

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

ISSUER IDENTIFICATION DATA

ACCOUNTING REFERENCE DATE	31/12/2019
CIF	A-58389123
CORPORATE NAME	
GRIFOLS, S.A.	
REGISTERED OFFICE	
CALLE JESÚS Y MARÍA, 6, 08022 BARCELONA	

A. COMPANY REMUNERATION POLICY FOR THE CURRENT FINANCIAL YEAR

A.1. Explain the remuneration policy for directors applicable to the current financial year. If relevant, certain information may be included by referring to the remuneration policy approved by the general shareholders' meeting, provided that the inclusion is clear, accurate and exact.

Specific decisions must be detailed for the current financial year, both for the remuneration of the directors in their capacity as such and the performance of executive duties, which the board would have carried out in accordance with the provisions of the agreements signed with the executive directors, and also with the remuneration policy approved by the general shareholders' meeting.

In any event, at least the following aspects must be reported:

- **Description of the procedures and governing bodies of the company involved in determining and approving the remuneration policy and its terms.**
- **Specify and, if appropriate, explain if similar companies have been taken into account to establish the company's remuneration policy.**
- **Inform if an external advisor has participated and identify it, if applicable.**

The directors' remuneration policy approved by the General Shareholders' Meeting held on 26 May 2017 is the remuneration policy applied for the financial year ended on 31 December 2019 and it is the one in force for the current financial year (2020) until its amendment is approved. Notwithstanding the foregoing, as detailed in section A.2 of this report, on the date of approval of this report, the Company's Appointments and Remuneration Committee has proposed to the Board of Directors, which has approved them, certain amendments to the current remuneration policy. Such amendments are expected to be included in a new remuneration policy proposal that would be applicable to the current financial year, if it is approved by the Company's General Shareholders' Meeting to be held during the current year 2020. The objective of the Company's remuneration policy is to create value for Grifols, aiming to manage risk adequately and sensibly, to be aligned with the interests of its shareholders, and to strictly comply at all times with any regulations on the remuneration of directors of listed companies.

In accordance with the Company's Articles of Association, the General Shareholders' Meeting shall approve, at least every three years, and with a validity of three years following the year of its approval, the directors' remuneration policy, which shall necessarily establish the maximum amount of the annual remuneration to be paid to all directors as such; the Board of Directors shall be in charge of its distribution among the board members. The duties and responsibilities of each director or their membership to Board committees shall be taken into account when allocating the amount. If the General Shareholders' Meeting agrees on the distribution of the annual remuneration among the members of the Board of Directors, then the resolution by the Board of Directors shall not be necessary. Thus, once the General Shareholders' Meeting approves the remuneration policy, the board members shall be entitled to obtain the remuneration established by the Board of Directors following the provisions of the Articles of Association and other regulations and in accordance with the indications of the Appointments and Remuneration Committee, ensuring that the remuneration is moderate based on market requirements.

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

The Appointments and Remuneration Committee met on 13 December 2019 to review the Company's remuneration policy to be applied in the current financial year. On the date of approval of this report, the Company's Appointments and Remuneration Committee has proposed to the Board of Directors, which has approved them, certain amendments to the current remuneration policy, as detailed in section A.2 of this report. Such amendments are expected to be included in a new remuneration policy proposal that would be applicable if it is approved by the Company's General Shareholders' Meeting to be held during the current financial year 2020.

In accordance with Grifols' remuneration policy, in financial year 2019 an analysis was carried out on the external competitiveness of the remuneration package of all the Company's employees, including its directors and management members. This analysis was carried out with the aim of reviewing the adequacy of the remuneration levels and to ensure that these are in line with the market practices of other companies operating in the same sector and for similar levels of responsibility. The sources of information used for this analysis were different salary surveys carried out by an independent consultancy firm, Mercer LCC ("2019 Mercer Life Sciences Survey" and "2019 Mercer Total Remuneration Survey"). In Spain, the salary surveys used have been the ones carried out by the consultancy firm Willis Towers Watson ("2019 Pharmaceutical and Health Sciences Compensation Survey"). In North America the salary surveys used have been the ones carried out by the consultancy firm Randford ("Global Life Sciences" and "Global Sales Survey").

Based on this analysis, the Human Resources Department, the Appointments and Remuneration Committee and the Board of Directors came to the conclusion that, in general terms, Grifols' remuneration is moderate. However, as detailed in section A.2 of this report, the Appointments and Remuneration Committee, taking into account the comparative analysis carried out by Russell Reynolds as an external advisor, has considered it appropriate to propose an increase in the remuneration received by the directors in their capacity as such, by those who chair the different Board committees, by the lead independent director and by the non-executive chairman.

In order to determine the remuneration for the current financial year the Company has hired Russell Reynolds to carry out a comparative study of the remuneration received by the directors in their capacity as such in similar companies in terms of market capitalisation and the sector to which they belong. In addition, Russell Reynolds has analysed the remuneration received by the chairperson of the Board committees and the one received by the lead independent director. The conclusions of this analysis have led the Appointments and Remuneration Committee to propose to the Board of Directors, which has approved them, certain modifications to the current remuneration policy, which are detailed in section A.2 of this report.

