

05.2 SUPPLIERS.

ALL COMPANIES, AND LARGE COMPANIES IN PARTICULAR, NEED A RIGOROUS PURCHASING POLICY. BANKIA TAKES THE GREATEST CARE IN SUPPLIER SELECTION AND SUPPLIER RELATIONS AND VALUES ITS SUPPLIERS' COMMITMENT TO QUALITY AND TO THEIR OWN EMPLOYEES.

Bankia takes the best practices defined in the UNE 15896 standard, Value Added Purchasing Management, as its guide and was the first financial institution to obtain UNE 15896 certification, which was renewed in 2016. UNE 15869 sets a quality standard that adds value to the company, ensures respect for principles of environmental and ethical sustainability, and minimises risks.

The bank also has specific standards inspired by the precepts of the International Federation of Purchasing and Supply Management. These standards are based on principles such as loyalty and honesty, objectivity in decisions, transparency and equality of opportunity, confidentiality, integrity and independence in relations, and corporate social responsibility.

The bank's standards specify what is already established in the Code of Ethics and Conduct, approved by Bankia's Board of Directors, which states that suppliers will be selected based on objective, weighted criteria, fair competition and diversification.

Suppliers that show a commitment to their employees, to quality, to the preservation of the environment and to human rights will be preferred; and those that have a record of non-compliance in relation to the law, tax obligations, employment, the environment or occupational health and safety will be avoided.

In 2016 the Supplier Approval Process was reviewed and the use of the Supplier Portal, which gathers all the necessary information, including each supplier's economic risk rating and the required social and environmental information, became more fully established. Approval is essential in order for a supplier to establish a business relationship with Bankia and requires a minimum score. At year-end 2016, Bankia had 3,015 approved suppliers in the portal.



SUPPLIER RELATIONS CHANNELS

Suppliers can communicate with Bankia through various different channels:

- Supplier Service Department. this department is open to complaints, claims and suggestions in relation to the payment of invoices and the provision of services associated with supplier contracts and in relation to the supplier selection processes. All the complaints received by the department are dealt with directly by the staff of the Chairman's Office.
- Confidential whistleblowing channel. Managed by an independent body and open to suppliers, this channel helps to detect possible breaches of the bank's Code of Ethics and Conduct.
- Satisfaction surveys. In 2016 the bank created the Supplier Perception Study, which comprises three different surveys: surveys of selected suppliers, non-selected suppliers and selected suppliers with two months of service provision. These surveys assess Bankia's relationship with suppliers in terms of how well it treats suppliers, the use of the Confidential Whistleblowing Channel, the contract negotiation process, promptness in payment and how well the bank conveys its values.
- Supplier sponsor. The role of supplier sponsor was created to improve communication, facilitate contact and monitor performance more effectively. Strategic suppliers are assigned a sponsor, whose.

NO. OF SUPPLIERS APPROVED ON CSR CRITERIA

1,412

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SUPPLIERS.

OTHER ACTIONS

In 2016 Bankia took part in the annual convention of CPOnet, the social network for business that brings together the most important purchasing professionals operating in Spain. The convention revolved around the influence of supply risk management and digitisation on the purchasing function.

In June 2016 the bank organised its first Suppliers Day, which was held in the auditorium of the bank's operating headquarters in Madrid and was attended by more than 300 people. Bankia wanted this event to show the importance it gives to supplier participation and involvement in the bank's project and in its value chain.

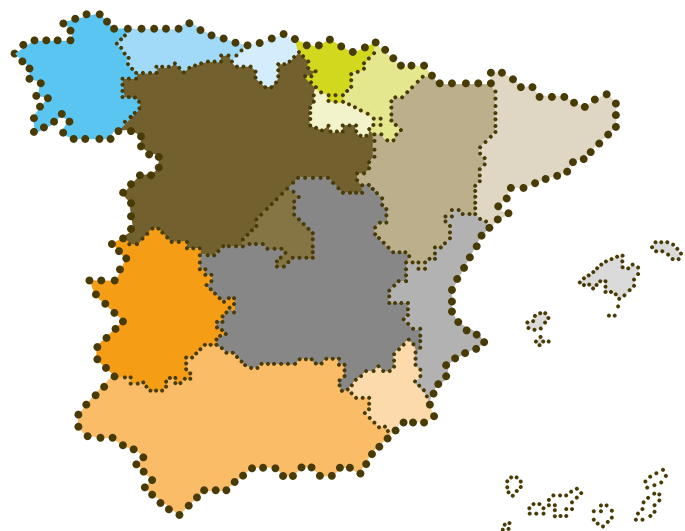
In 2016 the bank sponsored the 7th edition of the Diamond Awards for Purchasing, an initiative of the Spanish Association of Purchasing Procurement and Supply Professionals (Aerce) aimed at rewarding excellence in purchasing management, bringing best business practices to a wider audience and promoting the importance of the purchasing function in organisations.

