

ANNEX 1

**ANNUAL REPORT ON REMUNERATION OF THE BOARD MEMBERS
OF LISTED PUBLIC LIMITED COMPANIES**

ISSUER IDENTIFICATION DATA

ACCOUNTING REFERENCE DATE	31/12/2017
CIF	A-58389123
CORPORATE NAME	GRIFOLS, S.A.
REGISTERED OFFICE	CALLE JESÚS Y MARÍA, 6, 08022 BARCELONA

**TEMPLATE OF ANNUAL REPORT ON THE REMUNERATION OF BOARD MEMBERS
OF LISTED PUBLIC LIMITED COMPANIES**

A COMPANY REMUNERATION POLICY FOR THE CURRENT FISCAL YEAR

A.1 Explain the remuneration policy of the Company. In this section, information is to be included on the following:

- General principles and fundamentals of the remuneration policy.
- The most significant changes made in the remuneration policy compared to that applied during the previous financial year, as well as those modifications that may have been made during the financial year of the conditions for the exercising of options already granted.
- Criteria used and composition of similar corporate groups whose remuneration policies have been examined to establish the remuneration policy of the company.
- Relative importance of the variable compensation concepts in relation to those fixed and criteria followed to determine different components of the directors' remuneration package (remuneration mix)

Explain the remuneration policy

The remuneration system of the members of the Board of Directors and the remuneration policy of the Company aims to adequately remunerate directors based on their dedication, qualifications and level of responsibility, ensuring that it does not impede their independence and that said remuneration aligns with market requirements. The directors' remuneration policy approved by the Company's General Shareholders' Meeting held on 26 May 2017 applies to financial year 2017 as well as to the following three financial years, that is, until financial year 2020 inclusive, in accordance with article 529 *novodecies* of the Spanish Companies Act, pursuant to the provisions of the Transitional Provision of Law 31/2014, of 3 December, amending the Spanish Companies Act in matters of corporate governance.

The remuneration regime of the members of the Board of Directors and the remuneration policy are regulated in the Company's Articles of Association and in the Regulations of the Board of Directors.

A. Articles of Association of the Company

Article 20.bis of the Articles of Association establishes that the remuneration of board members as such shall be a fixed amount. To that end, the General Shareholders' Meeting shall approve, at least every three years, and with a validity of three years following the year of its approval, the directors' remuneration policy, which shall necessarily establish the maximum amount of the annual remuneration to be paid to all directors as such; the Board of Directors shall be in charge of its distribution among the board members. The duties and responsibilities of each director, their membership to Board committees and other relevant objective circumstances shall be taken into account when allocating the amount.

Notwithstanding the foregoing, the directors shall have the right to be refunded any expenses incurred while holding their office, and to receive remuneration for performing their executive duties specified in the contracts approved in accordance with the Spanish Companies Act, as long as it conforms to the directors' remuneration policy approved by the General Shareholders' Meeting pursuant to the Company's Corporate Governance system and any applicable legal provision.

B. Regulations of the Company's Board of Directors

Articles 26 and 27 of the Regulations of the Board of Directors complement and develop article 20.bis of the Articles of Association and establish that the directors' remuneration policy must include, necessarily, the maximum annual remuneration amount to be paid to all directors in their capacity as such.

With respect to the remuneration of the directors for performing executive duties, the policy must include: (i) the amount of the fixed annual remuneration and its variation during the period to which the policy refers; (ii) the different parameters to set the variable components; and (iii) the main terms and conditions of their contracts including, in particular, term, severance payments or compensations for the early termination or the termination of their relationship, and exclusivity, post-contractual non-competition, and permanence or fidelity undertakings.

The Board of Directors, under the guidance of the Appointments and Remuneration Committee, shall adopt all measures within its reach to guarantee that the remuneration of non-executive directors complies with the following directives:

- (a) the non-executive director shall be remunerated on the basis of his actual dedication, qualification and concrete responsibility;
- (b) the non-executive director shall be excluded from remuneration systems based on receiving shares in the Company or companies of the Group, stock options or financial instruments referenced to the value of the share, in variable remunerations linked to the Company's profits or welfare systems;

This directive however, shall not affect the allocation of shares in the Company, on the condition that the directors retain them until resignation of their post;

- (c) the amount of the non-executive director's remuneration shall be calculated in a way that it encourages the director's dedication, without being an obstacle to its independence.

C. Changes in the remuneration policy with respect to the previous financial year

Unless otherwise related to the most relevant events described below, there have been no significant changes in the company's remuneration policy during financial year 2017.

- (i) *Changes in the remuneration policy as a result of the appointment of Víctor Grífols Roura as non-executive Chairman*

With effect from 1 January 2017, Víctor Grífols Roura resigned as Chief Executive Officer of the Company, staying on as non-executive Chairman of the Company's Board of Directors. That same day, Raimon Grífols Roura and Víctor Grífols Deu became the Chief Executive Officers of the Company. Their appointments took place at the meeting of the Board of Directors held on 16 December 2016.

Therefore, as of 1 January 2017, as a result of the position held by Víctor Grífols Roura as non-executive Chairman of the Board of Directors, the Company's remuneration policy changed, because his remuneration for his role in the Company is different from the remuneration perceived by the other members of the Board of Directors, as described in section A3.

