ANNUAL CORPORATE GOVERNANCE REPORT

Year ended December 31, 2017

CEMEX LATAM HOLDINGS, S.A.
Corporate taxpayer ID: A-86449162
C/ Hernández de Tejada nº 1
28027 Madrid

Registered at the Madrid Mercantile Registry,
Volume 29843, Section 8 of the Companies Register
Page 169, Sheet M-536957.
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</table>
INTRODUCTION

CEMEX LATAM HOLDINGS, S.A. (hereinafter the “Company” or “Cemex Latam”) was incorporated on April 17, 2012 as a public limited liability company (sociedad anónima), for an unlimited period. Its registered office is in Madrid at calle Hernández de Tejada, 1.

The Cemex Latam Group, in turn, is included as a subgroup in the corporate group headed by CEMEX España, S.A., its main shareholder (hereinafter “CEMEX España Group” or “Cemex España”, as appropriate).

The Company is also part of the international cement and building materials group CEMEX (“CEMEX Group”), whose parent company is Cemex S.A.B. de C.V. (hereinafter “CEMEX S.A.B. de C.V.”), a company incorporated in Monterrey (Mexico) and listed on the Mexican Stock Exchange (BMV) and the New York Stock Exchange (NYSE).

The statutory activity of the Company consists of holding stakes in companies mainly engaged in the manufacture and sale of cement and other building materials in South America, Central America and the Caribbean. At present the Cemex Latam Group’s main operations are in Colombia, Panama, Nicaragua, Costa Rica, Guatemala, El Salvador and Brazil.

In November 2012 the Company placed approximately 26% of its share capital in an initial public offering in Colombia. Its shares were admitted to trading on the Colombia Stock Exchange on November 16, 2012.

Even though it is a Spanish company, Cemex Latam is not admitted to trading in Spain. However it is admitted on the Colombian Stock Exchange. It is therefore not subject to Spanish corporate governance recommendations for listed companies, nor is it required to abide by the best practice recommendations applicable to Colombian issuers whose shares are listed on the Colombian Stock Exchange.

However, Cemex Latam decided to voluntarily comply with the key best practices included in the former Spanish Unified Good Governance Code and has decided to comply with the same practices in the current Spanish Good Governance Code as well as the best practices applicable to Colombian listed companies and, since it was admitted to trading, Cemex Latam’s corporate governance system has been adapted to Colombian and international best practices.

Consequently, this Report details Cemex Latam’s degree of compliance with the Good Governance Code. For those recommendations where the Company is not compliant (“Comply or Explain”), we have included an explanation.
After receiving a report from the Corporate Governance Committee, at its meeting on March 19, 2018 the Company’s Board of Directors approved this Annual Corporate Governance Report, using as a reference the template provided in CNMV Circular 7/2015, of December 22, 2015, for listed public limited liability companies.

Its preparation and subsequent approval comply with the provisions of article 49 of the Bylaws and article 43 of the Regulations of the Board of Directors.

A. **OWNERSHIP STRUCTURE**

A.1. Complete the following table on the company’s share capital:

<table>
<thead>
<tr>
<th>Date of last modification</th>
<th>Share capital (Euros)</th>
<th>Number of shares</th>
<th>Number of voting rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/07/2012</td>
<td>578,278,342</td>
<td>578,278,342</td>
<td>578,278,342</td>
</tr>
</tbody>
</table>
Indicate whether there are different types of shares with different associated rights:

No

A.2. List the direct and indirect holders of significant ownership interests in your organization at the end of the reporting period, excluding directors.

<table>
<thead>
<tr>
<th>Name or company name of shareholder</th>
<th>Number of direct voting rights</th>
<th>Indirect voting rights</th>
<th>% of total voting rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEMEX España, S.A. (1)</td>
<td>407,890,342</td>
<td>-</td>
<td>73.25 (2)</td>
</tr>
</tbody>
</table>

(1) Controlled by CEMEX S.A.B. de C.V.
   Note: Treasury shares represent 3.71% of the share capital, as detailed in section A.8.

(2) Cemex España, S.A. holds 70.53% of the outstanding shares at December 31, 2017, without subtracting the treasury shares whose voting rights have been suspended (21,457,624 shares) from the total number of shares representing the share capital (578,278,342). Cemex España, S.A. therefore holds 73.25% of the shares with voting rights after subtracting the aforementioned treasury shares.

Indicate the most significant changes in the shareholder structure during the year:

<table>
<thead>
<tr>
<th>Name or company name of shareholder</th>
<th>Date of transaction</th>
<th>Description of the transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(*) The Company is listed exclusively on the Colombian Stock Exchange. As set forth in Colombian legislation on the securities exchange applicable to the Company, in its capacity as a foreign issuer of securities, its shareholders are not required to notify the Colombian regulator or the issuer on changes in their shareholdings since, pursuant to Spanish legislation, shareholdings are only considered significant if they exceed the statutory threshold of 3%. Based on the information that the Company periodically requests from Decreval, S.A. (Centralized Securities Deposit of Colombia), the Company is aware of the variations that can arise at the end of each month.

A.3. Complete the following tables on voting rights held by the company’s directors.
Total % of voting rights held by the Board of Directors: 0

Complete the following tables on stock options held by the company’s directors.

<table>
<thead>
<tr>
<th>Name or company name of director</th>
<th>Number of direct options</th>
<th>Indirect options</th>
<th>Number of equivalent shares</th>
<th>% of total voting rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jaime Muguiro Domínguez</td>
<td>125,403*</td>
<td>N/A</td>
<td>125,403</td>
<td>0.02%</td>
</tr>
</tbody>
</table>

*Direct options are as a percentage of total shares before tax and correspond to the directors as a result of their executive duties at the Company

A.4. Indicate any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities.

<table>
<thead>
<tr>
<th>Name or company name of related parties</th>
<th>Type of relationship</th>
<th>Brief description</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
A.5. Indicate any commercial, contractual or corporate relationships between owners of significant shareholdings and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities.

<table>
<thead>
<tr>
<th>Name or company name of related parties</th>
<th>Type of relationship</th>
<th>Brief description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cemex España, S.A.</td>
<td>Corporate</td>
<td>Controlling shareholder. The shareholder and the Company belong to the same corporate group, which is headed by CEMEX, S.A.B. de C.V.</td>
</tr>
<tr>
<td>CEMEX España, S.A.</td>
<td>Contractual</td>
<td>Intragroup financing.</td>
</tr>
</tbody>
</table>

A.6. Indicate whether the company has been notified of any associative arrangements between shareholders that affect it, pursuant to articles 530 and 531 of the Spanish Companies Act. If so, please describe these arrangements and list the shareholders they bind:

**No**

<table>
<thead>
<tr>
<th>Parties to the associative arrangement</th>
<th>% of share capital affected</th>
<th>Brief description of the arrangement</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

- Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable.

**No**

<table>
<thead>
<tr>
<th>Shareholders involved in concerted actions</th>
<th>% of share capital affected</th>
<th>Brief description of the arrangement</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Expressly indicate any amendments to or termination of such arrangements or concerted actions during the period:

No

A.7 Indicate whether any natural persons or legal entities currently exercise control or could exercise control over the company in accordance with article 5 of the Spanish Securities Market Law. Please identify them below.

Yes

Name or company name: Cemex España, S.A.
Observations: Owner of an interest of 70.53% of share capital – 73.25% excluding treasury shares

A.8. Complete the following tables on the company’s treasury shares.

At the end of the reporting period:

<table>
<thead>
<tr>
<th>Number of shares held directly</th>
<th>Number of shares held indirectly (*)</th>
<th>% of total share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>21,457,624</td>
<td>0</td>
<td>3.71</td>
</tr>
</tbody>
</table>

(*) Through:

<table>
<thead>
<tr>
<th>Name or company name of direct shareholder</th>
<th>Number of shares held directly</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Total:</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Explain any significant changes during the period, in accordance with Royal Decree 1362/2007.

<table>
<thead>
<tr>
<th>Explain the significant changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
</tr>
</tbody>
</table>
A.9. Give details of the applicable conditions and term of any resolutions approved by the shareholders at the shareholders' general meeting, authorizing the board of directors to issue, purchase or transfer treasury shares.

Date of resolution: May 15, 2013  
Term: 5 years  

Conditions:

a. The acquisition may be made directly by the Company or indirectly through its subsidiaries.

b. The acquisition may take the form of a purchase, swap or any other legally accepted transaction, once or more than once, providing that the shares acquired, in addition to those the Company already holds, do not exceed the maximum number allowed by law.

c. These transactions may not be carried out at a price which is (i) greater than the higher of (a) 120% of the listed price of the shares and (b) the Subscription Offer price; (ii) less than one euro cent (Euros 0.01).

d. The maximum term of this resolution is five (5) years.

e. A restricted reserve equivalent to the amount of the parent’s shares classified as assets will be recognized on the liability side of the acquiring company’s balance sheet. This reserve must be maintained as long as the shares have not been disposed of or redeemed, in accordance with article 148 of the Spanish Companies Act.

Shares acquired by virtue of this authorization may be disposed of or redeemed, or else applied to the compensation schemes set out in paragraph 3 of article 146 1.a) of the Spanish Companies Act.

A.9. bis Estimated free float.

| Estimated free float | 25.75 |
A.10 Indicate if there is any restriction on the transfer of securities and/or any restrictions on voting rights. Indicate, in particular, any restrictions on the takeover of the company by means of share purchases on the market.

There are no restrictions (i) on the transfer of securities or (ii) on voting rights or (iii) that may constitute an obstacle to the takeover of the Company by means of share purchases on the market.

A.11 Indicate whether at the shareholders' general meeting the shareholders agreed to take neutralization measures to prevent a public takeover bid by virtue of Law 6/2007.

No

A.12 Indicate whether the company has issued securities not traded in a regulated market of the European Union. If so, indicate the share class and, for each class of share, the rights and obligations conferred by them.

Yes

All of the Company's shares, of a given class, have been listed exclusively on the Colombian Stock Exchange since November 16, 2012, the date that they were admitted to trading.

B. SHAREHOLDERS' GENERAL MEETING

B.1 Indicate the quorum required for convening the shareholders' general meeting and describe any differences with respect to the quorum required under the Spanish Companies Act.

<table>
<thead>
<tr>
<th>Quorum required for first notice</th>
<th>Quorum % other than that established in article 193 of the Spanish Companies Act for general cases</th>
<th>Quorum % other than that established in article 194 of the Spanish Companies Act for the special cases described in article 194</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>Article 31 of the Bylaws requires a vote in favor by one-half plus one of the share capital</td>
<td></td>
</tr>
</tbody>
</table>

10
<table>
<thead>
<tr>
<th>Quorum required for second notice</th>
<th>No</th>
</tr>
</thead>
</table>

- Represented to adopt special resolutions envisaged in the above article (amendments to article 39 of the Bylaws and approval of resolutions to delegate to the Board of Directors the power to issue non-convertible or convertible and/or exchangeable bonds). Consequently, adoption of these resolutions is only valid, on both the first and the second call, if the quorum present is higher than the quorum required under the Spanish Companies Act.

B.2. Indicate and, if applicable, describe any differences between the company’s framework for adopting corporate resolutions and the framework set forth in the Spanish Companies Act.

Yes  No

Describe how it differs from the framework established under the Spanish Companies Act.
B.3 Indicate the rules governing amendments to the company’s bylaws. In particular, indicate the majorities required to amend the bylaws and, if applicable, the rules for protecting shareholders’ rights when changing the bylaws.

Amendments to the Company’s Bylaws are governed by article 22 (Establishment of a Quorum for the Shareholders’ General Meeting), article 31 (Approval of Resolutions by the Shareholders at the Shareholders' General Meeting) and article 39 (Quorum and majority for adoption of resolutions by the Board of Directors) of the Bylaws, as well as by article 22 and article 34 of the Regulations of the Shareholders’ General Meeting.

Exceptionally, amendments to article 39 of the Bylaws and approval of the resolution to delegate to the Board of Directors the power to issue non-convertible or convertible and/or exchangeable bonds must receive a vote in favor by one-half plus one of the Company’s share capital represented.
B.4. Indicate the attendance figures at the shareholders' general meetings held in the year to which this report refers and the prior year.

<table>
<thead>
<tr>
<th>Date of the Shareholders’ General Meeting</th>
<th>% attending in person</th>
<th>% by proxy</th>
<th>% remote voting</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Electronic voting</td>
<td>Other</td>
</tr>
<tr>
<td>06/29/2017</td>
<td>74.28 (*)</td>
<td>0</td>
<td>N/A</td>
<td>13.68</td>
</tr>
<tr>
<td>06/20/2016</td>
<td>74.32 (*)</td>
<td>0</td>
<td>N/A</td>
<td>12.31</td>
</tr>
</tbody>
</table>

(*) Excludes the number of shareholders voting remotely, which is included under "Other." This remote vote was made using the remote voting cards made available to the Company's shareholders.

At the Shareholders’ Ordinary General Meeting held on June 29, 2017, the total share capital represented at the meeting was 508,645,069 shares (all of which were personally in attendance, and none of which were represented by proxy), with a quorum equivalent to 87.96% of share capital.

The voting rights attached to 21,621,856 treasury shares represented in the quorum had been suspended; hence the represented share capital in attendance and with voting rights totaled 487,023,213 shares, representing 84.22% of share capital.

Of the share capital in attendance and with voting rights, 79,132,871 shares, representing 13.68% of share capital and 15.55% of the share capital in attendance, voted remotely.

The 21,621,856 treasury shares that the Company held at the date of the Shareholders' General Meeting, which represented 3.74% of share capital, have their voting and other rights suspended, in accordance with article 148 of the Spanish Companies Act. Pursuant to article 148.b), treasury shares were considered as share capital in order to calculate the quorum required for convening the meeting and adopting resolutions therein. However, the shares did not confer any votes. Treasury shares accounted for 4.25% of the represented share capital in attendance at the meeting.

B.5. Indicate whether the bylaws impose any minimum requirements on the number of shares required to attend the shareholders' general meetings.

Yes    No

B.6 Section repealed
B.7. Indicate the address and mode of accessing corporate governance content on the company’s website as well as other information on shareholders' general meetings which must be made available to shareholders on the website.

The address of the Company's website is www.cemexlatam.com. It is available in both Spanish and English.

The homepage contains special direct access entitled “Investor Center” (“Inversionistas” in Spanish). It includes the following information:

In the Company Profile section:

- Key Company Figures
- Contact IR (Institutional Relations)

In the Reports section:

- Reports Archive (reports)
- Prospectus
- Financial Superintendency

In the Stock Information section:

- Stock Information
- Events and Calendar
- Earnings Webcast

In the Corporate Governance section:

- Board of Directors
- Management Team
- Committees
- Code of Ethics
- Bylaws and Regulations
- 2017 Shareholders' Meeting
C. COMPANY MANAGEMENT STRUCTURE

C.1. Board of directors

C.1.1 Maximum and minimum number of directors established in the bylaws:

<table>
<thead>
<tr>
<th>Maximum number of directors</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum number of directors</td>
<td>5</td>
</tr>
</tbody>
</table>

C.1.2 Complete the following table with details of board members:

<table>
<thead>
<tr>
<th>Name or company name of director</th>
<th>Proxy</th>
<th>Director's category</th>
<th>Position on the Board</th>
<th>Date of first appointment</th>
<th>Date of last appointment</th>
<th>Election process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Jaime Miguire Domínguez</td>
<td>N/A</td>
<td>Executive Director</td>
<td>Chairman / CEO</td>
<td>10/04/2012</td>
<td>06/20/2016</td>
<td>Decision of the sole shareholder / resolution of the Board of Directors / resolution of the Shareholders' General Meeting</td>
</tr>
<tr>
<td>Mr. Jaime Gerardo Elizondo Chapa</td>
<td>N/A</td>
<td>Proprietary Director</td>
<td>Vice-Chairman / Director</td>
<td>04/10/2012</td>
<td>20/06/2016</td>
<td>Decision of the sole shareholder / resolution of the Board of Directors / resolution of the Shareholders' General Meeting</td>
</tr>
<tr>
<td>Mr. Juan Pablo San Agustín Rubio</td>
<td>N/A</td>
<td>Proprietary Director</td>
<td>Director</td>
<td>10/04/2012</td>
<td>06/20/2016</td>
<td>Decision of the sole shareholder / resolution of the Shareholders' General Meeting</td>
</tr>
<tr>
<td>Mr. José Luis Orti García</td>
<td>N/A</td>
<td>Proprietary Director</td>
<td>Director</td>
<td>06/20/2016</td>
<td></td>
<td>Resolution of the Shareholders’ General Meeting</td>
</tr>
<tr>
<td>Ms. Carmen Burgos Casas</td>
<td>N/A</td>
<td>Proprietary Director</td>
<td>Director</td>
<td>06/20/2016</td>
<td></td>
<td>Resolution of the Shareholders’ General Meeting</td>
</tr>
</tbody>
</table>
### EXECUTIVE DIRECTORS

<table>
<thead>
<tr>
<th>Name or company name of director</th>
<th>Position at the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Jaime Muguiro Domínguez</td>
<td>CEO</td>
</tr>
</tbody>
</table>

#### Total number of Directors

**9**

#### Indicate any board members who left during the reporting period:

No Board members left in 2017

#### C.1.3 Complete the following tables on board members and their respective categories:

<table>
<thead>
<tr>
<th>Mr. Gabriel Jaramillo Sanint</th>
<th>N/A</th>
<th>Independent Director</th>
<th>Director</th>
<th>10/04/2012</th>
<th>06/20/2016</th>
<th>Decision of the sole shareholder / resolution of the Shareholders' General Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms. Coloma Armero Montes</td>
<td>N/A</td>
<td>Independent Director</td>
<td>Director</td>
<td>10/04/2012</td>
<td>06/20/2016</td>
<td>Decision of the sole shareholder / resolution of the Shareholders' General Meeting</td>
</tr>
<tr>
<td>Mr. Rafael Santos Calderón</td>
<td>N/A</td>
<td>Independent Director</td>
<td>Coordinating Director</td>
<td>10/09/2012</td>
<td>06/20/2016</td>
<td>Decision of the sole shareholder / resolution of the Shareholders' General Meeting</td>
</tr>
<tr>
<td>Mr. Juan Pelegrí y Girón</td>
<td>N/A</td>
<td>Proprietary Director</td>
<td>Director / Secretary</td>
<td>04/10/2012</td>
<td>06/20/2016</td>
<td>Decision of the sole shareholder / resolution of the Board of Directors / resolution of the Shareholders' General Meeting</td>
</tr>
</tbody>
</table>
Total number of Executive Directors | 1
---|---
% of the Board | 11.11

**NON-EXECUTIVE PROPRIETARY DIRECTORS**

<table>
<thead>
<tr>
<th>Name or company name of director</th>
<th>Name or company name of significant shareholder represented or proposing appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Juan Pablo San Agustín Rubio</td>
<td>Cemex España, S.A.</td>
</tr>
<tr>
<td>Mr. Jaime Gerardo Elizondo Chapa</td>
<td>Cemex España, S.A.</td>
</tr>
<tr>
<td>Mr. José Luis Orti García</td>
<td>Cemex España, S.A.</td>
</tr>
<tr>
<td>Ms. Carmen Burgos Casas</td>
<td>Cemex España, S.A.</td>
</tr>
<tr>
<td>Mr. Juan Pelegrí y Girón</td>
<td>Cemex España, S.A.</td>
</tr>
</tbody>
</table>

Total number of Proprietary Directors | 5
---|---
% of the Board | 55.55

**INDEPENDENT NON-EXECUTIVE DIRECTORS**

<table>
<thead>
<tr>
<th>Name or company name of director</th>
<th>Profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Gabriel Jaramillo Sanint</td>
<td>Financial sector expert. Has held different positions of responsibility at various financial institutions, including the position of director.</td>
</tr>
<tr>
<td>Ms. Coloma Armero Montes</td>
<td>Lawyer specializing in commercial law. Director and a member of the Audit Committee of a regulated company.</td>
</tr>
</tbody>
</table>
Mr. Rafael Santos Calderón  
News media expert. Has held various positions of responsibility such as publications editor and director. Rector of Universidad Central de Colombia.

<table>
<thead>
<tr>
<th>Total number of Independent Directors</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of the Board</td>
<td>33.33</td>
</tr>
</tbody>
</table>

List any independent directors who receive any amount or payment from the company or the group other than director compensation or who maintain or have maintained during the period in question a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior executive of an entity which maintains or has maintained such a relationship.

No

If so, include a statement from the board detailing why the director may perform duties as an independent director.

<table>
<thead>
<tr>
<th>Name or company name of director</th>
<th>Description of relationship</th>
<th>Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**OTHER NON-EXECUTIVE DIRECTORS**

Identify any other non-executive directors and list the reasons why they cannot be considered proprietary or independent directors and detail their relationships with the company, its executives or shareholders:

<table>
<thead>
<tr>
<th>Name or company name of director</th>
<th>Reasons</th>
<th>Company, executive or shareholder with whom the relationship is maintained</th>
</tr>
</thead>
</table>
List any changes in the category of each director which have occurred during the period:

<table>
<thead>
<tr>
<th>Name or company name of director</th>
<th>Date of change</th>
<th>Former category</th>
<th>Current category</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

C.1.4 Complete the following table on the number of female directors over the past four years and their title:

<table>
<thead>
<tr>
<th></th>
<th>Number of female directors</th>
<th>% of total directors in each category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proprietary</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Independent</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Other non-executive</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total:</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>
C.1.5 Explain any measures that have been adopted to ensure that a sufficient number of female directors are included on the board of directors, ensuring a balanced presence of men and women.

Explanation of the measures:

Due to the expiry of the Directors’ positions as mentioned in the Annual Corporate Governance Report for 2016, and in line with the target to increase the number of women on the Board of Directors, the Appointments and Remuneration Committee submitted a favorable report to the Board of Directors on the appointment of Ms. Carmen Burgos Casas as a new Company Director. On June 20, 2016, this appointment was in turn proposed by the Board to and approved by the shareholders at the Shareholders’ General Meeting held, raising the percentage of women on the Board of Directors to 22.22%.

Moreover, following a favorable report from the Appointments and Remuneration Committee, at their meeting held on December 18, 2017 the Board of Directors approved the policy for selecting candidate directors, the aims of which, as provided for in the policy itself, include seeking to ensure that women account for at least 30 percent of Board members in 2020. Furthermore, at its meetings held on December 15, 2017 and February 5, 2018, the Committee worked on the preliminary approach to the preparation of guidelines of how to achieve the above percentage. Thus, notwithstanding the ongoing work on such guidelines by the Committee in 2018, at its meeting of December 15, 2017 the Board of Directors agreed, at the proposal of the Appointments and Remuneration Committee, that the Committee be supported in this area by the independent external consultant contracted to perform the annual evaluation of the functioning and quality of the work of the Board of Directors, the Chairman’s performance, the functioning of the Committees and the evaluation of the Directors for 2017.

