

**Directors' Compensation Policy of Fluidra S.A.**

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**June, 2018**

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## 1. Introduction: Legislative framework

Article 529 *septdecies*, *octodecies* and *novedecies* of Legislative Royal Decree 1/2010, of July 2, 2010, approving the Revised Capital Companies Law (“**LSC**”), establish for listed companies the obligation to prepare a compensation policy for their boards of directors, to be approved by the shareholders’ meeting through a binding resolution at least every three years, which must describe and detail the different compensation items which the directors are entitled to receive in their capacity as such and the characteristics and basis for the compensation of directors that perform executive functions at the company.

On May 3, 2016, the Shareholders’ Meeting of Fluidra, S.A. (“**Fluidra**” or the “**Company**”) approved the Company’s compensation policy for fiscal years 2016 through 2019 included.

On February 20, 2018, the Shareholders’ Meeting of Fluidra approved the cross-border merger by absorption of Piscine Luxembourg Holdings 2 S.à r.l. (“**Zodiac HoldCo**”) by Fluidra, with the extinguishment, through its dissolution without liquidation, of the absorbed company and the global transfer of all of its assets and liabilities to the absorbing company, which shall acquire, by universal succession, all the assets and liabilities and rights and obligations of the absorbed company (the “**Merger**”). The same Shareholders’ Meeting resolved that on the date of registration of the Merger deed at the Companies Registry pertaining to the registered office of Fluidra, (the “**Merger Registration Date**”), the Board of Directors of Fluidra will be composed of twelve directors: four independent directors, four directors proposed by the syndicated shareholders of Fluidra, jointly, and four directors proposed by Piscine Luxembourg Holdings 1, S.à r.l., sole shareholder of Zodiac HoldCo (“**Luxco**”). As part of the Merger resolutions, and at the proposal of the board of directors of Fluidra, that Shareholders’ Meeting approved, conditional on the registration of the Merger deed at the Companies Registry pertaining to the registered office of Fluidra, the appointments, resignations and/or terminations of directors necessary to be able to

implement the composition of the board of directors of Fluidra described above. Following the changes to the composition of the Fluidra Board of Directors, the Company shall have two executive directors: Mr. Eloy Planes Corts (executive chairman) and Mr. Bruce Brooks (chief executive officer).

The modification of the composition of Fluidra's Board of Directors makes it necessary to adapt its compensation policy with effect as from the date on which the new composition of the Board becomes effective ("**Compensation Policy**").

As from the Merger Registration Date, and therefore conditional upon the registration of the Merger, the Compensation Policy shall replace that approved by the Shareholders' Meeting on May 3, 2016, without prejudice to the effects produced and vested during the term of validity of the latter.

In accordance with the duty of loyalty, the Compensation Policy that is submitted to the meeting also includes, in section 8, a description of the Substitute Plan (as defined in section 8), which derives from the Management Equity Plan ("MEP") that was implemented by the shareholders of Zodiac Holdco during the first half of 2017. As is explained in section 8, the Substitute Plan entails no payment obligation for the Fluidra group, although its content has been adjusted, by agreement between the parties, with the intent of aligning it with the interests of the Fluidra group.

## **2. Internal regulations of Fluidra**

The LSC establishes, among other non-delegable functions corresponding to the board of directors of a listed company, that of making decisions relating to the compensation of directors, within the framework of the bylaws and of the compensation policy approved by the Shareholders' Meeting. In addition, the LSC attributes to the Compensation Committee of a listed company, among other functions, that of proposing to the board of directors the compensation policy for the directors.

There follows a description of the main governance provisions applicable to Fluidra in the process of determination, application and supervision of its Directors' Compensation Policy, pursuant to the bylaws, the Company's Board of Directors' Regulations and the resolutions adopted by the Shareholders' Meeting, all in accordance with the provisions established in this respect in the legislation applicable to listed companies.

In this respect, the Board of Directors of Fluidra has received advice on compensation from Willis Tower Watson, Georgeson, S.R.L. and J&A Garrigues, S.L.P.

## **2.1 Functions of the Board of Directors and of the Appointments and Compensation Committee of Fluidra**

Fluidra's bylaws and Board of Directors' Regulations regulate the functions of the Company's Board and Appointments and Compensation Committee ("ACC") in relation to the compensation of its Directors.

Article 39 of the bylaws ("*Powers of the Board of Directors*") establishes that:

*"The board of directors shall be responsible for the representation and supreme management and administration of the Company in and out of court, for all the acts comprising the corporate purpose defined in these bylaws, and for all proceedings required by law, these bylaws and the Regulations of the board of directors, and without prejudice to any acts expressly reserved by them for the Shareholders' Meeting."*

In relation to the responsibilities of the ACC, article 45 of Fluidra's bylaws ("*Executive Bodies of the Board*") stipulate as follows:

*"(...)*

*In any case, the board must set up an Audit Committee and an Appointments and Compensation Committee, with powers to inform, supervise, advise and make proposals on the matters for which it is responsible, which are set out in the Board of Directors' Regulations. In addition, the Board of Directors' Regulations shall regulate the composition and functioning of both executive bodies."*

Article 5 of Fluidra’s Board of Directors’ Regulations (“*General Function of the Board*”) establishes that:

*“The board of directors may not under any circumstances delegate the following powers:*

