

MODEL ANNEX I  
ANNUAL CORPORATE GOVERNANCE REPORT FOR  
LISTED PUBLIC LIMITED COMPANIES

ISSUER'S IDENTIFICATION DETAILS

DATE OF END OF FINANCIAL YEAR OF REFERENCE 31/12/2013

A-58389123

GRIFOLS, S.A.

c/ Jesús y María 6, 08022 Barcelona

**ANNUAL CORPORATE GOVERNANCE REPORT FOR  
LISTED PUBLIC LIMITED COMPANIES**

**A. OWNERSHIP STRUCTURE**

A.1 Table on the Company's share capital:

<b>Date of last modification</b>	<b>Share capital</b>	<b>Number of shares</b>	<b>Number of voting rights</b>
16/04/2013	119,603,705.00	343,777,454	213,064,899

State whether there are different types of shares with different associated rights:  YES

<b>Class</b>	<b>Number of shares</b>	<b>Face value per share</b>	<b>Unitary number of voting rights</b>	<b>Different rights</b>
A	213,064,899	0.50	213,064,899	Ordinary shares
B	130,712,555	0.10	0	Separate right at a general shareholders' meeting; Preference dividend; Right of redemption; Preferential liquidation right

A.2 Give details of the direct and indirect owners of significant shareholdings of your Company at the date of closing the financial year, excluding Directors:

<b>Personal or corporate name of the shareholder</b>	<b>Number of direct voting rights</b>	<b>Indirect rights</b>		<b>% of total voting rights</b>
		<b>Direct title-holder of the participation</b>	<b>Number of voting rights</b>	
CAPITAL RESEARCH AND MANAGEMENT COMPANY	0	CAPITAL RESEARCH AND MANAGEMENT COMPANY	21,257,231	9.98
BLACKROCK, INC.	0	BLACKROCK, INC.	15,662,403	7.35

SCRANTON ENTERPRISES, B.V.	16,149,937			7.58
VICTOR GRIFOLS LUCAS	0	RODELLAR AMSTERDAM HOLDINGS B.V.	13,112,187	6.15
DERIA, S.A.	18,687,588			8.77

State the most significant changes in the shareholding structure during the financial year:

Personal or corporate name of the shareholder	Date of the operation	Description of the operation
BLACKROCK, INC.	15/10/2013	5% of the share capital has been exceeded

A.3 Members of the Company's Board of Directors with voting rights from Company shares:

Personal or corporate name of Director	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Direct title-holder of the participation	Number of voting rights	
EDGAR DALZELL JANNOTTA	254,127			0.12
THORTHOL HOLDINGS, B.V.	15,042,766			7.06
LUIS ISASI FERNÁNDEZ DE BOBADILLA	100			0.00
RAMON RIERA ROCA	169,085			0.08
TOMAS DAGA GELABERT	51,898			0.02
JUAN IGNACIO TWOSE ROURA	119,274			0.06

VICTOR GRIFOLS ROURA	440,450			0.21
THOMAS GLANZMANN	18,561	GLANZMANN ENTERPRISES GMBH	12,000	0.04
THOMAS GLANZMANN	18,561	KOLHOLMEN INVESTMENT AB	53,000	0.04
ANNA VEIGA LLUCH	100			0.00
STEVEN MAYER	0	STEVEN MAYER	0	0.00
W. BRETT INGERSOLL	0	W. BRETT INGERSOLL	0	0.00
Belén Villalonga Morenés	0			0.00

**% of the total number of voting rights belonging to the Board of Directors**

7.63

Members of the Company's Board of Directors holding rights over Company shares:

Personal or corporate name of Director	Number of direct voting rights	Indirect rights		Number of equivalent actions	% of total voting rights
		Direct title-holder	Number of voting rights		

A.4 Family, commercial, contractual or corporate relations that exist between the owners of significant shareholdings, to the extent that these are known to the Company, unless they are not highly relevant or stem from ordinary business operations:

Personal or corporate name connected	Type of connection	Brief description
VICTOR GRIFOLS LUCAS		

DERIA, S.A.	Family	Father of shareholders
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A.5 Commercial, contractual or corporate relations existing between the owners of significant shareholdings and the Company and/or its Group, unless they are not highly relevant or stem from ordinary business operations:

Personal or corporate name connected	Type of connection	Brief description
VICTOR GRIFOLS LUCAS	Contractual	V́ctor Grifols Lucas is a shareholder of Marca Grifols, S.L., which is paid a fee for use of the Grifols trademark
Marca Grifols, S.L.		
THORTHOL HOLDINGS, B.V.	Contractual	The shareholders of Thorthol Holdings BV (Grifols Gras family) are shareholders of Marca Grifols, S.L., which is paid a fee for use of the Grifols trademark
Marca Grifols, S.L.		

A.6 State whether the Company has been informed of any shareholders' agreements affecting this pursuant to that set down in articles 530 and 531 of the Spanish Public Limited Companies Act. Where applicable, describe these briefly and list the shareholders bound by any such agreement:

NO

Parties intervening in the shareholders' agreement	% of share capital affected	Brief description of the agreement

State whether the Company is aware of the existence of any concerted actions arranged by its shareholders. Where applicable, give a short description of these:

NO

Parties intervening in the action concerted	% of share capital affected	Brief description of the agreement

In the event of there having been any amendments to or termination of said stipulations or agreements or concerted actions in the financial year, expressly state this:

A.7 State whether there is any natural or legal person now exercising or who could exercise control over the Company pursuant to article 4 of the Spanish Securities Market Law. Where applicable, identify this person:

NO

Personal or corporate name

Observations:

A.8 Company's treasury stock at the date of closure of the financial year:

Number of direct shares	Number of indirect shares	Total % of share capital
0	0	0.00

(\*) Through:

Personal or corporate name of the direct holder of the participation	Number of direct shares
<b>Total:</b>	

Breakdown of any significant variations, in accordance with that provided for in Royal Decree 1362/2007, made during the financial year:

Date of communication	Total shares acquired	Total indirect shares acquired	% of total share capital

A.9 Give details of the conditions and period of the current mandate given by the Meeting to the Board of Directors to issue, repurchase or transfer the Company's treasury stock.

At the Extraordinary General Meeting of 25th January 2011, among other points, it was agreed to authorize the Company's Board of Directors to acquire its own stock or subscription rights, by means of purchase, exchange, attribution account payment or any other form envisaged in the Law, either directly or through its subsidiaries, within the limits and with the requisites to be announced below:

(i) That, insofar as there are Class B Shares, the acquisition should be performed pro rata between Class A Shares and the Class B Shares, at the same price and under identical terms and conditions;

(ii) For the face value of the shares acquired, added to the ones already owned by the Company or its Subsidiary companies, not to exceed 10% of the Company's share capital at any time.

(iii) For the acquisition, including any shares that the Company, or person acting in their own name but on the Company's behalf, had previously acquired and had in its portfolio, not to make the net worth work out lower than the amount of the share capital plus the legally or statutorily non-disposable reserves.

(iv) For the shares acquired to be paid up in full.

(v) The maximum acquisition price will be the listed price for the Class A shares at the stock exchange session on the day the acquisition is made or, where applicable, the one authorized by the Spanish Stock Exchange Commission. The minimum price will be 100% of the face value of each Class A share.

(vi) This authorization is granted for at most five years.

(vii) The shares acquired may be intended to be given to the workers or managers of the Group, either directly or as a result of exercising any option rights to which they may be entitled.

It was also agreed to revoke and make invalid in all its terms the previous authorization for acquisition of the Company treasury stock granted by the General Shareholders' Meeting of 21st June 2010.

A.10 State any restrictions to the transmissibility of securities and/or any restrictions to voting rights. In particular, the existence of any kind of restrictions which may cause difficulties for the taking of control of the Company by means of the acquisition of its shares on the market is to be communicated.

NO

Description of the restrictions
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A.11 State whether the General Shareholders' Meeting has agreed to adopt any neutralization measures against a public takeover bid pursuant to the provisions of Law 6/2007.

NO

Where applicable, explain the approved measures and the terms under which the restrictions would become ineffective:

A.12 Indicate whether the Company has issued any securities which are not traded on a regulated Community market.

NO

Where applicable, explain the different kinds of shares and, for each kind of shares, the rights and obligations conferred.

**B. GENERAL SHAREHOLDERS' MEETING**

B.1 State and where applicable provide details of whether there are any differences between the required quorum for the General Shareholders' Meeting and the quorum system laid down in the Spanish Public Limited Companies Act (LSA).

NO

	<b>% quorum different to the one established in art. 193 of the LSA for general matters</b>	<b>% quorum different to the one established in 194 LSA for special cases of art. 194</b>
<b>Quorum required at 1st call</b>		
<b>Quorum required at 2nd call</b>		

**Description of the differences**

B.2 State and, where applicable, give details of any differences from the system envisaged in the Spanish Limited Companies Law (LSA) for the adoption of corporate resolutions.

NO

Describe how it is different from the system envisaged by the LSA.

	<b>Reinforced majority other than that established in article 201.2 LSA for the cases in article 194.1 LSA</b>	<b>Other cases of reinforced majority</b>
<b>% established by the entity for the adoption of agreements</b>		

**Describe of the differences**

B.3 Rules applicable to the modification of the corporate articles of the Company. In particular, those majorities provided for in cases of amendment of the corporate articles, as well, where applicable, as those rules provided for in cases of tutelage of the rights of shareholders in the amendment of corporate articles are to be communicated.

Royal Legislative Decree 1/2010, of 2nd July, which passed the redrafted text of the Spanish Limited Companies Law (LSA).

In addition, the corporate articles of the Company themselves establish that in order to protect the rights of

Class B shares, Corporate agreements on certain “Extraordinary Matters” shall, in addition to approval in conformity with that set down in article 17 of the corporate articles (the adoption of agreements by absolute majority of the capital present and/or represented – half plus one), require the approval of the majority of the Class B shares then in circulation. In this regard, any agreements and any amendments of the corporate articles which may directly or indirectly damage to or have a negative effect upon rights, preferences or privileges of Class B Shares

(including any agreements which may cause damage to or have a negative effect upon Class B Shares in comparison with Class A Shares or which may benefit or have a positive effect upon Class A Shares in comparison with Class B Shares, or which may affect the provisions of these articles in relation to Class B Shares).

Finally, it is to be indicated that the General Shareholders' Meeting has competence to decide on all matters which may have been attributed to the same, by law or through the corporate articles, and, in particular, in an expository manner, it shall be the sole corporate body or authority competent to decide on matters considered "Extraordinary Matters" in conformity with this article of these corporate articles.

B.4 Details of attendance at General Meetings held during the financial year covered by this report and those from the previous financial year:

Date of General Meeting	Details of attendance				
	% of attendance in person	% as proxy	% remote voting		Total
			Electronic voting	Others	
24/05/2012	3.25	80.13	0.00	0.86	84.24
04/12/2012	2.49	57.98	0.00	15.83	76.30
24/05/2013	16.25	46.56	0.00	0.00	62.81
17/12/2013	11.23	59.12	0.00	0.00	70.35

B.5 State whether there is any statutory restriction in the articles establishing a minimum number of shares needed to attend the General Shareholders' Meeting.

NO

Number of shares needed to attend the General Shareholders' Meeting.	
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B.6 State whether it has been agreed that certain decisions entailing a structural modification of the Company ("subsidiarization", purchase and sale of essential operational assets, operations equivalent to the liquidation of the Company, etc.) must be submitted for approval at a General Shareholders' Meeting, even should this not be expressly required in Commercial laws.

NO

B.7 Address and means of access to the web page of the Company and the information on Corporate Governance and other information on General Shareholders' Meetings which must be made available to shareholders via the web page of the Company.

The address of the Company's webpage is [www.grifols.com](http://www.grifols.com). Information on corporate governance can be accessed through the link Investors Relations on the main page, or directly at

<http://inversores.grifols.com>.

## C STRUCTURE OF THE COMPANY'S ADMINISTRATION

### C.1 Board of Directors

#### C.1.1 Maximum and minimum number of Directors envisaged in the corporate articles:

<b>Maximum number of Directors</b>	15
<b>Minimum number of Directors</b>	3

#### C.1.2 Members of the Board of Directors:

<b>Personal or corporate name of Director</b>	<b>Representative</b>	<b>Post on the Board</b>	<b>Date 1st appointment</b>	<b>Date last appoint</b>	<b>Election procedure</b>
VICTOR GRIFOLS ROURA		CHAIRMAN – CEO	08/07/1991	24/05/2012	GENERAL SHAREHOLDERS' MEETING AGREEMENT
THOMAS GLANZMANN		DIRECTOR	05/04/2006	24/05/2011	GENERAL SHAREHOLDERS' MEETING AGREEMENT
ANNA VEIGA LLUCH		DIRECTOR	09/12/2008	21/06/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
EDGAR DALZELL JANNOTTA		DIRECTOR	19/12/2006	21/06/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
W. BRETT INGERSOLL		DIRECTOR	25/01/2011	25/01/2011	GENERAL SHAREHOLDERS' MEETING AGREEMENT
THORTHOL HOLDINGS, B.V.	0000000112	DIRECTOR	20/01/2000	24/05/2012	GENERAL SHAREHOLDERS' MEETING AGREEMENT
LUIS ISASI FERNÁNDEZ DE BOBADILLA	0000000112	DIRECTOR	24/05/2011	24/05/2011	GENERAL SHAREHOLDERS' MEETING AGREEMENT
RAMON RIERA ROCA	0000000112	DIRECTOR	13/04/2000	24/05/2012	GENERAL SHAREHOLDERS' MEETING AGREEMENT

TOMAS DAGA GELABERT	0000000112	DIRECTOR	13/04/2000	21/06/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
STEVEN MAYER	0000000112	DIRECTOR	25/01/2011	25/01/2011	GENERAL SHAREHOLDERS' MEETING AGREEMENT
JUAN IGNACIO TWOSE ROURA	0000000112	DIRECTOR	13/04/2000	24/05/2012	GENERAL SHAREHOLDERS' MEETING AGREEMENT
Belén Villalonga Morenés		DIRECTOR	24/05/2013	24/05/2013	GENERAL SHAREHOLDERS' MEETING AGREEMENT

