

# **CORPORATE GOVERNANCE ANNUAL REPORT 2012**

**A. OWNERSHIP STRUCTURE****A.1 Complete the following table on the company's share capital.**

Last update	Share capital (€)	Number of shares	Number of voting rights
30.3.2006	112,629,070.00	112,629,070.00	112,629,070

There is only one class of share and, therefore, none of the shares have additional rights.

**A.2 Specify the direct and indirect holders of significant shares in your company at the closing date of the financial year, excluding the Directors:**

Name or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights.*	% over the total voting rights
BOYSER S. L	15.905.405	0	14,122
Bernat Corbera Bros	99.213	15.204.914	13,588
EDREM S.L	15.204.914	0	13,500
DISPUR S.L	13.719.238	0	12,181
Robert Garrigós Ruiz	0	11.439.178	10,157
AVIVA INTERNATIONAL HOLDING LIMITED (AHL)	0	3.386.650	3,007
ALBERT COSTAFREDA JO	0	3.477.399	3,087
MANUEL PUIG ROCHA	0	5.642.716	5,010
MAVEOR, S.L.	5.642.716	0	5,010

\*Through :

Name of the indirect shareholder	Name or corporate name of the direct shareholder	Number of direct voting rights	% over the total voting rights
BERNAT CORBERA BROS	EDREM S.L	15.204.914	13,500
ROBERT GARRIGOS RUIZ	ANIOL S.L	11.439.178	10,157
MANUEL PUIG ROCHA	MAVEOR, S.L.	5.642.716	5,010

Specify the most significant transactions that have taken place during the year in the shareholding structure:

**A.3. Complete the following tables regarding the members of the company's Board of Directors who hold shares in the company.**

Name or corporate name of the director	Number of direct voting rights	Number of indirect voting rights *	% over the total voting rights
Juan Planes Vila	10.000	13.734.558	12,203
Eloy Planes Corts	66.121	0	0,059
Bansabadell Inversió Desenvolupment, S.A. represented by Mr. Carlos Ventura Santamans	10.891.053	0	9,670
Bernat Corbera Serra	202.243	0	0,180
Grupo Corporativo Empresarial de la Caja de Ahorros y M.Piedad de Navarra	9.009.064	0	7,999
Aniol, S.L.	11.439.178	0	10,157
Richard J. Cathcart	32.950	0	0.029

Through\*:

Name or corporate name of the direct shareholder	Trought of: Name or corporate name of the direct shareholder	Number of direct voting rights	% over the total voting rights
DON JUAN PLANES VILA	DISPUR, SL	13.719.238	12,181

% of total voting rights held by the Board of Directors	40,296
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Complete the following tables regarding the members of the company Board of Directors who own rights over company shares:

Name or corporate name of the director	Number of direct rights	Number of option rights	Number of indirect rights	Number of equivalent shares	Total % of voting rights
ELOY PLANES CORTS	66.121		0	66.121	0.059

A.4. If applicable, state whether there are any relationships of a family, commercial, contractual or business nature between the significant shareholders that are known to the Company, unless such relationships are of little relevance or are the result of the ordinary line of business.

Name or company name related	Relationship	Briefly description
EDREM S.L and BOYSER S.R.L.	Familiar	

A.5. If applicable, state whether there are any relationships of a family, commercial, contractual or business nature between the significant shareholders and the the Company and/or the group, unless such relationships are of little relevance or are the result of the ordinary line of business.

N/A

A.6. Specify whether the company has been notified of any agreements made by shareholders that may affect it in accordance with the provisions of Article 112 of the Spanish Stock Market Act. If applicable, give a brief description and list the shareholders related to the agreement.

YES

Intervening parties in the shareholders' agreement	% of capital affected	Brief description of the agreement
BANSABADELL INVERSIÓ DESENVOLUPAMENT S.A.U., ANIOL S.L., EDREM S.L., DISPUR S.L., BOYSER S.L.	59,63	In 2007, the shareholders listed below signed a shareholders agreement whose purpose was to regulate voting rights over the 4 years from the time Fluidra shares were listed on the market on 31 October 2007. It likewise sought to regulate the restrictions on the transfer of syndicated shares, which were excluded from the agreement given that they were legally subject to resolutions to be adopted by the AGM. On 1 December 2010, the abovementioned shareholders passed a resolution whereby the term of the agreement was extended to 1 December 2015.

**A.7. Specify whether any individual or legal entity exists that exercises or has the power to exercise control over the company in accordance with Article 4 of the Stock Market Act. If applicable, please specify:**

YES

NO

**A.8. Fill in the following tables regarding the company's treasury stock:**

**At the close of the financial year:**

Number of directly owned shares	Number of indirectly owned shares	Total % of share capital
380.101	0	0,337

**Specify any significant variations that have taken place during the year, under the provisions of Royal Decree 1362/2007:**

Date of communication	Total number of directly owned shares	Total number of indirectly owned shares	Total % over share capital

Plusvalue / Loss= -2,441

**A.9. Detail the conditions and deadline of authorisation by the Board of Directors to execute acquisitions or transfers of own shares:**

At the Annual General Meeting held on 6<sup>nd</sup> June 2012, the resolution authorising the Company to carry out the derivative acquisition of own shares, directly or through group companies, was unanimously approved with the express power to reduce share capital in order to redeem own shares, delegating to the Board of Directors necessary the powers for the implementation of the resolutions adopted by the General Meeting regarding this matter (leaving the previous authorisation ineffective) and authorisation to (if applicable) apply the portfolio of own shares to cover the execution or coverage of payment systems.

During the meeting of the Board of Directors held on 25<sup>th</sup> April 2012, the Board decided to empower the Managing Director to acquire treasury stock up to a limit of 4% of the share capital.

**A.10. Specify, if applicable, the legal and statutory restrictions pertaining to exercising voting rights, as well as any legal restrictions on the acquisition or transfer of shares in the share capital:**

NO

**Specify whether there are any legal restrictions on the exercise of voting rights:**

NO

**Specify whether there are any legal restrictions on the purchase or transfer of shares in the share capital:**

YES  NO

**A.11. Specify whether at the General Shareholders Meeting it was agreed to adopt neutralisation measures with regard to a takeover bid as provided for under Act 6/2007.**

YES  NO

## **B.- COMPANY MANAGEMENT STRUCTURE**

### **B.1. Board of Directors**

**B.1.1. Specify the maximum and minimum number of directors foreseen in the articles of association:**

Maximum number of directors	15
Minimum number of directors	5

**B.1.2. Fill in the table below with the appropriate information about the members of the Board:**

Name or company name of the director	Representative	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
Mr Juan Planes Vila		Chairman	5.9.07	5.9.07	Unanimous decision at General Shareholders Meeting.
Mr Eloy Planes Corts		CEO and Member	31.10.06	08.06.11	Unanimous decision at General Shareholders Meeting.
Aniol, S.L.	Mr. Bernat Garrigos Castro	Deputy Secretary	06.06.12	06.06.12	Unanimous decision at General Shareholders Meeting.
Mr Oscar Serra Duffo		Member	5.9.07	5.9.07	Unanimous decision at General Shareholders Meeting.
Mr Bernardo Corbera Serra		Member	03.10.02	5.9.07	Unanimous decision at General Shareholders Meeting.
Bansabadell Inversio Desenvolupament, SA	Mr Carles Ventura Santamans	Member	07.01.03	5.9.07	Unanimous decision at General Shareholders Meeting.
Mr Richard Cathcart		Member	5.9.07	5.9.07	Unanimous decision at General Shareholders Meeting.
Mr Kam Son Leong		Member	5.9.07	5.9.07	Unanimous decision at General Shareholders Meeting.
Mr Juan Ignacio Acha-Orbea Echeverría		Member	5.9.07	5.9.07	Unanimous decision at General Shareholders Meeting.
Grupo Corp. Emp. de la Caja de ahorros y Mont Piedad de Navarra	Mr. Eduardo Milagro López	Member	24.06.09	24.06.09	Unanimous decision at General Shareholders Meeting.

Total number of Board Members	10
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**Specify the resignations tendered from the Board of Directors over the last year:**

**B.1.3. Fill in the tables below with the appropriate information about the members of the Board and their positions.**

EXECUTIVE DIRECTORS

<b>Name or company name of the director</b>	<b>Authority by which appointment made</b>	<b>Position on the company organisation chart</b>
Eloy Planes Corts	N/A	CEO

Total number of Executive Directors:	1
% of the Board	10.00%

EXTERNAL DIRECTORS REPRESENTING CONTROLLING SHAREHOLDERS

<b>Name or company name of the director</b>	<b>Authority by which appointment made</b>	<b>Name or company name of the significant shareholder represented or that proposed the appointment</b>
Mr Juan Planes	N/A	DISPUR,S.L.
Aniol, S.L.	N/A	ANIOL, SL.
Mr Oscar Serra Duffo	N/A	BOYSER, SL
Mr Bernardo Corbera Serra	N/A	EDREM, SL
Bansabadell Inversio I Desenvolupament, SAU	N/A	BANSABADELL INVERSIÓ I DESENVOLUPAMENT, SAU
Grupo Corp. Emp. de la Caja de ahorros y Monte de Piedad de Navarra	N/A	Grupo Corp. Emp. de la Caja de ahorros y Monte de Piedad de Navarra

Total number of external directors representing controlling shareholders	6



% of the Board	60,000%
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**EXTERNAL INDEPENDENT DIRECTORS**

<b>Name or company name of the director</b>	<b>Profile</b>
Mr Richard J. Cathcart	<p>Born in Washington (USA) on 28 September 1944. He became a pilot with an engineering degree in the United States Air Force.</p> <p>From 1975 to 1995, he held a number of management positions in Honeywell Inc.</p> <p>In 1996 he was appointed manager head of Pentair Water Businesses (Minneapolis, USA), within the company Pentair.</p> <p>From 2005 to 2007, he held the post of deputy chairman of the Board of Directors of Pentair (Minneapolis, USA), where he handled international operations and business development.</p> <p>In September 2007, Mr. Cathcart was appointed to the Board of Directors of Watts Water Technology where he continues to serve.</p>
Mr Kam Son Leong	<p>Born in Selangor (Malaysia), on 27 January 1955. Graduated with Master Degree in mechanical engineering from Iowa State University in the United States.</p> <p>In the year 2000 he was appointed president of Asia/ Pacific of York International Corp., a Fortune 500 company listed at the NYSE. He performed said post until end 2004, handling the strategies of finance, business development and execution of business plan..</p> <p>From 2005, he joined J. W. Childs, a private equity company headquartered in Boston.</p> <p>He is a also board member in the following companies: Vast Lava, Pro-Logic, HL Partners, Deluxe International, and Chairman of Henan ADD Electric Power Equipment, LTD.</p>
Mr Juan Ignacio Acha-Orbea Echeverría	<p>Born in San Sebastián on 1 July 1956. He graduated in Economic Sciences from the Universidad Complutense of Madrid and earned a Masters in Business Administration from IESE Business School.</p> <p>From 1982 until 1986 he was the Manager of the company Chemical Bank, in Madrid and in</p>

	<p>New York.</p> <p>From 1986 until 1989, he carried out the post of Director of Variable Income and Investment Funds for the entity Bankinter.</p> <p>From 1989 until 2003 he was General Manager and Chairman of BBVA Bolsa, S.V.</p> <p>From 2003 until 2006 he formed part, as independent director, of the Board of Directors of the listed company TPI Páginas Amarillas.</p> <p>Furthermore, in the year 2003, he was appointed Chairman of the company Equity Contraste Uno, post which he continues to exercise at present.</p>
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Total number of independent Directors	3
% of the Board	30,000 %

OTHER EXTERNAL DIRECTORS:

NONE

**If applicable, specify the changes that have occurred over the past year in the duties performed by each director:**

Not applicable

**B.1.4.: Explain, if applicable, the reasons why external directors representing controlling shareholders were appointed at the request of the shareholders who own less than 5% of the capital:** Not applicable.

**Specify whether any formal requests to attend board meetings have been ignored if such requests have been made by shareholders who own the same number or more shares as others and at whose request external directors representing controlling shareholders directors would have been appointed. If applicable, explain why these requests were ignored.**

YES  NO

**B.1.5: Specify whether any directors have resigned from their posts before the end of their mandate. Give the reasons that were given for doing so and through which means of communication. If such resignations were tendered in writing to the Board, set out the reasons given for doing so below.**

YES  NO

**Name of Director:** Bernat Garrigós Castro

**B.1.6. If applicable, specify the duties that are delegated to the CEO.**

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The current CEO, Mr Eloy Planes, has delegated all duties on a permanent basis that are delegable according to the Law.

