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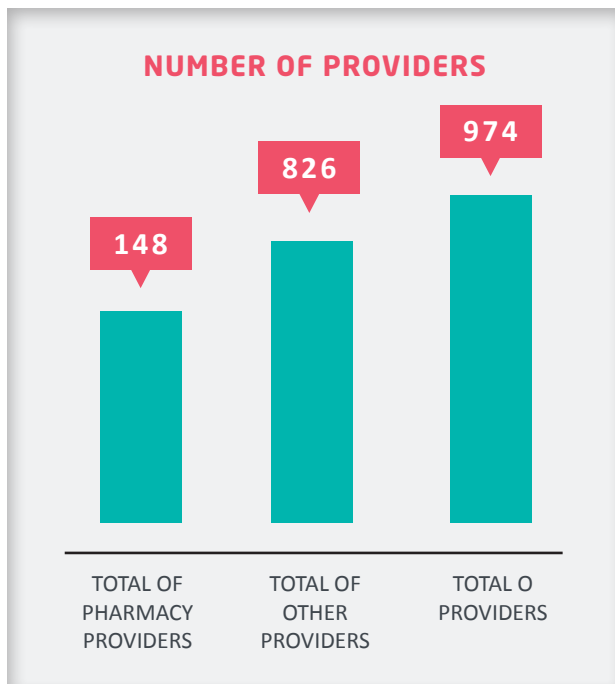
Sustainability in our Purchasing
Suppliers

7.1. Details of our Supply Chain

Our providers are classified in three broad categories:

Pharmaceutical, Healthcare and Prosthetic products
Medical Staff
Services

With regard to the type of supply or service, they are distributed as follows:



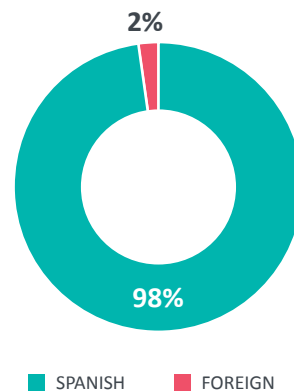
As regards the **Service providers**, "Services, People and Health" (hereafter SPS), General Services are centralised by the Quirónsalud Group company and constitute a complement of non-care support for the Group's Centres. SPS subcontracts centre services at corporate-level, such as external Laundry, Waste Management, Pest Extermination and Disinfection (DDD) and Safety.

Our procurement practices are focused on national providers. At present, 98% of the companies with which we do business at a corporate level have a registered Spanish tax code, which corresponds to the majority of the purchases managed by Purchasing Headquarters. Only 2% of purchases made at corporate level, for our pharmaceutical and healthcare sectors, correspond to foreign providers (21).

We have increased our percentage of integrated national providers, from 93% to 98%, in comparison with 2016.

98% of the providers managed through the Corporate Purchasing Department (CECO) have a registered Spanish tax code.

RATIO OF INTEGRATED PROVIDERS BY REGION





7.2. Corporate Purchasing Department

Since 2015, our company has been deeply involved in a dynamic process of acquisition of hospital groups. This has oriented the management of purchasing procedures based on the repercussions derived from these integrations. Despite this, we have managed to put on place our **Corporate Purchasing Department (CECO in its Spanish initials)** with the aim of improving the coordination and working relationship with our prosthetic providers of healthcare material and medicines. In this way we achieving homogenisation of conditions and integration with a wide range of providers, as well as ensuring greater traceability and control, and the incorporation of on-going improvement procedures.

We currently have more than 410 providers integrated online, a figure which represents 57% of our total purchases, an increase of 30% on the previous year, and this will increase during 2018/2019.

The providers are classified according to the type of material they sell. According to this classification, the purchase and supply process varies, guaranteeing the safety and quality of supplies at all times, by mean so of online transaction certificates.

INTERCHANGE BY EDI (ELECTRONIC DATA INTERCHANGE)

Since the beginning of 2015, the Corporate Purchasing Department has opted for the integration of its providers through the EDI (Electronic Data Interchange) system.

EDI is a communication system which permits the sending and receiving of online documents in a standardised format via the computer systems of those involved in the commercial relationship. This working model involves carrying out commercial transactions online and without paperwork, through a specific structure and based on an international standard (GS1).

