



## EDP RENOVÁVEIS, S.A.

**BOARD OF DIRECTORS' REPORT REGARDING A SHAREHOLDERS' REMUNERATION MECHANISM BY MEANS OF A SCRIP DIVIDEND TO BE EXECUTED AS A SHARE CAPITAL INCREASE CHARGED AGAINST RESERVES, IN A DETERMINABLE AMOUNT, THROUGH THE ISSUANCE OF NEW ORDINARY SHARES OF €5 OF NOMINAL VALUE, WITHOUT SHARE PREMIUM, OF THE SAME CLASS AND SERIES AS THE ONES CURRENTLY ISSUED, INCLUDING A PROVISION FOR THE INCOMPLETE TAKE-UP OF THE SHARES TO BE ISSUED IN THE SHARE CAPITAL INCREASE**

**ISSUED ON ITS MEETING HELD ON 27 FEBRUARY 2023**

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*English translation for information purposes only. In the event of discrepancies between the English and the Spanish version, the Spanish version shall prevail.*



## **1. PURPOSE OF THE REPORT**

This report is issued by the Board of Directors of EDP Renováveis, S.A. (hereinafter, the “**Company**” or “**EDPR**”, indistinctly) in order to justify the proposal to increase the share capital of the Company, in an amount to be determined, in the context of the shareholder remuneration program so called EDPR Scrip Dividend, which will be submitted for its approval under item 3 of the agenda at the 2023 Ordinary General Shareholders’ Meeting of the Company, which is foreseen to be held on 4 April 2023, at first call, or on 14 April, at second call.

This report is issued pursuant to Articles 286 and 296 of the Royal Law Decree 1/2010, of 2 July, for the approval of the Consolidated Text of the Spanish Companies Act (hereinafter, the “**Spanish Companies Act**”), to the extent that the approval of the relevant resolution as well as its implementation require an amendment of Article 5<sup>o</sup> of the Company’s Articles of Association regarding its share capital.

## **2. RATIONALE OF THE PROPOSAL**

### **2.1 Purpose**

The Company has traditionally remunerated its shareholders through ordinary dividends paid-out in cash. Notwithstanding the aforementioned, with the aim to improve its shareholders’ remuneration structure and pursuant to the trends followed in this area by other companies in Spain, the Company now intends to offer the shareholders a new remuneration mechanism in the form of a scrip dividend, replacing the ordinary dividend corresponding to fiscal year 2022, with the issuance of new paid-up shares. This shareholders’ remuneration mechanism allows the shareholders to receive paid-up shares from the Company, while maintaining their option to receive all or part of the compensation in cash, upon their wishes.

In this regard, the purpose of the proposed share capital increase is to offer all the shareholders the option, upon their choice, of receiving newly paid-up issued shares of the Company, while not undermining the Company’s traditional shareholders’ remuneration policy. Those shareholders willing to receive their compensation as an amount in cash shall receive it as the result of the sale of their incorporation rights over the newly issued shares of the Company, as explained herein below.

### **2.2 Structure of the share capital increase and options available to shareholders**

The proposal submitted to the General Shareholders’ Meeting for its approval under item 3 of the agenda, aims to approve the new shareholder remuneration mechanism, pursuant to which the shareholders will receive shares as a result of holding incorporation rights or, if they so choose, sell their incorporation rights either (i) to the Company, for a pre-determined cash consideration or (ii) in the Euronext Lisbon regulated market, at the price set by said market. This offer shall be structured as a share capital increase against reserves (hereinafter, the “**Share Capital Increase**”).



The Board of Directors might decide to carry out the Share Capital Increase, without prejudice to the fact that, in accordance with the delegation of powers proposed to the shareholders at the General Shareholders' Meeting, it may refrain from doing so if the Board of Directors deems it appropriate in view of the conditions affecting the market, the Company or those arising from any circumstance or event of social or financial significance to the Company. In the event that the Board of Directors decides to carry out the Share Capital Increase:

- (i) The Company's shareholders shall receive a number of incorporation rights equal to the number of shares they held when the Board of Directors resolves to carry out the Share Capital Increase. These incorporation rights shall be tradable on Euronext Lisbon under the same conditions as the shares they arise from, for a period of at least fourteen (14) calendar days. Once such period has expired, the incorporation rights shall automatically convert into newly-issued shares of the Company, which shall be vested to the holders of the incorporation rights. The specific number of shares to be issued and, therefore, the number of rights required for the attribution of one new share will depend on the trading price of the Company's share when the Board of Directors resolves to carry out the Share Capital Increase (hereinafter, the "**Share Price**"), calculated using the procedure provided herein.
- (ii) The Company shall irrevocably undertake to purchase the relevant incorporation rights at a fixed price from the holders of incorporation rights registered in the relevant accounts of financial intermediaries affiliated with *Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A.* ("**Interbolsa**") and the corresponding jumbo accounts opened by such financial intermediaries in the *Central de Valores Mobiliários*, managed by Interbolsa, on the relevant date pursuant to the applicable regulations regarding the registration, compensation and settlement of securities and who shall freely receive such issuance rights from the Company (hereinafter, the "**Purchase Commitment**"). Therefore, the Company shall only commit to purchase such incorporation rights held by those holders who have received them directly from the Company free of charge but shall not acquire such incorporation rights from holders who have purchased them on the market either by shareholders or by third-party acquirors. Consequently, the Purchase Commitment shall only apply for those incorporation rights initially received by each of the Company's shareholders, excluding those purchased or otherwise acquired on the market either by shareholders or by third-party acquirors. The fixed purchase price of the incorporation rights shall be calculated prior to the opening of their trading period, based on the Share Price (in such way that the price per incorporation right shall be calculated as the result of dividing the Share Price by the number of rights required to receive one new share, plus one). The Company thus guarantees that all shareholders shall be entitled to monetize their incorporation rights and therefore receive an amount in cash if they are not willing to receive new shares.



Therefore, if the Share Capital Increase is carried out, the Company's shareholders may freely choose between the following options:

- (a) Not to sell all or part their incorporation rights. In this case, at the end of the trading period the shareholders shall receive the relevant number of newly issued paid-up shares.
- (b) To sell all or part of their incorporation rights to the Company under the Purchase Commitment at a guaranteed fixed price. Thus, the shareholders who sell all of their incorporation rights to the Company would receive a remuneration in cash instead of newly issued shares.
- (c) To sell all or part of their incorporation rights on the Euronext Lisbon regulated market. Shareholders choosing this option would also monetize all or part of their incorporation rights, even though they would not receive a guaranteed fixed price, as in option (b) above, but instead they would receive a compensation in cash for the sale of the incorporation rights equivalent to their trading price. Therefore, in this case the Company would not make any payment.

The Company's shareholders may combine any or all of the alternatives previously mentioned in paragraphs (a) to ((c) above. In this regard, the alternatives receive different tax treatment (see section 3.6 below for a summary of the tax regime applicable to these transactions under Spanish regulation).

The gross amount received by those shareholders choosing options (a) and (b) shall be equivalent, as the Share Price shall be used to determine both the fixed price of the Purchase Commitment and the number of incorporation rights required to subscribe one new paid-up share. In this sense, the gross price received by a shareholder selling all his incorporation rights to the Company under the Purchase Commitment shall be, approximately, equal to the value of the newly issued paid-up shares it shall receive if it does not sell its incorporation rights, calculated at the Share Price. However, the tax treatment for options (a) and (b) would still be different. Additionally, it must be taken into account that the Share Price is subject to market fluctuations, in such way that the Share Price which shall serve as a reference to determine the aforementioned gross price may not be the same as the share price of the shares of the Company on the date on which the shareholder receives the new issued paid-up shares or the cash.

### **2.3 Coordination with the traditional dividends**

The Company plans to replace the traditional cash dividend policy of 2022 with a more flexible option consisting of the issuance of newly paid-up shares, although preserving its shareholders' right to receive a cash remuneration if they prefer.



## **2.4 Amount of the Shares Option and price of the Purchase Commitment**

The value of the offered new paid-up shares to be determined according to the Share Price (hereinafter, the “**Amount of the Shares Option**”) shall be the amount determined by the Board of Directors with the limit of 275,000,000 euros gross.

As aforementioned, since the purpose of the Purchase Commitment is to enable the shareholders to monetize the Amount of the Shares Option, and bearing in mind that each currently issued paid-up share grants its holder the right to receive one incorporation right, the gross price per right at which the Purchase Commitment shall be undertaken in the Share Capital Increase would be approximately equal, subject to the provisions set forth in sections 3.1 and 3.3 below, to the amount per share of the Amount of the Shares Option.