**B.1.7 If applicable, specify the members of the Board who act as directors in other companies that form part of the group if the listed company.****NAME OF THE DIRECTOR: ELOY PLANES CORTS**

<b>Compañía (1)</b>	<b>Cargo (2)</b>
Astral Nigeria, Ltd.	Director
Astral Italia, S.P.A.	Sole Director
Astral Bazenovė Prislusentsvi, S.R.O.	Sole Director
Astral India Private, Limited	Director
Fluidra Singapore, Pte Ltd.	Director
Certikin International, Limited	Director
AP Immobiliere	Sole Director
Turcat Polyester Sanayi Ve Ticaret Anonim Sirketi	Director
Zao Astral, SNG	Director
Fluidra Polska, S.A.	Director
Fluidra México, S.A. de C.V.	Director
Fluidra Danmark	Director
Fluidra Magyar, Kft.	Joint and Severally Director
Fluidra USA, LLC	Chairman
Fluidra Chile, Sociedad Anónima Cerrada	Director
Certikin Portugal	Director
Fluidra Deutschland GmbH	Joint and Severally Director
Fluidra Hellas	Director
Fluidra Balkans JSC	Director
Moderne Wassertechnik AG (MTH)	Director
Catpool, S.A. de C.V	Director
Astral pool UK, Limited	Director
Fluidra Havuz Ekipmanlari Sanayi ve Ticaret	Director
Fluidra Industry, S.A.U.	Representative of director
Fluidra Commercial, S.A.U.	Representative of director
Inmobiliaria Swim 38, S.L.U.	Representative of director
Swimco Corp, S.L.	Representative of director
Inquide Italia, SRL	Director
Fluidra Cyprus, ltd	Director
Astral Pool Cyprus	Director
Fluidra Thailand, Co., Ltd	Joint and Severally Director
Astral Thailand, Co., Ltd	Joint and Severally Director
Fluidra South Africa, Pty, Ltd	Joint and Severally Director
Astral Pool Switzerland, S.A.	Power of Attorney
Fluidra Adriatic	Chairman

Compañía (1)	Cargo (2)
Fluidra Indonesia	Director
Fluidra Malasya	Director
US POOL HOLDINGS INC	Chairman
AQUAPRODUCTS INC.	Chairman
Aquatron Robotic Tecnology, LTD	Chairman
FLUIDRA S.A	Managing Director
Astral Pool Australia	Director
Po legg & Teknik AIS	Director
Fluidra Montenegro, DOO	Director
Fluidra Youli Fluid Systems (Wenzhou) Co, Ltd	Director
Fluidra Colombia	Joint and Severally Director
Fluidra Balkans, S.A. (Rumanía)	Chairman
Cepex S.R.L.	Director

**B.1.8. If applicable, provide details about the directors of the company who sit on the Board of Directors of other officially listed companies in Spain that do not belong to your group and about which the company has been officially notified:**

N/A

**B.1.9. Specify and, if applicable, provide details about whether the company has established rules on the number of boards on which your directors may sit:**

YES  NO

**B.1.10. With regard to recommendation number 8 in the Unified Code of Corporate Governance, describe the company's general policies and strategies that may only be approved at plenary Board meetings.**

	YES	NO
Investment and financing policies* unless they correspond to the General Shareholders' Meeting	x	
The definition of the group's corporate structure	x	
Corporate governance policies	x	
Policies on corporate liability	x	
The strategic or business plan, management goals and annual expenditure	x	
Policies on remuneration and the assessment of the performance of senior management	x	
Policies on risk management, the regular monitoring of internal information and control systems	x	
Policies on dividends and treasury stock, with particular regard to the thresholds of such	x	

**B.1.11 Fill in the tables below with details about the aggregate remuneration of the Board members accrued over the year:**

In the company that is the subject of this report:

Remuneration category	Figures in thousands of euros
<b>Fixed remuneration</b>	1.103
<b>Variable remuneration</b>	82
<b>Travelling expenses</b>	77
<b>Statutory business</b>	0
<b>Stock options and/or other financial instruments</b>	0
<b>Other</b>	0
<b>TOTAL:</b>	1.262

Other benefits	Figures in thousands of euros
<b>Advances</b>	0
<b>Loans granted</b>	0
<b>Pension Funds and Plans: Contributions</b>	0
<b>Pension Funds and Plans: obligations incurred</b>	0
<b>Life insurance premiums</b>	20
<b>Guarantees provided by the company to the directors</b>	0

**b) In other companies in which the directors sit on the board and/or in other companies in the group in which they perform senior management tasks:**

Remuneration category	Figures in thousands of euros
<b>Fixed remuneration</b>	0
<b>Variable remuneration</b>	0
<b>Travelling expenses</b>	0
<b>Statutory business</b>	0
<b>Stock options and/or other financial instruments</b>	0
<b>Other</b>	0
<b>TOTAL:</b>	0



Other benefits	Figures thousands euros	in of
<b>Advances</b>	0	
<b>Loans granted</b>	0	
<b>Pension Funds and Plans: Contributions</b>	0	
<b>Pension Funds and Plans: obligations incurred</b>	0	
<b>Life insurance premiums</b>	0	
<b>Guarantees provided by the company to the directors</b>	0	

## c) Total remuneration by category of director:

Category of director	By company	By group
<b>Executive</b>	428	0
<b>External directors representing controlling shareholders</b>	555	0
<b>External Independent</b>	279	0
<b>Other External</b>	0	0
Total	1.262	0

## d) In comparison with the profits derived from the parent company:

Total remuneration for directors (in thousands of euros)	1.262
Total remuneration for directors/profits derived from the parent company (expressed in %)	8,7

## B.1.12 Name the members of the senior management that are not executive directors, and state their total accrued remuneration over the year:

<b>Name or company name</b>	<b>Post</b>
Mr Jaume Carol Pañach	General Manager for Operations
Mr Javier Tintoré Segura	General Manager
Mr Pere Ballart Hernández	Business Unit Manager
Mr Amadeo Serra Solana	Business Unit Manager
Mr Carles Franquesa Castrillo	Business Unit Manager
Mr Ignacio Elburgo Aramberri	Business Unit Manager
Mr. Phil Quiu Jin	Business Unit Manager

Total remuneration for senior management (in	1.606
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thousands of euros)	
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**B.1.13 In aggregate terms, state whether there are any guarantee or protection clauses in the case of dismissal or changes of control for senior management, including executive directors, of the company or the group. State whether the company or the group's governing bodies must be notified and/or approve such contracts:**

Number of beneficiaries	7
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	Board of Directors	General Meeting
Body that approves the clauses	YES	NO

	YES	NO
Is the General Meeting informed about the clauses?		<b>x</b>

**B.1.14 Describe the process for establishing the remuneration of the members of the Board of Directors and the related clauses in the articles of association:**

<p><b>Process for establishing the remuneration of the members of the Board of Directors and the related clauses in the articles of association</b></p>
<p>Article 44 of the Articles of Association establishes that:</p> <ol style="list-style-type: none"> <li>1. The annual remuneration payable to Directors will consist of a fixed portion and an allowance for attending the meetings of the Board of Directors and its delegate and consultative committees. The maximum amount of the remuneration payable to all directors for both items will be determined by the General Shareholders' Meeting and will remain in effect until it is modified by agreement of the shareholders. The Board of Directors is responsible for establishing, at its entire discretion, the exact amount payable to each Director within the agreed limits and the calendar of payments. The criterion for determining the remuneration payable to each one of the Directors will be a reflection of the professional performance of each one.</li> <li>2. In addition to and separately from the remuneration referred to above, there may also be a remuneration system for Directors that is referenced to the price of the company's shares or that consists of a stock option plan. The application of such remuneration systems must be approved by the General Shareholders' Meeting, which will also determine the share value used as a reference, the number of shares to be delivered to each Director, the price of exercising the stock options, the duration of the remuneration system and any other conditions deemed appropriate.</li> <li>3. The remuneration referred to above that is paid to the Directors for sitting on the Board of Directors is compatible with any other professional honoraria or salaries payable to the Directors for the executive or advisory functions they perform for the Company, other than the supervisory and decision-making functions inherent to their status as Directors, all of which will be bound by the applicable regulations.</li> </ol>

State whether the following decisions are taken at plenary Board meetings:

	Yes	No
At the proposal of the company's most senior executive, appointments and dismissals of senior management, and the conditions of severance pay.	x	
The remuneration of directors and, in the case of executives, bonuses for carrying out their executive duties and other contractual conditions that must be respected.	x	

**B.1.15 State whether the Board of Directors approves a detailed breakdown of retributions and specify the matters on which it has a say:**

YES  NO

	Yes	No
<b>Amount of fixed expenditure, with a breakdown, if applicable, of expenses for Board and Committee members, and an estimate of the fixed annual remuneration to which they give rise.</b>	x	
<b>Remuneration items of a variable nature.</b>	x	
<b>Main characteristics of payment forecast systems, with an estimate of the amount involved or the annual equivalent cost.</b>	x	
<b>Conditions that must be met by the contracts of senior managers, such as executive directors.</b>	x	

**B.1.16 State whether a report on the remuneration policy for company directors is put to the vote by the Board at the General Meeting as a separate item on the agenda and for the purposes of consultation. If applicable, explain the aspects in the report that deal with the remuneration policy that has been passed by the Board for future application, the most significant changes to such policies over the past year and a general summary of how the remuneration policy was applied during the year. Give details of the role played by the Remuneration Committee and state whether external advice has been sought and name the external consultants who have provided such services:**

Yes x No

<b>Matters dealt with in the report on the remuneration policy</b>
General principles of the remuneration policy
General principles of the remuneration policy for Board Members

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Remuneration system for Executive Directors
Remuneration system for Non-executive Directors

Role played by the Remuneration Committee
Drawing up of the Remunerations Report

	Yes	No
Has external advice been sought?		X
Name of external consultants		

**B.1.17 If applicable, name the members of the Board who are Directors of Boards, senior managers or employees of other companies and who also hold significant shares in the listed company and/or other organisations in the group:**

Name or company name of the Board member	Company name of the significant shareholder	Post
MR JUAN PLANES VILA	DISPUR, S.L.	CHAIRMAN OF THE BOARD
MR ELOY PLANES CORTS	DISPUR, S.L.	MEMBER
MR ELOY PLANES CORTS	ESTAM-HARITZ, S.L.U.	LEGAL REPRESENTATIVE OF THE DIRECTOR (DISPUR)
BANSABADELL INVERSIÓ I DESENVOLUPAMENT, S.A. (Mr. Carles Ventura)	BANSABADELL INVERSIÓ I DESENVOLUPAMENT, S.A.	POWER OF ATTORNEY
MR BERNARDO CORBERA SERRA	EDREM, S.L.	CEO
MR OSCAR SERRA DUFFO	BOYSER, S.L.	CHAIRMAN OF THE BOARD
ANIOL, S.L.	ANIOL, S.L.	CEO
GRUPO CORP. EMP. DE LA CAJA DE AHORROS Y M.P. DE NAVARRA (Mr. Eduardo Milagro López)	GRUPO CORP. EMP. DE LA CAJA DE AHORROS Y M. P. DE NAVARRA	RESPONSIBLE OF CORPORATE BUSINESS ANALYSIS

**If applicable, describe any relevant relationships, other than those specified in the above section, that the members of the Board of Directors may have with any of the significant shareholders and/or organisations in the group:**

**B.1.18. State whether any changes have been made to the Board's regulations over the past year:**

Yes

Articles 1 (Origin and Purpose), 5 (General Functions of the Board), 15 (Meetings of the Board of Directors), 25 (Director Remuneration) and 36 (Website) of the Regulations of the Board of Directors were amended to introduce certain technical improvements and to bring them in line with the changes introduced into the Revised Text of the Capital Companies Act approved by Legislative Royal Decree 1/2010 of 2 July by the following laws: (i) Law 25/2011 of 1 August which partially reformed the Capital Companies Act and incorporated Directive 2007/36/EC of the European Parliament and Council of 11 July on the exercise of certain rights by shareholders of publicly listed companies and (ii) Royal Decree-Law 9/2012 of 16 March on the simplification of reporting and documentation obligations for mergers and spin-offs of capital companies.

**B.1.19. Describe the procedures for the appointment, re-election, assessment and removal of directors. Provide details about the responsible bodies, the procedures to be followed and the criteria to be applied in each of the procedures.**

Article 36 of the Articles of Association sets out the following:

The Board of Directors shall be composed of a number of members, which shall not be less than five (5) or greater than fifteen (15). The members shall be determined by the General Meeting.

The General Meeting of shareholders is responsible for setting the number of directors. For this purpose, it shall proceed directly to set said number by means of an express decision or indirectly by the filling of vacancies or the naming of new directors, within the maximum limit set in the preceding paragraph.

The General Meeting must ensure that, insofar as is possible, the number of outside or non-executive members on the Board is a substantial majority with respect to the number of executive members. The number of executive members must likewise be the minimum necessary and must take into account the group's complexity and the proportion of the Company's capital that is held by the executive members. Finally, the Meeting must ensure that the number of independent members represents at least one-third (1/3) of the total number of members.

The definitions of the various categories of members shall be those set forth in the corporate-governance recommendations that are applicable at any time.

In the event that there is any outside member who cannot be considered to represent the controlling shareholders or to be independent, the Company shall explain this circumstance and the relationship that this member has, whether that be with the Company, its executives or its shareholders.

The nature of each member must be explained by the Board before the General Meeting of Shareholders that is to appoint them or ratify their appointment.

Appointment of Directors:

- Pursuant to Article 17.1 of the Board's Regulations, directors shall be put forward (i) at the suggestion of the Appointments and Remuneration Committee, in the case of independent directors;

and (ii) subsequent to a report by the Appointments and Remuneration Committee in the case of all other directors. Directors shall be appointed by the General Meeting or the Board of Directors in accordance with the provisions of the Public Limited Companies Act.

- With regard to external directors, Article 18 of the Board's Regulations sets out that the Board of Directors must endeavour to ensure that candidates are solvent, competent and have proven experience. These conditions will be strictly upheld in the case of calls to cover the position of independent director, as provided for under Article 6 of the Regulations.

