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7. Suppliers

Suppliers of goods and services also play an important role in our relations with clients, as they help us to fulfill our mission of caring for the health and well-being of people. That's why purchasing management and quality control of materials are central to the company's strategy. To guarantee greater traceability and control, suppliers of medical material and pharmaceutical products are centrally managed by our purchasing department. The rest of the products consumed within the company are procured and handled by hospital-level coordinators of purchasing.

We have a corporate-level purchasing department that negotiates and centralizes the Group's purchasing for all hospitals, including both medical supplies and pharmaceuticals. This centralized purchasing department allows us to homogenize conditions and integrate our efforts with our different suppliers. Each supplier included in the central purchasing department has signed a sales and distribution contract laying down the conditions of the service, obligations of the parties, and also the guarantees and responsibilities they assume.

There are currently over 150 suppliers included in the system, representing 20% of the entire purchasing volume. This number is set to increase throughout 2016. Suppliers are classified according to the type of material sold; the first-level classification separates suppliers into those that provide medical supplies and suppliers of pharmaceutical products. Supplier classification determines the procurement and distribution process followed, so as to ensure the safety and quality of the products.

The Quirónsalud Group works with an approved warehouse for storage of pharmaceutical products. This enables the firm to purchase these products on a group-wide level through the corporate purchasing department. Otherwise, purchasing could only be done individually by each hospital's head of pharmacy.

Purchasing in the company is organized based on how the products are to be used: our core business performs purchasing and investments through the corporate purchasing unit set up for this purpose in 2015. Since the department first began, it has taken over 80% of the procurement of pharmaceutical and medical products for the company. As a result, an open bid process was set in motion to allow suppliers to submit information for evaluation based on price, quality, and innovation of the product while taking into account other issues such as the input of the group-wide pharmacy department and the pharmacy committees operating in each of the company's medical facilities. After drugs have been validated, a catalog is created and made available to all our medical facilities so they may directly place orders with suppliers once the corporate purchasing department has authorized the purchase and pending receipt of the invoice after the products have reached their destination.

The catalog and joint purchasing system were developed in 2015, and the system is being constantly updated to meet emerging needs arising from either new products coming to market, changes in the group's care activity, or improvements in IT systems. This has led to greater efficiency (e.g., shorter administrative lead times, corporate-level procurement coordination), the exchange of knowledge between medical centers and with group headquarters and industry, a reduction in paper consumption, and savings on communications and transportation.

Quality is a focal point of our purchasing process. Each type of material or drug must comply with minimum levels of quality and safety, and suppliers must fulfill a number of conditions before forming part of the central purchasing system. Before products are purchased, we guarantee their quality, comparing the products' properties against the competition and testing the product.

Our purchasing system also helps handicapped people enter the job market. Several of our health centers and group companies have entered into agreements for the supply of goods and services with centers for employment for those with special needs. In all, the amount invested in business contracts for service provision through such special centers for employment is over 4 million euros.