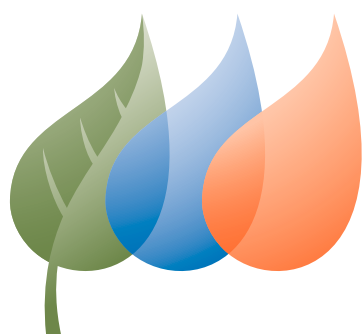


“Iberdrola Retribución Flexible”:

Optional Dividend scheme

Information Booklet July 2021



IBERDROLA

Dear shareholder,

On 11 May 2021, the Board of Directors of Iberdrola, S.A. (“**Iberdrola**” or the “**Company**”) convened the 2021 General Shareholders’ Meeting of Iberdrola, to be held on first call, on 17 June 2021 and, on second call, on 18 June 2021 (the “**General Shareholders’ Meeting**”). The Board of Directors submitted to the General Shareholders’ Meeting of the Company the approval of the optional dividend system “Iberdrola Retribución Flexible” corresponding to the fiscal year 2021. As usual, the proposal submitted to the General Shareholders’ Meeting contemplates two wholly paid-up share capital increases, which are included under items number seventeen, eighteen and nineteen of the agenda and under the section titled «*Common terms and conditions of the dividend distribution and increase in capital resolutions proposed under items number seventeen, eighteen and nineteen on the agenda, by virtue of which the “Iberdrola Flexible Remuneration” optional dividend system is implemented*» (the “**Common Terms**”).

Subject to the approval of the optional dividend system “Iberdrola Retribución Flexible” by the General Shareholders’ Meeting, it is expected that the Board of Directors will resolve to implement the first edition of the system by means of: (a) carrying out the first paid-up capital increase, which is expected to be consummated by July 2021 (the “**Capital Increase**”); and (b) distributing a supplementary dividend corresponding to the fiscal year 2020 (the “**Supplementary Dividend**”).

This booklet explains the implications for shareholders of Iberdrola of receiving shares or cash through a corporate nominee service.

Shares, when referred to in this booklet, means CREST Depository Interests (**CDIs**), which represent an entitlement to Iberdrola shares held through the Iberdrola Corporate Nominee Facility, and **shareholders**, when referred to in this booklet, means the holders of those CDIs through that service. Please refer to the Glossary below for other terms used in this booklet.

Under this first edition of the “*Iberdrola Retribución Flexible*” optional dividend system corresponding to the fiscal year 2021, shareholders will have the following options:

- Option 1: receive their remuneration through the delivery of fully paid-up new shares.
- Option 2: transfer all or part of their free allocation rights in the market.
- Option 3: receive their remuneration in cash by means of the Supplementary Dividend.

This remuneration system offers shareholders the possibility to decide whether to receive their remuneration under the system in cash (in this edition, through the transfer of the corresponding free allocation rights in the market or through the payment of the Supplementary Dividend – Options 2 and 3 – or in new fully paid-up shares of the Company – Option 1 –). Therefore, this initiative provides flexibility by enabling shareholders to choose their preferred payment option according to their personal situation.

Under this scheme, shareholders will receive – free of charge – one free allocation right for every Iberdrola share held as of 9 July 2021 at 11:59 pm Madrid time (record date for the free allocation rights), provided that the shares have been acquired on or before 7 July 2021 (last trading date).

As a result, under this first edition of the “*Iberdrola Retribución Flexible*” optional dividend system corresponding to the fiscal year 2021, you will have three options as a shareholder:

Option 1: Receive new Iberdrola shares

Shareholders can elect to receive, for free, a number of newly issued Iberdrola shares to which they are entitled depending on the rights they hold. The number of shares received will depend on Iberdrola’s share price on the stock trading days within 29 and 30 June and 1, 2 and 5 July 2021. This option has no Spanish withholding or taxation liability for non-residents in Spain, when they do not act through a permanent establishment in Spain. However, any sale of the newly received Iberdrola shares may trigger a taxable capital gain in Spain for non-residents in Spain and, even if no Spanish taxation applies to this sale pursuant to your specific conditions, it could generate a potential Spanish tax reporting obligation for you. This taxation may be reduced or exempted pursuant to Spanish domestic legislation or under the income tax treaties ratified by Spain. See further information on page 3.

