

Bilbao, December 19, 2017

To the National Securities Market Commission

RE: Payment of the annual variable compensation 2017 in shares of Iberdrola, S.A. and Partial reform of the Corporate Governance System

Dear Sirs,

By virtue of the provisions of article 17 of *Regulation (EU) No 596/2014 on market abuse* and article 228 of the rePursuant to article 17 of *Regulation (EU) No. 596/2014 on market abuse* and article 228 of the *restated text of the Securities Market Law* approved by the Royal Legislative Decree 4/2015, of 23 October (*texto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*) and related provisions, we hereby inform you that, on the date hereof, the Board of Directors of Iberdrola, S.A. (the “**Company**”) has approved the following resolutions:

Payment of the 2017 annual variable compensation in shares of the Company

To offer to the employees of the Iberdrola group in Spain, as in previous years, the possibility of receiving all or a portion of their variable compensation corresponding to the fiscal year 2017 in shares of the Company.

This delivery of shares to the employees, which is included within the framework of the general compensation policy of the Company, allows the employees electing to do so to receive the shares of the Company as part of their annual variable compensation. The number of shares of Iberdrola to be received by each employee shall be the result of dividing the part of the annual variable compensation that the employee decides to receive in shares, with a maximum of 12,000 euros¹, by the arithmetic mean of the volume-weighted average prices of the shares of Iberdrola, S.A. in the Spanish stock market (SIBE), rounded to the closest thousandth of an euro, of the prior five trading sessions from the payment date of the annual variable compensation.

As it is customary, Iberdrola’s share delivery plan is addressed to all employees in active, with tax residence in Spain, of the Company and its subsidiaries located in Spain, in which the Company holds a controlling stake and which have employees –other than the persons responsible for the day-to-day management of the companies carrying out regulated activities in Spain– who, on a voluntary basis, may elect to receive a portion of their annual variable compensation either in cash or in the form of shares of the Company.

Partial reform of the Corporate Governance System

To approve a partial reform of the Corporate Governance System in order to develop the criteria of diversity and transparency that must regulate the process for selecting candidates for director, in line with the provisions of *Royal Decree-Law 18/2017, of November 24, 2017, amending the Commercial Code, the Restated*

¹ Such limit will not apply to the employees of Iberdrola and its Group who, because of their seniority, must receive in the form of shares a minimum percentage of their annual variable compensation 2016 which amount exceeds the aforementioned threshold.





Capital Companies Law approved by Legislative Royal Decree 1/2010, of July 2, 2010, and Audit Law 22/2015, of July 20, 2015, regarding non-financial information and diversity, to update its Stakeholder engagement policy, to reinforce its compliance system and to make other corporate governance improvements.

The changes have affected, among others, the *Regulations of the Board of Directors*. The updated rules of the Company's Corporate Governance System can be consulted, in full or in abridged format, on the corporate website (www.iberdrola.com).

The above is notified for the appropriate purposes.

Regards,

The secretary of the Board of Directors

IBERDROLA, S.A. Domicilio social – Plaza Euskadi, 5 48009 Bilbao (Bizkaia)
Registro Mercantil de Bizkaia, tomo 17 del Libro de Sociedades, folio 114, hoja 901 (hoy BI-167-A), insc. 1ª. – NIF A-48010615



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IMPORTANT INFORMATION

This communication does not constitute an offer to purchase, sell or exchange or the solicitation of an offer to purchase, sell or exchange any securities. The shares of Iberdrola, S.A. may not be offered or sold in the United States of America except pursuant to an effective registration statement under the Securities Act or pursuant to a valid exemption from registration.

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