



Julián Martínez-Simancas
General Secretary and secretary of the Board of Directors

Bilbao, February 17, 2015

To the National Securities Market Commission

Re: Appointment of external directors and new chairwoman and member of the Audit and Risk Supervision Committee of Iberdrola, S.A. and modification of the corporate governance System

Dear Sirs:

Pursuant to Article 82 of Law 24/1988, of 28 July, on the Securities Market (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) and related provisions, we hereby inform you that, on the date hereof, the Board of Directors of Iberdrola, S.A. (the “**Company**”) has approved, among others, the following resolutions:

1. Resignation and appointment of external directors

- (i) To acknowledge the resignation tendered on the date hereof by Mr Julio de Miguel Aynat and Mr Sebastián Battaner Arias from their positions as directors of the Company and Chairman and member, respectively, of the Audit and Risk Supervision Committee.
- (ii) To appoint on an interim basis, the American citizen Mr José W. Fernández as external independent director, and the Spanish citizen Manuel Moreu Munaiz as other external director, following the proposal and the report, respectively, issued by the Nominating and Compensation Committee, to fill the vacancies created by the resignation of Mr Julio de Miguel Aynat and Mr Sebastián Battaner Arias, on the date hereof. Both have accepted the appointment.

Following the above mentioned appointments, which will be submitted for ratification at the next General Shareholders Meeting, the composition of the Board of Directors of the Company will be that indicated in the annex to this notice of significant event.

The reports prepared by the Board of Directors in order to provide the detailed rationale for the appointment on an interim basis of Mr Manuel Moreu Munaiz and Mr José W. Fernández, pursuant to article 529 *decies* of the Spanish Companies Act (*Ley de Sociedades de Capital*) are also attached hereto.

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2. Appointment of new Chairwoman and member of the Audit and Risk Supervision Committee

- (i) To appoint, following the report of the Nominating and Compensation Committee, the external independent director Ms Georgina Kessel Martínez, currently a member of the Audit and Risk Supervision Committee, as new Chairwoman of such Committee, in replacement of Mr Julio de Miguel Aynat. Ms Georgina Kessel Martínez has accepted her appointment.
- (ii) To appoint, following the proposal of the Nominating and Compensation Committee, the independent director Mr José W. Fernández, who has accepted his appointment, as new member of the Audit and Risk Supervision Committee.

After giving effect to the appointments referred above, the composition of the Audit and Risk Supervision Committee of the Company will be as set out in the annex to this notice of significant event (*hecho relevante*).

3. Modification of the corporate governance System

To approve a broad modification of the corporate governance System, with the following content:

- (i) Approval of a new *Shareholder Engagement Policy* and amendment of the *General Corporate Governance Policy*, of the *Policy regarding the Provision of Information to and Relations with Shareholders and the Markets*, now entitled *Policy regarding the Provision of Information to and Communication with Shareholders and the Markets*, of the *Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organization*, of the *Director Remuneration Policy*, and of the *Good Tax Practices Policy* now entitled *Corporate Tax Policy*.
- (ii) Review of the content of the *Risk Policies* and approval of four specific new policies for each of the main business undertaken by the Iberdrola group.
- (iii) Amendment of all the *Social Responsibility Policies* and approval of three new policies: *Stakeholder Relations Policy*, *Policy on Respect for Human Rights*, and *Human Resources Framework Policy*.
- (iv) Approval of a new consolidated text of the *Regulations of the Board of Directors* and those of its committees.
- (v) Amendment of the *Code of Ethics* and of the *Regulations of the Compliance Unit*.

The updated content of all the regulations comprising the corporate governance System of the Company can be consulted, in either its full or condensed version, on the Company's corporate website (www.iberdrola.com).

This information is provided to you for the appropriate purposes

Yours faithfully,

General Secretary and secretary of the Board of Directors

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Composition of the Board of Directors of IBERDROLA, S.A.

Director	Title	Type of director
Mr José Ignacio Sánchez Galán	Chairman & Chief Executive Officer	Executive
Mr Xabier de Irala Estévez	Member	External proprietary
Mr Íñigo Víctor de Oriol Ibarra	Member	External independent
Ms Inés Macho Stadler	Member	External independent
Mr Braulio Medel Cámara	Member	External independent
Ms Samantha Barber	Member	External independent
Ms María Helena Antolín Raybaud	Member	External independent
Mr Santiago Martínez Lage	Member	External independent
Mr José Luis San Pedro Guerenabarrena	Member	Other external
Mr Ángel Jesús Acebes Paniagua	Member	External independent
Ms Georgina Kessel Martínez	Member	External independent
Ms Denise Mary Holt	Member	External independent
Mr José W. Fernández	Member	External independent
Mr Manuel Moreu Munaiz	Member	Other external
Mr Julián Martínez-Simancas Sánchez	Secretary non-member	
Mr Rafael Mateu de Ros Cerezo	Counsel	