FUTURE PLANS

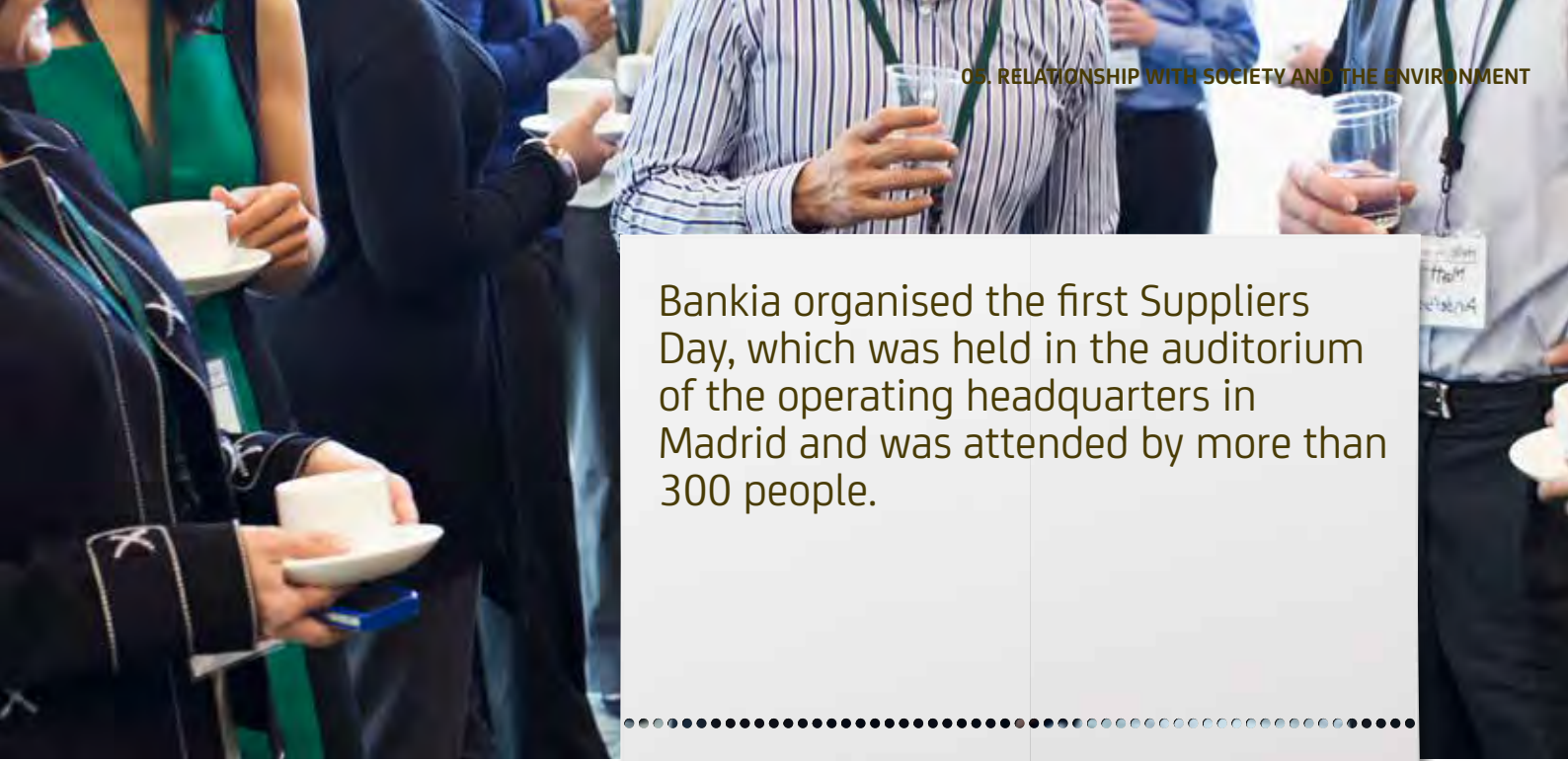
In 2017 the bank plans to launch a Negotiation Module, which will make the

