



# GENERAL SHAREHOLDERS' MEETING

28 April 2023

**SUSTAINABLE  
EVENT**



## Report of the Board of Directors

Proposed increases in capital by means of scrip issues of the “Iberdrola Retribución Flexible” optional dividend system



## REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF "IBERDROLA, S.A." REGARDING THE PROPOSED IMPLEMENTATION OF TWO INCREASES IN CAPITAL BY MEANS OF SCRIP ISSUES IN ORDER TO IMPLEMENT THE "IBERDROLA RETRIBUCIÓN FLEXIBLE" OPTIONAL DIVIDEND SYSTEM INCLUDED IN ITEMS 10 AND 11 ON THE AGENDA FOR THE GENERAL SHAREHOLDERS' MEETING

### 1. Object of the report

This report has been prepared by the Board of Directors of "Iberdrola, S.A." (the "**Company**") pursuant to the provisions of Sections 286 and 296 of the *Companies Act (Ley de Sociedades de Capital)*, in order to provide a rationale for the two proposed increases in share capital by means of scrip issues through the issuance of new shares with a charge to reserves, which are submitted to the shareholders for approval at the General Shareholders' Meeting under items 10 and 11 on the agenda and under the section "Common terms and conditions of the dividend payment and increase in share capital resolutions proposed under items number 9, 10 and 11 on the agenda, pursuant to which the "Iberdrola Retribución Flexible" optional dividend system is implemented" (the "**Common Terms**").

Pursuant to such sections of the *Companies Act*, to the extent that the approval of each of the increases in share capital and the implementation thereof entails the amendment of the article of the *By-Laws* setting the share capital, the Board of Directors has prepared this report setting forth the purpose of and rationale for the proposals being submitted to the shareholders at the General Shareholders' Meeting.

Given that the two increases in share capital by means of scrip issues have the same purpose and are implemented in a similar manner, this report provides the rationale for both proposals. For purposes of easier understanding by the shareholders of the transaction that gives rise to the aforementioned proposals, a description of the purpose of, rationale for and structure of the proposals is first provided. Set forth below are the main terms and conditions of the increases in capital by means of scrip issues. Finally, the proposed resolutions submitted to the shareholders for approval at the General Shareholders' Meeting are included.

### 2. Purpose of, rationale for and structure of the proposals

#### 2.1 Purpose of and rationale for the proposals

The "Iberdrola Retribución Flexible" optional dividend system reflects the Company's desire to continuously apply the best corporate governance practices, especially in the area of its shareholder remuneration policy.

This system, the approval of which is again submitted to the shareholders at the General Shareholders' Meeting, offers shareholders the ability to receive their remuneration in new bonus shares or to monetise the amount of their remuneration.

Thus, shareholders who prefer to receive their remuneration in cash may do so through a supplementary dividend approved by the General Shareholders' Meeting or through payment of the interim dividend for financial year 2023 approved by the Board of Directors. These shareholders will also have the option to sell their free-of-charge allocation rights on the market,



although in this case the amount of the remuneration they receive will depend on market conditions in general and the listing price of the free-of-charge allocation rights in particular.

For this reason, in addition to the dividend contemplated in the proposed resolution corresponding to item 9 on the agenda for the General Shareholders’ Meeting (the “**Supplementary Dividend**”), it is expected that, prior to 31 December 2023, the Board of Directors will approve the payment of an amount on account of the dividend for financial year 2023 (the “**Interim Dividend**”), which will in any case be subject to compliance with the requirements established in Section 277 of the *Companies Act* (the “**Requirements**”).

Notwithstanding the foregoing, if the Requirements to pay the Interim Dividend are not met in the Second Implementation (as such term is defined below), the Company will make an irrevocable commitment to acquire the free-of-charge allocation rights arising from the second Increase in Capital (as such term is defined below) at a guaranteed fixed price upon the terms and conditions described below (the “**Purchase Commitment**” and the “**Fixed Purchase Price**”, respectively).

## 2.2 Structure of the proposals

The proposals submitted to the shareholders for approval at the General Shareholders’ Meeting under items 10 and 11 on the agenda and under the Common Terms have been structured in the form of two increases in share capital with a charge to the reserves contemplated in Section 303.1 of the *Companies Act* (each such increase in capital shall be referred to as an “**Increase in Capital**” and both of them collectively as the “**Increases in Capital**”), which shall be implemented together with the payment of the Supplementary Dividend and the Interim Dividend, respectively (each a “**Dividend**” and collectively the “**Dividends**”). In particular:

- (i) The first implementation of the “Iberdrola Retribución Flexible” optional dividend system for financial year 2023 (the “**First Implementation**”) shall be carried out through the implementation of the Increase in Capital submitted for approval of the shareholders at the General Shareholders’ Meeting under item 10 on the agenda, together with the payment of the Supplementary Dividend.
- (ii) The second implementation of the “Iberdrola Retribución Flexible” optional dividend system for financial year 2023 (the “**Second Implementation**”, and collectively with the First Implementation, the “**Implementations**” and each of the Implementations, individually, an “**Implementation**”) shall be carried out through the implementation of the Increase in Capital submitted for approval of the shareholders at the General Shareholders’ Meeting under item 11 on the agenda together with the payment of the Interim Dividend, to the extent that the Requirements are met. The Purchase Commitment would be implemented if they are not met.

It is expected that the First Implementation will take place in the month of July 2023 and that the Second Implementation will occur in the month of January 2024.

In each of the Implementations, the shareholders may choose from among the following options for remuneration upon the terms and conditions established by the Board of Directors (with express power of substitution):



- (a) Receiving their remuneration in cash by collecting the Dividend in question (whether with respect to all of their shares or a portion thereof), for which purpose the shareholders shall be required to make an express election in this regard.
- (b) Receiving their remuneration in newly-issued bonus shares of the Company. To this end, shareholders must refrain from transferring their free-of-charge allocation rights on the market. In this case, upon completion of the trading period for the free-of-charge allocation rights and implementation of the Increase in Capital, the shareholders shall receive such number of new shares as they are proportionately entitled to receive, entirely as bonus shares.
- (c) Transferring all or part of their free-of-charge allocation rights on the market during the trading period pursuant to the provisions of Section 3.2 below. In this case, the consideration for such rights will depend on market conditions in general and on the listing price of such rights in particular.

The shareholders may only elect remuneration option (a) above (i.e. receiving the Dividend in question) during the "**Common Election Period**". The Common Election Period will begin on the same day as the trading period for the free-of-charge allocation rights, and the Board of Directors (with express power of substitution) must establish the specific term of the Common Election Period, which may in no event exceed the term of said trading period.

Based on their preferences and needs, the Company's shareholders may combine any of the alternatives mentioned in paragraphs (a) through (c) above with respect to different groups of shares that each of them own. In any event, the election of one of the remuneration options automatically excludes the ability to choose either of the other two options regarding the same shares, for which reason the aforementioned ability to combine options will only be possible with respect to different groups of shares.

Furthermore, as already mentioned, if the Requirements are not met on occasion of the Second Implementation, and therefore the Company cannot pay the Interim Dividend, the shareholders may monetise their free-of-charge allocation rights by transferring them to the Company at the Fixed Purchase Price within the framework of the Purchase Commitment and thus receive a cash amount equal to the one that the Company would have paid as Interim Dividend.

In this regard, it should be borne in mind that the tax treatment of the above alternatives may be different, as described in Section 3.7 below.

The Company assumes no liability for the choices made by the holders of the free-of-charge allocation rights (or for a failure to choose, if an express and valid communication is not received from said holders).



### 3. Main terms and conditions of the Increases in Capital.

Set forth below are the main terms and conditions of the Increases in Capital.

#### 3.1 Nominal amount of the Increases in Capital, number of shares to be issued, and number of free-of-charge allocation rights required for the allocation of one new share

The amount of each of the Increases in Capital shall be the result of multiplying the nominal value of each share of the Company (seventy-five euro cents per share) by the total determinable number of new shares of the Company to be issued on the date of each of the Implementations. The Increases in Capital will thus be carried out at par (i.e. without a share premium).

In turn, the maximum number of new shares to be issued in each Increase in Capital shall be the number resulting from the application of the following formula (with the result being rounded to the next lower integer):

$$\text{NNS} = \text{TNShrs.} / \text{Num. rights}$$

where:

**NNS** = Maximum number of new shares to be issued;

TNShrs. = Number of shares of the Company outstanding on the date that the Board of Directors (or the body acting by delegation therefrom) resolves to implement each Increase in Capital. In this regard, those shares of the Company that have previously been retired by virtue of the implementation of the resolution approving the reduction in share capital by means of the retirement of own shares submitted to the shareholders for approval at the General Shareholders' Meeting under item 12 on the agenda, even if the corresponding public instrument formalising the implementation of the resolution approving the reduction in capital has not been executed or is pending registration with the Commercial Registry, shall not be deemed to be outstanding shares of the Company; and

Num. rights = Number of free-of-charge allocation rights required for the allocation of one new share in the Increase in Capital in question, which number will result from the application of the following formula, with the result being rounded to the next higher integer:

$$\text{Num. rights} = \text{TNShrs.} / \text{Provisional number of shares}$$

where:



$$\text{Provisional number of shares} = \text{Amount of the Option} / \text{ListPri}$$

For these purposes, "**Amount of the Option**" shall mean the maximum reference market value of the relevant Increase in Capital to be set by the Board of Directors (or the body acting by delegation therefrom) and which will be a maximum amount of €2,275 million in the Increase in Capital submitted for the approval of the shareholders at the General Shareholders' Meeting under item 10 on the agenda and of €1,500 million in the Increase in Capital submitted for the approval of the shareholders at the General Shareholders' Meeting under item 11 on the agenda.

"**ListPri**" shall be the arithmetic mean of the average weighted listing prices of the Company's shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Automated Quotation System (*Sistema de Interconexión Bursátil*) (Continuous Market) for the five trading sessions determined by the Board of Directors (or the body acting by delegation therefrom) to set the number of free-of-charge allocation rights needed for the allocation of one new share, with the result being rounded to the closest one-thousandth part of one euro.