C.1.6 Explain any measures taken by the appointments committee to ensure that the selection processes are not subject to implicit bias that would make it difficult to select female directors, and whether the company makes a conscious effort to search for female candidates with the required professional profile:

Explanation of the measures:

Among its various functions and competences, the Bylaws and the Regulations of the Board of Directors entrust the Appointments and Remuneration Committee with the function of ensuring that when new vacancies are filled or new Directors are appointed, the selection processes are free of any implicit bias entailing
discrimination of any kind and, in particular, of any bias that makes the selection of female Directors difficult. With a view to proposing two new Directors to fill the vacant positions of Mr. Madridejos and Mr. Ruiz de Haro outlined in the 2016 Annual Corporate Governance Report, and also taking into account best corporate governance practices, in particular the goal that at least 30% of Board members should be women by 2020, Cemex España, S.A., the Company's majority shareholder, evaluated various profiles within the Group’s organizational structure, including those of three women and one man, and proposed the appointment of Ms. Carmen Burgos Casas to occupy one of the aforementioned vacant positions.

The Company therefore has two female Directors, one of whom at the date of this report, Ms. Coloma Armero is a member of the three Committees of the Board of Directors and President of the Audit Committee and the other, Ms. Carmen Burgos Casas, is a member and Secretary of the Appointments and Remuneration Committee. Moreover, while she is not a Director, following a favorable report by the Appointments and Remuneration Committee, at their meeting held on December 18, 2017 the Board of Directors resolved to appoint Ms. Sandra Vizcaíno Cantón (who is not a Director) as Non-director Vice-Secretary of the Company.

When there are few or no female directors despite the measures taken, explain the reasons why:

N/A

C.1.6 bis Explain the conclusions of the appointments committee regarding verification of compliance with the director selection policy. In particular, explain how this policy favors the target of women representing at least 30% of the board of directors by 2020.

See above answer.

C.1.7 Explain how shareholders with significant holdings are represented on the board.

During the reporting period, the only shareholder with significant holdings represented on the Board is Cemex España, S.A., which has a direct holding of 70.53%.
Of the nine (9) members of the Board, one (1) is an Executive Director and five (5) are Non-executive Proprietary Directors, all of whom represent the shareholder Cemex España, S.A.

At December 31, 2017, 25.75% of share capital is held by non-controlling shareholders. This percentage is rounded down, and the exact figure is 25.754099%.

The three Non-executive Independent Directors account for 33.33% of the Board of Directors.

C.1.8. Explain, if applicable, why proprietary directors have been appointed at the request of shareholders who hold less than 3% of share capital.

During this period, no Proprietary Directors were appointed at the request of shareholders who hold less than 3% of share capital.

<table>
<thead>
<tr>
<th>Name or company name of shareholder</th>
<th>Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

- Provide details of any rejected formal requests for board representation from shareholders whose shareholding is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. Where appropriate, explain why these requests were not successful:

  No such request has been received.

C.1.9. Indicate whether any director has resigned from office before his/her term of office expired, whether that director has given the board his/her reasons and, if so, through what channel. If this was stated in writing, explain at least the reasons given by the director:

  No.

C.1.10 Indicate what powers, if any, have been delegated to the CEO(s):

<table>
<thead>
<tr>
<th>Name or company name of the director</th>
<th>Brief description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
C.1.11 List the directors, if any, who are directors or executives in other companies belonging to the listed company’s group:

In order to provide greater transparency, we have included the offices held by Board members in companies belonging to the CEMEX Group as a whole and not just the Cemex Latam subgroup.

<table>
<thead>
<tr>
<th>Name or company name of director</th>
<th>Company name of the group entity</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Juan Pablo San Agustín Rubio</td>
<td>Cemex Ventures España. S.L.U.</td>
<td>Chairman of the Board of Directors</td>
</tr>
<tr>
<td>Company Name</td>
<td>Position Description</td>
<td></td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Cemex Colombia, S.A.</td>
<td>Second substitute of the legal representative and principal member of the Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Cemex Administraciones LTDA</td>
<td>Main legal representative, Main legal representative and principal member of the Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Cemex Premezclados de Colombia, S.A.</td>
<td>Main legal representative, Main legal representative and principal member of the Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Cemex Transporte de Colombia, S.A.</td>
<td>Second substitute of the legal representative and principal member of the Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Central de Mezclas, S.A.</td>
<td>Second substitute of the legal representative and principal member of the Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Cemento Bayano, S.A.</td>
<td>Chairman of the Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Pavimentos Especializados, S.A.</td>
<td>Chairman of the Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Superquímicos de Centroamérica, S.A.</td>
<td>Vice-chairman of the Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Distribuidora de Materiales de Construcción DIMACO DMC, S.A. (Costa Rica)</td>
<td>Chairman of the Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Cemex Guatemala, S.A.</td>
<td>Chairman of the Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Cementos de Centro América, S.A.</td>
<td>Chairman of the Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Global Concrete, S.A</td>
<td>Chairman of the Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Gestión Integral de Proyectos, S.A.</td>
<td>Chairman of the Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Equipos para Uso de Guatemala, S.A.</td>
<td>Chairman of the Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Cemex El Salvador</td>
<td>Director-Chairman of the Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Cemex Caribe, S.A.</td>
<td>Chairman of the Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Cemex Perú, S.A.</td>
<td>Director of the Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Cemex Costa Rica</td>
<td>Chairman of the Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Lomas del Tempisque, S.R.L.</td>
<td>Manager</td>
<td></td>
</tr>
<tr>
<td>Cemex El Salvador</td>
<td>Chairman of the Board of Directors</td>
<td></td>
</tr>
</tbody>
</table>
### C.1.12. List any of the company’s directors who also sit on the boards of directors of other non-group entities that are listed on official securities markets, insofar as these have been disclosed to the company:

<table>
<thead>
<tr>
<th>Name or company name of director</th>
<th>Company name of the listed entity</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms. Carmen Burgos Casas</td>
<td>Cemex España Operaciones, S.L.U.</td>
<td>Director</td>
</tr>
<tr>
<td>Mr. Juan Pelegrí y Girón</td>
<td>Balboa Investment B.V.</td>
<td>Director</td>
</tr>
<tr>
<td></td>
<td>Cemex Deutschland AG</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cemex UK</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cemex España, S.A.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Corporación Cementera Latinoamericana, S.L.U.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>New Sunward Holding, B.V.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lopez International, B.V.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cemex Hrvatska d.d.</td>
<td>Member of the Oversight Board</td>
</tr>
<tr>
<td></td>
<td>Sierra Trading, Ltd.</td>
<td>Director</td>
</tr>
<tr>
<td></td>
<td>CCL Business Holdings, S.L.U.</td>
<td>Representative of the Sole Director Corporación Cementera Latinoamericana, S.L.U.</td>
</tr>
<tr>
<td></td>
<td>Business Material Funding, S.L.U.</td>
<td>Representative of the Sole Director Cemex España, S.A.</td>
</tr>
<tr>
<td></td>
<td>Cemex Ventures BV</td>
<td>Director</td>
</tr>
<tr>
<td></td>
<td>Cemex Ventures España, S.L.U.</td>
<td>Non-Director Secretary</td>
</tr>
</tbody>
</table>

N/A

N/A

N/A
C.1.13 Indicate whether the regulations of the board of directors establish rules on the maximum number of boards of companies on which its directors may sit, and if so, explain what the rules are:

Yes

Explanation:

Pursuant to article 12.1. a) of the Regulations of the Board of Directors, natural persons or legal entities holding the position of director in more than three (3) companies whose shares are admitted to trading on national or overseas stock exchanges may not be appointed Directors.

C.1.14 Section repealed

C.1.15 List the total compensation paid to the board of directors:

<table>
<thead>
<tr>
<th>Board compensation (thousands of Euros)</th>
<th>331</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of current Board members’ accumulated pension rights (thousands of Euros)</td>
<td>0</td>
</tr>
<tr>
<td>Amount of former Board members’ accumulated pension rights (thousands of Euros)</td>
<td>0</td>
</tr>
</tbody>
</table>

C.1.16 List any members of senior management who are not executive directors and indicate the total compensation accrued during the period:

<table>
<thead>
<tr>
<th>Name or company name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Josué R. González Rodríguez</td>
<td>CFO at Cemex Latam and CEMEX Colombia</td>
</tr>
<tr>
<td>Mr. Fernando Enríquez Martel</td>
<td>Vice-President of Operations at Cemex Latam and CEMEX Colombia</td>
</tr>
<tr>
<td>Mr. Francisco Aguilera Mendoza</td>
<td>Vice-President of Planning at Cemex Latam and CEMEX Colombia</td>
</tr>
</tbody>
</table>
Total senior management compensation (in thousands of Euros): 4,163

The above amount refers to total aggregate compensation of senior executives in the preceding table.

C.1.17 List any board members who are also members of the boards of directors of companies of significant shareholders and/or group companies:

<table>
<thead>
<tr>
<th>Name or company of director</th>
<th>Company name of significant shareholder</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms. Ana María Gómez Montes</td>
<td>Director of Legal Affairs at Cemex Latam and Compliance Officer at Cemex Latam.</td>
<td></td>
</tr>
<tr>
<td>Mr. Ricardo Naya Barba</td>
<td>Director of Colombia</td>
<td></td>
</tr>
<tr>
<td>Mr. Andrés Jiménez Uribe</td>
<td>Director of Panama</td>
<td></td>
</tr>
<tr>
<td>Mr. Enrique Alberto García Morelos</td>
<td>Director of Costa Rica</td>
<td></td>
</tr>
<tr>
<td>Mr. Yuri de los Santos Llanas.</td>
<td>Director of Nicaragua and El Salvador</td>
<td></td>
</tr>
<tr>
<td>Mr. Guillermo García Clavier</td>
<td>Director of Brazil</td>
<td></td>
</tr>
<tr>
<td>Mr. Guillermo Rojo de Diego</td>
<td>Director of Guatemala</td>
<td></td>
</tr>
</tbody>
</table>

Note: Section C.1.11 indicates the companies of the CEMEX Group, the parent of which is CEMEX, S.A.B. de C.V., on whose Boards of Directors the Directors of CEMEX Latam Holdings are present.
List, if applicable, the relevant relationships other than those included in the preceding section that link members of the board of directors with significant shareholders and/or group companies:

<table>
<thead>
<tr>
<th>Name or company name of director or related director</th>
<th>Name or company name of related significant shareholder</th>
<th>Description of relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jaime Muguiro Domínguez</td>
<td>CEMEX Colombia, S.A. and Cemex España Gestión y Servicios, S.L.</td>
<td>Employment</td>
</tr>
<tr>
<td>Juan Pablo San Agustín Rubio</td>
<td>Cemex España Gestión y Servicios, S.L.</td>
<td>Employment</td>
</tr>
<tr>
<td>Jaime Gerardo Elizondo Chapa</td>
<td>Cemex España, S.A.</td>
<td>Employment</td>
</tr>
<tr>
<td>José Luis Orti García</td>
<td>Cemex España Gestión y Servicios, S.L.</td>
<td>Employment</td>
</tr>
<tr>
<td>Carmen Burgos Casas</td>
<td>Cemex España Operaciones, S.L.U.</td>
<td>Employment</td>
</tr>
<tr>
<td>Juan Pelegrí y Girón</td>
<td>Cemex España Gestión y Servicios, S.L.</td>
<td>Employment</td>
</tr>
</tbody>
</table>

C.1.18 Indicate whether any changes have been made to the regulations of the board of directors during the period:

No

C.1.19 Indicate the procedures for selecting, appointing, re-electing, appraising and removing directors. List the competent bodies and the processes and criteria to be followed for each procedure.

The following procedures are detailed in the Company’s Bylaws and Regulations:

1) Nomination and appointment of candidates

Nomination of candidates
1. The Board of Directors shall ensure that: (i) the existing Director selection policy: (a) is specific and verifiable; (b) ensures that the proposed appointments or re-elections are supported by prior analysis of the requirements of the Board of Directors; (c) promotes diversity of knowledge, experience and gender in the Board; and (d) the result of the prior analysis regarding the Board's requirements is contained in the supporting report or proposal by the Appointments and Remuneration Committee published when convening the Shareholders' General Meeting to approve, appoint or re-elect Directors.

2. The Board of Directors and the Appointments and Remuneration Committee, within their area of authority, endeavor to ensure that the candidates proposed to the shareholders at a Shareholders’ General Meeting for appointment or re-election as a Director, as well as the Directors appointed directly to fill vacancies by the method of co-option, are honorable and qualified persons, of renowned solvency, competence, experience, qualifications, training, availability and commitment to their post.

3. In particular, the Board of Directors and the Appointments and Remuneration Committee consider the following principles:

   (a) That all Directors contribute a professional specialty and that they have previous experience related to the Company’s activities;
   (b) That all Directors have enough time to responsibly comply with the performance of their duties, and
   (c) That all Directors have the basic skills required to perform their duties properly.

4. In the case of a Director that is a legal entity, the individual representing it in the performance of the duties inherent to the position of Director is subject to the same requirements referred to in the preceding paragraph and is also personally subject to the incompatibilities and bound by the duties established for Directors in the Company’s Internal Regulations.

Appointment

1. Directors are appointed by the shareholders at the Shareholders' General Meeting pursuant to statutory requirements and the provisions of the Bylaws.

2. The proposals for the appointment and re-election of Directors submitted by the Board of Directors for approval by the shareholders at the Shareholders' General Meeting, and the appointments made by the Board of Directors using the
statutory method of co-option must be preceded by: (a) the corresponding proposal from the Appointments and Remuneration Committee, in the case of Independent Directors or (b) a report from the Appointments and Remuneration Committee, in the case of the other Directors. The new Director must be classified into one of the categories envisioned in the Regulations of the Board of Directors.

3. Directors shall accept their positions in a letter in which, among other matters, they commit not to directly or indirectly trade Company shares for a specific period in the event of circumstances such as takeover bids or other significant transactions, such as mergers or spin-offs.

2) Term of office and re-election

1. Directors hold office for three (3) years, so long as the shareholders at the Shareholders’ General Meeting do not resolve to remove them and the Directors do not resign from their position.

2. Directors may be re-elected for an unlimited number of three (3) year terms.

3. The law states that vacancies may be filled by members of the Board of Directors until the next Shareholders’ General Meeting. At this meeting, shareholders will confirm the appointments or elect the replacements of Directors who have not been ratified, unless they decide to eliminate the vacant positions.

4. The proposed re-elections that the Board of Directors decides to submit to the shareholders at the Shareholders’ General Meeting are subject to a process of preparation, which must include a proposal (for Independent Directors) or a report (for other Directors) issued by the Appointments and Remuneration Committee, containing an analysis of the quality of the work performed and the dedication to the position shown by the proposed directors during their previous term in office as well as an express evaluation of their honorability, suitability, solvency, competence, availability and commitment to their duties.

Accordingly, the members of the Appointments and Remuneration Committee are evaluated by the Committee itself, which shall use the internal and external means it deems appropriate for such purpose. All Directors will excuse themselves from meetings during any deliberations or votes that affect them.

5. If the Chairman, Vice-Chairman, Coordinating Director and, should they be Directors, the Secretary and the Vice-Secretaries of the Board of Directors are re-elected as members of the Board of Directors by the shareholders at their
Shareholders’ General Meeting, they will continue to hold their previous positions on the Board without the need to be re-appointed. The foregoing does not withstand the power held by the Board of Directors to revoke the above positions.

3) Evaluation

Pursuant to article 26 of the Regulations of the Board of Directors, the Appointments and Remuneration Committee has the competencies required to report and review the selection criteria for Directors and to evaluate their performance. In particular, this Committee drafts and oversees an annual program for an ongoing evaluation and review of the qualifications and training required to hold the position of Director and to be a member of a Committee.

4) Removal

The Appointments and Remuneration Committee reports any proposed removals of Directors put forward by the Board.

Pursuant to article 13.3 of the Regulations of the Board of Directors, should the Directors find themselves in one of the situations in which they are forced to tender their resignation (these situations are listed in the answer to the question in C.1.21 below), the Board will request that the Director formally resign from his/her position and, if applicable, will propose his/her removal to the Shareholders’ General Meeting. The shareholders at the Shareholders’ General Meeting have the power to approve the removal of the Director in question, as indicated in article 7.1 (b) of its Regulations.

C.1.20 Explain the extent to which the annual evaluation of the board has prompted significant changes in its internal organization and the processes applicable to its operations:

<table>
<thead>
<tr>
<th>Description of the changes</th>
</tr>
</thead>
</table>
Following the results obtained in the annual evaluation, measures have been taken in order to ensure (i) greater dedication by the Board of Directors to strategy, business and risk-related matters; (ii) greater access and availability of documentation for the Directors; (iii) more ongoing training for Directors.

C.1.20 bis Describe the process and areas of the evaluation carried out by the board of directors, assisted, if necessary, by an external advisor, regarding the powers and diversity of the board's members, the functioning and composition of its committees, the performance of the chairman of the board of directors and the CEO and the performance and contribution of each director.

In 2014, 2015 and 2016 an internal evaluation was performed of the Board of Directors and the Directors, without the aid of an external consultant, as follows: (i) the Appointments and Remuneration Committee prepared the evaluation questionnaires; (ii) the services of PricewaterhouseCoopers, S.L. (PwC) were commissioned to send the aforementioned questionnaires to their addressees and to receive their replies, maintaining the confidentiality of the replies at all times; (iii) PwC sent the results of the Directors' evaluations to the Chairman of the Board; (iv) the Chairman of the Board held individual meetings with each of the Directors; (v) the appropriate measures were adapted in order to improve the functioning of the Board of Directors, its Committees, the work of its Chairman and CEO as well as the appropriateness of its composition.

Nonetheless, as noted in section C.1.5, at its meeting held on December 18, 2017 and at the proposal of the Appointments and Remuneration Committee on December 15, 2017, the Board of Directors resolved to engage an independent external consultant to perform the annual evaluation of the functioning and quality of the work of the Board of Directors, the Chairman's performance and the functioning of the Committees and the evaluation of the Directors for 2017. At its meeting of February 6, 2018, the Appointments and Remuneration Committee approved the terms of the tender to select the above consultant.

C.1.20 ter Disclose, if applicable, any business relationships that the advisor or any of the companies of its group has with the company or any company of its group.
N/A. See response to C.1.20 bis

C.1.21 Indicate the cases in which directors must resign.

Directors must tender their resignation:

(a) when, due to unforeseen circumstances, they are involved in one of the scenarios of incompatibility or prohibition envisaged by the law, the Bylaws or the Regulations of the Board of Directors;

(b) when, as a result of any events or conduct attributable to the Director, serious damage is caused to the value or reputation of the Company or Group companies or there is a risk to the Company or Group companies of criminal liability;

(c) when they cease to have the honorability, suitability, solvency, competence, availability or commitment to their duties required of a Director of the Company;

(d) when their presence on the Board of Directors may jeopardize, directly, indirectly or through related parties (in accordance with the definition given in article 37.2 of the Regulations of the Board of Directors), the faithful and diligent performance of their duties in furtherance of the corporate interest;

(e) when the reasons for which the Director was appointed cease to exist and, in particular, in the case of Proprietary Directors, when the shareholder or shareholders who proposed, requested or decided on their appointment sell or transfer all or part of their shareholding, with the result that it ceases to be significant or sufficient to justify the appointment;

(f) when they are severely reprimanded by the Board of Directors for failing to fulfill any of their duties as Directors, through a resolution adopted by a majority of two thirds of the Board (2/3).

(g) when an Independent Director is affected, at any time following his/her appointment as such, by any of the circumstances that prevent him/her from holding office provided for in the Regulations of the Board of Directors, and;

(g) when the activities carried out by the Director, the companies they directly or indirectly control, natural persons or legal entities that are shareholders of or related to any one of them or individuals representing a Director that is a legal entity may compromise a Director’s suitability to hold office.
C.1.22 Section repealed

C.1.23 Are qualified majorities, other than those prescribed by law, required to make any decisions?

Yes  No

▪ Give a brief description of any differences.

Description of the differences:

Quorum for the adoption of resolutions

General rule: resolutions must be adopted by an absolute majority of the members attending the meeting in person or by proxy.

Qualified majorities: pursuant to paragraph 3 of article 39 of the Bylaws, a two-thirds majority is required before the Board can adopt resolutions on any one of the following matters:

(a) when the Company is extended loans, credit facilities or any other financing whereby it shall incur a liability in the reporting period for an accumulated amount in excess of two hundred and fifty million Euros (Euros 250,000,000) or the equivalent amount in other currencies, including any debt repayments;

(b) any investments in the reporting period for an accumulated amount in excess of two hundred and fifty million Euros (Euros 250,000,000) or the equivalent amount in other currencies;

(c) issuance of non-convertible or convertible and/or exchangeable bonds as delegated by shareholders at the Shareholders' General Meeting;

(d) acquisition or sale of any assets for an accumulated amount in the reporting period in excess of two hundred and fifty million Euros (Euros 250,000,000) or the equivalent amount in other currencies;

(e) transactions of any nature with people or entities from countries sanctioned by the United States or the European Union;
(f) use of cash for purposes other than repaying debt (including the debt of Cemex Group companies other than the Company or its subsidiaries) for an accumulated amount in the reporting period in excess of one hundred and fifty million Euros (Euros 150,000,000) or the equivalent amount in other currencies; and

(g) powers granted for any of the above competences.

(h) Appointment of members to the Executive Committee and delegation of powers thereto.

A resolution must also be approved by two thirds of the Directors to:

a) Appoint CEOs (article 37.4 of the Bylaws).

b) Amend the Regulations of the Board of Directors (article 4.1 of the Regulations of the Board of Directors).

c) Reprimand Directors for failing to fulfill any of their duties as Directors (article 13.2 (f) of the Regulations of the Board of Directors)

C.1.24 Indicate whether the chairman of the board of directors must fulfill any specific requirements other than those relating to the directors before being appointed.

Description of the requirements:

The Chairman does not have to fulfill any specific requirements other than those asked of Directors. However, the appointment of the Chairman must be preceded by a report from the Appointments and Remuneration Committee on the competency of the candidate, in order to:

- Evaluate the skills, knowledge and experience required on the Board. With this aim, the Committee will define the functions and capabilities required of the candidates for each vacancy, and assess the time and dedication necessary for them to perform their duties effectively;

- Report on and make proposals of appointments to executive positions on the Board of Directors and on proposals of the members of Committees (with the exception of the members of the Appointments and Remuneration Committee);
Examine and organize the succession of the Chairman of the Board and CEO of the Company, making any recommendations to the Board to ensure that the handover proceeds in an orderly and planned manner.