Option 2: Sell your rights on market

Shareholders can sell their rights on market (the Spanish Stock Exchanges). The proceeds you will receive from such sale will fluctuate depending on market prices and the currency exchange rate between Euro and Sterling and, accordingly, there can be no guarantee of the price received. This option has no Spanish withholding tax liability for non-residents in Spain when they do not act through a permanent establishment in Spain. However, this option may generate a taxable capital gain in Spain for non-residents in Spain and, even if no Spanish taxation applies, pursuant to your specific conditions, it could generate a potential Spanish tax reporting obligation for you. This taxation may be reduced or exempted pursuant to Spanish domestic legislation or under the income tax treaties ratified by Spain. See further information on page 4.

Option 3: Receive cash through the payment of the Supplementary Dividend (the default option)

Shareholders can choose to receive their remuneration in cash through the payment of the Supplementary Dividend. Iberdrola expects that the Supplementary Dividend will be at least €0.252 gross per share. Shareholders who elect this option will have to apply to their remuneration the same tax treatment applicable to cash dividends and, therefore, this income will be subject to the relevant withholding and taxation in Spain, unless an exemption or reduced tax rate applies under Spanish domestic rules or under the income tax treaties ratified by Spain. The Sterling proceeds you will receive will fluctuate due to the currency exchange rate between Euro and Sterling. See further information on page 5.

For the avoidance of doubt, the value of the compensation received by the shareholders under options 1 and 3 will be equivalent (in terms of market value and without prejudice of the tax treatment applicable to each of them) and the choice of one of the three options excludes the right to choose any of the remaining options.

IMPORTANT: SPANISH TAX REPORTING MATTERS

If you choose option 1 or 2 please note that any sale of shares or free allocation rights may trigger a 19% taxable capital gain in Spain for non-residents in Spain and, even if no Spanish taxation applies pursuant to your specific conditions, it could generate a potential Spanish tax reporting obligation for you.

This taxation may be reduced or exempted pursuant to Spanish domestic legislation or under the income tax treaties ratified by Spain. For more information, please see the Taxation section of this information booklet.

Default option

The default option is option 3. Consequently, it will automatically be applied to you if you choose to do nothing, unless you had previously elected any of the other options.

If you wish to choose a different option, you should complete, sign and return a new optional dividend mandate form to the Iberdrola Corporate Nominee Facility.

Please note that an election by UK shareholders in respect of the July 2021 optional dividend shall be applied in respect of future optional dividend schemes unless shareholders give a different instruction before a later dividend.

Iberdrola and the Provider of the Iberdrola Corporate Nominee Facility will not be liable as a result of the decisions made by UK shareholders (nor as a result of the failure to make an express and valid decision, in the absence of an express election by shareholders).

UK Shareholders wishing to make or change an election must send an election form, to be received by the Provider of the Iberdrola Corporate Nominee Facility during the election period, which is 8 to 14 July 2021. Any election form received by the Provider of the Iberdrola Corporate Nominee Facility after 5:00 p.m. (UK time) on 14 July 2021 will not be valid and will not be accepted by the Provider of the Iberdrola Corporate Nominee Facility. Iberdrola will not be liable as a result of non-compliance with this period.

In addition, please note that the implementation of the optional dividend system "*Iberdrola Retribución Flexible*" is conditional upon the approval of such system by the General Shareholders' Meeting, under items seventeen and eighteen of its agenda and under the Common Terms. In the event that the system "*Iberdrola Retribución Flexible*" is not approved, you would not be entitled to opt for any of the abovementioned options and this booklet and any communications and/notifications served in connection with this booklet or the system "*Iberdrola Retribución Flexible*" will be left without effect. Iberdrola and the Provider of the Iberdrola Corporate Nominee Facility will not be liable for the non-implementation of the optional dividend system "*Iberdrola Retribución Flexible*" as a result of the lack of approval of the system by the General Shareholders' Meeting. The approval of the optional dividend system "*Iberdrola Retribución Flexible*" by the General Shareholders' Meeting of the Company will be published by means of a notice of other significant information (*comunicación de otra información relevante*) to be filed by Iberdrola with the Spanish Securities and Exchange Commission (*Comisión Nacional del Mercado de Valores*) on or around 18 June 2021.

Where to find help

At the end of this booklet there are some questions and answers in respect of the optional dividend scheme.

