

**Translation of a report originally issued in Spanish.  
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**ANNEX I**

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

**ISSUER'S IDENTIFICATION DETAILS**

**DATE OF END OF FINANCIAL YEAR OF REFERENCE**

31/12/2016

**TAX ID NUMBER**

A-58389123

**CORPORATE NAME**

GRIFOLS, S.A.

**REGISTERED OFFICE**

CALLE JESÚS Y MARÍA, 6, 08022 BARCELONA

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

**A. OWNERSHIP STRUCTURE**

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

Date of last modification	Share capital in €	Number of shares	Number of voting rights
04/01/2016	119,603,705.00	687,554,908	426,129,798

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

YES

Class	Number of shares	Face value per share	Unitary number of voting rights	Different rights
A	426,129,798	0.25	426,129,798	Ordinary shares
B	261,425,110	0.05	0	Separate voting 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:

Personal or corporate name of the shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
CAPITAL RESEARCH AND MANAGEMENT COMPANY	0	21,092,024	4.95
FIDELITY INTERNATIONAL LIMITED	0	8,466,387	1.99
MS NÚRIA ROURA CARRERAS	0	26,224,374	6.15
OPPENHEIMERFUNDS INC.	0	13,064,750	3.07
THORTHOL HOLDINGS, B.V.	30,085,532	0	7.06
SCRANTON ENTERPRISES, B.V.	36,953,048	0	8.67
DERIA, S.A.	37,970,661	0	8.91

Personal or corporate name of the indirect shareholder	Through: personal or corporate name of the direct shareholder	Number of voting rights
CAPITAL RESEARCH AND MANAGEMENT COMPANY	CAPITAL RESEARCH AND MANAGEMENT COMPANY	21,092,024
FIDELITY INTERNATIONAL LIMITED	FIDELITY INTERNATIONAL LIMITED	8,466,387
MS NÚRIA ROURA CARRERAS	RODELLAR AMSTERDAM HOLDINGS B.V.	26,224,374

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Personal or corporate name of the indirect shareholder	Through: personal or corporate name of the direct shareholder	Number of voting rights
OPPENHEIMERFUNDS, INC.	OPPENHEIMERFUNDS, INC.	13,064,750

A3 Members of the company's board of directors with voting rights from company shares:

Personal or corporate name of the director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MS MARLA ELIZABETH SALMON	0	0	0.00
MR LUIS ISASI FERNÁNDEZ DE BOBADILLA	200	0	0.00
MR RAIMON GRIFOLS ROURA	2,780	0	0.00
MR RAMON RIERA ROCA	338,170	0	0.08
MR TOMÁS DAGÁ GELABERT	103,796	0	0.02
MR STEVEN MAYER	0	0	0.00
MR VÍCTOR GRIFOLS ROURA	880,900	0	0.21
MS CARINA SZPILKA LÁZARO	0	0	0.00
MR ÍÑIGO SÁNCHEZ-ASIAIN MARDONES	0	0	0.00
MS BELÉN VILLALONGA MORENÉS	0	0	0.00
MR THOMAS GLANZMANN	37,122	130,000	0.04
MS ANNA VEIGA LLUCH	200	0	0.00
MS VICTOR GRIFOLS DEU	14,620	0	0.00

Personal or corporate name of the indirect shareholder	Through: personal or corporate name of the direct shareholder	Number of voting rights
MR THOMAS GLANZMANN	GLANZMANN ENTERPRISES AG	24,000
MR THOMAS GLANZMANN	OPULENTIA HOLDINGS LTD.	106,000

<b>% of the total number of voting rights belonging to the board of directors</b>	<b>0.35</b>
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Members of the company's board of directors holding rights over company shares:

A.4 State, where applicable, the 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
MS NÚRIA ROURA CARRERAS
DERIA, S.A.

Type of connection: Family

Brief description: Mother of Deria, S.A.'s shareholders

A.5 State, where applicable, the commercial, contractual or corporate relations existing between the owners of significant shareholdings and the company

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and/or its group, unless they are not highly relevant or stem from ordinary business operations:

- 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

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

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:

Not applicable

- 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

Comments

- A.8 Treasury stock:

**At the close of the financial year:**

Number of direct shares	Number of indirect shares (*)	Total % of share capital
4,730,735	0	0.69

**(\*) Through:**

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

Explain the significant variations

- 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 General Shareholders' Meeting held on 29th May 2015, 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

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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 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 five years at most.
- (vii) The shares acquired may be intended to be given to the workers or managers of the Group, either directly or as 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 the Company to acquire treasury stock granted by the Extraordinary Shareholders' Meeting of 25th January 2011.

**A.9 bis Estimated floating capital:**

	%
<b>Estimated floating capital</b>	55.87

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

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:

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- 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 Companies Act (LSA).

NO

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

NO

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

- B.3 State any rules applicable to the modification of the articles of association of the company. In particular, those majorities provided for in cases of amendment of the articles of association, as well, where applicable, as those rules provided for in cases of tutelage of the rights of shareholders in the amendment of articles of association are to be communicated.

Article 201.2 of Royal Legislative Decree 1/2010, of 2nd July, which passed the redrafted text of the Spanish Companies Act (LSA).

In addition, the articles of association 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 articles of association (the adoption of agreements by simple majority of the capital present and/or represented), require the approval of the majority of the Class B shares then in circulation.

In this regard, any agreements and any amendments of the articles of association which may directly or indirectly damage or have a negative effect on the rights, preferences or privileges of Class B Shares (including any agreements which may cause damage to or have a negative effect on Class B Shares in comparison with Class A Shares or which may benefit or have a positive effect on Class A Shares in comparison with Class B Shares, or which may affect the provisions of these articles in relation to Class B Shares) shall require the approval of a majority of Class B Shares then in issue.

Finally, it is to be indicated that the General Shareholders' Meeting has the competence to decide on all matters which may have been attributed to the same, by law or through the articles of association, and, in particular, in an expository manner, it shall be the sole corporate body or competent authority to decide on matters considered "Extraordinary Matters" in conformity with article 6.2 of these articles of association.

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

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Date of the general meeting	Details of attendance				
	% of attendance in person	% as proxy	% remote voting		Total
			Electronic voting	Others	
29/05/2015	11.84	60.17	0.00	4.90	76.91
27/05/2016	4.53	76.29	0.00	1.14	81.96

- 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

- B.6 This section has been annulled
- B.7 State the 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 articles of association:

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

- C.1.2 Members of the Board of Directors:

Personal or corporate name of director	Representative	Type of directorship	Post on the Board	Date 1 <sup>st</sup> appointment	Date last appointment	Election procedure
MS MARLA ELIZABETH SALMON		Independent	DIRECTOR	30/05/2014	30/05/2014	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR LUIS ISASI FERNÁNDEZ DE BOBADILLA		Independent	DIRECTOR	24/05/2011	27/05/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR RAIMON GRIFOLS ROURA		Executive	DIRECTOR	29/05/2015	29/05/2015	GENERAL SHAREHOLDERS' MEETING AGREEMENT

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Personal or corporate name of director	Representative	Type of directorship	Post on the Board	Date 1 <sup>st</sup> appointment	Date last appointment	Election procedure
MR RAMON RIERA ROCA		Executive	DIRECTOR	13/04/2000	24/05/2012	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. TOMÁS DAGA GELABERT		Other external	DIRECTOR and VICESECRETARY	13/04/2000	29/05/2015	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR STEVEN MAYER		Independent	DIRECTOR	25/01/2011	27/05/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR VICTOR GRIFOLS ROURA		Executive	CHAIRMAN - CEO	08/07/1991	24/05/2012	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MS CARINA SZPILKA LÁZARO		Independent	DIRECTOR	29/05/2015	29/05/2015	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR ÍNIGO SANCHEZ-ASIAIN MARDONES		Independent	INDEPENDENT COORDINATOR DIRECTOR	29/05/2015	29/05/2015	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MS BELEN VILLALONGA MORENÉS		Independent	DIRECTOR	24/05/2013	24/05/2013	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. THOMAS GLANZMANN		Other external	DIRECTOR	05/04/2006	27/05/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MS ANNA VEIGA LLUCH		Independent	DIRECTOR	09/12/2008	29/05/2015	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR VICTOR GRIFOLS DEU		Executive	DIRECTOR	27/05/2016	27/05/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT

<b>Total number of directors</b>	13
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State any members leaving the Board of Directors during the period for which information is given:

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	Post held on the Company's organization chart
MR RAMON RIERA ROCA	DEPUTY CHIEF OPERATIONS OFFICER
MR VICTOR GRIFOLS ROURA	CHAIRMAN – CEO
MR RAIMON GRIFOLS ROURA	MEMBER OF THE EXECUTIVE COMMITTEE

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<b>Personal or corporate name of the director</b>	<b>Post held on the Company's organization chart</b>
MR VICTOR GRIFOLS DEU	PLANNING AND CONTROL DIRECTOR

<b>Total number of executive directors</b>	4
<b>Total % of the Board</b>	30.77

**INDEPENDENT EXTERNAL DIRECTORS**

**Personal or corporate name of the director**

MS MARLA ELIZABETH SALMON

**Profile**

Ms Marla E. Salmon is Professor of Nursing and Public Health at the University of Washington and Senior Visiting Fellow of Public Affairs. Her career has focused on health policy and capacity building in both global and US contexts, working with governments, international agencies and other health-related entities. Her most recent work focuses on social enterprise and development in the health sector. Salmon holds a doctorate in health policy and administration from the Johns Hopkins University, degrees in political science and nursing from the University of Portland, and was a Fulbright Scholar at the University of Cologne (Germany). She holds two honorary doctoral degrees recognizing her national and international service and is a member of the Institute of Medicine. Her board service includes IES Abroad, Inc., the Robert Wood Johnson Foundation, and the National Center for Healthcare Leadership. Her advisory roles include the White House Taskforce on Healthcare Reform, the World Bank, the World Health Organization's Global Advisory Group on Nursing and Midwifery, and the National Advisory Council for Nursing Research of the National Institutes of Health.

**Personal or corporate name of the director**

MR LUIS ISASI FERNANDEZ DE BOBADILLA

**Profile**

Mr Luis Isasi Fernández de Bobadilla is the Managing Director of Morgan Stanley in Spain and Country Head for the Iberian region. He joined Morgan Stanley in London in 1987. Prior to that, he served as an executive director at First Chicago Ltd. in London and, previously, worked in New York for the Latin American department of Morgan Guaranty Trust Co. Mr Isasi started his professional career in Abengoa, in Seville (Spain) in 1977. Mr. Isasi has a Bachelor's Degree in Business from the University of Seville, and holds a M.B.A. from Columbia Business School in New York, United States, obtained in 1982.

**Personal or corporate name of the director:**

MS CARINA SZPILKA LÁZARO

**Profile:**

Ms Carina Szpilka Lázaro earned a degree in Business Administration from the Universidad Pontificia de Comillas in Madrid (ICADE) and an Executive MBA from the Instituto de Empresa. She began her professional career in the financial sector working at Banco Santander and Argentaria (now part of BBVA). In 1998 she was part of the team that founded ING Direct in Spain, where she occupied the position of CEO from 2010 to 2013, having previously occupied said position in ING Direct France from 2008 to 2010. She is currently an independent director at Abanca and Meliá Hotels International, as well as being a partner in KFund Venture Capital and a member of the Advisory Boards of Reparalia and of Oracle España. Since the beginning of 2014 she has been vice-president of UNICEF in Spain. She is also a member of the Professional Board of ESADE. In 2011 she was given the "Female Executive of the Year" award by the Spanish Federation of Female Directors, Executives, Professional and Entrepreneurs (*Federación Española de Mujeres Directivas - FEDEPE*).

**Personal or corporate name of the director:**

MR IÑIGO SÁNCHEZ-ASIAIN MARDONES

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**Profile:**

Mr. Iñigo Sánchez-Asiain Mardones earned a degree in Business Administration from the Universidad Pontificia de Comillas in Madrid (ICADE) and an MBA from Harvard Business School. Since 2010 he is founding partner of the private equity company Portobello Capital. He is a member of the Executive Committee and Investment Committee at Portobello Capital, being in charge of investments in companies such as Angulas Anguinaga or Mutiasistencia, companies in which he is also Chairman and member of the Executive Committee. He was Deputy General Director at Banco Santander (1993-2005) and was partner and member of the Board of Directors of Ibersuizas Gestión SGEGR, S.A. (2005-2010). He is also Chairman of the Executive Committee at the Harvard Club of Spain.

**Personal or corporate name of the director:**

MS BELEN VILLALONGA MORENES

**Profile:**

Belén Villalonga is an Associate Professor with Tenure at New York University's Stern School of Business. Between 2001 and 2012 she was a faculty member at Harvard Business School. She serves as an independent director at Acciona, leader in the renewable energy and infrastructure businesses, since 2006, and Talgo, a high-speed train manufacturer, since 2015. She is also a Senior Associate Partner at Cambridge Advisors to Family Enterprise, a family business consulting company. Her teaching, research and consulting activities are in the areas of corporate strategy, finance, and governance, with a special focus on family-controlled companies. Her award-winning research, which has been published in top academic journals, has been cited extensively in academic articles and in the international media. She holds a Ph.D. in Management and an M.A. in Economics from the University of Columbia in Los Angeles, where she was a Fulbright Scholar. She also holds a second Ph.D. in Business Economics from the Complutense University of Madrid and a B.A. in Economics and Management Sciences from the Colegio Universitario de Estudios Financieros in Madrid. Before starting her doctoral studies, she worked at MacKinsey & Co. in Paris.

**Personal or corporate name of the director:**

MS ANNA VEIGA LLUCH

**Profile:**

Ms. Anna Veiga Lluch graduated in Biology and received a Ph. D. in Biology (Cum Laude) from the Universidad Autónoma de Barcelona. She was the IVF laboratory Director at the Reproductive Medicine Service at Institut Universitari Dexeus from 1982 to 2005. She is the Director of the Stem Cell Bank at the Centre for Regenerative Medicine Service of the Institut Universitari Dexeus, and an Associate Professor at the Department of Experimental and Health Services of the Universitat Pompeu Fabra in Barcelona. She is also a member of the Board of Trustees of the Fundació Dexeus de la Salut de la Mujer and an Honorary Member of the Institut Medicofarmacèutic de Catalunya. In May 2015 she received a degree as Doctor Honoris Causa from the Universitat Central de Catalunya. She specializes in clinical embryology, reproductive genetics, embryonic and pluripotent stem cells research and bioethics.

**Personal or corporate name of the director:**

MR STEVEN MAYER

**Profile:**

Mr. Steven Mayer is Senior Managing Partner and Chairman of the Cerberus Capital Management Investment Committee, where he co-manages the private equity global practice. Mr. Mayer has served as Managing director of Cerberus California, LLC since November 2002. In addition, Mr. Mayer is a board member in BlueLinx Holdings, Inc., Starrus Holding Limited, Transcentra Inc. and YP Holdings LLC. He holds a B.A. degree, cum laude, from Princeton University and degree in Law (Juris Doctor), magna cum laude, from Harvard Law School.

<b>Total number of independent directors</b>	7
<b>Total % of the Board</b>	53.85%

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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.

NO

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.

**OTHER EXTERNAL DIRECTORS**

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:**

MR THOMAS GLANZMANN

**Company, executive or shareholder with which or whom he has the relationship:**

GLANZMANN ENTERPRISES AG

**Reasons:**

His relationship is not covered within the current definitions of executive, proprietary or independent directors. He is the majority shareholder in Glanzmann Enterprises AG, a company which has rendered consultancy services to the Group since 2011.

**Personal or corporate name of the director:**

MR TOMAS DAGA GELABERT

**Company, executive or shareholder with which or whom he has the relationship:**

**Reasons:**

His relationship is not covered within the current definitions of executive, proprietary or independent directors. He is a partner of the law firm Osborne Clarke, which renders legal and tax services to the Group.