- **Relative significance of the variable remuneration components with respect to the fixed components (remuneration mix) and the criteria and objectives that have been taken into account in their determination, and to guarantee a suitable balance between the fixed and variable components of the remuneration. In particular, specify which actions have been taken by the company in relation to the remuneration system in order to reduce exposure to excessive risks and align it with the long-term objectives, values and interests of the company. This must include a reference to measures planned to guarantee that the remuneration policy addresses the company's long-term results, measures adopted in relation to the category of employees whose professional activities have a material impact on the risk profile of the entity and measures planned to prevent conflicts of interests, as appropriate.**

Also, specify if the company has established an accrual or consolidation period for certain variable remuneration concepts, in cash, shares or other financial instruments, a deferral period to pay amounts or deliver any financial instruments already accrued or consolidated, or if a clause has been agreed to in relation to reducing the differed remuneration or that forces a director to return any amounts

paid, when such remuneration was based on data which was later proved to be inaccurate.

The remuneration system of the executive directors consists of a fixed remuneration, which aims to remunerate the performance of executive duties, and a variable remuneration, which aims to remunerate the achievement of the objectives set out by the Company, as detailed below.

The Company's remuneration policy takes into account the long-term objectives of the Company, among other things, to reduce exposure to excessive risks, granting its top executives and its executive directors the possibility of obtaining a variable amount in relation to their remuneration. Hence, the remuneration of the executive directors consists of a fixed amount and a variable amount, being possible for the latter to reach a maximum amount of 65% of the fixed annual remuneration, in accordance with the Company's current remuneration policy.

The remuneration of the executive directors is determined taking into account the remuneration of similar positions in similar companies, based on the analysis carried out by Grifols' Human Resources Department, as proposed by the Appointments and Remuneration Committee. Additionally, the annual variable remuneration of the executive directors is determined taking into account the achievement of certain annual objectives, following the common practice of similar companies. The objectives are linked to the performance of the Company's Group as a whole, taking as reference the consolidated EBIT. If the degree of accomplishment does not reach 90%, the right to receive this variable remuneration would not be accrued.

To determine the percentage to be applied to the variable remuneration, a series of ranges have been established based on the achievement of objectives related to the achievement of the EBIT. Based on the foregoing, subject to the achievement of the objectives, the variable remuneration may vary between 0% and a maximum amount of 65% of the fixed annual remuneration.

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

The calendar for the variable remuneration plan to be applied to the executive directors of Grifols is the following:

- At the end of February each year, the Board of Directors prepares the annual accounts corresponding to the previous financial year and identifies the percentage of objectives reached in order to pay the variable remuneration (bonus).
- In March each year, the executive directors decide which percentage of their variable remuneration (bonus) they want to receive in cash and which percentage in Company Class B shares. Executive directors may receive up to 50% of their variable remuneration in rights over Company Class B shares. The percentage of the variable remuneration (bonus) in cash shall be paid in March each year.
- Rights corresponding to Class B shares received as variable remuneration shall have a vesting period of two (2) years and one (1) day, at which time the Class B shares shall be delivered to the relevant executive directors.

- **Amount and nature of the fixed components that directors, in their capacity as such, are expected to accrue during the financial year**

It is expected that the Company's General Shareholders' Meeting to be held during the current financial year approves a new Company's remuneration policy proposal, which would be applicable to the financial year 2020 and to the three financial years following the year of its approval.

Therefore, once the new Company's remuneration policy is approved, the amount of the fixed annual remuneration for the current financial year will amount to €120,000 for each member of the Board of Directors who is a non-executive director, with the exception of those non-executive directors that are rendering paid professional services to the Company or the Group.

Also, any director who serves as a member of one of the Committees of the Board of Directors (Audit Committee and Appointments and Remuneration Committee) should receive an additional gross annual remuneration of €25,000 for the heavier workload (thus, the total remuneration should amount to €145,000). Likewise, the chairpersons of each Committee should receive an additional €30,000 for performing their duties as chairperson (thus, the total remuneration should amount to €175,000). The lead independent director should receive an additional €55,000 for performing his duties (thus, the total remuneration should amount to €175,000).

Under no circumstances, shall the remuneration of a non-executive director exceed €175,000 per year for the performance of his duties as director.

It should be noted that the above-mentioned amounts are subject to the Board of Directors drawing up the new remuneration policy proposal and such proposal has to be approved by the General Shareholders' Meeting to be held during the current financial year. The proposal of remuneration policy of the Board of Directors must be reasoned and will be accompanied by a specific report from the Appointments and Remuneration Committee. Both documents will be made available to the shareholders on the company's website as soon as the General Meeting that is to decide on its approval is called.

Non-executive Chairman

The remuneration of the non-executive Chairman will also be amended in the new proposed remuneration policy to be submitted for approval to the General Shareholders' Meeting to be held during this financial year 2020. Thus, the remuneration of the Chairman of the Board of Directors of the Company during the current financial year should be a fixed annual amount of €1,000,000. The Chairman's remuneration has been decided taking into account his proven experience as director and Chairman of the Company, in addition to his knowledge in the sector in which the Company operates.

When deciding Mr. Grifols Roura's remuneration, the duties that he carries out, in addition to those set out in the Spanish Companies Act for the position of Chairman of the Board of Directors, are taken into account. In particular, but not limited to, these duties are related to (i) the internal functioning of the Board of Directors itself, (ii) in collaboration with the Chief Executive Officers, the encouragement to the Board of Directors in developing and ensuring that the appropriate strategy for Grifols is implemented by the executive team, (iii) the corporate governance, (iv) the composition and efficiency of the Board of Directors, and (v) the external representation of the Company. In addition, an analysis has been carried out to be in line with the remuneration that non-executive chairpersons receive in similar companies in terms of market capitalization and the sector in which they operate.

- **Amount and nature of the fixed components that executive directors are expected to accrue during the financial year for performing executive duties**

During the current financial year (2020), there are two executive directors (the Co-Chief Executive Officers) who shall accrue an annual fixed remuneration arising from the employment (or, where applicable, commercial) relationship that they have with the Company.