The maximum number of new shares to be issued thus calculated shall be rounded to obtain a whole number of shares (with the result being rounded to the next lower integer) and a ratio for the conversion of rights into shares that is also an integer (with the result being rounded to the next higher integer). In addition, and for the same purposes, the Company or a company of its group that holds shares of the Company shall waive the corresponding free-of-charge allocation rights as provided in Section 3.2 below.

Furthermore, the gross amount per share of the Dividend in question, or if the Requirements to pay the Interim Dividend are not met, the gross amount of the Fixed Purchase Price per free-of-charge allocation right will be calculated as follows (with the result being rounded to the closest one-thousandth part of one euro):

$$\text{Dividend}^* = \text{ListPri} / (\text{Num. rights} + 1)$$

\*Or, if applicable, Fixed Purchase Price.

Solely for purposes of facilitating an understanding of the application hereof, the Common Terms include a sample calculation of the maximum number of new shares to be issued in the Increase in Capital submitted for approval of the shareholders under item 10 on the agenda for the General Shareholders' Meeting, of the maximum nominal value of such Increase in Capital, of the number of free-of-charge allocation rights required for the allocation of one new share, and of the gross Supplementary Dividend per share.

The Amount of the Option of each Increase in Capital, together with the other items to be determined on each of the Implementations, shall be made public by means of a corresponding notice, which will be sent to the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

### 3.2 Free-of-charge allocation rights

In each Increase in Capital, each outstanding share will grant its holder one free-of-charge allocation right.



It shall be deemed that those shareholders choosing to receive their remuneration in cash through the Dividend with respect to all or part of their shares expressly, automatically and irrevocably waive the free-of-charge allocation rights corresponding to said shares and the ability to transfer them on the market. To this end, the participants in “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.” (Sociedad Unipersonal) (“IBERCLEAR”) will block said free-of-charge allocation rights, which may not be transferred on the market and which shall automatically expire at the end of the trading period, without the holders thereof being entitled to receive new shares.

The number of free-of-charge allocation rights required to receive one new share in each Increase in Capital shall be automatically determined according to the ratio existing between the number of shares of the Company then outstanding on the date of implementation of the Increase in Capital in question (TNShrs.) and the provisional number of new shares, calculated by using the formula contained in Section 3.1 above. Specifically, the holders of free-of-charge allocation rights shall be entitled to receive one new share in exchange for the number of free-of-charge allocation rights held by them, which shall be determined as provided in Section 3.1 above.

In the event that the number of free-of-charge allocation rights required for the allocation of one new share (Num. rights) multiplied by the maximum number of new shares to be issued (NNS) results in a number that is lower than the number of outstanding shares of the Company on the date of implementation of the Increase in Capital in question, the Company (or any company within its group that holds shares of the Company) shall waive a number of free-of-charge allocation rights equal to the difference between both figures for the sole purpose that the number of new shares be a whole number and not a fraction. In such an event, as well as to the extent that shareholders of the Company elect to receive the Dividend, there will be an incomplete allocation of the Increase in Capital in question, and share capital shall be increased solely by the amount corresponding to the free-of-charge allocation rights that have not been waived, pursuant to the provisions of Section 311 of the *Companies Act*.

The free-of-charge allocation rights shall be allocated to those who are registered as being entitled thereto in the book-entry registers of IBERCLEAR on the relevant date pursuant to the securities clearing and settlement rules from time to time in effect.

The Company will waive the free-of-charge allocation rights corresponding to the shares of the Company that have been retired prior to the date of implementation of the corresponding Increase in Capital if said shares have not yet been removed from the book-entry registers of IBERCLEAR because the corresponding public instrument formalising the implementation of the resolution on the reduction in capital, the approval of which is submitted to the shareholders at the General Shareholders’ Meeting under item 12 on the agenda, has not yet been executed or is still pending registration.

The free-of-charge allocation rights may be traded during such term as is established by the Board of Directors (with express power of substitution), which term shall not be less than fourteen calendar days. During such term, a sufficient number of free-of-charge allocation rights may be acquired on the market in the proportion required to receive new shares. Notwithstanding the foregoing, these free-of-charge allocation rights acquired on the market during the trading period shall not give the acquiring party the right to choose to receive the



Dividend. Therefore, the new holders of these rights may only monetise their investment through the sale thereof on the market, or alternatively receive any new bonus shares of the Company to which they are entitled.

Shareholders that do not have free-of-charge allocation rights in a number sufficient to receive one new share in each Increase in Capital may: (a) acquire on the market a sufficient number of free-of-charge allocation rights which, added to those already held by them, grant them the right to receive one new share; (b) transfer all or part of their free-of-charge allocation rights on the market (with the consideration for their rights depending on market conditions in general and on the listing price of the free-of-charge allocation rights in particular); or (c) elect to receive the Dividend.

Upon completion of the trading period for the free-of-charge allocation rights and implementation of the Increase in Capital in question, the holders of the free-of-charge allocation rights (provided that they have not waived them upon the terms set forth above) shall receive a number of new shares –as they are proportionately entitled to receive– entirely as bonus shares.

### 3.3 Gross amount per share to be paid to the shareholders as the Dividend in the Implementations

As previously explained, upon the implementation of each Increase in Capital, the shareholders may choose to receive a certain Dividend per share. The gross amount to be paid to the shareholders as the Dividend for each share of the Company with the right to receive it shall be determined within the context of each of the Implementations by the Board of Directors (with express power of substitution), pursuant to the rules set forth below.

In both Implementations, the gross amount per share of the Dividend will be the amount resulting from the application of the following formula, with the result being rounded to the closest one-thousandth part of one euro:

$$\text{Dividend} = \text{ListPri} / (\text{Num. rights} + 1)$$

In the Second Implementation, the Board of Directors shall approve the payment of the Interim Dividend prior to 31 December 2023, subject in any case to the Requirements being met<sup>1</sup>.

During the Common Election Period for each Implementation, the Company's shareholders shall have the ability to expressly choose to receive the Dividend per share with respect to all or part of the shares they own and that are outstanding on the relevant date upon the terms set by the Board of Directors (with express power of substitution), and pursuant to applicable securities clearing and settlement rules from time to time in effect. If they choose to receive the Dividend per share in question with respect to all or part of their shares, the shareholders shall expressly, automatically and irrevocably waive the free-of-charge allocation rights corresponding to said shares pursuant to the provisions of Section 3.2 above.

After the Common Election Period has ended, the Board of Directors (with express power of substitution) shall determine the aggregate gross amount in euros corresponding to the Dividend payment from each of the Implementations and shall make payment thereof through the

<sup>1</sup> If the Requirements to pay the Interim Dividend are not met, the gross amount of the Fixed Purchase Price per free-of-charge allocation right will be equal to the gross amount of the Interim Dividend per share resulting from the above formula (see Section 3.4 below).





participants in IBERCLEAR, the Board of Directors being hereby authorised for such purpose (with express power of substitution) to establish the specific date on which the payment of the Dividend should occur, to designate the entity that is to act as paying agent and to take such other steps as may be required or appropriate for the successful payment of the Dividend. Furthermore, after calculating said aggregate gross amount of the Dividend corresponding to each Implementation, the Board of Directors (with express power of substitution) shall rescind any resolution on payment of the corresponding Dividend with respect to the amounts that were not paid to those shareholders who elected (expressly or implicitly) to receive new shares.

Moreover, in the case of the First Implementation, after calculating the aggregate gross amount of the Dividend for such Implementation, the aggregate total amount paid as a dividend with a charge to the results for the financial year ended 31 December 2022 pursuant to the provisions of item 9 on the agenda shall be determined and, in view of said amount, the amount of the total basis for distribution established in said item on the agenda to be allocated to remainder shall be specified, and the resulting proposed allocation of profits/losses and payment of the dividend for financial year 2022 shall be completed.

### 3.4 Purchase Commitment within the framework of the Second Implementation

As already mentioned, if the Requirements to pay the Interim Dividend are not met within the framework of the Second Implementation, and in order to ensure that the shareholders can receive all or part of their remuneration in cash, the Company will make an irrevocable commitment to acquire the free-of-charge allocation rights arising from the second Increase in Capital at a guaranteed fixed price (i.e. the Purchase Commitment and the Fixed Purchase Price, respectively) upon the following terms and conditions.

The Fixed Purchase Price shall be calculated by applying the formula used to determine the gross amount per share of the Interim Dividend, such that the amount that would be received by shareholders choosing this option would be equal to the amount they would have received if it had been possible to pay the Interim Dividend. The Fixed Purchase Price shall be calculated prior to the commencement of the trading period for the free-of-charge allocation rights of the second Increase in Capital and shall be published as soon as it is determined.

The Purchase Commitment assumed by the Company shall cover the free-of-charge allocation rights received by those who are registered as being entitled thereto in the book-entry records of IBERCLEAR on the relevant date pursuant to the securities clearing and settlement rules from time to time in effect, but excluding those rights that have been transferred on the market.

The Purchase Commitment shall be in effect and may be accepted during such term as is established for these purposes by the Board of Directors (with express power of substitution), and which must in any case be included within the trading period for the free-of-charge allocation rights.

In relation to the foregoing, the Company is authorised to acquire said free-of-charge allocation rights, with a maximum limit of all rights issued in relation to the second Increase in Capital, but must in any case comply with the legal requirements applicable from time to time.



The acquisition by the Company of the free-of-charge allocation rights as a result of the Purchase Commitment shall be carried out with a charge to the reserves contemplated in Section 303.1 of the *Companies Act*.

The Company shall waive the new shares corresponding to the free-of-charge allocation rights that it has acquired by application of the Purchase Commitment. In such an event, there will be an incomplete allocation of the Increase in Capital corresponding to the Second Implementation, and share capital shall be increased solely by the amount corresponding to the free-of-charge allocation rights that have not been waived, pursuant to the provisions of Section 311 of the *Companies Act*.

### 3.5 Rights attaching to the new shares

The new shares issued in each Increase in Capital shall be ordinary shares having a nominal value of seventy-five euro cents each, of the same class and series as those currently outstanding, represented by book entries, and the book-entry registration of which will be entrusted to IBERCLEAR and its participants.

As from the date that each Increase in Capital is declared to be subscribed and paid up, the new shares shall grant the holders thereof the same financial, voting and like rights as the ordinary shares of the Company then outstanding.