<b>Total number of external directors</b>	2
<b>Total % of the Board</b>	15.38%

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

<b>Personal or corporate of the director</b>	<b>Date of the change</b>	<b>Prior category</b>	<b>Current category</b>
<b>MR STEVEN MAYER</b>	<b>01/04/2016</b>	<b>Other external</b>	<b>Independent</b>
<b>MR RAIMON GRIFOLS ROURA</b>	<b>01/07/2016</b>	<b>Proprietary</b>	<b>Executive</b>

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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				% of the total directors of each type			
	FY 2016	FY 2015	FY 2014	FY 2013	FY2016	FY 2015	FY 2014	FY 2013
<b>Executive</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Proprietary</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Independent</b>	4	4	3	2	57.14%	66.66%	60.00%	50.00%
<b>Other External</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Total</b>	4	4	3	2	30.77%	33.33%	23.08%	16.66%

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.

**Explanation of the measures**

The Company will continue appointing its directors on the basis of merit and skills. The Company may review when necessary the competence, experience and knowledge of its directors according to its specific needs.

The Company considers that, at present, there is a balanced presence of men and women in the board.

C.1.6 Explain those measures which, where applicable, may have been agreed by the Nomination 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:

**Explanation of the measures**

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). It considers that the percentage of female directors (30.77% of the total number of directors) is a balanced representation.

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:

**Explanation of the measures**

N/A

C.1.6.bis Explain the Nomination Committee's conclusions regarding the verification of compliance with the policy for selecting directors. In particular, inform on how such policy contributes to ensuring that the number of female directors will be at least 30% of the overall members of the board of directors in 2020.

**Explanation of the measures**

The objective has been achieved because, as of the closing of the FY 2016, the percentage of women in the board represents 30.77%

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

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N/A

- 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 3% of the share capital:

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

- C.1.9. State whether any directors have left their posts prior to the expiry of their term, 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 board in full, explain, at least the reasons of their resignation:

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

**Personal or corporate name of the director:**

MR VICTOR GRIFOLS ROURA

**Brief description:**

All powers which may be delegated by virtue of law and the Company's articles of association.

- C1.11 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	Does he/she have executive functions?
MR RAMON RIERA ROCA	GRIFOLS JAPAN K.K.	DIRECTOR	NO
MR RAMON RIERA ROCA	GRIFOLS SWITZERLAND AG	DIRECTOR	NO
MR RAMON RIERA ROCA	PROGENIKA LATINA, S.A. de C.V.	ALTERNATE DIRECTOR	NO
MR RAMON RIERA ROCA	GRIFOLS MALAYSIA SDN BHD	CHAIRMAN	NO
MR RAMON RIERA ROCA	GRIFOLS AUSTRALIA PTY LTD	DIRECTOR	NO
MR RAMON RIERA ROCA	GRIFOLS COLOMBIA LTDA	DIRECTOR	NO
MR RAMON RIERA ROCA	GRIFOLS S.R.O.	DIRECTOR	NO
MR RAMON RIERA ROCA	PLASMACARE INC	DIRECTOR	NO
MR RAMON RIERA ROCA	GRIFOLS WORDLWIDE OPERATIONS LIMITED	DIRECTOR	NO
MR RAMON RIERA ROCA	GRIFOLS POLSKA	DIRECTOR	NO

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<b>Personal or corporate name of the director</b>	<b>Corporate name of the group entity</b>	<b>Position</b>	<b>Does he/she have executive functions?</b>
	S.P.Z.O.O.		
MR RAMON RIERA ROCA	GRIFOLS CHILE, S.A.	CHAIRMAN	NO
MR RAMON RIERA ROCA	GRIFOLS PHARMACEUTICAL CONSULTING (SHANGHAI) CO., LTD. BEIJING BRANCH	CHAIRMAN	NO
MR RAMON RIERA ROCA	GRIFOLS WORLDWIDE OPERATIONS SPAIN, S.A.	DIRECTOR	YES
MR RAMON RIERA ROCA	GRIFOLS INTERNATIONAL, S.A.	DIRECTOR	YES
MR RAMON RIERA ROCA	PROGENIKA BIOPHARMA, S.A.	VICE-CHAIRMAN	NO
MR TOMÁS DAGÁ GELABERT	GRIFOLS DIAGNOSTIC SOLUTIONS INC.	DIRECTOR	NO
MR TOMÁS DAGÁ GELABERT	KIRO ROBOTICS, S.L.	DIRECTOR	NO
MR TOMÁS DAGÁ GELABERT	PLASMACARE, INC.	DIRECTOR	NO
MR TOMÁS DAGÁ GELABERT	GRIFOLS WORLDWIDE OPERATIONS LIMITED	DIRECTOR	NO
MR VICTOR GRIFOLS ROURA	PLASMACARE, INC.	DIRECTOR	NO
MR VICTOR GRIFOLS ROURA	DIAGNOSTIC GRIFOLS, S.A.	DIRECTOR	YES
MR VICTOR GRIFOLS ROURA	GRIFOLS WORLDWIDE OPERATIONS SPAIN, S.A.	DIRECTOR	YES
MR VICTOR GRIFOLS ROURA	GRIFOLS MOVACO, S.A.	DIRECTOR	YES
MR VICTOR GRIFOLS ROURA	LABORATORIOS GRIFOLS, S.A.	DIRECTOR	YES
MR VICTOR GRIFOLS ROURA	BIOMAT, S.A.	DIRECTOR	YES
MR VICTOR GRIFOLS ROURA	GRIFOLS VIAJES, S.A.	DIRECTOR	YES
MR VICTOR GRIFOLS ROURA	GRIFOLS INTERNATIONAL, S.A.	DIRECTOR	YES
MR VICTOR GRIFOLS ROURA	GRIFOLS ENGINEERING, S.A.	DIRECTOR	YES
MR VICTOR GRIFOLS ROURA	GRI-CEL, S.A.	DIRECTOR	YES
MR THOMAS GLANZMANN	ALKAHEST INC.	PREFERRED DIRECTOR	NO

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 group entity</b>	<b>Position</b>
MS CARINA SZPILKA LÁZARO	ABANCA CORPORACIÓN BANCARIA, S.A.	DIRECTOR
MS BELEN VILLALONGA MORENÉS	ACCIONA, S.A.	DIRECTOR

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Personal or corporate name of the director	Corporate name of the group entity	Position
MS BELEN VILLALONGA MORENÉS	TALGO, S.A.	DIRECTOR
MS CARINA SZPILKA LÁZARO	MELIA HOTELS INTERNATIONAL, 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

C.1.14 This section has been annulled

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

<b>Remuneration of the Board of Directors (thousands of euro)</b>	4,573
<b>Amount of the aggregate remuneration corresponding to rights accumulated by present directors in relation to pensions (thousands of euro)</b>	0
<b>Amount of the aggregate remuneration corresponding to rights accumulated by former directors in relation to pensions (thousands of euro)</b>	0

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:

Personal or corporate name	Position
MR LAFMIN MORGAN	PRESIDENT OF THE BIOSCIENCE AND HOSPITAL DIVISION
MR CARSTEN SCHROEDER	PRESIDENT OF THE DIAGNOSTIC DIVISION
MR ALFREDO ARROYO GUERRA	CHIEF FINANCIAL OFFICER
MS NURIA PASCUAL LAPEÑA	VP TREASURY, RISK MANAGEMENT AND IRO
MR JAVIER JORBA RIBES	CHAIRMAN OF GRIFOLS BIOSCIENCIAS INDUSTRIAL GROUP
MR. VICENTE BLANQUER TORRE	VP QUALITY & R&D
MR. ANTONIO VIÑES PARES	VP CORPORATE PLANNING & CONTROL
MR MATEO BORRAS HUMBERT	CHIEF HUMAN RESOURCERS OFFICER
MR CARLOS ROURA FERNANDEZ	CHIEF INDUSTRIAL OFFICER
MR JUAN IGNACIO TWOSE ROURA	MEMBER OF THE ADVISORY COMMITTEE
MS MONTSERRAT LLOVERAS CALVO	VP CORPORATE ACCOUNTING AND REPORTING
MR SHINJI WADA	CHAIRMAN OF GRIFOLS PLASMA OPERATIONS
MR DAVID BELL	VP AND GENERAL COUNSEL OF GRIFOLS SHARED SERVICES NORTH AMERICA INC.
MR. GREGORY GENE RICH	CHAIRMAN AND CEO OF GRIFOLS SHARED SERVICES NORTH AMERICA INC.

