





## 5. Supplier and Contractor Relations

## 5.1 Our Suppliers and Contractors

[G4-DMA] Work performed by our suppliers and contractors is essential to our business development; accordingly, we have developed relationships based on trust and responsibility with our suppliers and contractors since these companies carry out a considerable amount of our maintenance and operational activities as well as those related to developing our megaprojects.

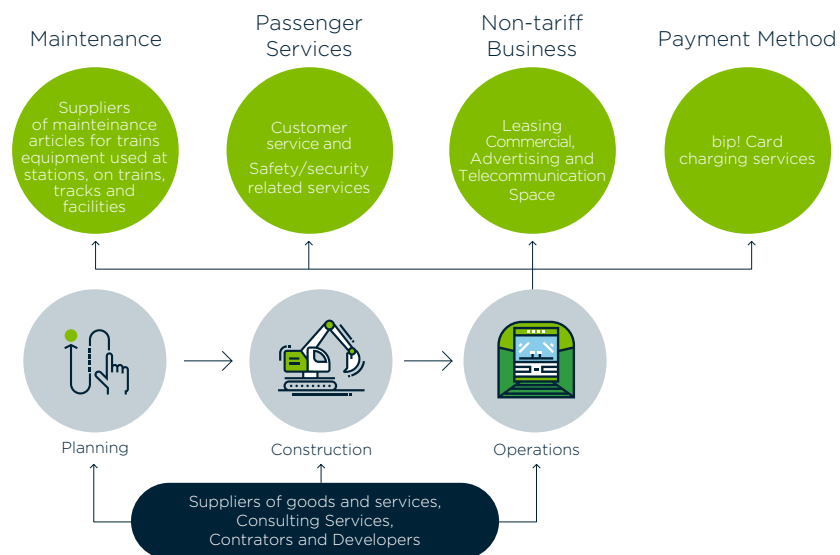
The fact that we have a Labor Relations division in charge of managing contractor relations speaks to the importance and concern we attribute to these stakeholders. In order to ensure greater transparency, efficiency and competitiveness of bidding processes, Metro also has a Procurement Policy, and a Corporate Acquisitions Manual.



Likewise, at Metro we are concerned with securing long-term relations with our suppliers and contractors. To this end we make an effort to contribute to the economic sustainability of the small- and medium-sized enterprises with which we do business, and, as such, we have been awarded the Pro SME seal (Sello ProPyme) certifying that the company pays the invoices of smaller suppliers within 30 days or less.

### Supply Chain

[G4-12] Our supply chain consists of a plethora of activities involving crosscutting aspects ranging from planning and building new lines to operating and managing non-tariff business services..





## Our Contractors

- In 2016 we worked with a total of 12,073 contractor workers under 133 contracts in effect for new line operations and construction. We have a total of 71 operations-related contracts with 53 companies, who subcontract 5,907 workers.
- Regarding Line 3 and 6 construction projects, we awarded 62 contracts for a total of 6,166 contractor workers.

## Our Suppliers

[G4-12] At Metro we work with suppliers in two areas: goods acquisitions and services acquisitions. In 2016, we registered a total of 1,254 suppliers broken down as follows:

- Goods: 823 suppliers
- Works: 22 suppliers
- Services: 409 suppliers

Our procurement practices are based on our Procurement Policy and Procurement Manual. The latter governs our departments' procurement procedures.

Moreover, we are constantly looking to add new suppliers to our roster in order to encourage competitiveness and excellence. The procurement process is led and overseen by the Procurement Division.

In 2016 we launched a program aimed at improving our acquisitions and logistics practices, including the identification of key suppliers and an operational review.



### Supplier and Contractor Satisfaction Survey

As a company we are constantly concerned with improving internal processes that have an impact on our supplier and contractor relations. To this end we've launched a survey to determine the degree of supplier and contractor satisfaction with bidding processes.

The purpose of the survey was to determine how satisfied these companies are with the bidding process in which they have been involved.

The purpose of the survey was:

- to estimate overall net satisfaction of suppliers.
- to determine which factors identified in the survey have the greatest impact on global satisfaction.
- to analyze suppliers' remarks on subjects surveyed.
- to identify improvement opportunities and rank them according to importance.

The methodology employed is quantitative and consists collecting data via an on-line survey aimed at service providers and contractors working with us in 2015. The sample consisted of 300 suppliers out of a total of 1,400.

Results obtained from the study allowed us to determine that 85% of suppliers surveyed were satisfied with Metro's bidding process, while a mere 5.3% claimed to be dissatisfied with the process.

Generally speaking, we observed that the following areas represented the greatest opportunities for improvement: information about process completion, transparency of Metro Bidding procedures, and fines provided under bidding terms.

Finally, upon analyzing all aspects surveyed under this process, we concluded that overall satisfaction was 55.4%, and our suppliers and contractors gave us an overall grade of 5.1 on a scale of 1 to 7 for our bidding procedures.

We have used these results to draw up an action plan aimed at incorporating supplier and contractor recommendations into our procedures so as to improve the way we manage this matter.



