shall include:

- (i) Make recommendations to the Board for the selection, appointment, reappointment and removal of the statutory auditor or external audit firm and the terms and conditions of the engagement with said auditor. The selection process will include the following criteria:
 - (a) The resources, experiences and geographic coverage of the audit firm;
 - (b) Availability of staff having necessary skills and capabilities;
 - (c) Technical and specialized resources for addressing complex issues consistent with the Company's operations;
 - (d) The independence of the audit firm in consideration of all circumstances which may be reasonably projected to occur;

(e) Non-discrimination of audit firms of lesser size; and

(f) Service quality and effectiveness.

- (ii) Meet with and receive regular information from the statutory auditor or external audit firm on the progress and findings of the audit program and verify that senior management is acting on its recommendations. At such meetings, matters to be addressed will include:

(a) Appropriateness of the scope of consolidation;

(b) Judgments, criteria, assessments and estimates having a material impact on the financial statements and non-financial information;

(c) Changes in significant criteria;

(d) Assessments of alternative performance measures (APMs) and the extent to which they may provide useful information to investors;

(e) Significant weaknesses in internal control; and

(f) Significant adjustments identified or arising from internal audit reviews and management's position on such adjustments.

The Audit Committee will review the main findings of the statutory auditor and, as the case may be, will propose to the Board of Directors the adoption of all appropriate measures to remove the causes of these events if they are within the control of the Company.

- (iii) Ensure the independence of the statutory auditor or external audit firm in the discharge of its functions and, for this purpose:

(a) Q(a) Ensure that the Company informs to the National Securities Market Commission (CNMV) as "other relevant information" ("otra información relevante") of any change in the external auditor, accompanied by a statement on any disagreements with the outgoing auditor and the nature of such disagreement;

(b) Ensure that the remuneration of the external auditor does not compromise its quality or independence;

(c) Ensure that the Company and the auditor uphold prevailing rules governing the provision of non-audit services and, in general, all other rules in place to safeguard auditor independence; and

(d) Should the statutory auditor or external audit firm resign, investigate the circumstances giving rise to such resignation.

The Audit Committee must receive written confirmation on an annual basis from the statutory auditor or external audit firm of their independence from the Company or other entities directly or indirectly related to the Company, as well as information on the additional services of any kind provided to such entities by the statutory auditor or audit firm or by persons or

entities related to them in accordance with the provisions of the audit legislation.

The Audit Committee shall also issue on an annual basis, prior to the issuance of the audit report, a report stating an opinion regarding the independence of the statutory auditor or audit firm. This report must contain, in all cases, an assessment of the provision of the additional services referred to in the preceding paragraph, taken individually and as a whole, other than the statutory audit, in relation to the rules on independence or to audit legislation.

- (iv) Foster that the group auditor takes on the audit of all of the subsidiaries in the Company's group.
- (v) Ensure fluid and ongoing communications with the statutory auditor by seeking information on the audit plan, its effectiveness and any other issue relating to the auditing process. These communications must be compliant with the duties and obligations of each party to ensure independence of the statutory auditor. These communications shall be held in annual meetings, most of which will be held without the presence of the Company's management.

Article 9.- Functions relating to risk policy and management

Without prejudice to any other tasks assigned to the Audit Committee by law, the Bylaws or the Board of Directors, the functions of the Audit Committee with respect to risk management and the risk policy shall include:

- (i) Supervise the various types of risk faced by the Company;
- (ii) Propose the risk levels deemed acceptable by the Company to be approved by the Board;
- (iii) To assess (at least once a year) the list of the most significant financial and nonfinancial risks and the level of tolerance stipulated for each one;
- (iv) To review, when necessary, the Risk Management and Control Policy and to propose its amendment and update to the Board;
- (v) Determine the measures in place to mitigate the impact of identified risk events should the risk events occur;
- (vi) Identify the internal control and reporting systems to be used to control and manage the above risks; and
- (vii) Report, in advance, on the risks of the Company to be included in the Company's annual corporate governance report and to inform the Board of its conclusions, so that it may assess them..

