



Report on the Independence of the Accounts Auditor of Enagás, S.A. and Subsidiaries 2019

Audit and Compliance Committee
February 17, 2020

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1. INTRODUCTION AND BACKGROUND

The Audit and Compliance Committee of Enagás, 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.

Enagás publishes this Report on the independence of the Auditor on its website well 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 the current report expressing an opinion on the independence of the external auditor of the Annual Accounts of Enagás S.A. and subsidiaries in 2019.

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 Enagás, 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, Enagás shall receive an annual statement from the Accounts Auditor on their independence with respect to entities related to the Company. Additionally, EY shall provide detailed and individual information on additional services of any kind rendered to the Enagás 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 for Enagás and its Subsidiaries, sent **written confirmation of their independence**, signed by the audit partner of Enagás, David Ruiz-Roso Moyano, dated February 17, 2020. This written confirmation states:

"The team in charge of the audit and the Auditing Company, with the extensions that apply to them, have complied with the independence requirements applicable under audit regulations in force in Spain."

They conclude by stating that *"...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 Auditors Procedure, throughout the whole of 2019 the Audit and Compliance Committee has supervised compliance both by Enagás and EY 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 (Article 7 of the Regulations of the Audit and Compliance Committee of Enagás and Article 13 of the Accounts Auditing Law in force).

The following lists the services provided by EY for 2019:

Description of the services	Amount (thousands of euros)
Audit services	1,051
Other assurance services	353
Total audit and audit related services	1,404
Tax services	-
Other services	-
Total other services	-
Total	1,404

Audit services

The fees for "audit services" totalled 1,051 thousands of euros, which covered the financial audits of Enagás 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.

Other assurance services

The fees for "Other assurance services" amounted to 353 thousands of euros, which covered the task of issuing a Comfort Letter for a total amount of 45 thousands of euros, the Annual Corporate Governance Report for a total amount of 71 thousands of euros, the assurance report to ensure the regulatory accounting information delivered on June 30, 2019 for 140 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 in the Annual Report and its Internal Control System for an amount of 73 thousands of euros.

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 and in terms of turnaround times for Enagás.

Accordingly, the Audit Committee confirms that it is **notified**, on a quarterly basis, of the percentage of any service other than that of the actual audit conducted by EY, relative to the fees for the Audit of the Annual Accounts of Enagás SA and Subsidiaries, in order to comply with the Accounts Auditing Law 22/2015, which states that "non-audit services, for three consecutive years, must be less than 70% of the average of the fees paid for audit services." On December 31, 2019, **the percentage that services other than audit services over the total fees for audit services was 34%.**

In addition, the Audit and Compliance Committee has respected **the limits on the concentration of the auditor's business** established by that article.¹ Accordingly, EY billed Enagás 1,404 thousands of euros for audit and related services in 2019. This amount does not represent a significant percentage of the total annual income of said auditor.

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.

With regard to the contractual terms provided in article 19 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 2019 the signing audit partner was David Ruiz-Roso Moyano.

Relations with Accounts Auditors

Additionally, and as indicated in section 4.e) of the Corporate Enterprises Act, Enagás' Audit Committee has established appropriate relations with the Accounts Auditor, in order to receive all the information necessary to evaluate their independence and to evaluate 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.

3. CONCLUSION

Given the above, the Audit Committee declares that during 2019 the Accounts Auditor carried out its work fully independently of Enagás 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 17, 2020, before the Accounts Audit

¹ The current Accounts Auditing Law 22/2015 of 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 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."

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
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Enagás, S.A.