



## General Shareholders' Meeting / 2019

Report of the Board of  
Directors  
Proposed appointment,  
ratification and re-elections  
of directors



## MASTER REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF IBERDROLA, S.A. REGARDING THE PROPOSED APPOINTMENT, RATIFICATION AND RE-ELECTIONS OF DIRECTORS INCLUDED IN ITEMS NUMBER TWELVE, THIRTEEN, FOURTEEN, FIFTEEN, SIXTEEN, SEVENTEEN AND EIGHTEEN ON THE AGENDA FOR THE 2019 GENERAL SHAREHOLDERS' MEETING

### 1. Object of the Report

This report is submitted by the Board of Directors of IBERDROLA, S.A. ("**Iberdrola**" or the "**Company**") pursuant to the provisions of section 529 *decies* of the *Companies Act (Ley de Sociedades de Capital)* regarding the proposed re-election of Mr Ignacio Sánchez Galán as executive director of Iberdrola, as well regarding the proposed appointment of Ms Sara de la Rica Goiricelaya as new independent director, ratification of the interim appointment and re-election of Mr Xabier Sagredo Ormaza as independent director, and re-election of Ms María Helena Antolín Raybaud, Mr José W. Fernández, Ms Denise Holt and Mr Manuel Moreu Munaiz as independent directors.

The Board of Directors shares the conclusions set out in the reports of PwC and the Appointments Committee reproduced below, which are in favour of the re-election of Mr Ignacio Sánchez Galán as executive director of the Company, as he is the best positioned for the Company to continue along its successful path, in favour of all of the stakeholders, including the shareholders. In general terms, the proposal is based on the following arguments:

- The positive evaluation of the performance of Mr Ignacio Sánchez Galán throughout his term, his strategic vision and his management ability, as demonstrated by the financial and non-financial results of the Company.
- The 2018-2022 Strategic Plan: Mr Ignacio Sánchez Galán has played a decisive role in the preparation of Iberdrola's 2018-2022 Strategic Plan, which is supported by the shareholders and is already generating results in its second year of application.
- The decentralised corporate structure of the Iberdrola group, which allows the global integration of the businesses, maximising operational efficiency and ensuring the effective implementation and supervision of the general strategy, the basic management guidelines and best practices.
- The existence of efficient governance bodies that have strong and sufficient checks-and-balances mechanisms, all of which are clearly defined and set out in the Company's Corporate Governance System. In particular:
  - A high level of independence of the Board of Directors and its committees compared to similar entities both globally and locally.
  - The continuous refreshment of the composition of the Board of Directors with highly qualified members, each of whom contributes the skills required to drive Iberdrola's long-term strategy.
  - The permanent commitment of Iberdrola's Board of Directors to maintain an active and constructive dialogue with all stakeholders (and shareholders) and to explain its strategy and activities.
  - The existence of a vice-chair and a lead independent director with clear and strengthened powers, including participation in the planning of the schedule and the agendas of meetings of the Board of Directors, maintenance of ongoing contacts with the Company's shareholders, and leading the evaluation of the performance of and process of succession for Mr Ignacio Sánchez Galán.

In the proposed refreshment of the Board of Directors with respect to the appointment of Ms Sara de la Rica Goiricelaya as new independent director, the ratification of the interim appointment and re-election of Mr Xabier Sagredo Ormaza as independent director, and the re-election of four independent directors, the Board of Directors started with the proposals of the Appointments Committee attached as an annex to this report and which contain the information required by article 14.2.d) of the Company's *Regulations for the General Shareholders' Meeting*.

The Board of Directors finds that these proposals, as a whole, strengthens and consolidates the diversity of skills, knowledge, experience, origin, nationality, age and gender within the Board of Directors required for the best performance of the duties entrusted thereto.

### 2. Governance, Executive Chairmanship and Checks-and-Balances Model

The Iberdrola group has a corporate and governance structure that is clearly defined in its *By-Laws*, which differentiates and separates the duties of supervision and coordination, which are entrusted to Iberdrola at the group level and to the country subholding companies in relation to the subsidiaries, from those of management, which are given to the head of business companies, and specifically to their boards of directors and management teams.



This model seeks a balance between maximisation of the synergies arising from the existence of the Iberdrola group, ensuring coordinated action of all of the companies belonging thereto, and decentralised management, which favours an agile decision-making process based on the principle of “subsidiarity”.

Within the context of this corporate and governance structure, which structurally regulates the powers of the chairman & CEO of the Company, circumscribed to leading the functions attributed to Iberdrola as a holding company, the Board of Directors believes that the existence of an executive chairman is (at this time) the most appropriate and effective alternative to successfully carry out the businesses of the Company and of its group. Due to the particular complexity thereof, where profound engagement and dedication to high-level strategic decision-making is a key factor, the demonstrated leadership abilities of Mr Ignacio Sánchez Galán and the particularities of Iberdrola's Corporate Governance System causes the Board of Directors to find it appropriate for the chairman to be vested with executive duties.

The current model has the unequivocal advantage of identifying clear leadership within a complex and decentralised corporate and governance structure, based on the principle of “subsidiarity”, which attempts to bring the decision-making centre closer to the business, which provides agility in the decision-making process and favours dialogue with the stakeholders.

In any case, this is an issue that, like the rest of Iberdrola's Corporate Governance System, is subject to a process of on-going review by the Board of Directors, which endeavours to ensure that the corporate and governance structure contributes to the long-term, sustainable creation of value, becoming a competitive advantage.

Along these lines, one should note the effective operation of the checks-and-balances system within Iberdrola's Corporate Governance System, which ensures the co-existence of strong leadership and the effective coordination of all of the group's businesses in all of the territories in which it operates with a number of mechanisms and controls that avoid the concentration of power within a single person, the fundamental pillar of which is the Company's Board of Directors, which is responsible for defining the Company's strategy and supervising the implementation thereof, as well as the corporate and governance structure of the group.

This system of checks-and-balances, which is based on a Board of Directors having a large majority of independent directors (64%, at the level of the leading international companies and above all of its comparable European companies and the average of 44% of the IBEX-35 companies), with a lead independent director who has strengthened powers (i.e. chairing meetings of the Board of Directors in the absence of the chairman and of the vice-chairs; participating with the chairman in the planning of the annual schedule of meetings and in the preparation of the agenda for each meeting; reflecting the concerns of the non-executive directors; maintaining contacts with investors and shareholders and leading the succession process for the chairman of the Board of Directors; in addition to the duties assigned thereto by law) and a decentralised corporate and governance structure, has been strengthened during the last four years with measures including:

- The appointment of a non-executive vice chair and of a Business CEO, who supplement the positions on the Board of Directors, which, together with the lead independent director (with strengthened powers beyond those required by law), avoids the concentration of powers in a single director.
- The drive towards decentralised management by appointing CEOs at Iberdrola Spain, S.A. (Sociedad Unipersonal), Scottish Power Ltd., Neoenergia, S.A., Iberdrola Mexico, S.A. de C.V. and Avangrid, Inc.
- The development and strengthening of the corporate and governance structure with the creation of a new subholding company for the energy businesses in countries other than Spain, the United Kingdom, Brazil, Mexico and the United States of America (Iberdrola Energía Internacional, S.L. (Sociedad Unipersonal)).

The diverse and balanced composition of the Board of Directors should also be noted, with members of various nationalities and 36% female directors (versus the average of 17% for IBEX-35 companies), in which practically all of the directors have experience on other boards and significant knowledge of the industry and the group.

Iberdrola's Board of Directors believes that this system of checks-and-balances effectively separates the duties of supervision and management. Maintenance of the executive chairman model continues along the path of success and excellence, which the Board of Directors considers to be the one most conducive to meeting the 2018-2022 Strategic Plan, based on the current strategy of the Iberdrola group, the process of digital transformation, the challenges raised by the macro-economic environment of the territories in which the group does business, including the fight against climate change and the transitional of the world energy model, as well as the competence, skills and experience of Mr Ignacio Sánchez Galán.

The effectiveness of the model has also been validated by the shareholders of the Company, who have approved by Board of Directors' management by an immense majority at the latest general shareholders' meetings, receiving only 2.44% (2018), 0.38% (2017), 0.12% (2016) and 0.19% (2015) votes against, all within a context of extremely high



participation, which is the result of a continuing policy to engage the shareholders in the Company's corporate governance and in its social responsibility strategy, which is made explicit in the *Shareholder Engagement Policy*.

### **3. Process followed and rationale for the re-election of Mr Ignacio Sánchez Galán as executive director**

The following procedure has been followed to prepare the proposal for re-election of Mr Ignacio Sánchez Galán as the Company's executive director:

- At the meeting held on 21 November 2018, the Appointments Committee found that the proposed re-election of the chairman of the Board of Directors was a question of maximum strategic significance for the Company, which required an external and independent examination, for which reason it resolved to request a report for these purposes from PwC.
- For his part, the Company's lead independent director, Mr Juan Manuel González Serna, in the performance of his duties of channelling the opinions and reflecting the proposals of the independent directors, collected the opinions of the independent directors regarding the potential re-election of Mr Ignacio Sánchez Galán as executive director of the Company.
- All of the independent directors agreed on the suitability, in the best interests of the Company, of the continuation of the chairman & CEO, and asked the lead independent director to submit to the Board of Directors, on behalf of each and every one of them, the proposed re-election of Mr Ignacio Sánchez Galán as executive director.
- The opinion of the independent directors regarding the potential re-election of Mr Ignacio Sánchez Galán as executive director of Iberdrola, prior to the expiration of his bylaw-mandated term at the 2019 General Shareholders' Meeting, was the following:
  - All of the independent directors agreed on the fact that the performance of the chairman of the Board of Directors of Iberdrola has been evaluated as outstanding at all of the annual evaluations, noting his leadership, his vision and his dedication to the Company, and also considering that he has provided excellent management within the economic environment of the countries in which the group does business and has adopted the strategic measures that are most suitable to the corporate interest at all times.

