



**Report on the independence of the
Accounts Auditor of Enagás, S.A. and
subsidiaries
2018**

Audit and Compliance Committee
22 February 2019

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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 external 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 2018.

2. ANALYSIS OF THE INDEPENDENCE OF AUDITORS

The General Shareholders' Meeting of the company held on 18 March 2016 agreed, among other matters, to appoint Ernst and Young S.L. (hereinafter, EY) as auditor of Enagás, S.A. and its consolidated Group for 2016, 2017 and 2018.

Written statement by the Accounts Auditor confirming their independence

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 22 February 2019. 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 *"...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 2018 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 Audit Act in force).

The following lists the services provided by EY for 2018:

Description of the services	Amount (thousands of euros)
Audit services	1,012
Other assurance services	347
Total Audit and audit related services	1,359
Tax services	20
Other services	-
Total other services	-
Total	1,379

Audit services

The fees for "audit services" totalled 1,012 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. In addition, given the overall consolidation of the assets and liabilities of the affiliate GNL Quintero, S.A., the fees corresponding to said affiliate – relating to accounts auditing, the limited reviews of the interim financial statements and certification of the financial information internal control – are included at a total sum of 110 thousands of euros.

Other assurance services

The fees for "Other assurance services" amounted to 347 thousands of euros, which covered the task of issuing a Comfort Letter for a total amount of 44 thousands of euros, the Annual Corporate Governance Report for a total amount of 70 thousands of euros, the assurance report to ensure the regulatory accounting information delivered on 30 June 2018 for 151 thousands of euros, the SSAE 18 assurance report on the security of supply of the gas system for an amount of 37 thousands of euros and the review of the non-financial information in the Annual Report for an amount of 45 thousands of euros.

Tax services

The tax services chapter includes fees for an amount of 20 thousands of euros relating to advice on the preparation of certain tax files, services permitted under Law 22/2015 on auditing accounts and EU Regulation 537/2014.

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 Audit Act 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 Law 22/2015, the Audit Act, 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 31 December 2018, **the percentage that services other than audit services over the total fees for audit services was 36%**.

In addition, the Audit and Compliance Committee has respected **the limits on the concentration of the auditor's business** established by that article¹. Accordingly, EY billed Enagás 1,379 thousands of euros for audit and related services in 2018. 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 Audit Act 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 2018 the signing audit partner was David Ruiz-Roso Moyano.

Relations with Accounts Auditors

Moreover, 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.

¹ The current Act 22/2015 of 17 June 2016 on Accounts Auditing contains a chapter devoted exclusively to public-interest entities. In particular, article 41 sets the maximum percentage that the auditor fees shall represent over total annual revenues as 15%: "when the fees incurred from the provision of audit services and other services for the audited entity, by the auditor or auditing company, in each of the last three consecutive fiscal years, represent more than 15% of the total annual income of the auditor or auditing company, said auditor or auditing company shall abstain from carrying out the accounts auditing of the next fiscal year."

3. CONCLUSION

Given the above, the Audit Committee declares that during 2018 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 22 February 2019, 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
Enagás, S.A.