If you have further questions, please contact the Provider of the Iberdrola Corporate Nominee Facility using the details below. Please quote your Shareholder Reference when contacting the helpline. This can be found on your nominee statement or dividend tax voucher.

Iberdrola Corporate Nominee Facility



ONLINE

If you have any queries please visit help.shareview.co.uk (from here you will be able to email your query securely)



HELPLINE

+44 (0) 371 384 2936 (Please use the country code when contacting us from outside the UK)
Lines open 8.30am to 5.30pm (UK time), Monday to Friday (excluding public holidays in England and Wales)



POST (Provider)

Equiniti Financial Services Limited,
Aspect House, Spencer Road,
Lancing, West Sussex, BN99 6DA
United Kingdom

Calls from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored for security and training purposes.

Please note that, for legal reasons, the Shareholder Helpline is only able to provide information contained in this document and information relating to the Company's share register and is unable to give advice on the merits of the optional dividend scheme or to provide legal, financial, tax or investment advice.

Option 1 - Receive shares

If you choose this option, your nominee will continue to hold your rights (along with those of the other participants who have chosen this option) throughout the trading period (except for those rights which represent a fractional entitlement).

At the end of the trading period your rights will automatically convert into a number of new shares that is calculated as follows:

Number of rights / Conversion Ratio

The Conversion Ratio will be calculated by reference to the number of Iberdrola shares in issue on 6 July 2021 divided by the maximum potential number of shares to be issued pursuant to the scheme.

If you hold a number of rights that would result in an entitlement to a fraction of a share, the rights representing that fractional entitlement will be aggregated with the fractions of other shareholders and sold on the Spanish Stock Exchanges. The amount you receive in respect of fractions will depend on the market prices on the Spanish Stock Exchanges and the currency exchange rate between Euro and Sterling. There is no guarantee of the price you will receive for such fractions. Any cash amounts in respect of fractions will be paid to you less brokerage fees in Sterling in accordance with your usual instructions which apply to the payment of your dividends.

Subject to necessary approvals, new shares are expected to be added to your holding by 5 August 2021.

Cash will be paid to the shareholder entitled to a fraction of a share (through a sale on the Spanish Stock Exchanges of the rights exercisable into fractional shares) and no Spanish withholding tax will apply to this sale of the rights for non-residents in Spain when they do not act through a permanent establishment in Spain, although the sale of the newly received shares may trigger a taxable capital gain in Spain for non-residents in Spain and, even if no Spanish taxation applies pursuant to your specific conditions, it could generate a potential Spanish tax reporting obligation for you. This taxation may be reduced or exempted pursuant to Spanish domestic legislation or under the income tax treaties ratified by Spain. For more information, please see the Taxation section of this information booklet.

You must complete, sign and return your optional dividend mandate form to the address shown on the form by 5.00 p.m. (U.K. time) on 14 July 2021.

Example – Option 1

✓ I hold 500 shares.

✓ I receive 500 rights.

✓ The Conversion Ratio for the purposes of this example only is 44.

✓ The number of new shares I will receive is 11 (being 500 / 44 rounded down to the nearest whole number).

✓ I receive 11 new Iberdrola shares which accounts for 484 of my rights (being 11 multiplied by the Conversion Ratio). My remaining 16 rights are sold on the Spanish Stock Exchanges for €0.253* gross each.

* This amount is for illustrative purposes only. The actual consideration for the rights sold will depend on the market price of the rights on the Spanish Stock Exchanges at the time of the sale. Furthermore, the amount you will receive will depend on the currency exchange rate between Euro and Sterling.

I now hold 511 shares and I receive the Sterling equivalent of €4.048 (16 rights x €0.253) in cash less brokerage fees of 0.3% (€0.0121) = €4.036. This is without prejudice to any applicable Spanish (and non-Spanish) taxation.

Option 2 - Sell the rights on market and receive cash

The rights will be admitted to trading on the Spanish Stock Exchanges on the next trading day after they are issued to you, which day is expected to be 8 July 2021.

If you choose this option, your rights (along with those of the other shareholders who have chosen this option) will be delivered to a broker in one aggregated amount and sold on the Spanish Stock Exchanges by 21 July 2021.

The amount you receive per right will depend on the market prices on the Spanish Stock Exchanges and the currency exchange rate between Euro and Sterling. There is no guarantee of the price you will receive for such rights. In addition, you will be charged with brokerage fees of 0.3%.