<b>Total number of Directors</b>	12
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State any members leaving the Board of Directors during the period for which information is given:

Personal or corporate name of the Director	Type of Board Member at the moment of leaving	Date of leaving

C.1.3 Complete the following tables on the members of the Board and their different types:

#### **Executive Directors**

Personal or corporate name of the Director	Committee proposing their appointment	Post held on the Company's organization chart
VICTOR GRIFOLS ROURA	NOMINATING AND REMUNERATION COMMITTEE	CHAIRMAN – CEO
RAMON RIERA ROCA	NOMINATING AND REMUNERATION COMMITTEE	VICE-CHAIRMAN OF MARKETING AND SALES
JUAN IGNACIO TWOSE ROURA	NOMINATING AND REMUNERATION COMMITTEE	VICE-CHAIRMAN OF PRODUCTION

<b>Total number of executive directors</b>	3
<b>Total % of the Board</b>	25.00

#### **External Proprietary Directors**

Personal or corporate name of the Director	Committee informing of their their appointment	Personal or corporate name of the significant shareholder whom they represent or who proposed their appointment
THORTHOL HOLDINGS, B.V.	NOMINATING AND REMUNERATION COMMITTEE	THORTHOL HOLDINGS, B.V

<b>Total number of proprietary directors</b>	1
<b>Total % of the Board</b>	8.33

### Independent External Directors

Personal or corporate name of the Director	Profile
EDGAR DALZELL JANNOTTA	In March 2001 he was appointed Chairman of William Blair Company L.L.C. and President of that Company's Executive Committee. He joined William Blair, an international investment bank, in 1959, he was appointed partner in 1965, and was a managing partner from 1977 to 1995. Before being appointed managing partner, he worked in the corporate finance department, in investment banking transactions and private equity. He was President of the Securities Industry Association (1982) and a board member of New York Stock Exchange Inc. He is a board member of Aon Corporation, Commonwealth Edison Company, Molex Incorporated and Sloan Valve Company. He is a graduate from Princeton University and has an MBA from Harvard Business School.
LUIS ISASI FERNÁNDEZ DE BOBADILLA	He is a managing director of Morgan Stanley España, country head for Spain, and board member of Madrid Stock Exchange. Mr Isasi joined Morgan Stanley, in London, in 1987. He had previously acted as executive director of First Chicago Ltd. in London and worked before that at the Latin American Department of Morgan Guaranty Trust Co. in New York. Mr Isasi started his professional career at Abengoa, in Seville, in 1977. Mr. Isasi is a graduate in Economic and Business Sciences from Seville University and in 1982 obtained a Master's Degree in Business Administration at the University of Columbia in New York.
ANNA VEIGA LLUCH	Graduate in Biology (1974-1979) and Ph. D in Biology (Cum Laude) at Barcelona Autonomous University (1991). She has been Director of the Biology Section of the Reproductive Medicine Service of the Dexeus University Institute (1982-2005). She is currently the Director of the Barcelona Stem Cell Bank at the Center of Regenerative Medicine, the Scientific Director of the Reproductive Medicine Service of the Dexeus University Institute and associate professor at the Department of Experimental and Health Sciences of University Pompeu Fabra in Barcelona. She is specialized in clinical embryology, reproductive genetics, embryonic and pluripotent stem cells research and bioethics.
Belén Villalonga Morenés	She is a Head Associate Teacher at the Stern School of Business in the University of New York. Between the year 2001 and June 2012, she was a member of the teaching staff at Harvard Business School. The teaching, investigation and consultancy activities of Ms Villalonga are focused on finances, strategy, and the management of family companies. Since the year 2006, she has formed part, as an independent director, of the Board of Directors of Acciona. Ms Villalonga holds a Doctorate in Business Administration and a Master Degree in Economics from the University of California (Los Angeles). She is holds a Doctorate in Business Economics from the Complutense University of Madrid and a Degree in Economics and Business Sciences from the University College of Financial Studies of Madrid. Prior to commencing her doctorate studies, she worked in McKinsey & Co. in Paris.

<b>Total number of independent directors</b>	4
<b>Total % of the Board</b>	33.33

State whether any directors classified as independent receive, from the Company or from its Group, any amounts or benefits for any concepts other than remuneration as a Board Member, or maintains, or has maintained, during the last financial year, a business relationship with the Company or with any companies in its group, whether this may be in its own name or as a significant shareholder, director or senior executive of an entity which maintains or may have maintained such a relationship.

The percentage of independent external directors has increased during the corporate financial year closed at 31 December 2013. In this regard, the increase has been from 27.27% of independent external directors in the financial year 2012 to 33.33% in the 2013 corporate financial year.

Where applicable, a motivated statement by the board is to be included on the reasons due to which it considers that the said director may perform its functions in the capacity of independent director.

Personal or corporate name of the director	Description of the relationship	Motivated Statement

#### Other External Directors

Personal or corporate name of the director	Committee that has informed or proposed his/her/its appointment
THOMAS GLANZMANN	NOMINATING AND REMUNERATION COMMITTEE
W. BRETT INGERSOLL	NOMINATING AND REMUNERATION COMMITTEE
TOMAS DAGA GELABERT	NOMINATING AND REMUNERATION COMMITTEE
STEVEN MAYER	NOMINATING AND REMUNERATION COMMITTEE

<b>Total number of external directors</b>	4
<b>Total % of the Board</b>	33.33

Give details of the reasons due to which they may not be considered proprietary or independent and their relationships, whether this may be with the Company or its executives, or with its shareholders:

Personal or corporate name of the director	Reasons	Company, executive or shareholder with which or whom he/she/it has the relationship
THOMAS GLANZMANN	His relationship is not covered within the current definitions of executive, proprietary or independent directors. He is the majority shareholder in Glanzmann Enterprises GmbH, a company which has rendered consultancy services to the Group since 2011.	A-58389123
W. BRETT INGERSOLL	Due to the purchase and sale operation with Talecris Biotherapeutics Holdings Corp., the majority shareholders of the Company agreed to vote in favour of agreements of the General Shareholders' Meeting necessary to close the operation. Among the said agreements, the appointment of Mr W. Brett Ingersoll and Mr Steven Mayer, directors of Cerberus (the majority shareholder of Talecris) was provided for, although the agreement did not provide for any obligations whatsoever in relation to their permanence as members of the Board of Directors of the Company. In fact, under NASDAQ regulations, both directors are classified as independent.	A-58389123

TOMAS DAGA GELABERT	His relationship is not covered within the current definitions of executive, proprietary or independent directors. He is a partner of the bureau Osborne Clarke, which renders legal and tax services to the Group.	A-58389123
STEVEN MAYER	Due to the purchase and sale operation with Talecris Biotherapeutics Holdings Corp., the majority shareholders of the Company agreed to vote in favour of agreements of the General Shareholders' Meeting necessary to close the operation. Among the said agreements, the appointment of Mr W. Brett Ingersoll and Mr Steven Mayer, directors of Cerberus (the majority shareholder of Talecris) was provided for, although the agreement did not provide for any obligations whatsoever in relation to their permanence as members of the Board of Directors of the Company. In fact, under NASDAQ regulations, both directors are classified as independent.	A-58389123

State any changes which, where applicable, may have taken place during the period in the class for each director:

Personal or corporate name of the director	Date of the change	Previous type	Current type

C.1.4 Complete the following table with information relating to the number of female directors during the last 4 financial years, as well as their type:

	Number of female directors			
	Financial Year t	Financial Year t-1	Financial Year t-2	Financial Year t-3
<b>Executive</b>	0	0	0	0
<b>Proprietary</b>	0	0	0	0
<b>Independent</b>	2	1	1	1
<b>Other external</b>	0	0	0	0
<b>Total</b>	2	1	1	1

	% of the total directors of each type			
	Financial Year t	Financial Year t-1	Financial Year t-2	Financial Year t-3
<b>Executive</b>	0.00	0.00	0.00	0.00
<b>Proprietary</b>	0.00	0.00	0.00	0.00
<b>Independent</b>	50.00	33.33	33.33	50.00
<b>Other external</b>	0.00	0.00	0.00	0.00
<b>Total</b>	16.67	9.10	9.10	11.11

C.1.5 Explain those measures which, where applicable, may have been adopted in order to be able to include in a board of directors a number of women which may allow a balanced presence of men and women to be achieved.

<b>Explanation of the measures</b>
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During the corporate financial year closed at 31st December 2013, the Company appointed Ms Belén Villalonga Morenés as a new member of the Board of Directors, as an independent director (doubling the percentage of female directors during the financial year closed at 31st December 2013). In addition, the intention of the Company is, progressively, to achieve a balance between male and female directors throughout coming financial years.

C.1.6 Explain those measures which, where applicable, may have been agreed by the Nominating Committee in order for selection procedures not to include implicit bias which may be an obstacle for the selection of female directors, and the company to search deliberately for women who meet the professional profile sought and include them among potential candidates:

<b>Explanation of the measures</b>
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There are no explicit measures. Nevertheless, these are not necessary as the Board of Directors bases its proposals for appointment of board members strictly on criteria of professional qualification (competence, knowledge and experience).

Whenever, in spite of the measures which, where applicable, may have been adopted, the number of female directors may be very low or inexistent, explain the reasons which may justify this:

<b>Explanation of the measures</b>
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During the financial year 2013, the number of female directors has doubled. In this regard, there are no particular reasons due to which the number of female directors is so low as the Board of Directors bases its proposals for appointment of board members strictly on criteria of professional qualification (competence, knowledge and experience). Nevertheless, the intention of the Company is, progressively, and to the extent possible, to achieve a balance between male and female directors throughout coming financial years.

C.1.7 Explain the form of representation on the board of directors of the shareholders with significant participations.

Thorthol Holdings BV is a shareholder with a significant participation which is a member of the Board of Directors, being represented in the said organ by Mr José Antonio Grifols Gras.

C.1.8 Explain, where applicable, the reasons due to which proprietary directors have been appointed at the request of shareholders whose shareholding participation is lower than 5% of the share capital:

Personal or corporate name of the shareholder	Justification

State if no formal requests have been attended to for presence on the board of directors received from shareholders whose shareholding is equal to or higher than that of others at the request of whom proprietary directors may have been appointed. Where applicable, explain the reasons due to which these have not been attended to:

NO

Personal or corporate name of the shareholder	Explanation

C.1.9 State whether any directors have left their posts prior to the expiry of their mandates, if they have explained their reasons -and by which means-, to the board of directors, and, if they have done so in writing to the whole of the board, explain, here below, at least the reasons that this has given:

Name of the director	Reason for leaving

C.1.10 State, should any exist, the powers which may have been conferred upon the CEO(s):

Personal or corporate name of the director	Brief description
VICTOR GRIFOLS ROURA	All powers which may be delegated in law and in virtue of the Corporate articles

C.1.11 Identify, where applicable, the members of the board of directors which assume positions as company managers or executives in other companies which may form part of the group of the listed company:

Personal or corporate name of the director	Corporate name of the group entity	Position
VICTOR GRIFOLS ROURA	GRIFOLS INC.	DIRECTOR
VICTOR GRIFOLS ROURA	PLASMACARE INC.	DIRECTOR
VICTOR GRIFOLS ROURA	BIOMAT USA INC.	DIRECTOR
VICTOR GRIFOLS ROURA	DIAGNOSTIC GRIFOLS. S.A.	MANAGER
VICTOR GRIFOLS ROURA	LOGISTER. S.A.	MANAGER
VICTOR GRIFOLS ROURA	INSTITUTO GRIFOLS. S.A.	CHAIRMAN – CEO
VICTOR GRIFOLS ROURA	GRIFOLS MOVACO. S.A.	MANAGER
VICTOR GRIFOLS ROURA	LABORATORIOS GRIFOLS. S.A.	MANAGER
VICTOR GRIFOLS ROURA	BIOMAT. S.A.	MANAGER
VICTOR GRIFOLS ROURA	GRIFOLS VIAJES. S.A.	MANAGER
VICTOR GRIFOLS ROURA	GRIFOLS INTERNATIONAL. S.A.	MANAGER
VICTOR GRIFOLS ROURA	GRIFOLS ENGINEERING. S.A.	MANAGER
VICTOR GRIFOLS ROURA	GRI-CEL. S.A.	MANAGER

VICTOR GRIFOLS ROURA	ARRAHONA OPTIMUS. S.L.	CHAIRMAN AND MANAGING DIRECTOR
THOMAS GLANZMANN	GRIFOLS INC.	CHAIRMAN
THOMAS GLANZMANN	INSTITUTO GRIFOLS. S.A.	DIRECTOR
EDGAR DALZELL JANNOTTA	INSTITUTO GRIFOLS. S.A.	DIRECTOR
RAMON RIERA ROCA	LOGÍSTICA GRIFOLS S.A. DE C.V.	CHAIRMAN
RAMON RIERA ROCA	GRIFOLS ASIA PACIFIC PTE LTD	DIRECTOR
RAMON RIERA ROCA	GRIFOLS MALAYSIA SDN BHD	CHAIRMAN
RAMON RIERA ROCA	GRIFOLS (THAILAND) LTD	DIRECTOR
RAMON RIERA ROCA	GRIFOLS BRASIL LTDA	CHAIRMAN
RAMON RIERA ROCA	GRIFOLS MEXICO S.A.. DE C.V.	CHAIRMAN
RAMON RIERA ROCA	GRIFOLS AUSTRALIA PTY LTD.	Director
RAMON RIERA ROCA	GRIFOLS COLOMBIA. LTDA.	DIRECTOR
RAMON RIERA ROCA	GRIFOLS NORDIC AB	CHAIRMAN
RAMON RIERA ROCA	GRIFOLS S.R.O.	DIRECTOR
RAMON RIERA ROCA	GRIFOLS ITALIA. S.P.A.	CHAIRMAN
RAMON RIERA ROCA	GRIFOLS INC.	DIRECTOR
RAMON RIERA ROCA	PLASMACARE INC.	DIRECTOR
RAMON RIERA ROCA	GRIFOLS ARGENTINA. S.A.	CHAIRMAN
RAMON RIERA ROCA	GRIFOLS PORTUGAL PRODUCTOS FARMACEUTICOS E HOSPITALARES LDA.	DIRECTOR
RAMON RIERA ROCA	GRIFOLS POLSKA S.P. Z.O.O.	CHAIRMAN
RAMON RIERA ROCA	BIOMAT USA INC.	DIRECTOR
RAMON RIERA ROCA	GRIFOLS CHILE. S.A.	CHAIRMAN
RAMON RIERA ROCA	INSTITUTO GRIFOLS. S.A.	DIRECTOR
RAMON RIERA ROCA	GRIFOLS INTERNATIONAL. S.A.	MANAGER
RAMON RIERA ROCA	GRIFOLS DEUTSCHLAND GMBH	DIRECTOR
RAMON RIERA ROCA	GRIFOLS FRANCE S.A.R.L.	CO-MANAGER
RAMON RIERA ROCA	GRIFOLS UK. LTD.	DIRECTOR
TOMAS DAGA GELABERT	MEDION GRIFOLS AG	CHAIRMAN
TOMAS DAGA GELABERT	GRIFOLS INC.	DIRECTOR
TOMAS DAGA GELABERT	PLASMACARE INC.	DIRECTOR
TOMAS DAGA GELABERT	BIOMAT USA INC.	DIRECTOR
TOMAS DAGA GELABERT	ARRAHONA OPTIMUS. S.L.	CEO
JUAN IGNACIO TWOSE ROURA	GRIFOLS COLOMBIA. LTDA.	SUBSTITUTE DIRECTOR
JUAN IGNACIO TWOSE ROURA	GRIFOLS INC.	DIRECTOR
JUAN IGNACIO TWOSE ROURA	PLASMACARE INC.	DIRECTOR
JUAN IGNACIO TWOSE ROURA	BIOMAT USA INC.	DIRECTOR

