

CEMEX LATAM HOLDINGS, S.A.
ANNUAL CORPORATE GOVERNANCE REPORT



**ANNUAL CORPORATE
GOVERNANCE REPORT**

Year ended December 31, 2016

CEMEX LATAM HOLDINGS, S.A.

EMPLOYER IDENTIFICATION NUMBER: A-86449162

C/ Hernández de Tejada nº 1

28027 Madrid

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INTRODUCTION

CEMEX LATAM HOLDINGS, S.A. (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 (“**CEMEX España Group**” or “**Cemex España**”, as appropriate).

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

The Company’s corporate purpose is to hold stakes in companies mainly dedicated to the manufacture and sale of cement and other construction 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 then 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 companies listed on Colombia’s 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 Spanish 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.

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After receiving a report from the Corporate Governance Committee, at its meeting on March 28, 2017 the Company's Board of Directors approved this Annual Corporate Governance Report, which has been prepared in accordance with CNMV Circular 7/2015, of December 22, 2015, regarding listed companies.

Its preparation and subsequent approval complies with the provisions of Article 49 of the Company 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:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
07/11/2012	578,278,342	578,278,342	578,278,342

- Indicate whether different types of shares exist 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.

Name or company name of shareholder	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Direct shareholder	Number of voting rights	
CEMEX España, S.A.	407,890,342	-	-	73.28 ⁽²⁾

(1) Controlled by CEMEX S.A.B. de C.V.

Note: Treasury shares represent 3.74% of the share capital, as detailed in section A.8.

(2) CEMEX España, S.A. holds 70.54% of the shares outstanding at December 31, 2016, without subtracting the treasury shares whose voting rights have been suspended (21,630,605 shares) from the total number of shares representing the share capital (578,278,342). CEMEX España, S.A. therefore holds 73.28% of the shares with voting rights after subtracting the aforementioned treasury shares.

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

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Name or company name of shareholder	Date of transaction	Description of transaction
Fondo de Pensiones Obligatorias Porvenir Moderado	02/09/2016	Change of depositor

(*) 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 Deceval, 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.

Name or company name of director	Number of direct voting rights	Number of indirect voting rights (*)		% of total voting rights
		Direct shareholder	Number of voting rights	
N/A	N/A	N/A	N/A	N/A

% of voting rights held by the Board of Directors: 0

Complete the following tables on stock options held by the Company's directors.

Name or company name of director	Number of direct options	Indirect options		Equivalent number of shares	% of total voting rights
		Direct shareholder	Number of voting rights		
N/A	N/A	N/A	N/A	N/A	N/A

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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.

Name or company name of related party	Type of relationship	Brief description
N/A	N/A	N/A

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.

Name or company name of related party	Type of relationship	Brief description
CEMEX España, S.A.	Corporate	Controlling shareholder. The shareholder and the Company belong to the same corporate group, which is headed by CEMEX, S.A.B. de C.V.
CEMEX España, S.A.	Contractual	Intragroup financing.

A.6. Indicate whether the Company has been notified of any shareholders' agreements affecting it, pursuant to Article 530 and Article 531 of the Spanish Companies Act (Ley de Sociedades de Capital). If so, please describe these agreements and list the shareholders they bind:

No

Shareholders bound by shareholders' agreement	% of share capital affected	Brief description of the agreement
N/A	N/A	N/A

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

No

Shareholders involved in concerted actions	% of share capital affected	Brief description of the arrangement
N/A	N/A	N/A

- Expressly indicate any amendments to or termination of such agreements 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 70.54% in the share capital – 73.28% excluding treasury shares

- A.8. Complete the following tables on the Company's treasury shares.

At the end of the reporting period:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
21,630,605	0	3.74

(*) Through:

Name or company name of direct shareholder	Number of shares held directly
N/A	N/A

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

Explain the significant changes
N/A

A.9. Give details of the applicable conditions and term of any resolutions approved by the shareholders at the 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 (€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.

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Shares acquired by virtue of this authorization may be disposed of or redeemed, or else applied to the remuneration systems set out in Paragraph 3 of Article 146 1.a) of the Spanish Companies Act.

A.9. bis Estimated free float.

	%
Estimated free float	25.72

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 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 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 Securities Market since November 16, 2012, the date that they were admitted to trading.

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B. GENERAL MEETING OF SHAREHOLDERS

B.1. Indicate the quorum required in accordance with the Company Bylaws for convening the General Shareholders' Meeting and describe any differences with respect to the quorum required under the Spanish Companies Act.

Yes **No**

	Quorum % other than that established in Article 193 of the Spanish Companies Act for general cases	Quorum % other than that established in Article 194 of the Spanish Companies Act for the special cases described in Article 194
Quorum required for first notice	No	
Quorum required for second notice	No	Article 31 of the Company Bylaws requires a vote in favor by one-half plus one of the share capital represented to adopt special resolutions envisaged in the above article (amendments to Article 39 of the Company 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.

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	Qualified majority not the same as the one in Article 201.2 of the Spanish Companies Act for the cases referred to in Article 194.1 of the Spanish Companies Act	Other cases in which a qualified majority is required
% stipulated by the Company for the adoption of resolutions	Yes, different	N/A

B.3 Indicate the rules governing amendments to the Company's bylaws. In particular, indicate the majorities

Describe the differences		
<p>Under Article 31 of the Company Bylaws, possible amendments to Article 39 of the Company Bylaws (quorum and majority for adoption of resolutions by the Board of Directors) and the approval of the resolution to delegate to the Board of Directors the power to issue non-convertible or convertible and/or exchangeable bonds require a vote in favor by one-half plus one of the Company's share capital represented.</p>		

Amendments to the Company's Bylaws are governed by Article 22 (Convening the General Shareholders' Meeting), Article 31 (Adoption of resolutions by the shareholders at the General Meeting) and Article 39 (quorum and majority for adoption of resolutions by the Board of Directors) of the Company's Bylaws, as well as by Article 22 and Article 34 of the Regulations of the General Shareholders' Meeting.

Exceptionally, amendments to Article 39 of the Company 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 General Meetings of Shareholders held this year and last year.