<b>Total remuneration of senior management (thousands of euro)</b>	10,287
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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:

<b>Personal or corporate name of the director</b>	<b>Corporate name of the significant shareholder</b>	<b>Position</b>
MR RAIMON GRIFOLS ROURA	DERIA, S.A.	SOLE DIRECTOR

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:**

MR RAIMON GRIFOLS ROURA

**Personal or corporate name of the related significant shareholder:**

DERIA, S.A.

**Description of the relationship:**

Raimon Grifols Roura is shareholder in Deria, S.A. (a non-controlling shareholder, pursuant to the Securities Market Act)

**Personal or corporate name of the related director:**

MR RAIMON GRIFOLS ROURA

**Personal or corporate name of the related significant shareholder:**

MRS NURIA ROURA CARRERAS

**Description of the relationship:**

Nuria Roura Carreras is Raimon Grifols Roura's mother

**Personal or corporate name of the related director:**

MR RAIMON GRIFOLS ROURA

**Personal or corporate name of the related significant shareholder:**

SCRANTON ENTERPRISES, B.V.

**Description of the relationship:**

Raimon Grifols Roura is shareholder in Scranton Enterprises, B.V. (a non-controlling shareholder, pursuant to the Securities Market Act)

**Personal or corporate name of the related director:**

MR RAMON RIERA ROCA

**Personal or corporate name of the related significant shareholder:**

SCRANTON ENTERPRISES, B.V.

**Description of the relationship:**

Ramon Riera Roca is shareholder in Scranton Enterprises, B.V. (a non-controlling shareholder, pursuant to the Securities Market Act)

**Personal or corporate name of the related director:**

MR TOMAS DAGA GELABERT

**Personal or corporate name of the related significant shareholder:**

SCRANTON ENTERPRISES, B.V.

**Description of the relationship:**

Tomas Daga Gelabert is shareholder in Scranton Enterprises, B.V. (a non-controlling shareholder, pursuant to the Securities Market Act)

**Personal or corporate name of the related director:**

MR VICTOR GRIFOLS ROURA

**Personal or corporate name of the related significant shareholder:**

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MRS NÚRIA ROURA CARRERAS

**Description of the relationship:**

Núria Roura Carreras is Victor Grifols Roura's mother

**Personal or corporate name of the related director:**

MR VICTOR GRIFOLS ROURA

**Personal or corporate name of the related significant shareholder:**

DERIA, S.A.

**Description of the relationship:**

Victor Grifols Roura is shareholder in Deria (a non-controlling shareholder, pursuant to the Securities Market Act)

**Personal or corporate name of the related director:**

MR VICTOR GRIFOLS ROURA

**Personal or corporate name of the related significant shareholder:**

SCRANTON ENTERPRISES, B.V.

**Description of the relationship:**

Victor Grifols Roura is shareholder in Scranton Enterprises, B.V. (a non-controlling shareholder, pursuant to the Securities Market Act)

**Personal or corporate name of the related director:**

MR VICTOR GRIFOLS DEU

**Personal or corporate name of the related significant shareholder:**

MRS NÚRIA ROURA CARRERAS

**Description of the relationship:**

Victor Grifols Roura is the grandson of Mrs Núria Roura Carreras (Rodellar Amsterdam Holdings, B.V.)

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

**NO**

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.The Directors shall be appointed by the General Shareholders' Meeting or by the Board of Directors, in accordance with the provisions established in the Companies Act.

2.The proposals for appointment of Directors, submitted by the Board of Directors for consideration by the General Shareholders' Meeting, and the appointment decisions that said body adopts by virtue of the powers of co-option that are legally attributed to it, shall be preceded by the corresponding proposal by the Appointments and Remunerations Committee, if they are independent directors, and, in any case, with a report prepared by the Board, in which the candidate's competence, experience and merits are assessed, and which shall be attached to the minutes of the General Shareholders' Meeting or the Board of Directors, as appropriate.

The proposal to appoint any non-independent director must be also preceded by the corresponding report issued by the Appointments and Remunerations Committee.

3.This article will also apply to any natural person who is designated to represent a legal entity appointed to the Board of Directors.

**Article 19. Appointment of Non-Executive Directors**

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1.The Board of Directors and the Appointments and Remunerations Committee, within the boundaries of their competences, shall endeavour that the election of candidates falls on persons of recognized solvency, competence and experience, paying particular attention to those people called on to cover posts as independent Directors as established in Article 6 of these Regulations.

2.The Board of Directors shall not propose or appoint, for the post of independent Director, any person that is related to the management of the Company or is linked by family, professional or commercial reasons to the Executive Directors or Executive Officers of the Company.

In particular, the following shall not be proposed or appointed as Independent Directors:

- (a) individuals who during the last year have had a working, commercial or contractual relationship, directly or indirectly, of significance, with the Company, its Executives, Proprietary Directors or companies in the group, whose shareholding interests are represented, banking institutions with a significant position in the financing of the Company or organizations that receive substantial subsidies from the Company;
- (b) Directors of another listed company that has Proprietary Directors in the Company;
- (c) those persons related to the Executive or Proprietary Directors or to members of the management of the Company; in view of the current Regulation, it shall be understood that persons related to those Directors are those that are involved in some of the conditions foreseen in Article 231 of the Companies Act; and
- (d) persons with other relationships with the Company which in the opinion of the Appointments and Remunerations Committee could reduce its independence.

**Article 20. Re-election of Directors**

The proposals for re-election of Directors that the Board of Directors decides to submit to the General Shareholders' Meeting must follow the same formal working process established by Law and article 18 of these Regulations for the appointment of directors.

**Article 17 b. Regular assessment**

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

- (a) Its quality and efficiency;
- (b) The performance of the duties of the Board's Chairman and of the chief executive officer of the Company; and
- (c) The performance of its Committees.

**Article 22. Resignation of Directors**

1.The Directors will resign from office when the period of time for which they were appointed has elapsed and when decided by the General Meeting by virtue of the powers it is legally or statutorily granted.

2.The Board of Directors shall abstain from proposing to the General Meeting the resignation of non-executive Directors (proprietary or independent), before the completion of the statutory period for which they were elected, except when exceptional and justified causes exist and when previously informed by the Appointments and Remunerations Committee.

3.The Directors must place their position at the disposal of the Board of Directors and formalize the relevant resignation in the following cases:

- (a) when they cease to occupy the executive posts which were associated with their appointment as Director, except by express ratification by the Board of Directors, following a non-binding report prepared by the Appointments and Remunerations Committee;

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- (b) when they incur in any of the legally foreseen cases of incompatibility or prohibition;
- (c) when they are prosecuted for a supposedly criminal act or an order is brought against them to commence oral proceedings for any of the offenses indicated in article 213 of the Companies Act or are the object of disciplinary actions of a serious or very serious nature by supervisory authorities.
- (d) when the Audit Committee gives them a serious warning for having infringed their obligations as Directors;
- (e) when their Directorship on the Board could place the best interests of the Company at risk or when the reasons for their appointment disappear; and
- (f) in the case of a Proprietary Director, when the shareholder whose interests he/she represents on the Board sells his/her participation in the Company, or when they are reduced to below a level that reasonably justified such an appointment.

4. When a director leaves his position, whether by resignation or for any other reason, he shall explain why in a letter that must be sent to the members of the Board via the Chairperson or the Secretary.

**C.1.20 Explain the extent to which the annual assessment of the board of directors has led to important changes in its internal organization and in relation to the procedures applicable to its activities:**

<b>Description of the changes</b>
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In 2016, the Board of Directors considered it would be positive to hire an external consultant to carry out the annual assessment; Russell Reynolds was the company selected for said assessment. The Appointments and Remuneration Committee evaluated the independence of the consultants. To carry out the evaluation, the directors were given 43 questions and the members of the committees were given 49, which could be classified as follows: (i) preparation of meetings, (ii) organization and culture, (iii) follow up of adopted resolutions, (iv) material produced in relation to new board members, (v) efficiency of the Audit Committee and the Appointments and Remuneration Committee. There were no areas for the directors to worry about, and a few with room for improvement.

