



General Shareholders' Meeting

30 May 2025



Report of the Board of Directors

Proposed reduction in capital

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REPORT OF THE BOARD OF DIRECTORS REGARDING THE PROPOSED REDUCTION IN SHARE CAPITAL BY MEANS OF THE RETIREMENT OF OWN SHARES INCLUDED IN ITEM 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 318 of the Spanish "Companies Act" (Ley de Sociedades de Capital), in order to provide a rationale for the proposed reduction in share capital by means of the retirement of own shares (the "**Reduction in Capital**") being submitted for the approval of the shareholders at the General Shareholders' Meeting under item 11 on the agenda.

Pursuant to such provisions of the "Companies Act", to the extent that the Reduction in Capital entails the amendment of Article 10 of the "By-Laws" setting the share capital, the Board of Directors has prepared this report, which includes the purpose of and rationale for the proposal being submitted for the approval of the shareholders at the General Shareholders' Meeting.

2. Purpose of and rationale for the proposal

Pursuant to the provisions of the "Shareholder Remuneration Policy", the Company maintains a strategy for growth in such remuneration in line with the increase in results, with a pay-out of between 65% and 75% of net profits attributed to the Company, as the controlling company, in its consolidated annual financial statements. Therefore, since 2010, the Company has been implementing an optional dividend system currently called "Iberdrola Retribución Flexible", which consists of the implementation of two increases in share capital by means of scrip issues, combined with the ability of the shareholders to decide to receive all or part of their remuneration in cash, choosing in this case to receive a dividend instead of receiving shares of the Company or to sell their free-of-charge allocation rights on the market.

These increases in share capital by means of scrip issues are complemented with reductions in share capital like the one now proposed and like those that the Company has implemented each year since 2013, which are intended to maintain the number of outstanding shares of the Company used to calculate earnings per share at approximately 6,240 million. This avoids the dilution of interests in the share capital caused by the repeated issuance of new shares and contributes to maintaining the earnings per share of the Company, all of which has a positive impact for the shareholders.

Therefore, the Board of Directors has resolved to propose to the shareholders at the General Shareholders' Meeting a reduction in share capital that offsets the effects of the increases in share capital by means of scrip issues approved by the shareholders at the General Shareholders' Meeting held on first call on 17 May 2024 under items

12 and 13 on the agenda¹ and which were implemented in the months of July 2024 and January 2025, respectively. If the Reduction in Capital is ultimately approved, the total number of shares that the Company will retire will be a maximum of 200,561,000 own shares, each with a nominal value of €0.75, representing not more than 3.114% of the Company's share capital (the "**Maximum Limit**"), so that the number of outstanding shares is set at the target amount of 6,240 million.

3. Main terms and conditions of the Reduction in Capital

The Reduction in Capital is proposed to reduce the share capital of the Company by a maximum of €150,420,750.00 through the retirement of a maximum of 200,561,000 own shares, each with a nominal value of €0.75, representing not more than 3.114% of the share capital at the time of approval of the corresponding resolution by the shareholders at the General Shareholders' Meeting.

The Reduction in Capital shall be implemented by means of:

- (a) The acquisition of shares for their retirement through:
 - (i) the implementation of a programme for the buy-back of own shares, targeted at all the shareholders, approved by the Board of Directors at its meeting held on 25 March 2025² (the "**Buy-back Programme**"), which will be launched following the call to the General Shareholders' Meeting; and
 - (ii) the settlement of certain derivatives on own shares acquired by the Company prior to the date on which the Board of Directors (or the body acting by delegation therefrom) launches the Buy-back Programme (the "**Settlement of Derivatives**").
- (b) The retirement of own shares in treasury following the close of the trading session on the day before the Board of Directors (or the body acting by delegation therefrom) launches the Buy-back Programme (the "**Treasury Shares**").

In this regard, in order to observe the Maximum Limit in any case, an overall limitation would apply to the maximum number of shares to be retired that have been acquired in implementation of the Buy-back Programme and pursuant to the Settlement of Derivatives (the "**Overall Limit**").

¹ And under the section entitled "Common terms and conditions of the dividend payment and increase in share capital resolutions proposed under items 11, 12 and 13 on the agenda, pursuant to which the "Iberdrola Retribución Flexible" optional dividend system is implemented".

² Pursuant to: (i) "Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse" and "Commission Delegated Regulation (EU) No 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures"; and (ii) the authorisation granted by the shareholders at the General Shareholders' Meeting held on second call on 17 June 2022 under item 19 on the agenda.

Thus, if the number of shares acquired in implementation of the Buy-back Programme and by virtue of the Settlement of Derivatives does not exceed the Overall Limit, pursuant to Section 340.3 of the “Companies Act” it would be deemed that the share capital of the Company is reduced by the sum of the Treasury Shares and the total number of shares acquired in implementation of the Buy-back Programme and by virtue of the Settlement of Derivatives.