Date of the General Shareholders' Meeting	Attendance				Total
	% attending in person	% by proxy	% remote voting		
			Electronic voting	Other	
20/06/2016	74.32 (*)	0	N/A	12.31	86.63%
16/06/2015	74.36 (*)	0	N/A	9.7	84.06%
14/05/2014	74.37 (*)	0	N/A	4.65	79.03%

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(*) 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 Ordinary General Shareholders' Meeting held on June 20, 2016, the total share capital represented at the meeting was **500,978,682** shares (all of which were personally in attendance, and none of which were represented by proxy), with a quorum equivalent to **86.63%** of the share capital.

The voting rights attached to **21,901,412** treasury shares represented in the quorum had been suspended; hence the represented share capital in attendance and with voting rights totaled **479,077,270** shares, representing **82.85%** of the share capital.

Of the share capital in attendance and with voting rights, **71,186,928** shares, representing **12.31%** of share capital and **14.21%** of the share capital in attendance, voted remotely.

The **21,901,412** treasury shares that the Company held at the date of the General Shareholders' Meeting, which represented 3.79% 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 4.37 % of the represented share capital in attendance at the meeting.

B.5. Indicate whether the Company Bylaws impose any minimum requirements on the number of shares required to attend the General Meetings of Shareholders.

Yes **No**

B.6 Section repealed

B.7. Indicate the address and mode of accessing corporate governance content on your company's website as well as other information on General Meetings which must be made available to shareholders on the website.

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

The homepage contains special direct access entitled "Investor Center". It includes the following information:

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In the Company Profile section:

- Key Company Figures
- Contact IR (Institutional Relations)

In the Reports section:

- Reports Archive (reports)
- Offering Memorandum
- Financial Superintendency

In the Stock Information section:

- Stock Information
- Events and Calendar
- Quarterly Earnings Webcast

In the Corporate Governance section:

- Board of Directors
- Management Team
- Committees
- Code of Ethics
- Bylaws and Regulations
- 2016 Ordinary General Shareholders' Meeting

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C. COMPANY MANAGEMENT STRUCTURE

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors included in the Company Bylaws:

Maximum number of directors	9
Minimum number of directors	5

C.1.2 Complete the following table with Board members' details:

Name or company name of director	Proxy	Director's category	Position on the Board	Date of first appointment	Date of last appointment	Election process
Mr. Jaime Muguero Domínguez	N/A	Executive Director	Chairman / Chief Executive Officer	04/10/2012 (Director) / 15/12/2015 (Chairman and Chief Executive Officer)	20/06/2016	Decision of the sole shareholder / decision of the Board of Directors / decision of the General Shareholders' Meeting
Mr. Jaime Gerardo Elizondo Chapa	N/A	Proprietary Director	Vice-Chairman / Director	04/10/2012 (Director) / 15/12/2015 (Vice-Chairman)	20/06/2016	Decision of the sole shareholder / decision of the Board of Directors / decision of the General Shareholders' Meeting
Mr. Juan Pablo San Agustín Rubio	N/A	Proprietary Director	Director	04/10/2012	20/06/2016	Decision of the sole shareholder / decision of the General Shareholders' Meeting
Mr. José Luis Orti García	N/A	Proprietary Director	Director	20/06/2016		Decision of the General Shareholders' Meeting

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Ms. Carmen Burgos Casas	N/A	Proprietary Director	Director	20/06/2016		Decision of the General Shareholders' Meeting
Mr. Gabriel Jaramillo Sanint	N/A	Independent Director	Director	04/10/2012	20/06/2016	Decision of the sole shareholder / decision of the General Shareholders' Meeting
Ms. Coloma Armero Montes	N/A	Independent Director	Director	04/10/2012	20/06/2016	Decision of the sole shareholder / decision of the General Shareholders' Meeting
Mr. Rafael Santos Calderón	N/A	Independent Director	Coordinating Director	09/10/2012	20/06/2016	Decision of the sole shareholder / decision of the General Shareholders' Meeting
Mr. Juan Pelegrí y Girón	N/A	Proprietary Director	Director / Secretary	04/10/2012	20/06/2016	Decision of the sole shareholder / decision of the Board of Directors / decision of the General Shareholders' Meeting

Total number of directors: **9**

Indicate any Board members who left during the reporting period:

During the reporting period and in accordance with the provisions of Article 222 of the Spanish Companies Act, at the General Shareholders' Meeting held on June 20, 2016, the positions of all the directors expired, although the reappointment of Mr. Jaime Muguero Domínguez, Mr. Jaime Gerard Elizondo Chapa, Mr. Juan Pablo San Agustín Rubio, Mr. Gabriel Jaramillo Sanint, Ms.

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Coloma Armero Montes, Mr. Rafael Santos Calderón and Mr. Juan Pelegrí y Girón was approved. Mr. Ignacio Madrideo Fernández and Mr. Juan Ruiz de Haro were not reappointed as directors at the request of Cemex España, S.A., as they have assumed new responsibilities within the Cemex Group. These vacancies were filled with the appointments of Mr. José Luis Orti García and Ms. Carmen Burgos Casas.

During 2016 the appointment of Mr. Juan Pablo San Agustín Rubio as the new Chairman of the Company's Board of Directors was approved by the Board of Directors on 4 October 2016, having received a favorable report from the Nomination and Remuneration Committee. This appointment was approved as a result of the relinquishment by Mr. Jaime Muguero Domínguez of his position as Chairman of the Board of Directors, maintaining his position as Chief Executive Officer of the Company. This relinquishment took place because it was considered that the segregation of the supervisory and control duties from the other administrative and management functions would provide the Company with a more appropriate governance model.

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

EXECUTIVE DIRECTORS

Name or company name of director	Position at the company
Jaime Muguero Domínguez	Chief Executive Officer

Total number of executive directors	1
% of the Board	11.11

NON-EXECUTIVE PROPRIETARY DIRECTORS

Name or company name of director	Name or company name of significant shareholder represented or proposing appointment
Mr. Juan Pablo San Agustín Rubio	CEMEX España, S.A.

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Mr. Jaime Gerardo Elizondo Chapa	CEMEX España, S.A.
Mr. José Luis Orti García	CEMEX España, S.A.
Ms. Carmen Burgos Casas	CEMEX España, S.A.
Mr. Juan Pelegrí y Girón	CEMEX España, S.A.