The Increases in Capital shall be carried out free of expenses and fees as to the allocation of the new shares issued. The Company shall bear the costs of issuance, subscription, flotation, admission to trading and other costs associated with the Increases in Capital.

Without prejudice to the foregoing, the Company's shareholders should bear in mind that the participants in IBERCLEAR with which they keep their shares on deposit may establish such pass-through management fees and expenses as they may freely determine as a consequence of maintaining the securities in their book-entry records. Moreover, these participants may establish such pass-through fees and expenses as they may freely determine for the processing of orders to purchase and sell free-of-charge allocation rights.

### 3.6 Balance sheet for the transaction and reserves with a charge to which the Increases in Capital are carried out

The balance sheet used as a basis for the Increases in Capital is the one for the financial year ended 31 December 2022, which has been audited by "KPMG Auditores, S.L." and which is submitted to the shareholders for approval at the General Shareholders' Meeting under item 1 on the agenda.

The Increases in Capital shall be entirely carried out with a charge to the reserves contemplated in Section 303.1 of the *Companies Act*. When implementing each of them, the Board of Directors (with express power of substitution) shall determine the reserve(s) that will be used and the amount of such reserve(s) in accordance with the balance sheet used as a basis for the transaction.



### 3.7 Tax Regime

Within the framework of the implementation of the “Iberdrola Retribución Flexible” optional dividend system in 2018, and particularly the option for the Supplementary Dividend and the Interim Dividend, the Company submitted a binding consultation to the General Tax Authority (*Dirección General de Tributos*) (the “DGT”) regarding the tax treatment applicable to its shareholders in Spain subject to the Personal Income Tax (*Impuesto sobre la Renta de las Personas Físicas*) (“IRPF”), which was submitted to such agency on 14 July 2017. This binding consultation was answered by the DGT on 16 January 2018 with reference number V0042-18.

In addition to the foregoing, on 10 October 2019 the Company submitted a binding consultation to the DGT in order to clarify the tax impact for purposes of withholding of the *Resolution of 5 March 2019 of the Accounting and Statutory Auditing Institute developing the standards for presentation of financial instruments and other accounting aspects relating to the commercial regulation of capital enterprises* published in the Spanish Official Government Bulletin (*Boletín Oficial del Estado*) on 11 March 2019 (the “ICAC Resolution”) on the delivery of bonus shares or free-of-charge allocation rights in this context (the “Consultation”). The consultation was answered on 12 May 2020 with reference number V1357-20.

The answers to the binding consultation, as well as the answers by the DGT to the binding consultations obtained by the Company on 27 April 2010 and 1 October 2010 (made in relation to the traditional “Iberdrola Flexible Dividend” remuneration system), indicate that the tax treatment applicable on the date of preparation of this report is as described below.

In any event, shareholders and the holders of free-of-charge allocation rights are advised to consult their tax advisers before making a decision regarding the “Iberdrola Retribución Flexible” optional dividend system, taking into account the particular circumstances of each shareholder or holder of free-of-charge allocation rights.

As stated above, for tax purposes, the following possibilities should be distinguished based on the option chosen by each shareholder within the framework of the “Iberdrola Retribución Flexible” optional dividend system:

A) If choosing to receive newly-issued bonus shares

Pursuant to Spanish tax regulations, individual shareholders choosing to receive new shares as a consequence of the Increases in Capital will not include any income within their tax basis upon delivery thereof for purposes of the Spanish IRPF or the Non-Resident Income Tax (*Impuesto sobre la Renta de no Residentes*) (“IRNR”) if they do not act through a permanent establishment in Spain, nor will any withholding or payment on account apply.

However, the acquisition value for these shareholders of both the new shares received as a consequence of each Increase in Capital and the shares from which they derive will result from distributing the total cost of acquisition among the applicable number of securities, including both existing securities and those issued as bonus shares. In respect of these shareholders, such bonus shares will be deemed to have been held for as long as the shares from which they derive. Consequently, in the event of a subsequent transfer,



the income subject to taxation that is obtained will be calculated by reference to such new acquisition value.

Shareholders subject to the Corporate Income Tax (*Impuesto sobre Sociedades*) ("IS") of the IRNR for non-residents with a permanent establishment in Spain, to the extent that a complete commercial cycle is closed, will pay tax pursuant to applicable accounting rules (taking into account the ICAC Resolution, and particularly Article 35.4 thereof regarding the treatment of members of shareholder remuneration programmes that can be implemented by acquiring newly-issued bonus shares, disposing of the free-of-charge allocation rights on the market or selling them to the issuing company, which is mandatory for financial years beginning on 1 January 2020), and any specific rules regarding the above taxes. All of the foregoing is without prejudice to the rules for determining any applicable tax basis for these taxes, and particularly the ability to apply the exemption of Section 21 of Law 27/2014 of 27 November on the Corporate Income Tax (*Ley del Impuesto sobre Sociedades*) ("LIS"), upon compliance with the requirements set forth therein, or, in cases where the reserve used to issue the bonus shares in the Increase in Capital is the reserve from the share premium, the rule set forth in Section 17.6 of the LIS. Shareholders subject to the IS or the IRNR who act through a permanent establishment in Spain are advised to consult their tax advisers on the impact of the ICAC Resolution and the government's approach as described above before making a decision regarding the Increases in Capital.

In any case, pursuant to the standard provided by the DGT in the Consultation in favour of the Company, the Company is not required to apply withholding or payments on account upon the delivery of bonus shares or free-of-charge allocation rights within this context.

B) If choosing to transfer all or part of their free-of-charge allocation rights on the market

In the event that the shareholders sell their free-of-charge allocation rights on the market, the amount obtained for the transfer of such rights on the market will be subject to the following tax treatment:

- For individual shareholders subject to the Spanish IRPF or the IRNR for non-residents who do not act through a permanent establishment in Spain, the amount obtained in transfers of free-of-charge allocation rights will be deemed to be a financial profit, all without prejudice to the potential application to persons subject to the IRNR without a permanent establishment of international treaties, including the treaties signed by Spain for the avoidance of double taxation and for the prevention of tax evasion in the area of Income Tax and to which they might be entitled, and the exemptions established in the IRNR rules.

In addition, for individual shareholders subject to the IRPF applicable within the common regions of Spain, the amount obtained in the transfers of free-of-charge allocation rights will be subject to the corresponding withholding on account of this tax. The withholding will be applied by the corresponding depositary (and in the absence thereof, by the financial intermediary or notary public that has participated in the transfer thereof).



- For shareholders subject to the IS or the IRNR with a permanent establishment in Spain, to the extent that a complete commercial cycle is closed, taxes will be paid pursuant to applicable rules (taking into account, if applicable, the ICAC Resolution, and particularly the aforementioned Article 35.4 thereof, which will be mandatory for financial years beginning on 1 January 2020), and any specific rules regarding the aforementioned taxes. All of the foregoing is without prejudice to the rules for determining any applicable tax basis for these taxes, and particularly the ability to apply the exemption of Section 21 of the LIS, upon compliance with the requirements set forth therein, or, in cases where the reserve used to issue the bonus shares in the Increase in Capital is the reserve from the share premium, the rule set forth in Section 17.6 of the LIS. Shareholders subject to the IS and the IRNR who act through a permanent establishment in Spain are advised to consult their tax advisers on the impact of the ICAC Resolution and the government's approach as described above before making a decision regarding the Increases in Capital.
- In any case, pursuant to the standard provided by the DGT in the Consultation in favour of the Company, the Company is not required to apply withholding or payments on account upon the sale of free-of-charge allocation rights on the market within this context.

C) If choosing to receive their remuneration in cash by collecting the Dividend in question, or alternatively, transferring all of their free-of-charge allocation rights to the Company at the Fixed Purchase Price pursuant to the Purchase Commitment<sup>2</sup>

Finally, if the shareholders (whether individuals or legal entities) choose to receive the Supplementary Dividend or the Interim Dividend (or if they receive the Fixed Purchase Price, if applicable), the amount obtained will be covered by the tax regime for returns obtained from participation in the own funds of entities (as dividends), and will therefore be subject to the corresponding withholding and taxation.

D) Other considerations regarding the tax regime

It should be borne in mind that this analysis of the tax regime (which has been performed on the basis of specific assumptions) does not cover all the possible tax consequences of the various options relating to the "Iberdrola Retribución Flexible" optional dividend system, the implementation of the Increases in Capital or the payment of the Supplementary Dividend and of the Interim Dividend. If a change in these assumptions changes the description of the taxation of the proposals covered by this report, the new tax treatment will be communicated to the market as appropriate. In particular, it does not describe the consequences to which shareholders that are not residents in Spain for tax purposes may be subject in their countries of residence. Nor is there an analysis of any particularities that may apply to shareholders residing in the Historical Territories of the Basque Country or the Chartered Community of Navarre. Therefore, it is recommended that shareholders and holders of free-of-charge allocation rights consult with their tax advisers regarding the specific tax impact of the proposed remuneration system, taking into account the particular circumstances of each shareholder or holder of free-of-charge allocation rights, and that they pay attention to: (i) any amendments that may be made to

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<sup>2</sup> If the Requirements to pay the Interim Dividend are not met.



the law applicable following the date of this report; (ii) the text of the transitional provisions thereof; and (iii) the rules for interpretation.

Finally, the holders of American Depositary Receipts (ADRs) and CREST Depository Interests (CDIs) representing shares of the Company are advised to consult with their tax advisers on the taxation thereof in Spain or their jurisdictions of residence before making a decision in connection with the Increases in Capital.

In any case, it should be noted that the Financial Transactions Tax Act (*Ley del Impuesto sobre las Transacciones Financieras*) (the "ITF" and the "LITF", respectively) came into force on 16 January 2021.

According to the terms of the LITF, the ITF taxes acquisitions for consideration of shares of Spanish companies that are admitted to trading on a Spanish market, a regulated market of the European Union or a market considered equivalent in a third country at a fixed rate of 0.2%, provided that the capitalisation of the company as at 1 December of the year preceding the acquisition is more than €1,000 million. A taxable event for purposes of the ITF also covers the acquisition of shares arising from the acquisition of certificates of deposit representing said shares (e.g. ADRs or CDIs), among other transactions or contracts.