*(...)*

*(ix) Decisions concerning directors’ compensation, within the framework of the bylaws and, as appropriate, of the compensation policy approved by the Shareholders’ Meeting.”*

Article 14.3 of Fluidra’s Board of Directors’ Regulations (“*Appointments and Compensation Committee. Composition, competencies and functioning*”) establishes as follows:

*“Without prejudice to other duties assigned to it by the Bylaws or the Board of Directors, the Appointments and Compensation Committee shall have the following basic responsibilities:*

*(...)*

- To make proposals to the Board of Directors regarding: (i) the compensation policy for directors and general managers or persons performing senior management functions who report directly to the Board, the Executive Committee or executive directors; (ii) the individual compensation of executive directors and the other terms of their contracts; (iii) the recruitment policies and basic terms of the contracts of the Company’s senior executives.*

*(...)*

- To oversee compliance with the compensation policy established by the Company, and the transparency of the compensation.*

*(...)”*

## **2.2 Compensation of Fluidra’s directors**

Both the Bylaws and the Board of Directors’ Regulations of Fluidra establish the principles and foundations on which the Directors’ Compensation Policy is based.

In relation to directors' compensation, article 44 of Fluidra's Bylaws ("*Directors' Compensation*") establishes as follows:

*"1. The directors' compensation shall consist of a fixed and pre-established annual amount and fees for attending the meetings of the Board of Directors and of its executive and advisory committees. The maximum annual compensation which the Company may pay to its Directors overall in their capacities as such for both items shall be that determined for such purpose by the Shareholders' Meeting, and such amount shall remain in force until a resolution is adopted to amend it. Unless the Shareholders' Meeting determines otherwise, the establishment of the exact amount payable within that limit and its apportionment amongst the different Directors, as well as the payment schedule, shall be the responsibility of the board of directors, in the proportion which it freely determines. The amount of compensation to be received by each of the directors shall be determined based on the criterion that the amount should be a reflection of the effective professional performance of each of them and should take into consideration the roles and responsibilities attributed to each director and their participation on Board committees.*

*2. In addition and independently of the provisions of the preceding subarticle, compensation systems for directors linked to the share price or which entail the award of shares or stock options to the directors may be established. The application of these compensation systems must be resolved on by the Shareholders' Meeting. The resolution of the Shareholders' Meeting shall include the maximum number of shares that may be assigned in each fiscal year to this compensation system, the value of the shares used as a reference, the number of shares to be delivered to each director, the exercise price or the system for calculating the exercise price of the stock option rights, the duration of this compensation system and other conditions deemed relevant.*

*3. The compensation provided for in the preceding sections, derived from the status as Board member, shall be compatible with any other professional or employment benefits received by the Directors for any other executive or advisory functions they may perform for the Company other than their supervision and collective decision-making duties as Board members, which shall be subject to the legal regimes applicable to them."*

Moreover, in relation to Directors' compensation, article 25 of Fluidra's Board of Directors' Regulations ("*Directors' Compensation*") states that:

*“1. The directors’ compensation shall consist of a fixed and pre-established annual amount and fees for attending the meetings of the Board of Directors and of its executive and advisory committees. The maximum annual compensation which the Company may pay to its directors overall in their capacities as such for both items shall be that determined for such purpose by the Shareholders’ Meeting, and such amount shall remain in force until a resolution is adopted to amend it. Unless the shareholders’ meeting determines otherwise, the establishment of the exact amount payable within that limit and its apportionment amongst the different directors, as well as the payment schedule, shall be the responsibility of the board of directors, in the proportion which it freely determines. The amount of compensation to be received by each of the directors shall be determined based on the criterion that the amount should be a reflection of the effective professional performance of each of them and should take into consideration the roles and responsibilities attributed to each director and their participation on Board committees.*

*2. In addition, the board of directors shall ensure that the amount of the compensation of external directors is such that it offers incentives for their dedication but does not compromise their independence.*

*3. Furthermore, apart the provisions of the preceding subarticle, compensation systems may be established linked to the market price of the shares or that entail the delivery of shares or stock options to the Directors. The application of these compensation systems must be approved by the Shareholders’ Meeting. The resolution of the shareholders’ meeting shall include the maximum number of shares that may be allocated each fiscal year to this compensation system, the value of the shares taken as a reference, the number of shares to be delivered to each director, the exercise price or the system for calculating the exercise price of the stock options, the duration of this compensation system and other conditions that are deemed relevant.*

*4. The compensation provided for in the preceding sections, derived from the status as Board member, shall be compatible with any other professional or employment benefits received by the directors for any other executive or advisory functions they may perform for the Company other than their supervision and collegiate decision-making duties as board members, which shall be subject to the legal regimes applicable to them.*

*5. Every year, the Board of directors shall draw up a report on the compensation of its members, which shall include complete, clear and understandable information on the Company’s compensation policy*

*approved by the Shareholders' Meeting. The report shall include the compensation that is paid or payable to the directors in their capacities as such and, where appropriate, for performing executive duties. It shall also include an overall summary of how the compensation policy was applied during the year that has ended, as well as details of the individual compensation accrued for all items by each of the directors in that year.*

6. *The report shall be distributed and put to a vote on an advisory basis as a separate item on the agenda of the Annual Shareholders' Meeting.*