Total number of proprietary directors	5
% of the Board	55.55

INDEPENDENT NON-EXECUTIVE DIRECTORS

Name or company name of director	Profile
Mr. Gabriel Jaramillo Sanint	Financial sector expert. Has held different positions of responsibility at various financial institutions, including the position of director.
Ms. Coloma Armero Montes	Lawyer specializing in commercial law. Director and a member of the Audit Committee of a regulated company.
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.

Total number of independent directors	3
% of the Board	33.33

List any independent directors who receive from the Company or the Group any amount or payment other than director remuneration or who maintain or have

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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 officer 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.

Name or company name of director	Description of relationship	Statement
N/A	N/A	N/A

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 senior officers or shareholders:

Name or company name of director	Reasons	Company, executive or shareholder with whom the relationship is maintained
N/A	N/A	N/A

Total number of other non-executive directors	0
% of the Board	N/A

List any changes in the category of each director which have occurred during the period:

Name or company name of director	Date of change	Previous category	Current category
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N/A	N/A	N/A	N/A
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C.1.4 Complete the following table on the number of female directors over the past four years and their title:

	Number of female directors				as a % of the total directors in each category			
	2016	2015	2014	2013	2016	2015	2014	2013
Executive	-	-	-	-	-	-	-	-
Proprietary	1	-	-	-	20%	-	-	-
Independent	1	1	1	1	33.33%	33.33%	33.33%	33.33%
Other non-executive	-	-	-	-	-	-	-	-
Total:	2	1	1	1	22.22%	11.11%	11.11%	11.11%

C.1.5 Explain any measures that have been adopted to ensure that a sufficient number of female directors are included on the Board, ensuring a balanced presence of men and women.

Explanation of the measures:

Due to the expiry of the directors' positions as outlined in section C.1.2, and in order to increase the number of women on the Board of Directors, the Nomination and Remuneration Committee proposed the appointment of Ms. Carmen Burgos Casas as a new Company director to the Board of Directors. This appointment was in turn proposed by the Board and approved by the shareholders at the General Shareholders' Meeting held on June 20, 2016, bringing the percentage of women on the Board of Directors to 22.22%.

C.1.6 Explain any measures taken by the Nomination Committee to ensure that the selection processes are not subject to implicit bias that would make it difficult to

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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 Company Bylaws and the Regulations of the Board of Directors entrust the Nomination 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. Madrideojos and Mr. Ruiz de Haro outlined in section C.1.2. above, and also taking into account corporate governance best practices, in particular the goal that by 2020 at least 30% of Board Members should be women, 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 three committees of the Board of Directors and the other of whom, Ms. Carmen Burgos Casas, is a member of the Nomination and Remuneration Committee.

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 Nomination Committee regarding verification of compliance with the policy for selecting directors. In particular, explain how this policy favors the objective 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.

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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 70.54%.

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, 2016, 25.72% of the share capital is held by non-controlling shareholders. This percentage is rounded down, and the exact figure is 25.724186%.

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 the share capital.

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

Name or company name of shareholder	Reason
N/A	N/A

- Provide details of any 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. If so, explain why these requests have not been 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.

See reply to C.1.2 and C.1.8.

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

Name or company name of director	Brief description
Mr. Jaime Muguero Domínguez	<p>The Chief Executive Officer has been delegated <u>all the powers corresponding to the Board of Directors except for those which cannot be delegated by Law or as per the Company Bylaws</u> with the additional exception of powers regarding:</p> <ol style="list-style-type: none"> 1. Any actions, businesses or contracts involving the disposal of or charges on property used or located in facilities of any kind involved in the production, storage, distribution and sale of cement, and 2. Any actions, businesses or contracts involving the disposal of or charges on shares or stakes in companies in which the Company holds a stake of 10% or more and whose main activity is the production, sale, storage or distribution of cement, its derivatives and raw materials used in the cement production process. <p>In addition, transactions between the Company and CEMEX Group subsidiaries are governed by Article 41 of the Regulations of the Board of Directors which sets forth requirements on the authorization of transactions between the Company and directors or significant shareholders. The Company is also governed by other internal regulations and the resolutions adopted by the Board of Directors in this regard.</p>

C.1.11 List the directors, if any, who are directors or senior officers 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.

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Name or company name of director	Company name of the Group company	Position
Mr. Jaime Gerardo Elizondo Chapa	Cemex Concretos, S.A.	Chairman of the Board of Directors
	Servicios Directos, S.A.	Chairman of the Board of Directors
Mr. Juan Pablo San Agustín Rubio	Cemex Ventures España. S.L.U.	Chairman of the Board of Directors
Mr. Jaime Muguero Domínguez	Cemex Colombia, S.A.	Chairman of the Board of Directors
	Cemento Bayano, S.A.	Chairman of the Board of Directors
	Pavimentos Especializados, S.A.	Chairman of the Board of Directors
	Superquímicos de Centroamérica, S.A.	Deputy Chairman of the Board of Directors
	Cemex Caribe, S.A.	Chairman of the Board of Directors
	Cemex Perú, S.A.	Director
	Cemex Costa Rica	Chairman of the Board of Directors
	Lomas del Tempisque, S.R.L.	Manager
	Cemex El Salvador	Chairman of the Board of Directors
	Cemex Nicaragua	Chairman of the Board of Directors
	Cemex Dominicana, S.A.	Deputy Chairman of the Board of Directors
	Cemex Jamaica Limited	Chairman of the Board of Directors
	Cemex de Puerto Rico, Inc	Director
Ms. Carmen Burgos Casas	Cemex España Operaciones, S.L.U.	Director
Mr. Juan Pelegrí y Girón	Assiut Cement Company	Board representative of Cemex Egyptian Investments B.V.
	Balboa Investment B.V.	Director
	Cemex Egyptian Investments B.V.	Director
	Cemex Deutschland AG	Member of the Supervisory Board
	Cemex UK	Director
	Cemex España, S.A.	Representative of the Chairman of the Board of New Sunward Holding, B.V.