The directors stressed the vision and strategic leadership shown by the chairman & CEO during his term in focusing the Iberdrola group on a model of sustainable development, firmly committed to ethical principles, promoting a culture of "zero tolerance" towards corruption, and with the contribution to the Sustainable Development Goals (SDGs) approved by the United Nations, in which financial success and shareholder remuneration (implemented through flexible and innovative formulas) have been accompanied by growth in the social dividend generated by the group's activities and businesses.

The directors particularly pointed out as merits of Mr Ignacio Sánchez Galán his having successfully directed the transformation of the Iberdrola group into one of the leading energy groups in the world, internationally recognised for its leadership in the fight against climate change and its commitment to environmental protection and the decarbonisation of the economy.

All while preserving the independence of the Company and its historical, social and economic link to the communities in which it does business.

They also note the continuing efforts to make Iberdrola a world leader in corporate good governance, the engagement of its shareholders and dialogue with all of its stakeholders, with a Corporate Governance System under continuous improvement and regularly modified to include the best and most advanced corporate governance and sustainable development practices at the international level.

They also noted the success of Mr Ignacio Sánchez Galán's work as chairman of the Board of Directors, thanks to which the Board of Directors operates in an orderly and efficient manner as the body responsible for defining the strategy of the Iberdrola group and for supervising the implementation thereof by the management team, in which all the directors provide an informed contribution in the deliberations of the collective decision-making body, achieving a debate that enriches the decision-making process, with the participation of profiles having very diverse origins, knowledge and experience.

Specifically, all of the directors quite positively valued the quality and timeliness of the information made available to them to prepare for the meetings, noting the usefulness and accessibility of the directors' website, as well as other elements that significantly contribute to the directors being able to effectively carry out their work, like orientation programmes for new directors, annual planning and the training programme for directors.

- The independent directors agreed on stressing the effectiveness of Iberdrola's governance model, the dedication of the chairman to ensuring the independent and effective operation of the committees of the Board,



and particularly the system of checks-and-balances configured within the Company's Corporate Governance System, which prevents management power from being centralised within a single governance body or a single person.

In particular, the directors found that the existence of an executive chairman is currently the most suitable and effective alternative for the success of the Iberdrola group's businesses, due to the particular complexity thereof, where profound engagement and dedication to high-level strategic decision-making is a key factor, and they noted the demonstrated leadership abilities of Mr Ignacio Sánchez Galán.

They noted that the practical application of Iberdrola's governance model vouched for the validity thereof, reflecting better economic/financial performance than comparable companies, with this model being historically supported by the shareholders at the general shareholders' meetings and by the capital markets.

- The independent directors agreed on pointing to the executive director meeting the requirements of respectability, capability, expertise, competence, availability and commitment to the duties of chairman of the Board of Directors and CEO.

The independent directors also noted the activities of the chairman & CEO during his current bylaw-mandated term concluding in 2019, the suitability of his professional profile to the particularities of the businesses of the Iberdrola group, his knowledge of the industries in which it operates and the highly international nature thereof, appropriately combining the abilities and skills needed to lead the function of supervision that the corporate and governance structure configured within Iberdrola's Corporate Governance System vests in the Board of Directors.

Specifically, all of the independent directors stated that they were convinced that the profile of Mr Ignacio Sánchez Galán, one of the most prestigious executives in the energy industry worldwide, as shown by his numerous awards and recognitions, is the one most appropriate to successfully lead the implementation of the Strategic Plan 2018-2022 of the Iberdrola group, based on organic growth, meeting the group's investment plan, and financial strength.

- Based on all of the foregoing, all of the Company's independent directors –Mr Juan Manuel González Serna, Ms Samantha Barber, Ms María Helena Antolín Raybaud, Mr Ángel Acebes Paniagua, Ms Georgina Kessel Martínez, Ms Denise Holt, Mr José W. Fernández, Mr Manuel Moreu Munaiz and Mr Anthony L. Gardner– unanimously asked the lead independent director to propose to the Board of Directors a resolution to re-elect Mr Ignacio Sánchez Galán as executive director of Iberdrola, so that the Board of Directors may in turn, if appropriate, submit it for approval at the next General Shareholders' Meeting, as well as his continuation as chairman & CEO of the Board of Directors.
- The Board of Directors acknowledged said proposal at its meeting held on 18 December 2018.
- In response to the request of the Appointments Committee, PwC issued a report on 14 February 2019 regarding the following items, among others:
  - The Company's performance since 2001 in relation to comparable companies, and the market's valuation of its management.
  - The level of support that the Board of Directors, chaired by Mr Ignacio Sánchez Galán, has received from the shareholders at general meetings and by the market in recent years.
  - The strategic moment of the Iberdrola group.

In addition, the report has analysed the corporate and governance structure of the Iberdrola group, the main lines of which have been approved by the shareholders at a General Shareholders' Meeting with a broad majority of votes in favour, to verify that it ensures the effective separation of the duties of supervision and management, and that there are checks-and-balances that avoid potential risks associated with an accumulation of powers within the executive chairman, as well as the potential implications of a change in the governance model.

- In sum, the report, which can be viewed on the Company's corporate website, concludes as follows:
  - a) Iberdrola has performed better than comparable companies and the EUROSTOXX Utilities index during the 2001-2017 period. The company's management has also been supported by the market, with a valuation multiple (in terms of Enterprise Value/EBITDA) above that of comparable companies.
  - b) Iberdrola's Board of Directors has received majority support from the shareholders at the General Meetings. The levels of dissent in voting are less than those of comparable companies. Iberdrola has also been recognised by the market with various awards for its management and for the quality of its corporate governance. The chairman's management has also received the continuous support of the non-executive directors in the annual evaluations.





- c) Iberdrola is in the second year of implementation of its 2018-2022 Strategic Plan, presented in February 2018 to the international financial community, and which has been broadly supported by the market. The company's evolution during this new period until now reflects a high level of compliance with the defined objectives.
- d) Iberdrola's governance and organisation model, approved by the shareholders at a General Meeting, provides different tools to ensure the separation of supervision (exercised independently) from management, and avoid the concentration of power in the executive chairman. Specifically, the report affirms that no empirical evidence has been found of better performance in other alternative models and that have in fact identified risks arising from a hypothetical change in the model that would require Iberdrola to transform its entire corporate governance model.

Based on such conclusions, and particularly given the performance of the Company, the support received from the market and the strategic moment of the Iberdrola group, the report confirms the coherence of the proposed re-election of Mr Ignacio Sánchez Galán as executive director.

- Considering all of the foregoing, the Appointments Committee, pursuant to the provisions of sections 518 and 529 *decies* of the Companies Act and articles 5.d) and e) of the *Regulations of the Appointments Committee*, favourable reported on the proposed re-election of Mr Ignacio Sánchez Galán as executive director of the Company at its meeting held on 15 February 2019.
- The Company's Board of Directors, in view of the proposal of the independent directors, considering the conclusions of the report prepared by PwC at the request of the Appointments Committee as well as the report issued by said committee, has resolved to submit to the shareholders for approval at the General Shareholders' Meeting the re-election of Mr Ignacio Sánchez Galán as executive director.

#### **4. Competence, Experience and Merits of Mr Ignacio Sánchez Galán**

##### **4.1 Competence: results of annual evaluations**

The activities of the chairman of the Board of Directors have been evaluated as outstanding each year, following a demanded pre-established process within the Corporate Governance System performed with the help of a prestigious, independent, external advisor.

These evaluations, led by the lead independent director, have highlighted the management performed within a difficult economic environment, which has translated into the quite noteworthy stock market performance of the Company's shares.

In particular, the report of the lead independent director regarding the evaluation by the directors of the work of the chairman of Iberdrola's Board of Directors during financial year 2018 emphasised his leadership, his vision and his dedication to the Company, also considering that he has provided good management within the economic environment of the countries in which the group does business and has adopted the strategic measures that are most suitable to the corporate interest at all times.

##### **4.2 Experience and merits**

The group's economic indicators objectively demonstrate the good performance of Iberdrola's business model under the leadership of Mr Ignacio Sánchez Galán.

As described in the report prepared by PwC, since his appointment in 2001, the chairman of the Board of Directors has led Iberdrola to obtain annual growth above that of comparable companies in terms of net profit (+3 p.p.), EBITDA (+2 p.p.), asset base (+4 p.p.), FFO/Net debt (+5 p.p.) and capitalisation (+6 p.p.). The listing price of Iberdrola's shares has also performed better than the EUROSTOXX Utilities index.