During this financial year 2017, the remuneration of the Chairman of the Board of Directors has been an annual fixed amount of 965 (in thousands of euros). The Chairman of the Board of Directors has not received any variable remuneration during this financial year because he has not carried out any executive duties. The remuneration of Mr. Grífols has been determined taking into account his proven experience as director and Chairman of Grifols, S.A., in addition to his knowledge in the

sector where the Company operates. During this financial year 2017, the General Shareholders' Meeting approved the renewal of Mr. Grífols' position as director and non-executive Chairman for an additional 4-year period.

When deciding the remuneration of Mr. Grífols, the additional duties that he carries out, as well as those set out in the Spanish Companies' Act for the position of Chairman of the Board of Directors, have been taken into account. In particular, but not limited to, these duties are related to: (i) the internal functioning of the Board of Directors itself, (ii) in collaboration with the Chief Executive Officers, direction the Board of Directors to develop and ensure that the appropriate strategy for the Company is implemented by the executive team, (iii) corporate governance, (iv) the composition and efficiency of the Board of Directors, and (v) the external representation of the Company.

(ii) *Approval, on 26 May 2017, of the new directors' remuneration policy*

On 26 May 2017, the General Shareholders' Meeting approved the new directors' remuneration policy, which had been previously prepared and recommended by the Appointments and Remuneration Committee, and which has been applied during this financial year 2017.

Pursuant to article 529 *novodecies* of the Companies Act and article 20bis of the Company's Articles of Association, this new policy is expected to be effective until the financial year 2020, inclusive, unless the General Shareholders' Meeting approves a new policy before this year.

(iii) *Increase of the minimum and maximum percentages of the executive directors' variable remuneration*

Within the framework of the approval of the new remuneration policy described in section (ii) above, the Appointments and Remuneration Committee of the Company's Board of Directors made a proposal to increase the minimum and maximum percentages of the executive directors' variable remuneration with the intention to update the remuneration package of these directors and ensure it is in line with market practice, as detailed in section A2 below, as well as to emphasize the unique role of these executive directors who, unlike the Company's other executives, have additional responsibilities.

The decision to increase the maximum percentage of the total variable remuneration that the executive directors may receive is based on the conclusions reached after the human resources department reviewed the remuneration policy, as suggested by the Appointments and Remuneration Committee, and compared the Company's policy with the policies of other similar companies in terms of size, complexity of the business and geographic diversity. This analysis was carried out by selecting companies listed in the main index of the Spanish stock exchange, the IBEX-35, thus it included some of the main Spanish companies based on their size, international presence and main features, as well as including companies related to the plasma industry. For the avoidance of doubt, the study was carried out taking into consideration the variable remuneration as a percentage of the total annual remuneration. 22 big companies of the pharmaceutical sector were selected to carry out this study.

Therefore, the current variable retribution ranges between 45 and 65% of the final annual remuneration.

A.2 *Information on preparatory work and the decision-making process that has been followed in order to determine the remuneration policy and the role performed, where applicable, by the Remuneration Committee and other bodies of control in the configuration of the remuneration policy. This information shall, where applicable, include the mandate given to the Remuneration Committee, its composition, and the identity of any external advisors whose services may have been used to define the remuneration policy. Additionally, the character of those board members*

who, where applicable, may have intervened in the definition of the remuneration policy shall be expressed.

Explain the process to determine the remuneration policy

According to the Regulations of the Board of Directors, board members shall be entitled to obtain the remuneration established by the Board of Directors under the provisions of the Articles of Association and other regulations and in accordance with the indications of the Appointments and Remuneration Committee, ensuring that the remuneration is moderate and based on market requirements.

In this regard, article 15 of the Regulations of the Board of Directors regulates how the Appointments and Remuneration Committee operates; this committee must meet at least once a year to prepare information on the remuneration of the board members, and the Board of Directors must approve it and include it in its annual public documentation.

The duties of the Appointments and Remuneration Committee include: (i) proposing to the Board of Directors the remuneration policy of the directors and general managers or anyone performing top-level management duties under the direct supervision of the Board, executive committees or Chief Executive Officers, as well as the individual remuneration and other contractual terms regarding the executive directors, ensuring its fulfilment and (ii) periodically reviewing the remuneration programmes for executive officers, taking into account their competence and performance.

Composition of the Appointments and Remuneration Committee: In accordance with the Spanish Companies' Act, the Appointments and Remuneration Committee is exclusively formed by non-executive directors, among which at least two are independent.

On the date this report is issued, the Appointments and Remuneration Committee is formed by:

- Marla E. Salmon – Chairwoman – Independent
- Luís Isasi Fernández de Bobadilla – Member – Independent
- Tomás Dagá Gelabert – Member – Other External
- Núria Martín Barnés – Secretary non-member

The Appointments and Remuneration Committee met on 15 December 2016 to review the Company's remuneration policy to be applied in financial year 2017. Following the proposal of the Appointments and Remuneration Committee, this policy had been previously reviewed by the Company's Human Resources Department, which compared the policy applied by the Company to that of similar companies. The policy was subsequently approved by the Board of Directors.

The comparative analysis made by the human resources department was based on selecting a number of similar companies listed in the main index of the Spanish stock market, the IBEX-35, and, hence, included the principal Spanish companies taking into account their size, international presence and main features, as well as companies related to the plasma industry. On the strength of this analysis, the human resources department, the Appointments and Remuneration Committee and the Board of Directors concluded that Grifols' remuneration policy is moderate, especially when compared in terms of stock market capitalisation.