This system aims to:

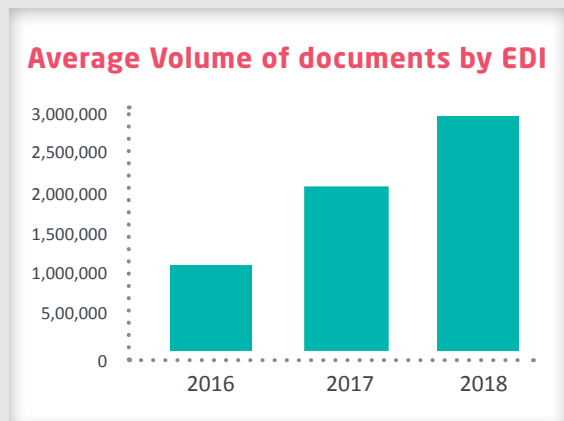
- Improve communication between the corporate Purchasing Centre, hospitals and providers.
- Send and receive of accurate information.
- Facilitate visualisation of stock levels, shorten the order cycle, greater synchronisation with providers and greater control over delivery notes and invoices.
- Improve tracking of transactions.
- Reduce errors and administrative costs for information processing, as well as filing costs and documentation loss.
- Control batches, certificates and other relevant data online, thus avoiding handling errors.

DATA OF INTERCHANGE VOLUME BY EDI

In 2017 we closed the year with a total of 2,325,617 documents interchanged through EDI, which represented an average of 6,372 documents per day.

This means that we have doubled our document transactions with respect to the previous year. In 2016 we closed the year with a total of 1,150,845 documents, which represented an average of 3,153 documents on a daily basis.

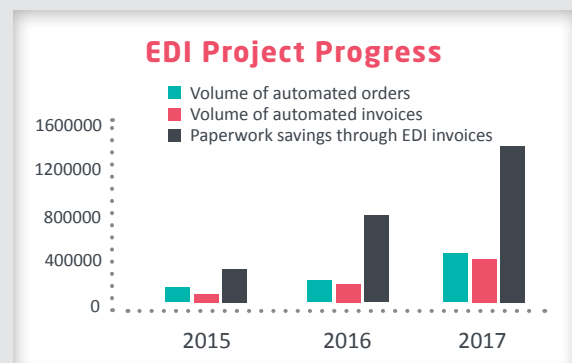
As expected, we will be able to increase this figure to 3,000,000 document transactions by the end of 2018.



FORECAST FOR 2018 AND PROGRESS OF THE EDI PROJECT SINCE 2015:

Our objective for 2018 is to reach a figure of 500 providers integrated in EDI. This includes messages which facilitate the provider with the amounts for accounting discounts that must be applied for various reasons (commercial discounts, pricing errors, VAT corrections, etc.), the integration of four new hospitals in the system and the inclusion of an interactive Portal, by means of which available commercial services can be uploaded, our corporate catalogue and the performance of a range of administrative tasks, which permit more agile and efficient interaction with the provider.

Below is a chart showing the progress of this project since 2015 and the paperwork savings it has allowed, having a direct repercussions on our environmental impact.