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REPORT PREPARED BY THE BOARD OF DIRECTORS OF IBERDROLA, S.A., IN CONNECTION WITH THE INTERIM APPOINTMENT OF MR JOSÉ W. FERNÁNDEZ

1. Purpose of the Report

This report is prepared by the Board of Directors of IBERDROLA, S.A. (“**Iberdrola**” or the “**Company**”), in order to provide a detailed rationale for the interim appointment of Mr José W. Fernández as a director of the Company, with the status of independent director.

As provided by law and the corporate governance System, the interim appointment of Mr José W. Fernández will be submitted to the shareholders for ratification at the next General Shareholders’ Meeting of Iberdrola.

This report is issued pursuant to article 529 *decies* of the Companies Act (*Ley de Sociedades de Capital*).

2. Selection Procedure

The Appointments and Remuneration Committee has implemented a selection procedure designed to find a candidate who could be classified as an independent director, who would help achieve a suitable balance within the Board of Directors, and who would enhance the quality of decision-making and contribute multiple viewpoints to the debate of the issues dealt with by the Company’s Board of Directors.

The Appointments and Remuneration Committee has ensured that, in filling the vacancy caused by the resignations of Mr Julio de Miguel Aynat and Mr Sebastián Battaner Arias, the selection procedure would be free from any implied bias that might entail any kind of discrimination.

As a result of such procedure, the Appointments and Remuneration Committee proposed the interim appointment of Mr José W. Fernández as a director of the Company, with the status of independent director.

The proposal has drawn on a report prepared by PricewaterhouseCoopers Asesores de Negocios, S.L. which also concludes with a favorable opinion on the suitability of the candidate.

That firm has reviewed the existence of possible conflicts of interest with Iberdrola and of incompatibilities to serve as director of the Company. In addition, it has verified the compliance with the requirements laid down by the corporate governance System for the classification of a director as independent, and examined the professional profile of the candidate on grounds of the usual standards and criteria used by proxy advisors.

3. Rationale for the Proposal

The Appointments and Remuneration Committee has verified that Mr José W. Fernández meets the requirements of respectability, capability, expertise, competence, experience, qualifications, training, availability, and commitment to his duties as independent director of the Company’s Board of Directors.

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In addition, it has verified that he is not affected, directly or indirectly, by any of the instances of incompatibility with, or prohibition against holding such office or by having interests that conflict with, or are contrary to, the corporate interest as set forth in provisions of a general nature or in Iberdrola's corporate governance System.

Moreover, in preparing the proposal of the interim appointment of Mr José W. Fernández as director, the suitability of his professional profile in relation to the peculiarities of the business and the sector in which the Company operates and its international nature were examined.

In this regard, the Board of Directors believes that, in order to be able to properly exercise their duties of oversight and control within the Iberdrola group, all of its members must possess an appropriate combination of adequate qualifications and skills in the following areas:

- (a) industries in which Iberdrola does business;
- (b) economic and financial matters, management of highly qualified human resources, and legal and regulatory frameworks;
- (c) geographical markets that are most significant for the Company; and
- (d) management, leadership, and business strategy.

In addition, the candidate must have an international background.

Within this framework, Mr José W. Fernández contributes to the Board of Directors a profile that is regarded as valuable to Iberdrola, as described in section 4.2.

Finally, Mr José W. Fernández has been proposed on the basis of his personal and professional qualifications, and ability to discharge his duties without being constrained by relationships with the Company, its significant shareholders, or its directors and officers, a circumstance which makes him suitable to act as an independent director.

4. Professional Profile and Biographical Data of the Proposed Candidate and Additional Information

4.1. Professional Profile and Biographical Data

Born in Cuba in 1955, he is an American citizen and currently resides in New York.

He holds a bachelor's degree in History from Dartmouth College (New Hampshire, United States of America) and a Juris doctor from Columbia Law School (New York, United States of America).

As member of the Board of Directors, he will contribute to the national diversity of the Board.

4.2. Noteworthy Experience for the Holding of his Positions in the Company

Mr José W. Fernández has extensive experience in both the public and private sectors for his position as independent director of the Company. Of particular relevance is his knowledge of key sectors and areas for the business of the Company including regulatory aspects, investment and infrastructure, financial procedures and corporate reorganizations (mergers, acquisitions, etc.) and the U.S. market, which is one of the principal geographical axes of the Iberdrola group.