Following settlement of the on market sale of your rights, you will receive the equivalent in Sterling of the proceeds of the sale of your rights on the market less brokerage fees. This amount will be paid to you in Sterling in accordance with your usual instructions which apply to the payment of your dividends.

Spanish withholding tax does not apply to this option if the rights are sold by non-residents in Spain when they do not act through a permanent establishment in Spain, although this sale may trigger a taxable capital gain in Spain currently at a tax rate of 19% for non-residents in Spain which could generate a potential Spanish tax reporting obligation for you. This taxation may be reduced or exempted pursuant to Spanish domestic legislation or under the income tax treaties ratified by Spain. For more information, please see the Taxation section of this information booklet.

IMPORTANT

In order for rights to be sold on market (Option 2), Equiniti Financial Services Limited as Provider of the Iberdrola Corporate Nominee Facility must hold additional information about you (see Q13 in the Questions and Answers section of this information booklet).

If you have not previously elected for Option 2 and you wish that this option applies to your dividend, you must complete, sign and return the enclosed dividend mandate form providing the mandatory information as requested. Your completed form must be received by 5.00 p.m. (U.K. time) on 14 July 2021 in order to apply for your July 2021 dividend.

If you choose to do nothing, or your form is incomplete or unclear and has been rejected, option 3 will be automatically applied to you.

Example – Option 2

✓ I hold 500 shares.

✓ I receive 500 rights.

✓ These rights are sold on the Spanish Stock Exchanges at a price which will depend on the market price on the Spanish Stock Exchanges (for illustrative purposes only, we assume that such price is €0.253*). No Spanish withholding tax is deducted if the rights are sold by non-residents in Spain when they do not act through a permanent establishment in Spain. This without prejudice to any applicable Spanish (and non-Spanish) taxation.

I still hold 500 shares and I receive the Sterling equivalent of €126.500 (500 rights x €0.253) in cash less brokerage fees of 0.3% (€0.379) = €126.121.

Option 3 - Receive cash through the payment of the Supplementary Dividend

Shareholders can choose to receive their remuneration in cash through the payment of the Supplementary Dividend. Iberdrola expects that the payment of the Supplementary Dividend will be at least €0.252 gross per share. The final value of the gross Supplementary Dividend per share will be announced on 6 July 2021 and published at www.iberdrola.com. Please note that, when the final gross Supplementary Dividend per share is announced, there will be no direct communication with shareholders.

* This amount is for illustrative purposes only. The actual consideration will depend on the market price of the rights on the Spanish Stock Exchanges at the time of the sale. Furthermore, the amount you will receive will depend on the currency exchange rate between Euro and Sterling.

Spanish withholding tax applies in the same way as it does in relation to a normal cash dividend. For more information in relation to taxation of this option, please see the Taxation section of this information booklet.

This gross amount of the Supplementary Dividend per share less Spanish withholding tax will be paid to you in Sterling in accordance with your usual instructions which apply to the payment of your dividends.

Accordingly, the final amount you will receive will depend on the currency exchange rate between Euro and Sterling.

You must complete, sign and return your optional dividend mandate form to the address shown on the form by 5.00 p.m. (U.K. time) on 14 July 2021.

Example – option 3

√ I hold 500 shares.

√ I receive 500 rights*.

√ The gross Supplementary Dividend per share amounts up to €0.253**.

I still hold 500 shares and I receive the Sterling equivalent of €126.5 (500 rights x €0.253) in cash less Spanish withholding tax of €24.04 (19%* x €126.500) = €102.47.**

* These rights will be deemed to have been waived by shareholders choosing to receive their remuneration in cash through the payment of the Supplementary Dividend. Accordingly, once they have chosen to receive the Supplementary Dividend, these shareholders will not be able to choose to receive their remuneration in shares or to sell their rights in the market.

** This amount is for illustrative purposes only. The actual amount of the Supplementary Dividend will depend on the different variables used in the formulas submitted for approval by the 2021 General Shareholder's Meeting of Iberdrola that will be held on first call, on 17 June 2021 and, on second call, on 18 June 2021.