**C.1.20bis Describe the process of assessment and the areas assessed by the board of directors with the help, where applicable, of an external consultant in connection with the diversity of its membership and the powers, functioning and composition of its commissions, the performance of the chairman of the board of directors and of the chief executive of the Company and the performance and contribution of each director:**

In accordance with article 17.bis of the Regulations of the Board of Directors, all its members have evaluated the following in relation to the FY 2016: (a) the quality and efficiency of the Board's performance; (b) based on the report to be submitted by the Appointments Committee, the performance of the duties of the Board's Chairman and of the chief executive officer of the Company; (c) the performance of its Committees, based on the reports they submit. As stated in the above section, the Company hired Russell Reynolds to carry out the annual assessment and to be enriched by receiving an objective input.

It should be highlighted that the Board is constantly self-evaluating and tries to implement as soon as possible any improvements. Each committee carries out its own evaluation before the last Board meeting is held, where they express their satisfaction or dissatisfaction with the performance of each committee, as well as specifying if they need any further resources to carry out their duties. Both the Appointments and Remuneration Committee and the Audit Committee has expressed their satisfaction with the performance and resources available. The Chairman of the Appointments and Remuneration Committee has met with members of the Senior

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Executives Committee and the Human Resources Officer. Likewise, the Audit Committee has met with the Company's auditors, as well as with its internal audit and compliance teams. Additionally, the Appointments and Remuneration Committee assessed the performance of the Company's Chairman of the Board and of the chief executive officer and reporting their findings to the Board. Female directors represent 30.7% of the Board. The selection of the Board's members is based on the diversity found in their knowledge, experience and gender. The directors were invited to join the "Investor Day", which took place on 2 June 2016 in the Company's premises in Dublin (Ireland). At the director's request, presentations of specific subjects are made during the Board meetings.

C.1.20ter Give details where applicable of the business relationships the consultant or any company belonging to his/her group has with the Company or any company in the Group:

None in 2016

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

Regulations of the Board of Directors

Article 22. Resignation 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 by the Appointment 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 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 Audit 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 a level that reasonably justified their appointment as such.

C.1.22 This section has been annulled.

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

**NO**

Where applicable, describe the differences.

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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**

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

**YES**

<b>Questions in which there is a casting vote</b>
---

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**

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**

C.1.28 State whether the Articles of association 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 there is any limitation on the category of delegations beyond the limitations imposed by law. Where applicable, give brief details of these rules.

Pursuant to the provisions of the Spanish Companies Act, Article 17 of the Regulations of the Board of Directors establishes that non-executive directors may only delegate their representation to another non-executive director.

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>	8
<b>Number of board meetings without the chairman's attendance</b>	0

If the chairman is an executive director, state the number of board meetings held without any executive director attending the meeting or being represented and in the presence of the lead independent director.

<b>Number of board meetings</b>	0
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State the number of meetings held by the different Board Committees during the financial year:

Committee	# Meetings
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Appointment and Remuneration Committee	5
Audit Committee	6

- 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>Number of board meetings with the attendance of all the directors</b>	7
<b>% of attendances in relation to the total votes during the financial year</b>	87.50%

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

**YES**

Identify, if appropriate, the person(s) certifying the individual and consolidated annual accounts for their formulation by the Board.

Name	Position
MR ALFREDO ARROYO GUERRA	CHIEF FINANCIAL OFFICER
MS MONTSERRAT LLOVERAS CALVO	VP CORPORATE ACCOUNTING AND REPORTING

- 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**

If the Secretary is not a director, please fill out the following table:

Personal or corporate name of the Secretary	Representative
MS NURIA MARTÍN BARNÉS	

- C.1.34 This section has been annulled.

- 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.

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

1. Submit to the Board of Directors any proposals regarding the selection, appointment, re-election and substitution of the external auditor, including the terms of his contract, without prejudice to the faculties vested in the General Shareholders' Meeting and the Board with regard to the approval of such resolutions under Spanish law.
2. Be directly in charge of the remuneration and supervision of the work performed by the external auditor regarding the audit report preparation and issuance or any other similar reports relating to financial statements.
3. Regularly and directly collect from the external auditor information about the development, impact and execution of the audits, as well as the audit plan and results of its execution, and verify that top management takes their recommendations into account;
4. Safeguard the external auditor's independence when performing his duties, and to do so:
  - Ensure that the Company communicates as a relevant event to the CNMV the change in auditor and attaches a statement of the possible existence of any disagreements with the outgoing auditor and, if applicable, its contents;
  - Establish the necessary relationships with the external auditor to receive information about any issues that may compromise his independence, and which the Audit Committee will examine, and any other issues regarding the development of the audit of accounts process, as well as any notifications required in the audit of accounts legislation and in the audit regulations.
  - Ensure that the Company and the auditor respect the rules in force on providing services different to audit services, the auditor's market concentration limits and, in general, any others rules established to guarantee the independence of the auditors and, to that end, annually receive from the external auditors a statement of their independence in relation to the entity, or any entities directly or indirectly related to it, as well as any information on any kind of ancillary services provided and the corresponding fees paid by these entities to the external auditor or the persons or entities related to it in accordance with the account audit legislation;
  - Issue, prior to issuing the audit of accounts report and on an annual basis, a written opinion on the independence of the auditor. This opinion must include an assessment of the ancillary services mentioned above (which shall be individually and jointly assessed) different from the legal audit, and in relation to the independence status or audit regulations; and
  - If the external auditor resigns, examine the circumstances that have caused said resignation.

Additionally, 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

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

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- 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**

	<b>Company</b>	<b>Group</b>	<b>Total</b>
<b>Amount of other non-auditing work (thousands of euro)</b>	112	111	223
<b>Amount of other non-auditing work / Total work invoiced by the auditing firm (as a %)</b>	5.10%	3.64%	4.25%

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

**NO**

- 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>	26	26
<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**

**Give details on the procedure**

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

Article 25. Expert assistance

1. In order to be aided in the performance of their duties, a non-executive Director may request that legal, accounting, financial or any other experts be hired at the expense of the Company.

The engagement must necessarily relate to specific problems of certain importance and complexity that arise in the performance of their duties.

2. The engagement decision must be communicated to the Chairperson of the Board of Directors which can be vetoed by the Board of Directors if:

- a) it is not necessary for the correct performance of the duties carried out by non-executive Directors;
- b) the cost is not reasonable in view of the importance of the problem and the assets and revenue of the Company; or

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c) the technical assistance that is required can be adequately provided by the experts and technicians within the Company.

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 Articles of Association.

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 the directors' obligation to inform the Appointment 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 the 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 Appointment 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 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

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down for the commencement of an oral trial against him/her, for any of the offenses stipulated in article 213 of the Spanish Companies Act:

NO

State whether the Board of Directors has analyzed 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.

Not applicable.

- 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.

**Number of beneficiaries:** 77

**Type of beneficiary:**

Board members (directors), executives and employees

**Description of the agreement**

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 9 executives in virtue of which the latter will receive indemnities ranging from one year to 4 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

Has the General Shareholders' Meeting been informed about the clauses?	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 executive, proprietary and independent directors or other external directors that form these.

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**Appointment and Remuneration Committee**

<b>Name</b>	<b>Position</b>	<b>Type</b>
MS MARLA ELIZABETH SALMON	CHAIRPERSON	Independent
MR LUIS ISASI FERNÁNDEZ DE BOBADILLA	MEMBER	Independent
MR TOMÁS DAGÁ GELABERT	MEMBER	Other External

<b>% of proprietary directors</b>	0.00%
<b>% of independent directors</b>	66.67%
<b>% of other externals</b>	33.33%

Explain the functions attributed to this committee. Describe its procedures and rules of organization and functioning, and provide a summary of the most important activities carried out during the fiscal year:

The Appointment and Remuneration Committee shall be formed by three (3) to five (5) directors, appointed by the Board of Directors, taking into account their knowledge, competence and experience and the Committee's duties. The Appointment and Remuneration Committee shall be exclusively composed of non-executive directors, of which at least two must be independent directors.

The Board of Directors shall appoint the Chairperson of the Appointment and Remuneration Committee. The position of Chairperson will necessarily be held by an independent director.