7. *The board of directors shall prepare the directors' compensation policy, which shall be adapted to the compensation system established in the bylaws and submitted for approval by the Shareholders' Meeting at least every three years as a separate item on the agenda. The directors' compensation policy thus approved shall remain in force throughout the three fiscal years following that in which it was approved by the Shareholders' Meeting. Any change or replacement of it during that period will require the prior approval of the shareholders' meeting, in accordance with the established approval procedure. However, if the annual report on the directors' compensation is rejected in the advisory vote during the annual shareholders' meeting, the compensation policy applicable for the next business year shall be subject to the approval of the shareholders' meeting prior to its application, even if the aforementioned period of three years has not yet elapsed. This excludes cases in which the compensation policy has been approved at that same annual shareholders' meeting. Any compensation received by the directors for the discharge or termination of their office as well as, if applicable, for the discharge of executive functions, will be in accordance with the directors' compensation policy in force at any given time, except for any compensation that has been expressly approved by the shareholders' meeting.*

### **3. General principles governing Fluidra's Compensation Policy for Directors**

#### **3.1 Principles and Foundations**

In accordance with article 217 of the LSC, the Compensation Policy for Directors seeks to ensure that their compensation is in reasonable proportion to the Company's size, its economic situation and the market standards of comparable companies. The aim of the compensation system is to promote the sustainable

creation of value over the long term, linking the compensation of the Directors to the return and interests of the shareholders, and it includes the necessary safeguards to avoid the excessive assumption of risks and the rewarding of unfavorable results.

Additionally, Fluidra takes into account the economic environment, the Company's results, the Fluidra group's strategy, best market practices and the corporate governance recommendations in relation to compensation.

In view of the foregoing, Fluidra's Compensation Policy for Directors is based on the following general principles:

- The compensation policy must ensure that compensation is reasonable and consistent with the trends and references regarding compensation followed in the market in relation to companies with a similar structure and overall size, and it should take into account the Company's strategic approach and the situation in the territories in which the Company operates.
- The compensation policy must be geared toward stimulating performance which ensures the generation of value on the long-term and the sustainability of results over time, being in line with the shareholders' interests.
- The compensation policy must seek to reward quality, dedication, responsibility, business knowledge and commitment to the Company.
- The compensation must take internal equity into consideration.
- The rules for the management of compensation must be explicit, known by the directors and written in a clear and concise manner.
- The Company must comply in any case with all of the reporting

obligations related to the compensation of directors under the LSC, as well as any other applicable legislation.

The compensation system distinguishes between the compensation of the Directors corresponding to their supervisory and collegiate decision-making functions as such, and compensation for the performance of executive duties at the Company.

### **3.2 Characteristics of the Directors' Compensation Policy in respect of the supervisory and collegiate decision-making functions corresponding to Directorship positions**

In application of the principles set out in section 3.1 above, Fluidra's compensation policy in respect of the supervisory and collegiate decision-making functions corresponding to Directorship positions shall have the following characteristics:

- The information on directors' compensation shall be transparent.
- The compensation shall be paid as a reward for their dedication, qualifications and responsibility, without compromising their independence.
- The compensation shall be made up of an annual fixed amount and fees for attending the meetings of the Board of Directors and its executive and advisory committees, depending on their position and responsibilities within the Board of Directors and its committees.
- The compensation shall not include components linked to profits or stock market value, in order to separate it from short-term objectives and variables, pursuant to Corporate Governance recommendations.
- Directors shall be compensated for the travel and other expenses they incur to attend meetings of the Company or to carry out their duties.

The maximum annual amount of compensation for the Directors corresponding to the supervisory and collegiate decision-making functions of their Directorship positions shall be set by the Shareholders' Meeting and distributed by the Board of Directors as it so determines bearing in mind the criteria set forth above. This maximum amount will remain in force until the Shareholders' Meeting resolves to change it.

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

The general principles and bases of the compensation policy that apply to directors with executive duties ("**Executive Directors**") at the Company are the following:

- The compensation for the performance of executive functions shall be on top of any compensation that the Director may receive for the supervisory and collegiate decision-making functions corresponding to his/her position as a Board member.
- Compensation shall be allocated for the performance of executive functions in accordance with the policy established for the compensation of senior executives and with what is stipulated in their respective contracts according to objective criteria.
- The compensation system shall offer a balanced and efficient relationship between the fixed components and the variable components so that the fixed component constitutes a sufficiently high part of the total compensation.
- The compensation system shall include components in cash and in kind.
- The variable compensation shall be set with a medium- and long-term view, which provides an incentive for performance in strategic terms in addition to the achievement of short-term results, considering the current situation and the Company's outlook and objectives with regard to sustainable growth,

without the variable compensation threatening the Company's ability to maintain its solvency and financial situation.

- The compensation policy shall seek to promote and encourage the achievement of the Company's strategic objectives by incorporating long-term incentives, reinforcing continuity in the Company's competitive development, fostering motivation, loyalty and retention, whilst keeping their compensation in line with best practices.
- The long-term incentive shall include a clause that enables the Company to claim reimbursement of the compensation arising from it in the event it is subsequently revealed that the determination thereof was based on incorrect or inaccurate data.

The compensation policy is therefore geared towards creating value for the Company, and seeks to be in alignment with its shareholders' interests through prudent risk management and through strict compliance with the legislation in force on directors' compensation and the recommendations on Corporate Governance in relation to the compensation of directors of listed companies.

The remuneration system for directors is set out below, based on the above principles and foundations.