Moreover, according to the annual report on the remuneration of board members of listed public limited companies for financial year 2016, the latest published by the CNMV, the average of the total remuneration for executive directors (excluding chairmen and chief executive officers) working in IBEX-35 companies is of 2.03 million euros approximately, and 2.649 million euros for chief executive officers. Therefore, the remuneration of the Company's executive directors is far below these averages. In addition, and according to this same report, the variable remuneration, which includes the amount of shares allocated and the profit made from exercising option rights, has been of 42% on average with respect to the fixed remuneration in

companies listed in the IBEX-35. Therefore, the Company is, approximately, in the minimum percentage average of 45%.

On the other hand, during financial year 2017, the Company's human resources department hired the services of Willis Towers Watson to make a comparative study on the remuneration of executive directors in large companies similar to the Company in terms of size, complexity of the business and geographic diversity. On the basis of such comparative analysis, it is concluded that the total remuneration of both Chief Executive Officers is in the inferior range of the lowest average scale. In the case of the Deputy Chief of Operations Officer, its total remuneration was in the middle average scale.

It should be highlighted that in the last meeting of the Board of Directors in 2017, which was held on 15 December 2017, the human resources department made a presentation to explain how the directors' remuneration is structured, and to explain the conclusions of Willis Towers Watson's comparative report on the remuneration of executive directors.

In this same meeting, the Board of Directors carried out an assessment of the Board of Directors' performance during financial year 2017, concluding that it had the sufficient resources to efficiently carry out its tasks and duties.

During this assessment process, the Appointments and Remuneration Committee provided the directors with a questionnaire concerning the organization of the Board of Directors, the Audit Committee and the Appointments and Remuneration Committee. The questionnaire addressed different issues, such as the quality and quantity of the information provided to the directors before each meeting held by the Board of Directors or the Committees, the sufficiency of the duration of the meetings, the diversity of topics discussed in said meetings, the follow-up of approved decisions, as well as the performance and efficiency of each of these bodies. The results of the questionnaire were discussed during the afore-mentioned Board of Directors' meeting, held on 15 December 2017. More specifically, it should be highlighted that all the directors have declared to be very satisfied with the job done by the Company's executive directors, as well as confirming that they had the necessary and adequate means to carry out their duties.

A.3 Indicate the value and the nature of the fixed components, with breakdowns, where appropriate, of the remuneration for the performance of top management functions of executive board members, of additional remuneration for being the chair or a member of any board committees, of allowances for participating on the board and its committees or other fixed remuneration for being board members, as well as an estimate of the fixed annual remuneration that these may cause. Identify other benefits not paid in cash and the fundamental parameters by which these are granted.

Explain the fixed components of the remuneration

No significant changes were made in the policy for financial year 2017 with respect to the policy approved in 2016.

A. Non-executive directors

As at the date of this report, there are 10 non-executive directors, of which 7 receive an annual fixed remuneration as a result of their role as board members (7 of such board members are independent, two are other external and one is proprietary).

Pursuant to the remuneration policy approved by the Ordinary General Shareholders' Meeting of the Company, held on 26 May 2017, and which is applicable during the three financial years following the year of its approval, the amount of the fixed annual remuneration is 100,000 euros for each member of the Board of Directors that are non-executive directors, with the exception of those non-executive directors that are rendering paid professional services to the Company or the Group.

Also, any director who serves as a member on one of the Board of Director's Committees (Audit Committee and Appointments and Remuneration Committee) shall receive an additional gross annual remuneration of 25,000 euros as a result of a heavier workload (thus, the total remuneration shall amount to 125,000 euros). Similarly, the chairpersons of each Committee shall receive an additional 25,000 euros for performing their duties as chairperson (thus, the total remuneration shall amount to 150,000 euros). The coordinating director shall receive an additional remuneration amounting to 50,000 euros for performing its duties (thus, the total remuneration shall amount to 150,000 euros).

Under no circumstances shall the remuneration of a non-executive director exceed 150,000 euros per year.

B. Executive directors

As at the date of this report, there are 3 executive directors that receive an annual fixed remuneration arising from the employment relationship (or, where applicable, commercial) that they have with the Company: (i) the 2 Chief Executive Officers, and (ii) the Deputy Chief of Operations Officer.

The remuneration of the two Chief Executive Officers has been determined taking into account the remuneration of similar positions in comparable companies, based on the analysis carried out by the Company's Human Resources Department, as proposed by the Appointments and Remuneration Committee.

As regards the third executive director, his retribution has increased in approximately 7% compared to last year. As further explained in section A2 above, according to the annual report on the remuneration of board members of listed public limited companies for financial year 2016, the latest published by the CNMV, the average of the total remuneration for executive directors (excluding chairmen and chief executive officers) working in IBEX-35 companies is of 2.03 million euros approximately, and, hence, even after this year increase, the remuneration of the third executive of the Company is far below this average.

C. Non-executive Chairman

As stated in section A1 above, in 2017, the remuneration of the Chairman of the Board of Directors shall be a fixed annual amount of 965 (in thousands of euros). The Chairman's remuneration has been decided taking into account his proven experience as director and Chairman of the Company, in addition to his knowledge in the sector where the Company operates. During this financial year 2017, the General Shareholders' Meeting approved the renewal of Mr Grifols' position as director and non-executive chairman for an additional 4-year period.