The Board of Directors shall appoint the Secretary of the Appointment and Remuneration Committee, who may be (a) one of the members of such Committee (and, in such case, he/she will be Secretary member of the Appointment and Remuneration Committee), (b) any other member of the Board of Directors of the Company who is not a member of the Committee (and, in such case, he/she will be Secretary non-member of the Appointment and Remuneration Committee), or (c) the Secretary or a Vice-Secretary of the Board of Directors of the Company (and, in such case, he/she will be Secretary non-member of the Appointment and Remuneration Committee). The Secretary shall draft the minutes of the resolutions adopted in each Committee meeting and shall report to the full Board of Directors through its Chairperson.

Basic responsibilities:

- (a) to formulate and review the criteria to be followed for the composition of the Board of Directors and the selection of candidates, taking into account the competence, knowledge and experience necessary to be in the Board, specifying the duties and aptitudes that each candidate must have in case of vacancies in addition to assessing the time and commitment needed to perform their duties effective and efficiently;
- (b) to establish a representation target for the least represented gender in the Board of Directors and prepare guidelines to achieve said target;
- (c) to submit to the Board of Directors any proposals to appoint, re-elect and/or separate the independent directors prior to being submitted to the General Shareholders' Meeting or, as the case may be, being adopted by the Board exercising its power of co-option, and in all cases informing about the character of the director being proposed;
- (d) to report the proposals of appointment, re-election and/or separation of the non-independent directors for their appointment by the Board of Directors by means of co-option or their submission to the General Shareholders' Meeting by the Board of Directors;
- (e) To report the proposals of appointment and removal of the Chairperson and Vice-chairpersons of the Board of Directors;

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- (f) to examine and organize the succession of the Chairperson of the Board of Directors and the chief executive officer and, as the case may be, to make proposals to the Board so that said succession takes place in an orderly and well planned manner;
- (g) to report the proposal and appointment and resignation of the Secretary and Vice-Secretary of the Board;
- (h) to report the proposal of appointment and resignation of senior management proposed by the chief executive officer to the Board and the basic conditions of their contracts;
- (i) to propose to the Board of the Directors the directors who shall be part of each of the Committees;
- (j) to propose to the Board of Directors the remuneration policy of the directors and general managers or anyone performing top-level management duties under the direct supervision of the Board, executive committees or executive directors, as well as the individual remuneration and other contractual terms regarding the executive directors, ensuring its fulfilment;
- (k) to periodically review the payment programmes of executive officers, considering their adequacy and performance; and
- (l) to report on the transactions that imply or could imply conflicts of interest and, in general, on matters covered in Chapter IX of these Regulations.

The most significant actions carried out by the Appointment and Remuneration Committee during the 2016 fiscal year were the proposal to re-elect Mr Luís Isasi Fernández de Bobadilla as director, as well as the re-election of Mr Steven Mayer as director, changing his category from "other external" to "independent". The Committee also prepared the mandatory report to justify the re-election of Thomas Glanzmaan and the appointment of Victor Grifols Deu as directors. Additionally, the Appointment and Remuneration Committee proposed changing the category of Raimon Grifols Roura from "proprietary director" to "executive director", as well as proposing the remuneration for Raimon Grifols Roura and Víctor Grifols Deu as executive directors. The Committee also reviewed the independence of the consultants proposed for the annual assessment of the Board's performance and that of the chief executive officer, as well as carried out its annual assessment and prepared a report which it later submitted to the Board. Finally, the Appointment and Remuneration Committee examined the remuneration policy of the directors and approved that of senior officers for 2017. It has also reviewed the category of the directors and has prepared a report on the appointment of Thomas Glanzmann as non-executive Vice-Chairman. It is worth noting that in the meeting held on 16 December 2016 the Company's Board of Directors agreed to maintain Mr. Iñigo Sánchez-Asiain Mardones as Coordinating Director of the Board even if from 1 January 2017 onwards such legal figure is not mandatory by law given that from that date onwards the Chairman of the Board of Directors is no longer CEO. This has been decided in order to ensure a greater independence in the management of the Company.

**Audit Committee**

Name	Position	Type
MS BELEN VILLALONGA MORENÉS	CHAIRPERSON	Independent
MS CARINA SZPILKA LÁZARO	MEMBER	Independent
MR STEVEN MAYER	MEMBER	Independent

<b>% of proprietary directors</b>	0.00%
<b>% of independent directors</b>	100.00%
<b>% of other externals</b>	0.00%

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Explain the functions attributed to this committee. Describe its procedures and rules of organization and functioning, and provide a summary of the most important activities carried out during the fiscal year:

The Board of Directors shall appoint the Chairperson of the Audit Committee, a position that shall be necessarily held by an independent director. The Chairperson must be replaced every four (4) years and may be re-elected after the term of one (1) year has elapsed.

The Audit Committee shall be validly formed when half plus one of its members are present or represented and their resolutions are approved by absolute majority of the assisting members. In the case of a tie, the Chairperson shall have the casting vote.

Basic responsibilities:

- Inform the General Shareholders' Meeting of questions raised in respect of those matters which are within the committee's competence.
- Previously inform the Board of Directors about periodic financial statements, which due to its stock exchange listing, the Company must make public periodically; in this sense, the Committee will ensure that the interim accounts are drawn up under the same accounting principles as the annual accounts and for this purpose shall consider the appropriateness of a limited review by an external auditor.
- Previously inform of the creation or acquisition of shareholdings in special purpose entities or domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature, which due to their complexity, could harm the transparency of the Group.
- Previously inform of related party transactions.
- Inform of any matter that has or may have a material, financial or accounting impact.
- Supervise the preparation and presentation, and integrity of the mandatory financial information related to the Company and the Group, verifying compliance with the regulation requirements, the adequate defining of consolidation boundaries and the correct application of accounting criteria.
- Supervise the efficiency of the Company's internal control, internal audit and risk management systems, including those related to tax matters, periodically reviewing the internal control and risk management systems, so that any principal risks are identified, dealt with and adequately recognized, as well as discussing, with the auditor, any major flaws in the control system identified during the audit process.
- Monitor the independence and efficiency of internal auditing; propose the selection, appointment, re-election and dismissal of the Director of the Internal Audit Department; propose the budget for this Department; receive periodic information on its activities (including the annual work plan and annual activities reports prepared by the Director of the Department); and verify that the top management takes into account the conclusions and recommendations of their reports.
- Set up and supervise procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or audit matters, as well as anonymous and confidential information provided by employees regarding questionable accounting or auditing matters.
- Submit to the Board of Directors any proposals regarding the selection, appointment, re-election and substitution of the external auditor, including the terms of his contract, without prejudice to the faculties vested in the General Shareholders' Meeting and the Board with regard to the approval of such resolutions under Spanish law.
- Be directly in charge of the remuneration and supervision of the work performed by the external auditor regarding the audit report preparation and issuance or any other similar reports relating to financial statements.

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- Regularly and directly collect from the external auditor information about the development, impact and execution of the audits, as well as about the audit plan and results of its execution, and verify that top management takes their recommendations into account.
- Safeguard the external auditor's independence when performing his duties.
- Encourage the Group auditor to undertake the responsibility of the audits of the companies making up the group.
- Request that legal, accounting, financial advisors or other experts or advisors be hired, on account of the Company, to assist them in the performance of their duties.
- Supervise compliance with the Internal Conduct Regulations in matters related to the Stock Exchange, the present Regulation, standards of conduct set out in the "Code of Ethics for Grifols Executives" and the "Code of Conduct for Grifols' Employees".

The most significant actions carried out by the Audit Committee during the 2016 fiscal year were (i) reviewing and approving the Company's annual accounts (individual and consolidated) of the fiscal year ended on 31 December 2015, (ii) approving the consolidated financial statements prior to these being approved by the Board and being notified to the markets and supervising agencies, and approving the financial statements prepared under the IFRS IASB in order to submit them to the Securities and Exchange Commission, (iii) assessing its performance, preparing a report with its conclusions and submitting it to the Board, (iv) preparing a report on the auditor's independence, and (v) appointing KPMG for the preparation of the corporate social responsibility report, in accordance with recommendations 54 and 55 of the Good Governance Code of Listed Companies

Identify the director and member of the audit committee who has been appointed as such taking into account his/her accounting or auditing knowledge and experience, or both, and inform about the number of years that the chairman of this committee has been in office.