JUAN IGNACIO TWOSE ROURA	INSTITUTO GRIFOLS, S.A.	DIRECTOR
JUAN IGNACIO TWOSE ROURA	ARRAHONA OPTIMUS, S.L.	CEO
RAMON RIERA ROCA	PROGENIKA BIOPHARMA, S.A.	DIRECTOR
TOMAS DAGA GELABERT	GRIFOLS WORLDWIDE OPERATIONS LIMITED	DIRECTOR
RAMON RIERA ROCA	GRIFOLS WORLDWIDE OPERATIONS LIMITED	DIRECTOR

C.1.12 Give details, where applicable, of the directors of your company which are members of the board of directors of other entities listed on official securities markets other than your group, which may have been communicated to the company:

<b>Personal or corporate name of the director</b>	<b>Corporate name of the listed company</b>	<b>Position</b>
Belén Villalonga Morenés	ACCIONA, S.A.	DIRECTOR

C.1.13 State and where applicable explain whether the Company has established rules on the number of boards on which its own Directors may sit:

NO

<b>Explanation of the measures</b>
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C.1.14 State the policies and general strategies of the Company that must be approved by plenary session of the Board of Directors:

<b>The investments and financing policy</b>	YES
<b>The definition of the structure of the Company Group</b>	YES
<b>The corporate governance policy</b>	YES
<b>The corporate social responsibility policy</b>	YES
<b>The strategic or business plan, as well as the management targets and annual budget</b>	YES
<b>The remuneration and performance assessment policy for senior management</b>	YES
<b>The risk control and management policy, as well as the regular monitoring of the internal information and control systems</b>	YES
<b>The Company's dividends and treasury stock policy and in particular its limits</b>	NO

C.1.15 State the aggregate remuneration of the Board of Directors:

<b>Remuneration of the Board of Directors (thousands of euro)</b>	4,404
<b>Amount of the aggregate remuneration corresponding to rights accumulated by directors in relation to pensions (thousands of euro)</b>	0
<b>Aggregate remuneration of the Board of Directors (thousands of euro)</b>	4,404

C.1.16 Identify the members of senior management which are not also executive directors, and indicate the total remuneration accrued for them during the financial year:

<b>Personal or corporate name</b>	<b>Position(s)</b>
JOEL ABELSON	CHAIRMAN OF NORTH AMERICA COMMERCIAL DIVISION – GRIFOLS INC.
MARY KUHN	CHAIRMAN OF MANUFACTURING OPERATIONS – GRIFOLS INC.
ALFREDO ARROYO GUERRA	VICE-PRESIDENT ADMINISTRATION AND FINANCE
NURIA PASCUAL LAPEÑA	DIRECTOR OF SHAREHOLDER AND INVESTOR RELATIONS
ALBERT GRIFOLS ROURA	CHIEF EXECUTIVE OFFICER OF LABORATORIOS GRIFOLS, S.A.
JAVIER JORBA RIBES	CHIEF EXECUTIVE OFFICER OF INSTITUTO GRIFOLS, S.A.
VICENTE BLANQUER TORRE	CHIEF TECHNOLOGY OFFICER
EVA BASTIDA TUBAU	CHIEF SCIENTIFIC OFFICER

ANTONIO VIÑES PARES	DIRECTOR OF PLANNING AND CONTROL
MATEO BORRAS HUMBERT	DIRECTOR OF HUMAN RESOURCES
CARLOS ROURA FERNANDEZ	DEPUTY INDUSTRIAL VICE-PRESIDENT
MONTserrat LLOVERAS CALVO	CHIEF ADMINISTRATIVE OFFICER AND CONTROLLER
SHINJI WADA	CHAIRMAN OF PLASMA CENTERS - GRIFOLS INC.
DAVID BELL	VICE-PRESIDENT OF CORPORATE OPERATIONS AND DEVELOPMENT OF GRIFOLS INC. AND U.S. SUBSIDIARIES
GREGORY GENE RICH	CHAIRMAN OF GRIFOLS INC. AND U.S. SUBSIDIARIES

<b>Total remuneration of top management (in thousands of euro)</b>	9,130
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C.1.17 State, where applicable, the identity of the members of the board which are also members of the board of directors of significant shareholders and/or entities of your group:

Personal or corporate name of the director	Corporate name of the significant shareholder	Position

Give details, where applicable, of any relevant relationships other than those considered in the preceding section, of the members of the board of directors which may relate these to significant shareholders and/or entities of your group:

Personal or corporate name of the related director	Personal or corporate name of the related significant shareholder	Description of the relationship
VICTOR GRIFOLS ROURA	VICTOR GRIFOLS LUCAS	Victor Grifols Lucas is Victor Grifols Roura's father
VICTOR GRIFOLS ROURA	DERIA, S.A.	Victor Grifols Roura in a minority shareholder
VICTOR GRIFOLS ROURA	SCRANTON ENTERPRISES BV	Victor Grifols Roura is shareholder
TOMÁS DAGÁ GELABERT	SCRANTONS ENTERPRISES BV	Tomás Dagá Gelabert is shareholder
EDGAR DALZELL JANNOTTA	SCRANTON ENTERPRISES BV	Edgar D. Jannotta is shareholder
RAMÓN RIERA ROCA	SCRANTON ENTERPRISES BV	Ramón Riera Roca is shareholder
JUAN IGNACION TWOSE ROURA	SCRANTON ENTERPRISES BV	Juan Ignacio Twose Roura is shareholder
JUAN IGNACIO TWOSE ROURA	VICTOR GRIFOLS LUCAS	Victor Grifols Lucas is Juan Ignacio Twose's uncle

C.1.18 State whether there have been any amendments in the board regulations during the financial year:

NO

**Description of modifications**

C.1.19 State the procedures for the selection, appointment, re-election, assessment and removal of Directors. Give details of the competent bodies, the processes to be implemented and the criteria used in each of the procedures.

Regulations of the Board of Directors:

Article 18. Appointment of Directors

1. Directors shall be designated by the General Shareholders' Meeting or by the Board of Directors, in accordance with the provisions laid down in the Spanish Public Limited Companies Act.

2. The proposals for appointment of Directors submitted by the Board of Directors for consideration by the General Meeting, and the decisions on appointments passed by this body pursuant to the co-optation powers that it is granted by law must be preceded by the relevant proposal of the Nominating and Remuneration Committee.

When the Board departs from the recommendations of the Nominating and Remuneration Committee, the reasons for acting this way must be given, and taken note of in the minutes.

Article 19. Appointment of external Directors

1. The Board of Directors and the Nominating and Remuneration Committee, within their spheres of competence, shall ensure that the choice of candidates involves persons of known reliability, competence and experience, having to take the greatest care as regards the persons invited to occupy the positions of independent Director as envisaged in article 6 of these Regulations.

2. The Board of Directors shall not be able to propose or appoint any persons who are connected with the Company's management or who are connected by family, professional or commercial bonds with the executive Directors or senior management of the Company to occupy a position of independent Director.

The following may specifically not be proposed as or appointed independent Directors:

(a) Any persons who have during the previous year had a significant direct or indirect working, commercial or contractual relationship with the Company, its management, proprietary Directors of companies in the Group whose shareholding interests are represented by them, credit institutions with a significant position in the Company's financing, or organizations receiving significant subsidies from the Company;

(b) Any persons who are Directors of another listed Company which has proprietary Directors in the Company;

(c) Any persons connected with executive Directors, proprietary Directors or members of the Company's management; for purposes of this Regulation, persons connected with the Directors shall be understood to mean those who are involved in any of the cases envisaged in article 231 of the Spanish Public Limited Companies Act; and

(d) Any persons who have other relations with the Company which, in the opinion of Nominating and Remuneration Committee, might impair their independence.

Regulations of the Board of Directors:

Article 20. Re-election of Directors

Any proposals for re-election of Directors that the Board of Directors may decide to submit to the General Meeting shall have to go through a formal preparation process, which shall necessarily include a report issued by the Nominating and Remuneration Committee which shall assess the quality of the work and the dedication to the post of the Directors proposed during the preceding mandate.

Regulations of the Board of Directors:

Article 17 b. Regular assessment

Once a year the Board shall meet in a plenary session, to assess:

(a) The quality and efficiency of the Board's operation;

(b) Starting from the report passed on to it by the Nominating Committee, the Chairman of the Board and the chief executive of the Company's performance of their functions, and;

(c) The performance of its Committees, starting from the reports supplied by these.

Regulations of the Board of Directors:

Article 21. Term of office

1. Directors shall hold their post for the period envisaged in the Corporate Articles, and they may be re-elected.
2. Any Directors appointed by co-optation shall hold their post until the date of the first General Meeting.
3. When, after a report from the Nominating and Remuneration Committee, the Board of Directors were to understand that the Company's interests were endangered, any Director completing his or her term of office or for any other causes ceasing to perform his or her function shall not be able to render services in any other entity which may be considered a competitor of the Company for the period laid down by the Board of Directors, which shall under no circumstances be able to be over two (2) years.

In spite of the above, the Board of Directors shall, if it considers this appropriate, be able to release the leaving Director from this obligation.

Article 22. Dismissal of Directors

1. Directors shall leave their posts when the period for which they were appointed has elapsed and when this is decided by the General Meeting, making use of the powers that it is legally or statutorily conferred.
2. The Board of Directors shall refrain from proposing to the General Meeting the dismissal of external Directors (proprietary and independent) before the end of the statutory period for which they were appointed, unless there are any exceptional and justified causes, and after a report from the Nominating and Remuneration Committee.
3. Directors shall have to offer their resignation to the Board of Directors and go through with the relevant resignation, if the Board considers this fit, in the following cases:
  - (a) When they leave the executive positions with which their appointment as a Director was associated, except for express ratification by the Board of Directors, after a non-binding report from the Nominating and Remuneration Committee;
  - (b) When they are involved in any of the legally envisaged cases of incompatibility or prohibition;
  - (c) When charges are brought against them for a presumably criminal offense or when a judge's order is passed down against them.

C.1.20 State whether the board of directors has performed an assessment of its activity during the financial year:

YES

Where applicable, explain the extent to which the self-assessment has led to important changes in its internal organization and in relation to the procedures applicable to its activities:

<b>Description of modifications</b>
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In conformity with article 17 b. of the Regulations of the Board of Directors, the Board of Directors, in a plenary session, is to assess the following once per year:

- (a) The quality and efficiency of the Board's operation;
- (b) Starting from the report passed on to it by the Nominating Committee, the Chairman of the Board and the chief executive of the Company's performance of their functions, and;
- (c) The performance of its Committees, starting from the reports supplied by these.

In addition, in conformity with article 8.3 of the Regulations of the Board of Directors, the Chairman is responsible for organizing and coordinating with the chairmen of the relevant Committees the periodic assessment of the Board, as well, where applicable, as that of the Managing Director or chief executive.

Finally, article 8.4 of the Regulations of the Board of Directors establishes that in those cases in which the Chairman is also the chief executive, an independent director shall be empowered to coordinate and reflect the concerns of external directors and to direct the Board's assessment of its Chairman.

C.1.21 State those cases in which directors are obliged to resign:

Regulations of the Board of Directors

Article 22. Dismissal of Directors

(...)

3. Directors shall have to offer their resignation to the Board of Directors and go through with the relevant resignation, if the Board considers this fit, in the following cases:

(a) When they leave the executive positions with which their appointment as a Director was associated, except for express ratification by the Board of Directors, after a non-binding report from the Nominating and Remuneration Committee;

(b) When they are involved in any of the legally envisaged cases of incompatibility or prohibition;

(c) When charges are brought against them for a presumably criminal offense or when a judge's order for hearing to commence is issued for any of the offenses stated in article 213 of the Spanish Public Limited Companies Act, or when they are involved in disciplinary proceedings for serious or very serious misconduct brought by supervisory authorities;

(d) When they are seriously admonished by the Auditing Committee for having failed to comply with their obligations as Directors;

(e) When their remaining on the Board may endanger the Company's interests or when the reasons for which they were appointed have disappeared, and;

(f) In the case of a proprietary Director, when the shareholder whose shareholding interests they represent on the Board disposes of their holding in the Company or reduces this under the level reasonably justifying their appointment as such.

C.1.22 State whether the function of chief executive of the Company falls upon the Chairman of the Board of Directors. If so, state the measures that have been taken to limit the risks involved with powers being concentrated in a single person:

YES

#### **Measures to limit risks**

Functions are decentralized through the existence of the Board's delegate Committees (the Auditing Committee and the Nominating and Remuneration Committee), which have their own spheres of competence.