Article 10.- Other functions conferred on the Audit Committee

1. The functions of the Audit Committee with respect to obligations relating to listed companies must be reported to the Board of Directors, before resolutions are put to a vote, on all matters provided for in the law, the Bylaws and the Regulations of the Board of Directors, and, in particular, on:

- (i) The financial information that the Company must periodically disclose as a listed company. The Audit Committee shall ensure that interim financial statements are prepared using the same accounting principles as the annual statements and, to this end, may ask the statutory auditor or external audit firm to conduct a limited review;
- (ii) The creation or acquisition of holdings in special purpose vehicles or entities domiciled in countries or territories considered to be tax havens and any other transaction or operation of a similar nature that, due to its complexity, could diminish the transparency of the group;
- (iii) Transactions with related parties;
- (iv) Transactions that entail or could entail a conflict of interest.

2. The Audit Committee shall not perform the functions provided for under letters (i), (ii) and (iii) above where, pursuant to the Bylaws, the functions have been entrusted to another oversight and control committee, as provided by law.

3. The functions of the Audit Committee with respect to Compliance shall include:

- (i) Propose to the Board of Directors the compliance policies;
- (ii) Propose to the Board for its approval, with the favourable report of the Appointments and Compensation committee, the appointment and the removal of the head of the compliance function;
- (iii) Follow up on the Ethics Committee activities and to resolve on its remediation action proposals;
- (iv) Supervise compliance with corporate governance rules, internal codes of conduct and any other aspects which the Audit Committee may agree from time to time;
- (v) Include compliance training in the annual requirements for Audit Committee members;
- (vi) Gather and analyze all the necessary information and

documentation on any transaction which the Company intends to enter into with directors or significant shareholders. The Audit Committee will evaluate the effect on the Company's interest or whether the transaction would be entered into at arms-length;

- (vii) Verify that the information posted on the Company's website is up to date and matches the information authorized for issue by the Board of Directors and published, when applicable, on the CNMV website; and
- (viii) Review the functioning and effectiveness of the Company's whistleblower system by reviewing regular reports and key metrics.

4. Any other tasks assigned to the Audit Committee by law, the Bylaws or the Board of Directors.

CHAPTER III.- COMPOSITION

Article 11.- Quantitative and qualitative composition

1. The Audit Committee comprises five (5) directors, all of which must be non-executive directors. Executive directors and senior executives may also attend Audit Committee meetings when expressly agreed by the committee members. At least three (3) members of the Audit Committee must be independent directors, and each of them, and in particular the Committee Chairman will be appointed on the basis of their knowledge and experience in accounting, auditing and risk management, and financial and non-financial reporting.
2. The proposal and appointment of Audit Committee members must procure diversity of composition, in particular with respect to gender, professional experience, sector-specific knowledge and geographic origin to encourage the expression of differing point of view and positions.
3. Audit Committee members, as Board members, are presumed to have the experience and knowledge of management, economics, finance and business necessary in all good directors. Nonetheless:
 - (i) Collectively, they must have pertinent technical knowledge related to the industry to which the Company belongs; and
 - (ii) At least one of the Audit Committee member must be designated having equal regard to his knowledge and experience in matters of accounting, audit or both.

In addition to the foregoing, when proposing and appointing Audit Committee members and officers, the Appointments and Remuneration Committee must procure that:

- (i) The Committee Chairman has knowledge, aptitudes and experience suitable to the functions she/he is called to perform in matters of accounting, audit or risk management;
- (ii) Audit Committee members, collectively, have aptitudes in financial and internal control matters; and
- (iii) At least one Audit Committee member has experience in information technology (IT), among other reasons, so as to provide effective supervision of internal control and risk management systems (which generally use complex computer applications) and so as to be able to make a suitable assessment of new emerging risks, such as that of cybersecurity.

Article 12.- Posts

1. The Audit Committee will appoint a Committee Chairman from among the independent Audit Committee members. The Committee Chairman must be replaced every four (4) years and can be re-elected, provided that one (1) year has elapsed since the end of her/his term, notwithstanding her/his continuity or re-election as an Audit Committee member.