The Purchase Price shall be determined and announced pursuant to section 3.3.

## **3. MAIN TERMS AND CONDITIONS OF THE SHARE CAPITAL INCREASE**

### **3.1 Amount of the Share Capital Increase, number of shares to be issued and number of incorporation rights required for the attribution of one new paid-up share.**

The provisional number of new paid-up shares which could be issued by means of the Share Capital Increase shall be the result of dividing the Amount of the Shares Option by the value of the Company’s share at the moment on which the Board of Directors resolves to carry out the Share Capital Increase (i.e. the Share Price). The number of shares thus calculated shall be rounded off to obtain a round number and a rights-shares conversion rate also in a round number. In addition, and for the same purpose, the Company, or another entity within its group holding shares of the Company, shall waive incorporation rights corresponding to itself, for the sole purpose of ensuring that the number of new shares to be issued is a round number and not a fraction. The amount of the Share Capital Increase will be the result of multiplying said number of new shares by the face value of the shares of EDPR (5 euros per share). The Share Capital Increase will take place at par, with no share premium.

Exclusively the incorporation rights outstanding at the end of the trading period shall be considered to determine the number of new paid-up shares to be issued, excluding those that were sold to the Company under the Purchase Commitment at a guaranteed fixed price (alternative (b) of section 2.2).

Specifically, in the moment when the Board of Directors resolves to carry out the Share Capital Increase, such body shall determine the maximum number of shares to be issued and, therefore, its maximum amount and the number of incorporation rights required for the issuance of one new share by using the following formula (rounding the result down to the nearest whole number):



$$\text{MNNS} = \text{NIS} / \text{No. Rights per share}$$

where,

“**MNNS**” = Maximum number of new paid-up shares to be issued;

“**NIS**” = Number of issued shares of the Company at the date on which the Board of Directors resolves to carry out the Share Capital Increase; and

“**No. Rights per share**” = Number of incorporation rights required for the attribution of one new share in the Share Capital Increase, which will be the result of applying the following formula, rounded up to the nearest whole number:

$$\text{No. Rights per Share} = \text{NIS} / \text{Provisional no. shares}$$

where,

“**Provisional no. shares**” = Amount of the Shares Option / Share Price

For this purpose, “**Share Price**” shall be the arithmetic mean of the weighted average prices of the Company’s share on Euronext Lisbon over the five (5) trading sessions prior to the date of the resolution passed by the Board of Directors to carry out the Share Capital Increase (or the date on which the request for a vote is sent to the Directors in the event that the resolution is adopted in writing and without a meeting), rounded up or down to the nearest thousandth of a euro and, in the event of half a thousandth of a euro, rounded up to the nearest thousandth of a euro. Share Price may never be lower than the face value of the shares of EDPR. In the event that such calculation results in a lower figure, the Share Price will be equal to 5 euros.

The final number of shares to be issued shall be calculated as the result of dividing the number of outstanding rights at the end of the trading period by the number of incorporation rights per share, and if this figure is not a round number, the Company, or another entity within its group holding shares of the Company, shall waive the incorporation rights necessary to do so.

Once determined the final number of shares to be issued, the amount of the Share Capital Increase shall be the result of multiplying the number of new shares by the face value of the Company’s shares -5 euros-. The Share Capital Increase shall be executed at par, with no share premium.

*Example of calculation of the number of new shares to be issued, the amount of the Share Capital Increase and the number of incorporation rights required for the attribution of one new share:*

For the sole purpose of helping shareholders to understand its application, a sample calculation is set out below using the formulas contemplated in this section. The results of these calculations are not representative of the possible real results in the event of



carrying out the Share Capital Increase, which shall depend on the different variables used in the formula (essentially the Share Price of the Company's share at that time) and the rounding off to be made.

For the sole purpose of this example:

The Amount of the Shares Option of the Increase to be made is 275,000,000 euros.

A Share Price of 20.40 euros is assumed.

The NIS is 960,558,162 (number of shares of the Company issued at the date of this report).