*** A reduced rate or exemption may apply in specific conditions.

Timetable for July 2021 optional dividend scheme

6 July 2021	Conversion Ratio and gross Supplementary Dividend per share announced (information published at www.iberdrola.com).
7 July 2021	Last trading date.
8 July 2021	Ex-date.
	Commencement of the Common Election Period and the trading period for rights.
9 July 2021	Record date for rights.
14 July 2021	Latest date to make or revoke your choice of option (5.00 p.m. UK time).
By 21 July 2021	On market sales completed.
21 July 2021	End of the Common Election Period and the trading period for rights.
By 5 August 2021	New shares added to existing shareholdings.
	Cash received by the UK corporate sponsored nominees for those rights sold on market and for the Supplementary Dividend.
	Despatch of sale advice and cheque to shareholders for rights sold on market.
	BACS payments made to shareholders for rights sold on market and for the Supplementary Dividend.
By 10 August 2021	Despatch of sale advice and cheque to shareholders for the Supplementary Dividend.
	Statements despatched for those choosing to hold shares including cheques in relation to fractional amounts.

Questions and answers

This section contains the answers to many of the questions that you may have. However, this section is not exhaustive. If once you've read through this section you have any further questions, please see the FAQs at www.iberdrola.com or contact the Shareholder Helpline using the details in this booklet.

1. What is the “Iberdrola Retribución Flexible” optional dividend system?

Through this system a shareholder is entitled to receive new shares free of charge issued by a company instead of a fixed cash amount. It is a Spanish process requirement that rights be issued before shares. Iberdrola has been offering the shareholders the option to choose to receive new shares or a cash amount since 2010.

2. I just want to continue to receive a fixed amount of cash – what do I do?

If you prefer to receive the payment of a fixed amount of cash that is considered as a dividend - option 3, you can make your choice by completing an optional dividend mandate form. Please note that any choice that you make must reach the Provider no later than 5.00 p.m. (U.K. time) on 14 July 2021 or in accordance with published dates for future dividend payments.

3. How do I change my choice?

You can change your choice by completing the dividend mandate form. Any new choice that you make must reach the Provider no later than 5.00 p.m. (U.K. time) on 14 July 2021.

4. How will the Conversion Ratio and the gross Supplementary Dividend per share be calculated?

The Conversion Ratio will be calculated by reference to the number of Iberdrola shares in issue on 6 July 2021 divided by the maximum potential number of shares to be issued pursuant to the scheme.

The Supplementary Dividend will be calculated applying the formulas submitted for approval to the shareholders of Iberdrola acting at the 2021 General Shareholders Meeting.

For further details on the calculation of the Conversion Ratio and the Supplementary Dividend, please refer to the report submitted by the Board of Directors of the Company on 11 May 2021 in respect of items 18 and 19 and under the Common Terms on the Agenda for the General Shareholders' Meeting of Iberdrola that will be held on 18 June 2021 available at www.iberdrola.com.

5. Can I change my mind once Iberdrola publishes the Conversion Ratio and the gross Supplementary Dividend per share?

Yes, you can change your mind by requesting and completing a new dividend mandate form which is available by calling the Shareholder Helpline. Any new choice you make must reach your nominee by no later than 5.00 p.m. (U.K. time) on 14 July 2021.

6. Do my new shares have the same rights as my existing shares?

Yes.

7. Are there any circumstances in which I won't be issued shares under the optional dividend scheme?

Yes, (i) if you do not return a valid form and choose to receive shares you will receive cash through option 3; (ii) if you return an optional dividend mandate form choosing to receive the Supplementary Dividend or that your rights are sold on the Spanish Stock Exchanges you will also receive cash; or (iii) if you have insufficient rights to receive a new share you will receive cash. For the avoidance of doubt, the choice of one of the three options excludes the right to choose any of the remaining options.

8. What are the benefits of this system?

The scheme offers flexibility and enables you to choose what to receive depending upon your personal circumstances.

A benefit for those shareholders who (i) are not resident in Spain and do not act through a permanent establishment in Spain, and (ii) who opt for receiving shares; will be that they will not be subject to Spanish withholding tax (currently at 19% tax rate) which applies to cash dividends. Shareholders subject to Spanish Non-Resident Income Tax (*Impuesto sobre la Renta de no Residentes*) (“**NRIT**”), with a permanent establishment in Spain, will be taxed in accordance with the accounting regulations (taking into consideration, when applicable, the *Resolution of 5 March 2019 of the Spanish Institute of Accounting and Account Audits* (ICAC) that develops the presentation criteria of financial instruments and other accounting aspects in relation to the corporate regulation of the corporate enterprises¹). All of this without prejudice to the rules for determining the taxable base that may be applicable.