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	Corporación Cementera Latinoamericana, S.L.U.	Representative of the sole director of Cemex Latam Holdings, S.A.
	New Sunward Holding, B.V.	Director
	Fifth Lettuce Pty Limited	Director
	Lomez International, B.V.	Director
	Cemex Hrvatska d.d.	Member of the Supervisory Board
	Sierra Trading, Ltd.	Director
	Sunbulk Shipping NV	Director
	CCL Business Holdings, S.L.U.	Representative of the sole director of Corporación Cementera Latinoamericana, S.L.U.
	Business Material Funding, S.L.U.	Representative of the sole director Cemex España, S.A.
	Rugby Australia Investments Pty Ltd	Director
	Cemex Ventures BV	Director
	Cemex Ventures España, S.L.U.	Non-executive secretary

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:

Name or company name of director	Name of listed entity	Position
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.

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C.1.14 Section repealed

C.1.15 List the total remuneration paid to the Board of Directors:

Board remuneration (thousands of euros)	266
Amount of current Board members' accumulated pension rights (thousands of euros)	0
Amount of former Board members' accumulated pension rights (thousands of euros)	0

C.1.16 List any members of senior management who are not executive directors and indicate total remuneration paid to them during the period:

Name or company name	Position
Mr. Josué R. González Rodríguez	CFO at Cemex Latam and CEMEX Colombia
Mr. Fernando Enríquez Martell	Vice-President of Operations at Cemex Latam and CEMEX Colombia
Mr. Francisco Aguilera Mendoza	Vice-President of Planning at Cemex Latam and CEMEX Colombia
Ms. Ana María Gómez Montes	Director of Legal Affairs at Cemex Latam and Compliance Officer at Cemex Latam.
Mr. Ricardo Naya Barba	Director of Colombia
Mr. Andrés Jiménez Uribe	Director of Panama
Mr. Alejandro Ramírez Cantú	Director of Costa Rica
Mr. Yuri de los Santos Llanas	Director of Nicaragua and El Salvador
Mr. Guillermo García Clavier	Director of Brazil
Mr. Guillermo Rojo de Diego	Director of Guatemala

- Total remuneration received by senior management (in thousands of euros):
4,700

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The above amount refers to total aggregate remuneration of the senior management 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:

Name or company name of director	Company name of significant shareholder	Position
Mr. Juan Pelegrí y Girón	CEMEX España, S.A.	Individual representing the Chairman of the Board of "New Sunward Holding B.V."

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:

Name or company name of director or related director	Name or company name of related significant shareholder	Description of relationship
Mr. Jaime Muguero Domínguez	CEMEX Colombia, S.A. y Cemex España Gestión y Servicios, S.L.	Employment
Mr. Juan Pablo San Agustín Rubio	Cemex España Gestión y Servicios, S.L.	Employment
Mr. Jaime Gerardo Elizondo Chapa	CEMEX España, S.A.	Employment
Mr. José Luis Orti García	Cemex España Gestión y Servicios, S.L.	Employment
Carmen Burgos Casas	Cemex España Operaciones, S.L.U.	Employment
Mr. Juan Pelegrí y Girón	Cemex España Gestión y Servicios, S.L.	Employment

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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, reappointing, 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 policy for selecting directors: (a) is specific and verifiable; (b) ensures that the proposed appointments or re-appointments are supported by prior analysis of the requirements of the Board of Directors; (c) promote 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 Nomination and Remuneration Committee published when convening the General Shareholders' Meeting to approve, appoint or re-appoint directors.

2. The Board of Directors and the Nomination and Remuneration Committee, within their area of authority, endeavor to ensure that the candidates proposed to the shareholders at a General Shareholders' Meeting for nomination or reappointment 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 Nomination and Remuneration Committee considers the following principles:

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- (a) that all directors contribute a professional specialty and that they have previous experience in the Company's sector;
- (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 the director in the Company's Internal Regulations.

Appointment

1. Directors are appointed by the shareholders at their General Meeting pursuant to statutory requirements and the provisions of the Company Bylaws.
2. The proposals for nomination and reappointment of directors submitted by the Board of Directors for approval by the shareholders at their General Meeting, and the nominations made by the Board of Directors using the statutory method of co-option must be preceded by: (a) the corresponding proposal from the Nomination and Remuneration Committee, in the case of independent directors or (b) a report from the Nomination and Remuneration Committee, in the case of the other directors, which must assign the new director 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 the event of circumstances such as takeover bids or other significant transactions, such as mergers or spin-offs.

2) Term of office and reappointment

1. Directors hold office for three (3) years, so long as the shareholders at their General Meeting do not resolve to remove them and the directors do not resign from their position.
2. Directors may be reappointed for an unlimited number of three (3) year terms.

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

4. The proposed reappointments that the Board of Directors decides to submit to the shareholders at their General Meeting are subject to a process of preparation, which includes a proposal (for independent directors) or a report (for other directors) issued by the Nomination 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 honest evaluation of their honorability, suitability, solvency, competence, availability and commitment to their duties.

Accordingly, the members of the Nomination 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 affecting their interests.

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 reappointed as members of the Board of Directors by the shareholders at their 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) Assessment

Pursuant to Article 26 of the Regulations of the Board of Directors, the Nomination 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 a continual evaluation and review of their competence and professional development required to hold the position of director and to be a member of a committee

4) Removal

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The Nomination 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 General Shareholders' Meeting. At the General Meeting the shareholders 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 assessment of the Board has prompted significant changes in its internal organization and the processes applicable to its operations:

Description of the changes
Following the results obtained in the annual assessments, measures have been taken in order to ensure (i) greater dedication by the Board of Directors to strategy- and business-related matters; (ii) increased participation of the directors in debates held within the Board of Directors; (iii) more contact between the Chairman and the independent directors.

C.1.20 bis Describe the process and areas of the assessment carried out by the Board of Directors, assisted, if necessary, by an external advisor, regarding the powers

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and diversity of the Board's members, the operations and composition of its committees, the performance of the Chairman of the Board of Directors and the Chief Executive and the performance and contribution of each director.

In 2014 and 2015 an internal assessment was performed of the Board of Directors and the directors, without the aid of an external consultant, as follows: (i) the Nominations and Remuneration Committee prepared the assessment questionnaires; (ii) the services of PricewaterhouseCoopers, S.L. (PwC) were taken on 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' assessments to the Chairman of the Board; (iv) the Chairman of the Board held individual meetings with each of the directors; (v) the necessary measures were adapted in order to improve the functioning of the Board of Directors, its Committees, the work of its Chairman and Chief Executive Officer as well as the appropriateness of its composition.