When deciding the remuneration of Mr Grifols, the additional duties that he shall carry out, in addition to those set out in the Spanish Companies Act for the position of Chairman of the Board of Directors, were taken into account. In particular, but not limited to, these duties are related to: (i) the internal functioning of the Board of Directors itself, (ii) in collaboration with the Chief Executive Officers, direction the Board of Directors to develop and ensure that the appropriate strategy for the Company is implemented by the executive team, (iii) corporate governance, (iv) the composition and efficiency of the Board of Directors, and (v) the external representation of the Company.

A.4 Explain the amount, nature and the main characteristics of the variable components of the compensation systems.

In particular:

- Identify each remuneration plans of which the board members are the beneficiaries, their scope, the date on which they were approved, the date of implementation, the period of validity and their main characteristics. For stock option plans and other financial instruments, the general characteristics of the plan must include information on the conditions for exercising said options or financial instruments for each plan.
- Indicate any remuneration by way of participation in profits or bonuses, and the reason for which they were granted.
- Explain the fundamental parameters and the basis for any annual bonus systems.
- The categories of board members (executive , external proprietary, independent external or other external board members) that are beneficiaries of remuneration systems or plans that incorporate variable remuneration.
- The basis of said variable remuneration systems or plans, the criteria for assessing the chosen performance/duties, as well as the components and methods of the assessment to determine whether or not said assessment criteria have been fulfilled, and an estimate of the absolute value of the variable remuneration to which the currently valid remuneration plan would cause, based on the degree of fulfilment of the hypotheses or objectives taken as a reference.
- Where appropriate, information is to be given on the periods of deferment or payment by instalments that may have been established and/or any periods of retention of shares or other financial instruments, should these exist.

Explain the variable components of the remuneration systems
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A. Variable remuneration derived from the position of board member in its capacity as such

The directors do not receive variable remuneration for serving as members of the board. In accordance with article 20.bis of the Company's Articles of Association "The remuneration of the board members shall be a fixed amount".

The non-executive Chairman does not receive variable remuneration either.

B. Variable remuneration derived from exercising executive duties

The variable component is paid to board members that have the category of executive directors and, as such, have an employment relationship (or, where appropriate, a commercial relationship) with the Company. As at the date of this report, and during 2017, there are 3 executive directors that receive annual variable remuneration derived from their employment relationship (or, where appropriate, commercial relationship) with the Company: (i) the 2 Chief Executive Officers, and (ii) the Deputy Chief of Operations Officer.

The percentage of the variable remuneration is subject to achieving the Company's annual objectives, in accordance with the common practices of similar companies –as further described in section A.2– for positions of similar responsibility. These objectives are determined annually and are approved by the Appointments and Remuneration Committee. Objectives are linked to the performance of the Group as a whole, taking as reference the consolidated EBIT Holding amount, as this is considered one of the main indicators of the Company's management.

The EBIT Holding shows the evolution of the Company's business as a whole, including all its divisions, and more specifically it shows the results it has obtained (before discounting interests and

taxes). Therefore, it is considered as the most adequate measurement to evaluate the executive directors' operating management of the Company. This parameter also facilitates the transparency of the variable remuneration system since it is published quarterly.

As stated in section A1(C)(iii) above, the variable remuneration can range from 45% to 65% of the final annual remuneration. To determine the percentage to be applied for the variable remuneration, a series of ranges have been established based on the accomplishment of objectives related to achieving the EBIT Holding. As mentioned above, this measurement is considered the most adequate to evaluate the management of the executive directors, since it is the main indicator used to measure the Company's operating results. Based on the foregoing, and conditional on the accomplishment of the objectives determined, the variable retribution may vary between 0% and a maximum amount that may range from 45% to 65% of the final annual remuneration.

The procedures and calendar of the variable remuneration plan for 2017 is as follows:

- At the end of February 2018, the Board of Directors approves the annual accounts for 2017 and the level of accomplishment of the objectives that shall result in the payment of the variable remuneration (bonus).
- In March 2018, the executive directors shall decide how much of their bonus (limited to 50% in Class B shares) shall be assigned to the share plan; also in March, the rights corresponding to class B shares shall be assigned. The remainder of the bonus that has not been allocated to the plan shall be paid in March.
- Class B share rights have a vesting period of 2 years and 1 day (March 2020). Once this period has elapsed the Class B shares (with no voting rights) shall be delivered, and the Group shall make an additional contribution of 50% of the amount contributed by the director.

As to the assessment method that shall determine the accomplishment of the objectives, it should be pointed out that the variable remuneration of the executive directors is based on the degree of accomplishment of the objective related to the annual EBIT Holding. If the degree of accomplishment does not reach 90%, the executive directors would lose the right to be paid. During financial year 2017, the Group accomplished 100% of the objective.

Therefore, as of the date of this report, there is no information on the variable remuneration that each executive director shall assign to Class B shares, thus, only once the Company has this information, it shall send the relevant details to the regulator as an addition to this remuneration report.