C.1.25 Indicate whether the chairman has the deciding vote:

Yes  No

Matters on which the Chairman has the deciding vote:

Pursuant to paragraph 2 of article 39 of the Bylaws, the Chairman shall have the deciding vote in the event of a tie although the matters to which this applies are not specifically defined.

C.1.26 Indicate whether the bylaws or the regulations of the board of directors set any age limit for directors:

Yes  No

C.1.27 Indicate whether the limit set by the bylaws or the regulations of the board of directors on the term of office of independent directors is different to the statutory limit:

Yes  No

In accordance with article 529 duodecies of the Spanish Companies Act, article 8.2.i of the Regulations of the Board of Directors stipulates that persons who have held the position of Director for more than twelve years may not be considered Independent Directors.

C.1.28 Indicate whether the bylaws or regulations of the board of directors stipulate specific rules on appointing a proxy to the board, the procedures for doing so and, in particular, the maximum number of proxies a director may appoint. Also indicate whether any limits have been established with regard to the categories which may be appointed as proxies, in addition to those stipulated by law. If so, give brief details of these rules.
Pursuant to article 30 of the Regulations of the Board of Directors, any Directors unable to attend Board meetings in person may give a proxy to another Director as follows:

(i) They must give the proxy appropriate instructions;
(ii) The proxy must be granted specially for the Board meeting in question;
(iii) The proxy may be sent by any means that will ensure that it is received;
(iv) A proxy may not be granted in connection with matters that represent a conflict of interest for a Director; and
(v) Non-executive Directors may only appoint proxies who are also Non-executive Directors.

Therefore, the Company’s Internal Regulations do not establish a maximum number of proxies that may be appointed by a Director and do not stipulate any restriction of the proxy to a Director from the same category other than that contained in section two of article 529 quater of the Spanish Companies Act.

C.1.29 Indicate the number of board meetings held during the period and, if appropriate, the number of times it was convened in the absence of the chairman. For the calculation, proxies given specific instructions should be considered as attendance:

<table>
<thead>
<tr>
<th>Number of Board meetings</th>
<th>11(^{(1)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Board meetings convened in the absence of the Chairman</td>
<td>1</td>
</tr>
</tbody>
</table>

(1) The Board of Directors decided upon one (1) vote in writing instead of in a meeting, as permitted by article 28.8 of the Regulations of the Board of Directors.

If the chairman is an executive director, indicate the number of meetings chaired by the coordinating director without any executive directors in attendance or represented

| Number of meetings | N/A |

Indicate the number of meetings held by the various board committees during the period:
Number of meetings of the Audit Committee | 11
Number of meetings of the Appointments and Remuneration Committee | 4\(^{(1)}\)
Number of meetings of the Corporate Governance Committee | 6

(1) The Appointments and Remuneration Committee held one (1) vote in writing instead of in a meeting, as permitted by article 28.8 of the Regulations of the Board of Directors.

C.1.30 Indicate the number of board meetings held during the period attended by all board members. For the calculation, proxies given specific instructions should be considered as attendance:

| Number of meetings attended by all Directors | 11 |
| Number in attendance as a % of total votes in the period | 100% |

C.1.31 Indicate whether the individual and consolidated annual accounts submitted to the board for approval had been certified:

Yes  No

C.1.32 Explain any mechanisms established by the board of directors to prevent the separate and consolidated financial statements it authorizes for issue from being presented to the shareholders at the shareholders' general meeting with a qualified auditor's report.

The Board of Directors has not established any specific mechanisms in this regard. Nonetheless, one of the functions of the Audit Committee is to oversee the process of preparing and presenting financial information and reviewing the annual accounts before they are submitted to the Board of Directors and the shareholders at the Shareholders' General Meeting for approval or authorization for issue. The purpose of this is to allow for identification of any possible objections and, where applicable, to make it easier to correct them and,
consequently, avoid receiving a qualified auditor’s report from the Company’s auditor. The Audit Committee regularly receives information on the audit program and on the results of that program from the auditor.

C.1.33 Is the secretary of the board also a director?

Yes  No

C.1.34 Section repealed

C.1.35 Describe any specific mechanisms that have been established by the company to safeguard the independence of external auditors, financial analysts, investment banks and rating agencies.

The Audit Committee must approve the auditor selection policy and make proposals to the Board for the appointment, reappointment or replacement of the auditors, to be submitted to the shareholders for subsequent authorization at the Shareholders' General Meeting.

To safeguard its independence, the Company may not appoint as its auditor any person or firm that has received revenues representing 25% or more of their annual revenues for the previous year from the Company and/or the companies to which it is related directly or indirectly, through any of the control relationships listed in article 42 of the Code of Commerce, or appoint individuals or firms subject to the incompatibilities provided for in prevailing legislation at any given time.

In addition, the Audit Committee must receive from the auditor an annual written confirmation of its independence from the Company and all entities directly or indirectly related to it and information on the additional services rendered of any nature and the corresponding fees received by the auditor and its related entities from the Company or aforementioned entities, in accordance with applicable legislation.

Lastly, the Committee must issue an annual report expressing an opinion on auditor independence. This report must also include the value of additional services provided other than statutory audits, as mentioned in the above paragraph, both individually and as a whole, with regard to the independence framework and in accordance with audit legislation.
To date no mechanisms to preserve the independence of financial analysts, investment banks and rating agencies have been implemented.

C.1.36 Indicate whether the company has changed its external auditor during the period. If so, identify the incoming and outgoing audit firm:

Yes  No

<table>
<thead>
<tr>
<th>Outgoing auditor</th>
<th>Incoming auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

C.1.37 Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group:

Yes  No

In 2017, the KPMG Group, through its KPMG International affiliates, performed non-audit work for the Cemex Latam Group.

<table>
<thead>
<tr>
<th>Amount for non-audit work (thousands of Euros)</th>
<th>Company</th>
<th>Group</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>93</td>
<td>109</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amount for non-audit work as a % of the total invoiced by the audit firm</th>
<th>Company</th>
<th>Group</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.3%</td>
<td>10.4%</td>
<td>9.0%</td>
<td></td>
</tr>
</tbody>
</table>

C.1.38 Indicate whether the auditor's report on the previous year's annual accounts is qualified or includes reservations. Indicate the reasons given by the president of the audit committee to explain the content and scope of those reservations or qualifications.

Yes  No
The auditor's report expresses an unqualified opinion and does not include reservations.

C.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the annual accounts of the company and/or its group. Likewise, indicate for how many years the current firm has been auditing the annual accounts as a percentage of the total number of years during which the annual accounts have been audited:

“KPMG Auditores, S.L.” was initially appointed as the Company and Group auditor on November 6, 2012, to audit the annual accounts of “Cemex Latam Holdings, S.A.” and its subsidiaries for 2012, 2013 and 2014. In addition, the reappointment of the aforementioned auditor for these years was approved at the Shareholders' General Meetings held in 2015, 2016 and 2017.

KPMG Auditores, S.L. has been the auditor of “Cemex España, S.A.” (previously “Compañía Valenciana de Cementos Portland, S.A.”), the Company’s controlling shareholder, since 1992. In addition, the KPMG International Group audits the entire CEMEX Group, the parent of which is CEMEX, S.A.B. de C.V.

<table>
<thead>
<tr>
<th>Number of consecutive years</th>
<th>Company</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No. of years audited by the current audit firm/No. of years that the Company has been audited (%)</th>
<th>Company</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

C.1.40 Indicate whether there is a procedure whereby directors can contract external advisory services and, if applicable, provide details:

Yes No

Details of the processes:

Directors may request external advice providing that a majority of the Directors present at the Board meeting authorize them to do so.
Members of the Board Committees may also at any time request the services of external advisors when they feel it necessary in order to correctly carry out their duties.

C.1.41 Indicate and, where appropriate, describe any processes in place to provide directors with the information they need in a timely fashion to prepare for meetings held by the governing bodies:

Yes No

Details of the processes:

Except for certain justified cases where information cannot be provided in sufficient time, Directors shall receive the documentation needed to prepare for meetings of the Board and Board Committees at least three (3) days before the date of the meeting. Likewise, at the request of the Board of Directors on February 9, 2018, it will be proposed that the documentation of the Board of Directors be handed out five (5) days in advance, following Colombian good governance recommendations.

C.1.42 Indicate and, where appropriate, give details of whether the company has established rules requiring directors to inform the board of any circumstances that might harm the organization’s name or reputation and, if necessary, to tender their resignation:

Yes No

Details of rules

Article 13 of the Regulations of the Board of Directors states that Directors to which these circumstances apply must tender their resignation to the Board of Directors and formally resign from their position.

If these circumstances arise for any individuals representing legal-entity Directors, they will be disqualified as representatives.
C.1.43  Indicate whether any directors have notified the company that they have been indicted or tried for any of the offenses referred to in article 213 of the Spanish Companies Act:

Yes  No

C.1.44  Detail the significant agreements to which the company is a party and which will take effect, be amended or terminate upon a change of control of the company as a result of a public takeover bid and the consequences of such an event.

The Company has entered into a number of intragroup contracts with other companies in the CEMEX Group. These contracts contain change-of-control clauses that would cause them to be terminated if the Company ceases to be controlled, either directly or indirectly, by the parent of the CEMEX Group.

The contracts are as follows:

- Framework Agreement entered into on October 5, 2012 by the Company, CEMEX, S.A.B. de C.V. and CEMEX España, S.A., governing intragroup relations, which was novated on March 28, 2017.

- Credit facilities arranged by the Company with Construction Funding Corporation (finance company of the CEMEX Group) on August 31, 2012. These credit facilities were extended by Construction Funding Corporation to New Sunward Holding, B.V. (the CEMEX Group's finance company) on January 1, 2015, which transferred them to Lomez International International BV in the first quarter of 2018.

- License agreement for the use of intangible assets entered into with Cemex Research Group AG (holding company that owns the intellectual-industrial property rights over the Group’s intangible assets), which entered into effect on July 1, 2012.

- License agreement entered into with CEMEX, S.A.B. de C.V. for the use of trademarks, which took effect on July 1, 2012.

- Business support and management services agreement entered into with Cemex Central, S.A. de C.V, which took effect on July 1, 2012.
Note: The Company has, in turn, entered into sub-licensing agreements with its Group subsidiaries. They state that the contracts will be terminated if any of the Group subsidiaries are excluded from the CEMEX Group as a result of a change in control thereof.

C.1.45 Identify, in aggregate form, and provide detailed information on, agreements between the company and its directors, management and employees that provide indemnities, or “golden parachute” clauses, in the event of resignation, unfair dismissal or termination as a result of a takeover bid or other transactions.

<table>
<thead>
<tr>
<th>Number of beneficiaries</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of beneficiary</td>
<td>Description of the agreement</td>
</tr>
<tr>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

There are no agreements between the Company and its Directors, management or employees that provide indemnities, or “golden parachute” clauses, in the event of resignation, unfair dismissal or termination as a result of a takeover bid or other transactions.

Indicate whether these agreements must be reported to and/or authorized by the decision-making bodies of the company or its group:

<table>
<thead>
<tr>
<th>Body authorizing clauses</th>
<th>Board of Directors</th>
<th>Shareholders' General Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

If such agreements exist, the authorization procedure is as follows:

In accordance with the Bylaws, the competences of the Board of Directors include the approval, upon request by the Chairman of the Board or the CEO, of the appointment or removal of the Company’s senior executives, and establishment of the terms of their contract and severance package or compensation in the event of their removal.

However, under a proposal put forward by the Chairman of the Board in this connection, the Audit Committee is responsible for submitting, as applicable, a reasoned proposal to the Board of Directors on the selection, appointment or removal of the Director of the Internal Audit Department. For this purpose, Directors who report directly to the Board of Directors, its Chairman or the
Company’s CEO, and the Director of the Internal Audit Department shall be considered senior management, as well as any other manager whom the Board of Directors regards as a senior manager.

The Appointments and Remuneration Committee is also responsible for reporting any proposed appointments or removals of senior managers and proposing the basic terms of their contracts to the Board of Directors.

<table>
<thead>
<tr>
<th>Are the shareholders notified of such clauses at the Shareholders' General Meeting?</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** The shareholders are notified of such clauses at the Shareholders' General Meeting if the nature of the contract so requires.

**C.2. Committees of the board of directors**

**C.2.1** Provide details on the committees of the board of directors, its members and the proportion of executive, proprietary, independent and other non-executive directors therein:

**AUDIT COMMITTEE**

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms. Coloma Armero Montes</td>
<td>President</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Mr. Rafael Santos Calderón</td>
<td>Member:</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Mr. Gabriel Jaramillo Sanint</td>
<td>Member:</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Mr. José Luis Orti García</td>
<td>Secretary</td>
<td>Proprietary Director</td>
</tr>
</tbody>
</table>
Explain the duties assigned to this committee, describe the procedures and rules that apply to the organization and functioning thereof and summarize its key actions during the year.

**1) Organizational and operational rules:**

Pursuant to article 43 of the Bylaws and article 25 of the Regulations of the Board of Directors, the organizational and operational rules of the Audit Committee are as follows:

- The Board of Directors has created a standing Audit Committee, a non-executive internal reporting and consultation body with reporting, advisory and proposal-making powers within its area of activities.

- The Audit Committee is made up of a minimum of three (3) and a maximum of five (5) Directors appointed by the Board of Directors from among Non-executive Directors proposed by the Appointments and Remuneration Committee, the majority of whom must be Independent Directors. One of the Independent Directors must be appointed based on their knowledge and experience in either accounting or audit matters, or both.

- The Board of Directors will select the President of the Audit Committee from among its Independent Directors. It will also appoint the Secretary of the Committee, who need not be a Director but must comply with the obligations applicable to Directors established in the Regulations of the Board of Directors. The President of the Audit Committee may only serve in this role for a maximum of four (4) years, upon conclusion of which the President may not be re-elected until at least one (1) year has elapsed since his/her removal, without prejudice to his/her continuing presence or re-election as member of the Committee.
• The Board of Directors will endeavor to ensure that the members of the Audit Committee and, in particular, the President, have the right knowledge, skills and experience in accounting, audit or risk management matters for the functions they are called upon to perform.

• Members of the Audit Committee will be appointed for a maximum term of three (3) years and may be re-elected on one or more occasions for maximum terms of three (3) years.

• To fulfill its duties, the Audit Committee may request that the services of external advisors be contracted, when considered necessary, in accordance with the Company’s general terms of business.

• The Audit Committee will meet as many times as its President deems necessary to perform the competences entrusted to the Committee and at least once (1) every quarter. It will also meet when so requested by at least two (2) of its members. The Chairman of the Board of Directors and the CEO may request a meeting with the Audit Committee for information purposes on an exceptional basis.

• The Audit Committee may be validly convened when the majority of its members attend meetings in person or by proxy, and its resolutions may be adopted upon a simple majority of those present or represented. In the event of a tie, the President of the Audit Committee has the deciding vote.

• The members of the Audit Committee may delegate their vote to another member of the Committee. The resolutions adopted by the Audit Committee are recorded in the minutes of the meeting, which must be signed by the President and the secretary and specify the form that the meeting took, the identity of those in attendance and the number of votes cast in favor of each of the items on the agenda.

• Directors may be obliged to attend meetings held by the Audit Committee should the President of this Committee ask the Chairman of the Board of Directors to approve such a request. The President of the Committee may also request the attendance of any Director, manager or employee of the Company or Group companies, as well as any member of the management bodies of its investees whose appointment was proposed by the Company, provided that there is no legal impediment that prevents them from doing so.
The Company’s auditors may also attend the meetings of the Audit Committee where they will have the right to speak but not to vote.

The President of the Audit Committee will report to the Board of Directors on the matters discussed and the resolutions adopted at the Committee meetings in the first meeting of the Board of Directors after the Audit Committee’s meetings. Within three (3) months of the end of the reporting period, the Audit Committee will also submit for approval by the Board of Directors a report detailing its work in the prior period, which will subsequently be made available to the shareholders when the Shareholders’ General Meeting is called.

2) Functions and responsibilities of the Audit Committee.

The Audit Committee shall have the competences established by law – with the exception of that relating to prior reviewing and reporting of transactions with related parties to the Board of Directors, which is assigned to the Corporate Governance Committee – and any other competences assigned by the Board of Directors.

The Audit Committee has the following competences and powers, according to the Regulations of the Board of Directors:

(a) Reporting to the shareholders at the Shareholders' General Meeting regarding issues raised therein by shareholders on matters within its area of authority;

(b) Overseeing the effectiveness of (i) the Company's internal control; (ii) Internal Audit, which will report to the Audit Committee, and compliance with the internal audit program, which shall take into account the corporate risks and assess all the divisions of the Company as a whole; (iii) the risk management systems, including those relating to tax, and; (iv) discussing with the auditor significant weaknesses in the internal control system identified in the course of the audit;

(c) Monitoring the independence of the Internal Audit unit; proposing the selection, appointment, re-election and removal of the head of the Internal Audit Division; proposing the department’s budget; approving its training and work programs, ensuring that its activity primarily focuses on the Company's key risks; receiving regular reports on its activities; and verifying that senior management considers the conclusions and recommendations of its reports.
For the purposes of the above paragraph, the Audit Committee shall ensure that the head of the Internal Audit unit presents an annual work program to the Audit Committee, reports to it directly on any incidents arising during its implementation, and submits an activities report at the end of each period;

(d) Supervising a mechanism whereby staff can report, confidentially and, if possible and appropriate, anonymously, any significant irregularities detected in the course of their duties, in particular financial or accounting irregularities with potentially serious implications for the Company and the Group companies;

(e) Overseeing the preparation, filing and comprehensiveness of the regulated financial information pertaining to the Company and its Group, ensuring compliance with regulatory requirements, the suitable demarcation of the consolidated Group and the correct application of accounting policies, and establishing the policies and practices to be applied by the Company in the construction, disclosure and dissemination of its financial information;

(f) Assessing all matters concerning the Company's non-financial risks, such as operational, technological, legal, social, environmental, political and reputational risks;

(g) Proposing the selection, appointment, reappointment or replacement of the auditors and the terms of business therewith to the Board of Directors for approval at the Shareholders’ General Meeting, in accordance with applicable legislation, regularly gathering information from the auditors regarding the audit plan and its implementation and safeguarding the independence of the auditors in the course of their duties.

The Company may not appoint as its auditor any person or firm that has received revenues representing at twenty-five percent (25%) or more of their annual revenues for the previous year from the Company and/or the companies directly or indirectly related to it through a control relationship as provided for in article 42 of the Code of Commerce;
(h) Establishing a good relationship with the auditors in order to obtain information, for examination by the Audit Committee, on issues that might jeopardize their independence, and any other issues relating to the audit process as well as other communications required by audit legislation and other auditing standards;

(i) Investigating the issues giving rise to the resignation of any external auditor;

(j) Ensuring that the external auditor's compensation for its work does not compromise the quality of its work or its independence;

(k) Ensuring the Company reports any change of auditor to the applicable regulatory authority, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for such disagreements;

(l) Ensuring that the external auditor holds an annual meeting with the full Board of Directors to report on the work performed and on the Company's accounting circumstances and risks;

(m) Ensuring that the Company and the auditor comply with prevailing legislation regarding non-audit services, limits on the concentration of the auditor's business and, in general, other standards on auditor independence;

(n) Receiving an annual letter from the auditors confirming their independence with respect to the Company and all entities directly or indirectly related to it, as well as information regarding any additional services provided and the corresponding fees received by the auditor and its related entities from the Company or aforementioned entities, in accordance with applicable legislation;

(o) Issuing, prior to the auditor's report on annual accounts, an annual report expressing an opinion on the independence of the auditor. This report must also address the value of additional services provided other than statutory audits, as mentioned in the above section, both individually and as a whole, with regard to the independence framework and in accordance with audit legislation;

(p) Ensuring that the Board of Directors presents the annual accounts to the shareholders at the Shareholders' General Meeting without limitations or qualifications in the auditors’ report. Should such limitations or
qualifications exist, both the President of the Audit Committee and the auditors should clearly explain account to the shareholders the content and scope of such limitations or qualifications;

(q) Ensuring compliance with specific legislation applicable to the Company;

(r) Reviewing the financial statements before their submission for approval to the Board of Directors and the shareholders at the Shareholders’ General Meeting, ensuring that the interim financial statements are drafted in accordance with the same accounting standards as the annual accounts, and considering for this purpose the possibility of auditing such interim financial statements or submitting them for a limited review;

(s) Coordinating the process of reporting non-financial information and data on diversity, in accordance with applicable legislation and international standards;

(t) Defining mechanisms to consolidate the information of the issuer’s control bodies to be submitted to the Board of Directors;

(u) Issuing such other reports or carrying out such other activities as may fall within its purview pursuant to the Company’s Internal Regulations or as may be requested by the Board of Directors or its Chairman;

(v) Reporting matters provided for by the law, the Bylaws and the Regulations of the Board of Directors in advance, in particular:

1. - The financial information that the Company must periodically disclose,

2. - The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens; and

(w) Performing all other functions assigned by the Board of Directors or that correspond to them by law.

The Audit Committee must be informed of the structural and corporate changes the Company or any Group company intends to make, to analyze such actions and issue a prior report to the Board of Directors concerning economic conditions and their accounting and tax impact and, in particular, on any proposed share exchange ratios.
The Audit Committee shall also prepare an annual Oversight Systems Report on Risk Management which will be included in the Annual Corporate Governance Report and the Directors’ Report. Once this report has been approved by the Board of Directors and included in the Annual Corporate Governance Report it will be made available to all shareholders along with the rest of the documentation for the shareholders at the Shareholders’ Ordinary General Meeting.

3) Key actions during the year.

a) Supervising the preparation and presentation of regulated financial information (both the Financial Statements and the Annual Accounts)

b) Supervising the activities and independence of the Internal Audit Area, in particular the results on anonymous and confidential channels for complaints, the main results of the assessment of the operational risks identified in the countries where the Company operates and of the potential financial losses in these countries, among other matters. The Committee has also monitored the necessary actions and recommendations issued by the Colombian Institute of Internal Auditors (IIA) so as to secure IIA Global certification.

c) Issuing a report on the independence of the auditors and proposing reappointment of the auditors. In this regard, it should be noted that the auditors have been in constant contact with the Audit Committee and have attended most of its meetings. The Committee has also reviewed and authorized the various non-audit services provided by KPMG Auditores, S.L. that the Committee has considered to be permitted under European and Spanish legislation.

d) On September 23, 2016 an extraordinary meeting of the Audit Committee was convened in which the Committee was informed of potential irregularities in the acquisition of the plots and other assets located in Maceo where Cemex Colombia, a subsidiary of the Company, was constructing the Maceo plant. These irregularities came to light as a result of the internal investigation commissioned by the Company after receiving an anonymous complaint. Consequently, the Commission held six meetings in 2016 at which, as a matter of priority, it dedicated its work to the events at the Maceo plant.
In 2017 the Committee continued to focus on issues relating to the Maceo plant.

e) Issue of the report on the Group’s corporate tax policy

Identify the director who has been appointed to the audit committee on the basis of their knowledge and experience in either accounting or audit activities or both. Indicate the number of years that the president of this committee has held their position.