Pursuant to the provisions of the LITF, the Spanish National Tax Administration Agency has published a list of Spanish companies whose shares have a market capitalisation of more than €1,000 million as at 1 December 2022. The Company is included in this list, for which reason, in principle, acquisitions for consideration of its shares (or certificates of deposit representing such shares, like ADRs or CDIs) during 2023 would fall within the scope of the ITF (without prejudice to the corresponding exemptions that may apply).

That said, the Spanish National Tax Administration Agency has published a document on "Frequently asked questions regarding the Financial Transactions Tax" document (which is regularly updated), pursuant to which acquisitions of shares within the framework of shareholder remuneration programmes known as "scrip dividend" programmes (to the extent that the shares delivered are new shares resulting from a totally paid-up increase in capital) are not subject to the ITF.

However, the ITF may subject to taxation (at a fixed rate of 0.2%) other transactions in shares of the Company (or ADRs or CDIs), regardless of the residence of the participating parties.

In any event, shareholders and the holders of free-of-charge allocation rights are advised to consult their tax advisers regarding the impact of the ITF and of any other tax measure, taking into account the particular circumstances of each shareholder or holder of free-of-charge allocation rights.

### 3.8 Delegation to carry out each of the Implementations

It is proposed to delegate to the Board of Directors (with express power of substitution) the power to set the date on which each of the Implementations is to be carried out, as well as to establish the terms and conditions applicable to each of the Implementations as to all matters



not provided for by the shareholders at the General Shareholders' Meeting (including, in particular, the Amount of the Option), all on the terms and within the period of one year contemplated in Section 297.1.a) of the *Companies Act*. Notwithstanding the foregoing, if the Board of Directors (with express power of substitution) does not deem it advisable to carry out one or both Implementations, in whole or in part, within the aforementioned period, it may refrain from doing so, with the duty to inform the shareholders thereof at the next General Shareholders' Meeting. Specifically, the Board of Directors (with express power of substitution) shall analyse and take into account the market conditions, the circumstances of the Company itself or those deriving from an event that has social or financial significance for the Company, and if these or other factors make it inadvisable, in its opinion, to carry out one or both Implementations, it may refrain from doing so. In addition, the resolutions approved by the shareholders at this General Shareholders' Meeting relating to the Supplementary Dividend and to the Increases in Capital shall be deprived of any and all effect in the event that the Board of Directors (or the body acting by delegation thereof) does not exercise the powers delegated thereto or, in the case of the Second Implementation, does not approve the payment of the Interim Dividend or honour the Purchase Commitment, within a period of one year from approval of the resolutions.

On the dates that the Board of Directors (or the body acting by delegation therefrom) decides to implement an Increase in Capital, establishing for such purpose all of the final terms and conditions thereof as to all matters not provided for by the shareholders at the General Shareholders' Meeting, the Company shall make public such terms and conditions. In particular, prior to the commencement of each free-of-charge allocation period, the Company shall make available to the public a document containing information on the number and nature of the shares, the reasons for the Increase in Capital and the gross amount of the Dividend per share, all as provided by Article 1.5.(g) of *Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC* or the legal provisions that apply at any particular time.

Once the period for trading the free-of-charge allocation rights corresponding to each of the Increases in Capital has ended, the following shall apply:

- i. The new shares shall be allocated to those who, according to the book-entry records maintained by IBERCLEAR and its participants, are the holders of free-of-charge allocation rights in the required proportion (due to not having waived them on the terms provided above).
- ii. The period for trading the free-of-charge allocation rights shall be declared to have ended and the appropriation of the account(s) with a charge to which the relevant Increase in Capital will be implemented shall be formalised on the books in the respective amount, with which appropriation the Increase in Capital will be paid up.
- iii. The Company shall pay the Supplementary Dividend or the Interim Dividend (or, if the Requirements are not met within the framework of the Second Implementation, the Fixed Purchase Price), as applicable, to the shareholders that have expressly chosen this remuneration option within the period and subject to the terms and conditions determined for these purposes by the Board of Directors (with express power of substitution).



Finally, in each Increase in Capital, the Board of Directors (with express power of substitution) shall adopt the resolutions required to amend the *By-Laws* so that they reflect the new amount of share capital and the number of shares resulting from the Increase in Capital in question, and to make application for trading the new shares as described in the next section.

### 3.9 Admission of the new shares to trading

The Company shall make application for trading the new shares to be issued as a consequence of each Increase in Capital on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, through the Automated Quotation System (*Sistema de Interconexión Bursátil*) (Continuous Market), and shall carry out such acts and formalities as are required for admission to trading of the new shares issued in each Increase in Capital.

## 4. Proposed Resolutions Submitted to the Shareholders at the General Shareholders' Meeting

The proposed resolutions relating to the allocation of profits/losses and dividend for financial year 2022 and to the increases in share capital by means of scrip issues submitted to the shareholders for approval at the General Shareholders' Meeting read as follows:

### "ITEM 9 ON THE AGENDA

***Allocation of profits/losses and 2022 dividends: approval and supplementary payment that will be made within the framework of the "Iberdrola Retribución Flexible" optional dividend system***

#### **RESOLUTION**

*To approve the proposed allocation of profits/losses and payment of dividends for financial year 2022 formulated by the Board of Directors at its meeting held on 21 February 2023, which is described below:*

*To approve the payment, with a charge to the results for the financial year ended 31 December 2022 and to the balance from prior financial years, of a dividend in the aggregate gross amount equal to the sum of the following amounts (the "**Dividend**"):*

- a) *€235,060,916.76, which was paid on account of the dividend for financial year 2022 on 31 January 2023 to the holders of 1,305,893,982 shares of "Iberdrola, S.A." (the "**Company**") who elected to receive their remuneration in cash within the framework of the second implementation of the "Iberdrola Retribución Flexible" optional dividend system for financial year 2022 by collecting an amount of €0.180 (gross) per share (the total amount paid to said holders will be referred to as the "**Total Interim Dividend**")*; and
- b) *the determinable amount resulting from multiplying:*
  - i. *the gross amount per share to be paid by the Company as a supplementary dividend payment for financial year 2022 within the framework of the first implementation of the "Iberdrola Retribución Flexible" optional dividend system for financial year 2023 (the "**Supplementary Dividend**")*, and which will be as determined by the Company's Board of Directors pursuant to the rules set forth in the section "Common terms and conditions of the dividend payment and increase in share capital resolutions proposed under items 9, 10 and 11 on the agenda pursuant to which the "Iberdrola Retribución Flexible" optional dividend system is implemented" (the "**Common Terms**"); by





- ii. *the total number of shares with respect to which the holders thereof have elected to receive the Supplementary Dividend within the framework of the first implementation of the “Iberdrola Retribución Flexible” optional dividend system for financial year 2023.*

*The amount of the Supplementary Dividend, and therefore the amount of the Dividend, cannot be determined as of the date of formulation of this proposed resolution.*

*For the purposes hereof, it is hereby noted that the payment of the Supplementary Dividend shall be made together with the implementation of the increase in share capital submitted for approval of the shareholders at the General Shareholders’ Meeting under item 10 on the agenda, in order to offer the shareholders the ability to receive their remuneration in cash (by collecting the Supplementary Dividend) or in newly-issued bonus shares of the Company (through said increase in share capital).*

*The collection of the Supplementary Dividend provided for in this resolution is thus configured, in accordance with the provisions of the Common Terms, as one of the alternatives that a shareholder of the Company can choose when receiving their remuneration within the framework of the first implementation of the “Iberdrola Retribución Flexible” optional dividend system for financial year 2023. As a result of the foregoing, and as described below in the Common Terms, it shall be deemed that those shareholders choosing to receive their remuneration in cash through the Supplementary Dividend with respect to all or part of their shares expressly, automatically and irrevocably waive the free-of-charge allocation rights corresponding to said shares and therefore the ability to transfer them on the market or to receive newly-issued bonus shares corresponding to said free-of-charge allocation rights.*

*The payment of the Supplementary Dividend, which is expected to be made during the month of July 2023, shall be implemented through the participants in “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.” (Sociedad Unipersonal) (IBERCLEAR), the Board of Directors being hereby authorised to establish the specific date for payment of the Supplementary Dividend, to designate the entity that is to act as paying agent and to take such other steps as may be required or appropriate for the successful completion of the payment.*

*Also, to delegate to the Board of Directors the power to set the conditions applicable to the payment of the Supplementary Dividend to the extent not provided for in this resolution, including the determination of the specific gross amount of the Supplementary Dividend subject to the aforementioned rules.*

*Finally, pursuant to the provisions of Section 249 bis.l) of the Companies Act, to expressly authorise the Board of Directors to further delegate the powers referred to in this resolution.*

*The basis for distribution and the resulting proposed distribution (expressed in euros) is as follows:*

**BASIS FOR DISTRIBUTION:**

<i>Balance from prior financial years:</i>	<i>10,291,871,698</i>
<i>Profits for financial year 2022:</i>	<i>2,840,450,303</i>
<b><i>TOTAL BASIS FOR DISTRIBUTION:</i></b>	<b><i>13,132,322,001</i></b>

**DISTRIBUTION:**

To Dividend:	<i>Amount pending determination which will result from adding: (a) the Total Interim Dividend; and (b) the result of multiplying the Supplementary Dividend by the total number of shares with respect to which the holders thereof have elected to receive the Supplementary Dividend within the framework of the first implementation of the "Iberdrola Retribución Flexible" optional dividend system for financial year 2023.</i>
To remainder:	<i>Determinable amount that will result from subtracting the amount allocated to the Dividend from the total basis for distribution.</i>

**TOTAL:** **13,132,322,001**

*On the date that the Board of Directors (or the body acting by delegation therefrom) decides to implement the increase in share capital that is being submitted for approval of the shareholders at the General Shareholders' Meeting under item 10 on the agenda (and therefore, to commence the first implementation of the "Iberdrola Retribución Flexible" optional dividend system for financial year 2023), the minimum amount of the Supplementary Dividend shall be announced. The final amount of the Supplementary Dividend shall be communicated as soon as the Board of Directors (or the body acting by delegation therefrom) determines it in accordance with the provisions of the Common Terms. Furthermore, once the first implementation of the "Iberdrola Retribución Flexible" optional dividend system for financial year 2023 is completed, the Board of Directors (with express power of substitution) shall proceed to specify the aforementioned proposed distribution, determining the final amount of the Dividend and the amount to be allocated to remainder.*