The results show the success of the strategy defined by the Board of Directors as driven and managed by Mr Ignacio Sánchez Galán based on the five strategic pillars that illustrate the commitment to long-term sustainable development for the benefit of all of the Company's stakeholders: (i) investment in projects with profitable growth over the long term; (ii) operational excellence; (iii) the customer at the centre of the business model; (iv) optimisation of invested capital; and (v) innovation and digitisation to optimise costs and create new opportunities within all the businesses.

This economic success has cemented Iberdrola's place as a world leader in the application of the most advanced corporate governance practices, as shown by the inclusion of the Sustainable Development Goals (SDGs) approved by the United Nations into the corporate policies of the Company, which are constantly being updated and improved, and the new *Purpose and Values of the Iberdrola group*.

From this viewpoint, the strategy led by the chairman of Iberdrola's Board of Directors has achieved not only success in business management in terms of shareholder remuneration and sustainable growth, but has also been able to extend the success of its business model to all of the stakeholders.



As evidence thereof, thanks to its social strategy, Iberdrola has been recognised by the *Ethisphere Institute* as one of the most ethical companies in the world in 2018.

Iberdrola has become a leader in renewable energy and has positioned itself at the head of the fight against climate change, committing to biodiversity and the protection of the environment and favouring the refocusing of its innovation activities towards sources of energy generation that are sustainable and not aggressive towards the environment, which allow for a reduction in emissions and excellent management of strategic resources like water, committing to the Sustainable Development Goals (SDGs) approved by the United Nations.

In the human resources area, the chairman of the Board of Directors has achieved a good labour climate and has promoted a human resources policy focused on the recruiting, retention and promotion of talent and the development of equal opportunities, regardless of gender or any other personal, social or cultural circumstances, establishing the health and safety of employees and of all people forming part of Iberdrola's value chain, from suppliers to the end customer, as a priority. As a result of this effort, Iberdrola was the only electric utility in Europe included in the "Bloomberg Gender-Equality" index in 2018.

He has promoted work/life reconciliation and the maintenance of high quality working conditions, consistently placing the Company among the most highly valued companies to work for according to the main surveys and professional ratings in this area.

An ethical culture has been strengthened based on respect for human rights, regulatory compliance and the adoption of the most stringent internationally recognised practices, driving the approval of a Code of Ethics, the establishment of a decentralised, autonomous compliance structure that can supervise the entire group, and leading-edge risk management systems, which allow Iberdrola's Board of Directors to define the group's risk guidelines and to supervise the application thereof.

In the area of transparency, there has been a determined drive towards the quality of public information, using international standards, and pioneering initiatives like the publication of the Integrated Report and strengthening the credibility of information in all areas by means of external assurance.

Finally, under the chairmanship of Mr Ignacio Sánchez Galán, in developing the corporate social responsibility strategy of the Iberdrola group, a number of non-profit foundations and organisations linked to the companies of the Group have been created in the main territories in which it operates and through which the Company's social responsibility strategy is implemented and coordinated, strengthening the group's relations with the communities in which it does business.

#### 4.3 Conclusion

Based on all of the foregoing, and particularly considering the interest of Iberdrola, the Company's Board of Directors supports the re-election of Mr Ignacio Sánchez Galán as a director of Iberdrola and his continuation as chief executive. Therefore, it submits his proposed re-election to the shareholders at the General Shareholders' Meeting.

#### 5. **Competence, Experience and Merits of the Independent Directors whose Appointment, Ratification and/or Re-election is Submitted to the Shareholders at the General Shareholders' Meeting**

The competence, experience and merits of the six independent directors whose appointment, ratification and/or re-election is submitted to the shareholders at the General Shareholders' Meeting (Ms Sara de la Rica Goiricelaya, Mr Xabier Sagredo Ormaza, Ms María Helena Antolín Raybaud, Mr José W. Fernández, Ms Denise Holt and Mr Manuel Moreu Munaiz) is described in detail in the six proposals issued by the Appointments Committee and attached to this report.

Based on the information set out in the proposals made by the Appointments Committee, the Board of Directors has been able to verify that the six candidates have the competence, experience and merits required to continue holding the position of director.

On the one hand, the professional and background and training in business management and administration of Ms Antolín Raybaud adds experience in the area of business management.

Likewise, the knowledge of the financial sector and in the area of corporate social responsibility generally, and of the banking sector and of the social work of banking foundations in particular, will allow Mr Xabier Sagredo Ormaza to continue contributing a complete view of this key sector for Iberdrola.

The Board of Directors also favourably values his knowledge and experience in the areas of accounting, auditing and risk management, which can contribute quite positively to the good performance of the Audit and Risk Supervision Committee, while acting as the chair of said committee.



On the other hand, the knowledge of Mr José W. Fernández and Ms Denise Holt in the regulatory area of the energy sector, and particularly their experience in very significant markets for the group like the United States of America, Latin America and the United Kingdom, contribute to strengthening the necessarily international perspective that the Board of Directors must have in its analysis and deliberations.

These profiles are suitably supplemented by the technical experience of Mr Manuel Moreu Munaiz and his broad knowledge in the areas of industrial engineering and new technologies in the energy sector, as well as the academic perspective of the new candidate for director, Ms Sara de la Rica Goiricelaya, an internationally recognised professor of economics.

The Board of Directors has also taken into account the good results obtained by all of the candidates in the regular evaluations of their performance (as directors of Iberdrola in the case of the proposed ratifications and/or re-elections, and in the case of the new candidate for director Ms de la Rica Goiricelaya during the period in which she has been a director of Iberdrola España, S.A. (Sociedad Unipersonal)) in which an independent expert has participated and which corroborates this conclusion.

In all cases, the Board of Directors has quite favourably assessed the experience and in-depth knowledge of the businesses of the group and of the operation thereof obtained during their prior terms at Iberdrola and/or at companies of its group.

The six candidates have been proposed based on their personal and professional conditions. In particular, the Appointments Committee has verified that all of them can perform their duties without being constrained by relationships with the Company, its significant shareholders or its directors and officers, thus making them deserving of the classification of independent directors.

The Board of Directors believes that the appointment of Ms Sara de la Rica Goiricelaya, the ratification and re-election of Mr Xabier Sagredo Ormazza and the re-election of Ms María Helena Antolín Raybaud, Mr José W. Fernández, Ms Denise Holt and Mr Manuel Moreu Munaiz as independent directors of Iberdrola will contribute to strengthening the high level of independence of its management body, thus strengthening the effectiveness of the functions that the Corporate Governance System vests therein, and particularly those relating to defining the strategy of the Iberdrola group and supervision of the implementation and coordination thereof by the executive directors and the management team.

#### **6. Contribution of the Proposed Candidates to the Diversity of Knowledge, Experience, Origin, Nationality and Gender within the Board of Directors**

Together, the six candidates contribute to bolstering the high percentage of independent directors within the Company's Board of Directors and to achieving the diversity of knowledge, experience, origin, nationality and gender in its composition that is required for the better performance of its duties.

As described in the proposals of the Appointments Committee, the six candidates have knowledge and experience in the main countries and sectors in which the group does or will do business, and they are respectable and qualified persons, widely recognised for their expertise, competence, experience, qualifications, training, availability and commitment to their duties. All of them are irreproachable professionals, whose professional conduct and background is aligned with the principles set forth in the *Code of Ethics* and with the *Purpose and Values of the Iberdrola group*.

Specifically, the various professional profiles and backgrounds of the candidates for re-election ensure plural viewpoints and guarantee an enriching debate and a decision-making process without implicit biases.

The proposed appointment of Ms Sara de la Rica Goiricelaya and re-elections of Ms María Helena Antolín Raybaud and Ms Denise Holt also contribute to increasing the diversity of gender with the Board of Directors, exceeding the objective assumed by the Company that the number of female directors represent at least thirty per cent of all members of the Board of Directors by 2020, as well as goal five of the Sustainable Development Goals (SDGs) approved by the United Nations, regarding the empowerment of women. Specifically, with the proposed appointment of the three female directors referred to above, half of the non-executive directors will be women.

Finally, the re-election and appointment of the six directors, with four distinct nationalities (Spanish, French, English and U.S.), contribute to strengthening the diversity of origins and nationalities. All of the candidates have sufficient knowledge of the Spanish and English languages to be able to perform their duties.