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

The amount of fixed remuneration for the current year is €895,000 for each of the Co-Chief Executive Officers.

- **Amount and nature of any remuneration concept in kind to be accrued during the financial year, including but not limited to any insurance policy premiums in favour of a director.**

N/A

- **Amount and nature of the variable components, distinguishing between short and long term. Financial and non-financial parameters, including among these last ones, any social, environmental and climate change parameters, selected to determine the variable remuneration of the current financial year, an explanation on how these parameters are related to the performance of both the board member and the entity, as well as with their risk profile and methodology, necessary period and techniques to be used for determining, at the end of the financial year, the degree of accomplishment of the parameters used when designing the variable remuneration.**

Add the range in monetary terms of the different variable components based on the fulfilment of the established objectives and parameters, as well as specifying if there is a maximum monetary amount in absolute terms.

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

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

Likewise, the non-executive Chairman does not receive variable remuneration either.

B. Variable remuneration derived from exercising executive duties

The variable component is received by board members that have the category of executive directors and, as such, have an employment relationship (or, where appropriate, a commercial relationship) with the Company. During the current financial year (2020), there are 2 executive directors that shall receive annual variable remuneration derived from their employment relationship (or, where appropriate, a commercial relationship) with the Company: the Co-Chief Executive Officers.

The percentage of the variable remuneration is established depending on the level of accomplishment of the Company's annual objectives, in accordance with common practices of similar companies for positions of similar responsibility. These objectives are determined annually and are approved by the Appointments and Remuneration Committee. The objectives are linked to the performance of the Group as a whole, taking as reference the consolidated EBIT, as this is considered one of the main indicators of the Company's management.

The EBIT shows the evolution of the Company's business, including all its divisions, and more specifically the results it has obtained (before discounting interests and taxes). Therefore, it is considered as the most adequate form of measurement to evaluate the executive directors' operating management of the Company. This parameter also facilitates the transparency of the variable remuneration system since it is published quarterly.

The variable remuneration can reach a maximum of 65% of the fixed annual remuneration. To determine the percentage to be applied to the variable remuneration, a series of ranges have been established based on the accomplishment of objectives related to achieving the EBIT. As mentioned above, this form of measurement is considered the most adequate to evaluate the management of the executive directors, since it is the main indicator used to measure the Company's operating results. Based on the foregoing, and conditional on the accomplishment of

the objectives determined, the variable remuneration may vary between 0% and a maximum amount of 65% of the fixed annual remuneration, in accordance with the Company's remuneration policy in force. If 100% of the objectives are accomplished, the maximum percentage of 65% shall be automatically applied to determine the variable remuneration, since the targets related to the achievement of the EBIT are objective criteria.

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

It should be highlighted that the variable remuneration system of the Company's executive directors is in line with IBEX-35 practices. According to the annual report on the remuneration of board members of listed public limited companies for financial year 2018, the latest published by the CNMV, all IBEX-35 companies have in place formal plans concerning the short-term (annual) variable remuneration for executive directors. These plans have been generally based on internal parameters such as the evolution of operative results or the net profit of the Company. Finally, it should also be highlighted that Grifols does not have a longer-term remuneration system due to the fact that its executive directors are also shareholders. The executive directors hold a high number of shares of the Company, and this circumstance, together with their willingness to stay in the shareholding, ensures an alignment with the corporate interests of the Company and an intention to continue creating value in the Company on the long term, in line with the interest of Grifols' investors and shareholders.

It should be noted that all of the above with regard to the variable remuneration derived from the exercise of executive functions is established by the remuneration policy approved on 26 May 2017 and will remain unchanged in the new remuneration policy proposal to be drawn up by the Board of Directors, which will be submitted for approval to the Company's General Shareholders' Meeting to be held during the current financial year.

- **The main features of the long-term savings systems. Among other information, specify the contingencies covered by the system, if it is by contribution or defined benefit, the annual contribution that has to be paid into the defined contribution systems, the benefits to which the beneficiaries are entitled in defined benefits systems, the terms of consolidation of any economic rights in favour of the board members and its compatibility with any type of payment or indemnity for the resolution or early dismissal, or derived from the termination of the contractual relationship, in the terms agreed to, between the company and a board member.**

Specify if the accrual or consolidation of any of the long-term savings plans are related to the achievement of certain objectives or parameters related to the short or long-term performance of a board member.

N/A

- **Any type of payment or compensation due to termination or early dismissal or derived from the termination of the contractual relationship in the terms agreed between the company and a board member, regardless of the board member resigning or being dismissed by the company, as well as any other pacts, such as exclusivity, post contractual non concurrence and permanency or loyalty, which would give a board member a right to any type of remuneration**

Explained in next section.

- **Specify the conditions that must be maintained in the contracts of those who carry out executive duties such as executive directors. Among others, inform about the duration, the limits of compensation amounts, permanency clauses, notification periods, as well as the payment in the event of no notification, contractual bonuses, compensation or golden parachute clauses as a result of the early termination or termination of the contractual relationship between the company and an executive director. Include, among others, any agreements of non-concurrence, exclusivity, permanency or fidelity, and post contractual non-competence, unless already explained in the above section.**

The contracts of the 2 executive directors are standard contracts, as they do not include any particularities beyond those normally included in this type of contracts. Without detriment to the foregoing, said contracts include clauses of change of control, pursuant to which, in the event of a change of control, the executive directors may either decide to stay in the Company or terminate their relationship with it. In the latter case, they are entitled to a severance payment equivalent to 5 years of salary. This compensation would only apply in case a change of control occurs. The compensation in case of termination by the company would be equivalent to 2 years of salary, which is in line with termination compensations established in similar companies.