Furthermore, in accordance with article 8.1 of the Regulations of the Board of Directors, when the Chairman of the Board holds the status of chief executive, this person will be delegated all the powers that can be delegated in accordance with the Law, the Articles and these Regulations, and will be in charge of effective management of the Company's business, always

in accordance with the decisions and criteria set by the General Shareholders' Meeting and the Board of Directors, in their respective spheres of competence.

Also see the reference to article 8.4 of the Regulations in the following section

State and where applicable explain whether rules have been established empowering one of the independent Directors to request that a meeting of the Board should be convened, or for new items to be added to the agenda, the aim being to coordinate and reflect the concerns of the external Directors and oversee evaluation by the Board of Directors.

YES

#### **Explanation of the rules**

Article 8.4 of the Regulations of the Board of Directors empowers an independent Director to coordinate and reflect the concerns of external Directors and to direct the Board's assessment of its Chairman in cases when the Chairman is in turn the chief executive.

C.1.23 Are reinforced majorities, other than legal ones, required for any type of resolution?:

NO

Where applicable, describe the differences.

#### **Description of the differences**

C.1.24 Explain whether there are any specific requirements other than the ones regarding Directors, in order to be appointed chairman of the Board of Directors.

NO

#### **Description of the requisites**

C.1.25 State whether the chairman has the casting vote:

YES

#### **Questions in which there is a casting vote**

In all questions within the Board's competence.

C.1.26 State whether the Articles or the Regulations of the Board establish any limit to the age of Directors:

NO

<b>Maximum age of chairman</b>	
<b>Maximum age of the chief executive officer</b>	
<b>Maximum age of Directors</b>	

C.1.27 State whether the Articles or the Regulations of the Board establish any limit to the maximum term of office of independent Directors other than that established in the regulations:

NO

<b>Maximum number of financial years per mandate</b>	
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C.1.28 State whether the Corporate articles or the regulations of the board of directors establish any specific rules for the delegation of votes in the board of directors, the means of doing so, and, in particular, the maximum number of delegations that one director may have, as well as whether the obligatory nature of delegating unto a director of the same type has been established. Where applicable, give brief details of these rules.

Article 28.2 of the Regulations of the Board of Directors establishes Directors' general obligation to attend the meetings of the bodies to which they belong and to take an active part in any discussions in order for their opinion to make an effective contribution to decision-making. Furthermore, in the event of their not being able to attend any sessions to which they were called, on justified grounds, this article provides that any absent Director must give instructions to the Director who has to represent him/her.

C.1.29 State the number of Board meetings held during the financial year. Where applicable, also state the number of times the Board met without the chairman attending this. For the calculation, representations made with specific instructions shall be considered as attendances.

<b>Number of Board meetings</b>	9
<b>Number of Board meetings without the chairman's attendance</b>	0

State the number of meetings held by the different Board Committees during the financial year:

<b>Committee</b>	<b># Meetings</b>
AUDIT COMMITTEE	5
NOMINATING AND REMUNERATION COMMITTEE	2
EXECUTIVE OR DELEGATE COMMITTEE	0

C.1.30 State the number of Board meetings held during the financial year with the attendance of all its members. For the calculation, representations made with specific instructions shall be considered as attendances:

<b>Attendances by directors</b>	9
<b>% of attendances in relation to the total votes during the financial year</b>	100.00

C.1.31 State whether the individual and consolidated annual accounts presented to the Board for approval are previously certified:

YES

<b>Name</b>	<b>Position</b>
ALFREDO ARROYO GUERRA	VICE-PRESIDENT ADMINISTRATION AND FINANCE
MONTserrat LLOVERAS CALVO	CHIEF ADMINISTRATIVE OFFICER AND CONTROLLER

C.1.32 Explain, if there were any, the mechanisms established by the Board of Directors to prevent the individual and consolidated accounts drawn up by it from being presented to the General Shareholders' Meeting with reservations in the audit report.

Part of article 42.4 of the Regulations of the Board is transcribed here below:

Article 42. Relations with auditors

(...)

4. The Board of Directors shall attempt to draw up the final accounts in such a way that there are no reservations by the auditor, and in the event of there being any, their content and scope shall be explained to shareholders by both the Chairman of the Auditing Committee and by the external auditors.

C.1.33 Is the Secretary to the Board also a Director?

NO

C.1.34 Explain the procedures for the appointment and removal of the Secretary to the Board, stating whether his/her appointment and removal have been informed by the Nominating Committee and approved by a plenary session of the Board.

<b>Procedure for appointment and removal</b>
--

According to article 10 of the Regulations of the Board, the Secretary does not need to be a Director.

According to article 15.5 of the Regulations of the Board, it is the Nominating and Remuneration Committee's competence to inform about the appointment and removal of the Secretary and Vice-secretaries to the Board of Directors.

<b>Does the Nominating Committee inform about the appointment?</b>	YES
<b>Does the Nominating Committee inform about the dismissal?</b>	YES
<b>Does the Board approve the appointment at a plenary session?</b>	YES
<b>Does the Board approve the dismissal at a plenary session?</b>	YES

Does the secretary to the Board have special responsibility for ensuring that the recommendations on good governance are followed?

NO
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<b>Observations</b>
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C.1.35 State if applicable, the mechanisms established by the Company to preserve the independence of external auditors, financial analysts, investment banks and rating agencies.

Article 14 of the Regulations of the Board gives the Audit Committee the following competences as regards the external auditor:

- (i) To pass on to the Board any proposals for selection, appointment, contracting and replacement of the external auditor;
- (ii) To be directly in charge of the fees and supervision of the work done by the external auditor;
- (iii) To regularly receive information directly from the external auditor on the progress, incidents and execution of auditing, as well as on the auditing plan and the results of its implementation and to make sure that senior management is acting on its recommendations;
- (iv) To ensure the independence of the external auditor, and for this purpose:

For the Company to inform the CNMV (Spanish Stock Exchange Commission), as a relevant fact, of the change of auditor and to adjoin a declaration on the possible existence of disagreements with the outgoing auditor, and if there were any, of their content;

To ensure that the Company and the auditor respect current legislation on rendering services other than auditing, the limits to concentration of the auditor's business and in general the other rules laid down for ensuring auditors' independence;

In the event of the external auditor resigning, to examine the circumstances which had given rise to this.

Article 42 of the Regulations of the Board furthermore establishes that the Board's relations with the Company's external auditors shall be channelled through the Audit Committee. The Board of Directors shall furthermore refrain from proposing to the Meeting the contracting of any auditing firms in which the fees intended to be paid to it for all items are over ten per cent (10%) of its total income during the last financial year. This article also provides that the Board of Directors shall publicly inform, every year, of the overall fees that the Company has paid to the auditing firm for services other than auditing.

C.1.36 State whether the Company changed its external auditor during the financial year. If so, identify the incoming and outgoing auditors:

NO

Outgoing auditor	Incoming auditor

In the event of any disagreements with the outgoing auditor, please provide details:

[ ]

**Explanation of the disagreements**

C.1.37 State whether the audit firm carries out other work for the Company and/or its business Group apart from auditing, and if so, state the amount of the fees received for such work and the percentage that this represents of the fees invoiced to the Company and/or its business Group:

YES

	Company	Group	Total
<b>Amount of other non-auditing work (thousands of euro)</b>	244	77	321
<b>Amount of other non-auditing work / total work invoiced by the auditing firm (as a %)</b>	17,24	3,36	8,66

C.1.38 State whether the audit report of the annual accounts for the previous financial year contains reservations or qualifications. If it does, detail the reasons given by the Chairman of the Audit Committee to explain the content and scope of such reservations or qualifications.

NO

**Explanation of the reasons**

C.1.39 State the number of consecutive years for which the present audit firm has been auditing the annual accounts of the Company and/or its business Group. Likewise, give the

percentage represented by the number of years the current audit firm has been auditing the accounts in respect of the total number of years for which the annual accounts have been audited:

	<b>Company</b>	<b>Group</b>
<b>Number of consecutive years</b>	23	23

	<b>Company</b>	<b>Group</b>
<b>No. of years audited by the current audit firm / No. of years that the Company has been audited (as a %)</b>	100.00	100.00

C.1.40 State and give details in each case of whether there is a procedure for the Directors to seek external consultancy:

YES

**Explanation of the reasons**

This is established in article 25 of the Regulations of the Board:

Article 25. Expert assistance

1. In order to be assisted in the practice of their functions, external Directors may request legal, accounting, financial or other experts to be taken on, at the Company's expense.

Any such commission must necessarily involve specific problems of some scale and complexity arising during performance of the function.

2. The decision to contract must be made known to the Chairman of the Board, and may be turned down by the Board of Directors if it is accredited that:

(a) This is not required for proper performance of the functions entrusted to the external Directors;

(b) Its cost is not reasonable in view of the importance of the problem and of the assets and earnings of the Company; or

(c) The technical assistance being sought can be properly given by the Company's own experts and technical staff.

C.1.41 State and, where applicable, give details as to whether there is a procedure for the Directors to be able to obtain the information needed to prepare for meetings of the governing bodies sufficiently in advance:

YES

**Give details on the procedure**

In accordance with article 16.2 of the Regulations of the Board, the call for ordinary sessions shall be made in accordance with the advance notice and the procedures stipulated in the Corporate Articles. The call shall always include the agenda of the session and shall adjoin all the relevant information, properly summed up and prepared, sent long enough in advance for

proper preparation of the meeting. When, in the Chairman's opinion, this proves inadvisable for security reasons, the information shall not be adjoined and the Directors will be informed of the possibility of examining this at the corporate headquarters.

C.1.42 State and where applicable give details as to whether the Company has established rules that oblige Directors to report and where appropriate resign in cases in which the image and reputation of the Company may be harmed:

YES

**Explain the rules**

Article 28.2 of the Regulations of the Board lays down Directors' obligation to inform the Nominating and Remuneration Committee about any criminal proceedings in which they are charged, as well as the later stages of the proceedings.

Article 22.3 envisages Directors' obligation to offer their resignation to the Board and if the latter considers this appropriate, to go through with this resignation if, amongst other reasons:

(i) When they resign from the executive positions with which they are associated, except if they are expressly ratified by the Board of Directors, subject to the prior issuance of a non-binding report by the Nominating and Remuneration Committee.

(ii) When they are involved in any of the legally envisaged cases of incompatibility or prohibition;

(iii) When charges are brought against them for a presumably criminal offense or when a judge's order for hearing to commence is issued for any of the offenses stated in article 213 of the Spanish Public Limited Companies Act, or when they are involved in disciplinary proceedings for serious or very serious misconduct brought by supervisory authorities;

(iv) When they are seriously admonished by the Auditing Committee for having failed to comply with their obligations as Directors;

(v) When their remaining on the Board may endanger the Company's interests, and;

(vi) In the case of a propriety director, when the shareholder whose shareholding interest he represents on the Board disposes of his shareholding in the Company or reduces it below the level which reasonably justified his appointment as such.

C.1.43 State whether any member of the Board of Directors has informed the Company that he/she has been sentenced or that an order has been passed down for the commencement of an oral trial against him/her, for any of the offenses stipulated in article 213 of the Spanish Public Limited Companies Law:

NO

Name of the director	Criminal Proceedings	Observations

State whether the Board of Directors has analysed the case. If so, explain the decisions made regarding whether or not the Director should remain in his/her post, giving reasons, or, where applicable, state the actions carried out by the board of directors up to the date of this report or those which it may be planning to carry out.

C.1.44 Give details of any significant agreements which the company may have concluded and which may enter into force, be amended or terminated in the case of change of control of the company as a result of a public takeover bid, and the effects of the same.

An operation for the sale of Spanish real estate properties and subsequent leasing:

In May 2011, the Group sold real estate properties to Gripdan Invest, S.L. (a subsidiary fully-owned by Scranton Enterprises BV) for a total amount of 37.6 million euro. The real estate properties were subsequently leased out to the company.

In connection with the said operation, the Company signed the following contracts subject to clauses on change of control in the Company: (i) A Purchase Option Contract for the Company for the full 100% of the participation shares of Gripdan Invest, S.L., and; (ii) contracts for the leasing by the Company of the real estate properties sold to Gripdan Invest, S.L.

Sales operation of a fractionation factory in North Carolina and subsequent leasing:

In December 2011, Grifols Inc. sold of a fractionation factory in North Carolina to Scranton Enterprises USA Inc. (a company wholly owned by Scranton Investments BV, which, in turn, is wholly owned by Scranton Enterprises BV), to subsequently lease it out.

In connection with this transaction, the following contracts were signed subject to clauses on change of control in the Company: (i) A Purchase Option Contract for the Company for the full 100% of the participation shares of Scranton Investments BV (the holder of the full 100% of the shares of Scranton Enterprises USA Inc.) and; (ii) A Lease Contract on the factory for Grifols Inc.

C.1.45 Identify in a global manner and indicate, in detail, the agreements between the company and its positions of administration and management or employees which may have indemnities, guarantee or protection clauses, whenever these may resign or be dismissed on unfounded grounds or if the contractual relationship comes to an end due to a public takeover bid or any other type of operations.

<b>Number of beneficiaries</b>	<b>94</b>
<b>Type of beneficiary</b>	<b>Description of the agreement</b>
Board members (directors), executives and employees	The Group has agreements with employees and directors in virtue of which these may rescind their employment contracts with the Company unilaterally, being legally entitled to indemnities ranging from 2 to 5 years of salary in cases of the taking of control of the Company. Furthermore, contracts exist with 5 executives in virtue of which the latter will receive indemnities ranging from one year to 2 years of salary in different cases.

State whether these contracts must be communicated and/or approved by the organs of the company or of its group:

	<b>Board of Directors</b>	<b>General Shareholders' Meeting</b>
<b>Organ authorizing the clauses</b>	YES	NO

<b>Has the General Shareholders' Meeting been informed about the clauses?</b>	NO
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## C.2 Committees of the Board of Directors

C.2.1 Give details of all the Committees of the Board of Directors and their members, and the proportion of proprietary and independent directors that form these.

