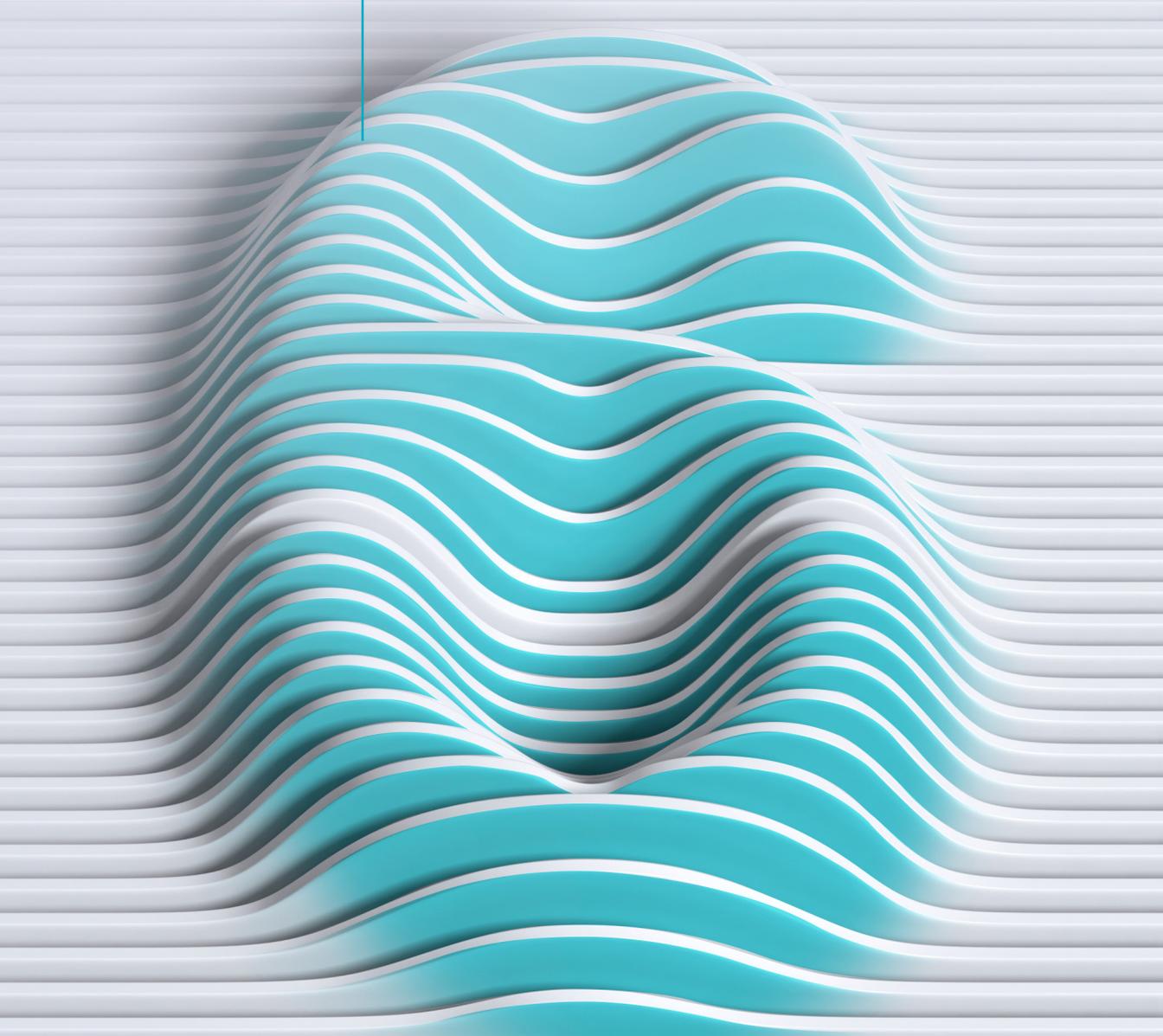
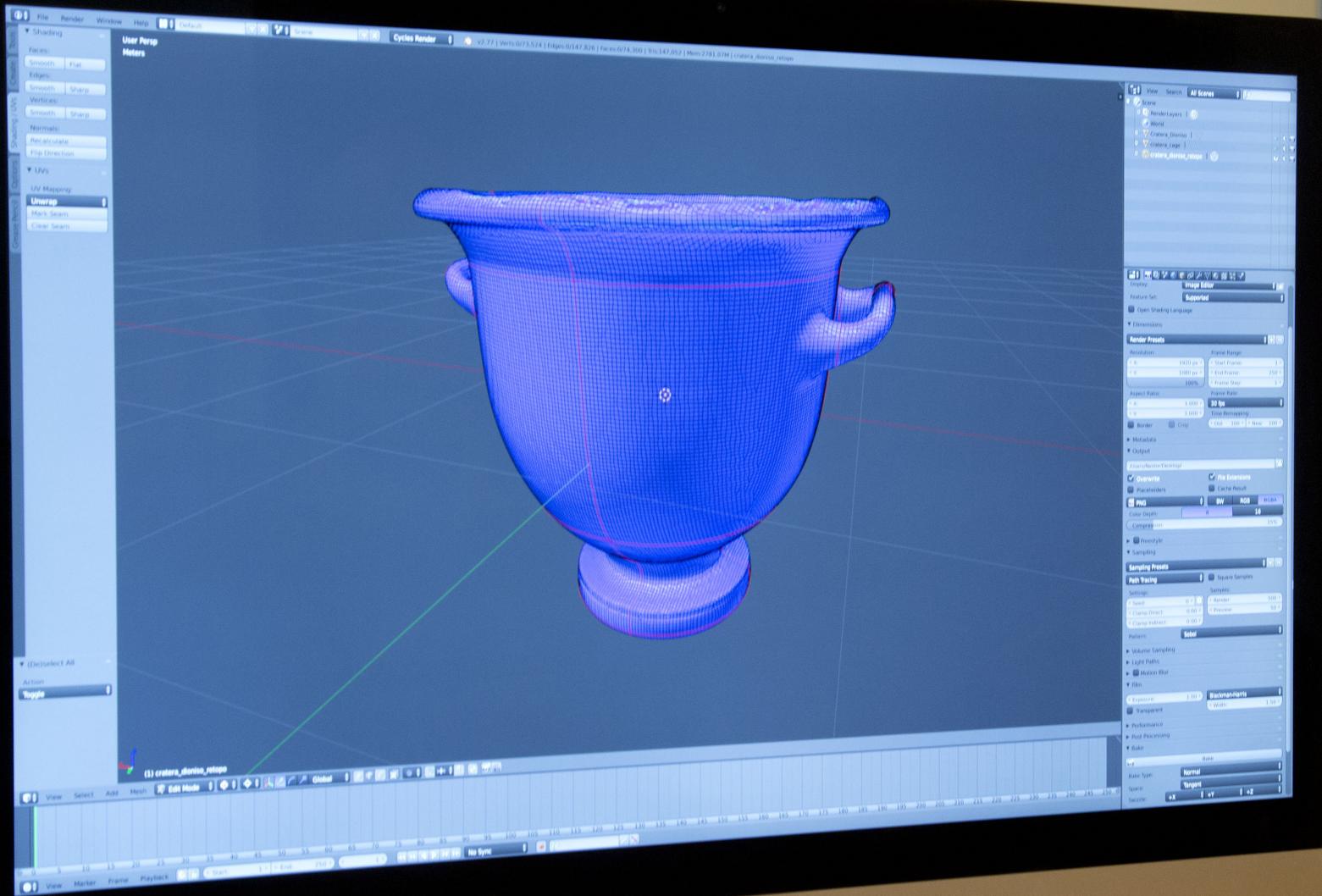