Takeover indemnities (termination payments in case of change of control) are calculated on the basis of 5 years, and these are lower (in absolute terms) than the termination payments of many companies, which calculate such concept on the basis of 2 years, but could lead to the payment of a higher amount. This is due to the fact that the remuneration of Grifols' top managers is moderate. It is worth noting that the remuneration of the executive directors is lower than the average of the IBEX-35 companies. Furthermore, the amount is considered reasonable given that the contracts include non-competition clauses for a period of 1 year. Additionally, the characteristics of the blood products industry in which the company operates, and which has 3 main players, has led Grifols adopting a specific policy on termination payments.

On the other hand, the contracts signed by the executive directors set out a post-contractual non-compete obligation. Such clause entails that once the relevant contract is terminated, and during a period of 1 year, they may not render services in companies of similar nature to that of the Company.

Likewise, the contracts of the 2 executive directors set out that the Company shall be entitled to claim the return of the variable remuneration previously paid, in the event that (i) the performance results required for its accrual were not achieved, or (ii) it had been paid based on data that was later proved to be inaccurate.

- **The nature and estimated amount of other supplementary payments to be accrued by the directors during the current year as payment for services provided different from those inherent to their position.**

N/A

- **Other remuneration concepts such as those arising from the company granting any advance payments, loans, warranties or other remunerations.**

N/A

- **The nature and estimated amount of other supplementary payments not included in any of the above sections, regardless of it being satisfied by the company or another entity of the company, and which shall be accrued by the directors during the current financial year.**

N/A

A.2. Explain any relevant changes in the remuneration policy being applied to the current financial year resulting from:

- **A new policy or amendment to the policy approved by the General Shareholders' Meeting.**
- **Relevant changes in specific decisions established by the board for the current financial year related to the remuneration policy in force in respect of those applied during the preceding financial year.**
- **Proposals that the board of directors agreed to submit to the general shareholders' meeting, to which this annual report shall be submitted, and which the board recommends applying to the current financial year.**

On the date of approval of this report, the Company's Appointments and Remuneration Committee has proposed to the Board of Directors, which has approved them, certain amendments to the current remuneration policy. Such modifications are expected to be included in a new remuneration policy proposal that would be applicable to the current financial year (2020) and to the three financial years following its year of approval, after the mandatory approval by the Company's General Shareholders' Meeting. In accordance with the provisions of the Spanish Companies Act, the remuneration policy proposal of the Board of Directors must be reasoned and will be accompanied by a specific report from the Appointments and Remuneration Committee. Both documents will be made available to the shareholders on the company's website as soon as the General Meeting that is to decide on its approval is called.

Reasons for proposing the change of the Company's remuneration policy

Following the analysis of directors' remuneration carried out by the external advisor, Russell Reynolds, the Appointments and Remuneration Committee concluded that, in order to be in line with comparable companies in terms of market capitalisation and the sector in which they operate, it was advisable to increase the remuneration for directors in their capacity as such, as well as the remuneration of the directors who chair the different board committees, the remuneration of the lead independent director and the remuneration of the non-executive chairman.

In this respect, the Appointments and Remuneration Committee considered that it was necessary to review and recommend an update of the amounts received by the directors in their capacity as such, given that the remuneration that they receive (€100,000 per year) was fixed in 2012 when the Company's market capitalisation was around 5,000 million euros. The current market capitalisation is around 18,000 million euros. Likewise, the remuneration of the directors who chair the different board committees and the remuneration of the lead independent director was fixed in 2015 when the market capitalisation was around 12,000 million euros. Likewise, an increase in the remuneration of the non-executive chairman is also proposed since his remuneration was fixed in 2016. It is understood that the increase in market capitalisation from 2012 to date is directly related to an increase in the size and turnover of the Company, which reasonably entails an increase in the workload and duties of the directors in their capacity as such, of the directors chairing the different board committees, of the lead independent director or of the non-executive chairman. Therefore, the Appointments and Remuneration Committee has considered it appropriate to propose an increase in the above-mentioned remunerations to be in line with similar companies. The specific modifications are set out below.

It is worth noting that the average of the total annual remuneration of independent directors of IBEX-35 companies, both for being members of the board and committee members, amounts to €181,517. The remuneration of a non-executive director at Grifols will not exceed €175,000 per year.

Proposed changes

The amount of the fixed annual remuneration would be €120,000 (instead of €100,000) in favour of each of the members of the Board of Directors who are non-executive directors, with the exception of those non-executive directors who provide paid professional services to the Company or the Group during the financial year.

In addition, directors who are members of any committee of the Board of Directors (Audit Committee and Appointments and Remuneration Committee) would continue to receive an additional annual gross remuneration of €25,000 each for the increased workload. Likewise, the chairpersons of the respective committees would receive an additional €30,000 for the performance of their duties as chairpersons (instead of €25,000). The lead independent director would receive an additional €55,000 for the performance of his duties (instead of €50,000).

Likewise, the remuneration of the non-executive chairman would increase in €35,000 (going from €965,000 to €1,000,000).

A.3. Add the direct link to the document containing the company's current remuneration policy, which must be accessible through the company's webpage.