#### **7. Proposed Resolutions**

The proposed resolutions submitted to the shareholders for approval at the General Shareholders' Meeting read as follows:





**"ITEM NUMBER TWELVE ON THE AGENDA**

***Appointment of Ms Sara de la Rica Goiricelaya as independent director.***

**RESOLUTION**

*To appoint Ms Sara de la Rica Goiricelaya as director, upon the proposal of the Appointments Committee, for the by-law mandated four-year term, with the classification of independent director.*

**ITEM NUMBER THIRTEEN ON THE AGENDA**

***Ratification of the interim appointment (co-option) and re-election of Mr Xabier Sagredo Ormaza as independent director.***

**RESOLUTION**

*To ratify the appointment of Mr Xabier Sagredo Ormaza as independent director appointed on an interim basis by resolution of the Board of Directors adopted at the meeting held on 19 February 2019 and to re-elect him upon a proposal of the Appointments Committee for the bylaw-mandated four-year term, with the classification of independent director.*

**ITEM NUMBER FOURTEEN ON THE AGENDA**

***Re-election of Ms María Helena Antolín Raybaud as independent director.***

**RESOLUTION**

*To re-elect Ms María Helena Antolín Raybaud as director, upon the proposal of the Appointments Committee, for the by-law mandated four-year term, with the classification of independent director.*

**ITEM NUMBER FIFTEEN ON THE AGENDA**

***Re-election of Mr José W. Fernández as independent director.***

**RESOLUTION**

*To re-elect Mr José Walfredo Fernández as director, upon the proposal of the Appointments Committee, for the by-law mandated four-year term, with the classification of independent director.*

**ITEM NUMBER SIXTEEN ON THE AGENDA**

***Re-election of Ms Denise Holt as independent director.***

**RESOLUTION**

*To re-elect Ms Denise Mary Holt as director, upon the proposal of the Appointments Committee, for the by-law mandated four-year term, with the classification of independent director.*

**ITEM NUMBER SEVENTEEN ON THE AGENDA**

***Re-election of Mr Manuel Moreu Munaiz as independent director.***

**RESOLUTION**

*To re-elect Mr Manuel Moreu Munaiz as director, upon the proposal of the Appointments Committee, for the by-law mandated four-year term, with the classification of independent director.*

**ITEM NUMBER EIGHTEEN ON THE AGENDA**

***Re-election of Mr Ignacio Sánchez Galán as executive director.***



**RESOLUTION**

*To re-elect Mr Ignacio Sánchez Galán as director, after a report from the Appointments Committee, for the by-law mandated four-year term, with the classification of executive director."*

\* \* \*

Bilbao, 19 February 2019.



## **ANNEX**

### **REPORT OF THE APPOINTMENTS COMMITTEE REGARDING THE RE-ELECTION OF MR IGNACIO SÁNCHEZ GALÁN AS EXECUTIVE DIRECTOR OF IBERDROLA, S.A.**

#### **1. Introduction**

Pursuant to the provisions of article 5, sections d) and e), of the *Regulations of the Appointments Committee* of IBERDROLA, S.A. ("**Iberdrola**" or the "**Company**"), the Appointments Committee (the "**Committee**") is responsible for reporting on proposed re-elections of executive directors that the Board of Directors resolves to submit for the approval of the shareholders at a General Shareholders' Meeting.

Mr Ignacio Sánchez Galán was last re-elected as a director of Iberdrola for the bylaw-mandated four-year term at the General Shareholders' Meeting held on 27 March 2015. Based on the fact that the term for which Mr Sánchez Galán was appointed a director of Iberdrola ends during this financial year 2019, the proposal signed by all of the Company's independent directors on 18 December 2018, and the contents of the report prepared by PricewaterhouseCoopers Asesores de Negocios, S.L. ("**PwC**"), the Committee has examined the advisability of his re-election. This report sets out the results of the work performed by the Committee relating to said examination.

#### **2. Professional Profile and Biographical Data of the Candidate**

Married and with four children, Ignacio Galán graduated as an Industrial Engineer from the Engineering School (ICAI) of Universidad Pontificia Comillas (Madrid). He also graduated in Business Administration and Foreign Trade from ICADE at Universidad Pontificia Comillas (Madrid) and in General Business Administration and Foreign Trade from the School of Industrial Organisation (EOI) in Madrid.

He has received honorary doctorate degrees from the universities of Salamanca, Edinburgh, and Strathclyde (Glasgow). He has been on the faculty of Escuela Técnica Superior de Ingeniería (ICAI), and is currently a visiting professor at the University of Strathclyde, chairman of the Social Council of the University of Salamanca and a member of the Dean's Advisory Council of the Massachusetts Institute of Technology (MIT).

In 2017 he was named Best Chief Executive Officer (CEO) within the utilities category (for the eleventh time) according to the prestigious Institutional Investor Research Group; in 2011 he was named Best CEO of European utilities and of Spanish listed companies in investors relations, according to the Thomson Extel Survey; and he has received the Award for Best CEO in Investor Relations by IR Magazine on three successive occasions (2003-2005). Furthermore, in 2017 he received the Vocento Award for Business Leadership; in 2014, he received the international Responsible Capitalism award in London; in 2008, he was named Business Leader of the Year by the Spain-United States Chamber of Commerce and was awarded the 2008 International Economy Prize by Fundación Cristóbal Gabarrón; and in 2006 he received the Best CEO of the Year Award as part of the Platts Global Energy Awards.

He speaks English, French, Italian and Portuguese.

#### **Noteworthy experience in the energy and industrial engineering sector**

In the industrial engineering sector, he has served as chief operating officer of Industria de Turbo Propulsores, S.A. (ITP) and as chairman of the European aerospace consortium Eurojet, headquartered in Germany. He has also held various management positions at Sociedad Española del Acumulador Tudor, S.A. (now, Exide Group), engaged in the manufacture and sale of batteries. He is a member of the utilities group of the World Economic Forum (Davos), which he has chaired between 2014 and 2016, and of the Steering Committee of the European Round Table of Industrialists and of the J.P. Morgan International Council.

#### **Noteworthy experience in other industries**

He has been chief executive officer of Airtel Móvil, S.A. (now, Vodafone España, S.A.U.) and a member of the Supervisory Board of Nutreco Holding N.V., a listed company in The Netherlands, active in the food industry. He was a founding partner and director of the Matarromera group, dedicated to viticulture and the production of wine and oil.

#### **Other information:**

In addition to the awards mentioned above, in 2018 he was designated Universal Spaniard 2018 by Fundación Independiente; in 2018 he was made an Honorary Member of the Spanish Institute of Engineering and was awarded the Silver Cross of Merit of the Guardia Civil; in 2016 he received the Medal of Honour of the Royal National Academy of Medicine; in 2014 he was distinguished by Queen Elizabeth II with the title Commander of the Most Excellent Order of the British Empire for his work to promote the British energy sector and trade and investment relations between the United Kingdom and Spain; in 2013 he was awarded the Gold Medal of the City of Salamanca; in 2011 he received the title of Lagun Onari (Friend of the Basques) bestowed by the Basque Government; in 2010 he was appointed as a



member of GlobalScot, an international Scottish government network of business leaders who are most keenly committed to the economic development of Scotland; in 2009 he was awarded the Gold Medal of the Province of Salamanca and was named Consul of Bilbao by the Bilbao Chamber of Commerce, Industry and Shipping; and in 2007 he was awarded the Police Merit medal.

### **3. Membership on Other Boards of Directors**

Mr Ignacio Sánchez Galán is chairman of the boards of directors of Scottish Power Limited, Avangrid, Inc. and Neoenergia, S.A., the country subholding companies performing the function of organisation and strategic coordination of the businesses of the Iberdrola group in the United Kingdom, the United States of America and Brazil, respectively.

### **4. Category to Which the Director Candidate Should Belong**

Mr Ignacio Sánchez Galán should be assigned to the category of executive director, as he is the chief executive of the Company.

### **5. Availability**

The effective availability of the candidate for director to provide the dedication required to hold the position has been verified with the candidate.

### **6. Shares of the Company and Derivative Financial Instruments whose Underlying Assets are Shares of the Company of Which the Director Candidate is a Holder**

As at the date of this report, Mr Ignacio Sánchez Galán is the holder of 9,991,715 shares of the Company, which represents 0.153% of the share capital.

### **7. Verification of Compliance with the Requirements to Be a Director of the Company**

The Committee very favourably values the profile, skills and experience of the candidate for director and, specifically, such director's respectability, capability, expertise, competence, experience, qualifications, availability and ability to commit to the duties of the position, which were verified in each of the annual reports on the individual performance thereof, in which the Committee had the assistance of an independent expert (PwC).

In addition, the Committee has verified that the conduct and professional track record of the candidate for director are fully aligned with the principles contained in the *Code of Ethics* and that the candidate has not directly or indirectly incurred any grounds for disqualification from or impediment to the holding of the position.

Therefore, it is deemed to have been verified that the candidate for director meets the general requirements for all directors of the Company as provided by law and the Corporate Governance System.

### **8. Verification of the Suitability of the Candidate to Continue Performing the Executive Duties thereof**

The Committee has analysed the report prepared by PwC, the conclusions of which it shares, and which show the suitability of Mr Ignacio Sánchez Galán to continue performing his duties as chief executive of Iberdrola.

In this regard, the Committee notes his activities during the term now ending, the suitability of his professional profile to the particularities of the businesses of the Iberdrola group, his knowledge of the industries in which it operates and the international nature thereof, appropriately combining the abilities and skills needed to lead the function of supervision that Iberdrola's governance model vests in the Board of Directors.

### **9. Conclusion**

The Committee has unanimously concluded to favourably report on the re-election of Mr Ignacio Sánchez Galán as director of the Company, with the classification of executive director.