The Committee Chairman, among other aspects:

- (i) must have sufficient capacity and availability to provide the Audit Committee with greater dedication than its other members;
- (ii) must maintain regular contact with key staff involved in the Company's governance and management;
- (iii) will be the person who channels and furnishes the necessary information and documentation to the other Audit Committee members, in time for them to be able to analyse it prior to Audit Committee meetings; and
- (iv) with a view to favouring the diversity of opinion that enriches the Audit Committee's analyses and proposals, will ensure that Audit Committee members participate freely in deliberations and will foster constructive dialogue among its members, promoting free speech and a critical attitude.

2. The Secretary of the Audit Committee shall be the person selected by the Committee and may or may not be a director.

Article 13.- Term of office

1. Audit Committee members will hold office for as long as their appointment as Company directors remains in force, unless the Board resolves otherwise. The renewal,

re-election and removal of directors making up this Audit Committee will be governed by what is resolved by the Board.

2. Audit Committee members re-elected as Company directors by resolution of the Shareholders' Meeting will continue to hold office on the Audit Committee provided that the Board so resolves.

Article 14.- Removal from office

Audit Committee members will be removed from office:

- (i) when they cease to be Company directors;
- (ii) when, despite continuing to be Company directors, they cease to be non-executive directors;
- (iii) by resolution of the Board;
- (iv) when their presence on the Board may put the Company's interests at risk or when the reasons for which they were appointed disappear. In particular, directors shall be obliged to inform the Board of Directors, and if applicable, resign when situations arise that affect them, whether or not they are related to their actions in the Company, that could damage the Company's credit and reputation and, in particular, any criminal case in which they are under investigation, as well as any subsequent procedural events.

Article 15.- Training plan

1. New members of the Audit Committee will complete the Board Welcome Program that covers the role of the Audit Committee, up-to-date knowledge of new accounting legislation, specific regulatory framework of the Company's activity, internal and external audit, risk management, internal control, technological advances significant to the Company, the Audit goals, workings of other Committees, time commitment, comprehensive overview of the Company and its operations and its reporting duties.

2. The Audit Committee members will participate in a periodic training program to ensure that they have up-to-date knowledge of new accounting legislation, the specific regulatory framework of the Company's activity, internal and external audit, risk management, internal control and the technological advances significant to the Company.

CHAPTER IV.- FUNCTIONALITY

Article 16.- Annual working plan

1. Prior to the commencement of each year, the Audit Committee will approve an annual working plan that covers at least:

- (i) the specific objectives for each of the Audit Committee's functions, especially for any that are new or refer to the most relevant matters;
- (ii) the organization of the information and agenda for meetings, planning fixed sections (matters discussed habitually) and matters to be discussed only at certain meetings;
- (iii) meetings or other periodic forms of communicating with Company directors, with the Global Director of the Internal Audit and Compliance and with the external auditor; and
- (iv) the training deemed appropriate for the correct performance of the Audit Committee's functions.

2. When preparing the plan, regard must be held to the fact that the responsibilities of Audit Committee members are fundamentally supervisory and advisory, and that they should not take part in enforcement or management functions specific to the management and the executive bodies of the Company.

Article 17.- Meetings

1. The Audit Committee shall hold ordinary meetings on a quarterly basis in order to review the periodic financial information to be submitted to the securities market authorities and the information that the Board of Directors must approve and include in its annual public disclosures. The Audit Committee shall also meet when so requested by any of its members and whenever convened by the Committee Chairman, who must call a meeting whenever the Board of Directors of the Company or the Board Chairman requests that the Audit Committee issue a report or adopt a resolution, and, in any event, whenever a meeting is considered advisable for the proper pursuit of its functions.

2. Meetings shall be held in English with simultaneous translation into Spanish if required, unless all the directors present at the meeting fluently speak Spanish in which case, the relevant meeting will be held in Spanish.

