

# Report on the Compensation Policy for 2012

April 2013



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## 1. Introduction

In accordance with Article 25.4 of its Bylaws and with the recommendations of the Unified Good Governance Code approved by the National Securities Market Commission on 19 May 2006, and in line with the European Commission Recommendations of 14 December 2004 and 30 April 2009 fostering an appropriate regime for the remuneration of directors of listed companies pursuant to article 61.3 of the Securities Market Act, the Board of Directors of the Company FLUIDRA, S.A. (hereinafter called Fluidra or the Company) issues an annual report on its remuneration policy for the current financial year and on the implementation of its remuneration policy in the previous financial year.

This report is to be made available to shareholders and put to an advisory vote at the next Ordinary General Meeting of Shareholders.

No external advisors were hired to draw up this report.

### 1.1 Composition of the Board of Directors of the Company

At present, the composition of the Board of Directors of FLUIDRA, S.A. is as follows:

Name	Office	Type of office	Date of first appointment	Start date of current term of office	End date of current term of office
Mr Joan Planes Vila	Chairman	Nonexecutive nominee	09/05/07	09/05/07	09/05/13
Mr Eloy Planes Corts	CEO	Executive	10/31/06	06/08/11	06/08/17
ANIOL(1) (Mr Bernat Garrigós Castro)	Vice secretary	Nonexecutive nominee	09/05/07	09/05/07	09/05/13
Mr Oscar Serra Duffo	Member	Nonexecutive nominee	09/05/07	09/05/07	09/05/13
Mr Bernardo	Member	Nonexecutive	10/03/02	09/05/07	09/05/13

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Name	Office	Type of office	Date of first appointment	Start date of current term of office	End date of current term of office
Corbera Serra		nominee			
BIDSA(2) (Mr Carlos Ventura Santamans)	Member	Nonexecutive nominee	01/07/03	09/05/07	09/05/13
Mr Juan Ignacio Acha-Orbea Echeverría	Member	Nonexecutive independent	09/05/07	09/05/07	09/05/13
Mr Kam Son Leong	Member	Nonexecutive independent	09/05/07	09/05/07	09/05/13
Mr Richard J. Cathcart	Member	Nonexecutive independent	09/05/07	09/05/07	09/05/13
CAN (3) (D. Eduardo Lopez Milagro)	Member	Nonexecutive nominee	06/05/09	06/05/09	06/05/15
Mr Alberto Collado Armengol	Secretary	Nondirector	09/17/07	09/17/07	09/17/13

(1) Aniol S.L.

(2) Bansabadell Inversió Desenvolupament, S.A.U.

(3) Grupo Corporativo empresarial de la Caja de ahorros y Monte de Piedad de Navarra S.A.U.

## 1.2 Appointments and Compensation Committee

The composition, powers and workings of Appointments and Compensation Committee are contained in Article 14 of the Board Regulations which, for such purpose, establish as follows:

### 1.2.1 Composition

The Committee will be formed by a minimum of three nonexecutive directors, mostly of an independent nature, who will be appointed by the Board of Directors, without prejudice to the attendance of executive directors or senior executives when the members of the Committee expressly so resolve.

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The Chairman of the Committee will necessarily be an independent director, elected from among the nonexecutive directors, and he must be replaced every four years. The Chairman can be re-elected once a period of one year has elapsed since the date of his standing down. The Committee Secretary will be chosen from among the Committee members.

At present, the Appointments and Compensation Committee is composed by:

First and last names	Office	Appointment date
Kam Son Leong	Chairman	October 26, 2011
ANIOL (Mr Bernat Garrigós Castro)	Member*	September 17, 2007
Richard J. Cathcart	Member	October 26, 2011

*(\*) Holding the office of Committee Secretary*

### 1.2.2 Functions

Without prejudice to any other functions that may be conferred on it by the Company's Board of Directors, the Committee has the following basic responsibilities:

- (1) Devise and review the rules to be followed in determining the composition of the executive team of the Company and its subsidiaries and for the selection of candidates.
- (2) Evaluate the competencies, knowledge and experience needed on the Board, consequently defining the functions and abilities needed of the candidates to fill each vacancy, and evaluate the time and dedication required for them to successfully perform their brief.
- (3) Report and refer to the Board such appointments and removals of senior executives and executives as may be proposed by the CEO, in order for the Board to proceed to designate new ones.