Re-election of Directors:

- Article 19 of the Board's Regulations only establishes that before proposing the re-election of directors to the General Meeting, the Board shall assess the quality of work and the dedication the proposed candidates have displayed in their previous mandates. Pursuant to Article 22, the assessment shall be made in the absence of the candidates.

Assessment of Directors:

Pursuant to the provisions set out in Article 14 of the Board Regulations, the Nomination and Remuneration Committee will assess the competence scope, knowledge and experience required in the Board and shall, therefore determine the roles and capabilities required of the candidates to fill each vacant and shall assess the necessary time and dedication for them to perform their duties.

Removal of Directors:

- Article 21.1 of the Board's Regulations sets out that directors shall step down from their posts when the period for which they were appointed has terminated, or when the General Meeting so decides should it exercise its legal or statutory powers. This is in accordance with the terms and conditions set out in Article 223 of the Capital Companies Act.

**B.1.20. State the circumstances in which directors must step down.**

Pursuant to Article 21.2 of the Board's Regulations, the directors must place their posts at the disposal of the Board of Directors and formalise, if it deems this appropriate, the corresponding resignation in the following cases:

- a) When they step down from the posts as executives that were related to their appointment as directors.
- b) When involved in any legally established circumstances of incompatibility or prohibition.
- c) When seriously warned by the Board of Directors due to having infringed their obligations as directors.
- d) When their permanence on the Board might endanger or prejudice the interests, credit or reputation of the company or when the reasons for which they were appointed disappear (for example, when an external director representing controlling shareholders disposes of their participation in the company);
- e) In the case of independent directors, they may not remain as such for a continuous period of more than twelve years, and therefore once such period has elapsed, they must place their post at the disposal of the Board of Directors and formalise the corresponding resignation.
- f) In the case of external directors representing controlling shareholders; (i) when the shareholder they represent sells in full their shareholding stake, and furthermore (ii) in the number which corresponds, when such shareholder reduces their shareholding stake to a level which requires a reduction in the number of external directors representing controlling shareholders.

- In addition, Article 21.3 sets out that in the case that a director steps down, whether due to resignation or any other reason, before the end of his mandate period, the reasons for doing so must be given in a letter that must be sent to all of the members of the Board.

The Board of Directors may only propose the removal of an independent director before the end of the statutory period if there is a good reason for doing so, which must be assessed by the Board

subsequent to submitting a report to the Appointments and Remuneration Committee. It shall specifically be understood that a director may be justifiably removed should he fail to fulfil the duties inherent to his post or should he for any reason become involved in any of the circumstances that independent directors are barred from as described in the recommendations on good corporate governance that are in force at any time.

**B.1.21. Explain whether the duties of chief executive of the company are assigned to the office of the Chairman of the Board of Directors. If so, state the measures that have been taken to limit the risks of accumulation of powers by a sole person:**

Yes No X

**State and, if appropriate, explain whether rules have been established to empower one of the independent directors to call a meeting of the Board or to include new items on the agenda, to co-ordinate and express the concerns of the external directors and to direct the evaluation by the Board of Directors.**

Yes X No

Measures to limit risks
Article 15.5 of the Regulations of the Board of Directors foresee that, in the event of the Chairman of the Board also being the chief executive of the Company (which does not arise in this case), the Board of Directors will empower one of the independent directors to be able to call a meeting of the Board or include new items on the agenda, and thus be able to co-ordinate and express the concerns of the independent directors and direct evaluation of the Chairman by the Board. Should one or several Vice-Chairmen of the Company have independent director status, the Board will empower any of them so they may perform the duties to which this section refers.

**B.1.22. Are higher majorities required, other than those required by law in any decision making processes?**

Yes X No

**State how the resolutions by the Board of Directors are passed, stating at least the minimum attendance quorum and the type of majorities to adopt the resolutions:**

Description of the resolution

The amendment of Board Regulation requires for its validity, an agreement passed by a majority of 2/3 of the Directors present or duly represented.

Quorum

Most of their members 60%

Type of majority

Absolute majority of those attending to the meeting, except in cases where the Act, the By-laws or the Board Regulation sets for a different specific quorum. In case of a tie vote, the Chairman has a diriment vote.

**B.1.23 Explain whether there are specific requisites, other than those concerning the directors, to be appointed as Chairman.**

Yes No  No

**B.1.24 State whether the Chairman has a deciding vote:**

Yes  No

<b>Matters in which there is a deciding vote</b>
In all matters in the event of a draw

**B.1.25 State whether the Articles of Association or regulations of the Board establish any limit on the age of the directors.**

Yes No

**B.1.26 State whether the Articles of Association or regulations of the Board establish a limited term of office for independent directors:**

Yes  No

<b>Maximum number of years of term of office</b>	12
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**B.1.27 If the number of female members of the board is scarce or null, explain the reasons and the initiatives adopted to correct that situation.**

<b>Explanation of the reasons and initiatives</b>
There is no sex discrimination. All Directors were appointed through opportunity criteria among nominee Directors and appointment has been done according to their Resum and among Independent Directors.

In particular, state whether the Appointments and Remuneration Committee has established procedures so the selection procedures do not suffer from an implicit bias that hinders the selection of female board members, deliberately seeking female candidates who meet the required profile:

Yes  No

<b>State the main procedures</b>
In the Election and Appointment of Independent Directors Criteria, Fluidra passed by the Board of Directors, states that the company will consider the sex diversity before the election and appointment of Directors in order to ensure the Equal Opportunities, as set out by the Equality Act (March 22, 2007). Likewise, Fluidra shall ensure, among all members of the Board of Directors, not only sex diversity, but also geographical, age and experience diversity.

**B.1.28 State whether there are formal processes for the delegation of votes on the Board of Directors. If so, describe briefly.**

Article 42 of the Articles of Association sets out the following:

The Board shall be validly constituted when the majority of the present members or duly represented, attend the meeting. Representation by proxy shall be made in writing through a letter addressed to the Chairman for each particular meeting and must be in favour of another Board member.

Decisions shall be taken by an absolute majority of those attending the meeting, except in those cases in which the law, these Articles of Association or the Regulations of the Board of Directors have set higher majorities. In the event of a tie, the Chairman's vote shall decide.

Minutes shall be kept of the meetings of the Board of Directors and shall be signed at least by the Chairman or the Vice-chairman and the Secretary or the Deputy Secretary, and shall be transcribed or compiled according to law in a special book of Board minutes.

The minutes shall be approved by the Board of Directors at the end of the meeting or at a subsequent one.

Article 16.1 of the Regulations of the Board of Directors sets out the following:

Meetings of the Board of Directors shall be validly constituted when at least the majority of its members, present or duly represented. The directors shall make every endeavour to attend all Board meetings and when unable to do so shall designate a proxy in writing. Such proxies shall be members of the Board, specifically designated for one meeting only and issued with instructions for the meeting. The Chairman of the Board of Directors shall be notified of such circumstances.



**B.1.29 State the number of meetings the Board of Directors has held during the financial year. If applicable, also state the number of times the Chairman has not attended Board meetings:**

Number of Board meetings	6
Number of Board meetings not attended by the Chairman	1

**State the number of meetings of the different committees of the Board held during the year:**

Number of meetings of the Executive or Delegate Committee	6
Number of meetings of the Audit Committee	5
Number of meetings of the Appointments and Remuneration Committee	6
Number of meetings of the Appointments Committee	0
Number of meetings of the Remunerations Committee	0

**B.1.30 State the number of meetings the Board of Directors has held during the financial year without it being attended by all its members. The calculation will consider representation without specific instructions as non-attendance:**

Number of non-attendances by directors during the financial year	2
% non-attendance out of total votes during the financial year	3,450

**B.1.31. State whether the consolidated individual annual accounts presented to the Board for approval are previously certified:**

YES  NO  X

**B.1.32. Explain, if any, the mechanisms established by the Board of Directors to avoid the individual and consolidated accounts prepared by it being presented to the General Meeting of Shareholders with qualifications in the auditor's report.**

No formal procedure has been established, despite the fact that the Audit Committee must notify the Board of Directors prior to the drawing up of Individual and Consolidated Accounts to ensure they are presented without reservations.

**B.1.33. Is the Secretary to the Board a director?**

No, the Secretary to the Board is not a director.

**B.1.34. Explain the procedures for the appointment and severance of the Secretary to the Board, stating whether his appointment and removal are reported by the Appointments Committee and approved by the plenary Board meeting:**

Appointment and severance procedure
<p>Article 5.2 of the Regulations of the Board of Directors establishes that it will be the remit of the Board to appoint and renew the positions on it.</p> <p>Pursuant to Article 10 of the Regulations of the Board of Directors and in order to safeguard independence, impartiality and professionalism of the Secretary, his appointment and severance will be reported by the Appointments and Remuneration Committee and approved by the plenary meeting of the Board.</p> <p>The current Secretary to the Board was appointed by the meeting of the Board of Directors held on September 17<sup>th</sup> 2007 at the same time as the Remunerations and Appointments Committee was created. His curriculum vitae, which proves his objectivity and professionalism, are included in the Information Prospectus of the Public Offer for the Sale of Shares by Fluidra, S.A. on October 11<sup>th</sup> 2007.</p>

	YES	NO
Does the Appointments Committee report on appointments?	X	
Does the Appointments Committee report on severance?	X	
Does the Meeting of the Board approve the appointment?	X	
Does the Meeting of the Board approve severance?	X	

**Is the Secretary to the Board specifically entrusted with the recommendations of good governance?**

YES X      NO

Remarks
<p>Article 10.3 of the Regulations of the Board of Directors establishes that the Secretary, among other duties, shall specifically ensure that the actions by the Board take into account the recommendations on the good governance of the Company.</p>

**B.1.35 State, if any, the mechanisms established by the Company to ensure the independence of the auditor, the financial analysts, merchant banks and rating agencies.**

To ensure the independence of the auditor:

Article 46 of the Articles of Association establishes that the Audit Committee must:

Propose the appointment of the financial auditors or audit firms, as set out in article 204 of the Public Limited Companies Act, to the Board of Directors for submission to the General Shareholders Meeting, as well as their conditions of hire, the scope of their professional mandate and, as appropriate, the revocation or renewal of their contracts.

Deal directly with the financial auditors or audit firms so that any information received on matters that may jeopardise the independence of the latter may be tackled. It must likewise deal with all matters related to the account auditing process, any notices that have to be issued under the provisions in the legislation on account auditing and ensure compliance to auditing standards.

Article 54 establishes that the auditor will be appointed by the General Meeting before the end of the financial year to be audited for an initial period of time that may not be less than three years or more than nine years, starting on the first day of the first financial year to be audited, notwithstanding the provisions of the laws regulating the auditing profession inasmuch as extensions are concerned.

The General Shareholders' Meeting may appoint one or more natural persons or legal entities to act jointly.

When the designees are natural persons, the General Shareholders' Meeting must appoint one substitute for each regular auditor appointed.

The General Shareholders' Meeting may not revoke the auditors' appointment before the end of the period for which they were appointed without just cause.

Moreover, the Regulations of the Company's Board of Directors, and more specifically article 13, establishes that the Audit Committee must:

Receive regular information from the financial auditors or audit firms on the audit plan and the results of its execution, and verify that senior management takes its recommendations into account.

Ensure the independence of the financial auditors or audit firms and, therefore, (i) it will be responsible for the Company reporting a change of auditor to the Spanish Securities Commission (CNMV) as a relevant fact and for backing up such reports with a statement on disagreements, if any, that have arisen with the outgoing auditor and their nature; (ii) it will ensure that the Company and auditor abide by the regulations in force on the provision of services other than auditing and, in general, that they abide by all other regulations established to ensure the independence of auditors; and (iii) in the event of an external auditor resigning, it must examine the circumstances behind the resignation.

Ensure that the auditor takes full liability for the audits of each company in the group in the case of group audits.

The Audit Committee shall receive annually from the financial auditors or audit firms a confirmation in writing of its independence with respect to the entity or entities directly or indirectly related to financial auditors, as well as the information of any additional services provided to these entities by the financial auditors or audit firms, or persons or entities related with them pursuant to the provisions of Financial Audit Law 19/1988 approved on 12 July.

The Audit Committee shall issue annually and prior to issuance of the audit report, an additional report stating an opinion about the independence of financial auditors or audit firms. This report shall, in any case, state about the rendering of additional services referred to above.

To ensure the independence of financial analysts, merchant banks and rating agencies:

The Company must maintain a relationship with financial analysts and merchant banks that safeguards the transparency, non-discrimination, veracity and reliability of all information supplied. The Manager for Corporate Finance, through the Manager for Investor Relations, coordinates the processing and management of all requests for information from private and institutional investors. The mandates to merchant banks are granted by the General Manager for Corporate Finance. The Manager for Development grants any mandates for advice that may be deemed necessary from merchant banks in their field of operations and in coordination with the General Manager for Corporate Finance.

The Company does not have a credit rating and, therefore, does not have a relationship with credit rating agencies.

The independence of financial analysts is safeguarded through the Manager for Investor Relations, whose specific remit is to deal with investors in an objective, fair and non-discriminatory way.

In compliance with the regulations set out by the Securities Commission, the Company has several channels of communication in order to safeguard the principles of transparency and non-discrimination:

Personalised customer services for analysts and investors.

Publication of information relative to the quarterly results, relevant facts and other notices.