### **NOMINATING AND REMUNERATION COMMITTEE**

<b>Name</b>	<b>Position</b>	<b>Type</b>
EDGAR DALZELL JANNOTTA	CHAIRMAN	Independent
VICTOR GRIFOLS ROURA	MEMBER	Executive
ANNA VEIGA LLUCH	MEMBER	Independent

% of executive directors	33.00
% of proprietary directors	0.00
% of independent directors	66.00
% of others external	0.00

### **AUDIT COMMITTEE**

<b>Name</b>	<b>Position</b>	<b>Type</b>
LUIS ISASI FERNÁNDEZ DE BOBADILLA	CHAIRMAN	Independent
STEVEN MAYER	MEMBER	Other External
W. BRETT INGERSOLL	MEMBER	Other External
TOMAS DAGA GELABERT	SECRETARY	Other External
Belén Villalonga Morenés	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	50.00
% of others external	50.00

C.2.2 Complete the following table with information relating to the number of female directors forming the committees of the board of directors during the last four financial years:

	Number of female directors							
	Financial Year t		Financial Year t-1		Financial Year t-2		Financial Year t-3	
	Number	%	Number	%	Number	%	Number	%
<b>AUDIT COMMITTEE</b>	1	25.00	0	0.00	0	0.00	0	0.00
<b>NOMINATING AND REMUNERATION COMMITTEE</b>	1	33.00	1	33.00	1	33.00	0	0.00
<b>EXECUTIVE OR DELEGATE COMMITTEE</b>	0	0.00	0	0.00	0	0.00	0	0.00

C.2.3 State whether the Audit Committee is endowed with the following functions.

Monitoring the preparation process and the integrity of the financial information on the Company and, where applicable, the Group, verifying compliance with legal requirements, proper delimitation of the scope of consolidation and the proper application of accounting criteria	YES
Regularly assessing the internal control and risk management systems, so that the main risks are appropriately identified, managed and made known	YES
Ensuring the independence and efficiency of the internal audit function; proposing the selection, appointment, re-election and removal of the head of the internal audit service; proposing the budget for such service; receiving regular information on its activities; and checking that the senior management takes the conclusions and recommendations of its reports into account	YES
Establishing and overseeing a mechanism that enables employees to communicate – confidentially and where considered appropriate, anonymously – any possibly important irregularities that they may observe in the Company, particularly financial and accounting ones	YES
Presenting to the Board of Directors proposals for the selection, appointment, re-election and replacement of the external auditor, as well as the conditions under which it is contracted	YES
Regularly receiving from the external auditor information on the audit plan and the results of its implementation, and checking that the senior management takes its recommendations into account	YES
Ensuring the independence of the external auditor	YES

C.2.4 Describe the rules covering organization, operation and responsibilities of each of the Committees attached to the Board of Directors.

The Audit Committee (the “Committee”) provides advice and specialized support to the Board of Directors of Grifols, S.A. (the “Company”) and its subsidiaries (the “Group”) in all questions relating to external audit, internal control systems, the preparation of financial reports and compliance with applicable legislation, regulations and the Code of Conduct of the Employees of Grifols.

C.2.5 State, where applicable, the existence of regulations governing the Board’s Committees, the place where these are available for consultation, and any amendments that have been made during the financial year. It should also be stated whether any annual report on the work done by each Committee has voluntarily been drawn up.

The regulations of the Audit Committee are contained in (i) the Corporate Articles of the Company, and; (ii) the Regulations of the Board of Directors, and (iii) the Audit Committee by-laws, none of which have undergone any amendments during the financial year closed at 31st December 2013, in relation to the provisions on the Audit Committee.

The Nominating and Remuneration Committee is regulated in (i) the Corporate Articles of the Company, and; (ii) the Regulations of the Board of Directors, none of which have undergone any amendments during the financial year closed at 31st December 2013, in relation to the provisions on the Nominating and Remuneration Committee.

C.2.6 State whether the composition of the Delegate or Executive Committee reflects the participation on the Board of the different categories of Directors:

NO

**If not, explain the composition of your Delegate or Executive Committee**

The Company does not have a Delegate or Executive Committee.

## **D RELATED-PARTY OPERATIONS AND INTRA-GROUP OPERATIONS**

D.1 Identify the competent authority and explain, where applicable, the procedure for the approval of operations with related parties and intra-group operations.

<b>Authority competent to approve related-party operations</b>
--

The Board of Directors

<b>Procedure for the approval of related-party operations</b>
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In conformity with article 5 of the Regulations of the Board of Directors, the Board of Directors shall be entrusted, among other missions and competences, with assuming, as its core mission, approval of the strategy of the Company and the organization necessary for its start-up, as well as overseeing and controlling that the Management fulfils the objectives set and respects the purpose and interest of the Company. For this purpose, the plenary session of the Board shall reserve the competence of approving, among others, those operations which the Company may carry out with directors, significant shareholders or those represented on the Board of Directors or with persons related to these.

This authorization of the Board shall not, however, be understood as necessary in those related-party operations which may simultaneously fulfil the three following conditions:

1. Ones carried out pursuant to contracts with standard conditions and applied on a large scale to a large number of clients;
2. Performed at prices or rates established on general terms by those supplying the goods or services in question, and;
3. Of an amount not exceeding 1% of the Company's annual income.

The Board is to approve related-party operations only after a favourable report is issued by the Audit Committee. The Directors affected by the said related-party operations, apart from not exercising nor delegating their voting right, are to leave the meeting room while the Board discusses and votes on this.

Explain whether the approval of operations with related-parties has been delegated, indicating, if so, the authority or persons unto whom it has been delegated.

The aforementioned competences may not be delegated, except for reasons of emergency. In such case, they are to be submitted to subsequent ratification by the plenary session of the Board.

D.2 Give details of significant operations due to their amounts or which may be relevant due to their subject areas which have been carried out between the company or entities of its group, and significant shareholders of the company:

<b>Personal or corporate name of the significant shareholder</b>	<b>Personal or corporate name of the company or entity of its group</b>	<b>Nature of the relationship</b>	<b>Type of operation</b>	<b>Amount (thousands of euro)</b>
SCRANTON ENTERPRISES, B.V.	GRIFOLS, S.A.	Contractual	Interest paid	210
SCRANTON ENTERPRISES, B.V.	GRIFOLS, S.A.	Contractual	Operational leasing contracts	8,174
SCRANTON ENTERPRISES, B.V.	GRIFOLS THERAPEUTICS INC.	Contractual	Operational leasing contracts	15,811

D.3 Give details of significant operations due to their amounts or which may be relevant due to their subject areas which have been carried out between the company or entities of its group, and directors or executives of the company:

<b>Personal or corporate name of the directors or executives</b>	<b>Personal or corporate name of the related-party</b>	<b>Relationship</b>	<b>Nature of the operation</b>	<b>Amount (thousands of euro)</b>
THOMAS GLANZMANN	GRIFOLS, S.A.	Thomas Glanzmann is a director of Grifols, S.A. and shareholder of Glanzmann Enterprises GmbH	Rendering of services	1,269
GRIFOLS, S.A. HOLDINGS, B.V.	GRIFOLS, S.A.	Contractual – amount received by Marca Grifols, S.A., a participated company	License agreements	1,859

D.4 Give details of significant operations carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the process of preparation of consolidated financial statements and do not form part of the standard operations of the company in relation to its purpose and conditions.

In any case, information must be provided on any intra-group operations carried out with entities established in countries or territories considered as tax havens:

<b>Corporate name of the entity of your group</b>	<b>Brief description of the operation</b>	<b>Amount (thousands of euro)</b>
Fundación Privada Victor Grifols Lucas	Management or collaboration contracts	500
Probitas Fundación Privada	Management or collaboration contracts	3,339
Jose Antonio Grifols Lucas Foundation	Management or collaboration contracts	151

D.5. State the amount of the operations carried out with other related-parties.

D.6 Give details of any mechanisms set up to detect, determine and solve any possible conflicts of interest between the Company and/or its Group and its Directors, executives or significant shareholders.

One of the general obligations of any Director laid down in article 28.2 of the Regulations of the Board is that of clearly expressing their opposition, in particular concerning independent Directors and other Directors who are not affected by the potential conflict of interest, when this involves decisions which might harm the shareholders not represented on the Board.

Furthermore, article 30.2 of the Regulations of the Board establishes that a Director must consult the Nominating and Remuneration Committee before accepting any management position in another company or concern which might represent a conflict of interests or affect their dedication.

Finally, article 31 establishes the following: (i) the Director must refrain from attending and getting involved in discussions which affect matters in which he or she is personally, directly or indirectly, an interested party; and (ii) the Director shall not be able to carry out, directly or indirectly, any professional or commercial transactions with the Company unless the situation of conflict of interests is informed of in advance, and the Board approves the transaction, after receiving a report from the Nominating and Remuneration Committee.

D.7 Is more than one Company from the Group listed in Spain?

Identify any subsidiaries that are listed in Spain:

<b>Subsidiary company listed</b>
----------------------------------

State whether the respective areas of activity and possible business relations between them, as well as those of the dependent subsidiary company listed with the other companies of the group have been publicly defined with precision.

**Define the possible business relations between the dominant company and the subsidiary company listed, and between the latter and the other companies of the group**

Identify the mechanisms provided for to resolve any possible conflicts of interests between the subsidiary listed and the other companies of the group:

**Mechanisms to resolve any possible conflicts of interest**

**E. RISK CONTROL AND MANAGEMENT SYSTEMS**

E.1 Explain the scope of the Risk Control and Management System of the company.

The Company's risk management system considers all kinds of risks and is applicable to all of the businesses of the companies that form the Group.

E.2 Identify the organs of the company responsible for the preparation and execution of the Risk Management System.

The Board of Directors of the Company has ultimate responsibility for establishing the basic principles and the general framework of action for the main risks to be identified, evaluated, managed and controlled appropriately.

Risk management is the responsibility of senior management, whose main functions in this respect are:

- The identification and evaluation of relevant risks.
- The definition, application and regulatory development of corporate risk management policies.
- The implementation of the processes required to ensure proper control and fulfilment of the mentioned corporate risk management policies.

In accordance with its by-laws, the Audit Committee of the Company is responsible for "periodically reviewing the internal control and risk management systems, in order for the main risks to be identified, managed and made known appropriately."

The Audit Committee is assisted by the Internal Audit Department in these functions. Specifically, the activities inherent to Internal Audit in relation to the risk management system of the Company are:

- To provide a guarantee in relation to risk management processes and the correct evaluation of the same, and;
- To evaluate risk management processes, including the overseeing of controls and procedures.

E.3 State the main risks which may affect the achievement of the business goals.

The main risk factors covered in the Management Report and the Consolidated Annual Report of the Company for fiscal year 2013 are as follows:

- Effects of the financial crisis on the countries in which the Company is operating
- Changes in the Public Health System that may affect the Company's activity
- Lack of raw material for product manufacturing
- Emergence of competitive products in the market
- Changes in the regulatory norms of the markets
- Credit, liquidity and market risk (including interest rate risk, exchange rate risk and other price risks).

E.4 State whether the entity has a level of risk tolerance.

No.

E.5 State which risks have materialized during the financial year.  
Those inherent to the business.

E.6 Explain the response and supervision plans for the main risks of the entity.

The Group has the necessary departments and the backing of specialized external consultants to ensure compliance with laws and rules applicable to it.

The Group does not have any significant concentrations of commercial credit risk or predict any significant insolvency risk.

As regards the credit risk with banks and financial institutions, the Group only works with institutions of known repute and requires appropriate diversification of its investments.

The Group implements cautious management of the liquidity risk, based on the availability of cash and financing facilities by means of a sufficient amount of engaged credit facilities which enable the Group to carry out its business plan and operations with stable and ensured financing sources.

The objective of management of market risk is to administer and control the Group's exposure to changes in market prices within reasonable parameters and at the same time, to optimize profitability.

The Group's main exposure to exchange rate risk is concentrated in the United States dollar. Given the high correlation between earnings in dollars and the purchases and expenses in dollars, the Group has a natural coverage of dollar fluctuations, and for this reason the risks stemming from fluctuations in the exchange rate are minimal. Furthermore, the risk of conversion over net assets from operations by the Group abroad in dollars is managed, principally, by means of third-party resources denominated in the said foreign currency.

The liabilities issued at variable rates expose the Group to interest rate risk as regards cash flows. The resources issued at fixed rates expose the Group to interest rate risk at the reasonable value. The management of interest rate risk is intended to achieve a balance in the structure of the debt, maintaining part of the debt at a variable rate via hedges.

The risk of the price of raw materials is minimized by vertical integration of the hemoderivatives business, a sector with a high level of concentration.

Other prominent operating risks of the Group are:

- Product liability.
- Environmental responsibility.
- Incidents which may occur on its premises.
- The continuity of the business in the event of unexpected situations.

The Company has a quality system designed in order to guarantee the quality of our products from when the raw material is obtained until the release of the finished product for marketing. The quality controls of raw materials, production processes and finished product have been set up in order to minimize the risk of releasing onto the market a product that could have its quality, effectiveness or safety impaired.

The Company also has a system for control of claims and pharmacovigilance, designed for early detection of any possible quality, efficiency or safety problems potentially connected with our products, and the adoption of the necessary corrective measures. Combined with the systems for monitoring product traceability on the market, this system enables fast and effective withdrawal of any batch of product from the market at any time.

The Environmental Department plans the environmental management of all the divisions in accordance with Grifols' environmental policy, which has the following objectives, amongst others:

- To minimize the environmental impacts of new products and developments.
- To guarantee compliance with applicable legal requisites and other principles to which the organization subscribes.
- To implement techniques for contamination prevention in order to minimize the environmental risks of its activities.

The system is based on the following mainstays:

- Deployment of a uniform documentary system which covers both operational and management procedures.
- The organization of Environmental Committees in each of the companies to appraise their environmental management, evaluate and decide on priority environmental measures.
- All the departments take into account any possible environmental impacts when establishing their work processes.

As regards our employees' safety, Grifols' safety standards, stricter than legal requirements, are painstakingly documented and the workers receive constant training to guarantee their uniformity and compliance.

Both the product responsibilities and possible incidents on the premises are furthermore covered by means of risk management policies and overall insurance schemes in order to guarantee appropriate and uniform protection for all the companies in the Group.

As regards the continuity of the business in the event of unexpected situations which might break off the work of any of our critical factories, Grifols has alternative premises which would allow ongoing operations at an acceptable level during the contingency. As for information technology services, a number of measures have been implemented to face up to contingency situations. All the procedures which are considered critical are backed up by the most appropriate technology in each case. Apart from this, a replication system between the centres in Spain and the United States has been implemented for some services. For the others there is a crisis recovery plan enabling service to be given to the entire Group in contingencies.