*The Common Terms include a sample calculation of the Supplementary Dividend, among other figures relating to the implementation of the increase in share capital submitted for approval of the shareholders at the General Shareholders' Meeting under item 10 on the agenda.*

**ITEM 10 ON THE AGENDA**

***First increase in capital by means of a scrip issue at a maximum reference market value of €2,275 million in order to implement the "Iberdrola Retribución Flexible" optional dividend system***

**RESOLUTION**

*To increase the share capital of "Iberdrola, S.A." (the "**Company**") upon the terms and conditions described in the section below, entitled "Common terms and conditions of the dividend payment and increase in share capital resolutions proposed under items 9, 10 and 11 on the agenda, pursuant to which the "Iberdrola Retribución Flexible" optional dividend system is implemented" (the "**Common Terms**"), at a maximum reference market value of €2,275 million for the shares to be issued in implementation of said increase.*



*The increase in share capital shall be implemented together with the supplementary payment of the dividend submitted for approval of the shareholders at the General Shareholders’ Meeting under item 9 on the agenda, in order to offer the Company’s shareholders the ability to receive their remuneration in cash (receiving said supplementary payment of the dividend) or in newly-issued bonus shares of the Company (through the increase in share capital). The delivery of bonus shares issued within the context of the increase in share capital is thus configured as one of the alternatives that a shareholder can choose when receiving their remuneration, pursuant to the provisions of the Common Terms.*

*Pursuant to the provisions of Section 297.1.a) of the Companies Act, to delegate to the Board of Directors the power to set the date on which the increase in share capital is to be carried out, if at all, and to set the terms and conditions applicable to all matters not included in this resolution.*

*Pursuant to the provisions of Section 249 bis.I) of the Companies Act, to expressly authorise the Board of Directors to further delegate the powers referred to in this resolution.*

*This increase in share capital is expected to be implemented together with the supplementary payment of the dividend contemplated in item 9 on the agenda during the month of July 2023.*

## **ITEM 11 ON THE AGENDA**

**Second increase in capital by means of a scrip issue at a maximum reference market value of €1,500 million in order to implement the “Iberdrola Retribución Flexible” optional dividend system**

### **RESOLUTION**

*To increase the share capital of “Iberdrola, S.A.” (the “**Company**”) upon the terms and conditions described in the section below, entitled “Common terms and conditions of the dividend payment and increase in share capital resolutions proposed under items 9, 10 and 11 on the agenda, pursuant to which the “Iberdrola Retribución Flexible” optional dividend system is implemented” (the “**Common Terms**”), at a maximum reference market value of €1,500 million for the shares to be issued in implementation of said increase.*

*The increase in share capital is expected to be implemented together with the payment of the interim dividend amount for financial year 2023, if any, to be approved by the Company’s Board of Directors (the “**Interim Dividend**”) in order to offer the Company’s shareholders the ability to receive their remuneration in cash (by collecting the Interim Dividend) or in newly-issued bonus shares of the Company (through the increase in share capital). The delivery of bonus shares issued within the context of the increase in share capital is thus configured as one of the alternatives that a shareholder can choose when receiving their remuneration, pursuant to the provisions of the Common Terms.*

*Pursuant to the provisions of Section 297.1.a) of the Companies Act, to delegate to the Board of Directors the power to set the date on which the increase in share capital is to be carried out, if at all, and to set the terms and conditions applicable to all matters not included in this resolution.*

*Pursuant to the provisions of Section 249 bis.I) of the Companies Act, to expressly authorise the Board of Directors to further delegate the powers referred to in this resolution.*



This increase in share capital is expected to be implemented together with the Interim Dividend payment during the month of January 2024.

## **COMMON TERMS AND CONDITIONS OF THE DIVIDEND PAYMENT AND INCREASE IN SHARE CAPITAL RESOLUTIONS PROPOSED UNDER ITEMS 9, 10 AND 11 ON THE AGENDA PURSUANT TO WHICH THE "IBERDROLA RETRIBUCIÓN FLEXIBLE" OPTIONAL DIVIDEND SYSTEM IS IMPLEMENTED**

### **1. Main characteristics of the "Iberdrola Retribución Flexible" optional dividend system**

The purpose of the resolutions for the allocation of profits/losses and dividend payment and of the increase in share capital resolutions proposed under items 9, 10 and 11 on the agenda is to implement the "Iberdrola Retribución Flexible" optional dividend system for financial year 2023 pursuant to which the shareholders of "Iberdrola, S.A." (the "**Company**") are offered the ability to receive their remuneration in cash or in newly-issued bonus shares.

For this purpose, there shall be two implementations of said optional dividend system in each of which dividend payments shall be made (the "**Dividend Payments**", and individually, a "**Dividend Payment**") along with the implementations of the increases in share capital (the "**Increases in Capital**", and individually, an "**Increase in Capital**") submitted for approval of the shareholders at the General Shareholders' Meeting under items number 10 and 11 on the agenda:

- (i) The first implementation, which is expected to take place during the month of July 2023 (the "**First Implementation**"), shall be carried out through the supplementary payment of the dividend for financial year 2022 contemplated in item 9 on the agenda (the "**Supplementary Dividend**") together with the implementation of the Increase in Capital submitted for approval of the shareholders at the General Shareholders' Meeting under item 10 on the agenda.
- (ii) The second implementation, which is expected to take place during the month of January 2024 (the "**Second Implementation**", and collectively with the First Implementation, the "**Implementations**" and each of the Implementations, individually, an "**Implementation**"), shall be carried out through the payment of an interim amount of the dividend for financial year 2023 (the "**Interim Dividend**") to be approved, if appropriate, by the Board of Directors pursuant to the provisions of section 2.2 below, together with the implementation of the Increase in Capital submitted for approval of the shareholders at the General Shareholders' Meeting under item 11 on the agenda.

The Supplementary Dividend and the Interim Dividend shall hereinafter be referred to collectively as the "**Dividends**" and each of them individually as a "**Dividend**".

In each of the Implementations, the shareholders may choose from among the following options for remuneration upon the terms and conditions established by the Board of Directors (with express power of substitution):

- (a) Receiving their remuneration in cash by collecting the Dividend in question (whether with respect to all of their shares or a portion thereof), for which purpose the shareholders shall be required to make an express election in this regard.
- (b) Receiving their remuneration in newly-issued bonus shares of the Company. To this end, shareholders must refrain from transferring their free-of-charge allocation rights on the market. In this case, upon completion of the trading period for the free-of-charge allocation rights and



*implementation of the Increase in Capital, the shareholders shall receive such number of new shares (as they are proportionately entitled to receive), entirely as bonus shares.*

- (c) *Transferring all or part of their free-of-charge allocation rights on the market during the trading period pursuant to the provisions of Section 5 below. In this case, the consideration for such rights will depend on market conditions in general and on the listing price of such rights in particular.*

*The final amount of each of the Dividend Payments and of each of the Increases in Capital shall be determined by the Company's Board of Directors (or the body acting by delegation therefrom) within the context of each of the Implementations and pursuant to the provisions of the sections below.*

*Within the year following the date of approval of the resolutions included in items 10 and 11 on the agenda, each of the Implementations may be made by the Board of Directors (with express power of substitution) at its sole discretion, and therefore without having to once again obtain the approval of the shareholders at a General Shareholders' Meeting, and based on the legal and financial conditions existing at the time of each of the Implementations, in order to offer the Company's shareholders a flexible and efficient remuneration formula.*

*The shareholders may only elect remuneration option (a) above (i.e. receiving the Dividend in question) during the "**Common Election Period**". The Common Election Period will begin on the same day as the trading period for the free-of-charge allocation rights, and the Board of Directors (with express power of substitution) must establish the specific term of the Common Election Period, which may in no event exceed the term of said trading period.*

*Based on their preferences and needs, the Company's shareholders may combine any of the alternatives mentioned in paragraphs (a) through (c) above. In any event, the election of one of the remuneration options automatically excludes the ability to choose either of the other two options regarding the same shares, for which reason the ability to combine options referred to above will only be possible with respect to different groups of shares.*

*As described below (see section 3 below), if the requirements of Section 277 of the Companies Act to pay the Interim Dividend (the "**Requirements**") are not met within the framework of the Second Implementation, the Company shall make an irrevocable commitment to acquire the free-of-charge allocation rights arising from the second Increase in Capital at a guaranteed fixed price upon the terms and conditions described below (the "**Purchase Commitment**" and the "**Fixed Purchase Price**", respectively). In this case, the shareholders may monetise their free-of-charge allocation rights by transferring them to the Company at the Fixed Purchase Price and thus receive a cash amount equal to the one that the Company would have paid as an Interim Dividend.*

*The Company assumes no liability for the choices made by the holders of the free-of-charge allocation rights (or for a failure to choose, if an express and valid communication is not received from said holders).*

*It is also stated for the record that the only period authorised for the holders of free-of-charge allocation rights to communicate to the entities with which their rights are deposited their preferences regarding the remuneration options is the Common Election Period, regardless of whether they are institutional or minority holders of rights. The Company assumes no liability for a breach of this period by the depositaries (whether due to not accepting communications during a portion of the Common Election*



Period or for accepting them after the passage of said period, or for any other reason), for which reason any claim in this regard must be addressed by the shareholders or holders of free-of-charge allocation rights to the depositary in question.

## 2. Amount of the Dividends

### 2.1. Gross amount per share to be paid to the shareholders as a Supplementary Dividend in the First Implementation

The gross amount to be paid to the shareholders as a Supplementary Dividend for each share of the Company with the right to receive it shall be determined within the context of the First Implementation by the Board of Directors (with express power of substitution), subject to the terms and conditions set forth in item 9 on the agenda and in this section (the "**Supplementary Dividend**").

During the Common Election Period for the First Implementation, the Company's shareholders shall have the ability to expressly choose to receive the Supplementary Dividend with respect to all or part of the shares they own and that are outstanding on the relevant date upon the terms set by the Board of Directors (with express power of substitution) and pursuant to applicable securities clearing and settlement rules from time to time in effect. If they choose to receive the Supplementary Dividend with respect to all or part of their shares, the shareholders shall expressly, automatically and irrevocably waive the free-of-charge allocation rights corresponding to said shares.