<table>
<thead>
<tr>
<th>Name of the experienced director</th>
<th>Mr. Gabriel Jaramillo Sanint, Ms. Coloma Armero and Mr. José Luis Orti</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of years the President has held this position</td>
<td>1 year(^{(1)})</td>
</tr>
</tbody>
</table>

\(^{(1)}\) On January 24, 2017 the Board of Directors approved the appointment of Ms. Coloma Armero Montes as President of the Audit Committee, replacing Mr. Gabriel Jaramillo upon the expiry of the four-year period as stipulated in article 25.3 of the Regulations of the Board of Directors.

Also at the aforementioned meeting of the Board of Directors, the Appointments and Remuneration Committee’s proposal to appoint Mr. José Luis Orti García as a member of the Audit Committee was approved, as was his appointment as Secretary of this Committee, replacing Ms. Coloma Armero Montes in this position. This brings the number of Directors who are Committee members from three to four.

**APPPOINTMENTS AND REMUNERATION COMMITTEE**

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Category</th>
</tr>
</thead>
</table>
Mr. Rafael Santos Calderón  President  Independent Director
Ms. Coloma Armero Montes  Member  Independent Director
Ms. Carmen Burgos Casas  Secretary  Proprietary Director

% Executive Directors
% Proprietary Directors  33.333%
% Independent Directors  66.667%
% other Non-executive Directors

Explain the duties assigned to this committee, describe the procedures and rules that apply to the organization and functioning thereof and summarize its key actions during the year.

1) Organizational and operational rules:

Pursuant to article 44 of the Bylaws and article 26 of the Regulations of the Board of Directors, the main organizational and operational rules of the Appointments and Remuneration Committee are as follows:

- The Board of Directors has created a standing Appointments and Remuneration Committee, which is a non-executive internal reporting and consultation body with reporting, advisory and proposal-making powers within its area of activities.

- The Appointments and Remuneration Committee is made up of a minimum of three (3) and a maximum of five (5) Directors appointed by the Board of Directors from among Non-executive Directors, the majority of whom must be Independent Directors.
The Board of Directors will select the President of the Appointments and Remuneration Committee from its Independent Directors who are members of the Committee. It will also appoint the Secretary of the Committee, who need not be a Director but must comply with the obligations applicable to Directors established in the Regulations of the Board of Directors.

The Board of Directors will endeavor to ensure that the members of the Appointments and Remuneration Committee have the appropriate knowledge, skills and experience for the duties they are called upon to perform.

Members of the Appointments and Remuneration Committee are appointed for a maximum term of three (3) years and may be re-elected on one or more occasions for maximum terms of three (3) years.

To fulfill its duties, the Appointments and Remuneration Committee may request that the services of external advisors be contracted, when considered necessary, in accordance with the Company's general terms of business.

The Appointments and Remuneration Committee will meet as many times as its President deems necessary to carry out the competences entrusted to it and at least once (1) a year. It will also meet when so requested by at least two (2) of its members. The Chairman of the Board of Directors and the CEO may request a meeting with the Appointments and Remuneration Committee for information purposes on an exceptional basis.

The Appointments and Remuneration Committee may be validly convened when the majority of its members attend meetings in person or by proxy, and its resolutions may be adopted upon a simple majority of those present or represented. In the event of a tie, the President of the Appointments and Remuneration Committee has the deciding vote.

The members of the Appointments and Remuneration Committee may delegate their vote to another member of the Committee. The resolutions adopted by the Appointments and Remuneration Committee are recorded in the minutes of the meeting, which must be signed by the President and the secretary and specify the form that the meeting took,
the identity of those in attendance and the number of votes cast in favor of each of the items on the agenda.

- Directors may be obliged to attend meetings held by the Appointments and Remuneration Committee should the President of the Committee ask the Chairman of the Board of Directors to approve such a request. The President of the Committee may also request the attendance of any Director, manager or employee of the Company or Group companies, as well as any member of the management bodies of its investees whose appointment was proposed by the Company, provided that there is no legal impediment that prevents them from doing so.

- The President of the Appointments and Remuneration Committee will report to the Board of Directors on the matters discussed and the resolutions adopted at the Committee meeting in the first meeting of the Board of Directors after the Committee’s meetings. Within three (3) months of the end of the Company’s reporting period, the Appointments and Remuneration Committee will also submit a report detailing its work during the prior period for approval by the Board of Directors.

2) Functions and responsibilities of the Appointments and Remuneration Committee:

   (a) Evaluate the skills, knowledge and experience required on the Board. With this aim, the Committee will define the functions and capabilities required of the candidates for each vacancy, and assess the time and dedication necessary for them to perform their duties effectively;

   (b) Setting out the Committee's prior analysis of the requirements of the Board of Directors in a supporting report, which must be published when convening the Shareholders’ General Meetings during which Directors are approved, appointed or re-elected;

   (c) Establishing a target representation of the least-represented gender on the Board of Directors and preparing training on how to achieve this target;

   (d) Putting forward proposals to the Board of Directors for the appointment of Independent Directors (using the co-option method or submitting it to a decision by the shareholders at the Shareholders’ General Meeting), as well as proposals made by the shareholders at the Shareholders' General Meeting for the re-election or removal of Independent Directors.
and reporting on the proposed removal of Independent Directors by the Board of Directors;

(e) Reporting on the proposals for appointment of the other Directors (using the co-option method or submitting it to a decision by the shareholders at the Shareholders' General Meeting), as well as the proposals for re-election or removal of other Directors made by the shareholders at the Shareholders' General Meeting;

(f) Annually verifying compliance with the director selection policy prepared by the Board of Directors, providing information on this in the Annual Corporate Governance Report;

(g) Reporting on any proposed appointments or removals of senior executives and proposing the basic terms of their contracts to the Board of Directors;

(h) Drafting and overseeing an annual program for an ongoing evaluation and review of the qualifications and training required to hold the position of Director and to be a member of a Committee;

(i) Understanding the actions related to the conduct of members of the Company's Board of Directors which may represent breaches of the Internal Regulations, which shall be reported to the Board if considered necessary by the Committee;

(j) Examining and organizing the succession of the Chairman of the Board and CEO of the Company and, where appropriate, making any recommendations to the Board to ensure that the handover proceeds in an orderly and planned manner.

(k) Reporting to the Board of Directors regarding the compensation policy for Directors and senior executives and those performing senior management duties who report directly to the Board of Directors, the Executive Committee or CEOs and also regarding individual compensation and other contractual conditions for Executive Directors, as well as supervising compliance with this policy;

(l) Verifying the information on compensation of Directors and senior executives contained in corporate documentation, including the annual report on the compensation of Directors;
(m) Periodically reviewing the compensation policy applied to Directors and senior executives, including any share-based compensation schemes and the application thereof, and ensuring that individual compensation is proportionate to that paid to other Directors and senior executives at the Company and Group companies; and

(n) Performing all other functions assigned by the Board of Directors or required by law.

Each year, the Appointments and Remuneration Committee also prepares the Report on the Compensation of Directors and Senior Executives. Once this report has been approved by the Board of Directors and included in the Annual Corporate Governance Report it will be made available to all shareholders along with the rest of the documentation for the shareholders at the Shareholders' Ordinary General Meeting.

3) Key actions during the year.

a) Reports and proposals in relation to (i) the policy for the selection of candidate directors, (ii) the appointment of a Non-director Vice-Secretary and a new member of the Audit Committee and (iii) the appointment of a senior executive.

b) Reports on the compensation of senior executives, the proposed Directors' compensation policy and the proposed modification of the distribution of Directors' compensation.

c) Proposal to contract an independent external consultant for the evaluation process for 2017 and for the preparation of the terms of the tender process.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Gabriel Jaramillo Sanint (1)</td>
<td>President</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Ms. Coloma Armero Montes</td>
<td>Member</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Mr. Juan Pelegrí y Girón</td>
<td>Secretary</td>
<td>Proprietary Director</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% Executive Directors</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>% Proprietary Directors</td>
<td>33.333%</td>
</tr>
</tbody>
</table>
(1) On January 24, 2017 the Board of Directors approved the appointment of Ms. Coloma Armero Montes as President of the Audit Committee, replacing Mr. Gabriel Jaramillo upon the expiry of the four-year period as stipulated in article 25.3 of the Regulations of the Board of Directors. Consequently, the Board approved the appointment of Mr. Gabriel Jaramillo Sanint as President of the Corporate Governance Committee, replacing Ms. Coloma Armero Montes, who tendered her resignation as a result of her appointment as President of the Audit Committee.

**Explain the duties assigned to this committee, describe the procedures and rules that apply to the organization and functioning thereof and summarize its key actions during the year.**

### 1) Organizational and operational rules:

Pursuant to article 45 of the Bylaws and article 27 of the Regulations of the Board of Directors, the organizational and operational rules of the Corporate Governance Committee are as follows:

- The Board of Directors has created a standing Corporate Governance Committee, a non-executive internal reporting and consultation body with reporting, advisory and proposal-making powers within its area of activities.

- The Corporate Governance Committee is composed of a minimum of three (3) and a maximum of five (5) Directors appointed by the Board at the proposal of the Appointments and Remuneration Committee, from among the Non-executive Directors, the majority of whom must be Independent Directors.

- The Board of Directors will select the President of the Corporate Governance Committee from among its Independent Directors. It will also appoint the Secretary of the Committee, who need not be a Director but must comply with the obligations applicable to Directors established in the Regulations of the Board of Directors.
▪ The Board of Directors will endeavor to ensure that the members of the Corporate Governance Committee have the appropriate knowledge, skills and experience for the functions they are called upon to perform.

▪ Members of the Corporate Governance Committee will be appointed for a maximum term of three (3) years and may be re-elected on one or more occasions for maximum terms of three (3) years.

▪ To fulfill its duties, the Corporate Governance Committee may request that the services of external advisors be contracted, when considered necessary, in accordance with the Company's general terms of business.

▪ The Corporate Governance Committee will meet as many times as its President deems necessary to carry out the competences entrusted to it. It will also meet when so requested by at least two (2) of its members. The Chairman of the Board of Directors and the CEO may request a meeting with the Corporate Governance Committee for information purposes on an exceptional basis.

▪ The Corporate Governance Committee may be validly convened when the majority of its members attend meetings in person or by proxy, and its resolutions may be adopted upon a simple majority of those present or represented. In the event of a tie, the President of the Corporate Governance Committee has the deciding vote.

▪ The members of the Corporate Governance Committee may delegate their vote to another member of the Committee. The resolutions adopted by the Corporate Governance Committee are recorded in the minutes of the meeting, which must be signed by the President and the secretary and specify the form that the meeting took, the identity of those in attendance and the number of votes cast in favor of each of the items on the agenda.

▪ Directors may be obliged to attend meetings held by the Corporate Governance Committee should the President of this Committee ask the Chairman of the Board of Directors to approve such a request. The President of the Committee may also request the attendance of any Director, manager or employee of the Company or Group companies, as well as any member of the management bodies of its investees whose appointment was proposed by the Company, provided that there is no legal impediment that prevents them from doing so.
The President of the Corporate Governance Committee will inform the Board of Directors of the matters discussed and the resolutions adopted at the Committee meetings in the first Board meeting after the Committee’s meetings. In addition, within three (3) months of the end of each reporting period, the Corporate Governance Committee will submit a report detailing its work in the prior period for approval by the Board of Directors.

2) Functions and responsibilities of the Corporate Governance Committee:

(a) Periodically reviewing the Company’s Internal Regulations, with special emphasis on the corporate governance and compliance policies, and proposing to the Board of Directors, for approval or submission to the shareholders at the Shareholders' General Meeting, any amendments and updates that will contribute to their development and ongoing improvement;

(b) Reporting any amendments to the Company’s Internal Regulations that were not proposed by the Corporate Governance Committee;

(c) Promoting the Company’s corporate governance strategy;

(d) Overseeing compliance with statutory requirements and with the rules set forth in the Company’s Internal Regulations;

(e) Ensuring diligent compliance with the rules contained in the Company’s Internal Regulations and proposing to the Board of Directors the amendments it deems necessary to bring corporate governance standards into line with existing best practices;

(f) Overseeing compliance with the Company's internal codes of conduct and corporate governance rules;

(g) Assisting the Board of Directors in defining the Company’s framework for communicating with shareholders, stakeholders and the market in general, ensuring that they have complete, accurate and timely access to the most relevant information on the Company and supervising the strategy for shareholder and investor communications and relations, including small and medium-sized shareholders;
(h) Periodically assessing the suitability of the Company's corporate governance system, to ensure that it fulfills its objective of promoting the corporate interest and also takes into account the legitimate interests of other stakeholders;

(i) Reviewing the Company's corporate responsibility policy, to ensure that it is focused on value creation;

(j) Following the corporate social responsibility strategy and practices and assessing compliance therewith;

(k) Supervising and assessing the processes for relations with different stakeholders;

(l) Knowing, promoting, guiding and overseeing the Company's corporate reputation initiatives and reporting on them to the Board of Directors or to the Executive Committee, as the case may be;

(m) Coordinating training of new Directors and promoting training and refresher courses for them on matters relating to the Company's corporate governance;

(n) Prior to their approval, reporting on the Company's Annual Corporate Governance Report (ACGR) and its Corporate Governance Survey (Country Code – Colombia), should the Board of Directors decide voluntarily to complete it, compiling the reports of the Audit Committee and the Appointments and Remuneration Committee with respect to the sections of the ACGR and survey that fall under their competences, along with the annual sustainability report;

(o) Regularly monitoring trading by members of the Board of Directors of shares issued by the Company or Group companies;

(p) Responding to claims by shareholders or investors who consider that the Company is not applying the corporate governance policies required by law, within a period of ten (10) working days from the date they are submitted;

(q) Reviewing and preparing preliminary reports on related party transactions between the Company and its significant shareholders, Directors, executives or any of their related parties. These transactions are subject to approval by the Board of Directors or, where appropriate, the Executive
Committee. The Corporate Governance Committee must check that such transactions are carried out on an arms’ length basis and do not undermine equal treatment of shareholders.

The Corporate Governance Committee will develop a policy for reviewing the related party transactions referred to in this paragraph and will implement the review processes as a standard part of its operational processes.

Any member of the Corporate Governance Committee that is a party to a related party transaction must abstain from the deliberations of the Committee and voting on the proposal for the approval or ratification of said transaction. However, if such a Director attends a meeting held by the Corporate Governance Committee, he or she will count as part of the quorum.

During the review and approval of related party transactions, the Corporate Governance Committee must take the following into consideration:

(i) the nature of the related parties’ interest in the transaction,

(ii) the essential terms of the transaction, including the amount involved and the type of transaction;

(iii) the importance of the transaction for the Company and the related party;

(iv) whether the transaction could undermine the impartiality of a Company Director with respect to the interests of the Company and of any of its shareholders;

(v) the fair treatment of shareholders, and

(vi) any other circumstance deemed relevant by the Corporate Governance Committee.

In the case of usual and recurrent transactions arising in the ordinary course of business, the Report only requires the general authorization of the Board for the line of transactions and the conditions under which they must be carried out;

(r) Informing the relevant bodies in advance when the Company does not take a business opportunity referred to in the framework agreement.
entered into by the Company and its Group’s listed parent (the “Framework Agreement”);

(s) Reporting on a regular basis on compliance with the Framework Agreement;

(t) Issuing a report on any amendments to the Framework Agreement;

(u) Issuing recommendations and proposals on any matter within the scope of its competence;

(v) Issuing the relevant reports and carrying out the actions that fall within its competence, pursuant to the Company’s Internal Regulations or as requested by the Board of Directors or its Chairman;

(w) Reporting any related party transactions between the Company and its subsidiaries; and

(x) Performing all other functions assigned by the Board of Directors.

3) Key actions during the year.

a) Proposed amendment of the Framework Agreement signed by CEMEX S.A.B. de C.V., Cemex España and the Company

Proposed communication policy and relations with shareholders, institutional investors and voting advisors

b) Proposed separation of powers of the Compliance Officer and approval of the related work plan

c) Issuance of the report for the refinancing of the debt that the CLH Group has arranged with the CEMEX Group.

C2.2 Complete the following table on the number of female directors on the committees of the board of directors at the last four reporting dates:

<table>
<thead>
<tr>
<th>Number of female directors</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
</tbody>
</table>
C.2.3  Section repealed

C.2.4  Section repealed

C.2.5.  Indicate, as appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the period. Also indicate whether an annual report on the activities of each committee has been prepared voluntarily.

The Bylaws and the Regulations of the Board of Directors govern the Board Committees. The following table identifies the main precepts contained in the Bylaws and Regulations:

<table>
<thead>
<tr>
<th>Committee</th>
<th>Bylaws</th>
<th>Regulations of the Board of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>General aspects</td>
<td>41</td>
<td>23</td>
</tr>
<tr>
<td>Audit</td>
<td>43</td>
<td>25</td>
</tr>
<tr>
<td>Appointments and Remuneration</td>
<td>44</td>
<td>26</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>45</td>
<td>27</td>
</tr>
</tbody>
</table>

Both documents are available on the Company’s website (www.cemexlatam.com).

C.2.6  Section repealed

D.  RELATED PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS.

D.1  Explain, if applicable, the processes for approving related party or intragroup transactions.
# Procedure for reporting approval of related party transactions

## Competent body for the authorization of related party transactions

The Board of Directors is responsible for overseeing, analyzing and authorizing related party transactions carried out by the Company or Group companies provided that it first receives a favorable report from the Corporate Governance Committee.

Pursuant to the Company’s Internal Regulations, the following are considered related parties: (i) Directors, (ii) significant shareholders, (iii) executives, or (iv) the parties related to these persons (“Related Parties”).

## Procedure for the approval of related party transactions

Review by and prior report from the Corporate Governance Committee.

The Corporate Governance Committee must review and report in advance on all related party transactions which are to be approved by the Board of Directors. It checks that the transactions are carried out on an arms’ length basis and that they do not undermine equal treatment of shareholders. The Corporate Governance Committee implements the review processes for related party transactions as a standard part of its operational processes.

Any member of the Corporate Governance Committee that is a party to a proposed related party transaction must abstain from the deliberations of the Committee and voting on the proposal for the approval or ratification of said transaction. However, if such a Director attends a meeting held by the Corporate Governance Committee, he or she will count as part of the quorum.

During the review and approval of related party transactions, the Corporate Governance Committee must take the following into consideration:

(a) the nature of the related parties' interest in the transaction.
(b) the essential terms of the transaction, including the amount involved and the type of transaction.
(c) the importance of the transaction for the Company and the related party.
(d) whether the transaction could undermine the impartiality of a Company Director with respect to the interests of the Company and of any of its shareholders.
(e) the equitable treatment of shareholders, and
(f) any other circumstance deemed relevant by the Corporate Governance Committee.
Authorization of the Board of Directors.

On the basis of the report issued by the Corporate Governance Committee, the Board of Directors examines and, as applicable, authorizes the proposed related party transaction.

The Board of Directors must ensure that related party transactions are carried out on an arms’ length basis and abide by the principle of equal treatment of shareholders.

If any member of the Board of Directors is affected by a conflict of interest involving the proposed related party transaction, that member must withdraw from the meeting room during the deliberation and voting and will be excluded from the number of members attending for the purpose of the quorum and majorities.

General line of transactions with CEMEX and its subsidiaries.

Pursuant to the Regulations of the Board of Directors, and given that the Company is required to carry out frequent, numerous transactions in the ordinary course of its business with CEMEX, S.A.B. de C.V. (“Cemex”), an indirect majority shareholder, as well as with its subsidiaries, on October 4, 2012, the Company’s Board of Directors, having received a favorable report from the Corporate Governance Committee, approved a “general line of transactions with Cemex and its subsidiaries” for the following:

transactions through which CEMEX (and its subsidiaries other than the Company and its subsidiaries) can request funds from the Company in the form of a loan for a maximum accumulated amount that must not exceed Euros 100 million or the equivalent amount in another currency per reporting period.

transactions other than the above between CEMEX (and its subsidiaries other than the Company and its subsidiaries) and the Company for a maximum accumulated amount of under Euros 25 million, or the equivalent amount in another currency per reporting period.

Consequently, the report from the Corporate Governance Committee and the subsequent authorization or approval by the Board of Directors are not necessary for usual and recurrent transactions arising in the ordinary course of business included in the aforementioned general line of transactions with Cemex and its subsidiaries.
Exceptions to the general system for prior reporting and authorization:

The Company’s Internal Regulations state that Board authorization need not be required for related party transactions that simultaneously meet the following three conditions:

(a) they are governed by standard form agreements applied on an across-the-board basis to a large number of customers.

(b) they are performed at market prices or rates, generally set by the supplier of the goods or services and

(c) the amount is no more than one percent (1%) of the Company’s consolidated annual revenue, as indicated in the audited annual accounts for the last reporting period at the date of the transaction.

Related party transaction disclosures:

The Company will disclose related party transactions in the cases and to the extent provided for by law.

D.2. List transactions that are significant, either due to the amount involved or because of the nature thereof, between the company or group companies and the significant shareholders in the company:

<table>
<thead>
<tr>
<th>Name or company name of the significant shareholder</th>
<th>Name or company name of the company or group company</th>
<th>Nature of the relationship</th>
<th>Type of transaction</th>
<th>Amount (thousands of Euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cemex España, S.A. (1)</td>
<td>CEMEX Colombia, S.A.</td>
<td>Contractual</td>
<td>Finance costs for loans and credit facilities</td>
<td>5,370</td>
</tr>
</tbody>
</table>
D.3. Describe any transactions that are significant, either because of the amount involved or because of their nature, between the company or group companies and the company’s directors or executives:

<table>
<thead>
<tr>
<th>Name or company name of the directors or executives</th>
<th>Name or company name of the related party</th>
<th>Relationship</th>
<th>Nature of the transaction</th>
<th>Amount (thousands of Euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

D.4 Report on significant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and do not (in terms of their purpose and conditions) form part of the company’s ordinary business activities.

Any intragroup transactions carried out with entities resident in countries or territories considered to be tax havens must be disclosed.