Publication of press releases.

E-mail on the website ([investor\\_relations@fluidra.com](mailto:investor_relations@fluidra.com); [accionistas@fluidra.com](mailto:accionistas@fluidra.com)) and a shareholders' helpline (+34 93 7243900).

List of presentations either made in person or over the phone.

Visits to the Company's facilities.

All of the above information is available on the Company's website ([www.fluidra.com](http://www.fluidra.com)).

**B.1.36. State whether during the financial year, the Company has changed external auditor. If so, identify the incoming and outgoing auditor.**

NO

**B.1.37. State whether the firm of auditors performs other work for the company and/or its group other than those of auditing. If applicable, state the fees paid for that work and the percentage in terms of the overall fees that were billed.**

	COMPANY	GROUP	TOTAL
Amounts for work other than auditing (thousands of euros) * includes fees for Market listing	142	28	170
Amount for work other than auditing/total amount billed by the auditing firm in %	42,875	4,267	17,252

**B.1.38. State whether the audit report on the Annual Accounts of the previous financial year has reservations or qualifications. If appropriate, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.**

YES                      NO X

**B.1.39** State the number of years the current auditing firm has uninterruptedly performed the auditing of the annual accounts of the Company and/or Group. Likewise, state in percentage terms the number of years the current auditing firm has been responsible for auditing the accounts.

	Company	Group
Number of uninterrupted years	9	11

	Company	Group
Number of years audited by the current auditing firm/number of years the company has been audited (%)	100,0	100,0

**B.1.40** State the shares held by members of the Company's Board of Directors in the capital of firms that carry out the same, similar or complementary activities to those that are the corporate object of both the company and its group, and that have been reported to the Company. Likewise, state the posts held or duties performed at those companies:

Name or company name of Director	Name of the subject company	% share	Post or duties
Mr Juan Planes Vila	Dispur, S.L.	51,340%	PRESIDENT
Mr Eloy Planes Corts	Dispur, S.L.	10%	DIRECTOR

**B.1.41. State and, if appropriate, specify whether there is a procedure for the directors to be able to obtain external advice:**

YES

NO

<b>Details about the procedure</b>
<p>Pursuant to Article 24 of the Regulations of the Board of Directors, all the directors, in order to be aided in exercise of their duties, may obtain the necessary advice from the Company to perform their duties. To that end, the Company will provide the adequate channels that, under special circumstances, may include external advice at the Company's expense.</p> <p>In any case, the commission must necessarily concern the specific problems that are of a certain nature and complexity that arise in the performance of duties.</p> <p>The decision to hire must be reported to the Chairman of the Company and may be vetoed by the Board of Directors if the following is accredited:</p> <p>That it is not necessary for the full performance of the duties with which the external directors are entrusted.</p> <p>That its cost is not reasonable with regard to the importance of the problem and the assets and revenue of the company.</p> <p>That the professional advice obtained may be adequately dealt with by experts and technicians in the Company.</p>

**B.1.42 State, and if appropriate, specify whether there is a procedure for directors to obtain the necessary information to prepare the meetings of the governing bodies with sufficient time in advance:**

YES

NO

<b>Details about the procedure</b>
<p>Article 23 of the Regulations of the Board of Directors establishes the following mechanism:</p> <ol style="list-style-type: none"><li>1. Directors may request information on any matter for which the Board is responsible and to this end may examine the books, records, documents and other documentation. The right to information includes investees, whenever this is possible.</li><li>2. The request for information must be addressed to the Secretary of the Board of Directors, who will convey it to the Chairman of the Board and the appropriate contact at the Company.</li><li>3. The Secretary will advise the director of the confidential nature of the information requested and received and of his duty to maintain confidentiality under the terms in the Regulations of the Board.</li><li>4. The Chairman may refuse to provide information if he considers (i) that it is not necessary for the full performance of the duties with which the director is entrusted or (ii) that its cost is not reasonable in view of the importance of the problem and the assets and revenue of the Company.</li></ol>

**B.1.43 State and, if appropriate, specify whether the company has established rules that oblige the directors to notify, and if appropriate resign, in cases in which they may damage the credibility and reputation of the company:**

YES

NO

**Explain the rules**

Article 26 of the Regulations of the Board of Directors establishes, among other obligations of directors, that they must notify the Appointments and Remuneration Committee of their other professional obligations, in case they interfere with the dedication required.

Article 28 of the same Regulations establishes that directors may not be involved as self-employee or hired by third parties, within the same, similar or complementary scope of corporate activity, nor hold as administrators or executives of companies that compete with the Company, with the exception of the posts they might hold, if applicable, in companies belonging to the Group, except upon express authorisation from the General Shareholders' Meeting, notwithstanding what is provided in articles 227 to 229 of the Spanish Capital Companies Act.

Article 34.2 of the same Regulations establishes the obligation of directors to inform the Company of posts held on the Board of Directors of other listed companies and, in general, of facts, circumstances or situations that may be relevant to their management activities. Likewise, all directors must inform the Company in cases in which they may damage the credibility and reputation of the company and, in particular, they must inform the Board of criminal cases in which they are charged as accused, as well as the subsequent result of such proceedings.

Lastly, that same article establishes that, in the event of a director being prosecuted, or a court order being handed down to take trial proceedings against him for any of the offences stated under Article 213 of Spanish Capital Companies Act, the Board shall examine the case as soon as possible and, depending on the specific circumstances, will decide whether or not it is appropriate for the director to remain in office.

**B.1.44 State whether any member of the Board of Directors has notified the company that he has been prosecuted or had trial proceedings ordered against him, for any of the offences pursuant to Article 124 of the Stock Company Act:**

YES

NO

**B.2. Board of Directors Committees**

**B.2.1 List all of the committees pertaining to the Board of Directors and their members:**

EXECUTIVE OR DELEGATE COMMITTEE

<b>Name</b>	<b>Position</b>	<b>Type</b>
Mr Eloy Planes Corts	Chairman	Executive director
Mr Oscar Serra Duffo	Member	Nominee Director
Mr Bernardo Corbera Serra	Member	Nominee Director
Bansabadell Inversió Desenvolupament, S.A.U.	Member	Nominee Director
Mr Juan Ignacio Acha-Orbea Echeverría	Member	Independent Director
Aniol, S.L.	Secretary member	Nominee Director

AUDIT COMMITTEE

<b>Name</b>	<b>Position</b>	<b>Type</b>
Bansabadell Inversió Desenvolupament, S.A.U.	Chairman	Nominee Director
Mr Juan Planes Vila	Member	Nominee Director
Mr Juan Ignacio Acha-Orbea Echeverría	Secretary - Member	Independent director

APPOINTMENTS AND REMUNERATION COMMITTEE

<b>Name</b>	<b>Position</b>	<b>Type</b>
Mr Kam Son Leong	Chairman	Independent director
Mr Richard J. Cathcart	Member	Independent director
Aniol, S.L.	Secretary - Member	Nominee Director



**B.2.2 State whether the Audit Committee is responsible for carrying out the following:**

	Yes	No
Supervising the drawing up and integrity of the company's and, if applicable, the group's financial statements. Ensuring that regulations are complied with, that the scope of consolidation is abided by and that accounting standards are properly applied.	X	
Regularly reviewing internal control and risk management systems in order to ensure that the main risks are properly identified, managed and made known.	X	
Ensuring that internal auditing systems are objective and efficient. Proposing the selection, appointment, re-election and dismissal of the head of the internal auditing department. Proposing the budget for this department. Receiving regular information about the department's activities. Checking that senior management takes the conclusions and recommendations in reports into account.	X	
Establishing and monitoring a system whereby employees are able to supply confidential or anonymous information about irregularities that they have detected in the company, which have potentially serious consequences, particularly with regard to financial and accounting practices.	x	
Presenting the Board with proposals for the selection, appointment, re-election and replacement of the external auditor and suggesting amendments to the auditor's contract.	x	
Receiving regular information from the external auditor about its auditing policy and the results of its application. Checking that senior management takes the auditor's recommendations into account.	X	
Ensuring the objectivity of the external auditor.	X	
Encouraging auditor to take responsibility for all of the audits that are carried out in the companies that make up the group, if applicable.	X	

**B.2.3. Describe the rules governing the organisation, functions, and responsibilities of each of the Board committees.**

The Board of Directors may appoint one or more Delegate Directors. Moreover, it may delegate, totally or partially, temporarily or permanently, all the powers which are subject to delegation pursuant to Law. In order to be valid, the delegation and appointment of the members of the Board to occupy such posts will require the favourable vote of two thirds of the members of the Board. Such posts will not come into effect until they have been recorded in the Company Registry.

Delegate Committee:

Without prejudice to the delegation of powers in favour of one or more delegate directors and powers of attorney that may be granted to any individual, the Board of Directors, in the same way as described in the point above, may appoint a Delegate Committee that will be made up of six directors. In as far as is possible, the Delegate Committee shall reflect the make-up of the Board in terms of the quality and balance between executive, external directors representing controlling shareholders and independent directors.

Audit Committee:

An Audit Committee has been set up within the Board of Directors. It is made up of a minimum of three directors, non-executives and who are appointed by the Board of Directors.

Without prejudice to any other functions assigned by the Board of Directors, the Audit Committee shall have the following basic functions:

Inform the General Meetings regarding any questions raised at it that fall within its competency.

Propose the appointment of auditors or audit companies in conformity with article 264 of the Spanish Corporations Law as well as the contract conditions, the scope of the mandate and, as the case may be, the revocation or cancellation of the mandate.

Supervise the efficacy of the internal control of the Company, and in particular the Internal Control of the Financial Information the internal audit, if appropriate, and the risk management systems, and discuss with the auditors or audit companies the significant weaknesses of the internal control system detected during the audit.

Supervise the process for preparation and presentation of the regulated financial information.

Review the accounts of the Company; oversee compliance with legal requirements and the correct application of generally accepted accounting principles with the direct collaboration of internal and external auditors.

Maintain and supervise the relationships with auditors or audit companies to receive information on those matters that could jeopardize their independence, for their examination by the Committee, and any others related to the process of the audit of accounts, and those other notices contemplated by audit legislation and auditing standards.

Oversee the performance of the contract with external auditors assuring that the auditor's opinion on the financial statements and the main content of the audit report are drawn up clearly and precisely, evaluating the results of the each audit performed.

Examine compliance with the internal code of conduct, with these Regulations and, in general, with the rules are of good corporate governance of the company and make any proposals as may be appropriate for the improvement thereof.

Receive information and, when appropriate, issue reports on the disciplinary measures to be imposed on the members of the senior management team of the Company.

Similarly, the Audit Committee shall be responsible for:

With regards to IT systems and internal control:

- (a) Supervise the preparation and integrity of the financial reporting process of the Company and, as the case may be, of the corporate group, assuring compliance with regulatory requirements and the appropriate establishment of the scope of consolidation and the correct application of accounting criteria.
- (b) Periodically review the internal control and risk management systems to assure that the primary risks are identified, managed, and appropriately informed
- (c) Assure the independence and efficiency of the internal audit function; propose the selection, appointment, re-election, and dismissal of the internal audit department manager; receive periodic information on their activities and verify that senior management takes into account the conclusions and recommendations contained in the reports.
- (d) Establish and supervise a mechanism that allows employees to confidentially and anonymously notify them of any relevant anomaly or irregularity that they may notice, with special attention to finance and accounting.

With regard to the auditor or audit company:

- (a) Propose to the Board of Directors the selection, appointment, re-election and substitution of the auditor or audit company as well as on the contract conditions.
- (b) Regularly receive information from the auditor or audit company on the audit plan and the results of its implementation and verify that senior management is taking their recommendations into account.
- (c) Assure the independence of the auditor or audit company and, for this purpose:: (i) assure that the Company notifies the CNMV of any change in the auditor as a relevant event, accompanying the notification with a report on any existing disagreements with the former auditor and the content thereof; (ii) that the Company and the auditor respect the applicable rules on the provision of services other than auditing and, in general, any other rules established to assure the

independence of auditors; and (iii) in the event of the resignation of the auditor or audit company, investigate the reasons.

The Audit Committee shall receive annually from the auditors or audit companies written confirmation of their independence vis-à-vis the directly or indirectly related company or companies and information on the additional services of any kind provided to such companies by such auditors or companies, or by their related persons or entities pursuant to Law 19/1988, of July 12, Audit Law.

In addition, the Audit Committee shall issue each year, prior to the issuance of an audit report, a report issuing an opinion on the independence of the auditors or audit companies. Such report shall always contain an opinion on the provision of the additional services contemplated in the above paragraph.

(d) In the case of groups, promote that the group auditor assumed responsibility for the auditing of all companies within the group.

With regard to risk policies and management:

- (a) Identify the different types of risk (operating, technological, financial, legal, image) faced by the Company including risks arising from contingent liabilities and other off-balance-sheet risks.
- (b) Identify the acceptable level of risk established for the Company.
- (c) Identify the measures established for the mitigation of identified risks.
- (d) Identify the information and internal control systems to be used for managing and controlling identified risks, including contingent liabilities and off-balance-sheet risks.