**F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL INFORMATION ISSUING PROCESS (SCIIF)**

**Describe the mechanisms that make up the control and risk management systems in relation to the financial information issuing process (SCIIF) in your entity.**

**F.1 Control environment of the entity**

**Inform, stating their main characteristics, in relation to at least the following:**

**F.1.1. Which authorities and/or functions are responsible for: (i) the existence and maintenance of an appropriate and effective SCIIF; (ii) their implementation, and; (iii) their overseeing.**

Board of Directors:

The Board of Directors of the Company is ultimately responsible for the existence, maintenance and overseeing of an appropriate and effective SCIIF. In accordance with its Regulations, the Board of Directors has delegated this responsibility to the Audit Committee.

Audit Committee:

As regards information and internal control systems, article 14, section 5 (c) of the Regulations of the Board gives the following competences to the Audit Committee, among others:

- To supervise the preparation process and the integrity of the financial information on the Company and the Group, verifying compliance with legal requirements, proper delimitation of the scope of consolidation and the proper application of accounting criteria;
- To regularly assess the internal control and risk management systems, so that the main risks are appropriately identified, managed and made known;
- To ensure the independence and efficiency of the internal audit function; proposing the selection, appointment, re-election and removal of the head of the internal audit service; receiving regular information on its activities; and checking that the senior management takes the conclusions and recommendations of its reports into account, and;

- To establish and supervise procedures for reception, retention and treatment of any complaints received by the Company in respect of accountancy, internal controls and auditing matters, as well as anonymous and confidential contributions made by employees on questionable auditing and accounting matters.

Members of the Audit Committee should be appointed taking into consideration their knowledge, skills and experience in accounting, auditing and risk management.

The Audit Committee has an internal audit function which, under its supervision, reviews the reliability, integrity and consistency of financial-accounting information, evaluating its risks and the controls implemented to mitigate them and informs regularly on work performed and measures proposed for the correction of the same.

Finance / Accounting Policies and Internal Control:

The Finance Department has an Accounting Policies & Internal Control function with responsibility for developing and implementing policies, procedures and controls on financial information and overseeing their fulfilment. This function communicates approval of internal control policies and procedures for financial information to the companies of the Group and maintains the documentation related to financial information procedures and controls up-to-date.

The internal financial information control system of GRIFOLS is evaluated internally, every year, by independent personnel.

**F.1.2 If these exist, especially in relation to the process of preparation of financial information, the following elements:**

**Departments and/or mechanisms in charge of: (i) the design and review of the organizational structure; (ii) clearly defining the lines of responsibility and authority, with appropriate distribution of tasks and functions, and; (iii) ensuring existence of sufficient procedures for the correct usage thereof in the entity.**

The design and review of the organizational structure and the definition of the lines of responsibility and authority are carried out by the Board of Directors via the CEO.

The distribution of tasks and functions is carried out in order to guarantee efficacy and efficiency of operations, ensuring an appropriate segregation of functions.

The detailed organizational chart of the functions of the Group is available for all of the employees of the Group in the Intranet of the Company.

**Code of conduct, organ of approval, level of implementation and instruction, principles and values included (stating whether there are any specific mentions in the register of operations and preparation of financial information), the authority in charge of analysing non-fulfilments and proposing corrective actions and penalties.**

Code of Conduct:

The Code of Conduct of the Group establishes the rules of conduct, applicable to all employees and members of the Board of Directors and other administrative bodies of all of the companies of the Group, both in relation to their own colleagues and as regards to third parties.

Section 9 of the Code of Conduct is dedicated to the “Reliability of information and dissemination”. In this respect, it establishes that:

- Financial statements, books, records and accounts of the Company must reflect the operations reliably and in accordance with legal requisites and accounting principles. The dissemination of dishonest information, whether internally or externally, is absolutely forbidden;
- In its relations with markets, the Company policy is one of transparency. The public financial statements, the information for regulatory bodies, and, in general, the information published in any mediums must be exact and complete in all aspects.

The Code of Conduct is published as internal regulations in the Group Intranet, available for all employees, and on the Company’s Web ([www.grifols.com](http://www.grifols.com))

In its section 12, the Code of Conduct establishes that; “Non-fulfilment of the Code of Conduct by any employee or manager of GRIFOLS shall be considered a breach of his or her obligations with GRIFOLS and, in very serious cases, it may even lead to dismissal and to the demanding of corresponding responsibilities or liabilities”.

Ethical Code for Executives:

The Board of Directors approved the Ethical Code for Executives in 1998 and amended it in 2008.

This Code must be considered as a general framework of basic principles to govern the actions of employees and other persons who work for the group, inspired by the ethical values by which the Company has always been governed, the main priority of which is the utmost safety and efficacy of its products.

The executives of all of the companies of the Group must read and accept the content of the Ethical Code every year.

Non-fulfilment of any of the ethical principles of the Company is a cause for dismissal.

Any possible non-fulfilment, either of the Code of Conduct or of the Ethical Code, must be notified to the Audit Committee for analysis and, where applicable, correction and/or penalties in relation thereto.

**Reporting channel, which is to enable communication to the Audit Committee of any irregularities of a financial and accounting nature, in addition to any possible non-fulfilments of the code of conduct and irregular activities in the organization, informing, where applicable, of whether this is of a confidential nature.**

The Company has two reporting channels which allow for concerns of an ethical nature to be presented, and for the reporting of any behaviour contrary to the Code of Conduct, to the policies or procedures of the Company or to law, in a confidential and anonymous manner. They are currently available in Spain and the United States, in English and Spanish, with it being planned for them to be implemented in the rest of the countries in which the Company is present in the short term. For the rest of the countries in which the Company is present, an internal communications channel exists for the reporting of any behaviour contrary to the Code of Conduct.

The reporting channels are managed by external providers which classify them according to their nature. The Internal Audit Management informs the Audit Committee, regularly, in relation to all issues reported and the results of investigations and the measures adopted.

**Training programs and regular updates for the personnel involved in the preparation and review of financial information, as well as in the evaluation of the SCIIF, covering, at least, accounting regulations, audit, internal control and risk management.**

It is a responsibility of the Finance Management and of the Corporate Accounting and Reporting function, dependent on the former, to ensure that all personnel involved in the preparation of the financial statements of the Group have the appropriate training and receive annual updates on International Financial Information Standards and in principles of internal control of financial information. In 2013, the mentioned personnel attended an annual refresher seminar in the mentioned subject areas, presented by an external provider, and it regularly receives various publications, to which the Company subscribes, which offer up-to-date information on the evolution of the business and regulatory environment of the activities performed by the Group and on International Financial Information Standards and internal control.

## **F.2 Evaluation of financial information risks**

**Inform, at least, in relation to the following:**

**F.2.1 Which are the main characteristics of the risk identification process, including those of error or fraud, in relation to:**

**Whether the process exists and has already been documented.**

The Company is subject to compliance with the United States Act “Sarbanes-Oxley”.

The process of identification of risks in the financial information is documented in the methodological guide for compliance with the United States Act “Sarbanes-Oxley” (GRIFOLS – SOX Methodology). The document explains in details, among other information, the approach applied in relation to the following aspects:

- Identification of risks and definition of the scope;
- Management controls (also known as Entity Level Controls);
- General Controls of the information systems;
- Documentation of processes;
- Strategy of controls testing.

**If the process covers the totality of the financial information goals (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), if it is updated, and how often.**

Financial information risks materialize in five categories: integrity, existence and occurrence, valuation, presentation and breakdown and rights and obligations. The aim of the first three is to ensure that accounts contain entries relating to real transactions, booked accurately. The last two are aimed at the rights and obligations being presented and described correctly in the financial statements.

In 2013, Internal Control identified the financial information risks with data from the closure of the previous financial year, updating the analysis twice during the financial year, the last being with data referring to 31st December 2013.

**The existence of a process for the identification of the scope of consolidation, taking into account, among other aspects, the possible existence of complex corporate structures, instrumental entities or those with special purposes.**

The Company keeps a company shareholding book which contains the totality of the participations in the Group, both direct and indirect, as well as any entities in which the Group may have the capacity to exercise control irrespective of the legal form by means of which such control may be exercised, including, therefore, where appropriate, both instrumental companies and those of special purposes.

The scope of consolidation of the Company is determined monthly by the Corporate Accounting and Reporting / Consolidation and Reporting management, depending on the corporate record information and in accordance with International Accounting Standards and other local accounting regulations.

The overseeing of the appropriate delimitation of the scope of consolidation is a responsibility of the Audit Committee.

**Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) to the extent that these may affect the financial statements.**

The risk identification process of the Company is based on the evaluation of risks in the accounting entries of the financial statements;

An accounting entry is considered significant whenever a reasonable possibility of it containing an error exists or, individually or jointly with others, it may have a material effect on the financial statements.

In order to determine whether an entry is significant, the Company considers both quantitative factors (the size and composition of the entry and the volume of the transactions recorded) and qualitative ones (uniformity and centralization of transactions, complexity and risk inherent). Operational, technological, financial, legal, reputational and environmental risks, etc., to the extent which they may affect the financial statements, are considered in the qualitative valuation.

**Which corporate governance authority supervises the process.**

The supervision of the financial information risk identification process is carried out by the Audit Committee as part of its functions in relation to the information and internal control systems, detailed in section F 1.1. of this report.

### **F.3 Control activities**

**Inform, stating their main characteristics, if you have at least the following:**

**F.3.1 Procedures for review and authorization of the financial information and the description of the SCIIF, to be published in securities markets, stating those responsible, as well as the documentation describing the flows of activities and controls (including those relating to fraud risk) of the different kinds of transactions which may have a material impact on the financial statements, including the procedure for accounting closure and the specific review of relevant opinions, estimates, valuations and forecasts.**

The Company provides financial information to the securities market every quarter. The information is prepared and reviewed by the different units which make up the Finance Department of the Company and requires approval by the Corporate Finance Director.

The Audit Committee supervises the information that is presented to the market. To do so, it is in possession of the conclusions of the external auditors on the results of their review of the quarterly financial statements. Finally, the Audit Committee communicates its conclusions on the financial information to the Board of Directors, which approves its publication.

The internal financial information control system of GRIFOLS was implemented in order to comply with section 404 of the United States Act "Sarbanes-Oxley".

The initial point of the system is the management controls, also known as Entity Level Controls (hereinafter ELC). These controls work transversally, and are designed to supervise the effectiveness of the internal control as a whole.

The Company classifies the ELC identified in accordance with the COSO control framework, which considers the following components:

- Environment of control;
- Evaluation of the risk;
- Control activities;
- Information and communication;
- Supervision.

Based on the analysis of the most important transactions, the business processes which must be documented are identified. The Company has identified the following business processes which group together all of the activities of the Group:

- Closure of the financial statements;
- Purchases and accounts payable;
- Sales and accounts receivable;
- Inventory;
- Treasury;
- Human Resources;
- R + D;
- Fixed assets;
- Taxes.

The 9 main business processes are divided into sub-processes, adapted to the particularities of the business operations of each country or region.

For each process / sub-process, the following basic components have been identified:

- Control objectives: Control requirements which must be fulfilled in each activity of the process. They are intended to ensure the reliability of the financial information, covering the premises of integrity, existence and occurrence, valuation, presentation and breakdown and rights and obligations.
- Risks: The possibility of an event or action affecting the capacity of the Group to achieve its financial information goals, including the risk of fraud.
- Control: Policies and procedures and other resources established in order to ensure that the control objectives are achieved in such a manner that they may allow for any material errors

in the financial statements and/or fraudulent activities to be prevented or detected. The controls of the process are incorporated into the operations of the same.

Internal Auditing has carried out tests to verify the correct operation of the controls. The shortfalls identified, where applicable, have been validated with the person responsible for the process, with action plans which have been considered necessary being agreed.

The persons responsible for the processes have confirmed that the risks and controls documented are correct at 31st December 2013.

**F.3.2 Policies and procedures for internal control over information systems (among others, over access security, change control, operation of the same, operational continuity and segregation of functions) supporting the relevant processes of the entity in relation to the preparation and publication of financial information.**

The global Information Technologies (IT) division of the Company is responsible for the information systems of all of the companies of the Group in the different territories where they operate. As part of its functions, the definition and monitoring of security policies and procedures for applications and infrastructures are included.

The internal control system of the Company identifies the applications and infrastructures that support the relevant processes in relation to the preparation and publication of the financial information and evaluates the reliability of their general controls.

In the evaluation of the general controls of IT, the system covers the following processes:

- Management of identities and authorizations for access;
- Development and implementation of new projects;
- Evolutive and corrective changes;
- Environmental control and physical access to the data processing centres;
- Safeguarding of information, recovery and continuity plans;
- Operation and monitoring of systems and applications;
- Incident management;

Any weaknesses detected, whenever no compensatory controls to mitigate these are identified, are corrected by means of specific remediation plans.

In addition, for the security of the information, the Company has a number of policies and procedures which establish and define, among others, the following operational principles:

- Development methodology: covering from the taking of requirements to the testing and acceptance by the business unit with the main objective of ensuring that the systems behave as they have been defined;
- Flows of review and approval of the specifications and documentation on the design of applications, changes to programs and systems, as well as the assignment of points of access to the information;
- Monitoring of the availability of systems and applications as well as the integrity of the data exchanged between the relevant applications;
- Segregation of functions based on an incompatibility matrix, supervised by the persons responsible for the different business processes;
- Recovery plan in a secondary location for the relevant systems;

- Policy on the use of the information systems.

The management of the information security and associated technological assets, as well as the responsibility, in the environment of IT processes, for compliance with regulations and the maintenance of the privacy of the data of clients, employees and donors is a responsibility of the following authorities:

- IT Security Committee: It regularly analyses the different reports on risks, incidents and regulatory changes and proposes the action plans which it considers appropriate in order to protect the information assets and to reach and maintain the desired level of security;
- IT Risk Management Function: Depending directly on the IT Director, its main mission is to analyse the risks of the different processes, systems and applications and maintain them at levels accepted by the Company, developing and coordinating the implementation of controls, where applicable.

