

6. SUPPLIERS



Local suppliers

90.11%

(+4.6% vs 2016)



6.1. Supplier profile.

[G4-DMA: Indirect economic impact]

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

BME maintains a commitment to local employment and the procurement of local products and services, which is highlighted by the fact that in 2017 the Company managed a total of 1,497 suppliers, of which 90.11% are local suppliers, in other words, companies operating in the same geographic location where the purchase, service and billing are performed, representing 85.06% of the amount of purchases for goods and services.

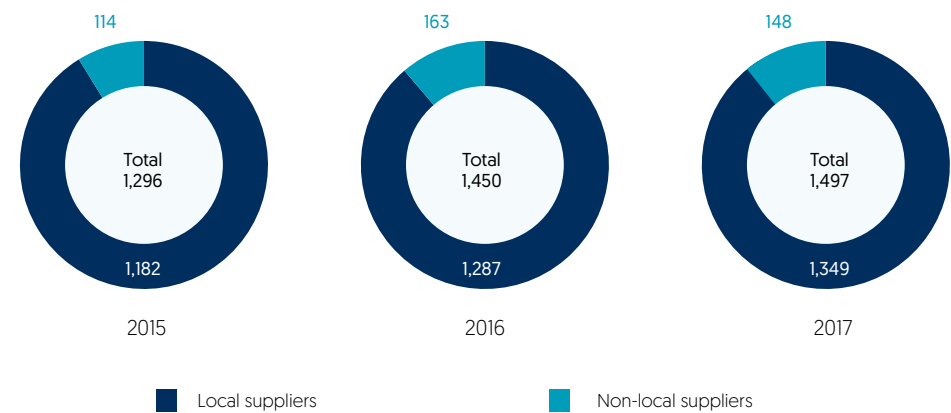
Of the 1,497 suppliers managed during 2017, 187 have been registered as new suppliers which belong to different sectors and represent 12.49% of the total.

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.

SUPPLIER PROFILE



Average supplier payment period

37 days

(-23 days vs maximum legal period for commercial payments)



B) Volume of procurements.

[G4-EC9]

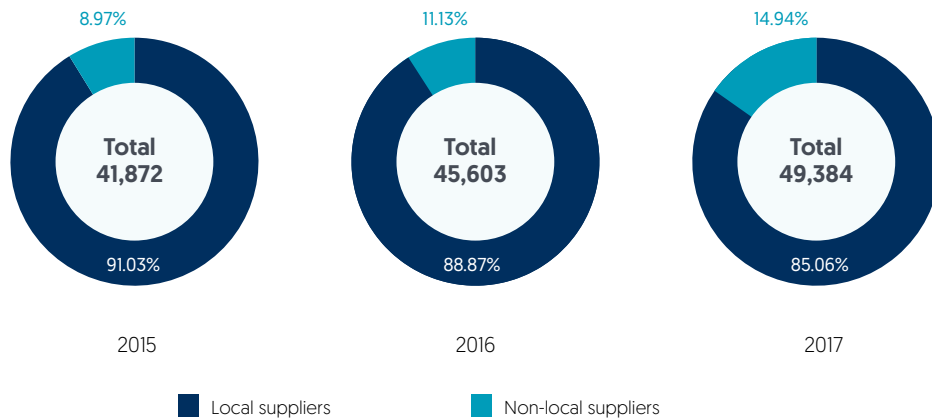
The total volume of goods and services managed in 2017 through the Group's supplier contracting system [S13] amounted to €49.3 million, 7.66% less than in the previous year.

Purchases from local suppliers accounted for 85.06% of total purchases of goods and services by the Company in the year, which amounts to €49.3 million. In 2017 There was no significant variation regarding the volume of purchases made from local suppliers.

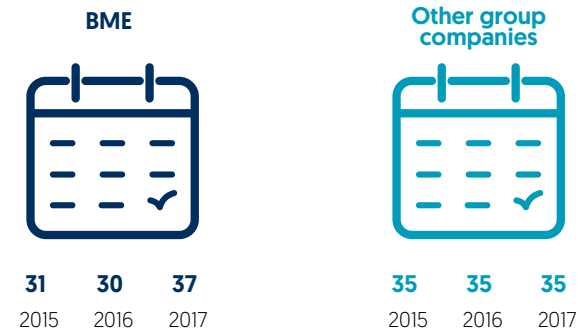
C) Average supplier payment period.

As in the previous year, in 2017 all our suppliers were paid within the legally-established period. BME's average payment period in 2017 was 37 days (information published on the corporate website www.bolsasymercados.es), in compliance with prevailing legislation to combat late payment in commercial transactions and corporate governance regulations.

REVENUE FROM SERVICES SUPPLIED BY EXTERNAL SUPPLIERS



AVERAGE SUPPLIER PAYMENT PERIOD, DAYS



Total volume of purchases of goods and services

49.3 million euros

(+7.7% vs 2016)



6.2. Supply Chain.

[G4-DMA: Supplier assessment, G4-I2, G4-EN32, G4-LA14, G4-HR10, G4-SO9]

BME's activity is governed by a series of corporate values and ethical and socially responsible commitments, which BME seeks to encourage all suppliers in its supply chain to adopt. In this regard, the Company has implemented within its goods and services procurement process a series of mechanisms that aid the Company to continue developing a sustainable and responsible management of its own supply chain, which has not suffered any significant changes throughout 2017.

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 procurement process for products and services from external suppliers: requests, approval, budget control and payment management.

The Order Approval System [SI3], through which all the orders of the BME Group are processed, is formed of a technological platform for the registration and assessment of suppliers that:

- Makes the procurement process more efficient and automated.
- Enhances the Company's cost control, by providing department heads and managers of corporate areas 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 suppliers.
- 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 product or service. This is a useful tool for the group as information is standardised and recorded.

In this manner, 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. Subsequently, during the initial phase of the management of the order, the new suppliers sign a declaration stating that they comply with all the financial and technical requirements necessary to be contracted, as well as the environmental, social, employment, occupational health and safety, and human rights legislation. In 2017, 70 new suppliers have signed the aforementioned declaration of compliance and 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.

Internal process for the purchase of goods and the supply of services, selection and evaluation of suppliers.

BME has an internal procedure for the purchase of goods and services, selection and evaluation of suppliers.

Accreditation and Evaluation.

With the support of the SI3 system an initial accreditation and assessment can be performed 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 undertaken, including their economic and financial solvency, technical and human infrastructure, supply capacity, quality and after-sales service and warranties, previous experience with BME Group companies, or recognition on the market.

Within the framework of the above-mentioned initial accreditation and evaluation process, measures are adopted to prevent fraud and corruption between the Company and the intermediaries, such as requesting alternative quotations from other suppliers.

Supplier Monitoring.

[G4-DMA: Supplier assessment]

This initial accreditation and evaluation 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, logging and follow-up of any incidents, delays, returns or claims that may arise.

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

In 2017, 2,206 orders were placed with 418 suppliers eligible for assessment. Of the evaluations performed on 1,863 orders made by the above-mentioned 418 suppliers that were assessable, only two of the orders provided had a negative evaluation.

6.3. Quality standards for goods and services.

[G4-EN7]

Suppliers must meet certain quality standards, depending on the products and services they supply. In 2017, BME continued to apply the same criteria as in previous years.

For *technological assets*, the Company works with qualified suppliers that guarantee that their office products and equipment have received *Epeat Energy Start 6.0 energy-efficiency*.

In addition, BME, in its desire to encourage sustainable mobility, employees are able to use a shuttle coach service provided by a company with quality certifications issued by the official Chamber of Commerce and Industry of Madrid.