C.1.20 *ter* Disclose, if applicable, any business relationships that the advisor or any of the companies of its group have with the Company and 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 Company 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, for any reason, 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;

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- (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

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 Company Bylaws, a two-thirds majority is required before the Board can adopt resolutions on any one of the following matters:

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- (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 (€250,000,000) or the equivalent 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 (€250,000,000) or the equivalent in other currencies;
- (c) issuance of non-convertible or convertible and/or exchangeable bonds as delegated by shareholders at the 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 (€250,000,000) or its equivalent 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 (€150,000,000) or the equivalent 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 chief executive officers (Article 37.4 of the Company Bylaws).
- b) Amend the Regulations of the Board of Directors (Article 4.1 of the Regulations of the Board).
- c) Reprimand directors for failing to fulfill any of their duties as directors (Article 13.2 (f) of the Regulations of the Board)

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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 Chairman is only awarded office following a favorable report from the Nomination and Remuneration Committee. Thereafter he or she has the power to, inter alia:

- Evaluate the balance of skills, knowledge and experience required on the Board. With this aim, define the roles and capabilities required of the candidates for each vacancy, and decide 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 Nomination and Remuneration Committee);
- Examine and organize the succession of the Chairman of the Board and Chief Executive Officer 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 Company 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.

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C.1.26 Indicate whether the Company 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 Company 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 Company 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 shall endeavor to 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 well 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

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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.1.30 Indicate the number of Board meetings held during the period and the number of times it was convened in the absence of the Chairman. Include attendance by proxy granted with specific instructions:

Number of Board meetings	9 ⁽¹⁾
Number of Board Meetings convened in the absence of the Chairman	0

(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 held in the absence of executive directors, chaired by the Coordinating Director

Number of meetings	0
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Indicate the number of meetings held by the various Board committees during the period:

Number of meetings of the Audit Committee	12
Number of meetings of the Nomination and Remuneration Committee	7 ⁽¹⁾
Number of meetings of the Corporate Governance Committee	3

(1) The Nomination and Remuneration Committee 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.

C.1.30 Indicate the number of Board meetings held during the period attended by all board members. Include attendance by proxy granted with specific instructions:

Number of meetings attended by all directors	8
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Number in attendance as a % of total votes in the period	98.76%
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C.1.31 Indicate whether the separate 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 prepares from being presented to the shareholders at the General Meeting with a qualified auditors' 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 General Meeting for approval or authorization for issue, respectively. 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 auditors. The Audit Committee regularly receives information on the audit program and on the results of that program from the auditors.

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

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the auditors, to be submitted to the shareholders for subsequent authorization at the General Meeting.

To safeguard its independence, the Company may not appoint as its financial auditor any person or firm that has received income, representing 25% or more of their annual income 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 for which incompatibility has been determined by prevailing legislation.

In addition, the Audit Committee must receive an annual written confirmation from the auditor of their 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**

Outgoing auditor	Incoming auditor
N/A	N/A

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

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In 2016, the KPMG Group, through its KPMG International affiliates, performed non-audit work for the Cemex Latam Group.

	Company	Group	Total
Amount for non-audit work (thousands of euros)	15	78	93
Amount for non-audit work as a % of the total invoiced by the audit firm	4.6%	10.4%	8.6%

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 for 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, at the General Shareholders' Meetings held in 2015 and 2016; the reappointment of the aforementioned auditor for these years was approved.

KPMG Auditores, S.L. has been the financial 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.

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	Company	Group
Number of consecutive years	5	

	Company	Group
No. of years audited by the current audit firm/No. of years that the Company has been audited (%)	100%	

C.1.40 Indicate and describe any processes that exist to let directors receive external advice:

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 call on external consultants they need to carry out their duties.

During the reporting period, certain committees received services from external consultants.

C.1.41 Indicate and 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.

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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.

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- Credit facilities arranged by the Company with the 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 financial company) on January 1, 2015.

- 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 rescinded 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.

Number of beneficiaries	0
Type of beneficiary	Description of the agreement
N/A	N/A

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:

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	Board of Directors	General Shareholders' Meeting
Body authorizing clauses	X	

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

In accordance with the Company Bylaws, the competences of the Board of Directors include approval, upon request by the Chairman of the Board or the CEO, of the appointment or removal of members of the Company's senior management, 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 forwarding, 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 director whom the Board of Directors acknowledges as such.

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

	Yes	No
Are the shareholders notified of such clauses at the General Meeting?		X

Note: The shareholders are notified of such clauses at the 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 external directors therein:

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AUDIT COMMITTEE

Name	Position	Category
Mr. Gabriel Jaramillo Sanint	Chairman	Independent Director
Mr. Rafael Santos Calderón	Director	Independent Director
Ms. Ms. Coloma Armero	Secretary	Independent Director

% executive directors	
% proprietary directors	
% independent directors	100%
% other non-executive directors	

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

1) Organizational and operational rules:

Pursuant to Article 43 of the Company 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 created a standing Audit Committee, a non-executive internal reporting and consultation body, the scope of which includes reporting, advisory and proposal-making powers.
- 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 Nomination 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 auditing matters, or both.
- The Board of Directors will select the President of the Audit Committee

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from among its independent directors. It will also appoint the Secretary of the Committee, who need not be a director and who must comply with the applicable directors' obligations 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 reappointed until at least one (1) year has elapsed since his/her removal, without prejudice to his/her continuing presence or reappointment on 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 reappointed on one or more occasions for a maximum term of three (3) years.
- To fulfill its duties, the Audit Committee may request that the services of external advisors be taken on, when considered necessary, in accordance with the Company's general terms of business.
- The Audit Committee will meet as many times as the President thereof deems is 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 Chief Executive Officer 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, in which case 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 other members 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 of the meeting 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 Committee's President may also request the attendance of any of the Company's or Group companies' directors, managers or employees, or any member of its investees' decision-making bodies whose appointment was proposed by the Company, provided that there is no legal impediment that prevents them from doing so.