With regard to the obligations of publicly-traded companies:

Provide information to the Board of Directors so that it may adopt appropriate decisions regarding:

- (a) The financial information that the Company, as a publicly traded company, must periodically release. The Audit Committee must assure that interim financial statements apply the same accounting criteria as to the annual financial statements and, to this end, consider the appropriateness of a limited review by the auditor or audit committee.
- (b) The creation or acquisition of an equity interest in special-purpose vehicles or entities domiciled in countries or territories considered as tax havens, and any other transaction or operation of a similar nature which due to its complexity could lessen the transparency of the group.
- (c) Operations with affiliates, unless this function has been assigned to a different supervision and control committee.
- (d) Transactions which may imply a conflict of interest.

#### **Appointments and Remuneration Committee:**

An Appointments and Remuneration Committee has also been set up within the Board of Directors. It is made up of a minimum of three external directors, the majority of whom are independent and who are appointed by the Board of Directors.

The Appointments and Remuneration Committee, notwithstanding any other duties which might be assigned to it by the Board of Directors, will carry out the following basic duties:

Prepare and review the criteria to be followed in establishing the composition of the management team of the Company and its subsidiaries and for the selection of candidates.

Evaluate the competencies, knowledge and experience needed by the Board and define the functions and skills needed by candidates to fill each vacancy, evaluating the time and dedication needed for the proper performance of the function.

Inform and propose to the Board of Directors all appointments and dismissals of senior management and executives as proposed by the chief executive officer for the approval of the Board of Directors.

Inform the Board of Directors on matters relating to gender diversity and the qualifications of directors pursuant to article 6.2 of these Regulations.

Propose to the Board of Directors: (i) the remuneration policy for directors and senior management; (ii) the individual remuneration of the executive directors and other conditions of their contracts; (iii) hiring policies and basic conditions of the senior management employment contracts of the Company.

Examine and appropriately organise the succession of the Chairman and First Executive and, when appropriate, advise the Board in order to assure that such successions occur in an organised and planned manner.

Assure that the established remuneration policy is observed by the Company and the transparency of all remuneration.

**B.2.4. State, if applicable, the advisory powers and, if applicable, powers that have been delegated to each of the committees: SEE THE ABOVE POINT**

**B.2.5. State, if applicable, whether there are regulations to which the Board's committees are subject, and if so, where they are available for consultation and any amendments made to them during the financial year. Likewise, state whether any non-mandatory annual reports have been issued concerning the activities of each committee.**

**Committee Name**

APPOINTMENTS AND REMUNERATION COMMITTEE

**Brief Description**

Committee is regulated by the Regulations of the Board of Directors, which is published both by the CNMV and on the Company's website.

The Company has voluntarily prepared an annual report regarding the Appointments and Remuneration Committee.

On April 27th, 2011 it was partially amended article 14 of the Board of Directors Regulations regarding the Appointments and remuneration Committee.

**Committee Name**

DELEGATE COMMITTEE

**Brief Description**

Committees are regulated by the Regulations of the Board of Directors, which is published both by the CNMV and on the Company's website.

On April 27th, 2011 it was partially amended article 12.5 of the Board of Directors Regulations regarding the Appointments and remuneration Committee.

**Committee Name**

AUDIT COMMITTEE

**Brief Description**

Committee is regulated by the Regulations of the Board of Directors, which is published both by the CNMV and on the Company's website.

The Company has voluntarily prepared an annual report regarding the Audit Committee.

On April 27th, 2011 it was partially amended article of the Board of Directors Regulations regarding the Appointments and remuneration Audit Committee. Likewise, on June 8<sup>th</sup> 2011, it was amended article 46 of the Articles of Association with respect to the Audit Committee

**B.2.6. State whether the make-up of the executive committee reflects the Board Member's responsibilities according to their posts:**

Yes.

**C. RELATED PARTY TRANSACTIONS**

**C.1 State whether subsequent to a favourable report by the Audit Committee or any other body entrusted to draw one up, the Board reserves the right to approve the transactions that the Company carries out with its directors, significant shareholders or shareholders represented by the Board, or individuals related to them at its plenary sessions:**

Yes

No

**C.2 Describe any relevant transactions that entail a transfer of resources or obligations between the Company or its subsidiaries, and the Company's significant shareholders:**

Name or company name of the significant shareholder	Name or company name of the company or organisation in the group	Nature of the relationship	Type of transaction	Amount (thousands of Euros)
BOYSER, S.L.	EUROPEENNE DE COUVERTURE AUTOMATIQUE E.C.A., S.A.R.L.	Contractual, Boyser together with Dispur, Edrem and Aniol through Stick Inmobiliere	Leases	650
BOYSER, S.L.	FLUIDRA ESPAÑA, SAU	Commercial, Boyser together with Dispur, Edrem and Aniol through Iberspa, SL	Purchase of goods (finished or in progress)	1.205
BOYSER, S.L.	METALAST, SAU	Contractual, Boyser together with Dispur, Edrem and Aniol through Constralsa	Leases	828

**C.3 Describe any relevant transactions that entail a transfer of resources or obligations between the Company or its subsidiaries, and the Company's administrators or directors:**

Name or company name of the administrators or directors	Name or company name of the company or organisation in the group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
BANC SABADELL INVERSIÓ I DESENVOLUPAMENT, S.L	Fluidra S.A.	Remuneration	Other expenses	100
BERNARDO CORBERA SERRA	Fluidra S.A.	Remuneration	Other expenses	91
ANIOL, S.L.	Fluidra S.A.	Remuneration	Other expenses	88
ELOY PLANES CORTS	Fluidra S.A.	Remuneration	Other expenses	428
GRUPO CORPORATIVO EMPRESARIAL DE CAJA DE AHORROS Y M DE PIEDAD DE NAVARRA	Fluidra S.A.	Remuneration	Other expenses	70
JUAN IGNACIO ACHA-ORBEA ECHEVERRIA	Fluidra S.A.	Remuneration	Other expenses	99
JUAN PLANES VILA	Fluidra S.A.	Remuneration	Other expenses	115
KAM SON LEONG	Fluidra S.A.	Remuneration	Other expenses	91
OSCAR SERRA DUFFO	Fluidra S.A.	Remuneration	Other expenses	91
RICHARD J CATHCART	Fluidra S.A.	Remuneration	Other expenses	89

**C.4 Describe any relevant transactions that the Company performed with other companies belonging to the group, provided they are not cancelled out in the consolidated financial statements and that they do not form part of the Company's normal scope of business operations:**

**C.5 State, if applicable, any circumstances in which company directors were involved that may constitute a conflict of interest, pursuant to the provisions of Article 127.3 of the Limited Companies Act.**

Yes

No

**C.6 Describe the mechanisms in place to detect, determine and resolve possible conflicts of interest between the Company and/or its group and its directors, managers and significant shareholders.**

. In accordance with the provisions in the Regulations of the Board of Directors, members must notify the Board of Directors of any cases of conflict of interest and refrain from attending or intervening in deliberations that affect affairs in which they may have a personal interest.

It is also considered that a director has a personal interest when a matter affects any of the following individuals: spouse or person with whom there is a similar relationship; ascendants, descendants and siblings and their respective spouses or persons with whom there is a similar relationship; and

individuals, companies or organisations over which any of the persons mentioned above may have a significant influence.

In the case of directors that are corporate entities, it shall be understood that they are individuals related to the following: shareholders who find themselves in any of the situations described in Article 4 of Act 24/1988 on Stock Markets, of 28 July; de facto or de jure directors, receivers and proxies with general power of attorney for directors who are corporate entities; the companies and their shareholders that belong to the group, as defined in Article 4 of Act 24/1988 on Stock Markets, of 28 July. The Directors may not use the Company's name or act in their capacity as Directors to carry out transactions on their own behalf or for related individuals.

Directors may not directly or indirectly carry out professional or trading transactions with the Company unless prior notice has been given of a possible conflict of interest and the Board approves the transaction.

Transactions that are part of the Company's ordinary business and that are of a habitual and recurring nature may be carried out providing the Board of Directors has issued a general authorisation to do so.

In accordance with Article 10 of the Internal Regulations on Conduct, the following is set out with regard to conflicts of interest:

Liable Individuals subject to conflicts of interest must abide by the following general principles of conduct:

**Independence:** Liable Individuals must at all times act fairly and loyally to the Company and its shareholders, regardless of their own interests or those of third parties. Therefore, they shall abstain from placing their own interests before those of the Company or other investors at the expense of others.

**Abstention:** They must abstain from intervening in or influencing any decisions taken that may affect individuals or organisations with which there are conflicts of interest and from accessing any Relevant Information that may have a bearing on such conflicts.

**Notification:** Liable Individuals must notify the Director of the Company's Legal Department of any possible conflicts of interest to which they may be subject as a result of their activities outside the Company, their family ties, their personal assets, or any other interests they may have in:

The Company or any of the companies that belong to the Fluidra Group.

The suppliers or major customers of the Company or any of the companies that belong to the Fluidra Group.

Organisations that are devoted to the same line of business or that are competitors of the Company or any of the companies that belong to the Fluidra Group.

Any doubts as to a possible conflict of interest must be addressed to the Director of the Company's Legal Department and the final decision will rest with the Audit Committee.

A conflict of interest arises if Liable Individuals fulfil any of the following conditions with regard to the organisations mentioned in this article.

(i) They are directors or senior managers.

They have a significant shareholding (the latter being understood, in the case of listed companies on any official secondary market in Spain or abroad, as that defined in article 53 of the LMV (Stock Exchange Act) and any other legislation that may apply, and in the case of unlisted Spanish or foreign companies, any direct or indirect holding over and above twenty per cent of the equity issued).

They have a family tie to the second degree of affinity or to the third degree by blood with the directors, significant shareholders or senior managers.

They have a relevant contractual relationship, either directly or indirectly.

### C.7. Is more than one of the Group's companies listed in Spain?

YES

NO X

## D. RISK CONTROL SYSTEMS

### D.1 General description of the risk policy of the company and/or its group. Provide details and assess the risks covered by the system. Justify the adequacy of these systems with regard to the profile of each kind of risk.

The Company updated a risk assessment that had been conducted to identify and assess the group's business risks in view of its activity and the current climate, as well as the controls associated with these risks. The risk assessment took into consideration strategic, financial, operational and unforeseeable risks. Following the assessment, the main business risks were identified and were prioritised based on the probability that they would occur and on the impact or effect that they could have on the company. The controls on risk that the Company has in place were also identified. They were classified based on their level of effectiveness and those that had to be strengthened were identified in order to improve the risk profile. As a result of this assessment, the risk map was updated and the assessment placed particular emphasis on the risks classified as high and/or those which were subject to weak controls.

Additionally, the critical risks identified in the last update of the risk map were analysed in depth in terms of the recommendations and action plans suggested in previous reviews, as well as in terms of their status.

A schedule was agreed on with Senior Management to continue working on the project during the 2013 and 2014 business years, and to update the risk map for 2012. In line with this schedule, work continued on the assessment of the internal information and control systems used to monitor and manage the risks identified, the measures anticipated to mitigate their impact should they materialise in order to ensure an acceptable level of risk and identify off-balance sheet contingent liabilities and/or risks.

Furthermore, the Company worked on the implementation of the recommendations of the diagnosis reached during the first four-month period of 2011 on Financial Information Control Systems, based on the new regulations and recommendations of the Spanish Securities Commission.

It is important for the Company to identify the improvements to these measures and controls in order to improve current risk management practices and make them more efficient and effective.

### D.2 State whether any of the different types of risks have materialised (operational, technological, financial, legal, reputation, tax, etc.) that affect the company and/or its group:

Yes

No

If affirmative, state the circumstances that have given rise to these and whether the control systems established have worked.

Risk materialised in the financial year	Circumstances that gave rise to it	that	Operation of the control systems
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**D.3 State whether there is any committee or other governing body responsible for establishing and monitoring these control devices:**

Yes

If affirmative, detail what their duties are.

**Name of the committee or body:**

Audit Committee

**Description of duties:**

The responsibilities that arise from the Company's risk management control mechanism are as follows:

Related to risk policies and management:

Identifying the various types of risk (operational, technological, financial, legal, reputational) that the Company faces, including contingent liabilities and other off-balance sheet risks.

Identifying the set level of risk that the Company considers acceptable.

Identifying the measures foreseen to mitigate the impact of the risks identified should they actually arise.

Identifying the information and internal control systems that monitor and manage these risks, including contingent liabilities and off-balance sheet risks.

Related to the obligations of a listed company:

Giving the Board prior notice that it should adopt the corresponding decision on transfer pricing operations and any transactions that involve or may involve a conflict of interest.

Description of functions

The responsibilities that arise from the Committee's risk management control mechanism are as follows:

In relation to policy and risk management

- To identify the various types of risk (operational, technological, financial, legal, reputational) that the Company faces, including contingent liabilities and other off-balance sheet risks in the case of financial and economic risks.
- To identify the level of risk the Company considers acceptable.
- To identify the measures anticipated to reduce the impact of the risks identified should they occur.
- To identify the internal information and control systems that will be used to monitor and manage these risks, including off-balance sheet contingent liabilities and risks.

In relation to the obligations inherent to the Company

- To inform the Board of Directors, prior to it adopting the corresponding decisions on:
  - Periodic financial information released for public records. The Committee must ensure that the interim annual accounts are drawn up following the same accounting criteria as the annual accounts and decide whether a limited review is required by the auditor or auditing firm of the accounts.
  - The creation or acquisition of entities or transactions or operations conducted in tax

- havens that may undermine the transparency of the group.
- Transfer pricing operations, unless the task of drawing up a preliminary report has been assigned to a committee other than the Follow-Up and Control Committees.
- Any operations that involve or may involve conflicts of interest.