<https://www.grifols.com/documents/51507592/54909588/05-politica-remuneraciones-consejeros-en/48f00c55-b36f-4048-bfa1-89d844515d8f>

A.4. Taking into account the information provided in section B.4, explain how the company has taken into account the vote of the shareholders during the general meeting in which the previous year's annual remuneration report was voted on a consultative basis

The Company has analysed the shareholders' vote at the last General Meeting, as well as the different comments received by the proxy advisors, in order to introduce improvements to align with the interests of its stakeholders. Grifols maintains direct and continuous interaction with its shareholders and proxy advisors and internally analyses all comments and suggestions received. It should be noted that Grifols hires the services of the international consulting firm Morrow Sodali on corporate governance issues on an annual basis.

B. GLOBAL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED DURING THE YEAR ENDED 31/12/2019

B.1. Explain the process that has been followed to apply the remuneration policy and to determine the individual payments shown in section C of this report. This information will include the role of the remuneration committee, the decisions taken by the board of directors and, where appropriate, the identity and the role of any external advisors whose services have been used to apply the remuneration policy of the financial year ended.

The Company's remuneration policy applied during the financial year ended 31 December 2019 is the one approved by the Company's Ordinary General Shareholders' Meeting held on 26 May 2017, the content of which is available at the following link:

<https://www.grifols.com/documents/51507592/54909588/05-politica-remuneraciones-consejeros-en/48f00c55-b36f-4048-bfa1-89d844515d8f>

Regarding the process followed to apply the Company's remuneration policy to the financial year ended 31 December 2019, it should be highlighted that the Appointments and Remuneration Committee met on 14 December 2018 to review the Company's remuneration policy that was applied to financial year 2019. Following the proposal of the Appointments and Remuneration Committee, the policy was previously reviewed by Grifols' Human Resources Department, which compared the policy applied by the Company to that of similar companies, and was subsequently approved by the Board of Directors.

The comparative analysis carried out by the Human Resources Department was based on selecting a number of similar companies listed in the main index of the Spanish stock market, the IBEX-35; and hence, included the principal Spanish companies taking into account their size, international presence and main features, as well as companies related to the plasma industry. On the basis of this analysis, the Human Resources Department, the Appointments and Remuneration Committee and the Board of Directors, concluded at that time that Grifols' remuneration policy was moderate and adequate.

Likewise, during the meeting of the Board of Directors, held on 14 December 2018, the Human Resources Department explained to the board members the remuneration policy applied to the executive directors, and such policy was unanimously approved.

B.2. Explain the different actions taken by the Company in relation to the remuneration system and how they have contributed to reduce exposure to excessive risks and align it with the long-term objectives, values and interests of the Company. This is to include a reference to the following: measures approved in order to ensure that the accrued remuneration has taken into account the company's long-term objectives, measures to establish a suitable balance between the fixed and variable components of the remuneration, measures adopted in relation to the categories of personnel whose professional activities have a material impact on the company's risk profile, and measures adopted to prevent conflicts of interest, if applicable.

As explained in section A1 above, the Company's remuneration policy takes into account the long-term financial and management objectives of the Company, among other things, to reduce exposure to excessive risks, granting its senior executives and its executive directors the possibility of obtaining a variable amount in relation to their remuneration. Therefore, the remuneration of the executive directors consists of a fixed amount and a variable amount, with the latter being able to reach a maximum amount of 65% of the fixed annual remuneration, in accordance with the Company's current remuneration policy. The annual variable remuneration of the executive directors is determined based on the achievement of certain annual objectives. These objectives are linked to the performance of the Group as a whole, taking as a reference the consolidated EBIT. If the degree of achievement does not reach 90%, the executive directors would lose the right to be paid the variable amount.

The variable remuneration is an amount that may reach 65% of the annual fixed remuneration. To determine the percentage to be applied to the variable remuneration, a series of ranges have been established based on the accomplishment of objectives related to achievement of the EBIT. Based on the foregoing, subject to the accomplishment of the objectives determined, the variable remuneration may vary between 0% and a maximum amount that may reach 65% of the annual fixed remuneration.

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

B.3. Explain how the remuneration accrued during the financial year complies with the current remuneration policy.

Likewise, explain the relationship between the remuneration obtained by the directors and the results or other performance measurements, in the short and long-term, of the company, explaining, if applicable, how any variations in the company's performance may have influence a variation in the directors' remuneration, including any accrued and deferred payments, and explain how these have contributed to the company's short and long-term results.

The remuneration accrued during the financial year ended 31 December 2019 strictly complies with the Company's current remuneration policy, which was approved by the General Shareholders' Meeting held on 26 May 2017.

As explained above, the percentage of the variable annual remuneration of the executive directors is determined based on the achievement of the Company's annual objectives, which are set out annually and approved by the Appointments and Remuneration Committee. The objectives are linked to the performance of the Group as a whole, taking as a reference the consolidated EBIT Holding amount, as it is considered one of the main indicators of the Company's management. If the degree of achievement does not reach 90%, the executive directors would lose the right to be paid the variable amount.

B.4. Report on the result of the consultative vote at the general shareholders' meeting on the previous year's annual remuneration report, indicating the number of negative votes cast, if any:

	Number	% of total
Issued Votes	338,871,496	99.43

	Number	% of total
Negative votes	133,265,388	39.33
Votes in favour	203,665,331	60.10
Abstention	1,940,777	0.57

B.5. Explain how the fixed components accrued by the directors, in their capacity as such, have been determined during the financial year, and how they have varied compared to the preceding year.

The remuneration of the directors in their capacity as such has not varied from the preceding financial year.

Therefore, the remuneration of the directors, in their capacity as such, accrued during the financial year ended 31 December 2019 has been determined based on the Company's remuneration policy, and it has consisted of a fixed amount in cash taking into account position and level of responsibility, and which amounts to €100,000 for each of the members of the Board of Directors, with the exceptions mentioned below.