### **F.3.3 Policies and procedures of internal control intended to oversee the management of activities sub-contracted to third parties, as well as those aspects of evaluation, calculation or valuation entrusted to independent experts, which may have a material impact on the financial statements.**

The Company demands providers of the main services to present an independent report on their internal control structure in accordance with Public Company Accounting Oversight (PCAOB) standard SSAE16 and/or carries out tests on the same directly in order to verify the correct operation of controls, especially those which affect the internal control of the Company itself.

When the Company uses the services of an independent expert, it verifies its competence and technical and legal capacity. Skilled personnel of the Company review these reports in order to validate the reasonability of their conclusions.

## **F.4 Information and communication**

**Inform, stating their main characteristics, if you have at least the following:**

**F.4.1 A specific function in charge of defining, keeping account policies (accounting policies area or department) up-to-date and resolving any queries or conflicts derived from the interpretation thereof, maintaining fluent communication with the persons responsible for the operations in the organization, as well as an up-to-date manual of accounting policies communicated to the units via which the entity operates.**

In the Finance Department there is a unit, named Accounting Policies & Internal Control, the functions of which, among others, include the following:

- To define and maintain the accounting policies of the Group up-to-date;
- To analyse particular transactions carried out or planned in order to determine their appropriate accounting treatment;
- To analyse the impact of regulatory accounting changes on the financial statements of the Group;
- To solve any queries on the application of the accounting policies of the Group.

The accounting policies of the Group, based on information financial information standards, are included in a manual ("Finance Manual"), which is kept permanently up-to-date and is available for all employees via the Intranet of the Company.

**F.4.2 Mechanisms to capture and prepare financial information with uniform formats, applicable to and used by all of the units of the entity or of the group, which support the main financial statements and the notes, as well as the information set down in detail on the SCIIF.**

All of the companies of the Group report their individual financial statements and the notes or breakdowns necessary for the preparation of the consolidated annual accounts to the Consolidation and Reporting Unit, integrated within the Finance Department.

The information is captured in uniform formats in a computing tool (BI) which uses one single accounting plan. The loading of the information into the mentioned centralized tool is automatic, from the SAP-FI tool of the Company (transactional, implemented in the majority of the subsidiary companies), or manual for those companies in which the system has not been implemented.

The SCIIF is supported on a single computing system, administered by Accounting Policies & Internal Control and accessible for all persons responsible for the business processes documented and Internal Auditing.

**F.5 Supervision of the operation of the system**

**Inform, stating their main characteristics, at least the following:**

**F.5.1 The SCIIF supervisory activities carried out by the Audit Committee, as well as if the entity has an internal audit function which may, among its competences, have that of supporting the committee in its task of supervising the internal control system, including the SCIIF. Furthermore, information is to be provided on the scope of the SCIIF carried out in the financial year and on the procedure by means of which the person responsible for executing the evaluation communicates its results, whether the entity has an action plan detailing any possible corrective measures, and if the impact of these on the financial information has been considered.**

The Audit Committee is regularly informed of the internal evaluation of the SCIIF, described in section F3.1. of this report. Specifically, the Internal Audit function informs on the scope of the evaluation, the level of progress, and, where applicable, on any shortfalls detected, on their impact on the financial information and on the action plans established. It also identifies and communicates, where applicable, any fraud involving agents or employees.

At 31st December 2013, no material weaknesses in the review performed on the internal control system have been identified.

In accordance with the foregoing, the management of the Company understands that the internal financial information control model is effective at 31st December 2013.

**F.5.2 If it has a procedure for discussion by means of which the accounting auditor (in accordance with that established in the Auditing Technical Standards), the internal audit function and other experts, may be able to communicate to the senior management and to the Audit Committee or managers of the entity any significant weaknesses in internal control identified during the processes of review of the annual accounts or any others with which they may have been entrusted. In addition, it is to inform on whether it has an action plan to endeavour to correct or mitigate any weaknesses observed.**

The Internal Audit function communicates to the senior management and to the Audit Committee any significant shortfalls in internal control identified in its reviews, as well as the action plans established for the mitigation of the same.

The accounting auditor of the Group has direct access to the senior management and to the Audit Committee, holding regular meetings both in order to obtain the information necessary to perform its work and to communicate any weaknesses in internal control detected.

In turn, the accounts auditor presents a report to the Audit Committee annually in which it sets down in detail any shortfalls in internal control detected during the performance of its work.

#### **F.6 Other relevant information**

Nothing to be highlighted.

#### **F.7 External auditor's report**

##### **Report on:**

**F.7.1 If the SCIIF information sent to the markets has been subjected to review by the external auditor, in which case the entity must include the corresponding report as an Annex. If it has not, information must be provided on the reasons for this.**

The Company has not requested a report from the external auditor reviewing the SCIIF information described in this report given that, with this being subject to the Sarbanes-Oxley Act, the external auditor shall issue the corresponding report on the effectiveness of the internal financial information control system, which shall be deposited together with the annual financial information in the SEC and published in the corporate web of the Company.

**G DEGREE TO WHICH CORPORATE GOVERNANCE RECOMMENDATIONS ARE FOLLOWED**

State the extent to which the Company follows the recommendations of the Unified Good Governance Code.

If any of these recommendations are not complied with, or are complied with partially, give a detailed explanation of the reasons in order for the shareholders, investors and the market in general to have sufficient information in order to value the actions of the company. Explanations of a general nature shall not be acceptable.

1. The Corporate Articles of listed companies should not place any upper limit on the number of votes that can be cast by a single shareholder, or impose other restrictions hindering the control of the Company by means of purchasing its shares on the market. See sections: A.10, B.1, B.2, C.1.23 and C.1.24

Complied with

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2. When a dominant and a subsidiary Company are stock market-listed, both should publicly disclose in detail:
    - a) The respective areas of work engaged in and possible business dealings between them, as well as those of the subsidiary Company listed with other Group companies;
    - b) Any mechanisms planned to settle any possible conflicts of interest that might arise.See sections: D.4 and D.7

Not applicable

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3. Even when not expressly required under Commercial Law, any operations involving a structural corporate change should be submitted to the General Shareholders' Meeting, for approval, specifically the following ones:
    - a) Turning the listed companies into holding companies by means of "subsidiarization" or assigning core activities that were previously carried out by the Company itself to subsidiaries, even when the former keeps full ownership over the latter;
    - b) The acquisition or disposal of key operating assets that would effectively alter the Company's corporate purpose;
    - c) Operations that effectively amount to the liquidation of the Company.

See section: B.6

Complied with

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4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in recommendation 27, should be made known at the same time as publication of the announcement convening the Meeting.

Complied with

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5. Separate votes should be held at the General Meeting on materially separate items, in order for shareholders to express their voting preferences separately in each case. This rule should be applied particularly:
- a) To the appointment or ratification of Directors, who should be individually voted;
  - b) In cases of amendments to the Articles, for each article or group of articles which are materially independent.

Complied with

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6. Companies should allow split votes, so that financial intermediaries acting and legitimated as shareholder nominees on behalf of different clients can issue their votes according to their clients' instructions.

Complied with

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7. The Board of Directors should perform its duties with unity of purpose and independent judgment, giving the same treatment to all shareholders. It should be guided by the Company's interest, understood as maximizing its economic value in a sustained fashion.

It should also ensure that the Company abides by laws and regulations in its dealings with stakeholders, fulfils its obligations and contracts in good faith, respects the customs and good practices of the sectors and territories where it does business and upholds any additional social responsibility principles to which it has voluntarily subscribed.

Complied with

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8. The Board should understand the core of its mission as being to approve the Company's strategy and the organization required to put this into practice, as well as to ensure and oversee that the Management complies with the goals set and respects the Company's interests and corporate purpose. To this end, a plenary session of the Board should reserve the power to approve:

a) The Company's general policies and strategies, and in particular:

- i) The strategic or business plan, as well as the management targets and annual budget;
- ii) The investments and financing policy;
- iii) The definition of the structure of the Company Group;
- iv) The corporate governance policy;
- v) The corporate social responsibility policy;
- vi) The remuneration and performance assessment policy for senior management;
- vii) The risk control and management policy, as well as the regular monitoring of the internal information and control systems;
- viii) The Company's dividends and treasury stock policy and in particular its limits.

See sections: C.1.14, C.1.16 and E.2

b) The following decisions:

- i) At the proposal of the Company's chief executive, the appointment and possible dismissal of senior management, as well as their compensation clauses.
- ii) The remuneration of Directors, and, in the case of executive Directors, any additional remuneration for their executive functions and other conditions that must be met in their contracts.
- iii) Any financial information that the Company must regularly disclose through its status as listed.
- iv) Investments or operations of all kinds whose large amount or special characteristics mean that these have strategic importance, unless the General Meeting has to approve these;
- v) The creation or acquisition of stock in concerns with special purposes or registered in countries or territories considered to be tax havens, as well as any other transactions or operations of a similar nature whose complexity means that they might harm the Group's transparency.

c) Operations carried out by the Company with Directors, significant shareholders or those represented on the Board or with other persons linked with them ("related-party transactions"). This authorization of the Board shall not nevertheless be understood as being required in any related-party operations that simultaneously meet the following three conditions:

- 1. Ones carried out pursuant to contracts with standard conditions and applied on a large scale to a large number of clients;
- 2. Performed at prices or rates established on general terms by those supplying the goods or services in question;
- 3. Of an amount not exceeding 1% of the Company's annual income.

It is advisable for the Board to approve related-party operations only after a favourable report is issued by the Audit Committee or, where applicable, by any other to which the same function had been entrusted, and for the Directors involved, apart from not exercising nor delegating their voting right, to leave the meeting room while the Board discusses and votes on this.

It is recommendable for the powers attributed to the Board herein not to be delegated, except for the ones stated in points b) and c), which could be passed by the Delegate Committee for urgent cases, with later ratification by the plenary session of the Board.

See sections: D.1 and D.6

Complied with partially

Article 5 of the Regulations of the Board of Directors does not include either the dividends' policy or that on the Company's treasury stock and, in particular, its limits, in the Company's general policies and strategies. However, although these strategic policies are not included, they are actually approved by the Board of Directors. This is why it has not been judged necessary to amend article 5 of the Regulations of the Board of Directors.

9. The Board should have the right size to ensure effective operation and participation, which makes it advisable for this to comprise no fewer than five and no more than fifteen members.  
See section: C.1.2

Complied with

10. The proprietary and independent external Directors should constitute a broad majority of the Board, while the number of executive Directors should be the minimum required, taking into account the complexity of the corporate Group and the percentage of ownership interests in the Company capital that the executive Directors control.  
See sections: A.3 and C.1.3

Explain

The Company has incorporated a new independent external director during the tax year closed at 31st December 2013. Therefore, the Board of Directors of the Company consists of 9 external directors (out of which 4 are independent directors, 1 is a proprietary director and 4 are other external directors) and 3 executive directors. However, the Company continues to search for a person or persons who may be suitable to form part of the Board of Directors as independent external directors.

11. Among the external Directors, the ratio of proprietary and independent Directors should reflect the proportion between the capital of the Company represented by the proprietary Directors and the remainder of the capital.  
This strict proportional criterion could be relaxed so that the weight of the proprietary Directors is greater than would actually correspond to the total percentage of capital that they represent:
1. In companies with high capitalization in which few or no equity holdings are legally considered significant, but where there are shareholders with stakes of a high absolute value.
  2. When these are companies in which there is a plurality of shareholders represented on the Board but with no links between them.
- See sections: A.2, A.3 and C.1.3

Explain

The Company has 1 proprietary director and 4 independent directors. Since the Company has only 3 executive directors, it is considered that the Company ensures an adequate representation of independent directors; however, the possibility of further independent directors being incorporated in the future is not excluded. Additionally, Brett Ingersoll and Steven Mayer (other external directors) are independent directors in accordance with the NASDAQ regulations.

12. The number of independent Directors should represent at least one third of the total number of Directors.

See section: C.1.3

Complied with

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13. The status of each Director should be explained by the Board at the General Shareholders' Meeting that is to make or ratify their appointment, and annually be confirmed or where applicable reviewed in the Annual Corporate Governance Report, after being verified by the Nominating Committee. Said report should also explain the reasons why proprietary Directors have been appointed at the request of shareholders whose stake is under 5% of the capital. It should state the reasons why, where applicable, they had not entertained formal requests for presence on the Board from shareholders whose stake is equal to or over that of others at whose request proprietary Directors had been appointed.

See sections: C.1.3 and C.1.8

Complied with

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14. When the number of female Directors is low or non-existent, the Nominating Committee should take measures, when new vacancies arise, to ensure that:
- a) The selection procedures do not involve any implicit bias hindering the selection of female candidates;
  - b) The Company is making a conscious effort to seek women meeting the professional profile being sought and includes these among potential candidates.

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4

Complied with partially

The Board bases its proposals for appointment of Directors strictly on professional qualification criteria (skill, knowledge and experience). In any case, during the financial year closed at 31st December 2013, the Company has appointed a new female director, Ms Belén Villalonga Morenés, due to which the number of female members on the Board of Directors has increased from 8.33% of the total to 16.66% of the total, with the percentage doubling.

15. The Chairman, as person in charge of proper operation of the Board, shall ensure that Directors are previously given sufficient information, stimulate discussion and active participation of the Directors during Board meetings, safeguarding their right to freely take a stance and express their opinion, and to organize and coordinate with the chairmen of the relevant Commissions the regular evaluation of the Board, as well as, where applicable, that of the Managing Director or chief executive.

See sections: C.1.19 and C.1.41

Complied with

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16. When the Chairman of the Board is also the Company's chief executive, one of the independent Directors should be empowered to request calling Board meetings or including new items on the agenda; to coordinate and reflect the concerns of external Directors, and to lead the Board's appraisal of its Chairman.