Therefore:

Provisional no. shares = Amount of the Shares Option / Share Price =

$$275,000,000 / 20.40 = 13,480,392.16$$

Provisional no. shares rounded down = 13,480,392

No. Rights per share = NIS / Provisional no. shares =  $960,558,162 / 13,480,392 = 71.26$

No. Rights per share rounded up = 72

MNNS = NIS / No. Rights per share =  $960,558,162 / 72 = 13,341,085.58$

MNNS rounded down = 13,341,085

The incorporation rights to be sold to the Company under the Purchase Commitment at a guaranteed fixed price (alternative (b) of section 2.2) are excluded from the computation of shares to be issued ("**NNS**"). In the example, if 50% of the incorporation rights (480,279,081 rights) were sold to the Company, there would be 480,279,081 outstanding incorporation rights at the end of the trading period. The calculation of the final number of new shares to be issued (NNS) in that scenario would be:

NNS = Number of outstanding incorporation rights / No. Rights per share =

$$480,279,081 / 72 = 6,670,542.79$$

Consequently, pursuant to this example, (i) the final number of new paid-up shares to be issued would be 6,670,542; (ii) the amount of the Share Capital Increase would be 33,352,710 euros; (iii) 72 incorporation rights (or old shares) would be required for the attribution of one new share; and (iv) the Company would have to waive 42 incorporation rights to fit the attribution ratio.

### **3.2 Incorporation rights and incomplete take-up of Share Capital Increase**

Each issued share of the Company shall grant its owner one incorporation right.

The number of incorporation rights required to receive one new share shall be automatically determined according to the proportion existing between the number of newly issued shares and the number of issued shares at that time, calculated using the formula set out in section 3.1 above. Specifically, shareholders shall be entitled to receive one new share per a certain number of incorporation rights determined according to the provisions set forth in section 3.1 above.

If the number of incorporation rights required for the attribution of one new share (72 in the example set out above) multiplied by the maximum number of new shares to be issued (MNNS) (13,341,085 in the same example) were to result in a number below the number of issued shares of the Company (NIS) on the date on which the Board of Directors resolves to carry out the Share Capital Increase (960,558,162 in the same example), the Company, or another entity within its group holding shares of the Company, shall waive a number of incorporation rights equal to the difference between the two figures (i.e. 42 rights in said example) for the sole purpose of ensuring that the number of new shares is a whole number and not a fraction. In that case, there would be an incomplete take-up of the Share Capital Increase and the share capital would be increased only by the amount corresponding to the incorporation rights which have not been waived (for which the provisions of section 3.3 below must also be taken into consideration), pursuant to Article 311 of the Spanish Companies Act.

Incorporation rights will be allocated to those shareholders of the Company entitled to receive them, meaning those registered in the relevant accounts of financial intermediaries affiliated with Interbolsa and the corresponding jumbo accounts opened by such financial intermediaries in the *Central de Valores Mobiliários*, managed by Interbolsa, pursuant to the regulations in effect regarding the registration, compensation and settlement of securities.

On the other hand, incorporation rights may be transferrable on the same conditions as the shares they arise from and may be traded on the market for such time as may be set by the Board of Directors and, at least, fourteen (14) calendar days. During that period, sufficient incorporation rights may be acquired on the market in the necessary proportion to receive new shares. In the event that, any shareholder choosing to receive the new shares receives a number of incorporation rights which does not result in a round number of new shares pursuant to the aforementioned formulas, for the purpose of avoiding the loss of the exceeding amount of incorporation rights, he shall inform to his relevant financial entity in order to (i) sell said incorporation rights or (ii) to purchase an amount enough to take up an additional new share.

Once the incorporation rights trading period has expired, the new shares shall be vested to those shareholders or, if applicable, third-party acquirors, who hold the incorporation rights pursuant to the required amounts in the relevant accounts of





financial intermediaries affiliated with Interbolsa and the corresponding jumbo accounts opened by such financial intermediaries in the *Central de Valores Mobiliários*, managed by Interbolsa, pursuant to the applicable regulations regarding the registration, compensation and settlement of securities. Likewise, the Board of Directors shall declare the incorporation rights trading period over and apply the relevant reserves in the Company's accounts for the execution of the Share Capital Increase, which shall be therefore deemed paid-up.

Notwithstanding the aforementioned, once the incorporation rights trading period has ended, new shares that could not be allocated due to reasons not attributable to the Company shall be kept on deposit at the disposal of those holders who can prove their legitimate ownership over the relevant incorporation rights. Three (3) years after the expiry of the aforementioned incorporation rights trading period, the new shares still pending to be allocated may be sold in accordance with the provisions set forth in Article 117 of the Spanish Companies Act, on behalf of and at the expense of the interested parties. The net amount of the aforementioned sale shall be deposited with the Bank of Spain or with the *Caja General de Depósitos* at the disposal of the interested parties.