Moreover, the directors that served as a member on one of the Board of Director's Committees, that is, the Audit Committee and the Appointments and Remuneration Committee, received an additional gross annual amount of €25,000 as a result of having a heavier workload. Therefore, the fixed annual remuneration of the directors who also served as members of a committee amounted to €125,000.

Likewise, the chairpersons of each Committee received an additional annual amount of €25,000, again as a result of a heavier workload in relation to the rest of the committee members. Therefore, the amount of their fixed annual remuneration amounted to €150,000.

The lead independent director received an additional remuneration amounting to €50,000 for performing the duties inherent to this role. Therefore, his total annual fixed remuneration amounted to €150,000.

For the financial year ended 31 December 2019, the remuneration of the non-executive Chairman of the Board of Directors of the Company consisted of a fixed annual amount of 965 (in thousands of euros). The Chairman's remuneration has been decided taking into account his proven experience as director and Chairman of the Company, in addition to his valuable knowledge in the sector in which the Company operates.

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

B.6. Explain how the salaries accrued during the last financial year by each of the executive directors for performing their executive duties have been determined, and how they have changed from the previous year.

The salaries accrued by each of the executive directors for performing their executive duties during the financial year that has ended are the ones set out in their senior management employment contracts.

B.7. Explain the nature and the main features of the variable components of the remuneration systems accrued during the last financial year.

In particular:

- **Identify each one of the remuneration plans that have determined the different types of variable remuneration accrued by each of the directors in the year ended, including information on their scope, their date of approval, their date of incorporation, the periods of accrual and validity, the criteria used to evaluate performance and how this has affected the establishment of the variable amount accrued, as well as the measurement criteria used and the period necessary to be in a position to suitably measure all the conditions and criteria stipulated.**

In the case of share options and other financial instruments, the general characteristics of each plan will include information on both the conditions to acquire unconditional ownership (consolidation) and to exercise these options or financial instruments, including the price and term to exercise them.

- **Each one of the directors, together with their category (executive directors, proprietary directors, independent directors and other external directors), that are beneficiaries of remunerations systems or plans that include variable remuneration.**
- **As the case may be, information is to be provided on periods for the accrual or deferment of payment applied and/or the periods for withholding/unavailability of shares or other financial instruments, if they should exist.**

Explain the short-term variable components of the remuneration systems.

Only executive directors receive the variable component and, as such, they have an employment (or, where applicable, commercial) relationship with the Company.

During 2019, 2 executive directors received a variable annual remuneration derived from their employment relationship (or, where applicable, commercial relationship) with the Company, i.e. the 2 Co-Chief Executive Officers.

The percentage of the variable remuneration is subject to achieving the Company's annual objectives, following the common practices of similar companies for positions of similar responsibility. These objectives are determined annually and are approved by the Appointments and Remuneration Committee. The objectives are linked to the performance of the Group as a whole, taking as reference the consolidated EBIT, as this is considered one of the main indicators of the Company's management.

The EBIT shows the evolution of the Company's business as a whole, including all its divisions, and more specifically the results it has obtained (before discounting interests and taxes). Therefore, it is considered as the most adequate measurement to evaluate the executive directors' operating management of the Company. This parameter also facilitates the transparency of the variable remuneration systems since it is published quarterly.

As previously mentioned, in accordance with the Company's remuneration policy, the variable remuneration can reach 65% of the annual fixed remuneration. To determine the percentage to be applied to the variable remuneration, a series of ranges have been established based on the accomplishment of objectives related to achievement of the EBIT. As mentioned above, this measurement is considered the most adequate to evaluate the management of the executive directors, since it is the main indicator used to measure the Company's operating results. Based on the foregoing, and conditional on the accomplishment of the objectives determined, the variable retribution may vary between 0% and a maximum amount that may reach 65% of the annual fixed remuneration. It is worth mentioning that the percentage applicable to the variable remuneration accrued during financial year 2019 reached a high percentage (61.15 %) as a result of accomplishing 94.08% of the objectives determined by the Company.

As to the assessment method that shall determine the accomplishment of the objectives, it should be pointed out that the variable remuneration of the executive directors is based on the

degree of accomplishment of the objective related to the annual EBIT. If the degree of accomplishment does not reach 90%, the executive directors would lose the right to be paid their variable remuneration.

The calendar for the variable remuneration plan to be applied to the executive directors of Grifols is the following:

- At the end of February each year, the Board of Directors prepares the annual accounts corresponding to the previous financial year and identifies the percentage of objectives reached in order to pay the variable remuneration (bonus).
- In March each year, the executive directors decide which percentage of their variable remuneration (bonus) they want to receive in cash and which percentage in Company Class B shares. Executive directors may receive up to 50% of their variable remuneration in rights over Company Class B shares. The percentage of the variable remuneration (bonus) in cash shall be paid in March each year.
- Rights corresponding to Class B shares received as variable remuneration shall have a vesting period of two (2) years and one (1) day, at which time the Class B shares shall be delivered to the relevant executive directors.

Explain the long-term variable components of the remuneration systems.

B.8. Specify if certain variable components have been reduced or claw backed when, in a first case, they had been consolidated and the payment differed or, in a second case, if they had been consolidated and paid, based on data that was later proven as manifestly inaccurate. Describe the reduced or returned amounts as a result of applying the reduction or clawback clauses, why they were executed and to which financial years they correspond.

