



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

London, June 24, 2014

To the National Securities Market Commission

Subject: Appointment of new director, partial reform of the corporate governance System of the Company and appointment of a new Business CEO of the group

Pursuant to Section 82 of Law 24/1988, of July 28, on the Securities Market (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) and related provisions, we hereby inform you that, on June 24, 2014, the Board of Directors of IBERDROLA, S.A., held in London (the “**Company**”), has approved, among others, the following resolutions:

1. Appointment of a new director

To appoint the British citizen Denise Mary Holt, on an interim basis and as proposed by the Nominating and Compensation Committee, as external independent director of the Board of Directors of the Company, who has accepted her appointment, to fill the vacancy created by the resignation of Mr Manuel Lagares Gómez-Abascal on April 10, 2014, notified by way of our notice of significant event (*comunicación de hecho relevante*) of even date (official registry number 203,282).

Following the above mentioned appointment, 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. It is remarkable the presence of five women in such new composition.

It is also attached the report prepared voluntarily by the Board of Directors, at the proposal of the Nominating and Compensation Committee, in order to provide the detailed rationale for the appointment on an interim basis of Ms Denise Mary Holt, reflecting the Company’s commitment to transparency and to the latest corporate governance trends.

2. Partial reform of the corporate governance System of the Company

To further approve the amendment of the *General Corporate Governance Policy*, the *Regulations of the Board of Directors*, the *Regulations of the Appointments and Remuneration Committee*, and the *Regulations of the Corporate Social Responsibility Committee* in order to promote the strategy of corporate social responsibility of the Company

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and to introduce other changes of technical nature with regard to the procedure for authorizing the appointment of directors at affiliated companies of the Iberdrola group.

The versions in force of the documents comprising the corporate governance System of the Company can be accessed, in either its full or condensed version, on the Company's corporate website (www.iberdrola.com).

3. Appointment of a new group Business CEO of the group

To appoint Mr Francisco Martínez Córcoles, as new Business CEO in substitution of Mr José Luis San Pedro Guerenabarrena who leaves such position on his own request, although he remains as member of the Board of Directors, as "other external director", and has been appointed as Chairman of the new Spanish *subholding* Iberdrola España, S.A.

With this appointment, Mr Martínez Córcoles will become responsible of the energy networks business, renewable energy business and wholesale and retail business, as Mr San Pedro Guerenabarrena formerly was.

Yours truly,

General Secretary and Secretary to 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 Julio de Miguel Aynat	Member	External independent
Mr Sebastián Battaner Arias	Member	External independent
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 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., AT THE PROPOSAL OF ITS APPOINTMENTS AND REMUNERATION COMMITTEE, IN CONNECTION WITH THE INTERIM APPOINTMENT OF MS DENISE MARY HOLT

1. Purpose of the Report

This report is prepared by the Board of Directors of IBERDROLA, S.A. (“**Iberdrola**” or the “**Company**”), at the proposal of its Appointments and Remuneration Committee, in order to provide a detailed rationale for the interim appointment of Ms Denise Mary Holt as a director of the Company, with the status of external independent director.

As provided by law and the Corporate Governance System, the interim appointment of Ms Denise Mary Holt will be submitted to the shareholders for ratification at the next General Shareholders’ Meeting of Iberdrola.

This report is issued voluntarily and reflects the Company’s commitment to transparency and to the latest corporate governance trends.

2. Selection Procedure

The Appointments and Remuneration Committee has implemented a selection procedure calculated to find a candidate who could be classified as external independent, who would help achieve a suitable equilibrium within the Board of Directors as a whole, 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.

In this regard, in filling the vacancy caused by the resignation of Mr Manuel Lagares Gómez-Abascal, the Appointments and Remuneration Committee has ensured that the selection procedure would be free from any implied bias that might entail any kind of discrimination and, in particular, that might hinder the selection of women directors.

As a result of such procedure, on 9 June 2014 the Appointments and Remuneration Committee proposed the interim appointment of Ms Denise Mary Holt as a director of the Company, with the status of external independent director.