He was assistant secretary of State for Economic, Energy and Business Affairs for the United States of America, acquiring significant experience in the U.S. energy market, a strategic area for Iberdrola.

Since the end of 2013 he has acted as an independent director of Iberdrola USA, Inc., the national *subholding* of Iberdrola that carries out the organization and strategic coordination of the businesses of the group in the United States of America, affording him prior knowledge of the group and the sector.

As partner in the New York office of the law firm Gibson, Dunn & Crutcher, specialising in international mergers and acquisitions and finance in emerging markets in Latin America, the Middle East, Africa, and Asia, he contributes international and financial experience.

His legal career and his background with public institutions, apart from assistant secretary of State, he has been the State Department's representative on the Committee on Foreign Investment in the United States of America, making him an expert on institutional relationships.

Finally, his contribution in corporate social responsibility is highly valuable, as a result of his activity in non-governmental organizations as Acción Internacional and academic institutions as Dartmouth College.

4.3. Membership on other boards of directors

Mr José W. Fernández is not a member on any boards of directors of any other listed or non-listed companies, with the exception of his position as director of Iberdrola USA Inc., from which he is expected to resign in the event that he is appointed and accepts his position in the Company.

4.4. Typology of director

Mr José W. Fernández has been proposed on the basis of his personal and professional qualifications, and ability to discharge his duties without being constrained by relationships with the Company, its significant shareholders, or its directors and officers, a circumstance which makes him suitable to act as an independent director. The effective availability of the candidate and the required dedication for the position were also verified with Mr José W. Fernández.

5. Shares of the Company and Derivative Financial Instruments whose Underlying Assets are Shares of the Company of which he is the Holder

Mr José W. Fernández does not directly or indirectly hold any shares of the Company, neither does he hold financial derivative instruments which have shares of the Company as their underlying asset and does not have any ties with holders of significant interests in the Company's share capital.

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REPORT PREPARED BY THE BOARD OF DIRECTORS OF IBERDROLA, S.A., IN CONNECTION WITH THE INTERIM APPOINTMENT OF MR MANUEL MOREU MUNAIZ

1. Purpose of the Report

This report is prepared by the Board of Directors of IBERDROLA, S.A. (“**Iberdrola**” or the “**Company**”), in order to provide a detailed rationale for the interim appointment of Mr Manuel Moreu Munaiz as a director of the Company, with the status of other external director.

As provided by law and the corporate governance System, the interim appointment of Mr Manuel Moreu Munaiz will be submitted to the shareholders for ratification at the next General Shareholders’ Meeting of Iberdrola.

This report is issued pursuant to article 529 *decies* of the Companies Act (*Ley de Sociedades de Capital*).

2. Selection Procedure

The Appointments and Remuneration Committee has implemented a selection procedure designed to find a candidate who would help achieve a suitable balance within the Board of Directors, and who would enhance the quality of decision-making and contribute multiple viewpoints to the debate of the issues dealt with by the Company’s Board of Directors.

The Appointments and Remuneration Committee has ensured that, in filling the vacancy caused by the resignations of Mr Julio de Miguel Aynat and Mr Sebastián Battaner Arias, the selection procedure would be free from any implied bias that might entail any kind of discrimination.

As a result of such procedure, the Appointments and Remuneration Committee issued a favorable report on the interim appointment of Mr Manuel Moreu Munaiz as a director of the Company, with the status of other external director.

The report has drawn on a report prepared by PricewaterhouseCoopers Asesores de Negocios, S.L. which also concludes with a favorable opinion on the suitability of the candidate.

That firm has reviewed the existence of possible conflicts of interest with Iberdrola and of incompatibilities to serve as director of the Company. In addition, it has verified the compliance with the requirements laid down by the corporate governance System for the classification of a director as other external director, and examined the professional profile of the candidate on grounds of the usual standards and criteria used by proxy advisors.

3. Rationale for the Proposal

The Appointments and Remuneration Committee has verified that Mr Manuel Moreu Munaiz meets the requirements of respectability, capability, expertise, competence, experience, qualifications, training, availability, and commitment to his duties as other external director of the Company's Board of Directors.

In addition, it has verified that he is not affected, directly or indirectly, by any of the instances of incompatibility with, or prohibition against holding such office or by having interests that conflict with, or are contrary to, the corporate interest as set forth in provisions of a general nature or in Iberdrola's corporate governance System.

Moreover, in preparing the proposal of the interim appointment of Mr Manuel Moreu Munaiz as director, the suitability of his professional profile in relation to the peculiarities of the business and the sector in which the Company operates and its international nature were examined.

