1. INTRODUCTION AND LEGAL FRAMEWORK

1.1. Obligation of approving a remuneration policy – Provisions laid down in the Companies Act

Articles 529 sepedecies and octodecies of the Companies Act set out the obligation, for listed companies, of having a remuneration policy for directors, in which the remuneration that these have a right to receive in their condition as directors, as well as for performing their executive duties, shall be determined and detailed.

Also, article 529 novodecies of the Companies Act sets out that the directors' remuneration policy shall be approved by the General Shareholders' Meeting at least every three years and as a separate item on the agenda. Additionally, the proposal of the remuneration policy of the Board of Directors shall be justified and must be accompanied with a specific report prepared by the Appointments and Remuneration Committee. Both documents must be made available to the shareholders in the Company's webpage from the call of the General Shareholders' Meeting. The shareholders may request the free delivery of said documents. The call of the General Shareholders' Meeting will mention this right.

In relation to the obligation of approving the remuneration policy, Law 31/2014, of 3 December, which modified the Companies Act for the improvement of corporate governance, added the following transitional disposition:

"(…) Article 529 novodecies of the Consolidated Text of the Companies Act shall come into effect on 1 January 2015 and it shall be applied to listed public limited liability companies as follows: (a) if the first Ordinary General Shareholders' Meeting, held at any time from 1 January 2015 onwards, approves on a consultative basis the report on the directors' remuneration, it will be understood that the Company's remuneration policy has also been approved in accordance with article 529 novodecies, resulting in the application of said article to said company from that moment onwards."

The Ordinary General Shareholders' Meeting of Grifols, S.A. ("Grifols" or the "Company"), held on 25 May 2015, approved, on a consultative basis, the Annual Directors' Remuneration Report (IARC) which contained the directors' remuneration policy, thus complying with the requirement set out in the transitional regime relating to the approval of the remuneration policy included in the IARC.

Therefore, and in accordance with article 529 novodecies, the directors' remuneration policy approved on a consultative basis by Grifols' Ordinary General Shareholders' Meeting on 25 May 2015, would be valid for the three fiscal years following the year it was approved by the General Shareholder's Meeting, that is, until the fiscal year 2018 included.
1.2. *Company's internal regulations*

Internally, the specific remuneration system and the remuneration policy for the members of the Board of Directors of the Company are governed by article 20.bis of the Articles of Association, and by articles 26 and 27 of the Internal Regulations of the Board of Directors of the Company, as detailed in sections 3 and 4 below.

Likewise, the Internal Regulations of the Board of Directors govern the duties of the Board of Directors and of the Appointments and Remuneration Committee of the Company in matters related to the remuneration of the members of the Board of Directors.

Specifically, in relation to the duties assigned to the Board of Directors, article 5.4 of the Internal Regulations of the Board of Directors sets out that:

"At the core of its duties, the Board shall approve the strategy of the Company and the necessary organization for its implementation, as well as supervise and control that the Management meets objectives and respects the corporate purpose and interest of the Company. For this purpose, the Board in full shall reserve the capacity to approve:

(a) the general policies and strategies of the Company, and in particular: (...) (vi) top management remuneration and performance evaluation;

(b) the following decisions: (...) (ii) A contract entered into between the member of the Board of Directors appointed Chief Executive Officer, or who has been given executive duties, and the Company, detailing all the concepts for which said member can receive remuneration for performing executive duties;(iii) The determination of the remuneration to be perceived by each director in its condition as such, as well as the determination of the additional remuneration of the directors for the performance of executive duties and the terms and conditions that should be observed in their contracts, in accordance with the Law and the directors' remuneration policy approved by the General Shareholders Meeting;(...)".

Likewise, and in relation to the duties assigned to the Appointments and Remuneration Committee, article 15.5 of the Internal Regulations of the Board of Directors sets out that:

"Without prejudice to other duties assigned by the Board, the Appointments and Remunerations Committee will have the following basic responsibilities: (...) (j) to propose 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 executive directors, as well as the individual remuneration and other contractual terms regarding the executive directors, ensuring its fulfilment ".

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1.3. Amendment of the remuneration policy currently in force and approval of a new policy for the next three fiscal years.