## **ANNEX**

### **PROPOSED APPOINTMENT OF MS SARA DE LA RICA GOIRICELAYA AS INDEPENDENT DIRECTOR OF IBERDROLA, S.A., FORMULATED BY THE APPOINTMENTS COMMITTEE**

#### **1. Introduction**

Pursuant to the provisions of article 4 of the *Regulations of the Appointments Committee* of IBERDROLA, S.A. ("**Iberdrola**" or the "**Company**"), the Appointments Committee (the "**Committee**") is responsible for submitting to the Board of Directors proposed appointments of independent directors for submission to a decision by the shareholders at a General Shareholders' Meeting, as well as for verifying compliance with the specific requirements for independent directors provided by law and the Corporate Governance System, and for gathering adequate information regarding their personal qualities, experience, knowledge and effective availability.

For these purposes, the purpose of this document is to gather the results of the work performed by the Committee relating to the selection of Ms de la Rica Goiricelaya as a candidate for director, as well as to propose the appointment thereof to the Board of Directors with the classification of independent director.

Said proposal was prepared to fill the vacancy that will occur at the next General Shareholders' Meeting, after the end of the by-law mandated term as a director of Iberdrola of Mr Ángel Acebes Paniagua, who has stated that he does not wish to be proposed for re-election, on 27 March 2019.

#### **2. Professional Profile and Biographical Data of the Candidate**

Born in Bilbao, Spain, in 1963.

With a PhD in Economics from the University of the Basque Country and Professor at this institution, she has dedicated a large portion of her professional life to the study of and search for solutions on issues such as immigration, the labour market, gender equality and poverty. She is known for her work leading the Global Labour Report of the Basque Country, which fleshes out the reality and evolution of the Basque labour market.

She regularly publishes academic articles in domestic and international magazines, dealing with economic subjects, mainly related to labour, and participates in conferences and seminars and supervises graduate students in their dissertations.

She has been a director of Fundación ISEAK since 1 January 2019. The mission of the foundation is to contribute to the improvement of decision-making on public policies, mainly of a social nature, as well as the enrichment of public debate. Issues with a socio/economic profile, as well as the labour market, poverty and inequality, education, urban policy and gender inequality are analysed. She is also a member of the Scientific Advisory Board of Fundación Gadea, of the Advisory Board of the National Quality Assessment and Certification Agency (*Agencia Nacional de Evaluación de la Calidad y Acreditación*) (ANECA), of the Scientific Committee of the Basque Institute responsible for the Evaluation of the Educational System (IVEI-ISEI) and an Honorary Member of the Spanish Economics Association.

She is also an associate researcher at international bodies like CreAM (Centre for Research and Analysis of Migration - London) and IZA (Institute for the Study of the Labour Market - Bonn).

She is also a member of the Board of Directors of Basquetour, Turismoaren Euskal Agentzia, Agencia Vasca de Turismo, S.A., the government-owned company of the Department of Tourism, Trade and Consumption of the Basque Government, created to lead the promotion and implementation of the competitiveness strategy of Basque tourism.

#### **Noteworthy experience for holding the positions thereof at Iberdrola:**

Energy and industrial engineering sectors

Ms de la Rica Goiricelaya has held the position of independent director of Iberdrola España, S.A. (Sociedad Unipersonal), the country subholding company of the energy businesses in Spain. During this period, she has been able to obtain a first-hand understanding of the operation of the Iberdrola group and the main challenges and opportunities of the energy sector.





Other information:

She is the former President of the European Society for Population Economics and a member of its Executive Committee, Chairwoman of the Committee on the Situation of Women in Economics (COSME), and member of the Economic and Social Council (CES). She has also been the Secretary of the Spanish Economics Association (AEE).

She has worked in editorial boards and/or research project review boards.

In 2018 she was given the "2018 Basque Economist" (Economistak Saria 2018) Award by the Basque Association of Economists (*Colegio Vasco de Economistas*).

**3. Membership on Other Boards of Directors**

She is a member of the Board of Directors of Basquetour, Turismoaren Euskal Agentzia, Agencia Vasca de Turismo, S.A.

**4. Category to Which the Director Candidate Should Belong**

Ms Sara de la Rica Goiricelaya has been proposed based on her personal and professional qualities, after verifying that she can discharge her duties without being constrained by relationships with the Company, its significant shareholders or its directors and officers, thus meriting the classification of independent director.

**5. Availability**

The effective availability of the candidate to provide the dedication required to hold the position has been verified with the candidate.

**6. Shares of the Company and Derivative Financial Instruments whose Underlying Assets are Shares of the Company of Which the Director Candidate is a Holder**

As at the date of this report, Ms Sara de la Rica Goiricelaya is the holder of 7,631 shares of the Company, which represents 0.0% of the share capital.

**7. Compliance with the Provisions of the Board of Directors Diversity and Director Candidate Selection Policy**

Pursuant to the provisions of the *Board of Directors Diversity and Director Candidate Selection Policy*, in order to determine the appropriateness of appointing Ms de la Rica Goiricelaya to the position of director, the Committee has evaluated the needs of the Company and of the Iberdrola group, taking into consideration the specific particularities of the businesses thereof and of the territories in which it does business, comparing them to the profile of the candidate for director.

Based on the experience acquired by the candidate as a director of Iberdrola España, S.A. (Sociedad Unipersonal), the country subholding company that groups together the energy businesses of the Iberdrola group in Spain, and the proven performance shown in the holding of such position, as well as her knowledge in the area of economics, particularly in issues that are quite significant to the group, like the result of her works regarding the labour market and gender equality, the Committee finds that her profile is appropriate to fill the needs identified in relation to the composition of the Board of Directors.

His appointment will also contribute to maintaining the current high percentage of independent directors and will strengthen the diversity of gender within the Board of Directors.

**8. Verification of Compliance with the Requirements to Be a Director of the Company**

The Committee very favourably values the profile, skills and experience of the candidate for director and, specifically, such director's respectability, capability, expertise, competence, experience, qualifications, availability and ability to commit to the duties of the position.

In addition, the Committee has verified that the conduct and professional track record of the candidate for director are fully aligned with the principles contained in the *Code of Ethics* and that the candidate has not directly or indirectly incurred any grounds for disqualification from or impediment to the holding of the position.

Therefore, it is deemed to have been verified that the candidate for director meets the general requirements for all directors of the Company as provided by law and the Corporate Governance System.



## 9. **Conclusion**

The Committee has unanimously decided to propose the appointment of Ms Sara de la Rica Goiricelaya as a director of the Company, with the classification of independent director, to fill the vacancy that will occur at the next General Shareholders' Meeting, after the end of the by-law mandated term as a director of Iberdrola of Mr Ángel Acebes Paniagua on 27 March 2019.



## **ANNEX**

### **PROPOSED RATIFICATION AND RE-ELECTION OF MR XABIER SAGREDO ORMAZA AS INDEPENDENT DIRECTOR OF IBERDROLA, S.A., FORMULATED BY THE APPOINTMENTS COMMITTEE**

#### **1. Introduction**

Pursuant to the provisions of article 5, sections d) and e), of the *Regulations of the Appointments Committee* of IBERDROLA, S.A. ("**Iberdrola**" or the "**Company**"), the Appointments Committee (the "**Committee**") is responsible for submitting to the Board of Directors proposed ratifications and re-elections of independent directors for submission to a decision by the shareholders at a General Shareholders' Meeting, as well as for verifying compliance with the specific requirements for independent directors provided by law and the Corporate Governance System, and for gathering adequate information regarding their personal qualities, experience, knowledge and effective availability.

Ms Xabier Sagredo Ormaza was appointed as "other external" director for the bylaw-mandated four-year term at the General Shareholders' Meeting held on 8 April 2016. Mr Sagredo was then classified as an "other external" director for not meeting the requirements set forth in law and in the Corporate Governance System to be classified as an independent director or a proprietary director. Specifically, Mr Sagredo was not classified as an independent director due to his connection to Kutxabank, S.A., a shareholder of Iberdrola owning an interest legally deemed to be significant. However, in April 2017 this entity reduced its shareholder to below 3%, and thus its participation in the shares of the Company ceased to be deemed significant pursuant to the provisions of law.

Within the framework of the annual review of the classification of all directors in February 2019, as more than a year had passed since the shareholder with which Mr Sagredo was linked, Kutxabank, S.A., ceased to be the holder of a shareholding in Iberdrola deemed to be significant under the law, the Appointments Committee proposed to the Board of Directors that he be reclassified as an independent director.

In order to allow for such reclassification, which requires that the Appointments Committee propose the appointment of the director classified as independent, it is expected that Mr Sagredo will submit his resignation at the meeting of the Board of Directors to be held on 19 February 2019 so that immediately afterwards, at the same meeting, he can be appointed on an interim basis as an independent director upon a proposal of this Committee. Pursuant to the provisions of law, the shareholders acting at the first General Shareholders' Meeting held after the appointment are to ratify him in the position and, if appropriate, re-elect him.

In this regard, the purpose of this document is to gather the results of the work performed by the Committee relating to the potential ratification and re-election of Mr Sagredo, as well as to propose the ratification and re-election thereof to the Board of Directors with the classification of independent director.

#### **2. Professional Profile and Biographical Data of the Candidate**

Born in Portugalete, in 1972.

He has a degree in Economics and Business from Universidad del País Vasco, with a major in Finance, and holder of postgraduate degrees in various areas.