Article 18.- Notice of meetings

1. Ordinary meetings of the Audit Committee shall be called through a letter sent by registered mail or email, authorized with the signature of the Committee Chairman or that of the Secretary on the instructions of the Chairman. The call notice shall be served at least five (5) days in

advance and shall always include the meeting agenda. The Committee Chairman may call special Audit Committee meetings when, in her/his opinion, the circumstances so dictate; in this case, the aforementioned advance notice period shall not apply. The Audit Committee shall be deemed validly assembled without need for prior call if all its members are present, either in person or by proxy, and unanimously agree to hold a meeting..

2. Resolutions taken at Audit Committee meetings held by videoconference, conference call or other remote communication means shall be valid provided that no committee member objects to the procedure, that the members have the means necessary for the purpose and that they mutually recognize one another, which must be expressly placed on record in the meeting minutes.

Article 19.- Venue

1. Audit Committee meetings will be held at the venue indicated in the call notice.

2. Audit Committee meetings may be held at various venues connected with each other by systems that permit the recognition and identification of attendees, ongoing communication between them, participation and voting, all in real time. In such case, the Audit Committee meeting shall be considered a single meeting held at the registered office.

Article 20.- Constitution

1. The Audit Committee shall be deemed validly assembled when at least the majority of the Audit Committee members are present in person or by proxy.

2. The Audit Committee secretary will act as the meeting secretary. In the event of vacancy, illness, impossibility or absence of the Audit Committee secretary, the secretary will be the person designated by the Audit Committee for such purpose.

3. Audit Committee members are required to do everything in their power to attend Audit Committee meetings. When they absolutely cannot attend in person, they may grant proxy to another Audit Committee member in writing, specifically for each meeting, providing the pertinent voting instructions and notifying the Chairman Committee of the proxy appointment. Independent directors may only grant proxy to another independent director.

Article 21.- Resolutions

1. Audit Committee resolutions shall be adopted by a majority of the members in attendance, in person or by proxy. In the event of a tie, the Committee Chairman shall not have the casting vote.

2. Resolutions will be recorded in minutes signed by the Committee Chairman and the secretary, or by whomever is standing in for them. Resolutions should be approved at the same meeting or at the meeting held immediately thereafter and they will be recorded in a book of Audit Committee resolutions.

3. The Audit Committee shall report on and be accountable for its activities in the first plenary meeting of the Board of Directors following the committee's own meeting. Minutes of the Audit Committee meetings shall be drafted and kept in both English and Spanish and sent to all members of the Audit Committee. The minutes shall also be made available to the members of the Board of Directors.

4. Provided that no Audit Committee member objects, resolutions may be adopted by written consent and without a meeting.

Article 22.- Conflicts of interest

Where the matters to be discussed at Audit Committee meetings have a direct impact on any Audit Committee members or on persons related to them and, in general, where said Audit Committee member is subject to a conflict of interest, she/he must refrain from attending and participating in deliberations that relate to matters in which she/he is in a situation of conflict of interest, and will be discounted from the number of Audit Committee members used to calculate quorum and majorities in connection with the matter in question.

Article 23.- Attendance

1. At the request of the Committee Chairman, by way of a petition addressed for such purpose to the Chairman of the Board, any director may be asked to attend an Audit Committee meeting.

2. The Audit Committee may request the presence of any member of management or any Company employee, even

ordering their appearance without the presence of another executive. These individuals shall be obliged to attend the meetings of the Audit Committee and to cooperate and provide access to the information in their possession.

3. The Audit Committee may require the external auditor of the Company or of any entity forming part of the group to attend an Audit Committee meeting, provided that there is no legal barrier to such attendance.

4. The presence of managers or other directors, whether or not executive, at Audit Committee meetings will be occasional and only if necessary, following an invitation by the Committee Chairman, and will be limited strictly to those items on the agenda for which they are invited.

CHAPTER V.- RELATIONS

Article 24.- Relations with the Board of Directors

The Committee Chairman will inform the Board of Directors of the matters discussed and the resolutions adopted at its meetings at the first Board meeting held after each Audit Committee meeting.