As a result of the amendments made in the remuneration policy approved on 29 May 2015, as detailed in sections 4.2(b) and 5 below, (i) the remuneration of the non-executive chairman of the Board of Directors of the Company, position which did not exist at that time in the Board of Directors, given that until 31 December 2016, the chairman of the Board of Directors was an "executive" director, and (ii) the percentage of the variable remuneration that the executive directors may receive, which changes and now ranges from a maximum of 45% to 65% of the final total remuneration, have been amended. In order to comply with article 529 novodecies of the Companies Act, the Board of Directors of the Company, in its meeting held on 31 March 2017, and based on the proposal of the Appointments and Remuneration Committee, has approved this remuneration policy.

The decision to increase the maximum percentage of the variable remuneration that executive directors can perceive is based on the conclusions reached in the review of the remunerations policy made by the Human Resources Department, following the proposal of the Appointments and Remuneration Committee, and which compared the policy followed by the Company and the policies followed by similar companies.

This analysis was based on the selection of a number of comparable companies listed in the main index of the Spanish Stock Exchange, IBEX-35, and hence incorporates the principal Spanish companies taking into consideration their size, international presence and main characteristics, as well as the companies related to the plasma industry.

The Board of Directors shall submit this remuneration policy to the General Shareholders' Meeting for approval. If approved, this policy shall be valid for the next three fiscal years following the year of its approval, that is, until the fiscal year 2020, included.

2. PRINCIPLES AND RULES OF THE REMUNERATION POLICY

Grifols internal regulations, which have been mentioned in section 1.2 above, set out the principles and rules on which the directors' remuneration policy of the Company is based, and which are essentially the following:

- The directors' remuneration policy aims to remunerate directors appropriately based on their commitment, qualifications and actual responsibility, ensuring it does not become an obstacle to their independence.

- The directors' remuneration must be subject to market requirements, and it should be reasonable and, to the extent possible, in line with the remuneration of the directors of listed companies similar to Grifols, taking into account its size, international presence, main features and business sector.

- Variable remuneration policies shall include the necessary technical precautions to ensure that such remuneration is in accordance with the professional performance
of its beneficiaries, and that it does not simply derive from the general evolution of the markets or business sector of the Company or other similar circumstances.

- The remuneration of the directors in their condition as such is based on the following main principles:
  - The remuneration will consist of an annual fixed and determined compensation.
  - The determination of the remuneration of each director shall take into account the duties and responsibilities of each director, their participation in the Board's committees and other objective circumstances that the Board of Directors considers relevant.
  - The remuneration of non-executive directors shall not be based on remuneration systems related to the delivery of Company shares, unless the directors keep them until they cease to be directors.
  - The directors shall have the right to be reimbursed for any expenses they have incurred in as a consequence of their duties as directors.

- The remuneration of the executive directors is based on the following main principles:
  - The remuneration for performing executive duties shall be set out in the corresponding contract, and taking into account objective criteria.
  - The remuneration of executive directors shall be a fixed amount and a variable amount; the latter ranges from 0% and a maximum of 30% to 65% of the final total remuneration.
  - The annual variable remuneration of the executive directors shall be determined in relation to the achievement of certain annual objectives linked to the performance of the Company Group as a whole.

- In summary, the Company's remuneration policy aims to create value in Grifols, while seeking a way to manage risk in an adequate and prudent manner, to be in line with shareholders' interests, and to always strictly comply with the applicable regulations on matters related to the remuneration of directors in listed company.

3. REMUNERATION OF DIRECTORS IN THEIR CONDITION AS SUCH

3.1. Internal Regulations

Article 20.bis of Grifols Articles of Association sets out the following:

"The position of director shall be remunerated. The directors' remuneration shall be a fixed amount. For such purpose, and at least every three years and valid for the three fiscal years following the year it is approved, the General Shareholders’ Meeting shall approve the remuneration of directors' policy, which shall
necessarily determine the maximum amount of the annual remuneration to be paid to all the directors. In addition, the Board of Directors shall distribute said remuneration among its members, by means of a board resolution, taking into account the duties and responsibilities of each director, the membership to board committees and other relevant objective circumstances. This board resolution shall not be necessary if the General Shareholders' Meeting has voted on the distribution among the members of the Board of Directors."