It should be highlighted that the variable remuneration system of the Company's executive directors is, as detailed in section A2 above, in line with IBEX-35 practices. According to the annual report on the remuneration of board members of listed public limited companies for financial year 2016, the latest published by the CNMV, all IBEX-35 companies have had in place formal plans concerning the short-term (annual) variable remuneration for executive directors. These plans have been generally based on internal parameters such as the evolution of operative results or the net profit of the company. Finally, it should also be highlighted that Grifols has not a long term remuneration system due to the fact that its executive directors are also significant shareholders. The executive directors hold a high number of shares of the Company and this circumstance, together with their willingness to stay in the shareholding, ensures that they will be in line with the corporate interest of the Company and their intention to keep creating value in the Company in the long term, in the interest of Grifols' investors and shareholders.

A.5 Explain the main features of the long-term saving systems, including retirement and any other compensations or allowances for survival, financed in part or in full by the company, whether these may have been endowed internally or externally, with an estimate of their value or equivalent annual cost, indicating the type of plan, whether it is a defined contribution or benefit, the conditions for consolidation of the economic rights in favour of the board members and their

compatibility with any kind of indemnity as a result of early resolution or termination of the contractual relationship between the company and the board member.

Also indicate any contributions in favour of a board member to defined benefit pension plans; or the increase of a board member's consolidated rights, in the event of contributions to defined benefit plans.

Explain the long-term saving systems

Not applicable.

A.6 Indicate any indemnities agreed or paid in the event of termination of functions in their role as board members.

Explain the indemnities

Not applicable.

A.7 Indicate the conditions that the contracts of those who may exercise functions of top management as executive board members must respect. Among others, information is to be given on the period of validity, limits of the amounts of indemnity, permanence clauses, terms of prior notice, as well as payment in lieu of the mentioned term of prior notice, and any other clauses relating to signing-on bonuses, as well as indemnities or contractual protection for early resolution or termination of the contractual relationship between the company and the executive board member. Include, among others, non-competition agreements, exclusivity, permanency or loyalty and post-contractual non-competition.

Explain the conditions of the contracts of the executive board members

The contracts of the 3 executive directors are standard contracts, as they do not include any particularities beyond those normally included in this type of contracts. Without detriment to the foregoing, said contracts do include clauses of change of control, pursuant to which, in the event that there was a change of control, the executive directors may either decide to stay in the Company or to terminate their relationship with it. In the latter case, they are entitled to a severance payment equivalent to five years of salary. This indemnity shall only apply in case a change of control occurs. It must be noted that the remuneration of executive directors is lower than the average of the companies of the IBEX-35, as set forth in section A2 of this Report.

Since the termination payments are calculated on the basis of 5 years, they are lower (in absolute terms) than the termination payments of many similar companies, which calculate such concept on the basis of 2 years but could lead to the payment of a higher amount. This circumstance is due to the fact that the remuneration of Grifols' top managers is moderate. Moreover, the amount is considered reasonable given that the contracts include non-compete clauses for a 3 years period. Additionally, the characteristics of the industry in which the company operates, with "only" 3 principal actors, has led to Grifols adopting a specific policy on termination payments.

On the other hand, the contracts signed by the executive directors set out a non-compete obligation. Such clause supposes that once the relevant contract is terminated and during a period of three years after termination, they may not render services in companies of similar nature to that of the Company.

A.8 Explain any additional remuneration accrued by board members as compensation for services rendered other than those inherent to their position.

Explain the additional remuneration

Not applicable.

- A.9 Indicate any compensation in the form of advanced payments, credits and guarantees granted, with indication of the interest rate, their essential characteristics and the amounts finally returned, as well as the obligations assumed under these by way of guarantees.

Explain the advanced payments, credits and guarantees granted

Not applicable.

- A.10 Explain the main characteristics of fringe benefits.

Explain the fringe benefits

Not applicable.

- A.11 Indicate the remuneration accrued by the board member by virtue of any payments that the listed company may make to any third-party companies in which the board member may render its services, whenever the purpose of said payments is to remunerate the services of the latter in the company.

Explain the remuneration accrued by the board member by virtue of payments made by the listed company to any third-party companies in which the board member renders services

Not applicable.

- A.12 Any other compensation concepts different from the foregoing, whatever their nature may be and whichever the company of the group paying these may be, especially whenever they may be considered as related-party transactions or their issuing may distort the faithful image of the total remuneration accrued by the board member.

Explain the other compensation concepts

Not applicable.

- A.13 Explain the actions taken by the company in relation to the remuneration system to reduce exposure to excessive risks and align it with the long-term objectives, values and interests of the company. This is to include, where appropriate, a reference to the following: measures planned in order to guarantee that the long-term results of the company will be taken into account in the remuneration policy, measures to establish a suitable equilibrium between the fixed and variable components of the remuneration, measures adopted in relation to those categories of personnel whose professional activities have a material repercussion on the risk profile of the company, formulas or clauses for collection, to be able to claim the refunding of the variable components of the remuneration based on results whenever such components may have been paid taking into account details the inexact nature of which may have been demonstrated subsequently in a clear manner, and measures planned to prevent conflicts of interests, where appropriate.

Explain the actions taken to reduce risks

The remuneration policy of the Company takes into account the long-term objectives of the Company, among other things, to reduce exposure to excessive risks, granting its top executives and its executive directors the possibility of obtaining a variable amount in relation to their remuneration. Hence, the

remuneration consists of a fixed amount and a variable amount, being possible for the latter to reach a maximum amount ranging from 45% to 65% of the final annual remuneration. The variable annual remuneration of executive directors is determined based on the achievement of certain annual objectives. The objectives are linked to the Company's Group's performance as a whole, taking into account the consolidated EBIT Holding amount. In case the degree of achievement of such objectives does not reach 90%, the right to receive this variable remuneration would not be accrued.