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- (4) Report to the Board on the issues regarding the diversity of the gender and qualifications of directors, as established in Article 6.2 of the Board Regulations (definitions of the different classes of director).
- (5) Propose to the Board: (i) the compensation policy for directors and senior executives; (ii) the individual compensation of executive directors and their other contractual terms and conditions; (iii) hiring policies and the basic terms and conditions of the contracts for senior executives of the Company.
- (6) Scrutinize or arrange, in such way as is deemed adequate, for the succession of the Chairman and of the CEO and, if appropriate, make proposals to the Board in order for such succession to take place in an orderly and well-planned way.
- (7) Ensure that the compensation policy established by the Company is observed and that the compensation paid is transparent.

For optional performance of its functions, the Committee may seek the advice of outside experts as and when it deems this to be necessary.

### 1.2.3 Meetings

The Committee will ordinarily meet each quarter. It will also meet whenever its Chairman calls a meeting, which must happen whenever the Board or its Chairman requests a report to be produced or proposals to be adopted and, in any case, whenever it proves necessary for the successful performance of its functions. In 2012, the Committee has met four times. For 2013, the Committee is expected to meet four times.

### 1.2.4 Main aspects reviewed in 2012

In addition to reviewing all aspects relating to its basic responsibilities, as described above, in 2012 the Appointments and Compensation Committee focused its activities on the following aspects:

- Assessment of the professional performance of the CEO, 2012 objectives, compensation review and benchmark analysis of his remuneration package against the market.

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- Review and follow-up of the Incentive Plan 2012, and design and establishment of Plan 2013
- Review and follow-up of the Long Term Incentive Plan 2013-2015.
- Follow-up of the action plan as a result of the Board's self-assessment.
- Market practices relating to remuneration (benefits).

## 2. General principles governing the compensation policy for directors

Article 44 of the Articles of Association of the Company<sup>1</sup>, in its current version, reads as follows:

*1. The Directors' remuneration shall consist of a fixed, specific annual emolument and of a fee for attending the meetings of the Board of Directors and of its delegational and consulting committees. The maximum amount of the remunerations which the Company may pay to the Directors as a whole for both items shall be determined for such purpose by the Shareholders' Meeting and shall remain in force until such time as the Shareholders' Meeting decides to modify it. The exact amount to be paid within that limit, the distribution thereof amongst the different Directors and the payment schedule shall be determined by the Board of Directors in the proportion which it freely determines. When determining the amount of remuneration to be received by each Director, the principle shall be applied whereby the amount is to reflect the actual professional performance of each of them.*

*2. Additionally, apart from the remuneration provided for in the preceding paragraph, the Company could plan to establish remuneration systems which are indexed to the market value of the shares or which entail the delivery of shares or of stock option to the Directors. The application of such remuneration systems shall be decided on by the Shareholders' Meeting, which shall determine, as the case may be, the value of the shares to be taken as a reference, the number of shares to be delivered to each Director,*

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<sup>1</sup> Likewise, Article 25 of the Board Regulations

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*the exercise price of the stock options, the duration of this remuneration system and any other conditions it deems appropriate.*

*3. The remuneration established in the preceding paragraphs derived from the Directors' membership on the Board of Director shall be compatible with the other professional or employment items received by the Directors for any executive or advisory functions they may perform for the Company other than those relating to supervision and collective decision-making specific to their office as Directors, and which shall be subject to the legal regime applicable to them.*

### 3. Compensation system of the executive directors

At present, there is only one executive director at the Company, Mr Eloy Planes Corts, who was appointed as CEO at the Board meeting held on October 1, 2006, and renewed in the post in date June 8, 2012. Additionally, Mr Planes holds the office of General Manager of the Company.

Although Mr Eloy Planes Corts is a member of the managing bodies of other Group companies he does not receive any compensation in this respect.

At the proposal of the Appointments and Compensation Committee, the Company's Board of Directors decided to set the financial and professional conditions to which Mr Eloy Planes Corts is entitled for 2012 within the framework of his commercial contractual relationship with the Company as its CEO, which are in addition to the compensation to which he is entitled as a member of the Company's Board of Directors.