### **3.3 Purchase Commitment**

Pursuant to the aforementioned, the Company irrevocably undertakes to purchase the relevant incorporation rights, so those receiving the issuance rights at the start of the trading period of those rights will have guaranteed the possibility of selling their rights to the Company and receiving, at their choice, all or part of their remuneration in cash.

The Purchase Commitment shall only apply for those incorporation rights initially received by each of the Company's shareholders, excluding those purchased or otherwise acquired on the market either by shareholders or by third-party acquirors, and shall remain in force and may be accepted within the incorporation rights trading period, as may be determined by the Board of Directors. Therefore, the Company shall only commit to purchase such incorporation rights hold by those holders who have received them directly from the Company free of charge but shall not acquire such incorporation rights from holders who have purchased them on the market either by shareholders or by third-party acquirors. The purchase price under the Purchase Commitment shall be fixed and shall be calculated prior to the opening of the issuance rights trading period by using the following formula (applying the definitions set out in section 3.1 above), rounded up or down to the nearest thousandth of a euro and, in the event of half a thousandth of a euro, rounded up to the nearest thousandth of a euro (hereinafter, the "**Purchase Price**"):

Purchase Price = Share Price / (No. Rights per share +1).

In the example set out above, the Purchase Price shall be equal to 0.279452, this is 20.40 divided by 72 plus 1.



Purchase Price rounded = 0.279

The final Purchase Price thus calculated shall be determined and disclosed on the Share Capital Increase execution date.

The Company will foreseeably waive the new shares corresponding to the incorporation rights acquired under the Purchase Commitment. In that case there would be an incomplete allocation of the Share Capital Increase and the share capital would be increased only by the amount corresponding to the incorporation rights in respect of which no waiver has been made, pursuant to Article 311 of the Spanish Companies Act.

The acquisition by the Company of the incorporation rights under the Purchase Commitment may be made, in whole or in part, against the reserves as set forth in Article 303.1 of the Spanish Companies Act.

### **3.4 Representation of new shares and rights attached to them**

The newly issued shares shall be ordinary, with a face value of 5 euros each of them, of the same class and series as those currently issued and represented by book entries; the shares shall be registered in the relevant accounts of financial intermediaries affiliated with Interbolsa and the corresponding jumbo accounts opened by such financial intermediaries in the *Central de Valores Mobiliários*, managed by Interbolsa. The new shares shall grant their holders the same voting and economic rights as the Company's ordinary shares issued at the date on which the Share Capital Increase is declared subscribed, on the applicable amount, and paid-up.

The Share Capital Increase shall be executed free of charges and commissions for the attribution of newly issued shares. The Company shall bear the issuance, attribution, listing and any other applicable costs related with the Share Capital Increase.

Nevertheless, the Company's shareholders should bear in mind that the financial intermediaries affiliated with Interbolsa at which they have deposited their shares may apply administration charges and commissions as they may freely determine for the attribution of the new shares and the maintenance of the shares in the relevant book-entry accounting registers. Moreover, these members may, under Portuguese law and other applicable laws, establish such charges and commissions as they may freely determine for handling purchase and sale orders in respect of incorporation rights.

### **3.5 Balance sheet and reserve against which the Share Capital Increase is charged**

The balance sheet on which the Share Capital Increase is based is the balance sheet for the fiscal year closed on 31 December 2022, which will be audited by



Pricewaterhouse Coopers Auditores, S.L., and submitted to the Ordinary General Shareholders' Meeting for its approval under item one of the agenda.

The Share Capital Increase shall be entirely charged against the reserves provided for in Article 303.1 of the Spanish Companies Act. At the time for the execution of the Share Capital Increase, the Board of Directors (with express power of delegation or substitution) shall specify the reserve(s) to be applied for the undertaking of the Share Capital Increase and the amount of that reserve(s) according to the balance sheet to be used as basis for the Share Capital Increase.

### **3.6 Taxation**

#### *General comments*

The principal tax implications deriving from the Share Capital Increase are set out below on the basis of the tax laws in place in the common territory and the administrative doctrine laid down by the Spanish Directorate for General Taxation (*Dirección General de Tributos*) in its responses to several binding consultations.