#### **4. Compensation system applicable to the Directors in respect of the supervisory and collegiate decision-making functions of their Directorship positions**

##### **4.1 Components of the compensation**

As stated above, the compensation of Directors in respect of the supervisory and collegiate decision-making functions of their Directorship positions consists of the following items:

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

the coordinator of the Board of Directors is higher than that of other members of the Board due to their larger number of responsibilities for the efficient functioning of the board of directors.

- A fixed cash compensation for their participation on the ACC and/or the Audit and/or Executive Committee. The amount paid to chairpersons of these committees is greater than the amount paid to the other members of these committees due to their larger number of responsibilities for the efficient functioning of those committees.
- Fees for attending the meetings of the Board or its Committees. The amount received by the directors who reside outside of Spain is higher than the amount received by the other members of the Board.

The maximum amount of the annual compensation that the Company may pay to all of its Directors in respect of the supervisory and collegiate decision-making functions of their Directorship positions, for all items, shall be established for such purpose by the Shareholders' Meeting, which shall remain in force until the Shareholders' Meeting changes it, although the Board of Directors may establish a lower amount. The establishment of the exact amount to be paid within this limit and its distribution to the Different directors shall correspond to the Board of Directors, at the proposal of the ACC, in the proportions it freely determines.

The Company has not taken on any obligation or commitment related to pensions, retirement or similar arrangements with the Board members in respect of the supervisory and collegiate decision-making functions of their Directorship positions.

There are no other compensation schemes for the Directors or share-based incentive plans in which the Directors participate in respect of the supervisory and collegiate decision-making functions of their Directorship positions.

## **4.2 Compensation envisaged for fiscal year 2018 and subsequent years**

### **a) Compensation envisaged for 2018**

To date, the maximum annual compensation of the directors in respect of the supervisory and collegiate decision-making functions of their Directorship positions, approved by the Shareholders' Meeting of Fluidra on June 5, 2009, has been 1,200,000 euros.

Simultaneously to the approval of the Compensation Policy, the board of directors has proposed to the Shareholders' Meeting, conditional upon the registration of the Merger and as from the Merger Registration Date, the increase of the maximum compensation per annum from 1,200,000 euros to 1,600,000 euros. This increase is due to the increase in the number of members forming the Board of Directors after the Merger.

The maximum amount of the compensation shall remain unchanged on the same terms in following years until the Shareholders' Meeting approves a new amount. Likewise, the internal distribution amongst the directors shall remain unchanged until the Board of Directors approves a different distribution.

The distribution amongst its members, approved by the Board of Directors for 2018 (the proportional part of the period running from the Merger Registration Date through to December 31), subject to possible review in subsequent years as described in point b), is as follows:

- 82,000 euros per annum for each member of the Board of Directors.
- For the responsibility and dedication required by belonging to the different Committees and Chairmanship and coordination of the Board:
  - An additional 15,000 euros per annum for each member of the Appointments and Compensation Committee, except the Committee chairman, who will receive an additional 20,000 euros.

- An additional 15,000 euros per annum for each member of the Audit Committee, except for the Committee chairman, who will receive an additional 20,000 euros.
- An additional 12,000 euros per annum for each member of the Executive committee, except for the Committee chairman, who will receive an additional 16,000 euros.
- An additional 36,000 euros per annum for the chairman of the Board of Directors.
- An additional 15,000 euros per annum for the coordinator of the Board of Directors.
- The above notwithstanding, the executive directors who form part of the various Committees shall receive no additional amount in respect of their membership thereof.
- The fees for attending the meetings of the Board or its Committees amount to 8,000 euros per annum. However, the amount received by the directors who reside outside of Spain amounts to 20,000 euros per annum.

**b) Compensation envisaged for following years**

In subsequent years, the Board of Directors, upon a proposal by the ACC, may amend the proposal for the distribution of compensation between the members of the managing body, as agreed in respect of 2018, to bring it into line with the level of dedication of its members and market practice.

The compensation of the directors in respect of the supervisory and collegiate decision-making functions corresponding to their Directorship positions shall in any event be adapted to the system defined at any given time by the bylaws and to the maximum amount of compensation established by the Shareholders' Meeting. Consequently, this Compensation Policy for the Directors in respect of the

supervisory and collegiate decision-making functions corresponding to their Directorship positions, shall be deemed modified to the same extent as the Shareholders' Meeting approves a maximum figure other than that established in section 4.2.a) above.

## **5. Compensation system applicable to the Executive Directors**

### **5.1 General description**

The LSC and the bylaws of Fluidra acknowledge the Executive Directors' entitlement to receive compensation for their executive functions, in addition to that corresponding to them purely for their directorship positions.

The main items of which the Executive Directors' compensation is made up are:

- Fixed compensation based on level of responsibility assumed and professional background.
- Annual variable compensation linked to the attainment of pre-established objectives.
- Long-term variable compensation based on Fluidra equity instruments or linked to the value thereof.
- Pension and other welfare benefits

### **5.2 Compensation components**

#### **a) Fixed compensation**

The fixed compensation of the Executive Directors is based on their level of responsibility and professional background, the aim being that it should be in line with market conditions, as reflected in the benchmark studies which the Company has engaged the Hay Group and Willis Tower Watson to carry out.