His conditions for 2012 are summarized in the following chart:

Gross amounts €	Remuneration		
	Fixed	Variable	Total
CEO	250,000	95.994 (2)	345,994

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Board Member	96,000 (1)	-	96,000
<b>Total</b>	346,000	95,994	441,994

Long-term Incentive (3)		Other Benefits	
RSUs	SARs	Family Medical Insurance (4)	Company Car (5)
13,333 units	40,000 rights	€ 4,320	€ 5,644

Welfare Benefits		
Death Benefits (6)	Disability Benefits (6)	Pension Fund (7)
4 fixed annuities	75% of fixed remuneration until the age of 65	€ 16,000

- (1) Includes attendance fees and remuneration as chairman of the Managing Committee
- (2) Achieved variable compensation in 2012 and paid in 2013
- (3) Units and stock appreciation rights granted in 2012
- (4) Annual cost of family medical insurance
- (5) Remuneration corresponding to the use of a company car
- (6) Accumulated annual cost of life and disability insurance: 3,771 euros
- (7) Annual contribution corresponding to pension fund for the 2012 business year

### 3.1 Fixed compensation

The fixed remuneration that Mr Planes received as an executive director of Fluidra was 250,000 euros (his remuneration as a member of the Board is not included in this section).

The Board has decided to award the remuneration in 250,000 euros for his executive duties as the CEO.

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### 3.2 Variable compensation

According to Mr Planes' contract, he receives annual variable gross compensation linked to the fulfilment of several objectives related to the budget established by the Board for each fiscal year. This variable remuneration represents 50% on the basis of 100 of his fixed compensation for executive functions.

The payment of the variable remuneration is linked to three economic performance indicators used to assess the Group. In 2012, these indicators were free cash flow, net income on sales and total growth in sales. The attainment scale used ranges from the payment of 40% of the variable remuneration if the minimum levels set for each indicator are reached to a maximum of 200% if the maximum values set for each indicator are reached.

This variable compensation may be paid, in whole or in part, in such forms, that need not necessarily be monetary, as will be mutually agreed upon by Mr Planes and the Company. In the absence of an agreement, the compensation will be paid in cash in a single lump sum.

The variable compensation will be paid once the financial statements for each fiscal year have been prepared and, in any case, by no later than April 30 following each fiscal year-end.

The variable compensation paid corresponding to 2012 targets amounted to 95,994 euros. Although provisions were made to pay this remuneration in 2012, it was not paid until 2013. Mr Planes has currently neither been given advance payments nor credits.

For 2013, this variable remuneration represents again 50% on the basis of 100 of his fixed compensation for executive functions.

The payment of the variable remuneration is linked to three economic performance indicators mentioned above plus strategic objectives fixed by the Board of Directors. The attainment scale used ranges from the payment of 40% of the variable remuneration if the minimum levels set for each indicator are reached to a maximum of 200% if the maximum values set for each indicator are reached.

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### 3.3 Statutory compensation

Mr Eloy Planes Corts is entitled to attendance fees and other remuneration paid to members of the Board of Directors of FLUIDRA as a result both of attending Board meetings and of sitting on the various executive committees of the Board.

In 2012, he was assigned a remuneration of 96,000 euros (which can be broken down into 65,000 euros in his capacity as a Director, 6,000 euros in attendance fees and 25,000 euros for his work as chairman of the Managing Committee) as a Board member (his remuneration in his executive capacity is not included in this section).

In 2013, as will be discussed below, the Board has decided not to increase the remuneration.

### 3.4 Employee welfare systems and compensation in kind

The Company has undertaken a commitment in favour of Mr Eloy Planes Corts in the event of his death or disability. The Company will be solely responsible for the payment of the following benefits, whose annual cost for the company is € 3,771.

In the event of Mr Planes' death, the beneficiary named by him will receive the equivalent of 4 years' fixed Gross Salary at the time of death.

In the event of Mr Planes' total, permanent, or severe disability before the end of this contract, he will receive, until the age of 65, a monthly allowance equivalent to one twelfth of 75% of his last fixed annual Gross Salary at the time of his disability.

There is also a pension commitment that involves the setting up of a pension fund, for which the company makes annual payments. In 2012, two payments were made for a total of 16,000 euros.