Notwithstanding the foregoing, the directors will have the right to be refunded on the expenses incurred upon while holding their office (…)

Article 26 of the Internal Regulations of the Board of Directors of the Company sets out the following:

"1. The remuneration policy of the directors must (…):

(a) With respect to the remuneration of the directors in their condition as such, necessarily include the maximum amount of the annual remuneration to be paid to all said directors.

2. The Board of Directors shall decide the remuneration of each director in its condition as such and, to that end, shall take into consideration the duties and responsibilities of each director, their participation in the Board's committees and other objective circumstances the Board may consider relevant.

3. (…).

4. Variable remuneration policies include the required technical cautions to ensure that such remunerations are in line with the professional performance of their beneficiaries and do not simply derive from the general evolution of the market or from the Company's industrial sector or from other similar circumstances. (…)."

Finally, article 27 of the Internal Regulations of the Board of Directors of the Company sets out the following:

"The Board of Directors, with the advice of the Appointments and Remunerations Committee, shall adopt all measures within its reach to guarantee that the remuneration of non-executive Directors is in line with the following directives:

(a) the non-executive Director should be remunerated in relation to his actual dedication, qualification and responsibility;

(b) the non-executive Director should be excluded from remuneration systems based on receiving shares in the Company or companies of the Group, stock options or financial instruments related 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 receiving of shares in the Company, on the condition that the directors keep them until their resignation as director;

(c) The amount of the non-executive director’s remuneration should be calculated in order to incentive dedication, but not to become an obstacle to independence.”

3.2. Remuneration system of the directors in their condition as such

As indicated above, the directors remuneration in their condition as such consists of a fixed remuneration in cash, subject to their role and duties, which amounts to one hundred thousand euros (100,000€) for each member of the Board of Directors, with the exceptions that are further described in this section.

Additionally, the directors that are members of any of the Board of Directors' committees, that is, the Audit Committee or the Appointments and Remuneration Committee, shall receive an additional gross payment of twenty-five thousand euros (25,000 €) per year each as a result of having a heavier workload. Therefore, those directors who are also members of a committee shall receive an annual fixed remuneration of one hundred twenty-five thousand euros (125,000 €).

Also, the directors that chair the Board of Directors' committees shall receive an additional twenty-five thousand euros (25,000 €) per year, again as a result of having a heavier workload than the other directors, thus they shall receive an annual fixed remuneration of one hundred fifty-thousand euros (150,000 €).

For performing its duties, the coordinating director shall receive an additional fifty thousand euros (50,000 €), also as a result of the legal duties inherent to its role, thus it shall receive an annual fixed remuneration of one hundred fifty-thousand euros (150,000 €).

Under no circumstance shall a non-executive director receive, for performing its duties, an annual remuneration of more than one hundred fifty-thousand euros (150,000 €). The directors that render professional remunerated services to the Group or to the Company will not perceive any kind of remuneration for their condition as director, nor the executive directors.

Finally, and as stated above, the directors shall have the right to be reimbursed for any expenses incurred while holding their office, as appropriate.

The maximum annual remuneration that the Company may pay to all of its directors in their condition as such for all concepts shall be decided by the General Shareholders' Meeting. This amount shall remain unchanged until the General Shareholders' Meeting agrees to modify it, although the Board of Directors may establish a lower amount. The terms concerning the maximum remuneration shall remain the same during the current remuneration policy period.
There are no other remuneration systems different from the one detailed in this section which are being applied to the directors in their condition as such.

In particular, directors in their condition as such shall not receive variable remuneration. Also, the Company has not assumed any commitment or obligation related to pension, retirement or other similar schemes in relation to the directors in their condition as such.

The remuneration system of executive directors is described in section 4 below.

4. EXECUTIVE DIRECTORS REMUNERATION

4.1. Internal Regulations

Article 20.bis of Grifols' Articles of Association sets out the following:

"(…) the directors will have the right (…) to receive remuneration for performing their executive duties specified in the contracts approved in accordance with the Capital Company's Act, as long as it adjusts to the directors remuneration policy approved by the General Shareholders' Meeting pursuant to the Company's Corporate Governance System and any applicable legal provision."

Additionally, article 26 of the Internal Regulations of the Board of Directors sets out the following:

"1. The remuneration policy for directors must [include] (…):

(a) (…)

(b) With respect to the remuneration of the directors for performing their executive duties:

i. The amount of the annual fix 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, duration, severance payments or compensations for the termination of the employment relationship, and exclusivity, post contractual non-competition, and retention or loyalty agreements.