Transactions performed with or using tax havens in 2017 were as follows:

Country: Barbados
Type of transaction: Reinsurance transactions
Amount: USD 9,774,738

D.5 Indicate the amount of related party transactions.
<table>
<thead>
<tr>
<th>Name or company name of the related party</th>
<th>Name or company name of the company or group entity</th>
<th>Nature of the relationship</th>
<th>Type of transaction</th>
<th>Amount (thousands of Euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Sunward Holding B.V. (1)</td>
<td>Cemex Latam Holdings, S.A.</td>
<td>Contractual</td>
<td>Finance costs for loans and credit facilities</td>
<td>12,149</td>
</tr>
<tr>
<td>Cemex Research Group AG (1)</td>
<td>Cemex Latam Holdings, S.A.</td>
<td>Contractual</td>
<td>Expenses for royalties for the use, operation and enjoyment of intangible assets (license)</td>
<td>35,508</td>
</tr>
<tr>
<td>Cemex Central, S.A. de C.V. (1)</td>
<td>Cemex Latam Holdings, S.A.</td>
<td>Contractual</td>
<td>Expenses for royalties for services and technical assistance</td>
<td>14,438</td>
</tr>
<tr>
<td>New Sunward Holding B.V. (1)</td>
<td>Corporación Cementera Latinoamericana, S.L.U. and Cemento Bayano, S.A</td>
<td>Contractual</td>
<td>Finance costs for loans and credit facilities</td>
<td>30,423</td>
</tr>
<tr>
<td>Cemex Holdings Inc. (1)</td>
<td>Cemex Lan Trading Corporation and Cimentos Vencemos do Amazonas, Ltda</td>
<td>Contractual</td>
<td>Purchase of raw materials</td>
<td>41,962</td>
</tr>
<tr>
<td>Cemex International S.A. de C.V. (1)</td>
<td>Cemex LAN Trading Corporation and Cimentos Vencemos do Amazonas, Ltda</td>
<td>Contractual</td>
<td>Purchase of raw materials</td>
<td>4,878</td>
</tr>
<tr>
<td>Beijing Import &amp; Export Co., Ltd (1)</td>
<td>CEMEX (Costa Rica), S.A.</td>
<td>Contractual</td>
<td>Purchase of raw materials</td>
<td>28</td>
</tr>
</tbody>
</table>

(1) Company related to the CEMEX Group

(2) The foregoing table does not include transactions that are performed within the Company's ordinary business activity between CLH Group companies and eliminated from the financial statements prepared under IFRS which are different to the financial statements prepared under the Spanish General Chart of Accounts.
D.6 Provide details of the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.

The Board of Directors must first receive a report from the Corporate Governance Committee. It then analyzes and rules on conflicts of interest between the Company and/or its Group with its (i) directors, (ii) executives and (iii) significant shareholders or (iv) the parties related to these persons.

The rules set forth in the Company’s Internal Regulations on conflicts of interest are listed below:

1) Conflicts of interest between the Company and/or its Group with its Directors and/or related parties.

The Bylaws and the Regulations of the Board of Directors contain the following provisions:

i) Definition of the concept of “conflict of interest”: Article 37 of the Regulations of the Board of Directors determines when a conflict of interest exists, as follows:

“A conflict of interest will be deemed to exist in situations in which there is conflict, whether direct or indirect, between the interests of the Company and the personal interests of the Director. Personal interests of the Director are matters that affect the Director or a person related thereto, or, in the case of a Proprietary Director, matters that affect the shareholder or shareholders that proposed or appointed the Director, or that affect persons directly or indirectly related to the aforementioned parties."

Accordingly, the Regulations of the Board of Directors define related parties of Directors as follows:

a. the spouse of the Director or a person with whom the Director has an equivalent sentimental relationship.

b. the ascendants, descendants and siblings of the Director or of the Director's spouse (or a person with whom the Director has an equivalent sentimental relationship).

c. the spouses of the Director's ascendants, descendants and siblings, and
d. the companies in which the Director or his/her respective related parties falls, either directly or indirectly, within any of the statutory instances of control, and the companies or entities in which the Director or any of his/her related parties holds, either directly or indirectly, a management position or directorship from which he/she receives an emolument for any reason, provided that the Director also directly or indirectly exercises significant influence over the financial and operating decisions of such companies or entities.

In the case of a legal entity acting as Director, related parties are defined as:

a. shareholders who, in respect of the legal entity acting as Director, fall within any of the statutory instances of control.

b. companies that form part of the same group, as stated by law, and the shareholders thereof.

c. individuals acting as a Director’s representative, de jure or de facto, insolvency administrators and proxies with general powers of attorney granted by the legal-entity Director, and

d. persons related to the individual representing the legal-entity Director, in accordance with the provisions in the previous section for Directors that are natural persons.

ii) General obligations of Directors:

Article 33 of the Regulations of the Board of Directors states that, in performing their duties, Directors must:

a) avoid conflicts of interest with the Company, disclosing the existence of such a conflict to the other Board members and abstaining from voting on this matter.

b) abstain from participating, directly or indirectly, in activities that imply competition with the Company or in events which incur a conflict of interest for their own personal interests or the interests of third parties.
Notwithstanding the foregoing, the Regulations of the Board of Directors impose other obligations and duties on Directors, from which a failure to observe may result in possible situations of conflict of interest: the obligation not to compete (art. 36), the prohibition to use Company assets to gain a capital advantage without having paid an appropriate capital consideration (art. 38), the prohibition to use insider information (art. 39) and the prohibition to take advantage of business opportunities to the detriment of the Company (art. 40).

iii) Rules to resolve conflicts of interest.

Conflicts of interest involving the Directors are governed by the following rules:

a. Communication: the Director must notify the Board of Directors, either through the Chairman or the Secretary of the Board of Directors, of any conflict of interest in which the Director is involved.

b. Abstention: In addition to their obligation to abstain in situations of conflicts of interest, as stipulated in article 37.4 (b) of the Regulations of the Board of Directors, article 14 of the Regulations of the Board of Directors prevents Executive Directors from attending meetings relating to proposed appointments, re-elections, removals or reprimands that affect them or proposed contracts with the Company governing their compensation and other rights and obligations during the deliberations and voting of the related resolutions.

c. Transparency: the Company will report in the Annual Corporate Governance Report any conflicts of interest in which the Directors have been involved during the reporting period in question, which the Company was made aware of by the Director involved or through another channel.

Article 30 of the Regulations of the Board of Directors stipulates that Directors may not appoint proxies with respect to matters constituting a conflict of interest for them at Board meetings.

If the conflict of interest is, or may reasonably be expected to be, of a nature that constitutes a structural and permanent conflict between the Director (or a person related thereto or, in the case of a Proprietary Director, the shareholder or shareholders that proposed or appointed the Director or any person directly or indirectly related thereto) and the Company, the Director will be considered unsuitable or no longer suitable to hold office pursuant to the Regulations of the Board of Directors.
2) Conflicts of interest between the Company and/or its Group with its significant shareholders:

The Bylaws and the Regulations of the Board of Directors govern conflicts of interest relating to the related party transactions which are disclosed in the answer to question D.1 above.

In addition, the CEMEX Group’s Code of Ethics and Conduct (“Code of Ethics”) that the Company incorporated into its own Internal Regulations by virtue of the Board resolution adopted on October 4, 2012, which was updated in 2014 and to which the Company has adhered, also refers to conflicts of interest that might arise out of the Company’s commercial and work relationships with its shareholders.

In this regard, the Code of Ethics provides for:

i) Shareholders as customers or suppliers:

“Shareholders who have or intend to establish a commercial relationship with CEMEX are subject to the same processes and conditions as our other suppliers and customers.”

ii) Shareholders and/or staff whose relatives work at CEMEX:

“The relatives of the staff and/or shareholders of our Company may work for the Company provided they meet the requirements for the position. Such persons shall be hired following the selection procedure established by the Human Resources Department. Nevertheless, a person who works for the Company may not supervise a relative, either directly or indirectly. Any internal change or employment decision is subject to the employment practices and policies applicable to all Cemex staff.”

3) Conflicts of interest between the Company and/or its Group with its executives:

Lastly, regarding possible conflicts of interest between the Company and/or its Group with its executives, Section 9 of the Code of Ethics stipulates the following for executives and all other employees of the Cemex Latam Group (“Personnel”):
a) Everyone that works for CEMEX is required to act honestly and ethically, always striving to further the interest of the company.

b) CEMEX employees must avoid situations that entail or might entail a conflict between personal interests and corporate interests.

This means that the Cemex Latam Group’s executives and employees must refrain, inter alia, from:

- participating in any business or activity that entails direct or indirect competition or interference with the Company.

- utilizing their employment or position at the Company to obtain personal benefits, including for members of their family or third parties.

In addition, the Code of Ethics governs the process for reporting conflicts of interest for executives and employees:

D.7 Is more than one group company listed in Spain?

Yes  No
E. RISK CONTROL AND MANAGEMENT SYSTEMS.

E.1 Describe the scope of the company's risk management system, including management of tax risks.

The Enterprise Risk Management (ERM) system of Cemex Latam Holdings, S.A. ("the Company", “Cemex Latam” or "CLH") is used to monitor, identify and mitigate the risks to which all of the Group companies are exposed. The Company's business units (Colombia, Panama, Costa Rica, Nicaragua, El Salvador, Guatemala and Brazil) have ERM systems in place and operating.

The ERM system works in a comprehensive and structured fashion to proactively identify the Group's main risks and manage them jointly with those responsible for mitigating such risks. Each business unit has an ERM Department, which reports directly to the Country Director and simultaneously to the ERM Director for Central and South America and the Caribbean, who in turn reports directly to Cemex Latam's Managing Director and CEO and, in coordination, to the Director of Global Enterprise Risk Management to ensure the process is uniform. The ERM Department is structured at global, regional and country levels, and applies processes which promote discussion of risks with production units, management, the Managing Director and CEO of CLH and the Country Chairmen and the monitoring of risks by the Audit Committee and ultimately by the Board of Directors.

The internal and external risks identified which may affect the Company are classified by their nature into the following categories:

- Strategic risks
- Financial risks
- Risks relating to tax legislation
- Internal operational risks
- Political, economic and social risks
- Risks of non-compliance with laws or regulations
- Other risks

Cemex Latam's ERM system is effective, as it employs a risk management process based on ISO 31000, with specific outputs such as the Risk and Opportunity Agenda (ROA), which is continuously monitored and discussed with management.

In 2017, in order to afford greater depth and visibility to the management and mitigation of risks at the Cemex Latam Group companies, operational leaders of the production units were hired, each ERM officer was certified and a new policy was issued to set out the scope of the areas and their responsibilities. The main change with respect to the 2016 methodology is the introduction of the figure of the man in the middle (MITM), which seeks to ensure that there are no filters between information at production levels and senior management of the Company.
The methodology's six steps are described below and grouped into three main actions: a) identification of risks and opportunities; b) consolidation and definition of critical areas and c) management in mitigation.

**MITM methodology**

As regards the identification of risks and opportunities, the new process has two stages:

1. Survey using Porter's model and analysis of the environment.
2. Interviews and discussions on risks.

In the first stage, risks are identified in theory and in practice. The theoretical part is based on Porter's five forces model, while the practical part is based on a participatory exercise to bring together risks and opportunities in the same operating units, which are understood to be cement, concrete and aggregate plants, distribution centers and other significant plants.

In the second stage, the interviews and discussions of the risks complement the initial risk mapping and are carried out at different levels of the Company to validate the theoretical and practical data and to complement the executive-level strategic stance.

Both stages follow an ongoing update process in which they are updated every month with a deliverable known as Operations ROA and every quarter they grouped together to produce the Country ROA and CLH ROA (for the region).

Every month, each ERM updates the Operations ROA for further discussion and, at the end of the quarter, conducts interviews with the executive levels to validate and then present the Country ROA to the Country Director.
In both the discussions and interviews, comments are sought on the five dimensions of possible impacts: people, production, finance, community and reputation/media. The assigned mitigation measures and those responsible for execution are reviewed.

As regards the consolidation of risks and opportunities, as in the foregoing point, there are two stages:

1. Consolidation of risks and opportunities
2. Prioritization and categorization

With respect to the consolidation of risks and opportunities, in each quarter, the Operations ROAs are grouped together in the ERM tool to obtain the Country ROA and, subsequently, the CLF ROA. The Country ROA can only be modified with the authorization of the Regional ERM and the Managing Director and CEO of CLH. The CLH ROA can only be modified with the authorization of the Director of Global Enterprise Risk Management of the Cemex Group. Any modification, access and interaction with the tool is documented and, in the event of a variation, each ERM is responsible for notifying its superiors for acceptance and/or reversal. Similarly, regional leaders in the functional areas may include regional risks and opportunities and monitor them.

In prioritization and categorization, the aim is to focus attention on higher impact risks or risks with anomalous tendencies and, accordingly, a classification is made taking into account the probability and impact of each risk. To assess the impact, indicators relating to people, the economy, the environment, customer relations and the Company's image are considered; for probability, the occurrence of events in the industry and at the Company are considered.

Lastly, as regards management and mitigation, there are two final stages:

1. Validation and monitoring by managers
2. Action plans and monitoring

As one of the critical stages, the validation and monitoring by managers seeks to ensure that each risk and opportunity identified in the ROA has, since creation, a related mitigation measure and a person responsible for its execution. It also validates that the person responsible is aware of the measure to be executed or reassigns it to another person at the Company who will also be notified. This data is contained in the ERM tool and in the standard format of the monthly monitoring of the Operations ROA to ensure that a person is always assigned to each risk.

The process is executed solely by the ERM with the goal of restricting changes in mitigation measures, commitment dates and cascading risks to new managers. Should a change be required as regards the person responsible for mitigation, the leader of the Executive Committee or the production unit where the risk will have an impact will authorize the change in writing. All changes are always documented in the ERM tool log, where access for modification is limited to the Director of Global Enterprise Risk Management.
Lastly, with respect to the action plans and monitoring, following the aforementioned access and modification restrictions, the risks and opportunities are managed by the ERM managers through digital dashboards (Power BI), which make it possible to view the progress of the mitigation measures in detail, as well as the performance of the areas and the managers.

The ERM Department is responsible for monitoring risks and their mitigating actions. On occasion, in coordination with the persons responsible for the risks, it is also responsible for facilitating the implementation and coordination of the mitigating measures. With the MITM methodology, it monitors risks, collects information and shares it with the Company's managers and executives.

The ERM Department is responsible for ensuring that the risk and opportunities agenda is discussed, understood and approved, including the response to risks and mitigation strategy, and reports to the Audit Committee and Board of Directors.

Also, the risks and opportunities agenda is complemented by risks classified as “Internal Operational Risks”, which originate within the Company's operations and for which mitigating actions may be implemented and controlled by the Company. Internal operational risks are identified and mitigated through the internal control system, which is based on the 2013 COSO framework (Committee of Sponsoring Organizations of the Treadway Commission). The 2013 COSO framework is globally accepted and provides guidance to companies on the implementation of an adequate internal control system, including controls over financial reporting.

The Internal Control Department assesses these internal operational risks and ensures that sufficient internal controls are in place to mitigate them. This assessment provides a clear view of how risks are covered and the person to which they are assigned. The assessment also provides assurance that an effective control system is incorporated into processes.

The Internal Audit Department monitors the effectiveness of the existing controls through an internal audit and review program approved by the Audit Committee, evaluating compliance with controls and issuing a periodic report with the results obtained. The Internal Audit Department reports to the Audit Committee.

Scope of the Company's Enterprise Risk Management system, including management of tax risks.

The existence of tax risks is inherent to economic activity, since it is influenced by the complexity of each country's tax system, the authorities' appetite for tax collection, the
presence of areas of uncertainty that at times stand at a distance from just cause and the instability of the legal and fiscal framework, among others.

The Company's Enterprise Risk Management system is used to monitor, identify and mitigate the tax risks to which all of the Group companies are exposed.

The system is governed by the principles listed below, with the following purposes and scope:

a. Compliance with tax legislation in countries where Cemex Latam operates, settling the various taxes applicable to the economic activity carried out by the Company.

b. Optimization of tax flows, based on prevailing tax legislation. Analysis of tax matters applicable to all operations and transactions, always applying a reasonable interpretation of the regulation, taking into account statements made by the tax authorities and tax case law, allowing for comprehensive analysis.

c. Contribution to the public funds of the states where investments are made, taking into account the principles of economic capacity generated by the Company and fair taxation.

d. Control and monitoring of the taxes settled and reporting to management bodies.

e. Open and honest communication with the tax authorities in each of the countries where Cemex Latam operates, with the aim of reaching agreements when appropriate and establishing long-lasting relationships.

f. Always behave responsibly in tax matters, complying with both the letter and the spirit of the tax laws and regulations of the countries in which the CLH Group operates.

g. Cooperate with the tax authorities where the CLH Group operates, providing them with the information that is relevant or required by law.

h. Refrain from using artificial structures to produce tax results that are incompatible with the underlying economic consequences of a transaction unless there is specific legislation designed for that purpose.

i. Ensure that transactions between related parties are carried out on an arm's length basis. The use of market values for transactions between members of the same multinational group ensures that the tax base between the countries in which the multinational company operates is fair and avoids the inappropriate shifting of profits or losses and minimizes the risk of double taxation.
In this regard, on May 23, 2014, through the consolidated tax group of Cemex España, S.A. the Company adopted the Code of Good Tax Practices of July 20, 2010, regulated by the Spanish tax authorities.

E.2 Identify the bodies responsible for preparing and executing the Enterprise Risk Management system (including that for tax risks).

The bodies responsible for preparing and executing the Enterprise Risk Management system are as follows:

1. Board of Directors

   The Board of Directors is responsible for approving general policies and strategies of the Company and its Group, including the general risk management policy. In this task, the Board of Directors is supported by the Audit Committee.

2. Audit Committee

   The duties of the Audit Committee, as an advisory body, include assisting the Board in monitoring and controlling risks, monitoring the effectiveness of internal controls and risk management and conducting a periodic review of Company and Group risk management policy, proposing the modifications and updates that it deems appropriate to the Board of Directors.

3. Senior management

   Together with an internal team made up of the Directors of each business unit, the Managing Director and CEO of CLH monitors the main risks identified and validates the measures required to handle them.

   The responsibilities of the Managing Director and CEO of CLH and the Directors of each business unit in relation to risks are as follows:

   • Supervising the Enterprise Risk Management system infrastructure.
   • Handling both the Company's strategy and the risks to which it is exposed, considering and defining risk appetite.
   • Monitoring risks.
   • Monitoring the Company's risk exposure.
   • Establishing strategies to mitigate risks.
   • Informing the Audit Committee and the Board of Directors of the risk management strategy.

   Following an order of dimensions and complexities, each month the ERMs update the Operations ROA with the leaders of the operations, then these are grouped together to form the Country ROA that is validated each quarter. The country's ERM
is responsible for organizing and coordinating the review of all risks with the local executive committee. Lastly, meetings are held at CLH to discuss each country’s risks, which are led by the Director of the operating unit and coordinated by the local ERM. All the risks are consolidated, both in the country risk agendas and in the functional areas to be reviewed on a regional basis with the Managing Director and CEO of CLH.

As part of the improvements implemented, in 2017 a new design was defined for the Country and Regional Risk Committee that will formally begin to operate in the first quarter of 2018 with the goal of complementing the meetings held by the Managing Director and CEO of CLH with its direct reports in 2017. One of the most significant improvements was on December 8, 2017, where all the risks identified at CLH were reviewed following the new MITM methodology and the eight categories were ultimately classified for efficient management.

4. - ERM Department

The ERM Department is responsible for monitoring risks and their mitigating actions. It reports directly to the Country Director and simultaneously to the Regional ERM Director, who in turn reports directly to Cemex Latam’s Managing Director and CEO and, in coordination, to the Director of Global Enterprise Risk Management.

5. - Internal Control Department

Internal Control is responsible for monitoring the internal operational risks described in this report, which are covered by the Enterprise Risk Management system. CLH’s Internal Control Department reports to the Regional BSO (Business Service Organization) and, in coordination, to the Director of Global Internal Control, who defines the model and scope of the function at the CEMEX Group.

6. - Internal Audit Department

This department is responsible for performing tests based on identified risks. It also assesses the effectiveness and efficiency of the internal control system in the Company’s different areas. CLH’s Internal Audit Department reports to the Audit Committee.

Bodies responsible for preparing and executing the Tax Risk Management System.

The body at the Company ultimately responsible for the tax risks and therefore for the preparation and execution of this system is the Company’s Board of Directors. In accordance with the tax policy, in the section on supervising the functions of the Tax Department, every six months the Regional Tax Director will report to the Board of Directors on material transactions that have a material effect, on litigation and on regulatory changes.
With the support of the CEMEX Group's Vice-President of Tax, CLH's Tax Department presents to the Audit Committee of CLH's Board of Directors the tax consequences of material transactions carried out by the Company and its subsidiaries.

This department is responsible for the executing the Tax Risk Management System. It also manages and analyzes all of the tax risks affecting the Company and its subsidiaries and renders all kinds of tax-related services, as explained below.

The Tax Department is led by a Senior Vice-President of Tax, who reports directly to the Cemex Group's Executive Vice-President of Finance. The Vice-President of Tax also has Regional and Local Tax Departments and departmental specialists in transfer pricing and tax and financial reporting systems.

In the Regional Tax Departments, three employees of the department in Europe are in charge of managing the Company's tax matters and those of its subsidiaries. The same responsibilities are assumed by the Tax Department for South America and the Caribbean in South America.

The Tax Department has the power to contract the services of external advisors or firms to provide technical support or to outsource certain tasks.

The Tax Department's expenses are controlled in a budget that is periodically monitored. The Tax Department has the following functions:

a. Providing tax advice on any business transaction or corporate restructuring operation involving Cemex Latam, either between related entities or with third parties outside the Cemex Group.

   In this regard, it supports the other Cemex Latam departments in transactions such as: mergers and acquisitions, spin-offs, contributions and purchases or disposals of assets.

b. Managing and controlling any tax-related litigation brought about by tax authorities, affecting any Cemex Latam entity.

c. Analyzing and documenting the different transactions between related entities through the internal Transfer Pricing team, which is responsible for assisting the Cemex Latam's Tax Department with transactions of this kind, assessing the risk involved and documenting such operations.

d. Calculating income tax and current and deferred income tax expenses, including submitting any tax returns and correctly settling tax liabilities. It also supports the Accounting Department in the management of indirect taxation.

e. Assessing the risks to which the Cemex Latam Group is exposed and establishing policies to manage and mitigate them.
f. Analyzing changes in tax legislation both nationally and internationally that could affect Cemex Latam's operations.

g. Periodically reporting to the Company's Audit Committee concerning any situation or transaction with tax implications.

E.3 Indicate the main risks, including tax risks, that can hinder the fulfillment of the objectives of the business.

At December 31, 2017, the most significant risks exposed in the ERM and internal control matrices that could affect Cemex Latam are as follows:

1. Competitive dynamics and changes thereto as a result of new players, imports, production capacity greater than market demand and vertical integrations.