The variable remuneration is an amount that may reach between 45% and 65% of the final annual remuneration. To determine the percentage to be applied to the variable remuneration, a series of ranges have been established based on the achievement of objectives related to the achievement of the EBIT Holding. Based on the foregoing, subject to the achievement of the objectives, the variable remuneration may vary between 0% and a maximum amount that may range from 45% to 65% of the final annual remuneration. The structure of the variable remuneration has been detailed in section A4 above.

Additionally, it is important to highlight that the participation of the executive directors in Grifols' shareholding is very relevant, and this circumstance, together with their stable permanence commitment in such shareholding, ensures that they are in line with the reduction of risks and the creation of value in the company in the long term.

B REMUNERATION POLICY PLANNED FOR FUTURE FINANCIAL YEARS

Abrogated

C GLOBAL SUMMARY OF HOW THE COMPENSATION POLICY WAS APPLIED DURING THE FINANCIAL YEAR CLOSED

C.1 Briefly explain the main characteristics of the structure and concepts of the remuneration policy applied during the financial year closed, that give rise to the breakdown of the individual remuneration accrued by each board member, who are listed in section D of this report, as well as summarizing the decisions taken by the board in order to apply said concepts.

<p>Explain the process and remuneration concepts of the remuneration's policy applied during this financial year</p>

See sections A.1, A.2, A.3 and A.4 above, in which the remuneration policy of the Company is explained.

The remuneration policy of the Company is based on simplicity. In this regard, the remuneration of executive directors has exclusively consisted on a fixed remuneration plus a variable that could reach between 45% and 65% of the final remuneration.

D BREAKDOWN OF THE INDIVIDUAL COMPENSATIONS ACCRUED BY EACH ONE OF THE BOARD MEMBERS

Name	Type	Accrued period during 2017 financial year
ANNA VEIGA LLUCH	Independent	From 01/01/2017 to 31/12/2017.
BELÉN VILLALONGA MORENÉS	Independent	From 01/01/2017 to 31/12/2017.
CARINA SZPILKA LÁZARO	Independent	From 01/01/2017 to 31/12/2017.
IÑIGO SÁNCHEZ-ASIAÍN MARDONES	Independent	From 01/01/2017 to 31/12/2017.
LUIS ISASI FERNÁNDEZ DE BOBADILLA	Independent	From 01/01/2017 to 31/12/2017.
MARLA ELIZABETH SALMON	Independent	From 01/01/2017 to 31/12/2017.
RAIMON GRÍFOLS ROURA	Executive	From 01/01/2017 to 31/12/2017.
STEVEN MAYER	Independent	From 01/01/2017 to 31/12/2017.
THOMAS GLANZMANN	Other external	From 01/01/2017 to 31/12/2017.
VÍCTOR GRIFOLS ROURA	Proprietary	From 01/01/2017 to 31/12/2017.
RAMÓN RIERA ROCA	Executive	From 01/01/2017 to 31/12/2017.
TOMÁS DAGÁ GELABERT	Other external	From 01/01/2017 to 31/12/2017.
VÍCTOR GRÍFOLS DEU	Executive	From 01/01/2017 to 31/12/2017.

D.1 Complete the following charts in relation to the individualized remuneration of each board member (including the remuneration for performing executive functions) accrued during the financial year.

a) Remuneration accrued by the company and covered in this report:

i) Compensation in cash (in thousands of €)

Name	Salary	Fixed remuneration	Expenses	Short-term variable remuneration	Long-term variable remuneration	Remuneration due to belonging to board committees	Severances	Other concepts	Total financial year 2017	Total financial year 2016
ANNA VEIGA LLUCH	0	100	0	0	0	0	0	0	100	100
TOMÁS DAGÁ GELABERT	0	0	0	0	0	0	0	0	0	0
THOMAS GLANZMANN	0	0	0	0	0	0	0	939	939	905
RAIMON GRÍFOLS ROURA	0	800	0	110	0	0	0	0	910	340
RAMON RIERA ROCA	0	760	0	263	0	0	0	0	1,023	952
VÍCTOR GRÍFOLS ROURA	0	965	0	350	0	0	0	0	1,315	1,274
BELÉN VILLALONGA MORENÉS	0	100	0	0	0	50	0	0	150	150
LUIS ISASI FERNÁNDEZ DE BOBADILLA	0	100	0	0	0	25	0	0	125	125
CARINA SZPILKA LÁZARO	0	100	0	0	0	25	0	0	125	125
MARLA ELIZABETH SALMON	0	100	0	0	0	50	0	0	150	150
STEVEN MAYER	0	100	0	0	0	25	0	0	125	125
IÑIGO SÁNCHEZ-ASIAÍN MARDONES	0	100	0	0	0	50	0	0	150	150
VÍCTOR GRÍFOLS DEU	0	450	0	114	0	0	0	0	564	177

ii) Remuneration systems based on shares

VÍCTOR GRÍFOLS DEU RSU												
Implementation date	Ownership of the option at the beginning of FY 2017					Options assigned during FY 2017						
	No. Options	Shares affected	Price exer. (€)	Exercise term		No. Options	Shares affected	Price exer. (€)	Exercise term			
10/03/2015	14,930	14,930	0.00	2 years and 1 day		12,567	12,567	0.00	Not applicable			
Conditions: Not applicable												
Shares delivered during FY 2017			Options executed during FY 2017				Op. expired and not executed	Options at the end of 2017				
No of Shares	Price	Amount	Price exer. (€)	No. Options	Affected shares	Gross benefit (m€)	No. Options	No. Options	Affected shares	Price exer. (€)	Exercise term	
0	0.00	0	17	2,138	2,138	36	0	25,359	25,359	0.00	2 years and 1 day	
Other requirements for the financial year: N/A												