The free-of-charge allocation rights acquired on the market during the trading period established for this purpose by the Board of Directors (or the body acting by delegation therefrom) shall not give the acquiring parties the right to choose to receive the Supplementary Dividend. Therefore, the new holders of these rights may only monetise their investment through the sale thereof on the market during said trading period that has been activated for this purpose. Alternatively, they may receive the newly-issued bonus shares of the Company to which they are entitled.

After the Common Election Period for the First Implementation has ended, the Board of Directors (with express power of substitution) shall determine the aggregate gross amount in euros corresponding to the Dividend Payment for the First Implementation (equal to the final amount of the Supplementary Dividend) and shall make payment thereof through the participants in "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A." (Sociedad Unipersonal) ("**IBERCLEAR**"), the Board of Directors being hereby authorised for such purpose (with express power of substitution) to establish the specific date on which the Dividend Payment should occur, to designate the entity that is to act as paying agent, and to take such other steps as may be required or appropriate for the successful completion of the Dividend Payment. Furthermore, after calculating said aggregate gross amount corresponding to the Dividend Payment for the First Implementation, the Board of Directors (with express power of substitution) shall, if applicable, rescind the resolution on payment of the Supplementary Dividend with respect to the amounts that were not paid to those shareholders who elected (expressly or implicitly) to receive newly-issued bonus shares of the Company or who sold their free-of-charge allocation rights on the market.

Moreover, after calculating the aggregate gross amount of the Supplementary Dividend, the aggregate total amount paid as a dividend with a charge to the results for the financial year



ended 31 December 2022 pursuant to the provisions of item 9 on the agenda shall be determined and, in view of said amount, the amount of the total basis for distribution established in said item on the agenda to be allocated to remainder shall be specified, and the resulting proposed allocation of profits/losses and payment of the dividend for financial year 2022 shall be completed.

Section 4.1 below includes the formula for calculating the gross amount per share corresponding to the Supplementary Dividend.

## **2.2. Gross amount per share to be paid to the shareholders as an Interim Dividend in the Second Implementation**

The gross amount to be paid as an Interim Dividend, if any, for each share of the Company with the right to receive it shall be as determined by the Board of Directors pursuant to the corresponding resolution to be adopted prior to 31 December 2023, which will be subject in any event to confirmation that the Requirements have been met (the "**Interim Dividend**").

During the Common Election Period for the Second Implementation, the Company's shareholders shall have the ability to expressly choose to receive the Interim Dividend with respect to all or part of the shares they own and that are outstanding on the relevant date upon the terms set by the Board of Directors (with express power of substitution) and pursuant to applicable securities clearing and settlement rules from time to time in effect. If they choose to receive the Interim Dividend with respect to all or part of their shares, the shareholders shall expressly, automatically and irrevocably waive the free-of-charge allocation rights corresponding to said shares.

The free-of-charge allocation rights acquired on the market during the trading period established for this purpose by the Board of Directors (or the body acting by delegation therefrom) shall not give the acquiring parties the right to choose to receive the Interim Dividend. Therefore, the new holders of these rights may only monetise their investment through the sale thereof on the market during said trading period that has been activated for this purpose. Alternatively, they may choose to receive the newly-issued bonus shares to which they are entitled at the end of the aforementioned trading period.

After the Common Election Period for the Second Implementation, the Board of Directors (with express power of substitution) shall determine the aggregate gross amount in euros corresponding to the Dividend Payment for the Second Implementation and shall make payment thereof through the participants in IBERCLEAR. To this end, the Board of Directors (with express power of substitution) shall establish the specific date on which the Dividend Payment should occur, shall designate the entity that is to act as paying agent, and shall take such other steps as may be required or appropriate for the successful completion of the Dividend Payment. Furthermore, after calculating said aggregate gross amount corresponding to the Dividend Payment for the Second Implementation, the Board of Directors (with express power of substitution) shall, if applicable, rescind the resolution on payment of the Interim Dividend with respect to the amounts that were not paid to those shareholders who elected (expressly or implicitly) to receive newly-issued bonus shares of the Company or who sold their free-of-charge allocation rights on the market.



*Without prejudice to the foregoing, if the Requirements are not met to pay the Interim Dividend within the framework of the Second Implementation, the Company shall make the Purchase Commitment in order for the shareholders to be able to monetise their free-of-charge allocation rights by transferring them to the Company at the Fixed Purchase Price upon the terms and conditions described in section 3 below.*

*Section 4.1 below includes the formula for calculating the gross amount per share corresponding to the Interim Dividend.*

### **3. Purchase Commitment within the framework of the Second Implementation**

*If the Requirements are not met to pay the Interim Dividend within the framework of the Second Implementation (which circumstance shall be communicated to the market), the Company shall make the Purchase Commitment upon the terms described in this section in order to ensure that the shareholders can receive all or part of their remuneration in cash.*

*The Fixed Purchase Price shall be calculated by applying the formula used to determine the gross amount per share of the Interim Dividend (see section 4.1 below), such that the amount that would be received by shareholders choosing this option would be equal to the amount they would have received if it had been possible to pay the Interim Dividend. The Fixed Purchase Price shall be calculated prior to the commencement of the trading period for the free-of-charge allocation rights of the second Increase in Capital and shall be published as soon as it is determined.*

*The Purchase Commitment assumed by the Company shall cover the free-of-charge allocation rights received by those who are registered as being entitled thereto in the book-entry registers of IBERCLEAR on the relevant date pursuant to the securities clearing and settlement rules from time to time in effect. The free-of-charge allocation rights acquired on the market during the trading period established for this purpose by the Board of Directors (or the body acting by delegation therefrom) shall not give the acquiring parties the right to exercise the Purchase Commitment or, therefore, to receive the Fixed Purchase Price. Therefore, the new holders of these rights may only monetise their investment through the sale thereof on the market during said trading period that has been activated for this purpose. Alternatively, they may choose to receive the newly-issued bonus shares to which they are entitled at the end of the aforementioned trading period.*

*The Purchase Commitment shall be in effect and may be accepted during such term as is established for these purposes by the Board of Directors (with express power of substitution), and which must in any case be included within the trading period for the free-of-charge allocation rights.*

*In relation to the foregoing, the Company is authorised to acquire said free-of-charge allocation rights, with a maximum limit of all rights issued in relation to the second Increase in Capital, but must in any case comply with the legal requirements applicable from time to time.*

*The acquisition by the Company of the free-of-charge allocation rights as a result of the Purchase Commitment shall be carried out with a charge to the reserves contemplated in Section 303.1 of the Companies Act.*

*The Company shall waive the new shares corresponding to the free-of-charge allocation rights that it has acquired by application of the Purchase Commitment. In such an event, pursuant to the provisions of Section 311 of the Companies Act, there will be an incomplete allocation of the Increase in Capital*





corresponding to the *Second Implementation*, and share capital shall be increased solely by the amount corresponding to the *free-of-charge allocation rights* that have not been waived.

#### 4. Common characteristics of the Increases in Capital

The amount of each of the *Increases in Capital* shall be the amount resulting from multiplying: (a) the nominal value of each share of the Company, equal to seventy-five euro cents; by (b) the total determinable number of new shares of the Company to be issued, in accordance with the formula set forth in section 4.1 below, on the date of each of the *Implementations* (the new shares of the Company issued by way of implementation of each of the *Increases in Capital* shall be collectively referred to as the "**New Shares**", and each one, individually, as a "**New Share**").

Both *Increases in Capital* shall be carried out, if at all, by means of the issuance and flotation, on their respective dates of *Implementation*, of the *New Shares*, which shall be ordinary shares having a nominal value of seventy-five euro cents each, of the same class and series as those currently outstanding, represented by book entries.

The *Increases in Capital* shall be entirely carried out with a charge to the reserves contemplated in Section 303.1 of the Companies Act. When implementing each of the *Increases in Capital*, the Board of Directors, with express power of substitution, shall determine the reserve(s) to be used and the amount of such reserve(s) in accordance with the balance sheet used as a basis for the transaction.

The *New Shares* shall be issued at par, i.e. at their nominal value of seventy-five euro cents, without a share premium, and shall be allocated without charge to the shareholders of the Company who have opted for this remuneration alternative.

Pursuant to the provisions of Section 311 of the Companies Act, the possibility of an incomplete allocation of the *Increases in Capital* is contemplated in the event that the Company, a company within its group, a shareholder or a third party waives all or part of the *free-of-charge allocation rights* to which they are entitled at the time of implementation of each of the *Increases in Capital*, for which reason, in the event of such waiver, the share capital shall be increased by the corresponding amount. For these purposes, it shall be deemed that those who have chosen to receive their remuneration in cash by means of collecting the *Dividend* in question with respect to all or part of their shares expressly, automatically and irrevocably waive the *free-of-charge allocation rights* corresponding to said shares, upon the terms and conditions set forth herein.