In accordance with the Fluidra policy in this respect regarding its executives and in accordance with the terms of their respective contracts, the Executive Directors may also receive certain compensation in kind, including use of a company car, family healthcare insurance, or similar benefits.

Lastly, the executive directors shall be named as insured parties under the civil liability insurance policy for Fluidra's directors and executives, covering them against liabilities incurred as a result of the performance of their functions, all in accordance with the subjective scope defined in the corresponding policies signed by the Company.

**b) Annual variable compensation**

In accordance with the terms of their respective contracts, executive directors receive gross annual variable compensation linked to the attainment of economic and management objectives related to the budget set by the Board of Directors for each year. For the period for which the Compensation Policy remains in force, such variable compensation, prior to weighting based on the attainment scale, may not exceed 100% of fixed compensation in respect of executive functions. The attainment scale for economic objectives goes up to a maximum of 200% in the event of attaining or exceeding the maximum values established for each indicator.

The setting of the percentage represented by variable compensation in relation to fixed compensation for executive functions, the indicators and the evaluation of performance shall be determined annually by the Board of Directors, which shall subsequently determine the levels of attainment, upon a proposal by the ACC.

To be entitled to receive all of the annual variable compensation, the Executive Director must continue in his/her relationship with Fluidra as at December 31 of the year in which such compensation is to accrue. In the event of termination of his/her relationship with Fluidra prior to that date, he/she shall receive the proportional part of the variable compensation to which he/she would have been

entitled in the event of continuing through to December 31 which corresponds to the part of the year for which he/she remained with Fluidra.

**c) Long-term variable compensation**

The executive directors may participate in long-term incentive plans, established by the Company for its executive personnel, based on Fluidra equity instruments or linked to the value of such instruments (“**LTIP**”).

The LTIP will entitle its beneficiaries to receive, once a certain period of time has elapsed, an amount in shares or other instruments, or options over the same, or in cash, subject to fulfilment of the conditions and strategic objectives established in the LTIP.

Those plans shall be of a recurring nature, their specific conditions being set by the Board of Directors upon a proposal by the ACC. They must be in alignment and compatible with the principles of the Compensation Policy and be approved by the Fluidra Shareholders’ Meeting insofar as may be required.

The conditions established in the LTIP, in accordance with the Corporate Governance recommendations in this area, shall include the following:

- The incentive to be settled shall take into account any qualifications in the external auditor’s report that reduce the Company’s earnings.
- The settlement of the LTIP shall be deferred for the minimum period of time necessary in order to verify that the pre-established conditions to which it is linked have indeed been met.
- The LTIP shall include a clause which enables the Company to claim a reimbursement when the payment made did not conform to its terms, or when the payment was made on the basis of data which subsequently prove to be inaccurate.

- In the event of the LTIP being settled in Fluidra shares, once they have been awarded and until three years have elapsed as from their acquisition, the Executive Directors shall be banned from transferring a number of shares equivalent to twice their annual fixed compensation. The above, however, shall not apply to shares which the executive director needs to sell, should the case arise, in order to meet costs relating to their acquisition, including the taxation deriving from the transfer of the shares.

**d) Welfare benefits**

A commitment in respect of the contingencies of death and disability may be recognized in favor of the Executive Directors.

A defined-contribution pension commitment entailing the setting up of a retirement pension fund through annual contributions made by the Company may also be recognized in their favor. This saving system is compatible with the severance payment envisaged for termination of the contractual relationship with executive directors.

The above commitments are to be implemented through insurance contracts.

**e) Termination of contract**

- Amounts of and limits to severance payments for termination of contract

The amount of severance to which Executive Directors are entitled for termination of their contracts may not exceed the thresholds established in this respect in the Corporate Governance recommendations.

Ordinary payments corresponding to the advance notice period shall not be classed as severance pay for dismissal.

- Post-contractual non-compete undertaking

The executive directors' contracts may contain post-contractual non-compete undertakings, for which the corresponding compensation may (i) be included in the amount of compensation envisaged in favor of the director, or (ii) consist of an additional amount, in which case it may not exceed the sum of the fixed components of the compensation that the Executive Director would have obtained had he/she remained with the Company for the duration of the non-compete undertaking.

### **5.3 Compensation envisaged for 2018 and subsequent years**

#### **a) Fixed compensation**

For 2018, the fixed compensation in cash payable to the Executive Directors, proportional to the time elapsing between the Merger Registration Date and December 31, is as follows:

- Mr. Eloy Planes, Executive Chairman: 360,000 euros per annum
- Mr. Bruce Brooks, Chief Executive Officer: 518,000 euros per annum

Similarly, the Executive Directors receive certain benefits by way of compensation in kind, including the use of a company car, family healthcare insurance, and their inclusion as insured parties under the Fluidra civil liability insurance policy for directors and executives.

By reason of his expatriation, Mr. Bruce Brooks will receive tax and legal advice while he is on assignment and he will be paid the relocation costs associated with his assignment. He is also to receive an expatriation allowance in respect of his move to Spain from the US, and to US from Spain, where he provided services to the Zodiac Group. He shall receive such allowance, consisting of certain amounts to compensate for the housing and travel expenses deriving from his move to Spain, for a maximum of 6 years (renewable by mutual agreement), the maximum amount being 120,000 euros per annum.