He is chair of the Board of Trustees of Bilbao Bizkaia Kutxa Fundación Bancaria-Bilbao Bizkaia Kutxa Banku Fundazioa, of BBK Fundazioa and of Fundación Eragintza. He is also a trustee of Biocruces Sanitary Research Institute, of the Bilbao Museum of Fines Arts and of the Guggenheim Foundation, at which he also serves as member of the Executive Committee. In addition, he is a member of the Orkestra Basque Institute of Competitiveness and of the Board of Directors of the Management Council of Universidad de Deusto, and is a visiting professor at various institutions.

#### **Noteworthy experience for holding this position within Iberdrola:**

Energy and industrial engineering sector

He has been a director of Iberdrola Generación, S.A. and a member of its Audit and Compliance Committee. He has also been a director of Iberdrola Distribución Eléctrica, S.A., at which he has held the position of chair of the Audit and Compliance Committee.



Other sectors

He has been the director of the Expansion and Assets area of the credit institution Ipar Kutxa, managing director of the concessionaire Transita, and a member of the Board of the Bilbao Port Authority.

In addition, he has been chair and vice-chair of the Board of Directors of Caja de Ahorros Bilbao Bizkaia Kutxa, Aurrezki Kutxa eta Bahitetxea (BBK), and chair of its Audit Committee.

### **3. Membership on Other Boards of Directors**

Mr Xabier Sagredo Ormaza is chair of the Board of Trustees of Bilbao Bizkaia Kutxa Fundación Bancaria.

### **4. Category to Which the Director Candidate Should Belong**

Mr Xabier Sagredo Ormaza has been proposed in view of his personal and professional qualities and can perform his duties without being constrained by relationships with the Company, its significant shareholders or its directors and officers, thus meriting the classification of independent director.

### **5. Availability**

The effective availability of the candidate for director to provide the dedication required to hold the position has been verified with the candidate.

### **6. Shares of the Company and Derivative Financial Instruments whose Underlying Assets are Shares of the Company of Which the Director Candidate is a Holder**

As of the date of this report, Mr Xabier Sagredo Ormaza does not directly or indirectly hold any shares of the Company.

### **7. Compliance with the Provisions of the Board of Directors Diversity and Director Candidate Selection Policy**

Pursuant to the provisions of the *Board of Directors Diversity and Director Candidate Selection Policy*, in order to determine the appropriateness of ratifying and re-electing Mr Sagredo Ormaza to the position of director, the Committee has evaluated the needs of the Company and of the Iberdrola group, taking into consideration the specific particularities of the businesses thereof and of the territories in which it does business, comparing them to the profile of the candidate for re-election.

The Committee has concluded that the technical knowledge and the experience of Mr Xabier Sagredo Ormaza in new energy generation technologies, as well as his career as a businessman and board member of listed companies, justify his re-election as a director.

The ratification and re-election thereof will also contribute to maintaining the current high percentage of independent directors and will encourage diversity of origin and nationality within the Board of Directors.

### **8. Verification of Compliance with the Requirements to Be a Director of the Company**

The Committee very favourably values the profile, skills and experience of the candidate for director and, specifically, such director's respectability, capability, expertise, competence, experience, qualifications, availability and ability to commit to the duties of the position, which were verified in each of the annual reports on the individual performance thereof, in which the Committee had the assistance of an independent expert.

In addition, the Committee has verified that the conduct and professional track record of the candidate for director are fully aligned with the principles contained in the *Code of Ethics* and that the candidate has not directly or indirectly incurred any grounds for disqualification from or impediment to the holding of the position.

Therefore, it is deemed to have been verified that the candidate for director meets the general requirements for all directors of the Company as provided by law and the Corporate Governance System.

### **9. Conclusion**

The Committee has unanimously decided to propose the re-election of Mr Xabier Sagredo Ormaza as a director of the Company, with the classification of independent director.



## **ANNEX**

### **PROPOSED RE-ELECTION OF MS MARÍA HELENA ANTOLÍN RAYBAUD AS INDEPENDENT DIRECTOR OF IBERDROLA, S.A., FORMULATED BY THE APPOINTMENTS COMMITTEE**

#### **1. Introduction**

Pursuant to the provisions of article 5, sections d) and e), of the *Regulations of the Appointments Committee* of IBERDROLA, S.A. ("**Iberdrola**" or the "**Company**"), the Appointments Committee (the "**Committee**") is responsible for submitting to the Board of Directors proposed re-elections of independent directors for submission to a decision by the shareholders at a General Shareholders' Meeting, as well as for verifying compliance with the specific requirements for independent directors provided by law and the Corporate Governance System, and for gathering adequate information regarding their personal qualities, experience, knowledge and effective availability.

Ms María Helena Antolín Raybaud was last re-elected as a director of Iberdrola for the bylaw-mandated four-year term at the General Shareholders' Meeting held on 27 March 2015. Given that the term for which Ms Antolín Raybaud was appointed a director of Iberdrola ends during this financial year 2019, the Committee has examined the advisability of her re-election and has performed the verifications and evaluations referred to in the aforementioned article of the regulations.

For these purposes, the purpose of this document is to gather the results of the work performed by the Committee relating to the potential re-election of Ms Antolín Raybaud, as well as to propose the re-election thereof to the Board of Directors with the classification of independent director.

#### **2. Professional Profile and Biographical Data of the Candidate**

Born in Toulon, France, in 1966.

Degree in International Business and Business Administration from Eckerd College, St. Petersburg, Florida (United States of America), and holds a Master of Business Administration from Anglia University, Cambridge (United Kingdom) and from Escuela Politécnica de Valencia (Spain).

She has spent her professional career in the industrial sector, and is currently a Board member, vice chair and member of the Management Committee of Grupo Antolin Irausa, S.A.

##### **Noteworthy experience for holding the positions thereof at Iberdrola:**

Energy and industrial engineering sectors

She has experience as a member of the board of companies in the energy and industrial sectors, including as independent external director of Iberdrola Renovables, S.A. and as a member of its Related-Party Transactions Committee between 2007 and 2010. She is also a member of the Management Board of the Spanish Association of Automotive Equipment and Component Manufacturers (*Asociación Española de Fabricantes de Equipos y Componentes para Automoción*) (Sernauto) since 2011.

She has been in charge of the corporate Industrial, Strategy and Marketing, Communication and Institutional Relations divisions of Grupo Antolin Irausa, S.A., where she is currently vice chair of the Board of Directors and member of the Executive Committee.

##### **Prior experience in relation to the committee of which the candidate is a member**

She has domestic and international experience in areas related to her position as member of the Appointments Committee. At Grupo Antolin Irausa, S.A., she has held the positions of director of Human Resources and head of Total Quality.

As corporate director, she has performed duties at the global level within the group, where she began her career holding successive positions of responsibility at subsidiaries located in Germany, France and Italy.

##### **Other information:**

She is the president of the Spanish Association of Automotive Equipment and Component Manufacturers (*Asociación Española de Fabricantes de Equipos y Componentes para Automoción*) (Sernauto), vice president of the Excellence in Management Club (*Club de Excelencia en la Gestión*), a member of the Advisory Committee of Sabadell Urquijo Banca





Privada, and a board member of France Foreign Trade (*Comercio Exterior de Francia*), Spain section and a member of the Plenary Committee of the Chamber of Commerce of Spain.

### **3. Membership on Other Boards of Directors**

She is vice chair of the Board of Directors of Grupo Antolin Irausa, S.A.

### **4. Category to Which the Director Candidate Should Belong**

Ms María Helena Antolín Raybaud has been proposed based on her personal and professional qualities and can discharge her duties without being constrained by relationships with the Company, its significant shareholders or its directors and officers, thus meriting the classification of independent director.

### **5. Availability**

The effective availability of the candidate for re-election to provide the dedication required to hold the position has been verified with the candidate.

### **6. Shares of the Company and Derivative Financial Instruments whose Underlying Assets are Shares of the Company of Which the Director Candidate is a Holder**

As at the date of this report, Ms María Helena Antolín Raybaud is the holder of 3,413 shares of the Company, which represents 0.0% of the share capital.

### **7. Compliance with the Provisions of the Board of Directors Diversity and Director Candidate Selection Policy**

Pursuant to the provisions of the *Board of Directors Diversity and Director Candidate Selection Policy*, in order to determine the appropriateness of re-electing Ms Antolín Raybaud to the position of director, the Committee has evaluated the needs of the Company and of the Iberdrola group, taking into consideration the specific particularities of the businesses thereof and of the territories in which it does business, comparing them to the profile of the candidate for re-election.

The Committee has concluded that her business career within Grupo Antolin and her training in the area of business management and administration give Ms Antolín Raybaud extensive knowledge in the areas of business management, at both the domestic and international level, and allow her to contribute her practical knowledge and personal experience as a businesswoman in the decision-making process of the Company's Board of Directors.

The re-election thereof will also contribute to maintaining the current high percentage of independent directors and will encourage diversity of gender, origin and nationality within the Board of Directors.

### **8. Verification of Compliance with the Requirements to Be a Director of the Company**

The Committee very favourably values the profile, skills and experience of the candidate for director and, specifically, such director's respectability, capability, expertise, competence, experience, qualifications, availability and ability to commit to the duties of the position, which were verified in each of the annual reports on the individual performance thereof, in which the Committee had the assistance of an independent expert.