Spanish withholding tax will be deducted from the cash payment of the Supplementary Dividend (currently at a 19% tax rate unless an exemption or reduced tax rate apply under Spanish domestic rules or under the UK-Spain double tax treaty, in the event that you are fully entitled to the benefits of this tax treaty) for shareholders who opt to receive cash by means of the payment of the Supplementary Dividend (although a refund may apply in specific circumstances).

You should read the Taxation section of this information booklet when considering the Spanish taxation and other tax reporting implications before deciding which option you wish to have applied.

9. I want to receive cash. Is it better for me to sell on market or to choose the Supplementary Dividend?

This is a decision you need to make for yourself. If you have any doubts as to what to do please seek independent financial advice from your stockbroker, bank manager, accountant or other appropriately authorised financial adviser.

However, as a general matter:

- **If you choose to receive the Supplementary Dividend**, you will receive a fixed amount which will be determined by reference to the gross Supplementary Dividend per share and the total number of shares you hold, subject to the Spanish withholding tax that applies to cash dividends.
- **If you sell on market**, there will be no Spanish withholding tax for non-residents in Spain when they do not act through a permanent establishment in Spain, but the amount received will depend on the market price for the rights on the Spanish Stock Exchanges and is not guaranteed by Iberdrola. Please keep in mind that the amount obtained by selling the rights will be treated for Spanish tax purposes as a capital gain. Brokerage fees will be deducted from the gross sale proceeds. In this case, you may receive a greater, lesser or equal cash amount to the amount you would receive if you choose to receive the Supplementary Dividend.

In both cases, the final amount you will receive will depend on the currency exchange rate between Euro and Sterling. Please also consider the Spanish tax and tax reporting implications applicable to the sale of rights on the Spanish Stock Exchanges when considering your choice.

10. Can I participate even if I am resident outside the UK?

You may treat this booklet as an invitation to receive new shares if such an invitation could lawfully be made to you in the jurisdiction in which you reside without compliance with any registration, tax or other legal requirements. If it could not, you should do nothing and continue to receive cash (less the relevant Spanish withholding tax) under the default option (Option 3).

11. Will I receive shares for every dividend if I choose to receive shares under the “Iberdrola Retribución Flexible” optional dividend system?

If you choose to receive shares in the July 2021 “Iberdrola Retribución Flexible” optional dividend system your choice shall be applied in respect of any future optional dividend schemes that are put in place by Iberdrola, unless you provide a different instruction before a later dividend.

¹ *Resolución de 5 de marzo de 2019, del Instituto de Contabilidad y Auditoría de Cuentas, por la que se desarrollan los criterios de presentación de los instrumentos financieros y otros aspectos contables relacionados con la regulación mercantil de las sociedades de capital.*

12. Will Iberdrola offer a “*Iberdrola Retribución Flexible*” optional dividend system alternative in the future?

Iberdrola will indicate when announcing future dividends whether the optional dividend alternative will be offered.

13. Why do I need to provide additional information if I wish to sell my rights on market (Option 2)?

MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE II (MiFID II)

MiFID II is a new financial regulation which came into force on 3 January 2018. It has been designed to protect investors, such as yourself, by introducing enhanced obligations for firms (such as Equiniti Financial Services Limited) who provide investment services. Its aim is to increase transparency and prevent market abuse. As a result, these firms have to provide additional information to regulatory bodies about your transactions, and in order to do this, Equiniti Financial Services Limited as Provider of the Iberdrola Corporate Nominee Facility must collect additional information about you in order for rights to be sold on market (Option 2).

14. What happens if the General Shareholders’ Meeting does not approve the “*Iberdrola Retribución Flexible*” system?

Your right to opt for any of the options described in this booklet as part of the optional dividend system “*Iberdrola Retribución Flexible*” of Iberdrola are contingent on the approval of such system by the General Shareholders’ Meeting.

In the event that the “*Iberdrola Retribución Flexible*” system is not implemented because the General Shareholder’s Meeting does not approve the items proposed under items seventeen and eighteen of the agenda and under the Common Terms, you would not be entitled to any of such options and this booklet, together with any communication and/or notification served in connection with this booklet or the system “*Iberdrola Retribución Flexible*” will be left without effect. The approval of the optional dividend system “*Iberdrola Retribución Flexible*” by the General Shareholders’ Meeting of the Company will be published by means of a notice of other significant information (*comunicación de otra información relevante*) to be filed by Iberdrola with the Spanish Securities and Exchange Commission (*Comisión Nacional del Mercado de Valores*) on or around 18 June 2021.