See section: C.1.22

Complied with

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17. The Secretary of the Board should take special care to ensure that the Board's actions:
- a) Adhere to the spirit and letter of the Laws and their regulations, including the ones issued by regulatory agencies;
  - b) Comply with the Corporate Articles and with the regulations of the General Shareholders' Meeting, the Board of Directors and any others which the company may have;
  - c) Take into account the recommendations on good governance given in this Unified Code which the Company had accepted.
- In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nominating Committee and approved by the Board in a plenary session; the relevant appointment and removal procedure should be stated in the Regulations of the Board.  
See section: C.1.34

Complied with

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18. The Board should meet with the frequency required to properly perform its functions, in line with the schedule of dates and agendas set at the beginning of the tax year, each Director being able to propose further points on the agenda not previously arranged.  
See section: C.1.29

Complied with

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19. Absences of Directors should be kept down to unavoidable cases and be quantified in the Annual Corporate Governance Report. If their vote needs to be delegated, this should be done with instructions.  
See sections: C.1.28, C.1.29 and C.1.30

Complied with

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20. When Directors or the Secretary express concerns about some proposal or, in the case of Directors, about the Company's performance, and such concerns are not resolved at the Board meeting, a record of these should be made in the minutes at the request of the person expressing these.

Complied with

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21. The Plenary session of the Board should assess once a year:
- a) The quality and efficiency of the Board's operation;
  - b) Starting from a report submitted by the Nominating Committee, the performance of the Chairman of the Board and chief executive of the Company;
  - c) The performance of its Committees, starting from the reports supplied by these.
- See section: C.1.19 and C.1.20

Complied with

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22. All the Directors should be able to exercise the right to obtain any further information that they may deem fit on matters within the Board's competence. Unless the Corporate Articles or the Regulations of the Board provide otherwise, any such requests should be addressed to the Chairman or the Secretary of the Board.  
See section: C.1.41

Complied with

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23. All the Directors should be entitled to obtain advice required for performance of their functions from the Company. The Company should provide suitable channels for exercising this right, which may, in special circumstances, include external advice at the Company's expense.  
See section: C.1.40

Complied with

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24. Companies should set up a guidance program to provide new Directors with fast and sufficient knowledge of the Company, as well as its corporate governance rules. Companies should also provide Directors with schemes for updating knowledge when circumstances make this advisable.

Complied with

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25. Companies should require their Directors to devote the necessary time and effort to their function to perform this effectively and consequently:  
a) The Directors should inform the Nominating Committee of any other professional obligations they may have in case these might interfere with the dedication required;  
b) Companies should lay down rules on the number of boards which they Directors may sit on.  
See sections: C.1.12, C.1.13 and C.1.17

Complied with partially

The Company does not establish any rules concerning the number of boards its directors may be part of. This is because the Nominating and Remuneration Committee and the Board of Directors have already taken into account the director's abilities and availability to perform their obligations effectively at the time of proposing a new appointment or re-election.

26. The proposal for the appointment or re-election of Directors which the Board submits to the General Shareholders' Meeting, as well as any provisional appointments by the co-optation method should be approved by the Board as follows:  
a) At the proposal of the Nominating Committee, in the case of independent Directors.

b) Subject to a report from the Nominating Committee in all other cases of Directors.  
See section: C.1.3

Complied with

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27. Companies should publish the following details about their Directors on their web page, and keep this information updated:
- a) Professional and biographical profile;
  - b) Other Boards of Directors to which they belong, whether these are of listed companies or not;
  - c) A statement of the Director's classification and, in the case of proprietary Directors, stating the shareholder that they represent or with whom they have links.
  - d) Date of their first and any subsequent appointments as a Company Director, and;
  - e) Shares held in the Company and any options over these belonging to them.

Complied with

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28. Proprietary Directors should resign when the shareholders that they represent sell their entire ownership interest. They should also do so, in the proportional amount, when any such shareholder reduces their stake to a level which requires a reduction in the number of their proprietary Directors.  
See sections: A.2, A.3 and C.1.2

Complied with

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29. The Board of Directors should not propose the removal of any independent Directors before the expiry of the term of office for which they were statutorily appointed, except when the Board considers there is just cause for this after a report has been issued by the Nominating Committee. There will specifically be presumed to be just grounds when the Director had breached the duties imposed by his or her post or comes under any of the circumstances which may lead to him or her losing the condition of independent, in accordance with that established in Order ECC/461/2013.  
The removal of independent Directors may also be proposed as a result of a public takeover bid, merger or similar corporate operations entailing a change in the Company's capital structure, when any such changes in the structure of the Board are brought about by the proportionality criterion stated in Recommendation 11.  
See sections: C.1.2, C.1.9, C.1.19 and C.1.27

Complied with

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30. Companies should establish rules obliging Directors to inform and, where applicable, resign in any cases which may threaten the creditworthiness and reputation of the Company and specifically be obliged to inform the Board of any criminal cases in which they are charged as well as the progress of any later hearings.  
Should a Director have charges brought against him or her or when a judge's order for a hearing to commence is issued for any of the offenses listed in article 213 of the Spanish Limited Companies Law, the Board shall examine the case as soon as possible and, in view of the specific circumstances, decide whether it is appropriate or not for the Director to continue serving in his or her post. The Board shall describe all these circumstances with proper reasoning in the Annual Corporate Governance Report.  
See sections: C.1.42 and C.1.43

Complied with

31. All the Directors should clearly express their opposition when they consider that a proposal submitted for the Board's approval may go against corporate interests. This should also be done, particularly by independent and other Directors who are not affected by the potential conflict of interest, when these are decisions which might harm the shareholders not represented on the Board.  
When the Board adopts significant or repeated resolutions on which the Director had expressed serious reservations, the latter should come to the relevant conclusions and, if he or she opted for resigning, should explain the reasons in the letter referred to in the next recommendation.  
This recommendation also covers the Secretary of the Board, whether or not this person is a Director.

Complied with

32. When a Director gives up his/her post prior to the end of his/her term of office, either through resignation or for other reasons, the reasons for this should be explained in a letter sent to all the members of the Board. The grounds for the removal should be stated in the Annual Corporate Governance Report, irrespective of whether such removal is classified as a significant event.  
See section: C.1.9

Not applicable

33. Remuneration involving the delivery of shares in the Company or Group companies, stock options or other share-based instruments, variable remuneration linked to the Company's performance or benefit schemes should be restricted to executive Directors. The delivery of shares shall not be covered by this recommendation, when Directors are obliged to keep these until the end of their term of office.

Complied with

34. External Directors' remuneration should be as required to compensate them for the dedication, skills and responsibilities entailed by the post, but not so high as to compromise their independence.

Complied with

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35. Any remuneration linked with the Company's earnings should be subject to deductions calculated for any qualifications stated in the external auditors' report.

Complied with

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36. In the case of variable remuneration, the remuneration policies should include limits and technical safeguards required to ensure that these reflect the professional performance of their beneficiaries and not stem simply from the general development of the markets or of the Company's sector or other similar circumstances.

Complied with

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37. When there is a Delegate or Executive Committee (hereinafter known as "Delegate Committee"), the participation structure of the different types of Directors should be similar to that of the Board itself and its secretary should be the Secretary of the Board. See sections: C.2.1 and C.2.6

Not applicable

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38. The Board should be kept fully informed at all times of the business done and the decisions taken by the Delegate Committee and all the members of the Board should receive a copy of the minutes of the Delegate Committee's sessions.

Not applicable

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39. As well as the Audit Committee required pursuant to the Securities Market Law, the Board of Directors should form from its members a Committee or two separate Committees for Nominations and Remunerations.

The rules governing the composition and operation of the Audit Committee and the Nominating and Remunerations Committee or Committees should be stated in the Regulations of the Board, and include the following:

a) The Board should appoint the members of these Committees with regard to the knowledge, skills and experience of the Directors and the purpose of each Committee; it should discuss their proposals and reports and be responsible for answering for their activity and the work done at the first plenary session of the Board following their meetings;

b) These Committees should be formed exclusively of external Directors, with a minimum of three. The above is understood not to affect the attendance of executive

Directors or senior management, when this is expressly agreed by the members of the Committee.

c) The Chairpersons of such Committees should be independent Directors.

d) They may seek external advice when this is felt to be necessary for performance of their duties.

e) Minutes of each meeting should be drawn up, a copy of which should be sent to all members of the Board.

See sections C.2.1 and C.2.4

Complied with

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40. Supervision of compliance with internal codes of conduct and corporate governance rules should be performed by the Audit Committee, the Nominating Committee or, as the case may be, separate Compliance or Corporate Governance Committees.

See sections C.2.3 and C.2.4

Complied with

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41. Members of the Audit Committee, and in particular its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management.

Complied with

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42. Listed companies have an internal audit function, under the supervision of the Audit Committee, to ensure proper operation of the information and internal control systems.

See section C.2.3

Complied with

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43. The person in charge of the internal audit function should submit an annual work program to the Audit Committee, report to it directly on any incidents arising during its implementation, and submit an activities report at the end of each year.

Complied with

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44. The control and risk management policy should specify at least:

a) The different types of risk (operational, technological, financial, legal, reputation...) which the Company is exposed to, including contingent liabilities and other off-balance sheet risks among the financial or economic risks;

b) Determination of the risk level that the Company sees as acceptable;

c) Measures intended to mitigate the impact of risks identified, should these materialize;

d) The internal information and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.  
See section: E

Complied with

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45. The Audit Committee's functions should be:
1. In respect of internal control and reporting systems:
    - a) To ensure that the main risks identified as a consequence of the supervision of the efficacy of the internal control of the company and internal auditing, where applicable, are managed and made known appropriately.
    - b) To ensure the independence and efficiency of the internal audit function; proposing

the selection, appointment, re-election and removal of the head of the internal audit service; proposing the budget for such service; receiving regular information on its activities; and checking that the senior management takes the conclusions and recommendations of its reports into account.

- c) To establish and oversee a mechanism that enables employees to communicate – confidentially and where considered appropriate, anonymously – any possible important irregularities that they may observe in the Company, particularly those of financial and accounting nature.

2. As regards the external auditor:

- a) To regularly receive information from the external auditor on the auditing plan and the results of its implementation and to make sure that the senior management is acting on its recommendations.

- b) To ensure the independence of the external auditor, and for this purpose:

- i) For the Company to inform the CNMV (Spanish Stock Exchange Commission), as a relevant fact, of the change of auditor and to adjoin a declaration on the possible existence of disagreements with the outgoing auditor, and if there were any, of their content.

- ii) In the event of the external auditor resigning, to examine the circumstances which had given rise to this.

See sections: C.1.36, C.2.3, C.2.4 and E.2

Complied with

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46. The Audit Committee may order any employee or executive of the Company to appear before them and even do so without the presence of any other executive.

Complied with

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47. The Audit Committee shall inform the Board, prior to the latter's adopting the relevant decisions, on the following matters indicated in Recommendation 8:

- a) Any financial information that the Company must regularly disclose through its status as listed. The Committee must ensure that the interim accounts are drawn up with the same accounting criteria as the annual statements and may ask the external auditor to perform a limited review for this purpose.

- b) The creation or acquisition of stock in concerns with special purposes or registered in countries or territories considered to be tax havens, as well as any other transactions or

operations of a similar nature whose complexity means that they might harm the Group's transparency.

c) Related-party operations, unless this preliminary reporting function had been assigned to another supervision and control Committee.

See sections: C.2.3 and C.2.4

Complied with

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48. The Board of Directors should attempt to submit the annual accounts to the General Shareholders' Meeting with no reservations or qualifications in the auditing report and in exceptional cases of any of these existing, both the Chairman of the Audit Committee and the auditors should clearly explain to the shareholders the content and scope of said reservations or qualifications.

See section: C.1.38

Complied with

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49. Most of the members of the Nominating Committee, or Nominating and Remuneration Committee if these were a single body, should be independent Directors.

See section: C.2.1

Complied with

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50. The Nominating Committee should have the following functions in addition to the ones stated in earlier recommendations:

a) Evaluating the skills, knowledge and experience necessary on the Board and defining, as a result, the functions and abilities necessary for the candidates to fill each vacancy, and assess the time and dedication required for them to perform their duties properly.

b) Examining or organizing, as it may deem appropriate, the succession of the Chairman and chief executive, making recommendations where applicable to the Board so the succession takes place in a well-organized and orderly manner.

c) Reporting on the appointments and removals of senior management that the chief executive proposes to the Board.

d) Reporting to the Board on any gender diversity issues as indicated in Recommendation 14 of this Code.

See section: C.2.4

Complied with partially

As per paragraph d) above, the Board bases its proposals for appointment of Directors strictly on professional qualification criteria (skill, knowledge and experience).

51. The Nominating Committee should consult with the Chairman and the chief executive of the Company, especially on matters concerning executive Directors.

Any Director may ask the Nominating Committee to take into consideration potential candidates to fill directorship vacancies, in case it considers these appropriate.

Complied with

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52. The Remuneration Committee should have the following functions apart from the ones indicated in the previous recommendations:
- a) Proposing to the Board of Directors:
    - i) The remuneration policy for Directors and senior management.
    - ii) The individual remuneration and other contractual conditions of executive Directors.
    - iii) The standard conditions for senior management employment contracts.
  - b) Monitoring compliance with the remuneration policy established by the Company.
- See section: C.2.4

Complied with

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53. The Remuneration Committee should consult with the Chairman and chief executive of the Company, especially on matters connected with executive Directors and senior management.

Complied with

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## **H OTHER INFORMATION OF INTEREST**

1. If there are any relevant aspects connected with the corporate governance in the company or in the entities of the group which has not been covered in the other sections of this this report, but which it may be necessary to include in order to ensure more complete and reasoned information on the structure and practices of the governance in the entity or in the group, give brief details of these here below.

There are no relevant aspects connected with the corporate governance in the Company or in the entities of the Group which have not been covered in the other sections of this this report.

2. You may also include in this section any other information, explanation or qualification connected with the previous sections of the report, insofar as these are relevant and not reiterative.

Specifically, state whether the Company is subject to any legislation other than Spanish law as regards its corporate governance and, where applicable, include the information that you are obliged to supply other than what is required herein.

3. The company may also state if it has voluntarily subscribed to any other codes of ethical principles or good practices, whether international, sectorial or of any other scope or area. Where applicable, the code in question and the date of subscription are to be identified.

This corporate annual governance report has been approved by the Company's Board of Directors, at its session held on

21/02/2014

State whether there were any Directors who had voted against or abstained as regards the approval of this Report.

NO

<b>Personal or corporate name</b>	<b>Reasons (against, abstention,</b>	<b>Explain the reasons</b>
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<b>of the director who has not voted in favour of the approval of this report</b>	<b>non-attendance)</b>	