



REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE ON THE INDEPENDENCE OF THE EXTERNAL AUDITOR.

1. INTRODUCTION AND RATIONALE

In line with the provisions of Article 529 quaterdecies.4.f) of the Spanish Limited Liability Companies Law¹, in relation to the functions of the Audit and Compliance Committee, and under Article 7 of the Regulations of the Audit and Compliance Committee of Enagas S.A. and Subsidiaries (hereinafter, "Enagás"), this Committee must maintain appropriate relations with the External Auditor to receive information on any issues that may pose a threat to its independence, as well as any possible safeguards to be adopted. Similarly, prior to the issuing of the external auditor's report, the Committee must issue annually a report expressing an opinion on the independence of the external auditors.

This report shall in all cases include an assessment of those services that may compromise the independence of the auditor, considered separately and in their totality, other than statutory audits and how they relate to the requirement of independence or to the audit regulations.

Accordingly, the Audit and Compliance Committee of Enagás prepares this report, which it will publish on the website of Enagás sufficiently in advance of the holding of its General Shareholders' Meeting.

2. ANALYSIS OF THE INDEPENDENCE OF AUDITORS

The General Shareholders' Meeting of the Company held on 27 March 2015 agreed, among other aspects, to re-appoint Deloitte S.L. as auditor of Enagás, S.A. and its consolidated Group for the period of one year.

In order to ensure the independence of the external auditor, throughout the whole of 2015 the Audit and Compliance Committee has supervised compliance both by Enagás and Deloitte, S.L. with the existing regulations on the provision of services other than those of accounts auditing, proceeding to **authorize services other than those prohibited** in accordance with the applicable legislation, under Article 7 of the Regulations of the Audit and Compliance Committee of Enagás and in line with Article 13 of the Audit Law in force.

Attached below is a breakdown of the services received for the year 2015:

Description of Services	Amount (in thousands of
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¹ Law 22/2015, on Auditing, dated 20 July 2015, introduces, inter alia, amendments to the Spanish Limited Liability Companies Law in this respect in Article 529 quaterdecies.4.f). This Law will come into force on 17 June 2016, with the wording of that article being as follows: "(...) Without prejudice to any other functions assigned to it in the bylaws, or pursuant thereto, in the Board Regulations, the audit committee shall have at least the following: (...) To issue annually, prior to the issue of the audit report, a report giving an opinion on whether the independence of the auditors or audit firms is compromised. This report shall in all cases include an assessment of the additional services provided, as referred to in the previous section, considered separately and in their totality, that consists of services other than statutory audits and how they relate to the requirement of independence or to the accounts auditing regulations.

	euros)
Audit	358
Other assurance services	919
Total audit and audit-related services	1,277
Other services ("non-audit fees")	59
Total	1,336

The item "Other assurance services" mainly includes the fees for the quarterly and semi-annual reviews of the interim consolidated financial statements for the year 2015, those relating to the assurance of reliability of the information required by the RCI System (Regulatory Costs Information), audits of investments needed to apply for the recognition of installations during the year 2015, and the assessment of the effectiveness of the internal control over financial reporting ("ICFR") system. The Audit and Compliance Committee states that the services provided by Deloitte do not fall under the services prohibited by the terms of the Audit Law in force, and that the firm was selected for the execution of these works as a result of the knowledge that it has both regarding the sector and the business, as well as the operations of the Company, thereby resulting in greater efficiency in the execution of its work and representing a lower cost, in economic terms and in terms of turnaround times, for Enagás.

In addition, the Audit and Compliance Committee has respected the **limits on the concentration of the auditor's business** established by that article². In this sense, for auditing and related services during 2015, Deloitte, S.L. has billed Enagás an amount of EUR 1,278 thousand, which added to the EUR 59 thousand billed for services other than auditing, gives a total of EUR 1,336 thousand. This amount does not represent a significant percentage of the total annual income of the said auditor³. Similarly, with regard to the **fees** for audit services, the Audit and Compliance Committee believes that they have not been influenced or determined by the provision of additional services to the Enagás Group, nor have they been based on any form of contingency or condition other than changes in the circumstances that were the basis for setting fees.

As for the **conditions of procurement** under Article 19 of the Audit Law in force, given that the net amount of Enagás's turnover exceeds EUR 50 million, the Audit and Compliance Committee has verified that the company has complied with the obligation to rotate the **audit partner signing** the accounts after seven years have elapsed from the signing of the initial contract. Specifically, in 2012 it rotated the partner signing the audit. The current partner signing the audit for the year 2015 is Mr. Álvarez Olivero, who is doing so for his fourth consecutive year.

Finally, it is necessary to mention that the Audit and Compliance Committee of Enagás has received from the auditors **written confirmation of their independence** from the Company

² The new Audit Law 22/2015, which entered into force on 17 June 2016, includes a chapter exclusively devoted to public interest entities. Specifically, Article 41 sets at 15% the maximum percentage that the auditor's fees can represent of its total annual income: "when the fees accrued on the provision of audit and non-audit services to the audited entity by the auditor or audit firm represent, in each of the last three consecutive years, more than 15 percent of the total annual income of the auditor or audit firm, the said auditor or audit firm shall refrain from conducting the audit in the following year."