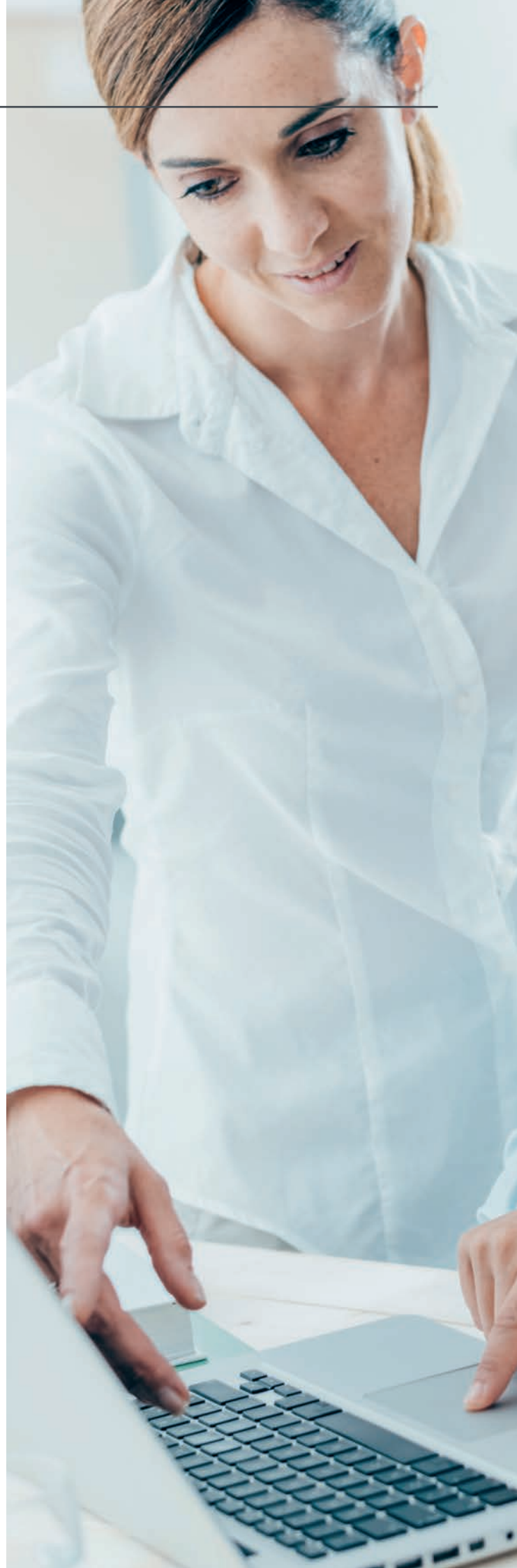
HELP DESK PROJECT

Another of the projects developed in 2017 by the Corporate Purchasing Department, has been an innovative project for a department of this type, called Help Desk, developed by Deister (one of the group's computer partners) in direct collaboration with the CECO. Its main feature is immediate and direct communication with all our centres, as well as providing a real-time view of the incidents and requests generated in the various ERPs (business resource planning systems) used by the centres, using the platform as a "Link point" for their processing and resolution.

It was created with the aim of solving, in an agile way, those incidents derived from the different procedures that come into play between the Group's purchasing departments (including the CECO) such as: errors in pharmacy orders, prosthetic and healthcare material, incidents which take place the insurers' cloud (database in which all prosthetic and implant items are included), erroneous cataloguing requests, inaccuracies in available service, etc.

It should be noted that the platform is not used solely for this purpose, but also aims to avoid the exchange and agglomeration of emails between the different centres and Headquarters, facilitating more direct communication and focusing on requests made. Indirectly, all this means a reduction in the stress caused to employees by the mass accumulation of emails.

As future plans for the application, we intend to include in the system the possibility for the providers themselves to process, with Headquarters, requests, incidents in orders, inconsistencies in services available and even the completion of the framework contracts through the platform.





7.3. Responsible Purchasing and Contracting

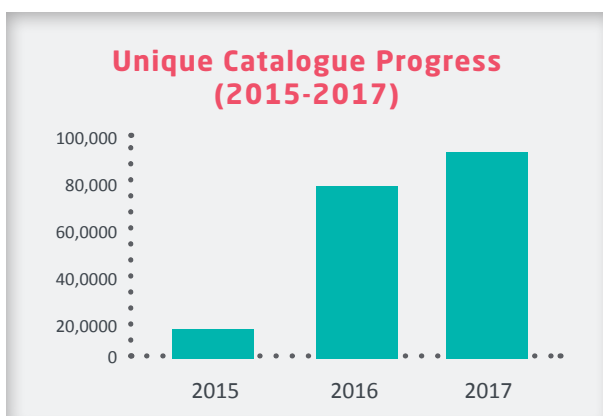


We want to have a relationship of maximum transparency with our providers through a unique contract for the whole Group.



At Corporate Headquarters we base our purchasing policy on the establishing of **framework agreements**, setting out the guidelines to follow when purchasing the range of products for our centres. These agreements detail financial, quality, security and CSR aspects.

This series of agreements, make up our **unique general catalogue** for all of our hospitals. In 2015, we launched this integration project for our providers and we continue working towards the goal of unification and transparency. We achieved a spectacular increase within one year, and in 2017 we continued to increase the number of products, as reflected in the following progress chart:



Our service providers are selected at corporate, national level and will be considered obligatory in all our Centres, apart from exceptions that are justified.

The **financial value of purchases managed by the Department was 222 million euros** in 2017, compared to 145 achieved in 2016, and 78.5 million achieved in 2015.

- Our investment in equipment and high technology in 2017 amounted to 45 million euros.
- In 2017 our investment in improvements to our healthcare network was 180 million euros.

Regarding purchases and contracts related to infrastructures, in 2016 we also proceeded to standardise management procedures in the Infrastructure Area to ensure the adequate planning, monitoring and control of works, as well as the decision-making process which underpins the commissioning of new projects.



PROVIDERS PORTAL

In 2017 we fulfilled our objective and launched the **Provider Portal**, to facilitate communication with our providers, guaranteeing common objectives, alignment of interests and actions, favouring more fluid communication, and generating trust and loyalty.

It is a showcase where providers may observe and review, in real time, transactions and the products registered in our corporate Headquarters catalogue, as well as prostheses, negotiated with our insurers whether they are registered in the catalogue or not, and which is connected to B2B - EDI.

INTERACTIVE OBJECTIVE OF PORTAL

allows us to manage the services available and automate certain processes which derive from it, such as cataloguing, code modifications, extension of references etc., both on the part of the provider and the team that makes up SPS (Services, People and Health) in an interactive, dynamic and transparent way for all.