Although the tax regime applicable to shareholders resident in the regional (*foral*) territories of the Basque Country and the Foral Community of Navarre is similar to that of the Spanish common territory, certain differences may exist.

Shareholders are recommended to seek tax advice regarding the Share Capital Increase. Specifically, non-resident shareholders are advised to consult their own tax advisors on the tax impacts deriving from the different options granted under the Share Capital Increase in the light of their personal circumstances, including reporting obligations and their possible entitlement to tax exemptions provided for by the Non-Resident Income Tax (*Impuesto sobre la Renta de no Residentes*) (hereinafter, the "IRNR") legislation and to the provisions of income tax conventions for the avoidance double taxation and the prevention of tax evasion entered into by Spain and their states of residence.

Furthermore, it should be noted that, on 16 January 2021, the Financial Transaction Tax Law (hereinafter, the "FTTL," and the tax, the "FTT") came into force. Pursuant to the provisions of the FTTL, the FTT is chargeable at a 0.2% fixed rate on acquisitions for consideration of shares in Spanish companies admitted to trading on a Spanish market, a regulated market in the European Union or a market deemed to be equivalent in a third country, provided that the capitalization value of the relevant company as of December 1 of the year preceding the acquisition exceeds €1,000 million.

Although EDPR's capitalization value as of 1 December 2022 exceeds €1,000 million, it should be indicated that Spanish Directorate for General Taxation has published a document on Frequently Asked Questions about the FTT (updated on 17 October 2022) clarifying that acquisitions of shares under shareholder compensation programs



known as “scrip dividend” (provided the delivered shares are new shares issued in a fully paid-up capital increase) are not subject to the FTT.

### *Specific comments*

- Receipt of paid-up shares

In the event shareholders elect to receive new fully paid-up shares, the applicable tax regime will be as follows:

- (a) Shareholders liable to Personal Income Tax (*Impuesto sobre la Renta de las Personas Físicas*) (hereinafter, the “**IRPF**”) and to IRNR without a permanent establishment in Spain.

The delivery of the new shares will be considered, for tax purposes, as the grant of fully paid-up shares and, therefore, will not be treated as income for IRPF or IRNR purposes. The delivery of new shares will not be subject to withholding tax either.

The acquisition cost, both of the new shares received in the Share Capital Increase and of the shares from which the latter originate, will be the result of dividing the total cost by the total number of shares, both old and new. The acquisition date of such paid-up shares will be that of the shares from which they arise. Consequently, in the event of a subsequent transfer of shares (old or new), capital gain or loss will be calculated by reference to this new acquisition cost.

- (b) Shareholders liable to Corporate Income Tax (*Impuesto sobre Sociedades*) (hereinafter, the “**IS**”) and to IRNR with a permanent establishment in Spain.

Shareholders liable to IS or to NRIT with a permanent establishment in Spain to which the shares in EDPR are allocated will determine their tax base in accordance with the applicable accounting rules (for which regard must be had, if applicable, to the ICAC Resolution of March 5, 2019<sup>1</sup> and, in particular to its Article 35.4, dealing with the treatment at the level of shareholders of shareholder compensation programs that grant the option to acquire new fully paid-up shares, dispose of the incorporation rights on the market or sell them to the issuing company) and with any specific tax rule that may be of application.

According to several binding resolutions issued by the Spanish Directorate for General Taxation<sup>2</sup>, there will be no obligation for the Company to withhold tax on

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<sup>1</sup> Resolution of 5 March 2019 by the Spanish Accounting and Audit Institute (Instituto de Contabilidad y Auditoría de Cuentas) implementing the presentation standards for financial instruments and other accounting matters related corporate law provisions on capital companies (hereinafter, the “**ICAC Resolution**”).

<sup>2</sup> Inter alia, binding resolutions V2468/2020 and V1357/2020.



the delivery of newly issued paid-up shares or incorporation rights to these shareholders in the context of the Share Capital Increase.

- Sale of incorporation rights on the market

If shareholders sell their incorporation rights on the market, the proceeds obtained thereof will be given the following tax treatment:

(a) Shareholders liable to IRPF.

The sale of incorporation rights will be subject to the same rules that apply to the transfer of pre-emptive subscription rights. Consequently, the amount obtained in the market as a consideration for the sale of their incorporation rights by these shareholders will be treated as a capital gain in the tax period in which such sale occurs and will be taxed accordingly. The capital gain so calculated will be subject to withholding tax at the applicable rate (currently 19%).