However, if the shares acquired in implementation of the Buy-back Programme and pursuant to the Settlement of Derivatives do exceed the Overall Limit, the Treasury Shares and all of the own shares acquired in implementation of the Buy-back Programme would be retired. On the other hand, a number equal to the difference between the Overall Limit and the shares actually acquired in implementation of the Buy-back Programme would be retired from the own shares acquired pursuant to the Settlement of Derivatives. In this way, the remainder of any own shares acquired as a result of the Settlement of Derivatives would not be subject to retirement upon the Reduction in Capital and will remain in treasury, always within the limits provided by applicable law.

The Company shall notify the market of both the approval and the launch of the Buy-back Programme by issuing the corresponding notices of other relevant information, which shall be published on the corporate website (www.iberdrola.com) and on the website of the National Securities Market Commission (Comisión Nacional del Mercado de Valores) (CNMV) (www.cnmv.es).

In the event of approval of the resolution regarding the Reduction in Capital that is the object of this report, the Board of Directors (with express power of substitution): (a) would set the terms and conditions and the final amount of the Reduction in Capital; and (b) would amend Article 10 of the “By-Laws” setting the share capital such that it reflects the new amount of share capital and the new number of outstanding shares (after deducting the number of own shares proposed to be retired).

The Reduction in Capital would not entail a return of contributions to the shareholders because the Company itself is the holder of the retired shares, and it would be carried out with a charge to unrestricted reserves by funding a retired capital reserve in an amount equal to the nominal value of the retired shares; such reserve could only be used by complying with the same requirements as those applicable to a reduction in share capital, as provided by Section 335 c) of the “Companies Act”.

Therefore, in order to simplify the implementation and in accordance with the provisions of such provision, creditors of the Company would not be entitled to assert the right of objection established in Section 334 of the “Companies Act” in connection with the Reduction in Capital.

It is also proposed that the shareholders at the General Shareholders' Meeting ratify the acts performed to date by the Board of Directors in connection with the Buy-back Programme approved on 25 March 2025 and that they authorise the Board of Directors to implement the Reduction in Capital resolution (with express power of substitution pursuant to the provisions of Section 249 bis.I) of the “Companies Act”) within a period not to exceed one month following the expiration of the Buy-back

Programme. For this purpose, the Board of Directors (with express power of substitution) may establish any terms that are not expressly set forth in the resolution approving the Reduction in Capital or that are a consequence thereof and approve the resolutions, publish the announcements, take the steps, and execute the public or private documents that may be required or appropriate for the successful implementation of the Reduction in Capital.

Specifically, it is proposed to authorise the Board of Directors, with express powers of substitution, to adopt the corresponding resolutions amending the "By-Laws" in order to reflect the new amount of share capital and the number of shares resulting from the Reduction in Capital, as well as to take the steps and carry out the formalities required to cause the exclusion from trading of the retired shares from the Spanish Stock Exchanges and the removal thereof from the book-entry registers once the resolution regarding the Reduction in Capital has been implemented.

4. Proposed resolution submitted to the shareholders at the General Shareholders' Meeting

The proposed resolution relating to the Reduction in Capital submitted to the shareholders for approval at the General Shareholders' Meeting reads as follows:

ITEM 11 ON THE AGENDA

Reduction in capital by means of the retirement of a maximum of 200,561,000 own shares (3.114% of the capital).

RESOLUTION

1. Reduction in share capital by means of the retirement of own shares

*To reduce the share capital of "Iberdrola, S.A." (the "**Company**") by a maximum of €150,420,750.00 through the retirement of a maximum of 200,561,000 own shares, each with a nominal value of €0.75, representing not more than 3.114% of the share capital at the time of the approval of the corresponding resolution by the shareholders at the General Shareholders' Meeting (the "**Reduction in Capital**").*

The Reduction in Capital shall be implemented by means of:

- (a) The acquisition of shares for their retirement through:*
 - (i) the implementation of a programme for the buy-back of own shares, targeted at all the shareholders, approved by the Board of Directors at its meeting held on 25 March 2025³ (the "**Buy-back Programme**"), which will be launched following the call to the General Shareholders' Meeting; and*

³ Pursuant to: (i) "Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse" and "Commission Delegated Regulation (EU) No 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the

- (ii) *the settlement of certain derivatives acquired by the Company prior to the date on which the Board of Directors (or the body acting by delegation therefrom) launches the Buy-back Programme (the “**Settlement of Derivatives**”).*
- (b) *The retirement of own shares held in treasury following the close of the trading session on the day prior to the date on which the Board of Directors (or the body acting by delegation therefrom) launches the Buy-back Programme (the “**Treasury Shares**”).*

The Company shall communicate both the approval and the launch of the Buy-back Programme to the market by issuing the corresponding notices of other relevant information, which shall be published on the corporate website (www.iberdrola.com) and on the website of the National Securities Market Commission (Comisión Nacional del Mercado de Valores) (CNMV) (www.cnmv.es).

The Company's Board of Directors (with express power of substitution) shall set the terms and conditions of the Buy-back Programme (including the setting of the maximum number of shares to be acquired within the framework thereof and its effective period), the maximum potential amount of the Settlement of Derivatives, and the final figures for the Treasury Shares and the Reduction in Capital.

Once the Board of Directors (or the body acting by delegation therefrom) has determined the final amount of the Reduction in Capital, Article 10 of the “By-Laws” setting the share capital would be amended such that it reflects the new amount of share capital and the new number of outstanding shares.