The Company's financial 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 business transacted 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 General Shareholders' 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 to the Board of Directors of transactions with related parties, 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 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 system of internal control identified in the course of the audit;

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- (c) Monitoring the independence of the Internal Audit unit; proposing the selection, appointment, reappointment and removal of the head of the Internal Audit Division; drawing up 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 is acting on the findings 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 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 process of preparation and presentation of financial information relating to the Company and the Group, including its completeness, ensuring compliance with legal requirements, the accurate demarcation of the consolidated Group and the correct application of accounting principles and establishing the policies and practices to be applied by the Company when gathering, disclosing and distributing 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 financial auditors and the terms of business therewith to the Board of Directors for approval at the General Shareholders' Meeting, in accordance with applicable legislation, regularly gathering information from the auditors regarding the audit plan and its implementation and protecting the independence of the auditors in the course of their duties.

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The Company may not appoint as its financial auditor any person or firm that has received 25% or more of their annual income for the previous year from the Company and/or the companies directly or indirectly related to it through a control relationship stipulated in Article 42 of the Code of Commerce;

- (h) Establishing a good relationship with the financial auditors in order to obtain information, for examination by the Audit Committee, on issues that might jeopardize its independence, and any other issues relating to the financial audit process as well as other communications required by financial 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 remuneration for their 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 respect prevailing legislation regarding non-audit services, limits on concentration of the auditor's business and, in general, other standards on auditor independence;
- (n) Receiving an annual letter from the statutory financial 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 statutory auditor's report on annual accounts, an annual report expressing an opinion on the independence of the financial 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;

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- (p) Ensuring that the Board of Directors presents the annual accounts to the shareholders at the 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 give a clear account to shareholders of their scope and content;
- (q) Ensuring compliance with specific legislation applicable to the Company;
- (r) Reviewing the financial statements before submission for approval to the Board of Directors and authorization for issue by the shareholders at the General Meeting, ensuring that the interim financial statements are drafted in compliance 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 Company's 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 required by law.

The Audit Committee must be informed of the structural and corporate changes the Company or any Group companies intend 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 Ordinary General Meeting.

3) Key actions during the year.

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

b) Adapting the system for preventing crime risk to the requirements of Spain's new Penal Code.

c) Supervising the activities and independence of the Internal Audit Area, in particular the results on anonymous and confidential channels for complaints, the key results of the assessment of the operational risks identified in the countries where the Company operates and potential financial losses in these countries, among other matters.

d) Reporting on structural changes in accordance with applicable legislation. In particular, the draft terms of the transfer and subsequent merger of the subsidiary Maverick Re Ltd.

e) 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.

f) On 23 September 2016 an extraordinary meeting of the Audit Committee was convened in which the Committee was informed of potential irregular events occurring in the acquisition of the plots and other assets located in Maceo and where Cemex Colombia, a subsidiary of the Company, was constructing the Maceo plant. These events came to light as a result of the internal investigation commissioned by the Company due to the receipt of an anonymous complaint. Consequently, the Commission has held six meetings at which, and as a matter of priority, it has dedicated its work to the events at the

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Maceo plant.

g) Review of the main duties and competences of the Company's Compliance Officer.

Identify the director who has been appointed to the Audit Committee on the basis of their knowledge and experience in either accounting or auditing activities or both. Report the number of years that the Chair of this committee has held their position.

Name of the experienced director	Mr. Gabriel Jaramillo Sanint
No. of years Chair has been in their position	4 years ⁽¹⁾

⁽¹⁾ On 24 January 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 Nomination 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. Ms. Coloma Armero Montes in this position. This brings the number of directors who are Committee members from three to four.

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NOMINATION AND REMUNERATION COMMITTEE

Name	Position	Category
Mr. Rafael Santos Calderón	Chairman	Independent Director
Ms. Ms. Coloma Armero Montes	Director	Independent Director
Ms. Carmen Burgos Casas ⁽¹⁾	Secretary	Proprietary Director

% executive directors	
% proprietary directors	33.333%
% independent directors	66.667%
% other non-executive directors	

⁽¹⁾ On 20 June 2016, as a result of the changes indicated in section C.1.2, the Board of Directors approved the appointment of Ms. Carmen Burgos Casas as Secretary of the Nomination and Remuneration Committee, replacing Mr. Jaime Gerardo Elizondo Chapa.

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

1) Organizational and operational rules:

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

- The Board of Directors created a permanent Nomination and Remuneration Committee, which is a non-executive internal reporting and consultation body the scope of which includes reporting, advisory and proposal-making powers.
- The Nomination 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.

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- The Board of Directors will select the President of the Nomination and Remuneration Committee from its independent directors. It will also appoint the Secretary of the Committee, who need not be a director and who must comply with the applicable directors' obligations established in the Regulations of the Board of Directors.
- The Board of Directors will endeavor to ensure that the members of the Nomination and Remuneration Committee have the right knowledge, skills and experience for the duties they are called upon to perform.
- Members of the Nomination and Remuneration Committee are appointed for a maximum term of three (3) years and may be reappointed on one or more occasions for a maximum three-year (3) term.
- To fulfill its duties, the Nomination and Remuneration Committee may request that the services of external advisors be taken on, when considered necessary, in accordance with the Company's general terms of business.
- The Nomination 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 shall also meet when 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 Nomination and Remuneration Committee for information purposes on an exceptional basis.
- The Nomination and Remuneration Committee may be validly convened when the majority of its members attend meetings in person or by proxy, in which case its resolutions may be adopted upon a simple majority of those present or represented. In the event of a tie, the President of the Nomination and Remuneration Committee has the deciding vote.
- The members of the Nomination and Remuneration Committee may delegate their vote to other members of the committee. The resolutions adopted by the Nomination and Remuneration Committee are recorded in the minutes of the meeting, which must be signed by the President and the secretary of the meeting 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 Nomination and

Remuneration Committee should the President of the committee ask the Chairman of the Board of Directors to approve such a request. The Committee's President may also request the attendance of any of the Company's or Group companies' directors, managers or employees, or any member of its investees' decision-making bodies whose appointment was proposed by the Company, provided that there is no legal impediment that prevents them from doing so.

