

**Explanatory report from the Board of Directors on the proposed ratification of the appointment by co-option and election of Brian McDonald as member of the Board of Directors of Fluidra**

In Sabadell, on March 25, 2020

# **EXPLANATORY REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF FLUIDRA S.A., ASSESSING THE COMPETENCE, EXPERIENCE AND MERITS OF MR. BRIAN MCDONALD WITH A VIEW TO RATIFICATION OF HIS APPOINTMENT BY CO-OPTION AS MEMBER OF THE BOARD OF DIRECTORS OF FLUIDRA, S.A.**

## **1. Purpose of the Report**

The Board of Directors of Fluidra S.A. (the “**Company**”) issues this report on the proposed ratification of the appointment by co-option of Mr. Brian McDonald as member of the Board of Directors, taking into account the provisions of the bylaws, the system contemplated in the Spanish Capital Companies Law and the principles of the Good Governance Code of Listed Companies.

In accordance with articles 244 and 529 decies of the Capital Companies Law, Mr. Brian McDonald was appointed independent director by co-option at the Board of Directors’ meeting held on May 17, 2019, effective as from September 6, 2019, to cover the Board vacancy left following the resignation of Mr. Richard Cathcart as director, in fulfillment of the Regulations of the Board of Directors, as Mr. Cathcart had served as independent director of the Company for 12 years. In accordance with articles 244 and 529 decies of the Capital Companies Law, appointments by co-option are provisional and must be ratified, as the case may be, at the Company’s next shareholders’ meeting.

## **2. Internal procedures for preparing resolution proposals**

### **2.1 Selection process**

The internal procedure followed by the Company’s various bodies in order to prepare the resolution proposal presented at the Ordinary Shareholders’ Meeting is summarized below.

As indicated in the 2018 Annual Corporate Governance Report, published in March 2019, during 2018 the Company’s Appointments and Remuneration Committee began a process to select candidates to fill the two Board vacancies that arose in 2019. Prior to said process, an evaluation of the Board of Directors was carried out, with the support of an external advisor, in order to identify the profiles deemed necessary to strengthen the Board.

As part of the process to recruit and select candidates, the Company engaged an external advisor from the independent firm Spencer Stuart.

To best serve the corporate interest, the candidate selection process valued merit as the primary criteria, although the external advisor was expressly asked to identify female candidates and, all other candidate conditions being equal, particular value was placed on females that met the profile sought. Following the

results of the Board of Directors' evaluation for 2018, it was concluded that one of the specific profiles that should serve as a guidepost for selecting one of the candidates was that the candidate should have experience in international corporate groups with a strong presence in the United States. The ideal candidate should have many years' experience working in the United States industrial and commercial arena, with broad experience in business administration and in managing persons and teams in complex situations, with a customer- and results-oriented approach. The candidate should have an innovative and disruptive mindset and experience in diversification processes and business and corporate restructuring.

Accordingly, in view of his experience and merits for carrying out the post of director, his commercial and professional good standing and his willingness to exercise good governance in the Company, with emphasis on his capacity and previous job history, the Board of Directors, in light of the favorable proposal by the Appointments and Remuneration Committee dated March 24, 2020, resolved to propose that the Ordinary Shareholders' Meeting ratify the appointment by co-optation of Mr. Brian McDonald, which took place on May 17, 2019, and, at the proposal of the Appointments and Remuneration Committee, appoint him with the status of independent director of the Company pursuant to the definitions provided in article 526 duodecies of the Capital Companies Law.

### **3. Explanatory report**

#### **3.1 Professional profile and background**

In relation to the proposed appointment of Mr. Brian McDonald as independent director of Fluidra, the Board of Directors has taken into account the following factors, among others, based on the information in the candidate's academic CV and his professional career:

- Mr. McDonald is an executive with a successful track record in driving sales and operations during his more than 30-year career in several prestigious corporate groups in the United States, such as United Technologies Corporation (UTC), Tyco International and RGIS. During his career, Mr. McDonald held management posts, with responsibilities both in the industrial and commercial sides, operating different businesses in highly complex environments on an international scope and particularly in the US market.
- Of special note is his experience in restructuring and business and product diversification processes, including the supply chain, from logistics and distribution, contributing greater value throughout the process. His leadership and team management skills are evidenced by his experience hiring, training and developing a sales team of over 500 people, at the same time as he redesigned the management team for each region. Furthermore, his experience in redefining

processes is reflected in the creation of centers of excellence and innovation in order to redesign processes and policies, which in some cases entailed a change in systems and in all cases resulted in greater productivity and higher service quality.

- Most recently, Mr. McDonald served as chief executive officer (CEO) of RGIS, the global leader in inventory management, where he spearheaded a large-scale change in the group, owned by Blackstone, turned around a six-year period of decreasing income/profitability, and assembled a new leadership team. RGIS currently provides inventory management services to large retailers such as Walmart, Target, CVS, The Home Depot and more.
- Mr. McDonald's approach to and understanding of how to maximize management systems and tools to link leadership strategy, targets, performance and incentives is borne out by the work he carried out in UTC, Tyco and RGIS.

In order to complete the above information, Mr. Brian McDonald's CV is attached to this Report as Schedule 1.

