

**Report issued by the Appointments and Compensation Committee of Fluidra, S.A. on  
the proposal for approval of the directors' compensation policy.**

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March 29, 2022

## 1. Introduction

Article 529 of the Capital Companies Law (the “LSC”) stipulates that the directors’ compensation policy must conform to the compensation system envisaged in the bylaws and must be approved by the shareholders’ meeting. The compensation policy proposed by the board of directors must be reasoned and must be accompanied by a specific report issued by the appointments and compensation committee (the “ACC”). Both documents must be made available to the shareholders on the company’s website as from the issue of the notice calling the shareholders’ meeting, and express mention must be made of the shareholders’ right to request that they be delivered or sent to them free of charge.

This document contains the report issued by the ACC of Fluidra, S.A. (“Fluidra” or the “Company”) supporting the proposal for approval of the Company’s directors’ compensation policy which shall remain in force over the years 2022, as from the date of its approval by the Fluidra shareholders meeting (the “Meeting” or “Shareholders’ Meeting”), 2023 and 2024 (the “Compensation Policy”); this is presented to the Fluidra board of directors (the “Board” or the “Board of Directors”) so that it can be submitted, in turn, by the Board to the Shareholders’ Meeting for approval.

## 2. Report on the Compensation Policy

A new compensation policy was approved in 2021 given that the term of the previous compensation policy, approved by the Meeting in 2018, had come to an end. This policy was drawn up at a time when there was still uncertainty as to the impact that the pandemic could have on 2021 results. However, with fiscal year 2021 now closed and the Fluidra Group's new scope having been consolidated, it is considered necessary to submit to the Shareholders’ Meeting for approval a new Compensation Policy, applicable as from the date of its approval and up to December 31, 2024.

The Compensation Policy proposed for approval continues along the same lines as the policy currently in force insofar as relates to principles, structure and the content of compensation packages. It therefore adheres to the same principles and bases as the previous policy, i.e. that compensation should be reasonably commensurate to the importance of the Company, its financial position, and market standards among comparable companies, and should be geared towards promoting the creation of value sustainable over the long term, linking the compensation of directors to results and to shareholders’ interests, while including the necessary safeguards to avoid excessive risk-taking and the rewarding of poor results.

However, it has also been considered advisable to include certain adjustments which will allow for greater alignment with all stakeholder groups, with the Group’s strategy, and with

practices seen in comparable sectors and companies, taking into account Fluidra's new scope and position in the market following the growth seen since the merger and, in particular, in 2021, the acquisitions made - particularly in 2021 - , and its inclusion in the Ibex-35 index; this is in addition to the inclusion of the changes necessary to adapt the Policy to the amendments made to the revised CCL, approved in 2021. An analysis has been made for these purposes of the information received from institutional investors and proxy advisors, as well as the provisions of the Good Corporate Governance Code in relation to directors' compensation. A description is provided below of the changes made.

(i) Changes of a qualitative nature

From a qualitative viewpoint, it has been considered advisable to set out, in a more transparent format and as clearly as possible, the principles on which the Policy is based, updating the principles on which the last policy approved by the Shareholders' Meeting was based by elaborating upon them or defining them more specifically, while taking into consideration, similarly, the changes introduced by the CCL in relation to the directors' compensation policy. Specifically, the Policy being submitted for approval is aimed at:

- Setting out as clearly as possible the principles on which it is based, which are as follows:
  - The alignment of compensation with the interests of the shareholders and with the long-term sustainability strategy and commitment to ESG issues (“Environment, Social and Governance”).
  - Promoting value creation in the Fluidra Group.
  - The alignment of compensation with market practices in order to attract and retain talent.
  - Ensuring the fairness and proportionality of compensation, having regard to the qualifications, level of responsibility and experience, and functions assumed by the directors.
  - Transparency.
- Setting out in detail the following information:
  - The relative proportions of compensation components, with a view to ensuring that the relationship between fixed and variable components is balanced and effective.
  - The decision-making process followed by Fluidra in the determination, review and application of the Compensation Policy.

- Measures aimed at avoiding or managing conflicts of interest.
- The relationship between the Policy and the compensation conditions applicable to employees.
- Regulation of the application of temporary exceptions to the Compensation Policy in exceptional circumstances which make this necessary to serve the long-term interests and sustainability of the Company, and the procedure to be followed in such cases.

(ii) Changes of a quantitative nature

From a quantitative perspective, due to the change in the size of Fluidra and in its market position, referred to above, a new comparative analysis has been undertaken in order to bring the directors' compensation in respect of their functions as such, as well as the compensation received by the executive directors, into line with that seen in companies which are comparable in terms of size, sector and the national and international markets in which they operate,

This analysis has been undertaken by the consulting firms Towers Watson and Spencer Stuart in relation to the executive directors. The objective has been to ensure that directors' compensation is commensurate with the Company's importance and the value generated for shareholders, that it favors the retention of talent, and is line with market practices at both the domestic and international levels.