³ Based on information published by the major accounting firms, the following analysis has been made, which shows that the fees billed by Deloitte to Enagás are not significant with respect to its total annual income:

	€ Mn		
	2012	2013	2014
Total billing Signature	501	525	551
Total billing Signature for audit services	233	141	235
Billing Signature for Enagás (2015)	1.336		
Percentage total billing Signature corresponding to Enagás	0.27%	0.25%	0.24%
Percentage audit billing Signature corresponding to Enagás	0.57%	0.95%	0.57%

and the Group companies, as well as information on additional services provided by the auditors or by persons or entities related thereto. This written confirmation, which is included as a Declaration of Independence in **Annex 1**, has been signed by the audit partner of Enagás, Mr. Oliverio Álvarez, and has been issued in accordance with the provisions of the Audit Law. By means of the said declaration of independence it is also stated that the auditor has not been found to be subject to any of the **incompatibilities** contained in the Law during the year 2015.

3. CONCLUSION

In view of the information that has been provided, the Audit and Compliance Committee of Enagás has not identified any issues that call into question compliance with the regulations in force in Spain for the audit activity as regards auditor independence and, in particular, the Committee confirms that it has not identified any matters of this nature relating to the provision of additional services to those of the audit, taken individually and as a whole, of any kind.

And for all appropriate legal reasons, it is hereby stated that the Audit and Compliance Committee approved this report at its meeting held on 15 February 2016.

Secretary to the Board of Directors
Rafael Piqueras Bautista
Enagás, S.A.

4. APPENDIX 1: DECLARATION OF INDEPENDENCE ISSUED BY THE AUDITORS

15 February 2016

To the Audit and Compliance Committee of Enagás, S.A.
Pº de los Olmos, 19
28005 Madrid

Dear Sirs,

With regard to the audit of the consolidated financial statements of Enagás, S.A. and subsidiaries ("the Enagás Group") for the year ended 31 December 2015, we hereby state that to the best of our knowledge and belief:

- The team in charge of the audit engagement and Deloitte, S.L., with the extensions applicable to them, have complied with the independence requirements applicable under the Consolidated Spanish Audit Law approved by Legislative Royal Decree 1/2011, of 1 July, and the related implementing legislation.
- The detail of the fees charged to Enagás, S.A. and subsidiaries for audit and non-audit services in the year ended 31 December 2015 by Deloitte and its network, in order to facilitate your assessment thereof within the framework of our independence, is as follows:

	Fees in Thousands of Euros
Audit services (1)	358
Other attest services (2)	919
Total audit and related services	1,277
Tax counselling services	-
Other services	59
Total professional services	59

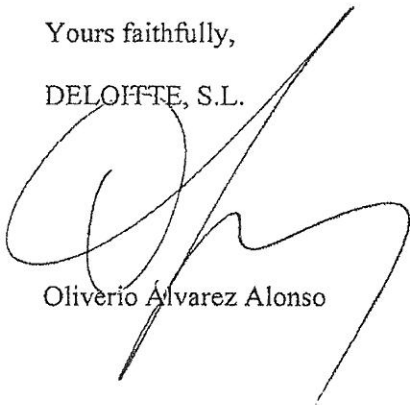
- (1) **Audit services:** Including services provided for the performance of the statutory audits of the financial statements of the Group and its subsidiaries amounting to 270 thousand euros and limited review work performed on the interim and quarterly consolidated financial statements.
- (2) **Other audit-related attest services:** Substantially all of this amount relates to the work necessary for the review of the effectiveness of the internal control systems, other review work performed in relation to information to be submitted to the regulatory bodies, mainly the Spanish National Securities Market Commission and the Spanish National Markets and Competition Commission, and the review work relating to corporate transactions undertaken in 2015 by the Enagás Group.

- We have designed and implemented internal procedures aimed at identifying and assessing such threats as might arise from circumstances relating to audited entities, including those which may give rise to situations of incompatibility and, where applicable, to the application of the necessary safeguards, which can be consulted in Deloitte's Transparency Report available at www.deloitte.es, and, in connection with the aforementioned audit and for the reporting period covered by the financial statements and up to the date of issue of this letter, no circumstances have been identified that, either individually or as a whole, might pose a material threat to our independence or that, therefore, might require the application of safeguards or might indicate the existence of situations of incompatibility.

This letter is for the exclusive information of and use by the Audit and Compliance Committee of Enagás, S.A. for the aforementioned purpose and, therefore, it may not be used by third parties or for any purposes other than that mentioned above. As always, please do not hesitate to contact us should you wish to discuss any aspect relating to the contents of this letter.

Yours faithfully,

DELOITTE, S.L.

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Oliverio Alvarez Alonso