2. (…)

3. Likewise, the Board of Directors shall establish the remuneration of the directors for performing executive duties as well as the terms and conditions of their contracts signed with the company, in accordance with the Law and the director remuneration policy approved by the General Shareholders' Meeting."
4.2. Executive directors remuneration system

The executive directors' remuneration system consists of a fixed remuneration, rewarding the performance of executive duties, and a variable remuneration, as a reward for achieving the Company's objectives, as detailed below.

(a) Fixed remuneration

On the date of approval of this policy, there are three (3) executive directors who receive an annual fixed remuneration as a result of their employment or, where appropriate, commercial relationship with the Company: the two chief executive officers and the chief operations officer.

The remuneration of executive directors is determined taking into account the remuneration paid to analogous roles in similar companies, based on a comparative analysis carried out by Grifols' human resources department, as recommended by the Appointments and Remuneration Committee.

(b) Variable remuneration

The Company's remuneration policy takes into account the long-term financial objectives and management of the Company, among other things, with the purpose of reducing its exposure to any excessive risks, giving its top level executives and its executive directors the possibility of obtaining variable remuneration. Therefore, their remuneration consists of a fixed amount and a variable amount. The maximum variable amount ranges from 0% and a maximum of 30% to 65% of the final total remuneration.

On the approval date of this policy, there are three (3) executive directors who receive a variable remuneration as a result of their employment or, where appropriate, commercial relationship with the Company: the two chief executive officers and the chief operations officer.

The percentage of the variable remuneration is subject to achieving the Company's annual objectives, following common practices in similar companies.

Said objectives are established annually and are approved by the Appointments and Remuneration Committee, being linked to the performance of the Company's Group as a whole, and taking as reference the consolidated amount of the group's net earnings (EBIT Holding), as this is considered one of the Company's main management indicators. The right to receive the variable amount is subject to achieving, at least, 90% of the objectives. If the objectives are not met, no variable remuneration is accrued. Therefore, the variable remuneration ranges from 0% and a maximum of 30% to 65% of the final total remuneration.

With the aim to evidence the aligning of interests of executive directors and shareholders, and to link their remuneration with the long term objectives of the company, executive directors can receive 50% of the amount of their variable remuneration in Class B shares. These shares have a vesting period of two (2)
years and one (1) day. If they decide go for this option, the Group shall make an additional 50% contribution of the amount exercised by the director.

Grifols' variable remuneration scheme calendar is as follows:

- At the end of February each year, the Board of Directors prepares the annual accounts corresponding to the previous fiscal year and identifies the percentage of objectives reached in order to pay the variable remuneration (bonus).

- In March each year, the executive directors decide which percentage of their variable remuneration (bonus) they want to receive in cash and which percentage in Company Class B shares. Executive directors may receive up to 50% of their variable remuneration in rights over Company Class B shares. The percentage of the variable remuneration (bonus) in cash shall be paid in March each year.

- Rights corresponding to Class B shares received as variable remuneration shall have a vesting period of two (2) years and one (1) day, at which time the Class B shares shall be delivered to the relevant executive directors.

(c) Main features of the executive directors' contracts

The contracts of the executive directors are standard. These contracts specify the services that the executive directors, as such, shall be rendering to the Company, in accordance with the Companies Act and Grifols internal regulations.

Without prejudice to these being standard, the contracts include specific clauses.

In particular, they include change of control clauses by virtue of which, in the event of a takeover in Grifols, the executive directors may opt between staying in the Company or leaving, in which case they would have the right to receive a compensation equivalent to five (5) years of salary.

The contracts also include post-contractual non-compete clauses for a three (3) year period, during which the executive directors, once their contracts are terminated, may not render services to companies of a similar nature.

Grifols has decided to establish a compensation equivalent to five (5) years of salary considering that the remuneration of Grifols' managers is moderated.

Grifols' analysis was based on the selection of a number of comparable companies listed in the main index of the Spanish Stock Exchange, IBEX-35, and hence incorporates the principal Spanish companies taking into consideration their size, international presence and main characteristics, as well as the companies related to the plasma industry. On the basis of this analysis, the remuneration of Grifols is considered moderated, especially when you compare it in terms of stock exchange capitalisation.
Hence, the characteristics of the hemoderivatives industry, with few main actors, have caused Grifols to adopt a specific compensation policy.