SUPPLIERS



- 6.1. SUPPLIER PROFILE.
- 6.2. COMMUNICATION CHANNELS WITH SUPPLIERS.
- 6.3. THE SUPPLY CHAIN.
- 6.4. QUALITY STANDARDS FOR GOODS AND SERVICES.



6.1 Supplier Profile

Suppliers are of key importance to BME, as they help it carry out its activities by providing the necessary equipment, technical assistance and supplies.

Collaboration with National Archeological Museum.
Digitalization of Greek vessels.
Second phase of the digitalization process.

In 2016, the Company managed 1,450 suppliers, of which 88.76% were local, i.e. companies operating in the geographic location where the supplies and services are purchased and invoiced, accounting for 88.87% of purchases of goods and services.

6.4% of suppliers are new suppliers from different business sectors.

	2014	2015	2016
Local suppliers	1,255	1,182	1,287
Non-local suppliers	136	114	163
Total	1,391	1,296	1,450

A) Types of suppliers

The three main categories of suppliers in BME are:

- **Technological services:** supplying the IT equipment and solutions needed for BME's activities. The Company needs to use the most advanced technology assets, to which end it regularly renews its office equipment.
- **Support:** providing services associated with the Company's management activities, such as consultants, audit firms and travel agencies.
- **Maintenance:** providing maintenance, improvement and management services for the Group's buildings and facilities.

B) Volume of procurements

The total volume of goods and services managed in 2016 through the Group's supplier contracting system (SI3) amounted to €45,603 million, 8.91% more than in the previous year.

Purchases from local suppliers accounted for 88.87% of total purchases of goods and services by the Company in the year, €45,603 million.

Invoicing for services supplied by external suppliers

	2014	2015	2016
Supplier invoicing (€ thousand)	38,936	41,872	45,603
Local suppliers (%)	90.66%	91.03%	88.87%
Non-local suppliers (%)	9.34%	8.97%	12.17%

C) Average supplier payment period

As in the previous year, all our suppliers were paid within the legally-established deadline in 2016. BME's average payment period in 2016 was 31 days. This information is reported on the corporate website

(www.bolsasymercados.es) - and is fully compliant with prevailing legislation to combat late payment in commercial transactions and corporate governance regulations.