##### 4.1 New Shares to be issued in each of the Increases in Capital

The maximum number of *New Shares* to be issued in each of the *Increases in Capital* shall be the number resulting from the application of the following formula, with the resulting number being rounded to the next lower integer:

$$NNS = TNShrs. / Num. rights$$

where:

NNS = Maximum number of *New Shares* to be issued within the framework of the relevant *Increase in Capital*;



*TNShrs. = Number of shares of the Company outstanding on the date that the Board of Directors (with express power of substitution) resolves to implement the relevant Increase in Capital. In this regard, those shares of the Company that have previously been retired by virtue of the implementation of the resolution approving the reduction in share capital by means of the retirement of own shares submitted to the shareholders for approval at the General Shareholders' Meeting under item 12 on the agenda, even if the corresponding public instrument formalising the reduction in share capital has not been executed or is pending registration with the Commercial Registry, shall not be deemed to be outstanding shares of the Company; and*

*Num. rights = Number of free-of-charge allocation rights required for the allocation of one New Share within the framework of the relevant Increase in Capital, which number will result from the application of the following formula, with the result being rounded to the next higher integer:*

*Num. rights = TNShrs. / Provisional number of shares*

*where:*

*Provisional number of shares = Amount of the Option / ListPri.*

*For these purposes, "Amount of the Option" shall mean the maximum reference market value of the relevant Increase in Capital to be set by the Board of Directors (with express power of substitution) and which shall not be greater than the amount referred to in the proposed Increase in Capital resolutions submitted for the approval of the shareholders at the General Shareholders' Meeting under items 10 and 11 on the agenda (i.e. €2,275 and €1,500 million, respectively).*

*For its part, "ListPri" shall be the arithmetic mean of the average weighted listing prices of the Company's shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Automated Quotation System (Sistema de Interconexión Bursátil) (Continuous Market) for the five trading sessions determined by the Board of Directors (or the body acting by delegation therefrom) to set the number of free-of-charge allocation rights needed for the allocation of one New Share in the relevant Increase in Capital, with the result being rounded to the closest one-thousandth part of one euro.*

*The maximum number of new shares to be issued thus calculated shall be rounded to obtain a whole number of shares (with the result being rounded to the next lower integer) and a ratio for the conversion of rights into shares that is also an integer (with the result being rounded to the next higher integer). In addition, and for the same purposes, the Company (or any company within its group that holds shares of the Company) shall waive the corresponding free-of-charge allocation rights as provided in section 4.2 below.*

*Furthermore, the gross amount per share of the Dividend in question, or if the Requirements are not met in the Second Implementation, the Fixed Purchase Price per free-of-charge allocation right will be that which results from the application of the following formula, with the result being rounded to the closest one-thousandth part of one euro:*

*Dividend (or, if applicable, Fixed Purchase Price) = ListPri / (Num. rights + 1)*



## 4.2 Free-of-charge allocation rights

*In each of the Increases in Capital, each outstanding share of the Company on the date of Implementation of the corresponding Increase in Capital (TNShrs.) shall grant its holder one free-of-charge allocation right.*

*The number of free-of-charge allocation rights required to receive one New Share in each of the Increases in Capital shall be automatically determined according to the ratio existing between the number of outstanding shares of the Company on the date of Implementation of the relevant Increase in Capital (TNShrs.) and the provisional number of New Shares, calculated by using the formula contained in Section 4.1 above. Specifically, the holders of free-of-charge allocation rights shall be entitled to receive one New Share for the number of free-of-charge allocation rights held by them, which shall be determined as provided in Section 4.1 above (Num. rights).*

*In the event that the number of free-of-charge allocation rights required for the allocation of one New Share (Num. rights) multiplied by the number of New Shares to be issued (NNS) results in a number that is lower than the number of outstanding shares of the Company on the date of Implementation of the corresponding Increase in Capital (TNShrs.), the Company (or any company within its group that holds shares of the Company) shall waive a number of free-of-charge allocation rights equal to the difference between both figures for the sole purpose that the number of New Shares be a whole number and not a fraction.*

*The free-of-charge allocation rights shall be allocated to those who are registered as being entitled thereto in the book-entry registers of IBERCLEAR on the relevant date pursuant to the securities clearing and settlement rules from time to time in effect. In this regard, the Company will waive the free-of-charge allocation rights corresponding to the shares of the Company that have been retired prior to the date of Implementation of the corresponding Increase in Capital if said shares have not yet been removed from the book-entry registers of IBERCLEAR because the corresponding public instrument formalising the implementation of the resolution on the reduction in share capital, the approval of which is submitted to the shareholders at the General Shareholders' Meeting under item 12 on the Agenda, has not yet been executed or is still pending registration.*

*The free-of-charge allocation rights shall be transferable upon the same terms as the shares from which they derive and may be traded on the market during such term as is established by the Board of Directors (with express power of substitution) in implementing the relevant Increase in Capital, which term shall not be less than fourteen calendar days. During such term, a sufficient number of free-of-charge allocation rights may be acquired on the market in the proportion required to receive New Shares. Notwithstanding the foregoing, the free-of-charge allocation rights acquired on the market during the trading period established for this purpose shall not give the acquiring party the right to choose to receive the corresponding Dividend (or, if applicable, to exercise the Purchase Commitment and receive the Fixed Purchase Price). Therefore, the new holders of these free-of-charge allocation rights may only monetise their investment through the sale thereof on the market during said trading period that has been activated for this purpose. Alternatively, they may choose to receive the newly-issued bonus shares to which they are entitled at the end of the aforementioned trading period.*



*Therefore, during the trading period for the free-of-charge allocation rights, subject to any other terms and conditions established by the Board of Directors (with express power of substitution), the holders of the free-of-charge allocation rights may choose between:*

- (a) receiving their remuneration in New Shares, in which case, at the end of the period for trading the free-of-charge allocation rights, they shall be allocated the New Shares to which they are entitled pursuant to the terms and conditions of the implementation of the Increase in Capital in question;*
- (b) transferring all or part of their free-of-charge allocation rights on the market, in which case the consideration that the holders of free-of-charge allocation rights will receive for the sale thereof will depend on market conditions in general and on the listing price of said rights in particular; or*
- (c) only during the Common Election Period determined by the Board of Directors (with express power of substitution), receiving their remuneration in cash by collecting the corresponding Dividend (or, if applicable, by collecting the Fixed Purchase Price), for which purpose the shareholders shall be required to make an express election in this regard. The shareholders may choose to receive their cash remuneration with respect to all or part of their shares.*

*In this case, it shall be deemed that those choosing to receive their remuneration in cash with respect to all or part of their shares expressly, automatically and irrevocably waive the free-of-charge allocation rights corresponding to said shares and the ability to transfer them on the market. To this end, the participants in IBERCLEAR will block said free-of-charge allocation rights, which may not be transferred on the market and which shall automatically expire at the end of the trading period, without the holders thereof being entitled to receive New Shares.*

*As mentioned above, the free-of-charge allocation rights acquired on the market during the trading period established for this purpose shall not give the acquiring parties the right to choose to receive the Dividend (nor, if applicable, the Fixed Purchase Price). Therefore, the new holders of these rights may only monetise their investment through the sale thereof on the market during said trading period that has been activated for this purpose. Alternatively, they may choose to receive the newly-issued bonus shares to which they are entitled at the end of the aforementioned trading period.*

*Based on their preferences and needs, the Company's shareholders may combine any of the alternatives mentioned in paragraphs (a) through (c) above. In any event, the election of one of the remuneration options automatically excludes the ability to choose either of the other two options regarding the same shares, for which reason the ability to combine options referred to above will only be possible with respect to different groups of shares.*

*The Company assumes no liability for the choices made by the holders of the free-of-charge allocation rights (or for a failure to choose, if an express and valid communication is not received from said holders).*

*It is also stated for the record that the only period authorised for the holders of free-of-charge allocation rights to communicate to the entities with which their rights are deposited their preferences regarding the remuneration options is the Common Election Period, regardless of*



*whether they are institutional or minority holders of rights. The Company assumes no liability for a breach of this period by the depositaries (whether due to not accepting communications during a portion of the Common Election Period or for accepting them after the passage of said period, or for any other reason), for which reason any claim in this regard must be addressed by the shareholders or holders of free-of-charge allocation rights to the depositary in question.*

#### **4.3 Balance sheet for the transaction and reserve with a charge to which the Increases in Capital are carried out**

*The balance sheet used as a basis for the two Increases in Capital is the one for the financial year ended 31 December 2022, duly audited and submitted to the shareholders for approval at this General Shareholders' Meeting under item 1 on the agenda.*

*The Increases in Capital shall be entirely carried out with a charge to the reserves contemplated in Section 303.1 of the Companies Act. When implementing each of the Increases in Capital, the Board of Directors, with express power of substitution, shall determine the reserve(s) to be used and the amount of such reserve(s) in accordance with the balance sheet used as a basis for the transaction.*

#### **4.4 Representation of the New Shares**

*The New Shares will be represented by book entries, the book-entry registration of which is entrusted to IBERCLEAR and its participants.*

#### **4.5 Rights attaching to the New Shares**

*As from the date on which the relevant Increase in Capital is declared to be subscribed and paid up, the New Shares shall grant the holders thereof the same financial, voting and like rights as the ordinary shares of the Company then outstanding.*

#### **4.6 Shares on deposit**

*Once the period for trading the free-of-charge allocation rights during each of the Increases in Capital has ended, the New Shares that could not be allocated for reasons not attributable to the Company shall be kept on deposit for those who provide evidence that they are the lawful holders of the corresponding free-of-charge allocation rights. Once three years have passed from the end of each of the periods for trading the free-of-charge allocation rights, the New Shares issued by virtue of the relevant Increase in Capital that are still pending allocation may be sold in accordance with the provisions of Section 117 of the Companies Act, at the expense and peril of the interested parties. The cash amount from such sale shall be deposited with Banco de España or with Caja General de Depósitos at the disposal of the interested parties.*

#### **4.7 Application for admission to trading**

*The Company shall make application for trading the New Shares to be issued as a consequence of each of the Increases in Capital on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, through the Automated Quotation System (Sistema de Interconexión Bursátil) (Continuous Market), and shall carry out such acts and formalities as are required and submit the documents needed to the appropriate bodies for admission to trading of the*



*New Shares issued as a result of each of the approved Increases in Capital, with an express statement for the record of the Company's submission to the rules that may now or hereafter exist with respect to Stock Exchange matters, and especially regarding trading, continued trading and removal from trading on official markets.*

*Any subsequent request for removal from trading of the shares of the Company shall be adopted with the same formalities as those that apply to the application for trading and, in such event, the interests of the shareholders opposing or not voting on the resolution to remove shall be safeguarded, in compliance with the requirements set out in applicable law at such time.*

#### **5. Application of the "Iberdrola Retribución Flexible" optional dividend system. Implementations**

*Within a period of one year from the date of approval of this resolution, the Board of Directors (with express power of substitution) may set the date on which each Implementation must be carried out and set the terms and conditions thereof as to all matters not provided for in this resolution (including, in particular, the Amount of the Option corresponding to each of the Implementations and the Supplementary Dividend).*

*Furthermore, it is expected that prior to 31 December 2023, the Board of Directors will determine the Interim Dividend to be paid for purposes of the Second Implementation as well as the other conditions applicable to the Interim Dividend, pursuant to the provisions of Section 277 of the Companies Act. To this end, and in accordance with the provisions of Section 161 of the Companies Act, the shareholders acting at this General Shareholders' Meeting hereby instruct the Board of Directors, if the Requirements are met, to approve the payment of the Interim Dividend and set the terms and conditions applicable to the corresponding Dividend Payment, all in order to carry out the Second Implementation.*