**Spending on Suppliers**

[G4-DMA] [G4-EC9] In 2016 we spent a total of MM\$ 821.377 on suppliers, which is 4% more than the previous year. Likewise, spending on international suppliers increased 8.7% from 2015 to 2016. Only 4% of our total pool of suppliers is international while 96% of our suppliers are domestic. The following is a breakdown of our 2016 spending on suppliers:

Spending on Suppliers	2014 (MM\$)	2015 (MM\$)	2016 (MM\$)	% Increase
Domestic	491.047	712.542	670.830	82%
International	83.675	80.614	150.547	18%
<b>Total</b>	<b>574.722</b>	<b>793.156</b>	<b>821.377</b>	<b>100%</b>

## 5.2 External Labor Relations

At Metro we view our contractual and commercial relations with contractors as essential to our business. They enable us to provide passengers with better operating services and have made it possible for the company to build its expansion projects.

In this regard, the company understands that contractors are independent agents that have a direct relationship with their workers; however, we believe it is essential for our business that contractors fully engage with labor law, which is why we have control measures, such as labor audits.

### Contractor Labor Audits

[G4-DMA] [G4-LA14] In 2016 Metro conducted a review to determine the degree of labor and social security law compliance of all Metro contractor contracts.

[G4-LA15] Labor practices of 81% of all contractors providing operational services to Metro were audited in 2016 by way of monthly audits—one company per month—on contractors and subcontractors working under our Expansion Projects division.

The following are the most common observations: long workdays; company exceeds maximum number of extra hours permitted; double shifts; job hygiene and safety issues. In addition to these audits, Metro conducted field inspections to verify working conditions on site.

Issues identified are subsequently addressed at meetings with each company in order to correct them as soon as possible. It is worth noting that not a single contract was terminated in 2016 as a result of non-compliance of labor law. If necessary, Metro has the authority to hold payments when companies do not comply with labor and/or social security legislation.



## 5.3 Health and Safety

[G4-LA6] throughout 2016 we continued to put our Occupational Health and Safety Management System into practice, which applies to all operations carried out by Metro. Therefore, it is also applicable to all tasks performed by suppliers and contractors in their roles in Metro operations, maintenance, and construction.

We were therefore able to move forward with our contractors in managing risk control programs, with particular emphasis, in 2016, on contractors in charge of the construction of new Lines 6 and 3. We also designed a model to monitor contractor compliance with safety standards. Moreover, we have made an additional effort to solidify a prevention and occupational health culture.

### Occupational Health and Safety Statistics for Contractors

The joint efforts carried out by the company and contractors throughout the year have made it possible for Metro to significantly reduce its contractor accident rate.

As a result, in 2016 Metro recorded 46% fewer accidents than the previous year. The same trend can be seen in days lost, (down 23%), frequency index (down 40%), severity index (down 15%), and the accident rate (down 40%). The following are the 2016 results:

#### Contractor Accident Statistics

	2014	2015	2016
Accidents	223	374	202
Days Lost	5.732	8.961	6894
Fatal Accidents	0	0	0
Frequency Index (FI)	18.72	20.75	12.5
Severity Index (SI)	481.18	497.28	427.4
Accident Rate (AR)	4.19	4.74	2.8

#### Special Regulations: rolling out an occupational health and safety system for contractors

This Special Regulation governs Metro contractors and subcontractors. It defines the minimal actions required to meet preventive actions; and stipulates responsibilities, obligations, prohibitions, control mechanisms, and sanctions that are binding for contractors and subcontractors that execute works or provide services under contract on their own and at their own risk, with workers under their employment, at any of our work centers, offices, worksites or project sites. The purpose of said regulation is to ensure all workers hired by contractors and subcontractors have proper health and safety conditions on the job.

The objective of this Special Regulation is to facilitate the roll out, application, maintenance and continuous improvement of the Occupational Health and Safety Management System by all divisions, at all worksites, for all services and construction projects, encompassing all activities carried out by our workers, contractor and subcontractor workers, and all other individuals compensated by fees, student interns, and visitors.

## Contractors and Supply Chain Risks

Within the framework of Metro's Occupational Health and Safety Policy we have implemented a Critical Activity Control Standard (CAC in Spanish), which consists of a series of rules based on a historical analysis of the incident statistics of Metro line construction, and expansion works. The purpose of the standard is to better control and standardize various processes and tasks in order to minimize high-impact incidents.

Likewise, we have also drafted the following guidelines for our activities in this area as part of our job safety management efforts:

1. Timely identify and assess work-related risks by implementing preventive and corrective measures required to ensure the physical integrity and health of Metro workers and contractor workers, and thereby contribute to Metro's operational excellence.
2. Contribute to the efficient development of Metro projects by fostering safe and healthy environments for project execution.
3. Promote participatory and construction communication with workers and contractors, thus encouraging the value of safety and health in everything they do.
4. Ensure permanent compliance of domestic legislation governing occupational health and safety.

With this framework in mind we realized the importance of eliminating or mitigating the risk of incidents resulting from critical activities related to line construction and expansion works. As a result, we drew up the following standards:

1. Transport Vehicles	2. Moving Equipment and Machinery at the Worksite	3. Chemical Products and Hazardous Substances
4. Equipment Protection	5. Block and tag	6. Working at Heights
7. Lifting and Loading Operations		