**b) Annual variable compensation**

The annual variable compensation corresponding to the Executive Directors, prior to weighting based on the achievement scale, may not exceed 100% of fixed compensation in respect of executive functions. The achievement scale for economic objectives goes up to a maximum of 200% in the event of achieving the maximum values established for each indicator.

The indicators in 2018, for example, are

- (i) 85% economic objectives: free cash-flow, EBIT over sales and total growth in sales and
- (ii) 15% management objectives.

Similarly, in 2018, the achievement scale ranges from a payment of 40% of the variable amount in the event of achieving the minimum levels established for each indicator, up to maximum payment of 200% in the event of achieving the maximum levels established for each indicator.

**c) Long-term variable compensation**

Throughout the period that the Compensation Policy remains in force, the Executive Directors shall be the beneficiaries of the following long-term incentive plans implemented by the Company:

- **“Performance Share Plan 2015 – 2018” long-term incentive**

The Shareholders’ Meeting held on May 5, 2015 approved a long-term incentive plan referred to as the “Performance Share Plan 2015 – 2018” (the **“2015-2018 Plan”**) aimed at key executives and executive directors of the Fluidra group, of which Mr. Eloy Planes is a beneficiary.

The approval of this Compensation Policy does not amend the 2015-2018 Plan, which shall remain in force with the same terms and conditions.

Due to the degree of attainment of the metrics to which the incentive was linked, for which the measurement period ended on December 31, 2017, subject as a requirement to continued service through to December 31, 2018, in January 2019, 296,156 shares of Fluidra shall be delivered to Mr. Eloy Planes Corts in settlement of the “2015-2018 Plan”.

- **“Performance Share Plan 2018 - 2022” long-term incentive**

Simultaneously to the approval of the Compensation Policy, and conditional upon the registration of the Merger and the approval thereof by the Fluidra Shareholders’ Meeting, the Board of Directors, at the proposal of the ACC, has approved – subject to ratification by the first Board of Directors’ meeting to be held following the Merger Registration Date - a long-term incentive plan called “Performance Share Plan 2018 – 2022” (the “**2018-2022 Plan**”) for the key executives and executive directors of the Fluidra group.

The 2018-2022 Plan aims to encourage, motivate and retain the management team, linking the incentive to the fulfilment of Fluidra’s medium- and long-term strategic plan, which will align the interests of the beneficiaries with those of shareholders by offering them competitive compensation that is in line with the market's compensation practices and the Fluidra group’s new organization and strategy.

The Board of Directors has proposed to the Shareholders’ Meeting the designation of Mr. Eloy Planes Corts and Mr. Bruce Brooks as beneficiaries of the 2018-2022 Plan.

The main basic conditions of such Plan are as follows:

- Aim: The 2018-2022 Plan aims to encourage, motivate and retain the Fluidra management team, linking part of their compensation to the value of the Company’s share.

- The 2018-2022 Plan consists of the Beneficiaries being entitled to receive a certain number of ordinary Fluidra shares subject to the meeting of certain requirements.
- Instrument: The 2018-2022 Plan is implemented through the award of a certain number of units (“PSUs”) which will then be used as a reference in order to determine the final number of shares in the Company to be delivered to the Beneficiaries, after a certain period of time, as long as certain strategic objectives of Fluidra and the requirements established in the rules of the 2018-2022 Plan are met.
- The maximum number of Company shares to be delivered under the 2018-2022 Plan is a total of 5,737,979 shares, representing 2.93 percent of the Company’s share capital as at the Merger Registration Date.
- Duration: The 2018-2022 Plan was launched on January 1, 2018 and ends on December 31, 2022, without prejudice to the effective settlement of the 2018-2022 Plan that will occur during the month of January 2023.
- The measurement period for compliance with the economic objectives to which the Plan is linked is four years, from January 1, 2018 through to December 31, 2021. There is therefore an additional period of one year, through to December 31, 2022, throughout which the Beneficiary is required to remain with the Fluidra group.
- Individual assignment. The individual assignment of the number of PSUs for each of the Beneficiaries of the 2018-2022 Plan is carried out by the Board of Directors based on the ACC’s proposal, except in the case of directors with executive functions, for which the PSUs are to be assigned by the Shareholders’ Meeting, where appropriate.

The Board of Directors has proposed to the Shareholders' Meeting by which this Compensation Policy will be approved the award of 180,000 PSUs to Mr. Eloy Planes Corts and 291,375 PSUs to Mr. Bruce Brooks.

- Requirements for settlement of the incentive: The requirements to be met for the Beneficiary to be able to receive the shares resulting from the Plan are the following:
  - Insofar as relates to total PSUs awarded, the Beneficiary must continue to serve Fluidra through to December 31, 2022, except in special circumstances such as death, permanent disability, retirement, and other situations established in the Regulations. In the event of the Beneficiary resigning or his/her lawful dismissal or justified termination, he/she shall therefore lose entitlement to receive the shares under this 2018-2022 Plan.
  - In addition to the continued service requirement, a percentage of PSUs granted, which shall be no lower than 80 percent of the total, shall be subject to compliance with the financial objectives to which the Plan is linked, in the terms and conditions set out in the Plan Regulations approved by the Board of Directors.

In the case of executive directors, all the PSUs awarded are subject to continued service requirements and to compliance with the financial objectives to which the Plan is linked.