This withholding will be made by the corresponding depositary entity or, in the absence thereof, by the financial broker or notary public who participates in the transfer.

(b) Shareholders liable to IRNR without a permanent establishment in Spain.

For IRNR purposes, the sale of incorporation rights on the market will also be treated as the transfer of pre-emptive subscription rights. As a result, the amounts obtained by IRNR taxpayers without a permanent establishment in Spain as a consideration for the sale of their incorporation rights will be treated as a capital gain for NRIT purposes and will be taxed at a 19% rate.

No withholding tax will be levied in these cases; instead, the NRIT taxpayer will be obliged to submit a tax return, all of the above without prejudice to the possible application of an income tax convention for the avoidance of double taxation and the prevention of tax evasion entered into by Spain and the shareholder's state of residence, and to the exemptions provided for by the IRNR legislation.

(c) Shareholders liable to IS or to IRNR with a permanent establishment in Spain.

For IS taxpayers and IRNR taxpayers not operating through a permanent establishment in Spain, the tax treatment of the sale of the incorporation rights on the market will be in line with the applicable accounting rules (having regard, if applicable, to the ICAC Resolution and, in particular, the above-mentioned Article 35.4) and with any available special regimes for those taxes. All of the above without prejudice to the applicable rules, if any, on the determination of the tax base for these taxes.

There is no obligation to withhold tax in this case.



- **Sale of the incorporation rights to EDPR**

In the event that the Share Capital Increase is charged against a retained-earnings reserve, shareholders that elect to sell their incorporation rights to the Company will treat the Purchase Price received as a dividend distributed directly in cash which will be, accordingly, subject to withholding tax.

Shareholders who are IS taxpayers or IRNR taxpayers operating in Spain through a permanent establishment will have to take the applicable accounting rules into consideration (including the ICAC Resolution) and any available special regimes for those taxes. All of the above without prejudice to the applicable rules, if any, on determining the tax base for these taxes.

Shareholders who are IRNR taxpayers without a permanent establishment in Spain may benefit from the application of the provisions provided for under the income tax conventions for the avoidance double taxation and the prevention of tax evasion entered into by Spain and their states of residence.

Diversely, if the Share Capital Increase is charged against a share-premium reserve, an amount equal to the Purchase Price will reduce, for tax purposes, the acquisition cost of the shares in the Company and only the excess, if any, will be taxable in accordance with the rules applicable to each shareholder. In this case, there will be no obligation to withhold tax.

### **3.7 Delegation of authorities and authorization for the Share Capital Increase execution**

Pursuant to Article 297.1.a) of the Spanish Companies Act, it is proposed to authorize the Board of Directors, with express sub-delegation authorities, to establish the conditions of the Share Capital Increase in any features not provided by the General Shareholders' Meeting, within a period not exceeding one year as from the date on which the relevant resolution is passed by the General Shareholders' Meeting regarding the Share Capital Increase.

In this regard, and according to all the aforementioned, the authorities delegated to the Board of Directors include, amongst others, but not limited to, the following powers:

- (a) To set the date on which the Share Capital Increase shall be carried out and to determine the specific execution schedule.
- (b) To determine the reserves against which the Share Capital Increase shall be charged.
- (c) To determine the amount of the Share Capital Increase, the number of new shares to be issued and the number of incorporation rights required for the attribution of a new share.

- (d) To establish the duration of the incorporation rights trading period, as well as to determine such other date, term or period as may be required in order to execute the Share Capital Increase.
- (e) To set, within the period that is established for trading the incorporation rights, the term during which the Purchase Commitment shall be effective and may be exercised, on the aforementioned terms and conditions and setting out those not provided for by the General Shareholders' Meeting in its resolution. Likewise, to pay the relevant amounts to the holders of the incorporation rights who have accepted said undertaking.
- (f) To waive such amount of incorporation rights as may be necessary in order to adjust the proportion of attribution of new shares to the incorporation rights that are acquired pursuant to the Purchase Commitment, as well as any other incorporation rights which may be necessary or appropriate to waive.
- (g) To declare the Share Capital Increase executed and closed after the end of the incorporation rights trading period, determining incomplete take-up where applicable, and granting, signing, executing and certifying as many public and private documents as may be required or appropriate to execute, formalize and provide the Share Capital Increase with full effectiveness before any public or private entities or agencies, whether Spanish, Portuguese or foreign, including acts for purposes of representation or supplementation or to cure defects or omissions that might prevent or hinder the full effectiveness of the Share Capital Increase resolution.