In addition, the Committee has verified that the conduct and professional track record of the candidate for director are fully aligned with the principles contained in the *Code of Ethics* and that the candidate has not directly or indirectly incurred any grounds for disqualification from or impediment to the holding of the position.

Therefore, it is deemed to have been verified that the candidate for director meets the general requirements for all directors of the Company as provided by law and the Corporate Governance System.

### **9. Conclusion**

The Committee has unanimously (except for the candidate for re-election, who has abstained) decided to propose the re-election of Ms María Helena Antolín Raybaud as a director of the Company, with the classification of independent director.



## ANNEX

### PROPOSED RE-ELECTION OF MR JOSÉ W. FERNÁNDEZ AS INDEPENDENT DIRECTOR OF IBERDROLA, S.A., FORMULATED BY THE APPOINTMENTS COMMITTEE

#### 1. Introduction

Pursuant to the provisions of article 5, sections d) and e), of the *Regulations of the Appointments Committee* of IBERDROLA, S.A. ("**Iberdrola**" or the "**Company**"), the Appointments Committee (the "**Committee**") is responsible for submitting to the Board of Directors proposed re-elections of independent directors for submission to a decision by the shareholders at a General Shareholders' Meeting, as well as for verifying compliance with the specific requirements for independent directors provided by law and the Corporate Governance System, and for gathering adequate information regarding their personal qualities, experience, knowledge and effective availability.

Mr José W. Fernández was last re-elected as a director of Iberdrola for the bylaw-mandated four-year term at the General Shareholders' Meeting held on 27 March 2015. Given that the term for which Mr Fernández was appointed a director of Iberdrola ends during this financial year 2019, the Committee has examined the advisability of his re-election and has performed the verifications and evaluations referred to in the aforementioned article of the regulations.

For these purposes, the purpose of this document is to gather the results of the work performed by the Committee relating to the potential re-election of Mr José W. Fernández, as well as to propose the re-election thereof to the Board of Directors with the classification of independent director.

#### 2. Professional Profile and Biographical Data of the Candidate

Born in Cienfuegos, Cuba in 1955, he is a U.S. citizen.

Degree in History from Dartmouth University (New Hampshire, United States of America), and Juris Doctor from Columbia University (New York, United States of America). He spent a large portion of his career as an attorney specialising in international commercial matters. He has also had a significant career in the institutional area, serving as Assistant Secretary of State for Economic, Energy and Business Affairs for the United States of America.

He divides his time between his position at Iberdrola and his work as a partner of Gibson, Dunn & Crutcher.

#### Noteworthy experience for holding the positions thereof at Iberdrola:

##### Energy sector

He was Assistant Secretary of State for Economic, Energy and Business Affairs for the United States of America (2009-2013), where he led the department responsible for supervising the energy security policy of the country, in addition to other policies such as international investment and trade and development and debt policy. He has also been an independent director at Iberdrola USA, Inc. (now Avangrid, Inc.), the country subholding company of Iberdrola that carries out the organisation and strategic coordination of the group's businesses in the United States of America.

##### Other sectors

He is a partner in the New York office of Gibson, Dunn & Crutcher, specialising in international mergers and acquisitions and finance in the emerging markets of Latin America, the Middle East, Africa and Asia. He has served on the boards of Dartmouth College, NPR Station WBGO-FM, the Middle East Institute, and Ballet Hispanico of New York and of non-governmental institutions such as Acción International. He is currently a member of the board of directors of the Council of the Americas and the Center for American Progress, among others.

#### Other information:

He has been the State Department's representative on the Committee on Foreign Investment in the United States. Among other acknowledgements, he was named one of the "World's Leading Lawyers" by Chambers Global for his M&A work, an "Expert" by the International Financial Law Review and one of the "World's Leading Privatization Lawyers" by Euromoney. In 2013 he was named "Embajador de la Marca España" (Ambassador of the Spain Brand) by a company made up of various agencies of the Spanish government and noteworthy Spanish companies, due to his work promoting commercial relations between the United States of America and Spain.



### **3. Membership on Other Boards of Directors**

Mr José W. Fernández does not belong to other boards of directors of listed or unlisted companies.

### **4. Category to Which the Director Candidate Should Belong**

Mr José W. Fernández has been proposed in view of his personal and professional qualities and can perform his duties without being constrained by relationships with the Company, its significant shareholders or its directors and officers, thus meriting the classification of independent director.

### **5. Availability**

The effective availability of the candidate for director to provide the dedication required to hold the position has been verified with the candidate.

### **6. Shares of the Company and Derivative Financial Instruments whose Underlying Assets are Shares of the Company of Which the Director Candidate is a Holder**

As of the date of this report, Mr José W. Fernández does not directly or indirectly hold any shares of the Company.

### **7. Compliance with the Provisions of the Board of Directors Diversity and Director Candidate Selection Policy**

Pursuant to the provisions of the *Board of Directors Diversity and Director Candidate Selection Policy*, in order to determine the appropriateness of re-electing Mr José W. Fernández to the position of director, the Committee has evaluated the needs of the Company and of the Iberdrola group, taking into consideration the specific particularities of the businesses thereof and of the territories in which it does business, comparing them to the profile of the candidate for re-election.

The Committee has concluded that the knowledge of the operation of U.S. government administrations, and particularly of the U.S. market, generally allows Mr José W. Fernández to contribute a complete view of this key market for Iberdrola.

The re-election thereof will also contribute to maintaining the current high percentage of independent directors and will encourage diversity of origin and nationality within the Board of Directors.

### **8. Verification of Compliance with the Requirements to Be a Director of the Company**

The Committee very favourably values the profile, skills and experience of the candidate for director and, specifically, such director's respectability, capability, expertise, competence, experience, qualifications, availability and ability to commit to the duties of the position, which were verified in each of the annual reports on the individual performance thereof, in which the Committee had the assistance of an independent expert.

In addition, the Committee has verified that the conduct and professional track record of the candidate for director are fully aligned with the principles contained in the *Code of Ethics* and that the candidate has not directly or indirectly incurred any grounds for disqualification from or impediment to the holding of the position.

Therefore, it is deemed to have been verified that the candidate for director meets the general requirements for all directors of the Company as provided by law and the Corporate Governance System.

### **9. Conclusion**

The Committee has unanimously decided to propose the re-election of Mr José W. Fernández as a director of the Company, with the classification of independent director.



## **ANNEX**

### **PROPOSED RE-ELECTION OF MS DENISE HOLT AS INDEPENDENT DIRECTOR OF IBERDROLA, S.A., FORMULATED BY THE APPOINTMENTS COMMITTEE**

#### **1. Introduction**

Pursuant to the provisions of article 5, sections d) and e), of the *Regulations of the Appointments Committee* of IBERDROLA, S.A. ("**Iberdrola**" or the "**Company**"), the Appointments Committee (the "**Committee**") is responsible for submitting to the Board of Directors proposed re-elections of independent directors for submission to a decision by the shareholders at a General Shareholders' Meeting, as well as for verifying compliance with the specific requirements for independent directors provided by law and the Corporate Governance System, and for gathering adequate information regarding their personal qualities, experience, knowledge and effective availability.

Ms Denise Holt was last re-elected as a director of Iberdrola for the bylaw-mandated four-year term at the General Shareholders' Meeting held on 27 March 2015. Given that the term for which Ms Holt was appointed a director of Iberdrola ends during this financial year 2019, the Committee has examined the advisability of her re-election and has performed the verifications and evaluations referred to in the aforementioned article of the regulations.

For these purposes, the purpose of this document is to gather the results of the work performed by the Committee relating to the potential re-election of Ms Holt, as well as to propose the re-election thereof to the Board of Directors with the classification of independent director.

#### **2. Professional Profile and Biographical Data of the Candidate**

Born in Vienna, Austria, in 1949.

Degrees in Spanish Philology, French Philology, and Political Sciences from the University of Bristol and Doctor of Laws from the same university (England, United Kingdom).

A career diplomat, a large part of her professional life has been linked to the diplomatic service of the United Kingdom, which has given her broad international experience in territories like Brazil, Mexico and Spain.

In the business area, she has developed her experience in the finance, health and energy sectors. She divides her time between her role as director at Iberdrola and her activities at international bodies, academic institutions and her position of director at HSBC Bank plc.

##### **Noteworthy experience for holding the positions thereof at Iberdrola:**

Energy sector.

She has knowledge and experience in the energy sector from serving as a director at Scottish Power Renewable Energy Ltd. between 2011 and 2012, and at Scottish Power Networks Holdings Ltd. between 2012 and 2014.

Other sectors

She also has experience as a member of boards of directors of international companies and institutions in other sectors, including finance and health.

In the financial area, she has been an independent director and member of the Audit Committee of HSBC Bank UK plc., and chair and independent director of M&S Financial Services Ltd.; and in the health area, she has been an independent director of Nuffield Health and a member of the Quality and Safety and Compensation Committees of the Board of Directors of this entity.

Her broad experience as a manager thanks to her extensive diplomatic career should be noted. She has been first secretary of the Embassy of the United Kingdom in Brazil (1990-1993), director of Human Resources (1999-2002), of Migration (2005-2007) and of the Overseas Territories (2005-2007) at the UK Foreign and Commonwealth Office, and British ambassador of the United Kingdom to Mexico (2002-2005), and to Spain and Andorra (2007-2009).