Taxation

The implementation of the optional dividend system will not alter the UK tax treatment of future cash dividends received by holders of Iberdrola shares.

This section of the booklet summarises certain UK and Spanish tax consequences of the optional dividend system for holders of Iberdrola shares. The summary of the Spanish general tax treatment provided in this section is based on Spanish legislation currently in force and on what is understood to be current HM Revenue & Customs and Spanish tax authorities' practice.

Please have in mind that the Spanish government could announce specific tax measures that may affect *inter alia* Spanish NRIT Law rules.

In particular, on 7 October 2020, the Law to implement a Spanish tax on financial transactions (*Ley del Impuesto sobre las Transacciones Financieras*) (the “**FTT Law**” and the “**Spanish FTT**”, respectively) was approved and, on 16 October 2020, the Law was published in the Spanish Official Gazette (*Boletín Oficial del Estado*). The Spanish FTT came into force on 16 January 2021 (three months after the publication of the FTT Law in the Spanish Official Gazette).

According to the FTT Law, the Spanish FTT charges at a fixed rate of 0.2% on the acquisition of listed shares issued by Spanish companies admitted to trading on a Spanish or other EU-regulated market, or on an equivalent market of a non-EU country, with a market capitalisation exceeding EUR 1,000 million on 1 December of the year prior to the acquisition, regardless of the jurisdiction of residence of the parties involved in the transaction. Additionally, the Spanish FTT also applies, *inter alia*, to the acquisition of shares represented by depositary receipts (such as CREST Depositary Interests - CDIs -).

The list of the Spanish companies with a market capitalization exceeding EUR 1,000 million on 1 December of each year will be published on the Spanish tax authorities' website before December 31 each year (this list is published only for illustrative purposes and it does not exempt the taxpayer/taxable person from its obligations if a Spanish company meets the FTT requirements in order for the onerous acquisitions of its shares to be subject to FTT). Given that the Company was included in the list published in 2020 (as it had a market capitalization exceeding EUR 1,000 million), in principle it falls within the scope of the Spanish FTT for transactions carried out and settled in 2021.

In any event, the shareholders and the holders of free allocation rights are advised to consult with their tax advisors in relation to the impact of these tax measures (in particular, the application of Spanish FTT) taking into consideration the particular circumstances of each shareholder or holder of free allocation rights.

Please note that this summary does not constitute legal advice and it is not a substitute thereof. It applies only to holders of Iberdrola shares who are resident (and, in the case of individuals, ordinarily resident and domiciled) for tax purposes in the UK, who hold their Iberdrola shares as an investment and not through a permanent establishment located in Spain, and who are the absolute beneficial owners of their Iberdrola shares. Special rules may apply to certain classes of shareholders, including insurance companies, collective investment schemes, individuals who are resident but not domiciled in the UK, partnerships and shareholders who have acquired (or are deemed for tax purposes to have acquired) their Iberdrola shares by reason of an office or employment.

Shareholders who are in any doubt as to their tax position or who are resident or domiciled in, or subject to tax in, a jurisdiction other than the UK should consult their own professional advisers immediately. Remember that your position depends on your own particular circumstances and may be subject to change in the future.

Option 1 – Receive new Iberdrola shares

For UK tax purposes, your receipt of additional Iberdrola shares should not give rise to taxable income or to a disposal for the purposes of taxation of capital gains. Spanish withholding tax will also not be deducted and no taxation liability will arise if you choose option 1, given that you are not resident in Spain and you do not act through a permanent establishment located in Spain. Your new shares should be treated as part of the same asset as your existing holding of Iberdrola shares for the purposes of taxation of chargeable gains, with any base cost in your corresponding existing Iberdrola shares being apportioned between your existing shares (from which they derive) and your new Iberdrola shares for Spanish tax purposes.

If you receive any cash in respect of the sale of an entitlement to a fraction of a share, this will be treated as a disposal by you of rights to subscribe for Iberdrola shares for Spanish tax purposes, with the implications described in the tax summary for option 2 below, which may give rise to the tax obligations discussed in that tax summary.