Article 25.- Relations with the Internal Audit and Compliance Department

1. The Audit Committee will propose to the Board for its approval, with the favourable report of the Appointments and Compensation committee, the appointment and the removal of the Global Director of the Internal Audit and Compliance.

2. The Audit Committee will ensure that the members of the internal audit and compliance department have access to the necessary documentation and staff and will aid them in the use of suitable research techniques without any barrier whatsoever.

3. The Audit Committee will guide and supervise the activities of the internal audit and compliance department, for which purpose it will approve an annual working plan. As an integral part of the plan, the Audit Committee will approve the budget of the internal audit and compliance department and for the Ethics Committee.

4. The Global Director of the Internal Audit and Com-

pliance will report directly to the Audit Committee on any possible incidents or scope limitations arising during the development of its annual working plan, as well as the results and monitoring of its recommendations, shall report directly to it on its execution and will submit an activities report to the Audit Committee at the end of each fiscal year.

5. The Global Director of Internal Audit and Compliance shall assist the Committee Chairman in the preparation of the agenda of the Audit Committee meetings and, when so required by the Chairman, shall also assist her/him in the preparation of the contents and presentation of such contents to the Committee members during the Audit Committee meetings.

Article 26.- Relations with the External Auditor

1. Communications and meetings with the external auditor must respect the latter's independence, must be smooth and ongoing and must discuss, inter alia, the following matters:

- (i) the suitability of the consolidation perimeter;
- (ii) opinions, methods, assessments and estimates made, where they have a significant impact on the financial statements and related non-financial statements;
- (iii) changes to significant accounting principles applied;
- (iv) significant internal control weaknesses; and
- (v) significant adjustments identified by the external auditor or resulting from the reviews performed by the internal audit department, and the position taken by the management in connection therewith.

2. Communications with the external auditor must be projected on an activities calendar and an annual meeting agenda; most meetings will be held without the presence of Company management and will include all matters with a potential influence on the external auditor opinion and on the independence of the external auditor.

3. The Audit Committee must at all times abide by the general principle of independence of the external auditor and the latter's duty not to participate in any way in the Company's management or in the decision-making of any of the Company's bodies, including the Audit Committee itself.

CHAPTER VI.- PREROGATIVES OF THE AUDIT COMMITTEE, DUTIES OF ITS MEMBERS AND EVALUATION OF ITS FUNCTIONING

Article 27.- Prerogatives

1. The Audit Committee may access, without restriction, any employee or any type of information or documentation available to the Company in connection with the matters under the Audit Committee's authority and deemed necessary by the Audit Committee for the performance of its functions.

2. The Audit Committee may also enlist, with a charge to the Company, the cooperation or advisory services of external professionals, who must address their reports directly to the Committee Chairman. In such case, the Audit Committee must prevent any conflicts of interest from jeopardizing the independence of the external advice received.

Article 28.- Duties of the members of the Audit Committee

1. Audit Committee members must act with independence of criteria and of action with respect to the rest of the organization and must perform their work with the utmost professional diligence and skill.

2. Audit Committee members will be subject, as such, to all the duties of a director pursuant to the Board Regulations, insofar as they apply to the functions performed by the Audit Committee.

Article 29.- Evaluation. Activity Report

1. The Audit Committee shall assess its own performance independently to reinforce its functioning and improve planning for the following year.

2. The Audit Committee shall prepare an annual report on its activities, highlighting the main incidents arising, if any, in relation to its functions. Moreover, where the Audit Committee sees fit, it may include in such report proposals to improve the governance rules of the Company. Audit Committee reports shall be made available to shareholders and investors on the Company website along with the rules and regulations of the Audit Committee.