2. Legal issues relating to administration, penalties, employment, taxes and other claims.

3. Compliance with internal procedures and policies relating to human resources, ethics, FCPA, SOX, intellectual property and insider trading.

4. Business continuity and resilience. It is primarily affected by the health and safety of employees, the condition of production equipment, communities, environmental regulations and the new trend of cyberattacks.

5. Unmanageable external effects such as the macroeconomy, elections and climate change.

6. Improvement in the sales performance, meeting customers' needs, product quality, the supply in due time and form and the need to evolve products.

7. Suppliers and procurement in particular with the management and fulfilment of contracts to provide services and supply raw materials.

8. Alternative materials and technologies, resulting from digitization and the need for shorter response times.

Main tax risks that could hinder the fulfillment of the objectives of the business.
In December 2017, the most significant risks that could affect Cemex Latam are:

1. Political instability in Spain and expected change in tax legislation. On December 3, 2016, Royal Decree-Law 3/2016, of December 2, 2016, was published, which adopted tax measures aimed at consolidating public finances and other urgent corporate measures, reforming, amongst other taxes and standards and with effect from January 1, 2016, the corporate income tax applicable to the Spanish companies of Cemex Latam. As these measures can be considered temporary, and due to political instability, Cemex Latam companies resident in Spain for tax purposes will continue to be exposed to this risk, despite this tax reform.

2. The Spanish taxation authorities and companies holding investments in Spain must adapt to the new general tax regulatory framework in Spain, which will lead to changes as regards the manner in which tax inspections are conducted and in interactions between companies and the taxation authorities.

3. In July 2016, the European Commission approved an Anti-Tax Avoidance Directive which all member states of the European Union are required to transpose into their national law. At December 2017, Spain had not yet implemented several of the Directive’s rules. It cannot be ruled out that the special framework for Entities Holding Foreign Securities (ETVE, as per the Spanish acronym), of which Cemex LATAM Holdings SA and Corporación Cementera Latinoamericana S.L.U. avail, will not be amended in any way.

4. On December 29, 2016 Law 1819 on tax reform was issued in Colombia, introducing significant changes to taxation. The short time open to analyze the draft reform before it became law meant that the approved law had matters that were corrected or developed for application in late 2017, making analysis more difficult in terms of understanding and application. These implementing regulations envisage the possibility that some of them may be applied beyond the second half of 2018 due to the time and information they require for the control that the Directorate of Taxes seeks over taxpayers.

5. As regards transfer pricing, in recent years Panama, Costa Rica, Nicaragua and Guatemala have implemented transfer pricing within their tax laws, adopting certain BEPS initiatives that the OECD has issued in recent years. As this is a new issue for countries and their tax authorities, it could be one of the issues to be reviewed in future tax inspections.

6. The economic and social instability of some of the countries in which the Cemex Latam Holdings Group operates must be taken into account. Accordingly, the Company and its subsidiaries are subject to the risk of unexpected changes to tax legislation in any of the countries in which the Cemex Latam Group has invested.
E.4 Indicate whether the entity has a risk tolerance level, including for tax risk.

As part of the periodic process of discussing, reviewing and approving the ROA, the Company's senior executives assess each risk by considering the impact it could have on the Company and use a risk tolerance model defined based on the Company's needs, characteristics and maturity to evaluate compliance.

All risks are not the same; given the complex nature of the market, tolerance also varies according to the Company's risk appetite and, therefore, risks are assessed at three levels (operational, strategic and tactical), which are used to classify risks and define the method of assessment.

Based on the level of risk, these methods of assessment are as follows: for operational levels, the impact and probability boundaries; for strategic levels, compliance with a defined limit; and for tactical levels, the maximum dispersion of an indicator.

The risk tolerance, i.e. the aforementioned boundaries, limits and measurement values, are defined for each risk by the ERM Department and the people responsible who were assigned during the discussion between the Country ROA and CLH, and follow a proposal and validation process. Tolerance is proposed by the managers assigned and ERM and approved by the Managing Director and CEO of CLH, together with an internal team made up of the Directors of each business unit.

Tolerances are reviewed every six months using the following process:

1. Classify the risks according to the appetite level (person responsible: ERM)

2. Ensure that the boundaries, limits and measurement values are updated and approved by executives (person responsible: assigned risk managers and ERM).

3. Update the dossier of each risk, which contains: (person responsible: ERM)

   a) Name of the risk

   b) Brief explanation

   c) Inherent risk value, including the initial calculation or classification (impact, probability)

   d) Mitigation measures

   e) People responsible for mitigation measures
f) Percentage indicator of the progress of mitigation measures based on the time period provided for implementation

g) Residual risk value

4. Carry out a thorough review of the risks that have seen changes with respect to the last six months. (person responsible: Country Directors and Managing Director and CEO of CLH)

5. Define improvements or new mitigation measures with the aim of bringing the risk to within the accepted tolerance. (person responsible: Country Directors and Managing Director and CEO of CLH)

6. Report the results of the tolerance assessment (person responsible: ERM, Country Directors and Managing Director and CEO of CLH)

**Tax risk tolerance level**

As part of the periodic process of discussing, reviewing and approving the risk and opportunities agenda, the Tax Department defines the tolerance for each risk, considering the potential impact on the Company and its Group.

The Tax Department's processes are subject to periodic controls during internal and external audits and meet SOX 404 legislation.

The Cemex Latam Group has applied FIN 48 criteria for recognizing and quantifying tax contingencies.

The objective of FIN 48 is to reflect expectations of tax implications of positions adopted by companies, taking into account a degree of uncertainty.

FIN 48 is a model that sets out the way companies must record, quantify, present and disclose in their financial statements the “uncertain tax positions” they have adopted or intend to adopt that generate deferred tax.

With this in mind, the key points that must be taken into account with regard to FIN 48 are:

- A future tax benefit generated by adopting an uncertain tax position may only be recorded in the financial statements if it is “more likely than not” that the position adopted can be sustained in terms of fiscal issues and based on applicable technical arguments.
In this regard, a provision shall be recorded if the probability of the event is more than 50%. Otherwise, the provision shall not be recorded and the situation that gave rise to the event shall be disclosed in the financial statements.

- A tax benefit must be calculated at the largest amount if it has a probability of more than 50% of being realized.

The Company has a policy of not recognizing any provision for litigation where the probability of a successful outcome is more than 50%. Therefore, in the countries where Cemex Latam operates, proceedings are won or lost in their entirety. Also, following a favorable report from the Audit Committee, on December 18, 2017 the Board of Directors approved the Corporate Tax Policy of the Cemex Latam Group.

E.5 Indicate what risks, including tax risks, materialized during the year.

Risks inherent to the business, the Company's activity and the market environment materialized in the year as a result of circumstances inherent to the business and economic situation. Although none of them had a significant impact on the Company, the most significant risks materialized were as follows:

- The Superintendency of Industry and Commerce (SIC) imposed fines of approximately USD 24.72 million on CEMEX Colombia, which were paid on January 5, 2018. An appeal for judicial review will be lodged to overturn this penalty and the decision of the SIC.

- Legal issues relating to the construction of the new Maceo plant in the department of Antioquia in Colombia. The impediment to commencing production at the Maceo plant leads to higher maintenance costs and generally affects the supply system in Colombia due to the failure to incorporate production efficiencies.

For further information on these risks and contingencies, see the consolidated financial statements reported at December 31, 2017.

In addition, as discussed during the quarterly earnings conferences, the risks that impacted the Company are as follows:

- Competitive dynamics in 2017 proved to be more complex, with the materialization of import risks, price pressures and changes in production capacities. Specifically, the most significant impacts were the 2% decrease in the cumulative volume of cement and concrete compared to the previous year, as a result of lower demand in Colombia and Panama, and the arrival of imports into Costa Rica, Panama and Guatemala from Asian and Turkish sources, with the consequent pressures on market prices.
- Risks relating to construction and maintenance materialized mainly in Colombia and Costa Rica, due to higher-than-expected costs in the development of housing projects.

- Recent cases of corruption at construction companies operating in South America, which are customers of CLH, led to the materialization of credit risks that it managed to reverse.

**Tax risks that materialized during the year**

In 2017, as in the prior year, the areas focused on mitigating potential risks that could negatively affect the business's results.

Over the course of the year, no tax risks were identified and therefore nothing was reported through the FIN 48 tool.

**E.6 Explain the response and oversight plans for the entity's main risks, including tax risks.**

As explained in section 1 of this document, the new MITM model includes a number of mechanisms to identify, respond to and monitor the risks to which the Company is exposed.

Risks are prioritized according to the following criteria:

- **Probability:** Possibility of a risk materializing.

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• **Impact:** Consequence of a risk materializing.

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<td>(primeros auxilios)</td>
<td>&lt;$10k -&gt; $100k</td>
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• Image of the risk and opportunities prioritization matrix.

Measures, comprising specific actions, are established to mitigate each identified risk. Four alternatives are considered to respond to risks:

- **Mitigating (controlling/reducing):** Actions to limit the risk to an acceptable level.
- **Accepting (accepting/maintaining):** The inherent risk is accepted and no further action is taken.
- **Transferring (insuring/arranging):** Controlling the risk by taking out insurance or transferring the process or service to a third party.

- **Avoiding (avoiding/eliminating):** Stopping the process or service related to the identified risk.

The ERM Department ensures that a person has been assigned to the actions to be taken in response to each of the risks in the agenda. With the new MITM methodology, information is obtained from internal and external sources and shared with the managers assigned to each risk and the executives at Cemex Latam.

As mentioned above, some of these risks are mitigated through the Company's internal control system, which is based on the COSO framework.

The Internal Control model is shown in the following chart:

Identifying internal operational risks: initially, Internal Control, along with the people responsible for the processes, identifies and evaluates different potential risks, taking into account their possible effect on (i) the management of the operation, and (ii) the financial statements, with priority given to matters and issues that may hinder the fulfillment of the Company's objectives. Identified risks are consolidated in risk matrices or maps to graphically represent the current situation of each process, according to the probability.
of a risk materializing and the economic impact that it represents or may represent for Cemex Latam’s business units.

Establishing internal controls: once the risks have been identified, senior management, through the Internal Control Department, designs and establishes the internal control model, which includes a system of controls considered key components of the different processes. This has a twofold objective: (i) ensuring that the controls are properly designed to mitigate the identified risks and the impact of those risks on the different processes; and (ii) ensuring that the controls are effective and have been implemented in order to gauge and strengthen the performance of the processes.

In accordance with the risk assessments conducted, the different areas and heads of the processes are provided with clear indications and instructions ("guidelines") to adapt the design of the controls to the changing situation of the business, as well as to include, improve and/or eliminate controls that may have proven insufficient or inadequate.

The Company's and the Group's methodology is carried out in particular through the following actions:

i) Performing tests on design and operation controls.

ii) Identifying process changes.

iii) Establishing ongoing communication with the heads of each process to optimize the controls.

Monitoring or supervising internal control: Internal Control ensures the correct implementation and the effectiveness of the controls throughout the year through a monitoring program. Internal Audit executes the internal audit and review program approved by the Audit Committee, evaluating compliance with the controls and issuing a periodic report with the results obtained.

Response and oversight plans for the Company's main tax risks

Any transaction with a tax consequence of more than USD 10 million will be reported to the Board of Directors directly and/or indirectly through the Audit Committee. The Tax Department's opinion on the tax consequences of such a transaction will be supported by up to two written opinions from qualified external tax advisory firms.

Every six months, or whenever necessary, the Regional Tax Director will report to the Board of Directors directly and/or indirectly through the Audit Committee on the following information:
a. Material transactions that have a material tax implication.

b. Summary of the progress of the various lawsuits in which the CLH Group is involved against any tax authority or jurisdictional body.

c. Summary of changes to tax regulations that have occurred in the year and that have a particular impact on the taxes applicable to the CLH Group.

d. Explanation of the work carried out in the calculation and documentation of the most significant related party transactions that have an impact on the CLH Group.

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATED TO FINANCIAL REPORTING (ICOFR).

Describe the mechanisms that make up the internal control and risk management systems related to financial reporting (ICOFR) at your entity.

F.1 The entity's control environment

Indicate at least the following, specifying the main features thereof:

F.1.1. Bodies and/or functions responsible for: (i) the existence and maintenance of an adequate and effective ICOFR system; (ii) its implementation; and (iii) the supervision thereof.

Board of Directors: pursuant to article 34.2 (c) of the Bylaws and article 6.5 (c) of the Regulations of the Board of Directors, this body is ultimately responsible for ensuring that the financial information that the Company, as a listed company, must periodically publish gives a true and fair view of the Company’s equity, financial situation and financial performance, in accordance with applicable legislation.

Audit Committee: pursuant to article 43.5 of the Bylaws and article 25.6 (b) of the Regulations of the Board of Directors, the Audit Committee is responsible for supervising the effectiveness of (i) the Company's internal control; (ii) the internal audit as well as compliance with the internal audit program, which must take into account business risks and fully assess all areas of the Company; (iii) the risk management systems, including tax risks; and for (iv) discussing with the auditor any significant deficiencies in the internal control system detected in the course of the internal audit.

Internal Control: responsible for carrying out an adequate assessment of internal operational risks, ensuring that there are sufficient internal controls to mitigate these risks. This assessment provides a view of how risks are covered by clearly described internal controls,
which are assigned to persons who are responsible for performing control activities. The assessment also provides assurance that there is an effective control system in the processes. CLH's Internal Control Department reports to the Regional BSO (Business Service Organization) and simultaneously to the Director of Global Internal Control, who defines the model and scope of the function at the CEMEX Group.

**Internal Audit:** the Internal Audit Department monitors the effectiveness of existing controls through an internal audit and review program approved by the Audit Committee, evaluating compliance of the controls and issuing a periodic report with the results obtained. The Internal Audit Department reports to the Audit Committee.

**Business Service Organization (BSO):** unit responsible for preparing the financial statements, executing internal controls and implementing the Company's policies, including authorizations, reconciliations and trend analyses, which serve to ensure that the financial information is reasonably presented and disclosed. The Country BSO Department reports to the Regional BSO, which in turn reports to the Vice President for the Global Service Organization (GSO). In addition, the BSO reports to the Managing Director and CEO of CLH and the VP of Controllership of the CEMEX Group.

**Accounting Technology:** a group of expert accountants responsible for the supervision, disclosure and correct application of accounting principles. In addition, they monitor and assess the impact of adopting new standards and updating the Company’s accounting policies. The Accounting Technology Department reports directly to the VP of Controllership of the CEMEX Group.

**Enterprise Risk Management (ERM):** at its meeting held on July 24, 2015, the Audit Committee resolved that it would include the Enterprise Risk Management (ERM) area to unify the agenda, bringing together internal and external risks. In 2017, ERM implemented and certified its MITM (man-in-the-middle) methodology for CLH’s operations, integrating the different corporate risks into its ERM tool owned by CEMEX. The ERM Department reports directly to the Country Director and the Regional ERM Director, who in turn reports directly to the Managing Director and CEO of CLH and, in coordination, to the Director of Global Enterprise Risk Management.

**Compliance Officer:** charged with strengthening, implementing and supervising best corporate governance practices and exercising, among others, the duties set out in the Regulations of the Board of Directors. The Board of Directors approved this position at its meeting on January 15, 2013, subsequently replacing it temporarily with the current position of VP of the Legal Area of the Company by resolution of the Board of Directors at its meeting on November 9, 2016. Having considered the Corporate Governance Committee’s proposal that the positions be separated in order to strengthen the control environment, in 2018 CLH will appoint a new Compliance Officer who will report to the Audit Committee and the VP of Legal Affairs of the Company.
External Auditor: as the business units that make up Cemex Latam form part of the CEMEX Group, they are included in the scope of the detailed audit of controls aimed at global compliance with the Sarbanes-Oxley Act. Furthermore, the financial information for each country is audited by KPMG to evaluate the financial statements for reasonableness.

F.1.2. Whether the following exist, especially with regard to financial reporting:

- Departments and/or mechanisms in charge of: (i) designing and reviewing the organizational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of tasks and duties; and (iii) ensuring that the procedures in place are sufficient for proper dissemination throughout the entity.

The Board of Directors has the broadest powers to manage the Company and is the Company’s highest decision-making body, except in matters reserved for the Shareholders' General Meeting. The Board is responsible for approving proposals by the Chairman of the Board of Directors or the CEO for defining the organizational structure of the Company and making changes thereto, and for appointing and removing the Company’s senior managers.

As an exception to the above, under a proposal by the Chairman of the Board of Directors in this connection, the Audit Committee shall, where appropriate, submit a reasoned proposal to the Board of Directors regarding the selection, appointment or removal of the Director of Internal Audit. Similarly, under a resolution of the Board of Directors of December 18, 2017, the Audit Committee shall be responsible for approving the salary of the Director of Internal Audit.

Cemex Latam has an organization manual describing the organizational structure and responsibilities at the different levels and for ensuring that duties are properly segregated. This organizational manual is maintained by Human Resources and is available on the corporate intranet.

- Code of conduct, approval body, level of distribution and instruction, principles and values included (indicating any specific mention of record-keeping and the preparation of financial information), and the body responsible for analyzing breaches and proposing corrective measures or penalties.

The CEMEX Group has a Code of Ethics and Conduct ("Code of Ethics") which applies to all executives and other employees of the CEMEX Group, who must sign it in acknowledgement and acceptance.

By virtue of the resolution adopted by the Board of Directors on October 4, 2012, the Company adopted the Code of Ethics in order to follow best corporate governance practices. This Code of Ethics already applied to all the companies, business units and operations that became part of Cemex Latam on July 1, 2012. Furthermore, as a result of the latest
modification to the Code of Ethics, at its meeting held on July 30, 2015 the Board of Directors passed a resolution to approve the Company’s adoption of the new Code of Ethics, following a favorable report from the Corporate Governance Committee.

The Code of Ethics encompasses the fundamental principles for all of our business processes. Consequently, it is constantly reviewed by various areas of the Company, including the Legal, Internal Control, Process Assessment, Sustainability, Security and Human Resources Departments. Any amendment must be duly approved by the Global Ethics Committee, which comprises members of the Executive Committee of CEMEX S.A.B. de C.V. (“Global Ethics Committee”).

Since it was drafted, specific sections have been included in the code concerning human rights and money laundering, among other issues. Examples of practical situations have also been included, to ensure that acceptable and unacceptable behavior is fully understood. Specifically, chapter 15 addresses the handling of confidential and/or privileged information, and chapter 16 covers controls and financial records.

In mid 2017, due to the current environment at CEMEX and certain weaknesses that were detected, a project was launched to update the Code of Ethics, the main purpose being to incorporate new developments, clarify conflicts of interest, improve the structure of the document and make its content clearer to readers. This drive is spearheaded by CEMEX Group’s Organization and Human Resources team in conjunction with Morehead Consulting, an expert service provider. The new Code of Ethics is expected to be issued and distributed in the second half of 2018, once the necessary validations have been completed.

In each country where Cemex Latam is present, there is a local ethics committee (“Ethics Committees”) which is responsible for monitoring and ensuring compliance with the matters included in the Code. At the start of each year a communication plan is prepared by the Ethics Committees, in agreement with the Global Ethics Committee. This communication plan includes measures such as: training, announcements, articles for internal publications and updates to signatures. In 2017, the Audit Committee authorized Internal Audit to take part and be an active member of these Ethics Committees for the presentation of the results of special investigations derived from reports received.

Additionally, in a resolution adopted by the Board of Directors at its meeting held on January 16, 2013, following a favorable report from the Corporate Governance Committee, the Company also adopted the following CEMEX Group institutional policies regarding compliance:

- Anti-corruption policy.
- Policy on compliance with antitrust laws.
• Information retention policy

• Policy on use of privileged information.

• Policy on reporting of relevant information.

• Policy on information security.

• Policies on portable equipment and BYOD (“Bring your own device”) Program.

In addition, the Company, through the Audit Committee and the Corporate Governance Committee, reviewed all the internal policies of the CEMEX S.A.B de C.V. Group, which have been applicable to the Company since its incorporation, in order to adapt them, where necessary, to the applicable legislation and, in particular, to the Reformed Spanish Criminal Code approved in 2015. As a result of this review, at its meeting held on July 27, 2016, the Board of Directors ratified the seven aforementioned policies which the Company had already expressly adopted in 2013 and the Company's express adoption of the CEMEX Group’s other internal policies and guidelines, which were already mandatory from its incorporation. It also agreed to the Company’s adoption, without the need for the express consent of the Board, of any other policies and guidelines the CEMEX Group may approve or amend in the future, irrespective of whether a presentation is made to the Board every six months on the policies approved or modified. Nevertheless, the following policies, which apply solely to Cemex Latam, were approved in 2017:

• The compensation policy for Directors of the Company, proposed by the Board of Directors, following a favorable report from the Appointments and Remuneration Committee, and approved by the shareholders at the Shareholders’ General Meeting held on June 29, 2017.

• The Corporate Tax Policy of the Cemex Latam Group approved by the Board of Directors on December 18 following a favorable report from the Audit Committee.

• Policy for the selection of candidate directors of the Company, which was approved by the Board of Directors on December 18 at the proposal of the Appointments and Remuneration Committee.

• Policy for communication with shareholders, investors and the market in general, which was approved by the Board of Directors on December 18 following a favorable report from the Corporate Governance Committee.

The bodies responsible for reviewing any breaches of the policies and for proposing the pertinent corrective actions as well as, where applicable, the corresponding sanctions, are...
the Ethics Committees and the Audit Committee, as applicable. Depending on the circumstances of each case, proposals are put forward to (i) the Country Directors, (ii) the Managing Director and CEO of CLH or, ultimately (iii) the Board of Directors.

For the Code of Conduct to be disseminated and for all employees to be familiar with it, the corporate intranet has a specific section entitled “Ethos” which contains not only the Code of Ethics but also includes a Policy Center. These policies may be consulted by country, topic, functional area, guideline and community.

The Code of Ethics and the aforementioned policies are defined and updated at global level for the CEMEX Group. The Audit Committee (External Regulations), Corporate Governance Committee (Internal Regulations) and Board of Directors of Cemex Latam are ultimately responsible for ensuring compliance with the Code of Ethics and the policies to the extent that they relate to Cemex Latam.

- ‘Whistleblowing’ channel for reporting to the audit committee any financial and accounting irregularities as well as potential breaches of the code of conduct and irregular activities within the organization, indicating, as appropriate, whether it is confidential.

Anonymous whistleblowing lines have been established to report any breaches of the code, including matters relating to financial reporting.

The whistleblowing lines are operated by a third-party service provider (NAVEX Global) Suggestions, consultations and reports of breaches of the code are received through these lines. The option of anonymity is always offered, and the whistleblowing line, called the “ETHOS Line” is available via telephone, online using a standard form and via email. ([https://www.tnwgrc.com/cemex/](https://www.tnwgrc.com/cemex/)).

