



**Report on the independence of
the accounts auditor of Enagas,
S.A. and subsidiaries
2021**

Audit and Compliance Committee
February 14, 2022

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1. INTRODUCTION AND BACKGROUND

The Audit and Compliance Committee of Enagas, S.A. and subsidiaries, pursuant to the provisions of article 529 quaterdecies.4.f) of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of July 2, must issue an annual report, prior to the issuing of the accounts auditor's report, expressing an opinion on the independence of the external auditors.

This competence is also detailed in Regulations of the Audit and Compliance Committee.

Enagas publishes this report on Auditor Independence on its website sufficiently in advance of the Ordinary General Shareholders' Meeting, in accordance with recommendation 6.a) of the Good Governance Code of Listed Companies.

Accordingly, the Committee issues this report which contains a reasoned assessment of the provision of each and every one of the services rendered by the auditor of Enagas S.A. and its consolidated group during 2021, ensuring that they do not compromise the independence of the auditor, both individually and overall, in accordance with the provisions of the regulations governing the auditing of accounts.

2. ANALYSIS OF THE INDEPENDENCE OF AUDITORS

The General Shareholders' Meeting of the Company held on March 29, 2019 agreed, among other matters, to re-elect Ernst and Young S.L. (hereinafter, EY) as accounts auditor of Enagas, S.A. and its Consolidated Group for 2019, 2020 and 2021.

As provided for under Article 529 quaterdecies in section 4.e) of the Corporate Enterprises Act, Enagas shall receive an annual statement from the accounts auditor on their independence with respect to the entity or entities directly or indirectly related to it. Additionally, EY shall provide detailed and individual information on additional services of any kind rendered to the Enagas Group, detailing fees received (both by EY itself and by persons related to them), in conformity with the audit regulations.

Therefore, and in compliance with the above, the accounts auditor of Enagas and its Subsidiaries, sent **written confirmation of their independence**, signed by the audit partner of Enagas and its Consolidated Group, José Agustin Rico Horcajo, dated February 14, 2022. This written confirmation states:

"The audit engagement team, the statutory auditor or audit firm and, where appropriate, other persons within the audit firm and, where applicable, other firms in the network, with any applicable extensions, have complied with the applicable independence requirements in accordance with the provisions of

Law 22/2015 of July 20, on the Audit of Accounts and Regulation (EU) No. 537/2014 of April 16”.

They conclude by stating “...No circumstances have been identified that, either individually or as a whole, could prove a significant threat to our independence and would require the application of safeguards or could prove to be causes of incompatibility.”

Safeguards that allow the detection of threats

In order to ensure the independence of the external auditor, in accordance with the contracting and relations with external auditor procedure, throughout the whole of 2021 the Audit and Compliance Committee has supervised compliance both by Enagas and EY with the existing regulations on the rendering of services other than those of accounts auditing, proceeding to **authorise services other than those prohibited** in accordance with the applicable legislation (Article 8 of the Regulations of the Audit and Compliance Committee of Enagas and Article 15 of the Accounts Auditing Law in force).

In addition, the auditor EY includes the following in its written confirmation of independence:

“We have internal policies and procedures in place that are designed to provide you with reasonable assurance that the audit firm and its staff, and where appropriate, other persons subject to independence requirements (including staff of network firms) maintain independence where required by applicable regulations. These procedures include those aimed at identifying and assessing threats that may arise from circumstances related to audited entities, including those that may represent causes of incompatibility and/or those that may require the application of the necessary safeguards to reduce the threats to an acceptably low level”.

Attached below are the details of the services received from EY for the 2021 financial year both for Enagas and its consolidated group, as well as for those subsidiaries over which Enagas exercises significant influence, in accordance with the provisions of the corresponding regulations:

| Description of services | Amount (in thousands of euros) | | | |
|---|--------------------------------|----------------------|---------------------------------------|-------------------------|
| | Enagas, S.A. | Controlled companies | Total Enagas and controlled companies | Other related companies |
| Audit services | 751 | 280 | 1,031 | 277 |
| Other assurance services | 144 | 201 | 345 | 19 |
| Total audit and related services | 895 | 481 | 1,376 | 296 |
| Tax services | - | - | - | 3 |
| Other services | - | - | - | 125 |
| Total other services | - | - | - | 128 |
| Total | 895 | 481 | 1,376 | 424 |

Audit services Enagas and controlled companies

The fees for "audit services" totalled 1,031 thousands of euros, which covered the financial audits of Enagas S.A. and its Subsidiaries, other limited reviews of the group's interim financial statements and Certification of the Internal Control over Financial Reporting System.

Audit services to other related companies

Fees for "audit services" amounted to 277 thousands of euros, corresponding to financial audits of subsidiaries over which Enagas has significant influence.

Other assurance services Enagas and controlled companies

The fees for "Other assurance services" amounted to 345 thousands of euros, which covered the task of issuing a Comfort Letter for the updating of the EMTN programme, for an amount of 45 thousands of euros, the Annual Corporate Governance Report for an amount of 71 thousands of euros, the assurance report to ensure the regulatory accounting information delivered on June 30, 2021 for an amount of 132 thousands of euros, the SSAE 18 assurance report on the security of supply of the gas system for an amount of 25 thousands of euros and the review of the Non-Financial Information Statement included in the Management Report, as well as its Internal Control System of Non-Financial Information for an amount of 72 thousands of euros.