## **3.2 Valuation by the Board of Directors**

### **3.2.1 Commitment**

As regards the commitment required to serve as director of Fluidra, it has been verified that Mr. McDonald's remaining professional duties, which are listed in the above-referenced professional profile, will allow him to effectively dedicate the appropriate time to the Board of Directors of Fluidra and to any Board committees of which he is or could become a member.

### **3.2.2 Previous performance in the post**

Mr. McDonald has served as director and as member of Fluidra's Audit Committee since September 2019. The Board of Directors has verified that he carried out his post correctly and had a high level of attendance and informed participation at the meetings of the Board of Directors and of the Audit Committee, which justifies his proposed appointment.

In short, the Board of Directors considers that Mr. McDonald's track record in the Company evidences that he has the competence, experience and merit needed to continue serving as director.

### **3.2.3 Suitability and appropriateness of his knowledge, skills and experience in respect of the professional profiles defined by the Board of Directors and the Audit Committee**

In the analysis of Mr. McDonald's suitability for the post, his previous job history and his professional profile were particularly taken into account. After analyzing his CV, the Board of Directors considers that his profile reflects the

knowledge and experience needed to serve as director of Fluidra and that his particular knowledge and experience complements and enriches the Board as a whole.

In addition, Mr. McDonald's professional and international profile is suited to the particular features of the Company's business and of the sectors and countries in which it operates.

Furthermore, Mr. McDonald's experience and knowledge in [the US market] bring a great deal of value to the Board of Directors.

#### 3.2.4 Diversity

Throughout the process to assess candidates for the Board of Directors, the Board and the Appointments and Remuneration Committee have attempted to ensure that the Company has the best professionals in its managing body, evaluating not only candidates' technical skills and experience in the areas and industries relevant for the post, but also bearing in mind the principle of diversity set out in the 2015 Good Governance Code of Listed Companies approved by the Spanish National Securities Market Commission (CNMV) in the regulatory framework currently in force.

Explicit bias was avoided in the evaluation of both male and female candidates, whereby no discrimination whatsoever was entailed and no barriers against the selection of female candidates were present. The vacancy could not be filled with one of the female candidates, given that none of them had knowledge or skill profile comparable to or better than that of the candidate ultimately selected.

When bearing in mind Mr. McDonald's CV, he brings diversity to the Board of Directors in terms of his profile and professional experience.

#### 4. **Mr. Brian McDonald's director category**

In accordance with article 529 duodecies of the Capital Companies Law, the Appointments and Remuneration Committee proposes that Mr. McDonald be classified as an independent director, having concluded that there are no personal or professional circumstances that would hinder or undermine his independence in any way.

#### 5. **Term of office**

Mr. McDonald's term of office, should his appointment be ratified, would be for the bylaw-stipulated period of four years from the date his reelection is resolved at the Shareholders' Meeting. In accordance with article 222 of the Capital Companies Law, the appointment of board members shall expire, after the term of

office has ended, once a shareholders' meeting has been held or once the statutory period has elapsed for holding the shareholders' meeting that is to resolve on the approval of the financial statements for the previous year.

## **6. Resolution proposal submitted for approval at the Shareholders' Meeting**

In view of the points expressed in this report, the Board of Directors submits the following resolution proposal to the Ordinary Shareholders' Meeting:

*“Based on the proposal of the Appointments and Remuneration Committee, the Board of Directors proposes the ratification of the appointment by co-option of Mr. Brian McDonald, carried out by the Board of Directors on May 17, 2019 and effective as from September 1, 2019, to fill the Board vacancy left following the resignation of Mr. Richard Cathcart as director, in fulfillment of the Regulations of the Board of Directors, as Mr. Cathcart had served as independent director of the Company for 12 years, and, at the proposal of said Committee, to reelect and appoint Mr. Brian McDonald as director of the Company in the category of independent director, for the purposes of article 529 duodecies of the Capital Companies Law.*

*It is resolved to ratify the appointment by co-option of Mr. Brian McDonald, carried out by the Board on May 17, 2019 and effective as from September 6, 2019, and it is resolved to reelect him and appoint him as director of the Company in the category of independent director, for the four-year period stipulated in law and in the bylaws, effective as from the date this resolution is passed.”*

## **Schedule I**

*Brian McDonald served as CEO of RGIS from 2014 to 2017. RGIS is the world's leading inventory management company, a \$680 million business with 53,000 associates located in 30 countries around the world.*

*Prior to RGIS, Brian served as Executive VP and Chief Operating Officer of Tyco International, where he had direct responsibility for their \$7.8 billion Fire and Security Installation and Services division. Brian was with Tyco for more than 10 years in a variety of roles including Director of Sales, VP of Field Operations, VP of Southern Operations and Managing Director of ADT UK/Ireland. Prior to Tyco, Brian held various executive roles with the UTC Power and Otis Elevator units of United Technologies.*

*He holds a Bachelor of Science degree in Physics from the United States Naval Academy and a Master of Business Administration degree in Operations from the Darden Graduate School at the University of Virginia. Upon graduation from the Naval Academy, Brian served 5 years as a Lieutenant and Division Officer aboard a U.S. Navy aircraft carrier, overseeing its nuclear systems.*