Average payment period to suppliers, days

	2014	2015	2016
BME	31	31	30
Other group companies	28	35	35

6.2 Communication Channels with Suppliers



6.3 The Supply Chain

BME's activity is governed by a raft of corporate values and ethical and socially responsible commitments, which BME seeks to encourage all of the suppliers in its supply chain to adopt. Over recent years, the Company has implemented mechanisms in its procurement process for goods and services that help to continue promoting sustainable management throughout its supply chain.

BME's supply chain – the activities through which the company procures goods and services – is orchestrated through an organised and centralised system for contracting and managing the services of external suppliers: the Order Approval System (SI3). This system underpins all the phases of the procurements process for products and services from external suppliers: requests, approval, budget control and payment management. There were no major changes to the company's supply chain in 2016.

The Order Approval System (SI3) is built on a technological platform for the registration and assessment of suppliers that:

- Makes the procurements process more efficient and automated;
- Enhances the Company's cost control, by providing department heads and managers of corporate areas with an effective mechanism for controlling spending on external services;
- Enables the source and geographic location of procurement to be determined. CO₂ emissions can be kept down through local procurement (which accounts for practically all purchases), as this is sourced from nearby.
- Identifies and minimises potential supply chain risks, ensuring suppliers are compliant with social, environmental and economic regulations;
- Enables information to be continuously and directly shared and exchanged by officers in different companies requiring the same good or service. This is a useful tool for the group as information is standardised and recorded.

The corporate commitment to responsible procurement management extends to the Company's entire supply chain. BME's suppliers must meet different quality standards depending on the type of products and services they offer, and must be responsible in their business practices and comply with all regulations governing their activity. As a result, all new suppliers are therefore required in the initial stages of contracting to sign a statement declaring that, as well as fulfilling the financial and technical requirements, they comply with occupational health and safety, social and environmental criteria. BME continued setting out the new criteria in its model declaration in 2016, thus incorporating regulatory compliance with human rights into the declaration that all Group suppliers must submit.

During 2016, 85 new suppliers eligible for consideration - all the new suppliers registered - signed the statement of compliance.

As in the previous year, in 2016 the Company has not rejected any supplier or cancelled any contract due to breach of any of the technical, professional or financial criteria set down in the declaration.

Supplier accreditation, assessment and monitoring process

The Company uses its SI3 system to carry out an initial assessment of the level of compliance of new suppliers with whom BME has placed an initial order in excess of €10,000 or where the goods or services are deemed critical, i.e. they represent a high risk given the size of the purchase and/or their direct impact on BME's activities or services to its clients.

This accreditation process considers criteria that ensure that suppliers can comply with the commitments they make to BME, including their: economic and financial solvency; technical and human infrastructure; supply capacity; quality and after-sales service and warranties.

This initial process is followed by on-going monitoring of suppliers once they are registered, through regular reviews to ensure that the initial commitments undertaken remain in effect throughout the contractual relationship, and that the expected quality of the products or services is maintained.

This second process entails the following actions:

1. Completion of a supplier-assessment questionnaire for each product or service delivered.
2. Detection, recording and follow-up of any incidents, delays or claims occurring.

In 2016, 2,003 orders were placed with 322 suppliers eligible for assessment. None of these 1,725 orders received a negative assessment, assessments carried out by the said 322 suppliers eligible for assessment.

BME is enhancing the sustainability of its supply chain through these processes, fostering a more respectful attitude to the environment.

6.4 Quality Standards for Goods and Services

Suppliers must meet certain quality standards, depending on the products and services they supply. In 2016, BME continued to apply the same standards as in previous years.

For technological assets, the Company works with qualified suppliers that guarantee that their office products and equipment have received energy-efficiency certification, as set out in section 8.2.

In terms of *office materials*, paper is one of the most important supplies: the Company only contracts suppliers that incorporate environmental protection and management measures into their production processes. All BME suppliers of paper have UNE-EN ISO 14001:2004 (now called UNE-EN ISO 14001:2015) certification for their environmental management systems and OHSAS 18001:1999 certification for their occupational health and safety management systems.

BME is also committed to fostering sustainable mobility. To this end, it offers a shuttle service provided by a company certified by Madrid's Chamber of Commerce and Industry under the UNE-EN ISO 14001:2004 and UNE-EN ISO 9001:2008 standards for quality management systems, incorporating the directives set down in the best environmental practices manual and the accompanying waste management instruction, respectively. This supplier is also certified for bus and coach safety (CSEAA-INSIA), which guarantees the safety of the company's transport services for people, and under the UNE-EN 13816:2003 and OHSAS 18001:2007 standards, for passenger transport, and the UNE-EN ISO 50001:2011 and UNE-EN ISO 14064:2012 standards, for energy management systems and greenhouse gasses, respectively.



Certification of air quality at Palacio de la Bolsa, Madrid.