supplier selection process fully traceable and will provide a repository of the documents that are exchanged, so that suppliers can see the status of their bids at all times. There are also plans to implement a Supplier Monitor, which will give an overview of Bankia's suppliers and will include an analysis of environmental, social and governance risks.

MAP OF ACTIVE SME SUPPLIERS



● ANDALUSIA 36	● ARAGÓN 9	● ASTURIAS 8	● BALEARICS 7
○ CANARIES 34	● CANTABRIA 3	● CASTILLA Y LEÓN 31	
● CASTILLA-LA MANCHA 20	● VALENCIAN COMMUNITY 131		
● CATALONIA 137	● GALICIA 14	● LA RIOJA 9	● MADRID 703
● MURCIA 7	● NAVARRA 4	● BASQUE COUNTRY 27	● EXTREMADURA
○ CEUTA 0	TOTAL ACTIVE SME SUPPLIERS 1,180		



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SUPPLIER PROFILE

ACTIVE SUPPLIERS BY SECTOR

NO. OF ACTIVE APPROVED SUPPLIERS IN THE PUBLIC SECTOR **239**

NO. OF ACTIVE APPROVED SUPPLIERS IN THE REAL ESTATE/ CONSTRUCTION SECTOR **222**

NO. OF ACTIVE APPROVED SUPPLIERS IN THE GENERAL SERVICES SECTOR **189**

NO. OF ACTIVE APPROVED SUPPLIERS IN THE ASSOCIATIONS, GROUPS AND NGOS SECTOR **164**

NO. OF ACTIVE APPROVED SUPPLIERS IN THE IT SECTOR **153**

NO. OF ACTIVE APPROVED SUPPLIERS IN THE CONSULTING / AUDIT / ADVISORY SECTOR **113**

NO. OF ACTIVE APPROVED SUPPLIERS IN THE "OTHER" SECTOR (ADVERTISING / MARKETING, LEGAL, FINANCIAL INFORMATION SERVICES, ETC.) **675**

NO. OF ACTIVE APPROVED SUPPLIERS WITH NO SPECIFIED SECTOR **1,362**

APPROVED SUPPLIERS



● NO. OF NEW SUPPLIERS ACCEPTED **384**
● NO. OF APPROVED SUPPLIERS **3,117**

AVERAGE SUPPLIER PAYMENT PERIOD

10.45 DAYS

APPROVED SUPPLIERS BY CATEGORY



● TOTAL NO. OF APPROVED SUPPLIERS CLASSIFIED AS STRATEGIC **38**
● TOTAL NO. OF APPROVED SUPPLIERS CLASSIFIED AS PREFERRED **121**
● TOTAL NO. OF APPROVED SUPPLIERS CLASSIFIED AS TRANSACTIONAL **2,856**

ACTIVE SUPPLIERS BASED IN THE LOCAL AREA



● ACTIVE SUPPLIERS (LOCAL) **93.4%**
● ACTIVE SUPPLIERS (NON-LOCAL) **6.6%**

SMEs THAT ARE ACTIVE SUPPLIERS



● TOTAL NO. OF ACTIVE SME SUPPLIERS IN THE BANK'S MAIN AREAS OF ACTIVITY **1,013**
● TOTAL NO. OF ACTIVE SME SUPPLIERS OUTSIDE THE BANK'S MAIN AREAS OF ACTIVITY **171**

% BILLING BY LOCAL SUPPLIERS



● NATIONAL SUPPLIERS **95.14**
● FOREIGN SUPPLIERS **4.86***

* % of total active approved suppliers calculated using consolidated information on their nationality (2,335 suppliers)

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