- The President of the Nomination and Remuneration Committee will report to the Board of Directors on the business transacted 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 Nomination and Remuneration Committee will also submit for approval by the Board of Directors a report detailing its work during the reporting period.

2) Functions and responsibilities of the Audit Committee:

- (a) Evaluate the balance of skills, knowledge and experience required on the Board. With this aim, define the roles and capabilities required of the candidates for each vacancy, and decide the time and dedication necessary for them to perform their duties effectively;
- (b) Preparing in a supporting report the Committee's prior analysis of the requirements of the Board of Directors, which must be published when convening the General Shareholders' Meetings during which directors are approved, appointed or re-appointed;
- (c) Establishing an objective for representation of each gender on the Board of Directors and preparing training on how to achieve this objective;
- (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 General Meeting), as well as proposals made by the shareholders at the General Meeting for the reappointment or removal of independent directors and finding out about 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 General Meeting), as well as the proposals for reappointment or removal of other directors made by the shareholders at the General

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Meeting;

- (f) Annually verifying compliance with the policy for selecting directors prepared by the Board of Directors, providing information on this in the Annual Corporate Governance Report;
- (g) Reporting any proposed appointments or removals of members of senior management and proposing the basic terms of their contracts;
- (h) Drafting and overseeing an annual program for a continual evaluation and review of their competence and professional development 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 infringements 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 Chief Executive Officer of the Company, 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 remuneration policy for directors and senior officers and those performing senior management duties who report directly to the Board of Directors, the Executive Committee or Chief Executive Officers and also regarding individual remuneration and other contractual conditions for executive directors, as well as supervising compliance with this policy;
- (l) Verifying the information on remuneration of directors and senior officers contained in corporate documentation, including the annual remuneration report for directors;
- (m) Periodically reviewing the remuneration policy applied to directors and senior officers, including any share-based remuneration systems, and ensuring that individual remuneration is proportionate to that paid to other directors and senior officers at the Company and Group companies; and
- (n) Performing all other functions assigned by the Board of Directors or required by law.

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The Nomination and Remuneration Committee also prepares an annual report on directors, senior management and the related remuneration. 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 Ordinary General Meeting.

3) Key actions during the year.

a) Reports and proposals relating to (i) reappointments and appointments of directors, (ii) appointments and reappointments of positions on the Board of Directors, (iii) appointments and reappointments of positions on the Board of Directors' Committees, and (iv) appointments of senior management.

b) Reports on senior management's remuneration.

c) Preparation of the annual program for ongoing assessment and review of directors

d) Preparation and planning of the continual professional development programs and training sessions for the two new directors appointed in 2016.

CORPORATE GOVERNANCE COMMITTEE

Name	Position	Category
Ms. Coloma Armero Montes ⁽¹⁾	President	Independent Director
Mr. Gabriel Jaramillo Sanint	Director	Independent Director
Mr. Juan Pelegrí y Girón	Secretary	Proprietary Director
% executive directors		
% proprietary directors		33.333%
% independent directors		66.667%
% other non-executive directors		

⁽¹⁾ On 24 January 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

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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 its organization and work and summarize its key actions during the year.

1) Organizational and operational rules:

Pursuant to Article 45 of the Company 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 created a permanent Corporate Governance Committee, a non-executive internal reporting and consultation body, the scope of which includes reporting, advisory and proposal-making powers.
- 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 Nomination and Remuneration Committee, from among the non-executive directors, the majority of which 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 and who must comply with the applicable directors' obligations 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 right 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 reappointed on one or more occasions for a maximum term of three (3) years.
- To fulfill its duties, the Corporate Governance Committee may request that the services of external advisors be taken on, when considered necessary, in accordance with the Company's general terms of business.

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- 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 Chief Executive Officer 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, in which case 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 other members of the Committee. The resolutions adopted by the Corporate Governance Committee are to be recorded in the minutes of the meeting, which must be signed by the President and the secretary of the meeting 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 Committee's President may also request the attendance of any of the Company's or Group companies' directors, managers or employees, or any member of its investees' decision-making bodies 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 business transacted 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 close of each reporting period, the Corporate Governance Committee will submit to the Board of Directors for approval a report detailing its work in the prior period.

2) Functions and responsibilities of the Corporate Governance Committee:

- (a) Periodically reviewing the Company's Internal Regulations, with special

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- emphasis on the corporate governance and compliance policies, and proposing to the Board of Directors, for approval or submission to the shareholders at the 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 communication schedule 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 and investor and shareholder 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 Company's 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 generating value;
 - (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

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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 its approval, circulating the Company's Annual Corporate Governance Report (ACGR) and its Corporate Governance Questionnaire (Country Code – Colombia), should the Board of Directors decide voluntarily to be subject to it, to the Audit Committee and the Nomination and Remuneration Committee, gathering reports from them with respect to the sections of the ACGR and questionnaire that fall under their competences along with the annual sustainability report;
- (o) Regularly monitoring trading by members of the Board of Directors using shares issued by the Company or Group companies;
- (p) Dealing with 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 transactions between the Company and its significant shareholders, directors, senior officers or any other persons related thereto. 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.

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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) fair treatment of shareholders; and
- (vi) any other circumstance deemed necessary by the Corporate Governance Committee.

In the case of ordinary 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 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 affiliates; and

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

3) Key actions during the year.

a) Review of the internal policies

b) Review of the Compliance Officer's duties

C.2.2 Complete the following table on the number of female directors on the committees of the Board of Directors at the last four reporting dates:

Number of female directors				
	2016 Number %	2015 Number %	2014 Number %	2013 Number %
Audit Committee	33.33	33.33	33.33	33.33
Nomination and Remuneration Committee	66.66	33.33	33.33	33.33
Corporate Governance Committee	33.33	33.33	33.33	33.33

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

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Committee	Company Bylaws	Regulations of the Board of Directors
General aspects	41	23
Audit	43	25
Nomination and Remuneration	44	26
Corporate Governance	45	27

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
<p>Competent body for the authorization of related-party transactions</p> <p>The Board of Directors is responsible for overseeing, analyzing, and authorizing related-party transactions with the Company or Group companies provided that it first receives a favorable report from the Corporate Governance Committee.</p> <p>Pursuant to the Company's Internal Regulations, the following entities are considered related parties: (i) directors, (ii) significant shareholders, (iii) managers, or (iv) persons related to these persons ("Related Parties").</p> <p>Procedure for the approval of related-party transactions</p> <p>Review by and prior report from the Corporate Governance Committee.</p> <p>The Corporate Governance Committee must review and report in advance on all related-party transactions which must then 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.</p>

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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 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 affect the impartiality of any of the Company's directors with respect to the interest of the Company and of any of its shareholders.
- (e) equal treatment of shareholders, and
- (f) any other circumstance deemed necessary 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 fair 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 controlling 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:

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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 €100 million or the equivalent thereof 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 €25 million, or its equivalent 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 ordinary 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 clients;

(b) they go through at market rates, generally set by the person supplying 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 financial statements 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.