3. The Audit Committee's activity report will include the following:

- (i) Rules and regulations of the Audit Committee;
- (ii) Composition of the committee throughout the year, including the category and length of service of each member;
- (iii) Role performed in practice throughout the year by the Audit Committee;
- (iv) Meetings held in the year and number of persons present, including invitees who are not members of the committee;
- (v) Significant activities carried out in the period in relation to financial reporting, related-party transactions, corporate social responsibility policy, risk management and control, internal audit, statutory auditor, compliance functions, follow-up of the Audit Committee's own action plans and the nature and scope of any communications with regulators;
- (vi) Assessment of the functioning and performance of the Audit Committee, and methods used to evaluate its effectiveness;
- (vii) Information on the audit committee's opinion on the independence of the statutory auditor;
- (viii) Disclosure of the practical guides on Audit Committee being followed; and
- (ix) Conclusions.

Article 30.- Entry into force

These Regulations are valid for an indefinite period, shall enter into force on the day following the date of its approval by the Board of Directors and shall apply to all Audit Committee members after the date of entry into force.

REGULATIONS OF THE BOARD OF DIRECTORS OF FLUIDRA, S.A

Article 13. Audit Committee. Members, responsibilities and functions

1. An audit committee will be formed in the Board of Directors that will consist of at least five (5) directors (who must only be non-executive directors) who will be appointed by the Board of Directors, although executive directors or senior managers may attend the committee when so requested by its members. At least three (3) of the committee's members must be independent directors, and one of them will be appointed

in view of her or his expertise and experience in accounting or auditing or both. The members of the Audit Committee, and especially its chair, will be appointed in view of their accounting, auditing and risk management experience and expertise, and based on their knowledge, aptitudes and experience, taking into account the committee's other duties.

2. The Chair of the Audit Committee will be appointed from among the independent board members on the committee, and a new chair must be reappointed every four years, although a former chair may be re-elected one and a half years after resigning. The committee's secretary will be designated by the committee itself, and the secretary may or may not be a director.

3. In addition to any other tasks it may be required to perform at any time by law or under the company's articles of association or the Board of Directors Regulations, the Audit Committee will also have the following basic responsibilities:

- Reporting to the General Shareholders Meeting on any issues that are raised within its purview.
- Submitting proposals to the Board of Directors, for submission to the General Shareholders Meeting, on the appointment of the auditors or external auditing firms required under article 264 of the Spanish Corporate Enterprises Act, and on the hiring terms and conditions, the scope of the auditors' professional mandate, and if applicable, their removal or non-renewal.
- Supervising the effectiveness of the company's internal controls and the internal controls of its financial reporting, internal auditing and, where applicable, risk management systems, including taxes, and working with the external audit firms or auditors to discuss the significant weaknesses that the audit detected in the internal control system.
- Supervising the process of preparing and filing mandatory financial information.
- Reviewing the company's accounts and overseeing compliance with legal requirements and the proper application of generally accepted accounting principles, with direct assistance from the external and internal auditors to do this.
- Conducting and supervising the relations with the external audit firms or auditors to receive information on any issues that might put their independence at risk so that they can be assessed by the committee, and on any other matters related to the auditing process, and to receive any other communications specified under accounting regulations and auditing rules.
- Supervising compliance with the audit contract, and ensuring that the opinion on the annual financial statements and the main contents of the audit report are composed clearly and precisely, in addition to assessing the results of each audit.
- Supervising related-party transactions to make sure they

comply with regulations. In particular, the committee must make sure that the information on these transactions is communicated to the market as stipulated in Spanish Ministerial Order 3050/2004, of the Ministry of Economy and Finance, of 15 September 2004.

- Examining the company's compliance with its Internal Code of Conduct, these Regulations and, in general, its governance rules, and making any proposals that may be necessary for improving them.
- Receiving information and, if necessary, issuing reports on any disciplinary measures intended for enforcement against the company's senior managers.

The Audit Committee is also responsible for:

- In relation to the company's internal information and control systems:

(a) Supervising the preparation and the completeness of the financial information on the company, and where applicable, on the Group, reviewing compliance with regulatory requirements and the proper delimitation of the consolidation perimeter and the correct application of accounting criteria.

(b) Periodically reviewing the internal control and risk management systems to ensure that the main risks are identified, managed and duly reported.