In this regard the Board of Directors shall pass the relevant resolution in order to amend the text of Article 5º of the Company's by-laws (*Share capital*) to reflect the new amount of the share capital and apply for the listing of the new shares.

- (h) To draw up, execute and submit all necessary or appropriate documentation and to take all necessary or appropriate actions in order to ensure the new shares to be included in the relevant book-entry accounting registry and listed on Euronext Lisbon.
- (i) To carry out any action, take any step or make any declaration before the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*), to the relevant book-entry accounting registries and any other public or private body, entity or registry, whether Spanish, Portuguese or foreign, to ensure the authorization, verification and implementation of the issuance whenever necessary or appropriate, as well as the admission to trading of the new shares and the incorporation rights.
- (j) To carry out any action, take any step or make any declaration before Interbolsa to register the Incorporation rights and new paid-up shares to be issued by means of the Share Capital Increase in the *Central de Valores Mobiliários*.



- (k) To carry out any action, take any step or make any declaration before Euronext Lisbon *Sociedade Gestora de Mercados Regulamentados S.A.* to procure the admission to trading in the official quotations market of Euronext Lisbon of the incorporation rights and new paid-up shares to be issued.
- (l) To draw up and publish such notices and announcements as are necessary or appropriate for such purpose.
- (m) To carry out the necessary or appropriate actions and establish the necessary or appropriate mechanisms and processes for the due compliance with all tax obligations arising from the execution of the Share Capital Increase resolution, including any withholdings and/or payments on account (in cash or in kind) that are required by law at any time.

The Board of Directors is expressly authorized to in turn delegate to any director the powers herein referred, notwithstanding the powers that may be granted to any person for specific acts of execution.

Notwithstanding the above, if the Board of Directors, with express sub-delegation authorities, does not consider it convenient to execute the Share Capital Increase, it will not be obliged to formalize the Share Capital Increase. In particular, the Board of Directors will analyze and take account of the market conditions, circumstances of the Company and those deriving from a socially or economically important event or fact and, if in the opinion of the Board of Directors those or other considerations make it unadvisable to execute the Share Capital Increase, the Share Capital Increase will have no effect if the Board of Directors does not exercise the authorities delegated to it within the period of one year indicated by the General Shareholders' Meeting, in which case it will report on that at the first General Shareholders' Meeting held thereafter.

When the Board of Directors decides to execute the Share Capital Increase, defining the final terms thereof in any aspects not already specified by the General Shareholders' Meeting, the Company will publish those terms. In particular, prior to the commencement of the incorporation rights trading period, the Company will publish a document containing information on the number and nature of the shares and the reasons for and details of the Share Capital Increase, all the foregoing in accordance with article 1.5 (g) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 which is directly applicable in all the EU Member States from 21 July 2019.

After the end of the incorporation rights trading period:

- (a) The new shares will be allocated to those shareholders who hold the incorporation rights, registered in the relevant accounts of financial intermediaries affiliated with Interbolsa and the corresponding jumbo accounts





opened by such financial intermediaries in the *Central de Valores Mobiliários*, managed by Interbolsa.

- (b) The Board of Directors will declare the incorporation rights trading period over and will apply the reserves in the Company's accounts in the amount of Share Capital Increase, which will be deemed paid-up by that application.

Finally, the Board of Directors or, as the case may be, the member to whom the corresponding authorities have been delegated for these purposes, will amend the Company bylaws in order to reflect the new share capital figure resulting from the Share Capital Increase and will apply request for the listing of the new shares.

### **3.8 Listing of new shares**

The Company shall apply for the listing of the newly issued shares on Euronext Lisbon, by taking such steps and actions as may be necessary or appropriate and submitting the required documents to Euronext Lisbon in order for them to be admitted to trading.

Likewise, when applying for the listing of the newly issued shares, the Company shall expressly state for its record and for the applicable legal purposes that the Company submits to the applicable regulations from time to time governing the securities market, particularly regarding the listing, continued trading, minimum time frames and delisting of the securities.

\* \* \* \* \*

Madrid, 27 February 2023