RAMON RIERA ROCA												
RSU												
Implementation date	Ownership of the option at the beginning of FY 2017						Options assigned during FY 2017					
	No. Options	Shares affected	Price exer. (€)	Exercise term			No. Options	Shares affected	Price exer. (€)	Exercise term		
10/03/2015	75,423	75,423	0.00	2 years and 1 day			0	0	0.00	Not applicable		
Conditions: Not applicable												
Shares delivered during FY 2016			Options executed during FY 2016				Op. expired and not executed	Options at the end of 2016				
No of Shares	Price	Amount	Price exer. (€)	No. Options	Affected shares	Gross benefit (m€)	No. Options	No. Options	Affected shares	Price exer. (€)	Exercise term	
0	0.00	0	17	24,494	24,494	417	0	50,929	50,929	0.00	2 years and 1 day	
Other requirements for the financial year: N/A												

RAIMON GRÍFOLS ROURA												
RSU												
Implementation date	Ownership of the option at the beginning of FY 2017					Options assigned during FY 2017						
	No. Options	Shares affected	Price exer. (€)	Exercise term		No. Options	Shares affected	Price exer. (€)	Exercise term			
01/07/2016	9,964	9,964	0.00	2 years and 1 day		22,341	22,341	0.00	Not applicable			
Conditions: Not applicable												
Shares delivered during FY 2016			Options executed during FY 2016				Op. expired and not executed	Options at the end of 2016				
No of Shares	Price	Amount	Price exer. (€)	No. Options	Affected shares	Gross benefit (m€)	No. Options	No. Options	Affected shares	Price exer. (€)	Exercise term	
0	0.00	0	0.00	0	0	0	0	32,305	32,305	0.00	2 years and 1 day	
Other requirements for the financial year: N/A												

VÍCTOR GRÍFOLS ROURA												
RSU												
Implementation date	Ownership of the option at the beginning of FY 2017					Options assigned during FY 2017						
	No. Options	Shares affected	Price exer. (€)	Exercise term		No. Options	Shares affected	Price exer. (€)	Exercise term			
10/03/2015	101,693	101,693	0.00	2 years and 1 day		0	0	0,00	Not applicable			
Conditions: Not applicable												
Shares delivered during FY 2017			Options executed during FY 2017				Op. expired and not executed	Options at the end of 2017				
No of Shares	Price	Amount	Price exer. (€)	No. Options	Affected shares	Gross benefit (m€)	No. Options	No. Options	Affected shares	Price exer. (€)	Exercise term	
0	0.00	0	17	33,222	33,222	565	0	68,471	68,471	0.00	2 years and 1 day	
Other requirements for the financial year: no RSU will be assigned to this director during FY 2017, due to the fact that he is no longer an executive director.												

iii) Long-term saving systems

b) Remuneration accrued by board members of the company due to them being on boards in other companies of the group:

i) Compensation in cash (in thousands of €)

Name	Salary	Fixed remuneration	Expenses	Short-term variable remuneration	Long-term variable remuneration	Remuneration due to belonging to board	Indemnity	Other concepts	Total financial year 2017	Total financial year 2016
ANNA VEIGA LLUCH	0	0	0	0	0	0	0	0	0	0
BELÉN VILLALONGA MORENÉS	0	0	0	0	0	0	0	0	0	0
CARINA SZPILKA LÁZARO	0	0	0	0	0	0	0	0	0	0
IÑIGO SÁNCHEZ-ASIAÍN MARDONES	0	0	0	0	0	0	0	0	0	0
LUIS ISASI FERNÁNDEZ DE BOBADILLA	0	0	0	0	0	0	0	0	0	0
MARLA ELIZABETH SALMON	0	0	0	0	0	0	0	0	0	0
RAMON RIERA ROCA	0	0	0	0	0	0	0	0	0	0
STEVEN MAYER	0	0	0	0	0	0	0	0	0	0
THOMAS GLANZMANN	0	0	0	0	0	0	0	0	0	0
TOMÁS DAGÁ GELABERT	0	0	0	0	0	0	0	0	0	0
VÍCTOR GRÍFOLS DEU	0	0	0	0	0	0	0	0	0	0
VÍCTOR GRÍFOLS ROURA	0	0	0	0	0	0	0	0	0	0
RAIMON GRÍFOLS ROURA	0	0	0	0	0	0	0	0	0	0

ii) Remuneration systems based on shares

Not applicable

iii) Long-term saving systems

Not applicable

iv) Other benefits (in thousands of €)

0 in all charts and does not apply

c) Summary of compensations (in thousands of €):

The amounts corresponding to all remuneration concepts included in this report that have been accrued by the board member must be included in the summary, in thousands of euro.