Finally, information has been included regarding the characteristics of the long-term incentive (the "**2022-2026 Plan**") which is submitted to the Shareholders' Meeting for approval along with this Policy, now that the measurement period for objectives under the previous long-term incentive plan has come to an end.

The main quantitative changes made to the Compensation Policy are therefore the following:

- Modification of the compensation corresponding to the directors in respect of their functions as such

The maximum amount per annum of compensation corresponding in aggregate to all the directors in respect of their functions as such has been increased from 1,600,000 euros under the previous policy to 2,000,000 euros. The fixed compensation paid to each Board member, and the compensation payable for membership of the various Board committees is also increased, effective as from June 2022.

The aim is to bring the compensation corresponding to the directors in respect of their functions as such into line with market rates, having regard to Fluidra's new position in the market and its inclusion in the IBEX-35 index.

- Modification of the fixed compensation per annum corresponding to the executive directors and the variable compensation per annum of the CEO.

Increase in the fixed compensation of the executive directors envisaged for 2022 (that of the CEO has gone from 531,000 to 600,000 euros and that of the Executive Chairman has gone from 390,000 to 500,000 euros).

Similarly, the maximum percentage that the CEO's variable compensation may represent in relation to his fixed compensation is increased from 100% to 150%.

These changes are proposed following the comparative analysis of the compensation packages of the executive directors and executives of Fluidra undertaken by Willis Towers Watson and Spencer Stuart, having regard to the Company's current size and position and the domestic and international markets in which it operates.

- Long-term incentive, "2022-2026 Plan", for the key executives and executive directors of Fluidra.

Following the end of the measurement period for the metrics to which the 2018-2022 long-term incentive ("2018-2022 Plan") is linked, in 2021, it is proposed, along with this Policy, that the Meeting approve a new long-term incentive plan for the years 2022-2026. A description of the main terms of this new long-term incentive is therefore included in the Policy,

In short, the aim behind the Compensation Policy is to ensure that directors' compensation is in reasonable proportion to the importance of the Company, its economic position and market standards among comparable companies, in order to attract and retain talent. The compensation system established is geared towards promoting the sustainable creation of value over the long term, linking the compensation of directors to the return received by, and interests of, the shareholders, including the necessary safeguards to avoid excessive risk-taking and the rewarding of poor results.

### **3. Term**

Without prejudice to the provisions of the CCL as regards compensation policies for board members, the Compensation Policy will be valid for the years 2022, as from its approval, 2023

and 2024, save for any modifications, adaptations, updates or replacements agreed from time to time, which shall be submitted for approval to the Shareholders' Meeting.

#### **4. Conclusion**

Based on the above, the conclusion reached by the ACC is that the Compensation Policy it presents to the Board of Directors so that the Board, in turn, can propose it to the Shareholders' Meeting for approval, which is attached hereto as a **SCHEDULE**, complies with the current legislation and follows the latest recommendations and best practice in compensation matters, while also complying with the following principles:

- It contributes to the business strategy and to the long-term interests and sustainability of the Company:
  - The period for the measurement of objectives in relation to long-term variable compensation is required to be at least three years.
  - It includes measures designed to mitigate risks (malus and clawback clauses in relation to long-term variable compensation, the absence of guaranteed variable compensation, and the requirement that shares received in the settlement of long-term compensation be held for a certain period and by up to a certain amount).
  - Greater importance is attached to ESG criteria in the compensation policy.
- Fairness at an internal level in relation to the compensation conditions applicable to the workforce as a whole.
- Balance between the various compensation components.
- The amount of compensation complies with the principle of prudence, serves as an incentive, and is in keeping with the level of responsibility, dedication, qualifications and degree of professional involvement of the directors in their functions.
- It complies with the principles and recommendations assumed by the Company in relation to Corporate Governance.
- It is in keeping with market standards and practices and with the Company's strategic planning, and is effective as a means of attracting, motivating and retaining the best professionals, with support being received from external consultants where necessary.

In accordance with the content of this report, the ACC concludes that the Compensation Policy is in keeping with the principle of prudence and with best market practices, bearing a relation to the level of responsibilities, functions assumed and professional performance of the directors.

All of the foregoing, in the ACC's view, provides the Company with a compensation policy for its directors that is suitable for the coming years, aimed at creating value at the Company, through prudent risk management, aligned with shareholders' interests and respecting the recommendations assumed in relation to Corporate Governance, having regard in all respects to the Company's current size and position in the market.

**SCHEDULE**

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