Finally, Mr Planes has a company car for business and private use, and family medical health insurance. The remuneration corresponding to the use of the company car amounts to 5,644 euros. The cost of the family medical health insurance is 4,320 euros.

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The Board of Directors has approved, on a favorable proposal from the Appointments and Compensation Committee, to increase the annual contribution to the pension plan by 10,000 Euro, bringing the total annual contribution to the pension fund to 26,000 Euro in 2013

### 3.5 Share-based incentive systems

At the Company's AGM held on 2 June 2010, the 2010–2012 Long-term Incentive Plan was approved. It was designed to provide incentives to the CEO and certain senior managers. Its main aims are as follows:

- To devise a long-term remuneration policy for senior management that is sustainable in the long run.
- To ensure that senior management acts in line with the interests of the shareholders.
- To favour the generation of the value of the Company in the long term, on the basis that senior management has a particularly strong influence on the Company's strategy and results.
- To motivate and build up the loyalty of senior management by linking part of their remuneration to the constant addition of value to the Company.

The creation of a system based on the annual handover of a certain number of stock options, whose conversion in shares is anticipated after three years have elapsed, means that part of the remuneration of senior management is linked to the constant addition of value. From the third year of its implementation, the system will mean that as part of their annual remuneration senior management will receive a variable tranche in recognition of their work and the value created over the past three years, in addition to their annual fixed and variable remuneration.

The Plan will be articulated in the following instruments: a portion of the incentive will be implemented by awarding a certain number of restricted stock units (RSUs), which shall be settled in Company shares after three years; the other portion of the incentive will be awarded in stock appreciation rights (SARs), exchangeable for shares after three years.

The beneficiaries of the Plan are the CEO of the Company and the employees in the executive team belonging to the Group's Executive Committee who have a length of service at the Group of six months, and are expressly invited to take part in all or some of the cycles of the Plan.

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Subsequent to tabling a proposal with the Appointments and Compensation Committee, the Board of Directors may approve the addition of new beneficiaries to the Plan throughout the Plan term.

The Plan started on June 2, 2010, to coincide with the date of its approval by the Company's Shareholders' Meeting and is for a term of up to five (5) years and two (2) months running from the Start Date. The Plan consist of three (3) cycles, each lasting three (3) years.

The definition of each cycle is determined by reference to an award date and a value measurement date as described in the rules of the Plan.

The date of concession of the RSUs and the SARs in each of the cycles will be as follows:

- First cycle: 15 July 2010
- Second cycle: 15 July 2011
- Third cycle: 15 July 2012

Each of the cycles in the Plan is subject to an assessment period, during which the increase in value of Fluidra's share price is measured. The outcome determines the final amount of the incentive derived from SARs.

The assessment period for calculating RSUs is the vesting time that must pass prior to their conversion into shares.

The vesting period for stock in each of the cycles in the Plan is three (3) years to be counted from beginning of each of the cycles, which are scheduled as follows:

- First cycle: from 15 July 2010 to 15 July 2013
- Second cycle: from 15 July 2011 to 15 July 2014
- Third cycle: from 15 July 2012 to 15 July 2015

An initial reference share price will be set for the concessions granted in each cycle. This initial reference share price will be used to measure the increase in share prices, which in turn is used to calculate the bonuses to be paid out from the SARs. The increase will be calculated based on the average weighted price of Fluidra shares in the thirty (30) trading days prior to each

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concession date. A final reference price will likewise be established for each cycle that will correspond to the average weighted share price in the thirty (30) trading days prior to the end of the vesting period of each of the cycles.

The date of settlement of the RSUs and SARs and the corresponding handover of the shares will take place within fifteen (15) working days following the end of the share vesting period.

Once the share vesting period of each of the cycles is over, the beneficiaries will receive one company share for each RSU held. In the case of SARs, the beneficiaries will receive the difference between the final reference share price and the initial reference share price multiplied by the number of SARs granted in company shares.

In each cycle, a certain number of RSUs and SARs will be allotted to each beneficiary on an individual basis, as decided upon by the Board of Directors in line with the criteria set for this purpose by the Appointments and Compensation Committee. For the CEO the number of RSUs granted in the first cycle was 13,333 and the number of SARs was 40,000. The number of units granted in the second cycle was 26,923 and 80,769, and in the third cycle was 13,333 and 40,000, respectively. The total number of units accumulated at the end of the third cycle was 53,590 RSUs and 160,770 SARs<sup>2</sup>.