Any contributions or endowments made to long-term saving systems must be included:

Name	Compensation accrued in the Company				Compensation accrued in group's companies				Totals		
	Total remuneration in cash	Value of shares delivered	Gross profit of options exercised	Total financial year 2017 for company	Total remuneration in cash	Value of shares delivered	Gross profit of options exercised	Total financial year 2017	Total financial year 2017	Total financial year 2016	Contribution to saving systems during FY
ANNA VEIGA LLUCH	100	0	0	100	0	0	0	0	100	100	0
BELÉN VILLALONGA MORENÉS	150	0	0	150	0	0	0	0	150	150	0
LUIS ISASI FERNÁNDEZ DE BOBADILLA	125	0	0	125	0	0	0	0	125	125	0
MARLA ELIZABETH SALMON	150	0	0	150	0	0	0	0	150	150	0
CARINA SZPILKA LÁZARO	125	0	0	125	0	0	0	0	125	125	0
ÍÑIGO SÁNCHEZ-ASIAÍN MARDONES	150	0	0	150	0	0	0	0	150	150	0
STEVEN MAYER	125	0	0	125	0	0	0	0	125	125	0
THOMAS GLANZMANN	939	0	0	939	0	0	0	0	939	905	0
TOMÁS DAGÁ GELABERT	0	0	0	0	0	0	0	0	0	0	0
RAMÓN RIERA ROCA	1,023	0	417	1,440	0	0	0	0	1,440	952	0
RAIMON GRÍFOLS ROURA	910	0	0	910	0	0	0	0	910	340	0
VÍCTOR GRÍFOLS DEU	564	0	36	600	0	0	0	0	600	177	0
VÍCTOR GRIFOLS ROURA	1,315	0	565	1,880	0	0	0	0	1,880	1,274	0
TOTAL	5,676	0	1,018	6,694	0	0	0	0	6,694	4,573	0

- D.2 Report on the relationship between the compensation obtained by board members and the results or other measurements of performance of the company, explaining, where appropriate, how the variations in the performance of the company have influenced the variation in the remuneration of the board members.

Only executive directors receive part of their remuneration as variable remuneration, which may represent a maximum amount that may range from 45% to 65% of the final annual remuneration. The remaining independent board members, others external and proprietary that receive remuneration are not affected by results or other measurements of performance of the company, beyond the performance of their work as board members pursuant to the Articles of Association and the Regulations of the Board of Directors.

- D.3 Report on the result of the consultative vote at the general shareholders' meeting on the annual report on remuneration in the previous financial year, with indication of the number of negative votes issued, where appropriate:

	Number	% of total
Issued Votes	342,188,151	80.3014%

	Number	% of total
Negative votes	113,767,722	33.2471%
Votes in favour	213,240,981	62.3169%
Abstentions	15,179,448	4.4360%

E OTHER INFORMATION OF INTEREST

Should there be any relevant aspects in the area of board member remuneration that may have not been possible to include in the other sections of this report, but which may be necessary to include in order to be in possession of more complete and reasoned information on the remuneration structure and practices of the company in relation to its board members, detail these briefly.

- (1) In relation to section D.1.a), under "Total financial year 2017" the total amount paid to the director as fixed remuneration and variable remuneration in cash has been included.
- (2) Thomas Glanzmann receives a payment for providing consulting services to the Company. Mr Glanzmann has vast experience and is well-known in the sector, which is why his services were requested by the Company.
- (3) With respect to the global remuneration of the board of directors, the increase with respect to the previous year is worth being clarified. On one side, this year the vesting of certain RSU's granted to the executive directors during year 2015 has taken place, given that these RSU's had a two year and one day vesting period. In addition, it should be highlighted that this year the 12 month remuneration of the two co-CEO's has been

included. On the previous year only half a year of their remuneration as executives was computed.

(4) In relation to the remuneration of the non-executive Chairman, it is important to provide a detailed explanation of the content of the charts included in section D 1(a)(i) and (D)1(c):

- As has been repeatedly specified in this report, during financial year 2017, the non-executive Chairman received a remuneration of 965 (in thousands of euros), but he did not receive variable remuneration due to his category being "non-executive".
- However, during 2017, the Chairman was paid for other concepts related to previous exercises in which he had an executive role, and more specifically:
 - He received the bonus in cash related to financial year 2016, for an amount of 350 (in thousands of euros); and
 - In 2017, RSU allocated in financial year 2015, and which had a vesting period of 2 years and 1 day, vested. Hence, in 2017 he was awarded Class B shares with an equivalent value of 565 (in thousands of euros).

The above explains why he received a total remuneration of 1,880 (in thousands of euros) in 2017.

(5) As for the executive directors, it is also necessary to provide a more in-depth explanation of the charts included in section (D) 1(a)(i) and (D) 1(c):

- The executive directors have been paid their salary, in addition to a bonus, in cash, as detailed in section 1 above; and
- Both executive directors Ramon Riera and Víctor Grífols Deu's RSU allocated in financial year 2015, and which had a vesting period of 2 years and 1 day, vested. Consequently, in 2017 both of them were awarded Class B shares with an equivalent value of 417 and 36 (in thousands of euros), respectively.

This annual corporate governance report has been approved by the Board of Directors of the company, in its session held on 23/02/2018.

Indicate whether any of the board members have voted against, or have abstained, in relation to the approval of this Report.

NO