*Notwithstanding the foregoing, if the Board of Directors (with express power of substitution) does not deem it advisable to carry out one or both Implementations, in whole or in part, within the aforementioned period, it may refrain from doing so, with the duty to inform the shareholders thereof at the next General Shareholders' Meeting.*

*Specifically, the Board of Directors (with express power of substitution) shall analyse and take into account the market conditions, the circumstances of the Company itself or those deriving from an event that has social or financial significance for the Company, and if these or other factors make it inadvisable, in its opinion, to carry out one or both Implementations, it may refrain from doing so. In addition, the resolutions approved by the shareholders at this General Shareholders' Meeting relating to the Supplementary Dividend and to the Increases in Capital shall be deprived of any and all effect in the event that the Board of Directors (or the body acting by delegation therefrom) does not exercise the powers delegated thereto or, in the case of the Second Implementation, does not approve the payment of the Interim Dividend or honour the Purchase Commitment, within a period of one year from approval of the resolutions.*

*Once the period for trading the free-of-charge allocation rights corresponding to each of the Increases in Capital has ended, the following shall apply:*



- (a) *The New Shares shall be allocated to those who, according to the book-entry registers maintained by IBERCLEAR and its participants, are the holders of free-of-charge allocation rights in the proportion resulting from section 4 above due to not having waived them on the terms provided above.*
- (b) *The period for trading the free-of-charge allocation rights shall be declared to have ended and the appropriation of the account(s) with a charge to which the relevant Increase in Capital will be implemented shall be formalised on the books in the respective amount, with which appropriation the Increase in Capital will be paid up.*
- (c) *The Company shall pay the Supplementary Dividend or the Interim Dividend (or, if the Requirements are not met within the framework of the Second Implementation, the Fixed Purchase Price), as applicable, to the shareholders that have expressly chosen this remuneration option within the period and subject to the terms and conditions determined for these purposes by the Board of Directors (with express power of substitution), pursuant to the provisions of section 2 above.*

*Likewise, once each of the periods for trading the free-of-charge allocation rights has ended, the Board of Directors (with express power of substitution) shall adopt the resolutions required to amend the By-Laws so that they reflect the new amount of the share capital and the number of shares resulting from the implementation of the relevant Increase in Capital, and to make application for trading of the resulting New Shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, through the Automated Quotation System (Continuous Market).*

## **6. Delegation to carry out each of the Implementations**

*In particular, and by way of example only, the following powers are delegated to the Board of Directors (with express power of substitution):*

- (a) *To set the date on which each of the Implementations must be carried out, which shall in any case be within a period of one year from the approval of this resolution, and to determine the specific schedule for each of the Implementations.*
- (b) *As regards each of the Implementations, to set the Amount of the Option, the amount of the Supplementary Dividend (in the case of the First Implementation), the number of New Shares and the number of free-of-charge allocation rights necessary for the allocation of one New Share, applying the rules established by this resolution for such purpose.*
- (c) *To determine the reserve(s), among those contemplated in this resolution, with a charge to which each of the Increases in Capital will be implemented.*
- (d) *To designate the company or companies that will assume the duties of agent and/or financial adviser in connection with each of the Implementations, and sign all required contracts and documents for such purpose. In particular, to appoint the entity that must act as paying agent in each of the Dividend Payments.*
- (e) *To set the duration of the periods for trading the free-of-charge allocation rights corresponding to each of the Increases in Capital.*



- (f) *As regards each of the Implementations, to set the specific duration of the Common Election Period and the terms and conditions under which the shareholders may state their preferences regarding the receipt of their remuneration (in cash or in New Shares).*
- (g) *After the Common Election Period for each Implementation has ended, to determine the aggregate gross amount in euros corresponding to the Dividend Payment in question and to make payment thereof through the participants in IBERCLEAR.*
- (h) *To declare the Increases in Capital to be closed and implemented, for such purpose setting the number of New Shares actually allocated in each of them, and therefore the amount by which the Company's share capital must be increased in accordance with the rules established by the shareholders at this General Shareholders' Meeting, as well as declare, if applicable, the existence of an incomplete allocation of each of the Increases in Capital.*
- (i) *To rescind the resolution on payment of the corresponding Dividend with respect to the amounts that were not paid to those shareholders who elected (expressly or implicitly) to receive New Shares.*
- (j) *In the case of the First Implementation, to determine the aggregate total amount to be paid as a dividend with a charge to the results for the financial year ended 31 December 2022 pursuant to the provisions of item 9 on the agenda (i.e. the final amount of the Supplementary Dividend), to specify, in view of said amount, the amount of the total basis for distribution established in said item on the agenda to be allocated to remainder, and to complete the resulting proposed allocation of profits/losses and payment of the dividend for financial year 2022.*
- (k) *In the case of the First Implementation and if the Board of Directors, with express power of substitution, does not deem it appropriate to implement the First Implementation, in whole or in part, during said period, to determine the aggregate total amount that has been paid as a dividend with a charge to the results for the financial year ended 31 December 2022 (which shall be equal to the total amount paid on account of the dividend for said financial year), to specify the amount of the total basis for distribution established in said item on the agenda to be allocated to remainder, and to complete the resulting proposed allocation of profits/losses and payment of the dividend for financial year 2022.*
- (l) *To amend the article of the By-Laws setting the share capital such that it reflects the amount of share capital and the number of outstanding shares resulting from the implementation of the relevant Increase in Capital.*
- (m) *To waive, if appropriate, and in each of the Increases in Capital, free-of-charge allocation rights to subscribe New Shares for the sole purpose of facilitating that the number of New Shares be a whole number and not a fraction, as well as any free-of-charge allocation rights allocated to shares of the Company that have been retired prior to the date of implementation of the corresponding Increase in Capital if said shares have not yet been removed from the book-entry registers of IBERCLEAR because the corresponding public instrument formalising the implementation of the resolution approving the reduction in share capital, the approval of which is submitted to the shareholders at the General Shareholders' Meeting under item 12 on the agenda, has not yet been executed or is still pending registration.*
- (n) *If the Purchase Commitment must be honoured within the framework of the Second Implementation due to the Requirements for the payment of the Interim Dividend not having been met, to determine the acquisition by the Company of the corresponding free-of-charge allocation rights, set the period of time during which the Purchase Commitment will be in effect*





*(within the limits established in the resolutions), honour the Purchase Commitment by paying the corresponding amounts to the shareholders who have accepted said commitment, waive the free-of-charge allocation rights owned by the Company at the end of the trading period of the Second Implementation as a result of the Purchase Commitment, and thus the New Shares corresponding to such rights, and take any other measures or actions needed to fully honour the Purchase Commitment.*

- (o) To take all steps required for the New Shares to be included in the book-entry registers of IBERCLEAR and admitted to trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Automated Quotation System (Continuous Market) after each of the Increases in Capital.*
- (p) To take any actions that are necessary or appropriate to implement and formalise each of the Increases in Capital before any Spanish or foreign public or private entities or agencies, including acts for purposes of representation, supplementation, or correction of defects or omissions that might prevent or hinder the full effectiveness of the foregoing resolutions.*
- (q) To approve and implement such technical or other mechanisms as IBERCLEAR and the IBERCLEAR participants may deem necessary or appropriate in order to make any corresponding payment on account.*

## **7. Sample calculation relating to the First Implementation**

*Set out below, solely for purposes of facilitating an understanding of the application hereof, is a sample calculation, in the case of the First Implementation, of the maximum number of new shares to be issued in the increase in share capital submitted for the approval of the shareholders at the General Shareholders' Meeting under item 10 on the agenda, of the maximum nominal value of such increase, of the number of free-of-charge allocation rights required for the allocation of one new share and of the Dividend (which in this First Implementation would be the Supplementary Dividend).*

*The results of these calculations are not representative of those that might be obtained, which, in the case of the First Implementation, will depend on the different variables used in the formulas (basically, the listing price of the Company's shares at that time (ListPri) and the Amount of the Option, as determined by the Board of Directors (with express power of substitution) in exercise of the power delegated by the shareholders at the General Shareholders' Meeting).*

*Solely for the purposes of this example:*

- *The Amount of the Option is €2,026 million.*
- *The TNShrs. is 6,240,000,000<sup>3</sup>.*
- *A ListPri of €10,710 is assumed (solely for the purposes of this example, the listing price of the Company's shares at the closing of the trading session of 8 March 2023 has been used as a reference).*

<sup>3</sup> *For purposes of this example, it is assumed that this would be the total number of shares of the Company outstanding after the implementation of the reduction in share capital provided for in the resolution corresponding to item 12 on the agenda if it is implemented in the total maximum amount thereof (i.e. 6,240,000,000 outstanding shares of the Company).*



Therefore:

<i>Provisional number of shares = Amount of the Option / ListPri</i>	$2,026,000,000 / 10.710 = 189,169,000.933707 \approx 189,169,000$ shares <i>(rounded downwards)</i>
<i>Num. rights = TNShrs. / Provisional number of shares</i>	$6,240,000,000 / 189,169,000 = 32.9863772605448000 \approx 33$ rights <i>(rounded upwards)</i>
<i>NNS = TNShrs. / Num. rights</i>	$6,240,000,000 / 33 = 189,090,909.090909 \approx 189,090,909$ shares <i>(rounded downwards)</i>
<i>Dividend = ListPri / (Num. rights + 1)</i>	$10.710 / (33 + 1) = 0.315$ euro

Therefore:

- (i) *The maximum number of shares to be issued in the First Implementation would be 189,090,909.*
- (ii) *The maximum nominal amount of the increase in share capital submitted for approval of the shareholders at the General Shareholders' Meeting under item 10 on the agenda would be €141,818,181.75 (189,090,909 x 0.75).*
- (iii) *33 free-of-charge allocation rights (or old shares) would be necessary for the allocation of one new share<sup>4</sup>.*
- (iv) *In this example, the Supplementary Dividend would be equal to €0.315 (gross) per share."*

In Bilbao, on 14 March 2023.

<sup>4</sup> *In this example, the Company (or a company of its group that holds shares of the Company) would be required to waive 3 free-of-charge allocation rights.*