The service uses Secure Socket Layer (SSL) technology, which ensures that all information sent is encrypted and protected by the service provider. The service is available 24 hours a day, seven days a week.

Other independent mechanisms for recording complaints and grievances also exist, in particular:

- The following address has been provided for suppliers: [www.cemex.com/Proveedores-Quejas](https://www.cemex.com/Proveedores-Quejas).

- Messages sent directly to the President of the Audit Committee.

- Messages sent directly to the local Ethics Committee or Ethos Committee (Global).

- Messages sent directly to Internal Audit and Internal Control.
• Other reporting channels such as complaints filed by customers and suppliers, or reports filed directly for members of the Ethics Committees.

Following instructions from the Company, the aforementioned provider NAVEX reports on complaints as follows:

a. Complaints received which relate to the financial reporting and accounting processes are sent directly to the President of the Audit Committee; and

b. Complaints related to other diverse matters are reported to the Ethics Committee of the respective unit and to Internal Audit.

Cases are assigned to the heads of Internal Audit, Internal Control, Legal and/or Human Resources based on their nature. The assigned party is responsible for conducting the pertinent verifications and investigations and for recording and reporting the results, conclusions and action plans. This information may be forwarded to the Country Directors, the members of the Ethics Committees, the Audit Committee and the administrative areas involved in order for the appropriate decisions to be taken. The head of Internal Audit keeps the Audit Committee abreast of any relevant matters that may arise while the review programs are being carried out.

Cemex Latam’s Audit Committee is periodically informed of the status of the investigations.

A communication campaign focused on matters relating to corporate culture (refusing bribes, discrimination and harassment) and the use of anonymous hotlines was set up in 2017.

• Periodic training and refresher courses for the personnel involved in preparing and reviewing financial information, and in evaluating ICOFR which address, as a minimum, accounting rules, auditing, internal control and risk management.

The Cemex Latam companies have formal hiring practices in place through Human Resources and in coordination with Finance, Controllership and BSO to ensure that new employees are qualified to carry out the activities related to each position and have the required profile, educational background and skills.

Accounting standards, policies, controls and practices relating to the organization's processes and areas are documented and published by the Cemex Latam Policy Center. Through the Accounting Technology Department, Controllership updates and develops new accounting policies in response to changes in the Company and new regulations.
is responsible for updating and reporting any change in policy derived from the issuance of new accounting regulations.

Employees are periodically evaluated based on the parameters established for the duties they perform and the objectives for their position. These performance evaluations are managed through an IT tool called “Career Building” which is operated by Human Resources.

Using “Career Building”, Cemex Latam employees establish their annual objectives in conjunction with their immediate supervisor. These objectives form the basis of their interim and year-end evaluations, which include the Individual Development Plan (IDP). Up to 25% of an employee’s annual objectives are linked to satisfactory completion of the IDP.

To ensure that executives and other employees remain up-to-date in terms of their knowledge, in addition to the institutional programs organized by Human Resources on different topics, including the use of work platforms, Controllership, through its Accounting Technology, Financial Reporting and Internal Control Departments and in conjunction with the BSO, prepares training programs for personnel involved in preparing the Group’s financial statements, with the aim of: (i) bringing participants up-to-date regarding regulations and general legislation, (ii) providing specific knowledge of International Financial Reporting Standards (IFRS) and (iii) informing them of the principles applicable to internal control over financial reporting. These plans are executed through meetings and special courses, teleconferencing, sending written information and webcasts.

The direct superiors of key employees who are involved in preparing the financial statements must ensure that the employees' IDPs include objectives or activities that are focused on training in accounting regulations and standards (e.g. IFRS, country-specific regulations, COSO, SOX).

**F.2 Assessment of financial reporting risks**

Report, at least, on:

**F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, with respect to:**

- Whether the process exists and is documented.

- Whether the process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), whether it is updated and, if so, how frequently.
- Whether a specific process is in place to define the consolidated group, taking into account, among other aspects, the possible existence of complex corporate structures, special purpose entities or special purpose vehicles.

- Whether the process considers the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) that may affect the financial statements.

- Which of the entity’s governing bodies supervises the process.

For internal operating processes, the Company has created a risk map that enables the Audit Committee to visualize the risk categories that are mitigated through the Internal Control System.

The “Internal Operational Risk” map is continuously updated on the basis of the findings of internal audits, special cases or well-founded investigations, in conjunction with the heads of the business units through interviews and self-evaluation questionnaires. This helps to ensure that the assessed risks are interpreted in a relatively uniform manner.

Each business unit assesses and develops a risk map, which includes financial reporting, which is then consolidated into an “Internal Operational Risk” Map that is presented and approved by the Audit Committee. The Internal Control Department is responsible for keeping the risk map up-to-date and ensuring that the assessment takes into account risks of error or fraud in all categories.

F.3 Control activities

Indicate if the entity has, at a minimum, the following components, and the main characteristics thereof:

F.3.1. Procedures to review and authorize the financial information and the description of the ICOFR system to be published on the securities markets, indicating those responsible in each case, as well as documentation describing the flow of activities and controls (including those relating to fraud risk) for the different types of transactions that may have a material impact on the financial statements, including the accounting close procedure and the specific review of relevant judgments, estimates, valuations and projections.

Cemex Latam has procedures to review and authorize the financial information published on the securities markets ( Colombian securities exchange) and has established the corresponding control procedure for the different types of transactions that may have a material impact on the financial statements.
The individual (separate) and consolidated financial statements are prepared by the Controllership Department and BSO in accordance with the International Financial Reporting Standards (IFRS) established by the International Accounting Standards Board (IASB) that are in effect at the date of the financial statements.

Furthermore, in order to comply with local regulations, given that it is a Spanish company, the Controllership prepares CLH’s annual accounts in accordance with the standards and principles set forth in the Spanish General Chart of Accounts (“PGC”) and other applicable legislation. These accounts are not used for management purposes and are not reported to the Colombian market. Consequently, the Board of Directors is required to authorize for issue the annual accounts and directors’ report prepared under Spanish regulations within three months of the reporting date, for their subsequent approval by the shareholders at the Shareholders’ General Meeting and filing at the Madrid Mercantile Registry.

Before being sent to the securities exchange, the CLH Group’s financial statements must have secured the following levels of internal approval:

- Review by the head of accounting.
- Review by the general attorney-in-fact (financial statements under IFRS).
- Review by Internal Audit.
- Review by and prior report from the Audit Committee.
- Approval (financial statements) or authorization for issue (annual accounts), as appropriate, by the Board of Directors.
- Approval by the shareholders at the Shareholders’ General Meeting (annual accounts and directors’ reports prepared under the Spanish General Chart of Accounts).

The Company has implemented an internal control and risk management system in relation to the financial reporting process based on the 2013 COSO framework, with the following components:

- Control environment.
- Risk assessment.
- Control activities.
• Information and communication.

• Monitoring activities.

These components ensure, among other objectives, the following:

• Effectiveness and efficiency of operations.

• Safeguarding of assets.

• Reliability of financial information.

• Compliance with applicable laws and regulations.

The model includes controls which are designed and implemented for each risk identified in the risk map, according to its level of importance. Risk mitigation depends on the correct implementation of controls by the persons responsible. The controls are related to specific steps of the processes and are commonly linked to the Company’s policies and procedures. Controls are continuously adapted to ensure that they take into accounting changing business conditions.

The Internal Control Department of Cemex Latam produces detailed descriptions of each step of the process, including:

• Flowcharts of processes, including the start of the process, the required authorization, the persons responsible, the internal controls and the systems involved in the process.

• Diagrams of the financial reporting interface (completeness) between the systems involved in the process, including the controls in place to ensure the complete and accurate transfer of the information.

• Control matrices describing what is expected of the person performing the control. The objectives of the control, the risk being mitigated, the frequency of the control, the person responsible, assertions in the financial statements, manual/automatic control, preventive/detective control and specific evidence to be kept.

• The descriptions and control matrices are kept up-to-date and are available at the Company’s Policy Center.
For accounting policies and procedures, the Accounting Technology Department, in conjunction with Internal Control, ensures that the descriptions, risks and controls are updated and published by the Policy Center.

As part of this methodology, design evaluations and change management tests are conducted by Internal Control to ensure that the controls are appropriate for the processes and risks identified.

F.3.2. Internal control policies and procedures for IT systems (including access security, control of changes, how changes are made, business continuity and segregation of duties) that support the entity’s relevant processes for the preparation and publication of financial information.

Information System (IT) Controls are an important set of controls. These are classified as general controls or application controls and are monitored for all systems that support operating processes, including those used to generate financial reports. General IT controls are those related to the management of equipment and servers, back-ups, infrastructure, security management, purchases of software, development and maintenance. Application controls are embedded in applications (e.g. SAP, Hyperion) and focus on the completeness, accuracy, authorization, validity of the data capture and data processing through the systems.

Cemex Latam is a highly automated company. IT controls are key to ensuring that systems, servers and applications function properly and that the information is therefore reliable. The controls are based on the COBIT framework (Control Objectives for Information and Related Technology) and the control activities related to Cemex Latam’s systems have been identified and documented and are tested annually. COBIT is a framework created by IT specialists that is generally accepted as a means of compliance with the control requirements of the various regulatory bodies.

System controls are divided into the following categories:

- Support schemes to ensure continuity and support operations.
- Network protection from deliberate attacks.
- Back-ups and data recovery schemes.
- Changes to programs and applications.
- Program and data access controls.
▪ System application controls (e.g. SAP, Hyperion, RMS).

The VP for Processes and IT is responsible for ensuring that these controls are executed and the controls are included in the scope of internal audits every year.

The Information Security team, which is also part of the VP for Processes and IT, monitors conflicts relating to the segregation of duties within systems. A model has been implemented that defines and classifies critical transactions that could give rise to conflicts relating to the segregation of duties within the system.

F.3.3. Internal control policies and procedures to supervise management of activities outsourced to third parties, as well as issues related to evaluation, calculation or valuation services commissioned from independent experts which may have a material impact on the financial statements.

Contracts are signed for processes outsourced to third parties regulating, among other aspects, the following:

▪ The obligations and responsibilities assumed by each party.

▪ The levels of communication and notifications that must be exchanged between the parties.

▪ The conditions or terms related to invoicing, payment conditions, etc.

▪ The applicable rules regarding confidentiality

▪ The penalties that might arise in the event of a breach by either party.

In cases where the preparation of financial information has had to be outsourced to an independent expert (actuarial calculations, valuation of fixed assets, etc.), the Company ensures that the level of technical competence of the professionals and their support as suppliers meet the needs of the Company, with preference given to duly certified companies.

Cemex Latam outsources services to IBM, which is in charge of certain administrative transactional activities and IT services that are part of the financial reporting process in all the operating units.

Although transactions are executed at IBM’s service centers, the Company remains responsible for the delegated activities. As a result, all of the procedures included in this
document (e.g. Code of Ethics, risk map, control activities) were adapted during the transition to IBM, in order to maintain the effective Internal Control Model.

IBM service centers must maintain an adequate degree of control and are required to: Comply with the Code of Ethics, the policies and internal controls for performing the assigned tasks. Cemex Latam and IBM have drawn up “DTP” (Desk Top Procedures) documents to describe in detail all of the activities performed by the IBM service centers, explaining the necessary steps and controls.

The IBM service centers are included in Internal Control’s monitoring activities and in the Process Assessment audits. The audit work is based on the DTPs agreed between Cemex Latam and IBM, ensuring that the services rendered by IBM are performed in accordance with the established requirements. Furthermore, in its global assessment of the CEMEX Group, which includes the Cemex Latam companies, KPMG audits the IBM service centers as part of its assessment of internal controls.

IBM provides an annual report on the assessment of its controls at entity level (Report SOC 1), issued by PricewaterhouseCoopers (PwC). The report includes the centers that render services to the CEMEX Group.

There is a “Vendor Management Office (VMO)” which is responsible for managing the relationship with IBM. Due to the importance of the outsourced services, Internal Control together with the VMO developed internal procedures and controls for the following processes:

I. Deliverables stipulated in the legal contracts.

II. Process of payments to IBM.

III. Service level agreement (SLA).

IV. Management of risks and problems.

F.4 Information and communication

Indicate if the entity has, at a minimum, the following components, and the main characteristics thereof:

F.4.1 A specific function responsible for defining and updating accounting policies (accounting policies area or department) and resolving queries or disputes over their interpretation, maintaining fluid communications with those responsible for operations in the
organization, and an up-to-date accounting policies manual that is distributed to the units through which the entity operates.

As previously indicated, Controllership is responsible for the accounting policies through the CEMEX Group’s Accounting Technology Department, the area that coordinates all operations, including Cemex Latam. The duties and activities of Accounting Technology include:

I. Defining accounting policies in line with applicable regulations and policies;

II. Coordinating and supervising the preparation of Cemex Latam’s consolidated financial statements through its own Financial Reporting Area;

III. Monitoring possible changes in the regulations proposed by the IASB and the impact of their application on the preparation of the financial statements.

IV. Periodically reviewing the accounting policies to ensure that they are up-to-date and, in the event of changes, making the appropriate modifications.

V. Ensuring that policies are applied consistently across the Group companies.

VI. Providing information on accounting policies to the relevant areas involved in preparing financial information through the corporate intranet, which is freely accessible to all employees who need to consult it. It also coordinates training tasks.

F.4.2. Mechanisms to capture and prepare financial information in standard formats, to be applied and used in all units within the entity or group, which support the main financial statements and accompanying notes as well as disclosures concerning ICOFR.

The Company has defined a procedure for preparing financial information which includes the accounting close processes and the consolidation of the information of all the Group companies.

The information is administered in a single platform under the accounting system (SAP) run by the BSOs of each country, which ensures greater control over the standardized processes in a single close. Furthermore, the process has controls to monitor system access, ensuring proper segregation of duties and appropriate levels of authorization. In addition, automatic controls have been defined within the system, making it possible to validate the data and ensure that financial information is complete.
The financial information consolidation process is carried out by the Controllership, through the Financial Reporting Department, using a single system called "Hyperion Financial Management" or "HFM", supported by security levels, segregation of duties and automatic control mechanisms that enable the completeness and reliability of the data to be monitored.

The existence of the same chart of accounts for all CEMEX Group companies facilitates consolidation and the reporting (information) system generated for all entities requiring such information.

F.5 Supervision of system operation.

Indicate if the entity has, at a minimum, the following components, and the main characteristics thereof:

F.5.1. ICOFR supervisory activities conducted by the audit committee and whether the entity has an internal audit function whose competences include supporting the committee in its oversight of the internal control system, including ICOFR. Furthermore, report on the scope of the ICOFR assessment in the year and the procedure for the person responsible for conducting the evaluation to report the results. State also whether the entity has an action plan detailing any corrective measures, and whether the impact on the financial information has been considered.

As noted above, oversight of the control and risk management system for financial reporting is handled at three levels – the Internal Audit Department, the Audit Committee (to which Internal Audit reports) and, ultimately, the Board of Directors.

Internal Audit supports the Audit Committee in overseeing the internal control and risk management systems for financial reporting.

In 2017, the Audit Committee performed the functions and responsibilities set forth in the Company’s Internal Regulations with regard to financial reporting. Consequently, it carried out the following actions:

- The Committee reviewed the Company’s individual annual accounts and directors’ report for the year ended December 31, 2016, as a result of which it submitted a favorable report to the Board of Directors, the body competent to authorize the issue of the annual accounts.

- The Committee reviewed the individual (separate) and consolidated financial statements prepared under IFRS. Once they had been approved by the Board of Directors, the Company submitted them to the Financial Superintendency of Colombia (“SFC”, as per the Spanish acronym), in accordance with Instruction 10
of External Circular No. 004 of March 9, 2012, regulating regular reporting of relevant information by securities issuers entered on the Colombian National Register of Securities and Issuers.

- Specifically as regards ongoing efforts to remedy the irregularities that occurred during the purchase of land and other assets related to the construction of the Maceo plant, and taking into consideration the investigations and internal audits as well as the advice received from external advisors, the Committee reviewed and approved activities which seek to remedy the internal control deficiency in significant unusual transactions which CEMEX, S.A.B. de C.V. and Cemex Latam have classified as a material weakness. These activities include the new policy for approving significant unusual transactions, the creation of a committee to supervise projects that entail substantial investment, reinforcement of internal audit procedures and enhancement of existing controls used for monitoring purposes so as to operate at a sufficiently accurate level. At December 31, 2017, the remedial activities have been fully implemented and their effectiveness is currently under evaluation.

- Furthermore, in 2017 the Audit Committee:

  1) Approved the work plan and budget for the Internal Audit area for that year. The work plan includes processes related to financial reporting.

  2) Reviewed the development of and compliance with Internal Audit's program, focusing especially on the results presented periodically by the head of this area during Committee meetings, including on financial reporting processes.

  3) Approved the engagement of KPMG in order to conducting a gap analysis on CLH’s ICOFR system, comparing the current situation with the international COSO III (2013) framework. The results were shared with the Audit Committee and management. The recommendations are being evaluated and there is an action plan which will be monitored by the Committee.

Internal Audit prepares an annual audit plan using a risk-based approach. For the financial statements, the Internal Control Department, based on the financial information and the materiality of the accounts, defines an annual scope at the start of the year to select the business units and/or areas whose financial statements will be subject to internal audit.

The Internal Control environment depends on the efficiency of the processes and the level of risk in the countries where the Company operates. Therefore the plants and offices may be included within the scope of the annual audit plan. For the tests performed at Cemex Latam in 2017, a new procedure was followed that includes the Company’s
strategic risks as well as those identified by the ERM, Internal Control, Tax and Legal Departments, in accordance with the assurance map defined by the Company and approved by general management and the Audit Committee. Furthermore, in 2017 Internal Audit implemented the standards required by the Institute of Internal Auditors (IIA), which performed a gap analysis, with satisfactory results. The gaps identified are being resolved with a view to obtaining certification of the function in the first half of 2018.

During the year, 1,678 audit tests were performed, with satisfactory results in 76% of the cases in CLH’s seven countries.

F.5.2. Whether a discussion procedure is in place whereby the auditor (pursuant to Technical Standards on Auditing), the internal audit function and other experts may inform senior management and the audit committee or directors of the entity of significant internal control weaknesses identified during the review of the annual accounts or any other processes assigned to them. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

Communication is an essential part of the internal control system. This entails ensuring that the Audit Committee, management and the heads of the operating units are informed of any weaknesses and/or failures in the internal controls.

Internal control deficiencies are evaluated to determine their importance and severity and whether immediate action is required. Each deficiency is described and the impact is evaluated with those responsible for the process to determine whether to report and/or escalate the issue to management and the Audit Committee.

In order to comply with regulations, the detected deficiencies in financial reporting are classified according to their economic impact as control deficiencies, significant deficiencies and material weaknesses. A control deficiency occurs when a control does not function as designed or is not appropriately implemented, but does reasonably mitigate the risk. Significant deficiencies are those that individually, or jointly with other deficiencies, are sufficiently important and must be reported to the Audit Committee. A material weakness reflects a significant possibility of material error in the Company’s financial statements and must be disclosed by Cemex Latam in a public report submitted to the securities exchanges.

The Audit Committee must be informed of any significant deficiency or material weakness identified prior to issuing financial statements and/or when they are detected, if urgent corrective action is required immediately.
The Audit Committee holds meetings at least once a quarter to review and report on the interim and year-end financial information, prior to its approval by the Board of Directors or the shareholders at the Shareholders' General Meeting, as appropriate. This information is (i) subsequently submitted to the appropriate Spanish and Colombian authorities, and (ii) disseminated to the market. Matters relating to internal control and risk monitoring are also discussed at these meetings.

In addition to the quarterly meetings, meetings are held whenever required to discuss areas for improvement or that present opportunities in relation to internal control deficiencies observed during the period analyzed.

In 2017, the Audit Committee held a total of 11 meetings.

Audit Committee meetings are generally attended by the head of Internal Audit and the external audit partner. Other Company departments such as Legal, BSO, Internal Control and ERM may take part in some meetings at the request of the Audit Committee.

The deficiencies detected by the Internal Audit Department are accompanied by action plans and recommendations agreed upon with the person responsible for the process being audited. Also, in light of the foregoing with regard to the external audit, any deficiency reported in the global assessment for the purpose of the CEMEX Group’s compliance with the Sarbanes-Oxley Act that relates to CEMEX Group companies is included in the remediation and monitoring processes of Internal Audit and Internal Control.

Based on the results of the internal audits, the Internal Control Department reaches a consensus with the persons responsible for the different processes evaluated as to the actions considered most appropriate for mitigating the risks detected and for preventing any future occurrence.

Once these corrective actions have been agreed, the Internal Control Department informs the Audit Committee and periodically monitors the implementation of these actions. For this task, Internal Control is responsible for reviewing the suitability and effectiveness of the controls initially identified, taking into account the risks that have materialized. This joint review process may lead to the establishment of new controls or, if deemed appropriate, the redesigning of the initial controls to ensure their effectiveness.

F.6 Other relevant information:

All relevant information has been disclosed in the previous sections.

F.7 External auditor’s report
Indicate:

F.7.1. Whether the ICOFR information disclosed to the markets has been reviewed by the external auditor, in which case the entity should include the corresponding report as an appendix. Otherwise, explain the reasons for the absence of this review.

Cemex Latam is a subsidiary of the CEMEX Group, whose parent, CEMEX S.A.B. de C.V., is listed on the Mexican Stock Exchange (BMV) and the New York Stock Exchange (NYSE), and therefore subject to Mexican and US securities regulations, including the Sarbanes-Oxley Act of 2002. The business units that make up Cemex Latam have internal control processes and mechanisms in place to determine and certify the accuracy of the financial information.

For the CLH Group, the information on internal control and risk management systems related to financial reporting to the markets has not been reviewed by the External Auditor. The External Auditor audits the Group's financial information obtained from the consolidation of the financial information of the countries that make up the Group and conducts tests on certain controls included in the Group’s ICOFR system with the scope required to be able to express an opinion on whether the consolidated financial statements of CLH give a true and fair view of its financial position. The audit opinion, which is unqualified, accompanies the consolidated financial statements of the CLH Group.