N/A

B.9. Explain the main features of the long-term saving systems whose annual, equivalent and long-term amount or cost are shown in the charts found in Section C, including pensions and any other benefits that are being financed, partially or fully, by the company, whether internally or externally granted, specifying the type of scheme, if it is by contribution or defined benefit, the contingencies it covers, the terms of the consolidation of any economic rights for directors, and their compatibility with any kind of compensation for the early resolution or termination of the contractual relationship between the company and the director.

N/A

B.10. Explain, if applicable, any indemnities or any other payment as a result of early termination, regardless of the board member resigning or being dismissed by the company, pursuant to its terms, accrued and/or received by the directors during the financial year ended.

N/A

B.11. Specify if there have been any significant amendments to the agreements of any one carrying out top management duties as executive directors, and, if applicable, explain these amendments. Also, explain the main terms of the new agreements signed

by the executive directors during the financial year, unless this has already been covered in section A.1.

N/A

B.12. Explain any supplementary remuneration accrued by board members as compensation for services rendered other than those inherent to their position.

N/A

B.13. Explain any compensation in the form of advanced payments, credits and guarantees granted, with indication of the interest rate, their essential characteristics and the amounts finally returned, as well as the obligations assumed under these by way of guarantees.

N/A

B.14. Detail the remuneration in kind accrued by the directors during the financial year, and briefly explain the nature of the different salary components.

N/A

B.15. Explain the remuneration accrued by the board member by virtue of any payments that the listed company may make to any third party companies in which the board member may render its services, whenever the purpose of said payments is to remunerate the services of said director in the company.

N/A

B.16. Explain any other remuneration concept not included above, whatever its nature may be and whichever the entity of the group paying it may be, especially whenever they may be considered a related-party transaction or their issuing may distort the faithful image of the total remuneration accrued by a director.

N/A

C. BREAKDOWN OF THE INDIVIDUAL COMPENSATIONS ACCRUED BY EACH BOARD MEMBER

Name	Type	Accrued period during financial year 2019
Ms. Anna Veiga Lluch	Independent	From 01/01/2019 to 31/12/2019
Mr. Tomás Dagá Gelabert	Other External	From 01/01/2019 to 31/12/2019
Mr. Thomas Glanzmann	Other External	From 01/01/2019 to 31/12/2019
Mr. Raimon Grifols Roura	Executive	From 01/01/2019 to 31/12/2019
Mr. Ramón Riera Roca	Other External	From 01/01/2019 to 31/12/2019
Mr. Victor Grifols Roura	Proprietary	From 01/01/2019 to 31/12/2019
Mr. Victor Grifols Deu	Executive	From 01/01/2019 to 31/12/2019
Ms. Belén Villalonga Morenés	Independent	From 01/01/2019 to 31/12/2019
Mr. Luis Isasi Fernández de Bobadilla	Independent	From 01/01/2019 to 31/12/2019
Ms. Carina Szpilka Lázaro	Independent	From 01/01/2019 to 31/12/2019
Ms. Marla Elizabeth Salmon	Independent	From 01/01/2019 to 31/12/2019
Mr. Steven Mayer	Independent	From 01/01/2019 to 31/12/2019
Mr. Iñigo Sánchez-Asiaín Mardones	Independent	From 01/01/2019 to 31/12/2019
Ms. Enriqueta Felip Font	Independent	From 01/01/2019 to 31/12/2019

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

a) Remuneration accrued by the Company covered in this report:

i) Compensation in cash (in thousands of €)

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Name	Fixed remuneration	Allowances	Remuneration for belonging to committees of the Board	Salary	Short term variable remuneration	Long term variable remuneration	Compensations	Other concepts	Total year 2019	Total year 2018
ANNA VEIGA LLUCH	50	0	0	0	0	0	0	0	50	100
TOMÁS DAGÀ GELABERT	0	0	0	0	0	0	0	0	0	0
THOMAS GLANZMANN	100	0	0	0	0	0	0	220	320	844
RAIMON GRIFOLS ROURA	855	0	0	0	252	0	0	0	1107	1.084
RAMON RIERA ROCA	100	0	0	0	0	0	0	0	100	962
VICTOR GRIFOLS ROURA	965	0	0	0	0	0	0	0	965	965
VICTOR GRIFOLS DEU	855	0	0	0	183	0	0	0	1038	747
BELÉN VILLALONGA MORENÉS	100	0	25	0	0	0	0	0	125	129
LUIS ISASI FERNÁNDEZ DE BOBADILLA	100	0	25	0	0	0	0	0	125	125
CARINA SZPILKA LÁZARO	100	0	50	0	0	0	0	0	150	146
MARLA ELIZABETH SALMON	100	0	50	0	0	0	0	0	150	150
STEVEN MAYER	100	0	25	0	0	0	0	0	125	125
ÍÑIGO SÁNCHEZ-ASIAÍN MARDONES	100	0	50	0	0	0	0	0	150	150
ENRIQUETA FELIP FONT	50	0	0	0	0	0	0	0	50	0

Observations: It is worth mentioning that Ms. Enriqueta Felip Font was appointed as independent director on 24 May 2019, date on which the resignation of Ms. Anna Veiga Lluich as independent director became effective. Therefore, both directors have received the proportional part of their remuneration as directors in the period of 2019 in which they held the position.

ii) Chart showing the movements in the remuneration systems based on shares and gross benefit from consolidated shares or financial instruments.