(c) Ensuring the independence and effectiveness of the Internal Audit Department; nominating, appointing, re-electing and dismissing the head of the Internal Audit Department; proposing the department's budget; receiving periodic information on its activities; and making sure that senior management takes into account the conclusions and recommendations in its reports.

(d) Implementing and supervising a mechanism for employees to confidentially, and if considered appropriate, anonymously report any potentially significant irregularities, especially financial and accounting irregularities, that they may detect in the company.

- In relation to the auditor or external audit firm:

(a) Sending the board proposals for nominating, appointing, re-electing and replacing the external audit firm or auditor, and the terms and conditions for hiring them.

(b) Regularly receiving information from the external audit firm or auditor on the audit plan and the results from implementing it, and making sure that senior management takes their recommendations into account.

(c) Ensuring the independence of the external audit firm or auditor in the exercise of their functions, and to this end, making sure: (i) that the company reports any changes in external auditors to the CNMV as relevant facts together with a statement on the possible existence of disagreements with the outgoing auditor; (ii) that the company and the auditor adhere to the regulations in force on the provision of non-audit services, and in general, to the other rules in place for ensuring auditor independence; and (iii) that an examination is conducted, where applicable, of the

circumstances surrounding why the external audit firm or auditor resigned.

Each year, the external audit firms or auditors must send the Audit Committee written confirmation of their independence from the company and from any entities related to it directly or indirectly, and information on any type of additional services that were rendered and the corresponding fees that the auditors or firms may have received from these entities or companies or from individuals or legal entities related to them pursuant to the legislation on auditing.

Each year before the audit report is issued, the Audit Committee must also issue a report expressing an opinion on the independence of the auditors or audit firms. This report must include, under all circumstances, an assessment of the additional non-audit services provided as indicated in the preceding paragraph individually and as a whole, and of the rules on independence and the rules regulating audits.

(d) In the case of groups, the Group's auditor should preferably also be in charge of the audits of the Group's companies.

- In relation to the risk policy and risk management:

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

(b) Identifying the definition of the risk level that the company considers to be acceptable.

(c) Identifying the measures envisaged for mitigating the impact of the identified risks if they should come to fruition.

(d) Identifying the internal control and information systems that will be used for controlling and managing these risks, including contingent liabilities and off-balance sheet risks.

- In relation to the specific obligations of listed companies:

Reporting to the Board of Directors (before it makes the corresponding decisions) on all of the matters required by law and under the company's articles of association and the Regulations of the Board of Directors, and in particular with regard to:

(a) The financial information that the company must periodically publish as a listed company. The Audit Committee must make sure that the interim financial statements are prepared with the same accounting criteria as the annual financial statements and, to this end, it should determine whether there should be a limited review of the external audit firm or auditor.

(b) The creation or acquisition of shares in special purpose vehicles or companies domiciled in tax havens, and any other analogous transactions and operations that, due to their complexity, might diminish the Group's transparency.

(c) Related-party transactions.

(d) Transactions that would or might entail a conflict of interest. The Audit Committee will not exercise the functions envisaged in sections (a), (b) and (c) above if the articles of

association attribute them to another oversight and control committee in accordance with the law.

4. The Audit Committee will hold ordinary meetings each quarter to review the periodic financial information that must be submitted to the market authorities and the information the Board of Directors must approve and that must be included in its annual public documents. It will also meet whenever requested by any of its members and called by its chair, who must call a meeting whenever the board or the chair of the board requests a report or the adoption of proposals and, in any event, whenever a meeting would be appropriate for the proper performance of its functions.

5. The calls to the Audit Committee's ordinary meetings will be sent out via certified post, or by fax, telegram or email, and they must be authorised with the signature of the chair of the committee, or that of the secretary of the committee, where applicable. Meeting calls must be sent out at least five days in advance and they must always include the agenda for the meeting. The Committee Chair may call extraordinary committee meetings if she or he decides circumstances so dictate. In these cases, advance notice will not be required. The Audit Committee will also be duly convened with no need for a call if all of its members are present or represented and they unanimously agree to hold a meeting.