As previously mentioned, specifically as regards ongoing efforts to remedy the irregularities arising in the purchasing process for the land and other assets related with construction of the Maceo plant, and taking into consideration the investigations and internal audits as well as the advice received from its external advisors, Cemex Latam continues with its initiatives aimed at resolving the internal control weakness in unusual and significant transactions, which CEMEX, S.A.B. de C.V. and Cemex Latam have classified as a material weakness. At December 31, 2017 the remedial initiatives implemented by CEMEX, S.A.B. de C.V. and the Company, with the approval of the Audit Committee and the Board of Directors of the Company, included the new policy for approving significant unusual transactions, the creation of a committee to supervise projects that entail substantial investment, reinforcement of internal audit procedures and enhancement of existing controls used for monitoring purposes so as to operate at a sufficiently accurate level. As already stated, at December 31, 2017 the remedial activities had been fully implemented. However, the effectiveness of these initiatives is currently being assessed, and the material weakness in the internal controls cannot be deemed resolved until the Company concludes that the remedial controls have been operating effectively for a sufficient length of time. The Company does not consider that this weakness has had a material impact on the financial statements previously issued by CLH.
G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the company’s degree of compliance with the recommendations of the Good Governance Code of Listed Companies.

If a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have sufficient information to assess the company’s behavior. General explanations will not be acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

   See sections: A.10, B.1, B.2 and C.1.23

   Compliant Explain

2. When a parent and a subsidiary company are listed, both should give an accurate disclosure of the following information:

   a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies;

   b) The mechanisms in place to resolve possible conflicts of interest.

   See sections: D.6 and D.7

   Compliant Partially compliant Explain Not applicable

3. During the shareholders’ ordinary general meeting, in addition to providing the annual corporate governance report in writing, the chairman of the board of directors should verbally inform shareholders in sufficient detail of the most relevant aspects of the company’s corporate governance, specifically:
a) Any changes since the previous shareholders' general meeting;

b) The specific reasons why company does not follow a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

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4. The company should draw up and implement a policy for communication and contact with shareholders, institutional investors and proxy advisors that fully complies with market abuse regulations and accords an equitable treatment of shareholders in the same position.

This policy should be disclosed on the company’s website, complete with details of how it has been put into practice and the identities of the relevant contacts or persons responsible for its implementation.

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See section: F.1.2.

5. The board of directors should not make a proposal to the shareholders’ general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board of directors approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

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To date, the Board of Directors has not made a proposal for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights. There is also no amount limit and, if there were, the Company would publish the corresponding report on its website.

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the shareholders’ general meeting, even if their distribution is not obligatory:

a) Report on auditor independence.
b) Reports on the operation of the audit committee and the appointments and remuneration committee.

c) Audit committee report on related party transactions.

d) Report on corporate social responsibility policy.

Compliant Partially compliant Explain

When the Shareholders’ General Meeting is called, the Company publishes on its website, among others, the Audit Committee’s report on the activities carried out in the prior year, which includes the reference to the auditor independence report issued by the Committee.

7. The company should broadcast the shareholders' general meetings live on the corporate website.

Compliant Explain

The Company does not broadcast the Shareholders’ General Meetings live, but teleconferencing rooms can be set up at any of the Group’s corporate offices at the request of a shareholder.

8. The audit committee should ensure that the board of directors seeks to present the annual accounts to the shareholders at the shareholders' general meeting without limitations or qualifications in the auditor’s report. Should such limitations or qualifications exist, both the president of the audit committee and the auditors should clearly explain account to the shareholders the content and scope of such limitations or qualifications.

See section: C.1.38 and C.2.1 (Audit Committee, section 2, point p)

Compliant Partially compliant Explain

9. The company should disclose the conditions and procedures for admitting share ownership, the right to attend shareholders' general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such requirements and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant Partially compliant Explain
When the Shareholders' General Meeting is called, the attendance and voting cards are published with the necessary procedures and requirements. These cards are always available on the Company's website.

10. When an accredited shareholder exercises the right to supplement the agenda or submit new resolution proposals prior to the shareholders' general meeting, the company should:

a) Immediately circulate the supplementary items and new resolution proposals.

b) Disclose the attendance card model or proxy appointment or remote voting form with the required modifications so that new agenda items and alternative resolution proposals can be voted on under the same terms as those submitted by the board of directors.

c) Submit these items and alternative proposals to vote, applying the same voting rules as those prepared by the board of directors, including, in particular, presumptions or inferences on the vote outcome;

d) After the shareholders' general meeting, communicate the vote breakdown on the supplementary items or alternative proposals.

11. In the event that a company plans to pay for attendance at the shareholders' general meeting, it should establish, in advance, a general, long-term policy in this respect.

12. The board of directors should perform its duties with unity of purpose and independent judgment, according the same treatment to all shareholders in the same position. It should be guided at all times by the company’s best interest, understood as the creation...
of a profitable business that promotes its sustainable success over time, while maximizing its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, customers and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Compliant Partially compliant Explain

13. The board should have an optimal size to promote its effective operation and maximize participation. The recommended range is accordingly between five and fifteen members.

See section: C.1.2

Compliant Explain

14. The board of directors should approve a director selection policy that:

a) Is specific and verifiable;

b) Ensures that the proposed appointments or re-elections are supported by a prior analysis of the requirements of the board of directors; and

c) Promotes diversity of knowledge, experience and gender.

The results of the prior analysis of the requirements of the board of directors should be detailed in the appointments committee’s explanatory report, to be published when convening the shareholders’ general meeting to approve, appoint or re-election each director.

The director selection policy should pursue the target of women representing at least 30% of the board of directors by 2020.

The appointments committee should verify on an annual basis compliance with the director selection policy and set out its findings in the annual corporate governance report.

See points C.1.5, C.1.6, .1.19, F.1.2
15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical, bearing in mind the complexity of the corporate group and the ownership interests they control.

See sections: A.3 and C.1.3

16. The percentage of proprietary directors vis-à-vis all non-executive directors should not exceed the proportion between capital represented on the board by proprietary directors and the remainder of the company’s capital.

This criterion can be relaxed:

a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.

b) In companies with a plurality of shareholders represented on the board but not otherwise related.

See sections: A.2, A.3 and C.1.3

17. The number of independent directors should represent at least half of all board members.

Nonetheless, in non-large cap companies, or large cap companies with one shareholder (or various shareholders acting in concert) controlling more than 30% of share capital, the number of independent directors should represent at least one-third of all directors.

See section: C.1.3
18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

a) Professional experience and background;

b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.

c) Statement of the director class to which they belong, indicating, in the case of proprietary directors, the shareholder they represent or have links with.

d) The date of their first appointment as a company director and subsequent re-elections.

e) Shares held in the company and any options on them.

Compliant: Partially compliant
Explain

At the date of this report, the Company's website only shows the professional profile of the Directors and, where appropriate, their membership of the various Board Committees, as well as the dates of their appointment.

19. Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the request of shareholders controlling less than 3% of capital; and explain any rejection of a formal request for a board position from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Compliant: Partially compliant
Explain: Not applicable

At the date of this report, no such request has been received.

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the number of proprietary directors should be reduced accordingly.

See sections: A.2, C.1.3, C.1.21

Compliant: Partially compliant
Explain: Not applicable
21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the appointments committee. In particular, just cause will be presumed when directors take up new offices or responsibilities that prevent them from dedicating sufficient time to the duties inhere to the position of director, are in breach of their fiduciary duties or are in one of the situations that disqualify them as independent, as provided for in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company’s capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

See sections: C.1.21, C.1.19 and C.1.43

Compliant

Explain

22. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organization’s name or reputation, tendering their resignation as the case might be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

As soon as possible after a director is indicted or tried for any of the offences stated in company legislation, the board of directors should examine the matter and, depending on the specific circumstances, decide whether or not he or she should be called on to resign. The board should provide a justified account of these events in full in the Annual Corporate Governance Report.

See sections: C.1.41 and C.1.43

Compliant

Partially compliant

Explain

23. All directors should express clear opposition when they feel a proposal submitted for the board’s approval might undermine the corporate interest. In particular, independents and other directors not affected by the potential conflict of interest should challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes significant or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions.
Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the board, even if not a director.

Compliant | Partially compliant | Explain | Not applicable

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the reason for it must be explained in the Annual Corporate Governance Report.

See section: C.1.9.

Compliant | Partially compliant | Explain | Not applicable

Since the current Board of Directors was appointed, none of its members have been removed.

25. The appointments committee should ensure that non-executive directors have sufficient time available to correctly perform their duties.

The regulations of the board of directors should establish the maximum number of company boards on which directors may sit.

See section: C.1.19

Compliant | Partially compliant | Explain

26. The board of directors should meet with the necessary frequency to properly perform its duties, at least eight times per year, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of other items.

See section: C.1.29

Compliant | Partially compliant | Explain
The Board of Directors has met with the necessary frequency to properly perform its functions, 11 times during the year to which this Report refers, and one vote was held in writing without a meeting.

27. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

See sections: C.1.28, C.1.29 and C.1.30

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28. When directors or the secretary express concerns about a proposal or, in the case of directors, about the company’s performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

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29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company’s expense.

See section: C.1.40

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30. Regardless of the knowledge required by directors to perform their duties, the companies should also offer refresher courses to directors when circumstances so advise.

See sections: C.1.20 and C.2. (Appointments and Remuneration Committee, section 2, point h)

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31. The agendas of board meetings should clearly indicate the matters requiring a decision or resolution from the board of directors, so that they can study the matter or gather the material they need beforehand.

When, exceptionally, in urgent cases, the chairman wishes to submit decisions or resolutions to the board of directors for approval that are not included on the agenda, prior express consent will be required from the majority of directors present, which will be duly recorded in the minutes.

**Compliant**

32. Directors should be regularly informed of movements in share ownership and of the views of significant shareholders, investors and rating agencies on the company and its group.

**Compliant**

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the duties assigned by law and the bylaws, should prepare and submit to the board of directors a calendar of meeting dates and agendas; organize and coordinate regular evaluations of the board and, where appropriate, the company’s CEO; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

**Compliant**

34. When a coordinating director has been appointed, the bylaws or regulations of the board of directors should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen; give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company’s corporate governance; and coordinate the chairman’s succession plan.

**Compliant**

35. The secretary to the board of directors should strive to ensure that the board’s actions and decisions are informed by the governance recommendations of the Good Governance Code applicable to the company.
36. The board in full should conduct an annual evaluation and adopt, where necessary, an action plan to remedy any deficiencies detected with respect to:

a) The quality and efficiency of the board’s operation.
b) The operation and composition of Board Committees.
c) The diversity in the composition and powers of the board of directors.
d) The performance of the chairman of the board of directors and the CEO of the company.
e) The performance and contribution of each director, with particular attention to those in charge of the different board committees.

The evaluation of board committees should be based on the reports they send the board of directors, while that of the board itself should be based on the report of the appointments committee.

Every three years, an external consultant, whose independence will be verified by the appointments committee, will assist the board of directors with the evaluation.

The business relationships between the consultant or any company in its group and the company or any group company should be disclosed in the Annual Corporate Governance Report.

The process followed and areas evaluated should be detailed in the Annual Corporate Governance Report.

See section C.1.20 bis

Compliant Partially compliant Explain

37. When an executive committee exists, its membership mix by director class should be similar to that of the board of directors. The secretary of the board should also act as secretary to the executive committee.

Compliant Partially compliant Explain Not applicable
38. The board of directors should be kept fully informed of the matters discussed and decisions made by the executive committee. To this end, all members of the board of directors should receive a copy of the minutes to the committee’s meetings.

Compliant Partially compliant Explain Not applicable

39. The members of the audit committee and, in particular, the president, should be appointed with due regard to their knowledge and experience in accounting, audit or risk management matters. The majority of these members should be independent directors.

See section: C.2.1. (Audit Committee, section 1)

Compliant Partially compliant Explain

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board’s non-executive chairman or the president of the audit committee.

See section: C.2.1 (Audit Committee, section 2, point b)

Compliant Partially compliant Explain

41. The head of the internal audit unit should present an annual work program to the audit committee, report to it directly on any incidents arising during its implementation, and submit an activities report at the end of each period.

See section: C.2.1 (Audit Committee, section 2, point c)

Compliant Partially compliant Explain Not applicable

42. In addition to the duties set forth by law, the audit committee should be responsible for the following:

1. With respect to internal control and reporting systems:
a) Overseeing the preparation and comprehensiveness of the financial information pertaining to the company and, where applicable, its group, ensuring compliance with regulatory requirements, the suitable demarcation of the consolidated group and the correct application of accounting policies.

b) Monitoring the independence of the internal audit unit; proposing the selection, appointment, re-election and removal of the head of the internal audit unit; proposing the department’s budget; approving its training and work programs, ensuring that its activity primarily focuses on the company’s key risks; receiving regular reports on its activities; and verifying that senior management considers the conclusions and recommendations of its reports.

c) Establishing and supervising a mechanism whereby staff can report, confidentially and, if possible and appropriate, anonymously, any significant irregularities detected in the course of their duties, in particular financial or accounting irregularities with potentially serious implications for the company.

2. With regard to the external auditor:

a) Investigating the issues giving rise to the resignation of any external auditor.

b) Ensuring that the external auditor’s compensation for its work does not compromise the qualify of its work or its independence.

c) Ensuring that the company reports any change of auditor to the Spanish National Securities Market Commission (CNMV, as per the Spanish acronym) as a relevant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for such disagreements.

d) Ensuring that the external auditor holds an annual meeting with the full board of directors to report on the work performed and on the company’s accounting circumstances and risks;

c) Ensuring that the company and the external auditor comply with prevailing legislation regarding non-audit services, limits on the concentration of the auditor’s business and, in general, other standards on auditor independence.

See section: C.2.1 (Audit Committee, section 2, points e, b, d, i, j, k, l and m)
43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another manager.

See section: C.2.1. (Audit Committee, section 1)

Compliant Partially compliant Explain

44. The audit committee should be informed of the structural and corporate changes the company intends to make, to analyze such actions and issue a prior report to the board of directors concerning economic conditions and their accounting impact and, in particular, on any proposed share exchange ratios.

See section: C.2.1. (Audit Committee, section 2)

Compliant Partially compliant Explain Not applicable

45. The risk management and control policy should identify at least:

a) The different types of financial and non-financial risk to which the company is exposed (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion, under financial or economic risks, of contingent liabilities and other off-balance sheet risks.

b) The setting of the risk level deemed acceptable by the company.

c) The measures in place to mitigate the impact of identified risk, should they materialize.

d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

See section: E

Compliant Partially compliant Explain
46. Companies should establish a risk control and management function in the charge of one of the company’s internal department or units and under the direct supervision of the audit committee or some other specialized board committee. This function should be expressly assigned the following duties:

a) Ensure that risk management and control systems function correctly and, specifically, that they adequately identify, manage and quantify all of the significant risks affecting the company.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk management and control systems mitigate risks effectively in the framework of the policy drawn up by the board of directors.

See sections: C.2.1. (Audit Committee, section 2) and E

Compliant Partially compliant Explain

47. Appointees to the appointments and remuneration committee – or to the appointments committee and the remuneration committee, if separate – should have the appropriate knowledge, skills and experience for the duties they are called on to perform. The majority of members should be independent directors.

See section: C.2.1. (Appointments and Remuneration Committee, section 1)

Compliant Partially compliant Explain

48. Large cap companies should have both an appointments committee and a remuneration committee.

Compliant Partially compliant Not applicable

49. The appointments committee should consult with the company’s chairman and CEO, especially on matters relating to executive directors.

When there are vacancies on the board, any director may propose directorship candidates to the appointments committee for its consideration.
With respect to the first point, the Committee consults with the Chairman of the Board of Directors, but not with the CEO on matters relating to Executive Directors.

50. The remuneration committee should operate independently and, in addition to those assigned by law, should have the following duties:

a) Proposing the standard conditions for senior managers' employment contracts to the board of directors.

b) Verifying compliance with the company's compensation policy.

c) Periodically reviewing the compensation policy applied to directors and senior executives, including any share-based compensation schemes and the application thereof, and ensuring that individual compensation is proportionate to that paid to other directors and senior executives at the company.

d) Ensuring that conflicts of interest do not undermine the independence of any external advisory services rendered to the committee.

e) Verifying the information on compensation of directors and senior executives contained in corporate documentation, including the annual report on the compensation of directors.

See section: C.2.1 (Appointments and Remuneration Committee, section 2, points g, l and m)

Compliant  Partially compliant  Explain

51. The remuneration committee should consult with the company’s chairman and CEO, especially on matters relating to executive directors and senior executives.

See section 49 above

Compliant  Partially compliant  Explain
52. The rules concerning the structure and operation of the supervision and control committees should be set out in the regulations of the board of directors and consistent with those applicable to the legally required committees, in accordance with the preceding recommendations, including the following:

   a) They should be formed exclusively of non-executive directors, with a majority of independent directors.
   b) They should be chaired by an independent director.
   c) The board of directors should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee’s terms of reference; discuss their proposals and reports; and report on their activities and work at the first full board meeting following each committee meeting.
   d) They may engage external advisors, when they feel it necessary for the discharge of their duties.
   e) Meeting proceedings should be minuted and a copy made available to all directors.

Compliant Partially compliant Explain Not applicable

See section: C.2.1.

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and the corporate social responsibility policy should be assigned to the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a specialized committee established ad hoc by the board under its powers of self-organization, with at least the following duties:

   a) Overseeing compliance with the company's internal codes of conduct and corporate governance rules;
   b) Supervising the strategy for shareholder and investor communications and relations, including small and medium-sized shareholders.
   c) Periodically assessing the suitability of the company's corporate governance system, to ensure that it fulfills its objective of promoting the corporate interest and also takes into account the legitimate interests of other stakeholders;
d) Reviewing the company’s corporate responsibility policy, to ensure that it is focused on value creation.

e) Following the corporate social responsibility strategy and practices and assessing compliance therewith.

f) Supervising and assessing the processes for relations with different stakeholders;

g) Assessing all matters concerning the company's non-financial risks, such as operational, technological, legal, social, environmental, political and reputational risks;

h) Coordinating the process of reporting non-financial information and data on diversity, in accordance with applicable legislation and international standards;

The above functions are assigned under the Company's Internal Regulations to the Corporate Governance Committee, with the exception of those mentioned in points g) and h), which are competences of the Audit Committee, as indicated in section C.2.1. (Audit Committee, points f) and s), respectively)

54. The corporate social responsibility policy should state the principles or commitments that the company voluntarily assumes in its relationship with the various stakeholders and specify at least:

a) The objectives of its corporate social responsibility policy and the support instruments to be deployed.

b) The corporate strategy related to sustainability, the environment and social issues.

c) Specific practices with regard to matters relating to: shareholders, employees, customers, suppliers, social issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conduct.

d) The methods or systems for monitoring the results of the specific practices referred to above, the related risks and the management thereof.

e) The mechanisms for supervising non-financial risk, ethics and corporate conduct.

f) Channels for stakeholder communication, participation and dialogue.
g) Responsible communication practices that prevent the manipulation of information and protect the company’s honor and integrity.

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55. The company should report on corporate social responsibility matters in a separate document or in its directors’ report, using any of the internationally accepted methodologies.

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Every year, following a report from the Corporate Governance Committee, the Board of Directors approves the Company’s Sustainable Development Report, which is published on the corporate website.

56. Director compensation should be sufficient to attract individuals with the desired profile and to compensate the commitment, abilities and responsibilities that the post demands, but not so high as to compromise the independent judgment of non-executive directors.

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57 Variable compensation linked to the company’s performance or personal performance, the award of shares, options or rights over shares or instruments whose value is lined to the share price, and membership of long-term savings schemes such as pension plans, retirement schemes and other benefits should be confined to executive directors.

The company may consider the share-based compensation of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to cover the costs related to their acquisition.

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At the date of this report, Directors’ compensation does not have a variable component linked to the Company’s performance.
In the case of variable awards, compensation policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company’s sector, or similar circumstances.

In particular, variable components of compensation should:

a) Be linked to predetermined measurable performance criteria that take into account the risk assumed to obtain a result.

b) Promote the sustainability of the company and include non-financial criteria that are relevant to long-term value creation, such as compliance with the company's internal rules and procedures and its risk management and control policies.

c) Be focused on achieving a balance between the delivery of short-, medium- and long-term objectives, such that performance-related compensation rewards ongoing achievement, maintained over a sufficient period of time to allow the contribution to sustainable value creation to be appreciated. The means of measurement of this performance should therefore not be limited to one-off, occasional or extraordinary events.

At the date of this report, Directors’ compensation does not have a variable component linked to the Company’s performance.

Payment of a significant portion of the variable components of compensation should be deferred for a minimum period that is sufficient to verify that the predetermined performance criteria have been met.

At the date of this report, Directors’ compensation does not have a variable component linked to the Company’s performance.

In the case of compensation linked to the company's performance, deductions should be computed for any qualifications in the external auditor’s report.

At the date of this report, Directors’ compensation does not have a variable component linked to the Company’s performance.
At the date of this report, Directors’ compensation does not have a variable component linked to the Company’s performance.

61. A significant percentage of executive directors’ variable compensation should be linked to the award of shares or financial instruments whose value is linked to the share price.

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See point A.3

62. Once shares, share options or other rights on shares have been assigned within the compensation scheme, directors should not be able to transfer ownership of a number of shares equivalent to twice their annual fixed compensation or to exercise the options or other rights for at least three years after their award.

This condition, however, will not apply to shares that the director must dispose of to cover the costs related to their acquisition.

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The minimum term for exercising share options or rights over Company shares in accordance with the share delivery policy is one year.

63. Contractual arrangements should include a clause that permits the company to reclaim variable components of compensation when payment was not in line with the director’s actual performance or based on data subsequently found to be misstated.

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At the date of this report, Directors’ compensation does not have a variable component linked to the Company’s performance.

64. Termination payments should not exceed a fixed amount equivalent to two years’ total annual compensation and should not be made until the company confirms whether the director has met the predetermined performance criteria.

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H. OTHER INFORMATION OF INTEREST

As the Company issues shares that are listed on the Colombian Stock Exchange, it is classified as a foreign issuer and, as such, is subject to supervision by the Financial Superintendency of Colombia ("SFC") and must comply with Colombian legislation on securities markets albeit under certain specific provisions related to its status as a foreign company registered in Spain:

Specifically, the Company must comply with the instructions set forth in External Circular No. 004 of 2012, regulating regular reporting of relevant information and may opt to comply with the provisions of External Circular No. 028 of 2014, on the Presentation of the New Country Code and the Adoption of the Report on the Implementation of Best Corporate Practices.

In accordance with the provisions of the latter Circular, following a report from the Corporate Governance Committee, the Company’s Board of Directors has approved the corresponding Corporate Governance Survey (Country Code – Colombia).

Furthermore, on May 23, 2014, the Company adopted the Code of Good Tax Practices approved on July 20, 2010, at the plenary session of the Large Companies Forum, which was created on July 10, 2009, at the request of the Spanish State Tax Agency.

* * *

This Annual Corporate Governance Report has been approved by the Board of Directors of the Company at their meeting held on March 19, 2018, following a report from the Corporate Governance Committee dated March 9, 2018.

No Directors voted against or abstained from voting on the approval of this Report.