- FEATURES OF THE PROVIDER'S PORTAL:

- Services available
- Catalogue
- Administrative flows

- USERS (Providers and SPS team):

- EDI Manager
- Customer Service Manager
- KAM or Pricing Manager
- Finance manger

The Provider Portal may be accessed with a personalised user name and password.



The Provider Portal allows us to continue advancing in the incorporation of CSR criteria in our purchasing and contracting processes.

We wish to transmit our Ethical Code to our providers.

In our Corporate Social Responsibility Policy, approved in December 2016, the Company and Group's commitment to the **transmission of corporate social responsibility values to the whole supply chain** was established, based on the following principles of action:

- Incorporating social, environmental and ethical criteria into purchasing decisions, seeking formulas to make them compatible with other critical criteria, for example profitability and quality.
- Promoting the providers following of the guidelines contained in the rules of the Company's Corporate Governance System.
- Maintaining fluid and transparent dialogue with providers, in order to optimise the Company and the Group's supplies and contracts.
- Basing the adjudication processes, as well as the processes of purchasing goods or contracting services, on the principles of equity, transparency, equal treatment and objectivity, guaranteeing the absence of any personal, family or financial interests.



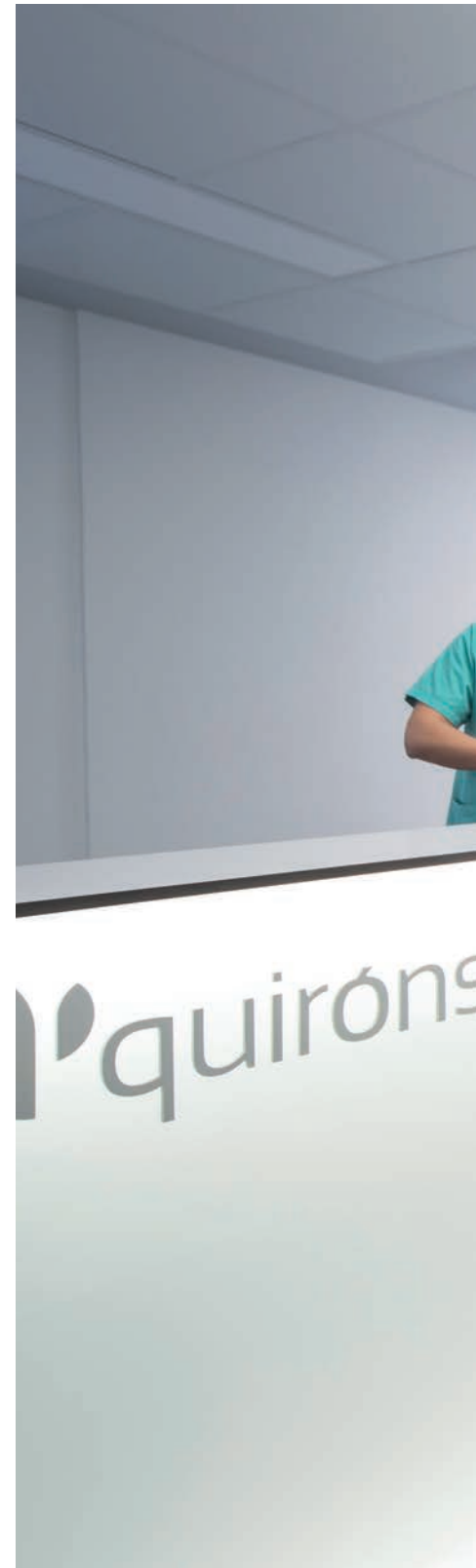
Our strategic objective for 2020 is to promote best practices by all our collaborators and have indicators for their assessment in selection and evaluation procedures.

Since 2016, the Corporate Purchasing Department has been collecting information from providers regarding their good practices and the implementation of policies based on CSR and everything this entails (waste management, reduction of emissions in manufacturing their products, implementation of preventive measures against the violation of human rights and social discrimination, amongst other aspects). Our objective is to add this information to framework agreements, the basis of our relationship with our providers, thus giving them added value.

We are promoting awareness on CSR and we want our providers to begin to reflect on the framework agreements of their certificates in social, labour and environmental matters, and to incorporate criteria in in the evaluation and selection of providers in this regard.

In the short term we do not base our criteria for acceptance or rejection of providers solely on these criteria. However, we are already currently gathering information which we consider adds value to the quality of products and services.

On the other hand, our future objective is that, through our PROVIDER PORTAL, we will add a document of acceptance of conduct conditions and of compliance with the ethical code which can be accepted and signed by the provider. In this way there will be a record that they follow correct criterion and good practices and all everything that the acceptance of the criteria to follow, established within the framework of corporate social responsibility entails.



Hospital Quirónsalud Pontevedra (Staff)