6. Audit Committee resolutions will be valid if they are resolved in meetings held by videoconference, teleconference, multiple-way phone call or other remote communication techniques, so long as none of the members oppose this method, and provided that there are the necessary resources to do so, and that the members recognise each other, with this duly recorded in the meeting minutes. In this case, the committee will be deemed to have met in a single meeting at the company's headquarters.

7. The committee will be duly convened if at least a majority of its members are present or represented.

8. Resolutions will be adopted by a majority of the members in attendance (present or represented) at the meeting. In the event of a tie, the chair will cast the deciding vote.

9. The Audit Committee may summon any of the company's managers and employees to its meetings, and it may also order them to come without the presence of another director. These persons will be required to attend the Audit Committee meetings and to work with it and provide it access to the information they possess. The committee may also require the auditors to attend its meetings.

10. In order to best fulfil its duties, the Audit Committee may gather advice from external experts if it deems doing so necessary for duly performing its functions.

11. The company will have an Internal Audit Department that will report to the Audit Committee and that will monitor the proper functioning of the company's internal information and control systems. The Internal Audit Director must submit an annual work plan to the Audit Committee, directly reporting any incidents to it that may arise in the plan's implementation, and submitting an activities report to the committee at the end of each year.

12. The Audit Committee must report on its activities and answer for the work it performed in the first plenary meeting of the Board of Directors after its meetings. The committee must also keep minutes of its meetings in both English and Spanish, and a copy of the minutes must be sent to all the members of the Audit Committee, and in any event these minutes must be made available to the members of the Board of Directors. The Audit Committee will prepare an annual report on its work that must highlight the main incidents that occurred, if any, in relation to its specific functions. If the Audit Committee deems appropriate, it will also include proposals in the report on how to improve the company's governance rules. The Audit Committee's report will be appended to the annual report on the company's corporate governance, and it will be made available to shareholders and investors on the corporate website. Meetings will be held in English with simultaneous interpretation in Spanish, unless all of the members in attendance speak fluid Spanish. In this case, the corresponding meeting will be held in Spanish.

The Board of Directors must deliberate any proposals and reports that the committee may submit to it.

INTERNAL CODE OF CONDUCT OF FLUIDRA, S.A.

Article 14. Supervision of compliance with the Internal Code of Conduct.

In accordance with the provisions in the Articles of Association and in the Regulations on the Company's Board of Directors, the Audit Committee is to supervise the effective compliance with the obligations covered in these Regulations, to which end its responsibilities are as follows:

(i) monitor compliance with the standards of conduct for the securities markets and the rules of these Regula-

tions, their procedures and other complementary legislation, present or future, as well as monitor the promoting awareness of the Regulations and other standards of conduct in the securities markets by the Persons Subject to these Regulations;

- (ii) developing, as applicable, procedures and rules considered appropriate for the application of the Regulations;
- (iii) interpreting, where applicable, the rules contained in the Regulations;
- (iv) hearing the disciplinary actions against the Persons Subject to these Regulations for breach of the rules contained in these Regulations;
- (v) proposing to the Company's Board of Directors any modifications or improvements to these Regulations that it considers appropriate;
- (vi) granting the appropriate authorizations so that Permanent Insiders and Periodic Insiders can carry out transactions during periods of restricted action.

The Audit Committee will have all of the powers necessary in order for it to carry out its functions, specifically, among other aspects it will be entitled to:

- (i) require from the Persons Subject to these Regulations any details or information it considers necessary;
- (ii) establish the information requirements, control rules and other measures it considers appropriate.

The Audit Committee is to report annually to the Board of Directors, as well as whenever it considers it necessary or is so required by the Board, on the measures adopted to ensure compliance with the provisions of the Regulations, its level of compliance, and the incidents that have arisen or are still open, as applicable, in this period.

The Chief Legal Officer shall be responsible for compliance with these Rules and with the applicable rules of conduct of the securities markets as a listed company. The Chief Legal Officer will likewise regularly inform the Audit Committee about the level of the compliance with the rules, so that the Committee is able to discharge the duties indicated in this paragraph.