Such proposal has drawn on a report prepared by PricewaterhouseCoopers Asesores de Negocios, S.L. on 19 May 2014, which contains a review of the existence of possible conflicts of interest with Iberdrola and of incompatibilities to serve as director of the Company, verifies compliance with the requirements laid down by the Corporate Governance System for the candidate to be classified as an external independent director, and concludes with a favourable opinion on the suitability of such candidate.

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3. Rationale for the Proposal

The Appointments and Remuneration Committee has verified that Ms Denise Mary Holt meets the requirements of respectability, capability, expertise, competence, experience, qualifications, training, availability, and commitment to her duties as external independent director of the Company's Board of Directors and that she 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, the proposal for interim appointment of Ms Denise Mary Holt as a director of the Company has been prepared by taking into account the alignment of her professional profile with the specific characteristics of the business and the industry in which the Company operates and with the international character of the Company.

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

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

Within this framework, Ms Denise Mary Holt contributes to the Board of Directors a profile that is regarded as valuable to Iberdrola because of her expertise and professional experience, as described in section 4.2 below.

Finally, Ms Denise Mary Holt has been proposed on the basis of her personal and professional qualifications and can discharge her duties without being constrained by relationships with the Company, its significant shareholders, or its directors and officers, which makes her worthy of the status of external independent director.

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

4.1. Professional Profile and Biographical Data

Ms Denise Mary Holt holds degrees in Spanish Philology, French Philology, and Political Sciences from the University of Bristol and is a Doctor of Laws, also from the University of Bristol.

A British citizen, she has had an extensive diplomatic career, including positions as Director of Human Resources (1999-2002) and Director for Migration and for the Overseas Territories at the UK Foreign and Commonwealth Office (2005-2007) and as British ambassador to Mexico (2002-2005) and to Spain and Andorra (2007-2009).

She currently serves as a director at several international companies, has ties with numerous academic institutions, such as the Institute of Latin American Studies of the University of London, the Cañada Blanch Centre for Contemporary Spanish Studies of the London School of Economics and Political Science, and the University of Bristol, and participates in the Nominations Committee of the British Alzheimer's Society.

4.2. Noteworthy Experience for the Holding of her Positions at the Company

Ms Denise Mary Holt has extensive experience in both the public and the private sector in areas relevant to the holding of her position as independent director of Iberdrola, as set forth below:

- (a) Ms Denise Mary Holt has been an independent director at the business subholding companies Scottish Power Renewable Energy Ltd and Scottish Power Networks Holdings Ltd, and has thus gained experience and expertise in the energy market in general and the British market in particular, in addition to being familiar with the operation of the Iberdrola group.
- (b) She also has experience as a member of the board of directors of several companies, as she is an independent director of HSBC Bank and chair and independent director of its subsidiary M&S Financial Services Ltd, as well as an independent director and member of the Remuneration Committee at Nuffield Health.
- (c) Regarding her international experience, HSBC is a company with a high level of internationalisation. It should also be noted that apart from her professional experience in the private sector, the candidate participates in international organisations like the Anglo-Spanish Society and Wilton Park. In addition, her former duties as British ambassador to Spain and Andorra and to Mexico, as well as the various positions she has held at the UK Foreign and Commonwealth Office and her full command of English, Spanish, French, and Portuguese, witness to the candidate's broad international experience.

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- (d) As the candidate is a woman and from another country, the appointment of Ms Denise Mary Holt will contribute to strengthening the desirable diversity of gender and origin among the members of the Board of Directors, which already boasts a significant presence of women and non-Spanish directors.
- (e) The candidate's wide experience in the area of appointments and remuneration at large organisations is an added value that has been weighed in appointing her.

4.3. Additional Information

It has been verified that the candidate has effective availability for the required dedication to her duties as an independent director notwithstanding her position as a director at other companies.

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

Ms Denise Mary Holt holds 196 shares of the Company and does not have any ties with holders of significant interests in the share capital thereof.

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London, 24 June 2014

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