In 2013, it plans to be renewed the LTI as explained in the point 5 of Future Policy. The settlement of the first cycle will be made as anticipated in the Plan, that is, in July 2013.

### 3.6 Main features of the CEO's employment contract

Mr Eloy Planes' contract as the Company's CEO is a commercial relationship whose subject matter determines that he shall provide the services inherent to that of CEO. Such services are generally provided for under mercantile law and more specifically in the Company's Articles of Association, the Regulations applicable to the Company's governing bodies and those passed at the Fluidra AGM on 31 October 2006, at which he was entrusted with all the powers of the Board of Directors with the sole exception of non-delegable powers.

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<sup>2</sup> In the second cycle the Board of Directors decided an extraordinary one time grant of 13,590 RSU's and 40,770 SAR's in recognition for his leadership in managing the Company within the context of the crisis

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Specifically, Mr Eloy Planes will assume the responsibilities of the Company's senior management and will therefore take on all responsibility for the Company's executive, managerial and administrative decisions.

The contract contains a post-contractual non-competition covenant and establishes certain rights in the event that it is terminated.

a) Post-contractual non-competition covenant

Without prejudice to the provision whereby Mr Planes undertakes, during the term of the contract, not to compete with the Company, a post-contract non-competition covenant is established for 2 years following the end of the effective rendering of services.

The consideration established for the obligation entered into by Mr Planes by virtue of the post-contractual non-competition covenant is two years of his current annual, fixed Gross Salary when the contract is terminated. Such consideration will be paid in four instalments, with each instalment falling due at the end of each of the four half-yearly periods in which the covenant applies, and will be independent from and compatible with the indemnification established in the contract for the cases in which Mr Planes is removed.

b) Severance payment.

In case of termination of the contract by the Company for any cause, other than substantial, culpable or negligent breach of his obligations as the Company's CEO, Mr Planes will be entitled to receive an indemnification equal to three (3) years of his annual Gross Salary, taking into account the gross fixed annual salary received in the year of termination and the gross variable annual salary for the preceding year.

Mr Eloy Planes will be entitled to receive the above-mentioned severance payment if he decides to terminate the contract of his own free will, as long as such termination is due to any of the following reasons:

- a serious breach by the Company of its contractual or professional obligations

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- a substantial reduction or limitation of his functions or powers
- a substantial change in the conditions set out in this Contract
- a change in ownership of FLUIDRA, whether or not there is a change in the company's management

In the cases set out above, the parties must give notice of at least six months before the effective date of termination, unless due to the substantial, culpable or negligent breach of the professional obligations of Mr E. Planes as the Company's CEO or the substantial breach of the Company in respect of the obligations entered into related to Mr Planes' position. In the case of failure to serve notice, the party in breach shall be entitled to receive an amount equal to the fixed outstanding remuneration during the period of breach.

#### 4. Compensation system for nonexecutive directors

At the end of the 2012 business year, the nonexecutive directors forming part of the Board of Directors of the Company were as follows:

Name	Office
Mr Joan Planes Vila	Chairman
ANIOL (Mr Bernat Garrigós Castro)	Vice secretary
Mr Oscar Serra Duffo	Member
Mr Bernardo Corbera Serra	Member
Bansabadell Inversió Desenvolupament (Mr Carlos Ventura Santamans)	Member
Mr Juan Ignacio Acha-Orbea Echeverría	Member
Mr Kam Son Leong	Member
Mr Richard J. Cathcart	Member

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Name	Office
Grupo Corporativo empresarial de la Caja de ahorros y Monte de piedad de Navarra S.A.U. (Mr Eduardo López Milagro)	Member

#### 4.1 Compensation during 2012

The compensation received by the nonexecutive directors of the Company in 2012 for their membership of the Board of Directors and of the various Committees at the Company (Managing Committee, Appointments and Compensation Committee, and Audit Committee) was as follows:

Remuneration BoD 2012						
Director	Fixed rem. BoD	Attendance fees	Appments. & Compensation Committee	Audit Committee	Managing Committee	Total
Joan Planes*	101.000	6.000		8.000		<b>115.000</b>
Bernat Corbera	65.000	6.000			20.000	<b>91.000</b>
Oscar Serra	65.000	6.000			20.000	<b>91.000</b>
ANIOL (1)	65.000	5.000	8.000		10.000	<b>88.000</b>
BIDSA (3)	65.000	5.000		10.000	20.000	<b>100.000</b>
Kam S. Leong (2)(3)	65.000	16.000	10.000			<b>91.000</b>
Richard Cathcart (2)	65.000	16.000	8.000			<b>89.000</b>

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Juan Ignacio Acha	65.000	6.000		8.000	20.000	<b>99.000</b>
CAN	65.000	5.500				<b>70.500</b>
<b>Total</b>	<b>621.000</b>	<b>71.500</b>	<b>26.000</b>	<b>26.000</b>	<b>90.000</b>	<b>834.500</b>

\* Chairman of the Board

(1) The amount that he receives for his participation on the Managing Committee is lower than that of the rest of the members because he is Secretary of the Committee and not a full-time member.

(2) They receive a higher amount than the rest of the members of the Board since they do not reside in Spain.

(3) The amount that they receive for their participation on the Appointments and Audit Committees is higher than the rest of the members of the mentioned Committees because they are the Presidents of each one of these Commissions.

#### 4.2 Compensation established for 2013

The compensation forecast for the Board in 2013 is as follows:

<b>Remuneration BoD 2013</b>						
<b>Director</b>	<b>Fixed rem. Board of Directors (5)</b>	<b>Attendance fees</b>	<b>Appments. and Compensation Committee</b>	<b>Audit Committee</b>	<b>Managing Committee</b>	<b>Total</b>
Joan Planes*	101.000	6.000		8.000		<b>115.000</b>
Bernat Corbera	65.000	6.000			20.000	<b>91.000</b>
Oscar Serra	65.000	6.000			20.000	<b>91.000</b>
ANIOL (1)	65.000	6.000	8.000		10.000	<b>89.000</b>
BIDSA (3)	65.000	6.000		10.000	20.000	<b>101.000</b>
Kam S. Leong (2)(3)	65.000	16.000	10.000			<b>91.000</b>
Richard Cathcart (2)	65.000	16.000	8.000			<b>89.000</b>
Juan Ignacio Acha	65.000	6.000		8.000	20.000	<b>99.000</b>
CAN	65.000	6.000				<b>71.000</b>

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<b>Total</b>	<b>621.000</b>	<b>74.000</b>	<b>26.000</b>	<b>26.000</b>	<b>90.000</b>	<b>837.000</b>
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*\* Chairman of the Board*

*(1) The amount that he receives for his participation on the Managing Committee is lower than that of the rest of the members because he is Secretary of the Committee and not a full-time member.*

*(2) They receive a higher amount than the rest of the members of the Board since they do not reside in Spain.*

*(3) The amount that they receive for their participation on the Appointments and Audit Committees is higher than the rest of the members of the mentioned Committees because they are the Presidents of each one of these Commissions.*

### 4.3 Employee welfare systems

The Company has not assumed any obligation or commitment whatsoever in relation to pensions, retirement or the like with nonexecutive directors.

### 4.4 Other compensation

There are no other compensation systems for nonexecutive directors.

### 4.5 Share-based incentives

There are no share-based incentive systems in which the nonexecutive directors participate.

### 4.6 Main characteristics of Board members' employment contracts

The Company has not executed any employment contracts with the nonexecutive directors.

## 5. Special reference to the future policy

The Appointments and Compensation Committee, in the exercise of the functions attributed to it by the Regulations of the Company's Board, periodically reviews the policy for compensating the members of the Board, putting forward to the latter, within the framework established for such purpose, as many proposals as it considers advisable in relation to both items and amounts, bearing in mind the conditions in which the Company operates and its performance. In this sense, taking into consideration market surveys and analysis, the Appointments and Compensation Committee is working in order to adapt the current remuneration structure to the practice followed by any other companies comparable to Fluidra considering the specific points for each position.

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It is planned to approve in 2013 a new LTI with the same specifications of the Plan 2010-2013.

No changes have currently been planned with regard to the remuneration policy now in place.