**Name of the committee or body:**

Body Responsible for the Fulfilment of Regulations

**Description of duties:**

Fulfilment of regulations on obligations as a listed company

Management of risks derived from the listing

**D.4 Identification and description of the processes to comply with the various regulations that affect the company and/or its group.**

All the processes and controls that are essential to ensuring compliance with the various regulations that significantly affect the group have been implemented. The processes are set out in detail in the Regulations of the General Shareholders Meeting, the Regulations of the Board of Directors and the Internal Code of Conduct, about which comments have been made in Section B of this report. At the close of this report, no incidents had been detected.

**E . GENERAL SHAREHOLDERS MEETING**

**E.1 State, and if applicable describe, whether the quorum required to hold a General Shareholders' Meeting differs in any way to the provisions set out in the Limited Companies Act (LSA).**

YES

NO

	Difference in % of the quorum compared to Art. 102 of the LSA for general budget meetings	Difference in % of the quorum compared to Art. 103 of the LAS for special budget meetings
Quorum required for the 1 <sup>st</sup> call	N/A	N/A
Quorum required for the 2 <sup>nd</sup> call	N/A	N/A

<b>Description of differences</b>
NOT APPLICABLE

**E.2 Explain the system for adopting corporate resolutions. Describe any differences with regard to the system provided for in the Limited Companies Act (LSA):**

YES                      X NO

**E.3 List any of the shareholders' rights at general meetings that are different to those provided for in the LSA.**

N/A

**E.4 If applicable, state the measures adopted to encourage shareholders to attend the general meetings.**

N/A

**E.5 State whether the post of chairman for the General Shareholders' Meeting is held by the Chairman of the Board of Directors. If applicable, provide details about the measures in place to insure the objectivity and smooth running of the General Meeting:**

X YES                      NO

Describe the measures
<p>According to Article 16 of the Regulations of the General Shareholders' Meeting, it shall be chaired by the chairman of the Board of Directors or, in his absence, by the Vice-chairman, and in the absences of both, by a member of the Board of Directors that the General Meeting designates.</p> <p>Measures for guaranteeing the objectivity and smooth running of the General Meeting:</p> <p>The Regulations of the General Shareholders' Meeting were approved at the meeting held on September 5<sup>th</sup> 2007. A set of measures were included in these regulations to ensure the objectivity and smooth running</p>

of General Meetings.

These Regulations are available on the Company's website.

**E.6 Describe, if any, the amendments made over the year to the regulations that govern General Shareholders' Meetings.**

Amendment of articles 6, 7, 8, 9, 22, 25 and 26 of the Regulations of the General Shareholders' Meeting.

a. The purpose of the proposed amendment of article 6 of the Regulations relative to the announcement of the General Shareholders' Meeting is to adjust the deadline for holding a General Shareholders' Meeting when requested by shareholders representing at least 5% of the share capital, pursuant to the new wording of article 168 of the Capital Companies Act and in line with the proposed amendment of article 25 of the Articles of Association.

b. The purpose of the proposed amendment of article 7 of the Regulations relative to the announcement of the meeting is:

(1) To improve the article technically by replacing the word "superior" with the word "different" to refer to the fact that the announcements of ordinary and extraordinary general shareholders' meetings must be published at least one month before the scheduled meeting date, except where the law requires a "different" advance notice.

(2) Furthermore, in line with the proposed amendment of article 25 of the Articles of Association:

(i) It incorporates the terms of articles 174 and 517 of the Capital Companies Act that address the contents of the General Shareholders' Meeting announcement.

(ii) It incorporates the terms of article 519 of the Capital Companies Act relative to the right of shareholders representing at least 5% of the share capital to present new motions not already included or to be included on the agenda of a scheduled General Shareholders' Meeting and to add items to the agendas of Ordinary General Meetings.

(iii) It adjusts the deadline for holding a general meeting on second call pursuant to the terms of article 177.3 of the Capital Companies Act.

c. The purpose of the proposed amendment of article 8 of the Regulations is to incorporate the provisions of article 158 of the Capital Companies Act in relation to the general information which the Company must publish on its website uninterruptedly prior to the General Shareholders' Meeting and to update the reference to the former article 528 of the Capital Companies Act which is currently article 539 of that law.

d. The purpose of the proposed amendment of article 9 of the Regulations relative to the right to information prior to the holding of the General Shareholders' Meeting is to adapt the wording and contents to the changes introduced by article 520 of the Capital Companies Act which regulates the shareholder's right to information, in line with the proposed amendment of article 30 of the Articles of Association.

e. The purpose of the proposed amendment of article 22 of the General Shareholders' Meeting Regulations relative to the shareholders' right to information while the General Shareholders' Meeting is being held is, once again, to incorporate the provisions of article 520 of the Capital

Companies Act which regulates the shareholder's right to information, in keeping with the proposed amendment of article 30 of the Articles of Association.

f. The object of the proposed amendment of article 25 of the Regulations relative to voting on the proposed motions is to update the reference to the former article 514 of the Capital Companies Act, which is currently article 526 of that Law.

g. Finally, the object of the proposed amendment of article 26 of the Regulations relative to the passage of resolutions and conclusion of the General Shareholders' Meeting is:

- (1) To improve the coherence of the article by moving the third paragraph to the end of the article.
- (2) To adapt the article to the wording of article 525.1 of the Capital Companies Act relative to the results of the voting on the proposed resolutions at the General Shareholders' Meeting.
- (3) To incorporate the provisions of article 525.2 of the Capital Companies Act, which, following the changes introduced by Law 25/2011, requires that the resolutions adopted at the General Shareholders' Meeting and the vote count be published on the Company's website within five days of the meeting date.

**E.7 Provide attendance figures for the general meetings held over the year to which this report refers:**

Date of General Meeting	Attendance figures				Total
	% physically present	% by proxy	% Distance voting		
			Electronic votes	Other	
6.06.2012	10,461	67,578	0,000	0,000	78,039

N/A

**E.8 Give a brief description of the agreements adopted at the general shareholders' meetings held over the year to which this report refers and the percentage of votes cast for the adoption of each vote.**

The following agreements were adopted at the Ordinary General Shareholders' Meeting:

Item One: Examination and approval, if applicable, of the annual accounts and the directors' report for the Company and its consolidated group for the financial year ended 31 December 2011. Percentage of favourable votes: 99.9985%.

Point Two: Allocation of profit (loss) for the financial year ended 31 December 2011. Percentage of favourable votes: 99.9985%.

Point Three: Payment of dividends against voluntary reserves. Percentage of favourable votes: 99.9986%.

Point Four: Examination and approval, where applicable, of the Board of Director's performance during financial year 2011. Percentage of favourable votes: 99.9981%.

Point Five: Re-election of the Company's and consolidated group's auditor. Percentage of favourable votes: 99.9919%

Point Six: Consultative vote of the General Shareholders' Meeting on the annual report on director remuneration. Percentage of favourable votes: 99.7586%

Point Seven: Amendment of article 25 (General Shareholders' Meeting Announcement), 30 (Right to Information), 41 (Board of Directors Meetings), 44 (Director Remuneration), 48 (Corporate Website), 54 (Auditors) and 60 (Settlement) of the Articles of Association to introduce certain technical improvements and to adapt them to the changes introduced into the Revised Text of the Capital Companies Act (i) by Law 25/2011 of 1 August which partially reformed the Capital Companies Act and incorporated Directive 2007/36/EC of the European Parliament and Council of 11 July on the exercise of certain rights by shareholders of publicly listed companies and (ii) Royal Decree-Law 9/2012 of 16 March on the simplification of reporting and documentation obligations for mergers and spin-offs of capital companies. Percentage of favourable votes: 99.9988%

Point Eight: Amendment of articles 6 (Announcement of the General Shareholders' Meeting), 7 (Publication of Announcement), 8 (Availability of information on website as from the date on which the announcement is published on the Company's website), 9 (Right to information prior to the General Shareholders' Meeting), 22 (Right to information during the General Shareholders' Meeting), 25 (Voting on proposed resolutions) and 26 (Adoption of resolutions and conclusion of the General Shareholders' Meeting) of the Regulations of the General Shareholders' Meeting for adaptation to the changes introduced into the Revised Text of the Capital Companies Act 25/2011 of 1 August which partially reformed the Capital Companies Act and included Directive 2007/36/EC of the European Parliament and Council of 11 July on the exercise of certain rights by the shareholders of publicly listed companies. Percentage of favourable votes: 99.9988%

Point Nine: Authorisation for the Company to acquire and dispose of treasury stock, either directly or through other Group companies, including authorisation to reduce the share capital in order to amortise the treasury stock, vesting the Board of Directors with the powers necessary to execute the resolutions passed by the General Shareholders' Meeting in this regard and cancel any prior authorisation, and authorisation to use the portfolio of treasury stock to implement or cover the remuneration systems. Percentage of favourable votes: 99.3465%

Point Ten: Ratification and approval of the corporate website. Percentage of favourable votes 99.3460%

Point Eleven: Ratification of a Director appointed by co-option. Percentage of favourable votes: 99.9983%

Point Twelve: Delegation of powers to formalise, interpret, supplement, develop, correct and execute the resolutions passed by the General Shareholders' Meeting. Percentage of favourable votes: 99.9983%.

**E.9 State whether any of the articles of association set out a minimum number of shares as a requirement to attend the General Shareholders' Meeting:**

No

**E.10 Describe and justify the policies followed by the Company with regard to voting by proxy at the General Shareholders' Meeting.**

All shareholders who are entitled to attend General Meetings may vote by a proxy, who does not necessarily have to be a shareholder, at the General Meetings. Votes cast by proxy must be done so in accordance with the requisites and formalities set out in the act, in Article 29 of the Articles of Association and in Article 12 of the Regulations of the General Shareholders' Meeting.

All votes cast by proxy shall be certified by means of an attendance card or a letter, which in both cases must bear the original signature of the person represented. The document that certifies voting by proxy must contain the following information: the date of the General Meeting and its agenda; the identity of the person represented and the proxy, although in the event that no proxy is specified, it shall be understood that voting rights have been granted to either the chairman of the Board of Directors, the managing director or the secretary of the Board of Directors; the number of shares the shareholder has and instructions as to how the proxy should vote for each of the items that are on the agenda.

Should public requests be made to be represented by proxy, in addition to the items mentioned in the paragraph above, the document that designates the proxy must contain an indication as to how the proxy should vote if precise instructions are not provided.

Voting by proxy may also be granted by post providing the Company is sent an attendance and vote card that must have been obtained from and issued by the organisation or organisations responsible for recording the entry of shares in the corresponding register. Other written means may be used that have been approved by the Board of Directors, and providing prior permission to do so has been obtained. If other such means are used, it must be possible to check the identity of the shareholder who votes by proxy in this way.

**E. 11 State whether or not the Company is aware any policies of institutional investors to participate or in Company decisions:**

Negative reply

**E.12 State the address and access route to the contents the corporate governance regulations of your Website.**

[www.fluidra.com](http://www.fluidra.com)

Go to the SHAREHOLDERS AND INVESTORS section and a CORPORATE GOVERNANCE submenu will appear.



## **F DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS**

Indicate the company's degree of compliance with the recommendations given in the unified code of good governance.

In the event of failure to comply with any such recommendations, explain the recommendations, standards, practices or criteria applied by the company.

1. The articles of association of listed companies should not limit the maximum number of votes that can be issued by the same shareholder or contain other restrictions that prevent the company from being taken over through the purchase of its shares on the market.

See epigraphs: A.9 , B.1.22, B.1.23 and E.1, E.2.

Complies  Explain

2. When the parent company and the subsidiary are listed, they must both publicly define the following in detail:

Their respective activity areas and possible business relations between them, as well as those of the listed subsidiary with the other companies in the group;

The mechanisms laid down to solve possible conflicts of interests as they arise.

See epigraphs: C.4 and C.7

Complies  Complies partially  Explain  Not applicable

3. Although it is not expressly required in mercantile legislation, they should submit the transactions that involve a modification to the company's structure for approval by the General Shareholders Meeting, especially the following:

The change of listed companies into holding companies through "subsidiarisation" or the incorporation into entities dependent on essential activities carried out until then by the company itself, even though the said company maintains full control over them;

The acquisition or transfer of essential operating assets when there is an actual modification of the corporate purpose;

The transactions whose effect is equivalent to that of the company's liquidation.

Complies  Complies partially  Explain

4. The detailed proposals of the agreements to be adopted by the General Shareholders Meeting, including the information referred to in recommendation 28, should be published with the publication of the announcement of the call to the meeting.

Complies  Explain

5. In the General Shareholders Meeting, the matters that are substantially independent must be voted separately so that shareholders can exercise their voting preferences separately. And the said rule should be applied, in particular:

On the appointment or ratification of the members of the board, which should be voted individually;

In the case of modifications to the articles of association, each article or group of articles that is substantially independent.

See epigraph: E.8

Complies  Complies partially  Explain

6. The companies should allow the division of the vote so that the financial brokers legitimated as shareholders but acting on behalf of different clients can issue their votes in accordance with the instructions given by the said clients.