In this regard, the Board of Directors believes that, in order to be able to properly exercise their duties of oversight and control within the Iberdrola group, all of its members must possess an appropriate combination of adequate qualifications and skills in the following areas:

- (e) industries in which Iberdrola does business;
- (f) economic and financial matters, management of highly qualified human resources, and legal and regulatory frameworks;
- (g) geographical markets that are most significant for the Company; and
- (h) management, leadership, and business strategy.

In addition, the candidate must have an international background.

Within this framework, Mr Manuel Moreu Munaiz contributes to the Board of Directors a profile that is regarded as valuable to Iberdrola, as described in section 4.2.

Finally, Mr Manuel Moreu Munaiz has been proposed on the basis of his personal and professional qualifications in offshore wind power, a key market for the future development of the Iberdrola group. In this regard of special importance is his position as independent director of Gamesa Corporación Tecnológica, S.A. ("**Gamesa**"), and his former position as manager and sole director of Seaplace, S.L. ("**Seaplace**"), as explained below.

4. Professional Profile and Biographical Data of the Proposed Candidate and Additional Information

4.1. Professional Profile and Biographical Data

Born in Pontevedra (Spain), in 1953.

He holds a Doctorate in naval engineering from Escuela Técnica Superior de Ingenieros

Navales of Madrid, and a Master's degree in Oceanic Engineering from the Massachusetts Institute of Technology (Cambridge, Massachusetts).

4.2. Noteworthy Experience for the Holding of his Positions in the Company

As explained below, Mr Manuel Moreu Munaiz has extensive experience for holding the position of director of the Company:

Electricity sector

He has been a member of the Board of Directors of Gamesa (2013-2015), one of the leading technological companies in the renewable energy industry (particularly in wind power).

He has also been a director of Iberdrola Renovables, S.A. for four years (2007-2011), which provides him with relevant knowledge of the Iberdrola group.

As founder, as sole director and manager of Seaplace– an engineering and consulting firm specialising in the shipbuilding industry and the offshore marine energy industry, and which is an occasional service provider to companies in the Iberdrola group– he provides extensive experience in the offshore wind energy sector and offshore technology, one of the areas of growth forecasted by the group and an area the group seeks to develop and lead.

Other sectors

In addition to the positions on the boards of directors referred above, he is a member of the governing bodies of companies in a variety of sectors. In particular, he acts as a director of Metalships & Docks, S.A., Rodman Polyships, S.A., and Cofinave Gestión, S.L. (shipping industry), as well as of Tierra Dentro (real estate), HI Iberia Ingeniería y Proyectos, S.L. (consulting) and Howard Ingeniería y Desarrollo, S.L. (technology and media sector), demonstrating broad experience in senior management and the working methods of boards of directors.

While on Gamesa's Board of Directors, he has acted as a member of the audit and compliance committee. He has knowledge of financial and risk management of listed companies.

His financial knowledge is supplemented by his professional career as entrepreneur.

4.3. Other information

He has engaged in intense teaching and documentary work. He is currently an associate professor in the Escuela Técnica Superior de Ingenieros Navales of the Universidad Politécnica of Madrid, and also teaches in Repsol's master's program in oil and in the Maritime Master's program of the Instituto Marítimo Español and the Universidad Pontificia Comillas.

He has acted as the Chairman of the Instituto de la Ingeniería de España since 2012 and the dean of the Colegio Oficial de Ingenieros Navales y Oceánicos of Madrid.

4.4. Membership on other boards of directors

Mr Manuel Moreu Munaiz is a director of Metalships & Docks, S.A., Rodman Polyships, S.A. and Cofinave Gestión, S.L.; and Chairman of Seaplace, S.L., HI Iberia Ingeniería y Proyectos, S.L. and Howard Ingeniería y Desarrollo, S.L.

5. Typology of director

Mr Manuel Moreu Munaiz will be classified as other external director, due to his position in Gamesa, which maintains a significant business relationship with the Company. The effective availability of the candidate and the required dedication for the position were also verified with Mr Manuel Moreu Munaiz.

6. Shares of the Company and Derivative Financial Instruments whose Underlying Assets are Shares of the Company of which he is the Holder

Mr Manuel Moreu Munaiz is a direct and indirect holder of 41,840 shares of the Company, does not hold any financial derivative instruments which have shares of the Company as their underlying asset and does not have any ties with holders of significant interests in the Company's share capital.

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Composition of the Risk Supervision Committee of Iberdrola, S.A.

Director	Title	Type of director
Ms Georgina Kessel Martínez	Chairwoman	External independent
Ms Denise Mary Holt	Member	External independent
Mr José W. Fernández	Member	External independent
Mr Rafael Sebastián Quetglas	Secretary non-member	

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