Option 2 – Sell the rights on market and receive cash

The cash payment you receive should be treated for UK tax purposes as a capital distribution rather than as dividend income. The amount of the capital distribution will be equal to the cash payment you receive.

Spanish tax law treats option 2 as a disposal by you of rights to subscribe Iberdrola shares and therefore Spanish withholding tax will not be deducted from your cash payment (provided that you are not an individual resident in Spain and you do not act through a permanent establishment located in Spain). However, the amount obtained by the shareholders selling the rights received under option 2 on the market will be treated for Spanish tax purposes as a capital gain. As a result, you are required to file a tax return with the Spanish tax authorities in order to (a) claim, if applicable, an exemption from Spanish NRIT on the capital gain derived from the disposal of your rights (either under the UK-Spain double tax treaty, if you are fully entitled to the benefits of this tax treaty, or under the Spanish NRIT Law, as the case may be, and in all cases subject to the satisfaction of the conditions specified thereunder, including providing evidence of your tax residence in the UK by means of a valid in-force certificate of tax residence duly issued by the UK tax authorities within the meaning of the UK-Spain double tax treaty, if applicable) or, otherwise, (b) pay the relevant Spanish NRIT (currently, generally at a 19% tax rate pursuant to Spanish NRIT Law). For further details as to the tax implications of this option, you should consult your tax advisors. Please note that, from a Spanish tax standpoint, tax residence certificates generally expire in one year as from their issuance and should refer to the tax year in which the capital gain was accrued.

Option 3 – Receive cash through the payment of the Interim Dividend

Spanish withholding tax will be deducted from the cash payment at the corresponding rate (currently at a 19% tax rate unless an exemption or reduced tax rate apply under Spanish domestic rules or under the UK-Spain double tax treaty, in the event that you are fully entitled to the benefits of this tax treaty and provide evidence of your tax residence in the UK by means of a valid in-force certificate of tax residence duly issued by the UK tax authorities within the meaning of the UK-Spain double tax treaty, if applicable) to dividend payments. Depending on your circumstances, you may be able to claim a full or partial refund of the Spanish withholding tax on account of Spanish NRIT from the Spanish tax authorities, either under the UK-Spain double tax treaty or under the Spanish NRIT Law. For further details as to this refund, you should consult your tax advisors.

Glossary of terms used in this booklet

Conversion Ratio means the calculation used to establish the number of rights needed to receive a new Iberdrola share on conversion of the rights which is calculated as described on page 7. The Conversion Ratio will be announced to shareholders on 6 July 2021 and published at www.iberdrola.com.

Iberdrola Corporate Nominee Facility means the nominee service provided by Equiniti Financial Services Limited part of the Equiniti Group. Their registered offices are Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom. Equiniti Financial Services Limited is authorised and regulated by the Financial Conduct Authority. Registered in England and Wales No. 6208699. FCA No. 468631.

Supplementary Dividend means the Supplementary dividend corresponding to the fiscal year 2020 that will be offered to the shareholders as an alternative under the optional dividend scheme. The gross Supplementary Dividend per share is expected to be at least €0.252. The final amount of the gross Supplementary Dividend per share will be announced to shareholders on 6 July 2021 and published at www.iberdrola.com.

Last trading date means the final date upon which the shares of Iberdrola are traded with the right to participate in the optional dividend scheme (being 7 July 2021).

Record date means the date upon which you have to be a holder of Iberdrola shares in order to be eligible to receive rights in connection with the optional dividend scheme (being 9 July 2021) provided that the Iberdrola shares have been acquired on or before the last trading date.

Rights means the rights issued to you in connection with the optional dividend scheme which will convert automatically into new Iberdrola shares unless they are sold on market before the end of the trading period on 21 July 2021. **Rights**, when used in this booklet, also include the rights issued to the shares underlying the CDIs which will convert automatically into new Iberdrola CDIs.

Optional dividend system means Iberdrola's optional dividend system submitted for approval at Iberdrola's General Shareholders' Meeting to be held on first call, on 17 June 2021 and, on second call, on 18 June 2021 under item numbers 17, 18 and 19 and under the Common Terms of its agenda.

Shares when used in this booklet means CREST Depository Interests ("**CDIs**") which represent an entitlement to Iberdrola shares held through a nominee service and corresponding references to "**shareholders**" means the holders of those CDIs through that service.