- Metrics: The degree of achievement, and therefore the number of Fluidra shares to be delivered to the Beneficiaries, will depend on the degree of achievement of the financial objectives to which the 2018-

2022 Plan is linked, insofar as relates to the percentage of PSUs awarded which is linked to such achievement.

The specific number of Fluidra shares to be given to each beneficiary on the settlement date if the conditions established are met, insofar as relates to the PSUs granted linked to the fulfilment of the financial objectives, shall be established based on:

- (i) The evolution of Fluidra's total shareholder return (“**TSR**”) in absolute terms, and
- (ii) The evolution of Fluidra group’s EBITDA.

The weighting percentages for the Executive Directors are 70% for the TSR target and 30% for the Fluidra group EBITDA target.

Both the TSR and the EBITDA will be determined during the measurement period for the achievement of economic objectives, which will be the time period between January 1, 2018 and December 31, 2021.

The metrics attainment scale ranges from 25%, in the event of attainment of the minimum levels established for each metric, up to a maximum of 170% in the event of attaining or exceeding the maximum values established for each metric. The maximum number of shares to be delivered to the Executive Directors in the event of attaining or exceeding the maximum values established for each metric will therefore be 306,000 in the case of Mr. Eloy Planes Corts and 495,338 shares in the case of Mr. Bruce Brooks.

- Delivery of the shares and rules on disposal. The delivery of the shares in payment of the variable compensation shall be executed either by

Fluidra or by a third party in accordance with the coverage systems adopted by the Board of Directors.

- From the time that the shares are allocated until a period of three years after their acquisition, the executive directors may not transfer the ownership of a number of shares equivalent to twice their fixed annual compensation. However, the above shall not apply to any shares that an Executive Director needs to dispose of, if necessary, to meet the costs associated with their acquisition, including taxation arising from the delivery of the shares.

**d) Welfare benefits:**

A commitment in respect of the contingencies of death and disability is recognized in favor of the Executive Directors, equal to 4 times their gross annual fixed compensation at the time of death.

In case of total or absolute permanent or severe disability occurring prior to the termination of their contracts, the Executive Directors shall receive, until they reach 65 years of age, a monthly payment equal to one-twelfth of 75% of their last gross annual fixed compensation at the time the disability occurred.

Moreover, the executive directors are recognized a defined-contribution pension commitment entailing the setting up of a retirement pension fund through annual contributions made by the Company for the amount up to 16,000 euros.

These commitments are implemented through insurance policies.

**e) Compensation envisaged for the following fiscal years**

In relation to the fixed compensation in cash, its revision shall be carried out in accordance with section 5.2.a above, and it shall not be increased during the term of validity of this Compensation Policy by more than 20% of the amount set for 2018.

Any change in the proportion or structure of the components of the compensation of the Executive Directors shall be carried out according to the principles established in this Compensation Policy.

#### **5.4 Main terms of the contracts of the Executive Directors**

The contracts of the Executive Directors of the Company are commercial contracts, and contain a clear description of the functions and responsibilities to be assumed according to the provisions of commercial legislation, the Bylaws, the Regulations applicable to the bodies of the Company and those attributed by the Shareholders' Meeting of Fluidra.

The essential terms and conditions of the contracts of the Executive Directors are as follows:

- Duration

The executive directors have signed an indefinite-term contract for services with the Company which shall remain in force for as long as the directors perform the executive duties delegated to them by the Board of Directors according to their post.

- Exclusivity and confidentiality

The contracts establish clauses regulating confidentiality and exclusive dedication, without prejudice to the activities which are expressly authorized, provided they do not hinder the fulfillment of the duties of diligence and loyalty inherent in their post or entail a conflict with the Company.

- Post-contractual non-compete undertaking

Notwithstanding the executive directors' undertaking not to compete with the Company while the contracts are in force, a post-contractual non-

competition agreement is established with a duration of two years from the conclusion of the effective provision of services.

The economic compensation established for the commitment pursuant to the post-contractual non-compete undertaking of the Executive Directors is as follows:

- In the case of Mr. Eloy Planes Corts, two times his gross annual fixed compensation in force at the time of termination of the contract.
- In the case of Mr. Bruce Brooks, the economic compensation derived from the non-compete undertaking is included in the amount of compensation established for him.

- Severance pay for termination of the contract

Following the Good Governance recommendations for listed entities, the severance to which the executive directors will be entitled in case of termination of the contract at the instance of Fluidra for any reason, except in case of serious and willful or negligent non-fulfillment of their duties as Executive Directors of the Company, will be:

- In the case of Mr. Eloy Planes Corts, an amount equivalent to two times his annual compensation, based on his gross annual fixed salary for the year in which his contract is terminated and the gross annual variable salary for the preceding year.
- In the case of Mr. Bruce Books, an amount equal to one year's compensation, based on his gross annual fixed salary for the year in which his contract is terminated and the gross annual target variable salary for such applicable year.

- The Executive Directors shall be entitled to receive this severance pay if they decide to terminate their contracts by their own choice, if such termination is due to any of the following causes:
  - Serious breach by the Company of any of the contractual obligations related to their position.
  - Reduction and substantial limitation of their duties or powers.
  - Substantial modification of their contractual conditions.
  - Change of ownership of Fluidra's share capital with or without changing the Company's governing bodies.
- Advance notice period:

The parties are required to give at least six months' notice before the effective date of termination of the contractual relationship, except when this occurs by mutual agreement, due to serious and willful or negligent non-fulfillment of the Executive Director's professional duties or a serious breach by the Company of the obligations undertaken in relation to the position of Executive Director. In the event of non-fulfilment of the obligation to give notice, the party not in breach shall be entitled to receive an amount equal to the fixed compensation pending payment during the period not complied with.