See epigraph: E.4

Complies  Explain

**7. The board should carry out its functions on the basis of a unified purpose and independence, giving the same treatment to all the shareholders and following the company's interest, understood as maximising the company's economic value in a sustained manner.**

**It should also ensure that, in its relations with the stakeholders, the company observes legislation and regulations; fulfils its duties and contracts in good faith; observes the uses and good practices of the sectors and territories in which it operates; and observes the additional principles of corporate liability it has voluntarily accepted.**

Complies  Complies partially  Explain

**8. As the core of its mission, the board should adopt the company's strategy and the organisation required for its implementation, as well as supervising and controlling the management's fulfilment of targets and observance of the company's corporate interest and purpose. Accordingly, in its plenary session, the board reserves the power to adopt the following:**

**The company's general strategies and policies, in particular:**

**i) The strategic or business plan, as well as management targets and annual budgets;**

**The investment and finance policy;**

**The definition of the structure of the group of companies;**

**The corporate governance policy;**

**The corporate liability policy;**

**The salary policy and appraisal of senior management performance;**

**The risk management and control policy, as well as the regular monitoring of internal information and control systems.**

**The dividend policy, as well as the treasury stock policy and, in particular, its limits.**

**See epigraphs: B.1.10, B.1.13, B.1.14 and D.3**

**The following decisions:**

**On the proposal of the company's chief executive, the appointment and removal of senior managers, as well as their severance clauses.**

**See epigraph: B.1.14.**

**The salaries for the members of the board, as well as, in the case of executives, the additional payment for their executive functions and other conditions to be observed in their contracts.**

**See epigraph: B.1.14.**

**The financial information which, due to its status as a listed company, it has to publish on a regular basis.**

**The investments or transactions of all kinds which, owing to their high amount or special characteristics, are of a strategic nature, unless their approval corresponds to the General Shareholders Meeting;**

**The creation or acquisition of shares in entities with special purposes or domiciled in countries or territories that are considered as tax havens, as well as whatsoever other similar transaction or operation which, owing to its complexity, could undermine the group's transparency.**

**The transactions completed by the company with members of the board, important shareholders or shareholders represented on the board or with related individuals ("related transactions").**

However, this authorisation by the board should not be considered necessary for the related transactions that meet the following three conditions:

1. They are carried out by virtue of contracts whose terms and conditions are standardised and applied generally to many clients;
2. They are carried out at prices or rates generally established by the person acting as the supplier of the good or service in question;
3. Their amount does not exceed 1% of the company's annual revenue.

It is recommended that the board should approve the related transactions after a favourable report has been issued by the Audit Committee or, where applicable, any other party to which that function has been commissioned; and, besides not exercising or delegating their right to vote, the members of the board who are affected should leave the meeting room while the board deliberates and votes on the matter.

It is recommended that it should not be possible to delegate the powers attributed to the board here, except for those mentioned in paragraphs b) and c), which may be adopted in emergencies by the Delegate Commission and subsequently ratified by the board in its plenary session.

See epigraphs: C.1 and C.6

Complies x      Complies partially       Explain

9. The board should have the necessary size for effective, participatory operation, which means that it should not have fewer than five or more than fifteen members.

See epigraph: B.1.1

Complies x      Explain

10. The external directors representing controlling shareholders and independent directors should represent a broad majority of the Board and the number of executive directors should be the required minimum, taking into account the complexity of the corporate group and the percentage of interest of the executive directors in the company's capital.

See epigraphs: A.2, A.3, B.1.3 and B.1.14.

Complies x      Complies partially       Explain

11. If there is an external director who cannot be considered as either an external director representing controlling shareholders or an independent director, the company should explain the said circumstance and his association either with the company or its managers, as well as with its shareholders.

See epigraph: B.1.3

Complies      Explain       Not applicable x

12. Among the external directors, the ratio between the number of external directors representing controlling shareholders and the independent directors should reflect the proportion between the company's share capital represented by the external directors representing controlling shareholders and the rest of the share capital.

This criterion of strict proportionality could be reduced as the weight of the external directors representing controlling shareholders is greater than that which would correspond to the total percentage of the share capital they represent:

1. In companies with a high level of capitalisation, when the shares that are legally considered as significant are zero or low-level, but where shareholders exist, with blocks of shares of high absolute value.

2. When it is a question of companies in which there is a plurality of shareholders represented on the Board who are not related between them.

See epigraphs: B.1.3, A.2 and A.3

Complies x      Explain

**13 The number of independent directors should represent at least one third of the total number of directors.**

**See epigraph: B.1.3**

Complies  Explain

Board is composed of 10 members out of which 3 are independent board members.

**14. The nature of each director must be explained by the Board before the General Shareholders Meeting that is to carry out or ratify his appointment, which should be confirmed or reviewed annually, as appropriate, in the annual report on corporate governance, with prior confirmation by the Appointments Committee. The said report should also explain the reasons why external directors representing controlling shareholders have been appointed at the request of shareholders whose holding is less than 5% of the share capital; and reasons should be given for the rejection, where applicable, of formal requests for presence on the Board from shareholders whose holding is equal to or higher than that of others at whose request external directors representing controlling shareholders have been appointed.**

**See epigraphs: B.1.3 and B.1.4**

Complies  Complies partially  Explain

**15. When the number of female directors is zero or almost zero, the board should explain the reasons and the initiatives adopted to correct the said situation; in particular, the Appointments Committee should ensure that, when new vacancies arise:**

**The selection process does not involve implicit bias that prevents the selection of female directors**

**The company should deliberately look for and include among potential candidates women that comply with the professional profile being sought.**

**See epigraphs: B.1.2, B.1.27 and B.2.3.**

Complies  Complies partially  Explain  Not applicable

**16. As the person responsible for the effective operation of the Board, the Chairman should ensure that the directors receive sufficient information beforehand; stimulate debate and the active participation of the directors during the board's sessions, safeguarding his free standpoint and opinion; and organise and coordinate with the chairmen of the relevant commissions the regular assessment of the board, as well as that of the CEO or chief executive, where applicable.**

**See epigraph: B.1 42**

Complies  Complies partially  Explain

**17. When the Chairman of the Board is also the company's chief executive, one of the independent directors should be empowered to request the call to meeting of the Board or the inclusion of new matters on the agenda; coordinate and echo the concerns of the external directors; and direct the Board's assessment of its Chairman.**

**See epigraph: B.1.21**

Complies  Complies partially  Explain  Not applicable

**18. The Secretary of the Board should make sure, in particular, that the board's actions:**

- a) **Comply with the content and spirit of legislation and the corresponding regulations, including those adopted by the regulating bodies;**

- b) Comply with the company's articles of association and with the regulations of the General Shareholders Meeting, the Board and other company regulations;
- c) Take into account the recommendations on good governance laid down in the unified code accepted by the company.

And, in order to safeguard the Secretary's independence, impartiality and professionalism, his appointment and removal must be reported by the Appointments Committee and approved by the Board in its plenary session; and the said appointment and dismissal procedure must be laid down in the Board regulations.

See epigraph: B.1.34

Complies x      Complies partially       Explain

**19. The board should meet as regularly as necessary to carry out its functions effectively, following the schedule of dates and business laid down at the beginning of the year, where each director may propose other business for the agenda not considered initially.**

See epigraph: B.1.29

Complies x      Complies partially       Explain

**20. The non-attendance of the directors should be reduced to essential cases and quantified in the annual corporate governance report. And if representation is essential, it must be designated with instructions.**

See epigraphs:      B.1.28 and B.1.30

Complies x      Complies partially       Explain

**21. When the directors or the Secretary express concern for any proposal or, in the case of the directors, for the company's progress and the said concern is not resolved by the board, it should be recorded in the minutes of the meeting at the request of the person expressing the said concern.**

Complies x      Complies partially       Explain       Not applicable

**22. In its plenary session, the board should assess the following once a year:**

**The quality and efficiency of the board's operations;**

**Based on the report issued by the Appointments Committee, the functions carried out by the Chairman of the Board and the company's chief executive;**

**The running of its Committees, based on the reports they issue.**

See epigraph: B.1.19

Complies x      Complies partially       Explain

**23. All the directors should be able to exercise the right to compile any additional information they consider necessary on business that falls within the remit of the Board. And, unless the articles of association or the regulations of the board lay down otherwise, they should address their requirement to the chairman or secretary of the board.**

See epigraph: B.1.42

Complies x      Explain

**24. All the directors have the right to obtain the advice they need for the fulfilment of their functions from the company. The company should lay down the appropriate ways of exercising this right, which, under special circumstances, could include external advisory services on the company's account.**

**See epigraph: B.1.41**

Complies  Explain

**25. The company should establish a guidance programme to provide new directors with rapid and sufficient knowledge of the company, as well as its rules on corporate governance. They should also offer directors programmes for updating their knowledge when circumstances so recommend.**

Complies  Complies partially  Explain

**26. The company should require the directors to devote the time and effort necessary for carrying out their function effectively and, consequently:**

**The directors should report to the Appointments Committee on their other other professional duties in case they interfere with the required devotion;**

**The companies should lay down rules on the number of boards on which their directors can sit.**

**See epigraphs: B.1.8, B.1.9 and B.1.17**

Complies  Complies partially  Explain

The number of Board of Directors on which the directors can sit, has not been ruled.

**27. The proposal for the appointment or re-election of directors raised by the Board to the General Shareholders Meeting, as well as their provisional appointment by co-optation, should be approved by the board:**

**At the proposal of the Appointments Committee, in the case of independent directors.**

**After a report issued by the Appointments Committee, in the case of the other directors.**

**See epigraph: B.1.2**

Complies  Complies partially  Explain

**28. The companies should publish the following information about their directors on their website and keep the said information up-to-date:**

**a) Professional and biographical profile**

**b) Other boards on which they sit, whether the companies are listed or not;**

**c) Indication of the category of director to which they belong, where applicable, indicating, in the case of the external directors representing controlling shareholders, the shareholder they represent or with whom they are related.**

**d) Date of their first appointment as a director of the company, as well as of the subsequent appointments; and**

**e) The shares they own in the company and the stock options over the said shares.**

x Complies  Explain

**29. The independent directors should not remain as such for a continued term of more than 12 years.**

**See epigraph: B.1.2**

Complies x  Explain

**30. The external directors representing controlling shareholders should present their resignation when the shareholder they represent sells all his shares in the company. They should also present their resignation, in the corresponding number, when the said shareholder lowers his shares in the company to a level that requires a reduction in the number of his external directors representing controlling shareholders.**

**See epigraphs: A.2, A.3 and B.1.2**

Complies x  Complies partially  Explain

**31. The Board of Directors should not propose the removal of any independent director before the fulfilment of the statutory term for which he has been appointed, except when there is just cause, understood as such by the Board after a report issued by the Appointments Committee. In particular, just cause shall be understood as applicable when the director is in breach of the duties inherent to his post or has entered into any of the circumstances laid down in epigraph 5 of section III on definitions in this code.**

**The removal of independent directors resulting from takeover bids, mergers or other similar corporate transactions that represent a change to the company's share capital structure could be proposed when the said changes to the structure of the board are brought about by the criterion of proportionality indicated in Recommendation 12.**

**See epigraphs: B.1.2, B.1.5 and B.1.26**

Complies x  Explain

**32. The company should establish rules that oblige the directors to report and, where applicable, resign in cases that can damage the company's reputation and credit and, in particular, oblige them to inform the board of the criminal cases in which they appear as an accused party, as well as their subsequent procedural events.**

**If a director is tried or a sentence is issued against him for the commencement of a hearing for any of the crimes laid down in article 124 of the Spanish Public Limited Companies Act, the Board should examine the case as soon as possible and, in view of the specific circumstances, decide whether or not it is fitting for the director to continue in his post. And, the Board should give a reasoned account of all the events in the Annual Corporate Governance report.**

**See epigraphs: B.1.43, B.1.44**

Complies x  Complies partially  Explain

**33. All the directors should clearly express their opposition when they consider that any proposed decision submitted to the Board may be contrary to the company's interests. And this should apply especially to the independent directors and other directors not affected by the potential conflict of interest in the case of decisions that may damage the shareholders not represented on the Board.**

When the Board adopts significant or reiterated decisions on which the director has formulated serious reservations, the said director should draw the corresponding conclusions and, if he decides to resign, explain the reasons in the letter referred to in the following recommendation.

The scope of this recommendation also includes the Secretary of the Board, even though he does not have the status of director.

Complies       Complies partially       Explain       Not applicable

34. When, either due to resignation or any other reason, a director abandons his post before the end of his mandate, he should explain the reasons in a letter sent to all the members of the Board. And, without prejudice to the said resignation being notified as a relevant event, the reason for the resignation should be accounted for in the Annual Corporate Governance report.

See epigraph: B.1.5

Complies x      Complies partially      Explain       Not applicable

35. According to internal standards, there is no obligation to include the reason for the resignation in the Annual Report.

The salary policy approved by the Board should indicate at least the following:

The amount of the fixed components, with a breakdown, where applicable, of the expenses for participation in the board and its commissions and an estimate of the annual fixed salary resulting therefrom;

Variable salary concepts, including, in particular:

- i) Classes of directors to which they are applied, as well as an explanation of the relative importance of the variable salary concepts with regard to the fixed salary concepts.
- ii) Results assessment criteria on which any right to payment in shares, stock options or any variable component is based;
- iii) Fundamental parameters and basis of any annual premium system (bonus) or other benefits not paid in cash; and
- iv) An estimate of the absolute amount of the variable salary payments arising from the proposed salary plan in accordance with the level of fulfilment of the hypotheses or objectives taken as reference.