2. Procedure for acquisition of the shares that will be retired

*The total number of shares that the Company will be able to retire will be the sum of: (a) the shares acquired through the Buy-back Programme and the Settlement of Derivatives; and (b) the Treasury Shares. This number will be a maximum of 200,561,000 own shares, each with a nominal value of €0.75, representing not more than 3.114% of the Company's share capital (the “**Maximum Limit**”).*

As provided in the resolution of the Board of Directors approved at its meeting held on 25 March 2025, own shares shall be acquired within the framework of the Buy-back Programme subject to the terms as to price and volume established in the Regulations.

*In order to observe the Maximum Limit in any case, an overall limitation would apply to the maximum number of shares to be retired that have been acquired in implementation of the Buy-back Programme and pursuant to the Settlement of Derivatives (the “**Overall Limit**”).*

Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures” (the “**Regulations**”); and (ii) the authorisation granted by the shareholders at the General Shareholders' Meeting held on second call on 17 June 2022 under item 19 on the agenda.

Thus, if the number of shares acquired in implementation of the Buy-back Programme and by virtue of the Settlement of Derivatives does not exceed the Overall Limit, pursuant to Section 340.3 of the "Companies Act" it would be deemed that the share capital of the Company is reduced by the sum of the Treasury Shares and the total number of shares acquired in implementation of the Buy-back Programme and by virtue of the Settlement of Derivatives.

However, if the shares acquired in implementation of the Buy-back Programme and pursuant to the Settlement of Derivatives do exceed the Overall Limit, the Treasury Shares and all of the own shares acquired in implementation of the Buy-back Programme would be retired. On the other hand, a number equal to the difference between the Overall Limit and the shares actually acquired in implementation of the Buy-back Programme would be retired from the own shares acquired pursuant to the Settlement of Derivatives. In this way, the remainder of any own shares acquired as a result of the Settlement of Derivatives would not be subject to retirement upon the Reduction in Capital and will remain in treasury, always within the limits provided by applicable law.

3. Procedure for the reduction and reserves with a charge to which it is carried out

Pursuant to the provisions of Section 342 of the "Companies Act", the Reduction in Capital must be implemented within one month following the expiration of the Buy-back Programme.

The Reduction in Capital does not entail a return of contributions to the shareholders because the Company itself is the holder of the shares being retired, and it shall be carried out with a charge to unrestricted reserves by funding a retired capital reserve in an amount equal to the nominal value of the retired shares; such reserve may only be used by complying with the same requirements as those applicable to a reduction in share capital, as provided by Section 335 c) of the "Companies Act".

Therefore, in accordance with the provisions of such section, creditors of the Company will not be entitled to assert the right of objection contemplated by Section 334 of the "Companies Act" in connection with the Reduction in Capital.

4. Ratification of the resolutions of the Board of Directors

To ratify both the resolutions of the Board of Directors regarding the approval of the Buy-back Programme as well as the actions, statements and formalities to date regarding the public communication of the Buy-back Programme.

5. Delegation of powers

To delegate to the Board of Directors, with express power of substitution, the powers necessary to implement this resolution within a period not exceeding one month following the expiration of the Buy-back Programme, with authority to establish any terms that are not expressly set forth in this resolution or that are a consequence hereof. 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 perform any acts, make any statements or take any steps that may be required in connection with the public communication of the Buy-back Programme and with the formalities, if any, that must be carried out at Spanish regulatory agencies and Stock Exchanges; and negotiate, agree to and sign all contracts, agreements, commitments or instructions that may be necessary or appropriate for the successful completion of the Buy-back Programme.*
- (b) To cause all legally required announcements to be published, acquire the shares under the Buy-back Programme and retire them within one month following the expiration of the Buy-back Programme, in accordance with the terms approved herein.*
- (c) To declare the approved Reduction in Capital completed and implemented, establishing, for such purpose, the final number of shares that must be retired and, as a result, the amount by which the share capital of the Company must be reduced in accordance with the terms established in this resolution.*
- (d) To set the final amount of the Reduction in Capital based on the provisions of this resolution and establish any other terms that may be required to implement it, including, without limitation, the setting of the unrestricted reserves account that will be used to fund the retired capital reserve, all in accordance with the terms and conditions set forth above.*
- (e) To amend Article 10 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 Reduction in Capital.*
- (f) To take such steps and carry out such formalities as may be required and submit such documents as may be necessary to the competent bodies such that, once the shares of the Company have been retired and the notarial instrument for the Reduction in Capital has been executed and registered with the Commercial Registry, the retired shares are delisted from the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, through the Automated Quotation System (Continuous Market), and they are removed from the corresponding book-entry registers of “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.” (Sociedad Unipersonal) (IBERCLEAR).*
- (g) To perform all acts that may be necessary or appropriate to implement and formalise the Reduction in Capital before any Spanish or foreign public or private entities and 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.*

Pursuant to the provisions of Section 249 bis.1) of the “Companies Act”, to expressly authorise the Board of Directors to further delegate the powers referred to in this resolution.

In Bilbao, on 25 March 2025