##### **Other information:**

The former president of the Anglo-Spanish Society and of the Institute of Latin American Studies at the University of London, Ms Holt currently presides over the Cañada Blanch Centre for Contemporary Spanish Studies of the London



School of Economics and Political Science and is a member of the Board of the University of Sussex. She has also been chair of the Nominations Committee of the British Alzheimer's Society. For her contribution to the British diplomatic service, she was elevated to Dame Commander of the Order of St Michael and St George (DCMG).

### **3. Membership on Other Boards of Directors**

Ms Denise Holt is an independent director of HSBC Bank UK plc. and of M&S Financial Services Ltd..

### **4. Category to Which the Director Candidate Should Belong**

Ms Denise Holt has been proposed based on her personal and professional qualities and can discharge her duties without being constrained by relationships with the Company, its significant shareholders or its directors and officers, thus meriting the classification of independent director.

### **5. Availability**

The effective availability of the candidate for re-election to provide the dedication required to hold the position has been verified with the candidate.

### **6. Shares of the Company and Derivative Financial Instruments whose Underlying Assets are Shares of the Company of Which the Director Candidate is a Holder**

As at the date of this report, Ms Denise Holt is the holder of 568 shares of the Company, which represents 0.0% of the share capital.

### **7. Compliance with the Provisions of the Board of Directors Diversity and Director Candidate Selection Policy**

Pursuant to the provisions of the *Board of Directors Diversity and Director Candidate Selection Policy*, in order to determine the appropriateness of re-electing Ms Holt to the position of director, the Committee has evaluated the needs of the Company and of the Iberdrola group, taking into consideration the specific particularities of the businesses thereof and of the territories in which it does business, comparing them to the profile of the candidate for re-election.

The Committee has concluded that the in-depth knowledge of Ms Denise Holt of the UK market and of the businesses carried out by the Iberdrola group in that territory, her extensive experience in the area of international relations thanks to her preparation, extensive diplomatic career and ability to contribute to debates with her knowledge of the financial sector, together with her performance as a director through the date hereof, make her ideal to continue holding the position of director.

The re-election thereof will also contribute to maintaining the current high percentage of independent directors and will encourage diversity of gender, origin and nationality within the Board of Directors.

### **8. Verification of Compliance with the Requirements to Be a Director of the Company**

The Committee very favourably values the profile, skills and experience of the candidate for director and, specifically, such director's respectability, capability, expertise, competence, experience, qualifications, availability and ability to commit to the duties of the position, which were verified in each of the annual reports on the individual performance thereof, in which the Committee had the assistance of an independent expert.

In addition, the Committee has verified that the conduct and professional track record of the candidate for director are fully aligned with the principles contained in the *Code of Ethics* and that the candidate has not directly or indirectly incurred any grounds for disqualification from or impediment to the holding of the position.

Therefore, it is deemed to have been verified that the candidate for director meets the general requirements for all directors of the Company as provided by law and the Corporate Governance System.

### **9. Conclusion**

The Committee has unanimously decided to propose the re-election of Ms Denise Holt as a director of the Company, with the classification of independent director.





## **ANNEX**

### **PROPOSED RE-ELECTION OF MR MANUEL MOREU MUNAIZ AS INDEPENDENT DIRECTOR OF IBERDROLA, S.A., FORMULATED BY THE APPOINTMENTS COMMITTEE**

#### **1. Introduction**

Pursuant to the provisions of article 5, sections d) and e), of the *Regulations of the Appointments Committee* of IBERDROLA, S.A. ("**Iberdrola**" or the "**Company**"), the Appointments Committee (the "**Committee**") is responsible for submitting to the Board of Directors proposed re-elections of independent directors for submission to a decision by the shareholders at a General Shareholders' Meeting, as well as for verifying compliance with the specific requirements for independent directors provided by law and the Corporate Governance System, and for gathering adequate information regarding their personal qualities, experience, knowledge and effective availability.

Mr Manuel Moreu Munaiz was last re-elected as a director of Iberdrola for the bylaw-mandated four-year term at the General Shareholders' Meeting held on 27 March 2015. Given that the term for which Mr Moreu Munaiz was appointed a director of Iberdrola ends during this financial year 2019, the Committee has examined the advisability of his re-election and has performed the verifications and evaluations referred to in the aforementioned article of the regulations.

For these purposes, the purpose of this document is to gather the results of the work performed by the Committee relating to the potential re-election of Mr Moreu Munaiz, as well as to propose the re-election thereof to the Board of Directors with the classification of independent director.

#### **2. Professional Profile and Biographical Data of the Candidate**

Born in Pontevedra, in 1953.

He has a Doctorate in naval engineering from Escuela Técnica Superior de Ingenieros Navales (ETSIN) of the Universidad Politécnica de Madrid, and has a Master's degree in Oceanic Engineering from the Massachusetts Institute of Technology (MIT).

During his career, he has combined his work as a director of companies in various sectors (especially offshore engineering) with intensive teaching and publishing. He has been a member of the board of Gamesa Corporación Tecnológica, S.A., Iberdrola Renovables, S.A., Metalships and Docks, S.A., Rodman Polyships, S.A. and Neumáticas de Vigo, S.A. (NEUVISA).

##### **Noteworthy experience for holding this position within Iberdrola:**

Energy and industrial engineering sector

He has been a member of the Board of Directors of Iberdrola Renovables, S.A. (2007-2011), and a board member and member of the Audit and Compliance Committee of Gamesa Corporación Tecnológica, S.A. (2013-2015).

In 1981 he founded Seaplace, S.L., an engineering firm specialising in the design and calculation of fixed and floating offshore structures for the petroleum, energy and aquaculture industries, among other activities.

Other sectors

He is also a director of Tubacex, S.A., a member of the Spanish Committee of Lloyd's Register EMEA and the sole director of HI Iberia Ingeniería y Proyectos, S.L. (a consulting firm dedicated to the development of software, simulations and business models) and Howard Ingeniería y Desarrollo, S.L. (technology and communications sector). He has also served as head of the Technical Department of Sociedad Española de Clasificación y Registro de Buques, Artefactos Flotantes e Ingenios Oceánicos, S.A. (Fidenavis), a company dedicated to maritime transport activities.

##### **Other information:**

He has been an associate professor of the Escuela Técnica Superior de Ingenieros Navales of the Universidad Politécnica de Madrid (ETSIN) and for the Repsol's Masters programme in oil.

He has been chairman of the Engineering Institute of Spain (*Instituto de Ingeniería de España*) since 2012 and dean of the Colegio Oficial de Ingenieros Navales y Oceánicos de Madrid y de España.



### **3. Membership on Other Boards of Directors**

Mr Manuel Moreu Munaiz is a member of the board of Tubacex, S.A., chairman of Seaplace, S.L. and sole director of HI Iberia Ingeniería y Proyectos, S.L. and Howard Ingeniería y Desarrollo, S.L.

### **4. Category to Which the Director Candidate Should Belong**

Mr Manuel Moreu Munaiz has been proposed in view of his personal and professional qualities and can perform his duties without being constrained by relationships with the Company, its significant shareholders or its directors and officers, thus meriting the classification of independent director.

### **5. Availability**

The effective availability of the candidate for director to provide the dedication required to hold the position has been verified with the candidate.

### **6. Shares of the Company and Derivative Financial Instruments whose Underlying Assets are Shares of the Company of Which the Director Candidate is a Holder**

As at the date of this report, Mr Manuel Moreu Munaiz is the holder of 49,826 shares of the Company, which represents 0.0% of the share capital.

### **7. Compliance with the Provisions of the Board of Directors Diversity and Director Candidate Selection Policy**

Pursuant to the provisions of the *Board of Directors Diversity and Director Candidate Selection Policy*, in order to determine the appropriateness of re-electing Mr Moreu Munaiz to the position of director, the Committee has evaluated the needs of the Company and of the Iberdrola group, taking into consideration the specific particularities of the businesses thereof and of the territories in which it does business, comparing them to the profile of the candidate for re-election.

The Committee has concluded that the technical knowledge and the experience of Mr Manuel Moreu Munaiz in new energy generation technologies, as well as his career as a businessman and board member of listed companies, justify his re-election as a director.

The re-election thereof will also contribute to maintaining the current high percentage of independent directors and will encourage diversity of origin and nationality within the Board of Directors.

### **8. Verification of Compliance with the Requirements to Be a Director of the Company**

The Committee very favourably values the profile, skills and experience of the candidate for director and, specifically, such director's respectability, capability, expertise, competence, experience, qualifications, availability and ability to commit to the duties of the position, which were verified in each of the annual reports on the individual performance thereof, in which the Committee had the assistance of an independent expert.

In addition, the Committee has verified that the conduct and professional track record of the candidate for director are fully aligned with the principles contained in the *Code of Ethics* and that the candidate has not directly or indirectly incurred any grounds for disqualification from or impediment to the holding of the position.

Therefore, it is deemed to have been verified that the candidate for director meets the general requirements for all directors of the Company as provided by law and the Corporate Governance System.

### **9. Conclusion**

The Committee has unanimously decided to propose the re-election of Mr Manuel Moreu Munaiz as a director of the Company, with the classification of independent director.