The Board of Directors will periodically review the conditions of the contracts signed with the Executive Directors in order to include in them any amendments necessary to adapt them to the Compensation Policy in force at any given time and to the internal regulations of the Company that apply.

## **5.5 Inclusion of new Executive Directors**

The compensation system and basic contractual conditions described above shall also apply to any new Executive Director that joins the Board of Directors during the term of validity of this Compensation Policy, considering, in particular, the duties attributed, the responsibilities assumed, his/her professional experience, the market compensation for that post and any others deemed appropriate to be taken into account to determine the components of the compensation system applicable to the new Executive Director.

## **6. Application of the Compensation Policy**

Without prejudice to the provisions of the LSC as regards directors' compensation policies, the Board of Directors of Fluidra, after receiving the relevant reports from the ACC, shall adopt and periodically review the general principles of the Compensation Policy for Directors, and shall be responsible for overseeing its application. For such purpose, the Board of Directors of Fluidra shall review the policy described in this document each year, with a view to including or, as the case may be, proposing any amendments, adaptations, implementing provisions or regulatory criteria deemed appropriate.

## **7. Term of the Compensation Policy**

Without prejudice to the provisions of the LSC as regards the compensation policy for Board members, the policies and procedures contained herein will be valid, conditional upon registration of the Merger, during the year they are approved by the Shareholders' Meeting, with effects from the Merger Registration Date, and the following three years, save for any modifications, adaptations, reviews or replacements agreed from time to time, which will be submitted for approval to the Shareholders' Meeting of Fluidra.

## 8. Other information

During the first half of 2017, following the acquisition of the Zodiac Group, affiliates of Rhône Capital LLC (“**Rhône**”), implemented a Management Equity Plan (“**MEP**”) for executives of the Zodiac Group, including Mr. Bruce Brooks, based on ownership of shares in Luxco (the “**Original Plan**”).

The merger agreements between Fluidra and Zodiac HoldCo envisage the substitution of that Original Plan with another one on the terms signed between Luxco (and its affiliate, a Luxembourg partnership, “**Lux SCS**”) and the beneficiary executives, the enforceability of which is subject to the registration of the Merger (the “**Substitute Plan**”). The changes made to the Original Plan to produce the Substitute Plan have been made with the intent of substantially aligning, and not conflicting with, the targets and periods established in the Fluidra 2018-2022 Plan described in section (5.3.c).

Under the Substitute Plan, the beneficiaries – which include Mr. Bruce Brooks – will hold three different instruments, subject to “lock-up” periods over which restrictions apply on the disposal of the shares, repurchase options in the event of the executive’s termination of service, and, where applicable, the achievement of certain financial objectives, in the terms described below:

- i. Lux SCS units subject to lock-up for a certain period of time, convertible into freely transferable Fluidra shares or cash on the date on which the lock-up period comes to an end. In the case of Mr. Bruce Brooks, this package of units in Lux SCS will be equivalent to a maximum of 305,000 Fluidra shares (implying a reduction of 305,000 in the number of Fluidra shares that would correspond to the unitholders of Lux SCS).
- ii. Lux SCS units subject to lock-up and convertible into freely transferable Fluidra shares or cash on the date on which the lock-up period comes to an end, provided that Luxco reaches a minimum threshold in terms of the return on its investment. In the case of Mr. Bruce Brooks, if the minimum

return threshold is reached, this package of units in Lux SCS shall be equivalent to a maximum of 157,373 Fluidra shares (implying a reduction of 157,373 in the number of Fluidra shares that would correspond to the unitholders of Lux SCS).

- iii. Restricted units in Lux SCS, convertible into freely transferable shares of Fluidra or cash, subject to lock-up and the achievement of certain financial objectives in terms of the return generated by Luxco on its investment. In the case of Mr. Bruce Brooks, once the lock-up period has passed, if the economic objectives are achieved, this package of restricted units in Lux SCS will be equivalent to a maximum of 1,850,000 Fluidra shares (implying a reduction of 1,850,000 in the number of Fluidra shares that would correspond to the unitholders of Luxco).

In order to bring the objectives under this Substitute Plan into line with the Fluidra 2018-2022 Plan and avoid conflicts of interest that could otherwise arise, the vesting periods of the rights and/or the lock-up periods, in the case of Mr. Bruce Brooks, are tied to partial or final redeeming distributions by Lux SCS to Rhône, although the restricted units in Lux SCS detailed in this section (iii) will not convert into freely transferable Fluidra shares or cash until January 1, 2023, which is after the overall termination date of the Fluidra 2018-2022 Plan detailed in section 5.3(e) above, provided that the above shall not apply to shares which Mr. Bruce Brooks needs to sell, should the case arise, in order to meet costs (including taxation) relating to the acquisition, transfer or vesting of the shares.

The Substitute Plan does not carry any payment obligation for the Fluidra group, nor has any impact on the total individual or consolidated equity of the Fluidra group, since payments made pursuant to the Substitute Plan arise from obligations entered into in

connection with Luxco, which from the Merger Registration Date, will be a shareholder of, and not included in, the Fluidra group.