Other assurance services to other related companies

Fees for "Other assurance services" amounted to 19 thousands of euros, which correspond to the assurance report on regulatory accounting information delivered on June 30, 2021 for an amount of 15 thousands of euros and a verification of compliance with ratios for an amount of 4 thousands of euros in a related company with significant influence.

Other services to related companies

Other services to related companies amounted to 125 thousands of euros, which mainly correspond to a risk management consultancy service amounting to 68 thousands of euros, a consultancy service for a potential investment amounting to 31 thousands of euros, a data protection diagnostic engagement amounting to 18 thousands of euros, and the remaining amount corresponds to various works for very minor amounts in various related companies with significant influence.

The Audit and Compliance Committee states, as the body charged with their approval, that the services provided by EY do not fall under the services prohibited by the terms of the Accounts Auditing Law in force and the EU Regulation No. 537/2014, and that the firm was selected to provide these services in order to take advantage of the synergies resulting from its status as the accounts auditor,

thereby resulting in greater efficiency in the execution of its work and representing a lower cost in economic terms for Enagas.

In this regard, the Audit Committee confirms that it is **informed**, on a quarterly basis, of the percentage of non-audit fees corresponding to EY services rendered over the fees for the audit of the Annual Accounts of Enagas, S.A. and Subsidiaries in order to comply with the ratio established in Article 4.2 of Regulation (EU) no. 537/2014, to which Article 41 of the Accounts Auditing Law 22/2015 refers, which states textually that:

“Where the statutory auditor or the audit firm provides non-audit services other than those referred to in Article 5.1 of this Regulation to the audited entity, to its parent company or to the companies it controls for a period of three or more consecutive financial years, the total fees charged for these services shall not exceed 70% of the average fees paid in the last three consecutive financial years for the statutory audit(s) of the audited entity and, where applicable, of its parent company or of the companies it controls, and of the consolidated financial statements of that group of companies”.

On December 31, 2021, **the percentage of services other than audit services over the total fees for audit services was 33%.**

In addition, the Audit and Compliance Committee has respected the **limits on the concentration of the auditor’s business** established by said Article 41¹. Accordingly, EY billed Enagas 1,376 thousands of euros for audit and related services in 2021. This amount does not represent a significant percentage of the total annual income of said auditor.

With regard to **the fees** for audit services, and in accordance with Article 24.1 of the Accounts Auditing Law in force and the Regulations of the Audit and Compliance Committee of December 20, 2021, the Audit and Compliance Committee believes that they have not been influenced or determined by the provision of additional services to the Enagas 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.

With regard to **the contractual terms** provided in Article 40 of the Accounts Auditing Law in force, the Audit and Compliance Committee found that the requirement to **rotate the signing audit partner** five years after initial appointment is satisfied. From 2016 to 2020, the signing audit partner was David Ruiz-Roso Moyano.

¹ The current Accounts Auditing Law 22/2015 in force since June 17, 2016 contains a chapter devoted exclusively 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% 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.”

He has been replaced by José Agustín Rico Horcajo as signing partner for the audit of the accounts corresponding to the 2021 financial year.

Relations with accounts auditors

Moreover, as indicated in Article 529 quaterdecies, section 4.e) of the Corporate Enterprises Act, Enagas' Audit Committee has established appropriate relations with the accounts auditor, in order to receive all the information necessary to evaluate their independence and to assess the process of preparation of the audit of accounts.

Finally, note that in accordance with good governance practice, the accounts auditor appeared before the Board of Directors on the occasion of the approval of the six-monthly interim financial statements and of the preparation of the annual accounts.

During 2021, EY reported to the Audit and Compliance Committee on 3 occasions on the independence matters summarised below:

- At the meeting of the Audit and Compliance Committee on February 22, 2021, EY presented its conclusions on the audit of the consolidated annual accounts of Enagas, S.A. and subsidiaries at December 31, 2020, and submitted the Letter of Independence to the Audit and Compliance Committee.
- At the meeting of the Audit and Compliance Committee on April 15, 2021, EY presented the Auditor's Independence Report in relation to the separate annual accounts of Enagas Financiaciones, S.A.U. for the year ended December 31, 2020, given its status as a Public Interest Entity and in accordance with applicable auditing standards.
- At the quarterly and preparatory meetings held during 2021 the auditor of accounts informed the Audit and Compliance Committee on compliance with ethical and independence regulations, in accordance with the regulations applicable to the audit of annual accounts in Spain, and with procedures implemented by the audit firm EY, aimed at identifying and assessing any threats that may arise from circumstances related to audited companies, including incompatibility issues and, where appropriate, applying necessary safeguards.
- Lastly, EY states that no facts or circumstances that might give rise to incompatibility have come to light in relation to the annual accounts of Enagas, S.A. and its consolidated group.

3. CONCLUSION

Given the above, the Audit Committee declares that during 2021 the accounts auditor carried out its work fully independently of Enagas, S.A. and its Subsidiaries.

For the due legal purposes, it is stated that this report was approved by the Audit and Compliance Committee at its meeting on February 14, 2022, before the accounts audit report was issued, as established in the Corporate Enterprises Act and the Good Governance Code of Listed Companies.

The secretary to the Board of Directors
Rafael Piqueras Bautista
Enagas, S.A.