5. **REMUNERATION OF THE NON-EXECUTIVE CHAIRMAN**

As specified in section 1 of this policy, no relevant changes have been made in the remuneration policy approved on 29 May 2015, except in respect of, among others, Grifols' non-executive chairman, as a result of his resignation as chief executive officer.

This change was implemented after the approval, on 10 December 2015, of Grifols' succession plan. The remuneration of the chairman of the Board of Directors is different to the remuneration of the other directors, taking into account his involvement and proven experience as director and chairman of the Company, in addition to his valuable knowledge of Grifols and the sector in which the Company operates, as well as to the specific duties he carries out as non-executive chairman.

Specifically, the remuneration of the non-executive chairman of the Board of Directors consists exclusively of a fixed annual amount, which is equivalent to the fixed amount received during the fiscal year 2016. The non-executive chairman will not receive variable remuneration.

When deciding the remuneration of the non-executive chairman, the additional duties that he shall perform, as well as those set out in the Companies Act for the position of Chairman of the Board of Directors, shall be taken into account.

In particular, but not limited to, these duties are related to the following:

- Duties inherent to the running of the Board of Directors and to the position of chairman of the Board of Directors, in accordance with the Companies Act and Grifols' internal regulations;

- Duties related to giving advice and offer assistance to the executive directors:
  - give the chief executive officers constructive criticism, advice and assistance, exercising his good judgement and providing the experience to solve any issues related to Company's strategy, performance and management;
  - give solid and constructive criticism in order to reach a high quality professional debate and to guarantee that the chief executive officers and the Board are accountable in matters related to the approval and application of agreed policies and strategies.
  - take on the role of advisor and mentor to the chief executive officers, and apply an open-door policy so that they can ask him for advice when needed. Therefore, the non-executive Chairman will share the advice he considers necessary so that the executive directors may apply a strategy. However, the non-executive Chairman, although he has a decisive role in the discussions to approve a strategy, will not take away from the chief executive officers the responsibility for developing company's strategy;
• Duties related to corporate governance:
  - guarantee that the Board of Directors meets regularly and that it gives the proper attention and devotes the necessary time to matters related to corporate governance;
  - take all reasonable steps to ensure that the Company complies with the applicable legislation on corporate governance matters, and to monitor the continuous application of the good governance recommendations;

• Duties related to the composition and efficiency of the Board of Directors:
  - ensure that the Board's committees are structured properly;
  - be proactively informed on all matters related to the Board's committees by having regular conversations with the chairmen of the committees, outside the meetings of the Board;
  - supervise the incorporation of new members of the Board and guarantee that there are always customized training programmes so that non-executive directors have the necessary tools to participate actively in the Board's discussions, in particular in those related to risks and strategy.

• Duties related to the Company's external representation:
  - regularly hold meetings with the main shareholders in order to build relationships and obtain information about the strategy, performance and management of the business;
  - support the Company's commercial activities and hold meetings with groups of interest as necessary.
6. SUPERVISION OF THE APPLICATION OF THE REMUNERATION POLICY

Without prejudice to the provisions of the Companies Act on matters related to the remuneration policy for members of the Board of Directors of the Company, Grifols' Board of Directors, once the relevant reports by the Appointments and Remuneration Committee have been prepared, shall regularly review and approve the principles and rules of the directors remuneration policy as well as be responsible for supervising its application.

To that end, the Company's Board of Directors shall annually review this policy, with the objective of introducing any modifications that are required in accordance with the current legislation and as necessary.

7. VALIDITY OF THE REMUNERATION POLICY AND NEW BOARD MEMBERS

Without prejudice to the regulations currently in force, this remuneration policy shall be valid during the fiscal year in which the General Shareholders' Meeting approves it, in addition to the next three (3) fiscal years, unless modified by the Grifols General Shareholders' Meeting.

Unless the General Shareholders' Meeting decides otherwise, this remuneration policy shall also be applied to any new director joining Grifols' Board of Directors, for as long as this remuneration policy for the members of the Company's Board of Directors is valid.

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