Name	Name of scheme	Financial instruments at the beginning of the financial year 2019		Financial instruments granted during the financial year 2019		Financial instruments consolidated during the financial year 2019				Instruments expired and not exercised	Options at the end of the financial year 2019	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent/consolidated shares	Price of consolidated shares	Gross profit on consolidated shares or financial instruments (thousands of euros)		No. of instruments	No. of equivalent shares
Raimon Grifols Roura	RSU	32,305	32,305	21,718	21,718	9,964	9,964	16.96	169		44,059	44,059
Ramón Riera Roca	RSU	23,752	23,752			23,752	23,752	16.96	403			
Victor Grifols Roura	RSU	31,609	31,609			31,609	31,609	16.96	536			
Victor Grifols Deu	RSU	22,824	22,824	15,814	15,814	10,257	10,257	16.96	174		28,381	28,381

iii) Long-term saving systems

There are no long-term saving systems.

iv) Details of other items

There are no other items.

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

i) Compensation in cash (in thousands of €)

There are no compensation in cash.

ii) Share-based payment systems

There are no share-based payment systems.

iii) Long-term savings schemes

There are no long-term saving schemes.

iv) Other concepts (in thousands of euros)

There are no other concepts.

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

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

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Name	Compensation accrued in the Company					Compensation accrued in the group's companies				
	Total remuneration in cash	Gross profit on consolidated shares or financial instruments	Savings systems remuneration	Remuneration for other concepts	Total financial year 2019 company	Total remuneration in cash	Gross profit on consolidated shares or financial instruments	Savings systems remuneration	Remuneration for other concepts	Total financial year 2019 group
ANNA VEIGA LLUCH	50	0	0	0	50	0	0	0	0	0
TOMÁS DAGÀ GELABERT	0	0	0	0	0	0	0	0	0	0
THOMAS GLANZMANN	320	0	0	0	320	0	0	0	0	0
RAIMON GRIFOLS ROURA	1,107	169	0	0	1,276	0	0	0	0	0
RAMON RIERA ROCA	100	403	0	0	503	0	0	0	0	0
VICTOR GRIFOLS ROURA	965	536	0	0	1,501	0	0	0	0	0
VICTOR GRIFOLS DEU	1,038	174	0	0	1,212	0	0	0	0	0
BELÉN VILLALONGA MORENÉS	125	0	0	0	125	0	0	0	0	0
LUIS ISASI FERNÁNDEZ DE BOBADILLA	125	0	0	0	125	0	0	0	0	0
CARINA SZPILKA LÁZARO	150	0	0	0	150	0	0	0	0	0
MARLA ELIZABETH SALMON	150	0	0	0	150	0	0	0	0	0
STEVEN MAYER	125	0	0	0	125	0	0	0	0	0
ÍÑIGO SÁNCHEZ-ASIÁIN MARDONES	150	0	0	0	150	0	0	0	0	0
ENRIQUETA FELIP FONT	50	0	0	0	50	0	0	0	0	0
TOTAL	4,455	1,282	0	0	5,737	0	0	0	0	0

D. OTHER INFORMATION OF INTEREST

If there are any other relevant aspects in this area, which are related to board member remuneration, that may have not been included in the other sections of this report, but which may necessarily have to be included to have more complete and reasoned information on the remuneration structure and practices of the company in relation to its board members, detail these briefly.

- (1) It is worth mentioning that Ms. Enriqueta Felip Font was appointed as independent director on 24 May 2019, date on the resignation of Ms. Anna Veiga Lluch as independent director became effective. Therefore, both directors have received the proportional part of their remuneration as directors in the period of 2019 in which they held the position.
- (2) The total amount received by the director as fixed and variable remuneration in cash has been included in section (C)1(a)(i), under the section "Total year 2019".
- (3) In section (C)1(a)(i), it should be noted that during financial year 2019 the consultancy agreement entered by and between the Company and the director Mr. Thomas Glanzmann was in force from January until March 2019. He has received for this period a remuneration of 220 (in thousands of euros).
- (4) It is important to provide a more detailed explanation on the content of the tables in paragraphs (C)1(a)(i) and (C) 1(c) relating to the remuneration of the non-executive Chairman:
 - As has been repeatedly specified in this report, during financial year 2019, the non-executive Chairman received a remuneration of 965 (in thousands of euros), but he did not receive variable remuneration due to his "non-executive" category.
 - However, during financial year 2019, the non-executive Chairman was paid for other concepts that were related to previous financial years in which he had an executive role, and more specifically, in 2019, the RSU allocated during the financial year 2017, which had a vesting period of 2 years and 1 day, vested. Therefore, in 2019 he was awarded Class B shares with an equivalent value of 536 (in thousands of euros).

The above explains why he received a total remuneration of 1,501 (in thousands of euros).

- (5) It is important to provide a more detailed explanation, as well, on the content of the tables in paragraphs (C)1(a)(i) and (C)1(c) relating to the executive directors and the director Mr. Ramón Riera:
 - The executive directors have been paid their salary, in addition to a bonus, in cash, as detailed in section (2) above; and
 - In the case of the directors Raimon Grifols Roura and Víctor Grifols Deu, during financial year 2019, the RSU which were allocated in financial year 2017 and had a vesting period of 2 years and 1 day, vested. Therefore, in 2019 both of them were awarded Class B shares with an equivalent value of 169 and 174 (in thousands of euros), respectively.
 - During financial year 2019, Mr. Ramón Riera was paid for other concepts that were related to previous financial years in which he had an executive role, and more specifically, in 2019, the RSU allocated during the financial year 2017, which had a vesting period of 2 years and 1 day, vested. Therefore, in 2019 he was awarded Class B shares with an equivalent value of 403 (in thousands of euros).

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This annual corporate governance report has been approved by the Board of Directors of the company, in its session held on 21/02/2020.

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

YES

NO