Name of the director who has accounting or auditing knowledge	MS BELEN VILLALONGA MORENÉS
Number of years the chairman has been in office	2

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 financial years:

	Number of female directors							
	FY 2016		FY 2015		FY 2014		FY 2013	
	Number	%	Number	%	Number	%	Number	%
Appointment and Remuneration Committee	1	33.00	1	33.00	1	33.00	1	33.00
Audit Committee	2	67.00	1	25.00	1	25.00	1	25.00

C.2.3 This section has been annulled.

C.2.4 This section has been annulled.

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.

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The Regulations of the Audit Committee are contained in (i) the Company's Bylaws, (ii) the Regulations of the Board of Directors, and (iii) the Statutes of the Audit Committee.

The Appointment and Remuneration Committee is regulated in (i) the Company's Bylaws and (ii) the Regulations of the Board of Directors.

The documents mentioned above are available on the Company's website.

The Committees inform the Board of Directors of the activities carried out and the resolutions adopted in each meeting. Additionally, in the last meeting held in 2016, each committee prepared a report on its functioning and performance.

C.2.6 This section has been annulled.

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

D.1 Explain, where applicable, the procedure for the approval of operations with related parties and intra-group operations.

<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 in full 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 which are affected by said related-party operations, in addition to not exercising or delegating their voting right, are to leave the meeting room while the Board discusses and votes on these matters.

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:

Personal or corporate name of the significant shareholder	Personal or corporate name of the company or entity of its group	Nature of the relationship	Type of operation	Amount (thousands of euro)
SCRANTON ENTREPRISES B.V.	GRIFOLS, S.A.	Contractual	Operating lease agreement	5,281

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.

Personal or corporate name of the directors	Personal or corporate	Relationship	Nature of operation	Amount (thousands)
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or executives	name of the related party			of euro)
MR THOMAS GLANMANN	GRIFOLS, S.A.	Thomas Glanzmann is a director of Grifols, S.A. and shareholder of Glanzmann Enterprises AG	Services agreement	905

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:

Corporate name of the group' subsidiary	Brief description of the transaction	Amount (in thousands of euros)
Nanotherapix, S.L.	Financial expense	4
Fundación Privada Victor Grifols Lucas	Management or collaboration agreements	425
Probitas Fundación Privada	Management or collaboration agreements	4,900
Kiro Robotics, S.L.	Acquisitions	2,067
Kiro Robotics, S.L.	Sales	45
Aradigm Corporation	Operating expenses	38
Alkahest, Inc.	R+D agreements	10,188
Interstate Blood Bank, Inc.	Acquisitions	33,502
PBS Acquisition Corp.	Sales	147
Alkahest, Inc.	Sales	1
Alkahest, Inc.	Operating expenses	7,257

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Kiro Robotics, S.L.	Operating expenses	296
Aradigm Corporation	Financial income	1,105
Alkahest, Inc.	Financial expense	297
Kiro Robotics, S.L.	Financial income	4

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

0 (thousands of euro)

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 Appointment and Remuneration Committee before accepting any management position in another company or entity that 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 Appointment and Remuneration Committee.

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

**NO**

Identify any subsidiaries that are listed in Spain:

**Subsidiary company listed**

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;

<b>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</b>
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Identify the mechanisms provided for to resolve any possible conflicts of interests between the subsidiary listed and the other companies of the group;

<b>Mechanisms to resolve any possible conflict of interest</b>
--

## **E RISK CONTROL AND MANAGEMENT SYSTEMS**

**E.1 Explain the scope of the Risk Control and Management System of the Company including those related to tax matters.**

The Company's risk management system considers all kinds of risks, including those related to tax matters, 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 including those related to tax matters.**

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

The management of risk falls under the responsibility of the upper management and its main functions 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 statutes, the Audit Committee of the Company is responsible for "supervising the efficiency of the Company's internal control, internal audit and risk management systems, including those related to tax matters, periodically reviewing the internal control and risk management systems, so that any principal risks are identified, dealt with and adequately recognized".

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 risk, including those related to tax matters, 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 2016 are as follows:

- Global recovery has yet to be consolidated.
- 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).

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E.4 State whether the entity has a level of risk tolerance, including those related to tax matters.

No.

E.5 State which risks, including those related to tax matters, 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, including those related to tax matters.

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

The Group does not predict any significant insolvency risk.

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 committed and unused long-term 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 has significant investments in its companies/businesses abroad, their net assets being subject to foreign exchange risks, in particular with US Dollar. This risk is mainly managed by having borrowed resources in said foreign currencies.

The external resources issued at variable rates expose the Group to interest rate risks as regards cash flows. The resources issued at fixed rates expose the Group to interest rate risks at the reasonable value. The management of interest rate risks aims to achieve a balance in the structure of the debt, maintaining part of the fixed-rate debt securities and cover part of the variable debt rate through hedges.

The Group manages the exchange rate of cash flows by the appropriate derivative financial instruments consisting of fixed variable interest swaps.

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.

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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 on-going 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 centers 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.

**F1 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

Article 14, section 5 (c) of the Regulations of the Board of Directors of the Company establishes the basic responsibilities of the Audit Committee with regard to internal reporting and control systems, which include, among others, the following:

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- Supervise the preparation, and integrity of the mandatory financial information related to the Company and the Group, verifying compliance with the regulation requirements, the adequate defining of consolidation boundaries and the correct application of accounting criteria;

- Supervise the efficiency of the Company's internal control, internal audit and risk management systems, including those related to tax matters, periodically reviewing the internal control and risk management systems, so that any principal risks are identified, dealt with and adequately recognized, as well as discussing, with the auditor, any major flaws in the control system identified during the audit process;

- Monitor the independence and efficiency of internal auditing; propose the selection, appointment, re-election and dismissal of the Director of the Internal Audit Department; receive periodic information on its activities; and verify that the top management takes into account the conclusions and recommendations of their reports;

- Set up and supervise procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or audit matters, as well as anonymous and confidential information provided by employees regarding questionable accounting or auditing matters.

The 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 to 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

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information), the authority in charge of analyzing 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 10 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.

- The Chief Executive Officer and the Finance Department's executives, the chief financial officer included, as well as accounting officers, controllers and the person(s) performing similar functions are responsible for the complete, true, fair, accurate and understandable disclosure of any reports that Grifols must regularly submit to the CNMV (Spanish Stock Exchange Commission) and the SEC (the United States Securities and Exchange Commission).

-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 market will be promptly informed of any circumstance that may affect the price of quoted shares.

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

In its section 14, the Code of Conduct establishes that; “Non-fulfilment of the Code of Conduct by any employee or manager of Grifols shall be considered a serious breach of his or her obligations with Grifols and it may even lead to dismissal and to the demanding of the 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-fulfillment 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.

The Board of Directors, in its meeting held on 28 October 2016, resolved to approve the Internal Code of Conduct on Matters Related to the Securities Market, in order to comply with market abuse regulations, specifically European Regulation 596/2014. This Internal Code of Conduct on Matters Related to the Securities Market may be accessed on the Company's website.

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- 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 a reporting channel which allows for concerns of an ethical nature to be submitted, and for the reporting of any behavior 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 20 countries and in nine languages as well as in English and Spanish. For the rest of the countries in which the Company is present, an internal communications channel exists for the reporting of any behavior contrary to the Code of Conduct.

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

- Training programmes 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. The mentioned personnel regularly attend refresher seminars 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 detail, 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.

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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 the 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 2016, Internal Control identified the financial information risks with data from the financial year closed at 31 March 2016 and updated the analysis during the financial year, the last being with data referring to 31st December 2016.

- 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, under the Finance Department, 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

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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 quarterly. 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 system as a whole.

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

- Control environment;
- Evaluation of the risk;
- Control of 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;
- Intangible fixed assets;
- Tangible 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 control objectives are achieved in order to prevent or detect any material errors in the financial statements and/or fraudulent activities. The controls of the process are incorporated into the operations of the same.