Main characteristics of the company pension plans (e.g. top-up schemes, life insurance policies and similar), with an estimate of their amount or equivalent annual cost.

Conditions to be observed in the contracts of those who exercise senior management functions as executive directors including:

Term;

Terms of notice; and

Any other clauses related to contracting premiums, such as severance payments or golden parachutes for early termination or cancellation of the contractual relations between the company and the executive director.

See epigraph: B.1.15

Complies       Complies partially       Explain

36. The payments made through shares in the company or companies in the group, stock options or instruments referenced to the value of the share, variable payments associated



with the company's performance or company pension plans should be limited to the executive directors.

This recommendation will not cover the provision of shares when it is conditioned to the directors maintaining them until their resignation as a director.

See epigraphs: A.3, B.1.3

Complies  Explain

37. The salary payments of the external directors must be the amount necessary for compensating the devotion, qualification and responsibility required by the post; but not so high as to compromise their independence.

Complies  Explain

38. The salary payments related to the company's results should take into account the possible exceptions included in the external auditor's report, which may reduce the said results.

Complies  Explain  Not applicable

39. In the case of variable salary payments, the salary policies should incorporate the necessary technical precautionary measures to ensure that the said salary payments are related to the professional devotion of the beneficiaries and do not result simply from the general evolution of the markets or the company's activity sector or other similar circumstances.

Complies  Explain  Not applicable

40. The Board should submit a report on the directors' salary policy to vote at the General Shareholders Meeting, as a separate, consultative matter on the agenda. The said report should be made available to the shareholders either separately or in any other way the company considers appropriate.

The said report should focus particularly on the salary policy approved by the Board for the present year, as well as, where applicable, the policies anticipated for future years. It shall include all the matters referred to in Recommendation 35, except for circumstances that may suppose the revelation of sensitive commercial information. It shall underline the most significant changes in the said policies with regard to that applied during the past year to which the General Shareholders Meeting refers. It shall also include an overall summary of how the salary policy was applied during the past year.

The Board should also report on the role played by the Remunerations Committee in the preparation of the salary policy and, if external consultancy services are used, on the identity of the external consultants providing the service.

See epigraph: B.1.16

Complies   Complies partially  Explain

41. The Report should give details of the individual salaries paid to directors during the year and include:

a) The individualised breakdown of the salary of each director, which shall include, where applicable:

- The allowances for attendance or other fixed payments as a director;
- The additional remuneration as chairman or member of one of the board's committees;

- Any payments for profit sharing or premiums and the reason why they were made;
- Contributions in the director's favour to fixed-contribution pension schemes; or the increase of the director's consolidated rights in the case of contributions to fixed-benefit plans;
- Any severance payments agreed or paid in the case of the termination of his functions;
- The payments received as a director of other companies in the group;
- Payments for carrying out the senior-management functions of the executive directors;
- Any other salary concepts other than the above, regardless of their nature or the entity of the group making the payment, especially when they are considered as related transactions or their omission distorts the fair view of the total salary payments received by the director.

b) The individualised breakdown of the shares, stock options or any other instrument referenced to the value of the share eventually awarded to directors, with details on the following:

- Number of shares or options awarded during the year and the terms and conditions of their exercise;
- Number of options exercised during the year, indicating the number of shares affected and the price of the exercise;
- Number of pending options at the end of the year, indicating their price, date and other exercise requirements;
- Whatsoever modification during the year to the conditions for exercising the options already awarded.

c) Information about the ratio during the said past year between the salary obtained by the executive directors and the results or other measurements of the company's performance.

Complies       Complies partially       Explain

**42. When there is a Delegate or Executive Committee (hereinafter called "Delegate Committee"), the participation structure of the various categories of directors should be similar to that of the Board itself and its secretary should be the Secretary of the Board.**

See epigraphs:      **B.2.1 and B.2.6**

Complies       Complies partially       Explain       Not applicable

The Vice-secretary of the Board performs the duties of Secretary on the Delegate Committee.

**43. The Board should always be aware of the matters dealt with and the decisions adopted by the Delegate Committee and all the members of the Board should receive a copy of the minutes of the meetings of the Delegate Committee.**

Complies       Explain       Not applicable

**44. The Board of Directors should constitute not only the Audit Committee required by the Stock Exchange Act, but also one or two separate Committees: the Appointments Committee and the Remuneration Committee.**

The rules governing the make-up and operation of the Audit Committee and the Appointments and Remuneration Committee or Committees should be recorded in the regulations of the Board and include the following:

a) The board should appoint the members of these Committees, bearing in mind the know-how, skills and experience of the directors and the missions of each Committee; it should deliberate on its proposals and report; and it should report on its activities and respond for the work carried out during the first plenary session of the Board after its meetings.

b) The said Committees should be made up exclusively of a minimum of three external directors. The above is understood as without prejudice to the attendance of executive directors or senior managers when so agreed expressly by the members of the Committee.

Their Chairmen should be independent directors.

d) They should be able to seek external consultancy services when they consider it necessary for their functions.

e) Minutes should be recorded of their meetings and a copy of the said minutes should be sent to all the members of the Board.

See epigraphs: **B.2.1 and B.2.3**

Complies       Complies partially       Explain

**45. The supervision of compliance with the internal code of conduct and the rules of corporate governance should be the responsibility of the Audit Committee, the Appointments Committee or, if they exist separately, the Corporate Governance or Fulfilment Committees.**

x Complies       Explain

**46. The members of the Audit Committee and, in particular, its chairman should be appointed on the basis of their know-how and experience in bookkeeping, audits and risk management.**

x Complies       Explain

**47. The listed companies should have an internal audit function which, under the supervision of the Audit Committee, should monitor the correct functioning of the internal control and information systems.**

xComplies       Explain

**48. The person responsible for the internal audit function should present his annual work plan to the Audit Committee; he should inform it directly of the incidents occurring during its development; and, at the end of each year, submit an activities report.**

x Complies       Complies partially       Explain

**49. The risk management and control policies should identify at least:**

a) The different types of risk (operative, technological, financial, legal, reputational, etc.) facing the company, where the financial or economic risks should include the contingent liabilities and other off-balance-sheet risks.

b) The level of risk considered acceptable by the company;

c) The measures laid down to reduce the impact of the risks that are identified should they occur;

**d) The internal control and information systems that will be used to control and process the said risks, including the contingent liabilities or off-balance-sheet risks.**

See epigraph: D

Complies       Complies partially       Explain

The Company updated a risk assessment that had been conducted to identify and assess the group's business risks in view of its activity and the current climate, as well as the controls associated with these risks, for which particular emphasis was placed on the risks classified as high and/or those which were subject to weak controls. Additionally, the critical risks identified in the last update of the risk map were analysed in depth in terms of the recommendations and action plans suggested in previous reviews, as well as in terms of their status.

A schedule was agreed on with Senior Management to continue working on the project over the 2013 and 2014 business years. It is important for the Company to identify the improvements to these measures and controls in order to improve current risk management practices and make them more efficient and effective.

Furthermore, the Company worked on the implementation of the recommendations of the diagnosis reached during the first four-month period of 2011 on Financial Information Control Systems, based on the new regulations and recommendations of the Spanish Securities Commission.

#### **50. The Audit Committee should be responsible for the following:**

##### **1. In relation to the internal control and information systems:**

**a) Supervising the preparation process and integrity of the financial information related to the company and, where applicable, the group, reviewing compliance with the standard requirements, the appropriate definition of the consolidation perimeter and the correct application of the bookkeeping criteria.**

**b) Regularly reviewing the internal control and risk management systems so that the main risks can be identified, processed and appropriately publicised.**

**c) Ensuring the independence and effectiveness of the function of the internal audit; proposing the selection, appointment, re-election and dismissal of the person responsible for the internal audit service; proposing the budget of the service; receiving regular information on its activities; and ensuring that senior management takes into account the conclusions and recommendations put forward in its report.**

**d) Setting up and supervising a mechanism that enables employees to communicate any significant irregularities, especially those related to finance and bookkeeping, and to do so in a confidential manner.**

##### **2. In relation to the external auditor:**

**a) Raising the selection, appointment, re-election and substitution proposals concerning the external auditor to the Board, as well as the terms and conditions of his contract.**

**b) Regularly receiving information from the external auditor on the audit plan and the results of its implementation and ensuring that senior management takes into account the corresponding recommendations.**

**c) Guaranteeing the independence of the external auditor and, accordingly:**

**i) The company should report the change of auditor to the Spanish National Securities Market Commission as a relevant event and accompany the said report with the declaration on the**

existence of disagreements with the departing auditor and, where applicable, the corresponding content.

ii) It should be ensured that the company and the auditor observe current standards on the provision of services other than auditing services, the limits to the auditor's business concentration and, in general, the other standards established to guarantee the independence of auditors;

iii) In the case of the resignation of the external auditor, it should examine the circumstances leading to the said resignation.

d) In the case of groups, it should favour the group's auditor assuming the responsibility for the audits of the companies in the group.

See epigraphs: B.1.35, B.2.2, B.2.3 and D.3

X Complies      Complies partially       Explain

The point that was not put into practice in the 2008 tax year and that will be applied in 2009 is as follows:

In the 2008 tax year, the external auditor was appointed for a one-year term by virtue of the agreement adopted by the General Shareholders Meeting on 30/05/08. With regard to 2009, the Audit Committee will be informed so that is able to make recommendations to the Board on the selection, appointment, re-election and replacement of the external auditor, and the terms and conditions of the latter's contract.

**51. The Audit Committee should be able to call any of the company's employee or manager and also have them appear without the presence of any other manager.**

x Complies       Explain

**52. The Audit Committee should report to the Board before the Board adopts the corresponding decisions on the following matters indicated in Recommendation 8:**

a) The financial information which, due to its status as a listed company, must be published by the company on a regular basis. The committee should ensure that the interim accounts are prepared under the same bookkeeping criteria as the annual accounts and, accordingly, consider the appropriateness of a limited review by the external auditor.

b) The creation or acquisition of shares in entities with special purposes or domiciled in countries or territories that are considered as tax havens, as well as whatsoever other similar transaction or operation which, owing to its complexity, could undermine the group's transparency.

c) The related transactions, unless the preliminary report function has been attributed to another control and supervision Committee.

See epigraphs: B.2.2 and B.2.3

x Complies       Complies partially       Explain

**53. The Board of Directors should seek to present the accounts to the General Shareholders Meeting without any reservations or qualifications in the audit report and, in whatsoever**

**exceptional case, both the Chairman of the Audit Committee and the auditors should clearly explain to the shareholders the content and scope of the said reservations or qualifications.**

See epigraph: B.1.38

x Complies       Complies partially       Explain

Historically, we have had consolidated audit reports without reservations or qualifications. The external auditors stand before the Audit Committee before the presentation of the Annual Accounts to the Board of Directors to explain the conclusions drawn from their audit.

**Most of the members of the Appointments Committee (or the Appointments and Remuneration Committee, if there is only one Committee) should be independent directors.**

See epigraph: B.2.1

Complies x      Explain       Not applicable

**Besides the functions indicated in the above recommendations, the following responsibilities should correspond to the Appointments Committee:**

**Assessing the skills, know-how and experience required of the Board and, consequently, defining the functions and skills required of the candidates to cover each vacancy; and assessing the time and devotion necessary for them to carry out their task correctly.**

**Examining or organising, as considered appropriate, the succession of the Chairman and the chief executive and, where applicable, making proposals to the Board so that the said succession occurs in an orderly and well-planned manner.**

**Reporting the appointments and resignations of senior executives as proposed to the Board by the chief executive.**

**Reporting to the Board on matters of gender diversity as per Recommendation 14 of this code.**

See epigraph: B.2.3

Complies x      Complies partially       Explain       Not applicable

**The Appointments Committee should consult the company's Chairman and chief executive, especially with regard to business concerning the executive directors.**

**And any director should be able to ask the Appointments Committee to consider potential candidates for the vacancy of director if they consider them to be ideal.**

Complies x      Complies partially       Explain       Not applicable

**Besides the functions indicated in the above recommendations, the following responsibilities should correspond to the Remuneration Committee:**

**Proposing to the Board of Directors:**

**The salary policy for directors and senior managers;**

**The individual salaries of the executive directors and the other terms and conditions of their contracts.**

**The basic terms and conditions of the senior managers' contracts.**

**Ensuring the observance of the salary policy laid down by the company.**

See epigraphs:      **B.1.14, B.2.3**

Complies x      Complies partially       Explain       Not applicable

**The Remuneration Committee should consult the company's Chairman and chief executive, especially with regard to business concerning the executive directors.**

Complies  Explains  Not applicable

### **OTHER INFORMATION OF INTEREST**

**If you consider that there is any important principle or aspect regarding the corporate governance practices applied by your company which have not been covered in this report, please explain below.**

Negative reply.

**More specifically, indicate whether your company is subject to any corporate governance legislation other than Spanish law, and if so, include any information that is mandatory and different from that requested herein.**

Negative reply.

#### **Binding definition of independent director:**

**Indicate whether or not any of the independent directors has or has had any relationship with the company, its significant shareholders or managers which, if sufficiently significant or important, would have meant that the director could not be considered as independent in accordance with the definition laid down in section 5 of the unified code of good governance:**

Negative reply.

This Annual Report was approved at the meeting held on March 21<sup>th</sup> 2013 by the Board of Directors.