- Internal Control and Internal Audit have carried out tests to verify the correct operation of the controls. The shortfalls identified, where applicable, have been validated with the person

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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 as at 31st December 2016.

**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 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 data processing centers;
- 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, the integrity of the data exchanged between the relevant applications as well as the security events;
- 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 Risk Committee: It regularly analyses the different reports on risks, incidents and regulatory changes and proposes the action plans it considers appropriate in order to protect the information assets and to reach and maintain the desired level of security;

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-IT Security Committee: It coordinates the different activities related to the implementation of the proposed action plans.

- IT Risk Management Function: Its main mission is to analyze 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;

- IT Security Function: It defines the policies, manages vulnerabilities and coordinates the implementation of the security program in IT infrastructures.

**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.

**F4 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 analyze particular transactions carried out or planned in order to determine their appropriate accounting treatment;
- To analyze 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 the international financing reporting standards, are included in a manual ("Finance Manual"), which is kept permanently up-to-date and is available to 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.**

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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 on 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 information captured in BI is transferred to a SAP module (BPC) where the Consolidation and Reporting Unit carries out and documents the consolidation process.

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

As of 31st December 2016, no material weaknesses have been identified in the review carried out on the internal control system.

In accordance with the foregoing, the management of the Company understands that the internal financial information control model is effective as of 31st December 2016.

**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 the internal control system which it has identified in its reviews, as well as the action plans established in order to mitigate them.

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

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At the same time, the accounts auditor annually presents a report to the Audit Committee in which it details any shortfalls it has detected in the internal control system 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 on 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 Code of Good Governance for Listed Companies.

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 Articles of association 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.

Complied with

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.

Not applicable

3. During the annual general meeting the chairman of the board of directors should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

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- a) Changes taking place since the previous annual general meeting.
- b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

Complied with

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Complied with

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of the capital at the time of such delegation.

When the board of directors approves any issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Complied with

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

- a) Report on auditor independence.
- b) Reviews of the operation of the audit committee and the Appointment and Remuneration Committee.
- c) Audit committee report on third-party transactions.
- d) Report on corporate social responsibility policy.

Complied with

7. The company should broadcast its general meetings live on the corporate website.

Explain

The Company does not broadcast its general meetings live on the corporate website because the Company does not consider it necessary due to high attendance.

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8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give clear account to shareholders of their scope and content.

Complied with

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complied with

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that the new agenda items and alternative proposals can be voted on the same terms as those submitted by the board of directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Not applicable

11. In the event that the company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Not applicable

12. The board of directors should perform its duties with unity of purpose and independent judgment, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximizing its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect of commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

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Complied with

13. The board should have the optimal size to promote its efficient functioning and maximize participation. The recommended range is accordingly between five and fifteen members.

Complied with

14. The board of directors should approve a director selection policy that:

- a) Is concrete and verifiable.
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs.
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened, that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by female directors before the year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Complied with

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the percentage of ownership interests in the company capital that the executive directors control.

Complied with

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholding.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Complied with

17. Independent directors should be at least half of all board members.

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However, when the company does not have a large market capitalization, or when a large cap company has shareholders individually or concertedly controlling over 30% of capital, independent directors should occupy, at least, a third of board places.

Complied with

18. Companies should disclose the following director particulars on their website and keep them regularly updated:
- a) Background and professional experience.
  - b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
  - c) Statement of the director class to which they belong, in the case of proprietary directors, indicating the shareholder they represent or have links with.
  - d) Dates of their first appointment as a board member and subsequent re-elections.
  - e) Shares held in the company, and any options on the same.

Complied with

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Not applicable

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Complied with

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up news posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Complied with

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22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organization's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Complied with

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the Board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even when he or she is not a director.

Complied with

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Complied with

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of directors' regulations should lay down the maximum number of company boards on which directors can serve.

Complied with partially

The Regulations of the Board of Directors do not establish any rules concerning the number of boards its directors may join; however, to ensure that directors have sufficient time to carry out their duties effectively, the director selection policy takes this possibility into account.

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Complied with

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27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Complied with

28. 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, they should be recorded in the minute book if the person expressing them so requests.

Complied with

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Complied with

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programs when circumstances so advise.

Complied with

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Complied with

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Complied with

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organize and coordinate regular evaluation of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Complied with

34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairman; give voice to

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the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Complied with partially

The Regulations of the Board of Directors do not assign these duties to the lead director; however, in practice, he assumes most of these additional duties, because, for instance, he was informed of the Company's succession plan and attended the Investor Day organized by the Company.

35. The board secretary should strive to ensure that the board's action and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Complied with

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:
- a) The quality and efficiency of the board's operation.
  - b) The performance and membership of its committees.
  - c) The diversity of board membership and competences.
  - d) The performance of the chairman of the board of directors and the company's chief executive.
  - e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Complied with

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Not applicable

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38. The board should be kept fully informed at all times of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Not applicable

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Complied with

40. Listed companies should have a unit in charge of internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Complied with

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Complied with

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:
  - a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
  - b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
  - c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.
2. With regard to the external auditor:

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- a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.
- b) Ensure that the remuneration of the external audit does not compromise its quality or independence.
- c) Ensure that the company notifies any change of external auditor to the CNMV (Spanish Stock Exchange Commission) as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complied with

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complied with

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyze the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Complied with

45. Risk control and management policy should identify at least:

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economical risks of contingent liabilities and other off-balance sheet risks.
- b) The determination of the risk level the company sees as acceptable.
- c) The measures in place to mitigate the impact of identified risk events should they occur.
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

Complied with

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit

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committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Complied with

47. Appointees to the Appointment and Remuneration Committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Complied with

48. Large cap companies should operate separately constituted Appointment and Remuneration Committees.

Explain

To date, the Company does not consider it necessary to have two separate committees. One committee is able to assume both tasks and ensure the proper performance of its functions.

49. The nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

Complied with

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior office contracts.
- b) Monitor compliance with the remuneration policy set by the company.
- c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.
- d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.

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- e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Complied with

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Complied with

52. The terms of reference of supervision and control committees should be set out in the board of directors' regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
- b) They should be chaired by independent directors.
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.
- d) They may engage external advice, when they feel it necessary for the discharge of their functions.
- e) Meeting proceedings should be minuted and a copy made available to all board members.

Complied with

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established *ad hoc* by the board under its powers of self-organization, with at the least the following functions:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
- b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
- c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
- d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.

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- e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
- f) Monitor and evaluate the company's interaction with its stakeholder groups.
- g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Complied with

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
- d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complied with

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Complied with

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgment of non-executive directors.

Complied with

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

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The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Complied with

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based only on one-off, occasional or extraordinary events.

Complied with

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Complied with

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Complied with

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Not applicable

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

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Not applicable

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Complied with partially

This is not expressly provided for in the contractual arrangements; however, the variable remuneration is only paid if the targets have been met.

The remuneration of the executive directors is based on a fixed and a variable component, the variable component based on the fulfilment of company objectives oriented to the creation of value. In addition, part of the variable component may be received in company B shares, in which case these are not delivered until a two year and one day term has elapsed.

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Explain

Contracts executed with executive directors include a takeover clause, according to which they may choose between continuing or ending their contractual relationship with the Company. In the latter case, executive directors shall be entitled to receive compensation in an amount equivalent to five years of salary.

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

## **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.
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

There are no significant aspects in connection with corporate governance practices in the Company or in the Group's entities which have not been stated in the corresponding sections of this report.

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Notwithstanding the foregoing and for the avoidance of doubt, the shares referred to in section A8 (treasury stock) are Class B shares without voting rights.

Likewise, as regards section C.1.30, the reason why the percentage of board meetings held in 2016 by the Company's Board of Directors with the attendance of all the board members is 87.50% is because of the international commitments of some of the board members.

As regards section D2, the contractual relationship is between Centurión Real Estate SOCIMI S.A.U. and Grifols, S.A., being Scranton Enterprises B.V. (a significant shareholder in Grifols, S.A.) the sole shareholder of Centurión Real Estate SOCIMI S.A.U.

This corporate annual governance report has been approved by the Company's Board of Directors, at its session held on 24/02/2017

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

NO