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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:

Name or company name of significant shareholder	Name or company name of the Company or Group company	Nature of the relationship	Type of transaction	Amount (thousands of euros)
Cemex España, S.A. (1)	CEMEX Colombia, S.A.	Contractual	Finance costs for loans and credit facilities	3,738
Cemex S.A.B. de C.V. (2)	Cemex Latam Holdings, S.A.	Contractual	Expenses for royalties for the use of Cemex trademarks (license)	6,720

(1) Controlling shareholder of the Cemex Latam Group

(2) Ultimate parent of the CEMEX Group

D.3. List transactions that are material, either because of the amount involved or because of their nature, between the Company or Group companies and the Company's directors or senior officers:

Name or company name of director or senior executive	Name or company name of the related party	Relationship	Nature of the transaction	Amount (thousands of Euros)
N/A	N/A	N/A	N/A	N/A

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 whose purpose and terms set them apart from the Company's ordinary trading activities.

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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 2016 were as follows:

1. Reinsurance transactions:

Country: Bermuda
Income and expense
Amount: USD 12,901,769

2. International sales transactions (Trading):

Country: Santa Lucia
Income for Cemex Colombia S.A.
Amount: USD 3,027,562

D.5 Indicate the amount of related-party transactions.

Name or company name of the related party	Name or company name of the Company or Group company	Nature of the relationship	Type of transaction	Amount (thousands of Euros)
New Sunward Holding B.V.(1)	Cemex Latam Holdings, S.A.	Contractual	Finance costs for loans and credit facilities	12,535
CEMEX Colombia, S.A. Cemento Bayano, S.A. (Panama), CEMEX Guatemala, S.A. CEMEX (Costa Rica), S.A., CEMEX Nicaragua, S.A. CEMEX El Salvador, S.A. (2) (3)	Cemex Latam Holdings, S.A.	Contractual	Income from royalties for the use of intangible assets, trademarks and management services of Cemex (sublicenses) (3)	120,752

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Cemex Research Group AG (1)	Cemex Latam Holdings, S.A.	Contractual	Expenses for royalties for the use, operation and enjoyment of intangible assets (license)	33,745
Cemex Central, S.A. de C.V. (1)	Cemex Latam Holdings, S.A.	Contractual	Expenses for royalties for services and technical assistance	19,138
New Sunward Holding B.V. (1)	Corporación Cementera Latinoamericana, S.L.U. and Cemento Bayano, S.A.	Contractual	Finance costs for loans and credit facilities	41,500
Cemento Bayano, S.A, Cemex (Costa Rica) S.A. (4)	Cemex Latam Holdings, S.A.	Contractual	Financial guarantee	2,725
CEMEX Trading, LLC (1)	Cimentos Vencemos do Amazonas, Ltda	Contractual	Purchases of raw materials	2,897
Cemex International Trading LLC (1)	Cemex Lan Trading Corporation, Cemex Colombia, S.A. and Cimentos Vencemos do Amazonas, Ltda	Contractual	Purchase of raw materials	41,962
Cemex International S.A. de C.V.(1)	Cemex LAN Trading Corporation, Cemex Colombia, S.A. and Cimentos Vencemos do Amazonas, Ltda	Contractual	Purchase of raw materials	5,586
Cemex España Operaciones, S.L.U.	Cemex Colombia, S.A.	Contractual	Purchase of raw materials	278

- (1) Company related to the CEMEX Group
- (2) Subsidiaries of Cemex Latam Holding, S.A.
- (3) These transactions are carried out between Cemex Latam Holdings, S.A. and the Cemex Latam Group companies; consequently, they are eliminated on consolidation of the Cemex Latam Group.
- (4) On February 9, 2016 Cemex Latam Holding, S.A. extended a guarantee in respect of the credit facilities arranged by its direct and indirect subsidiaries with Citigroup Inc. Under the terms of this guarantee, Cemex Latam Holdings, S.A. will be liable for any failure by its subsidiaries to meet the payment obligations of the aforementioned credit facilities, up to a maximum limit of

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USD 30,000,000. At December 31, 2016 Cemento Bayano, S.A. and CEMEX (Costa Rica), S.A have drawn down amounts of USD 1,855,165 and USD 1,011,413, respectively.

- D.6 List 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) senior officers 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 Company 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 is a situation 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 related person linked 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 as follows:

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

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- 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, descendant 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 related parties holds, either directly or indirectly, a management position or directorship from which he 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.

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- 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.

The Regulations of the Board of Directors impose other duties and obligations on directors, the non-fulfilment of which may give rise to possible conflicts of interest. Directors must abide by the non-competition obligation (Article 36), and may not use the following: Company assets to obtain an economic advantage without having paid an appropriate consideration (Article 38), insider information (Article 39), or business opportunities to the detriment of the Company (Article 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 prevents executive directors from attending meetings relating to proposed appointments, re-appointments, removals or reprimands that affect them or proposed contracts with the Company governing their remuneration, rights and obligations during the stage of deliberation and during voting of the related resolutions.
- c. Transparency: the Company will report in the ACGR 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 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.

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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 Company Bylaws and the Regulations of the Board of Directors govern conflicts of interest involving related parties 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 senior officers:

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Lastly, regarding possible conflicts of interest between the Company and/or its group with its **senior officers**, Section 9 of the Code of Ethics stipulates the following for senior officers 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 senior officers 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 notifying conflicts of interest with senior officers 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**" or "**Cemex Latam**") 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.

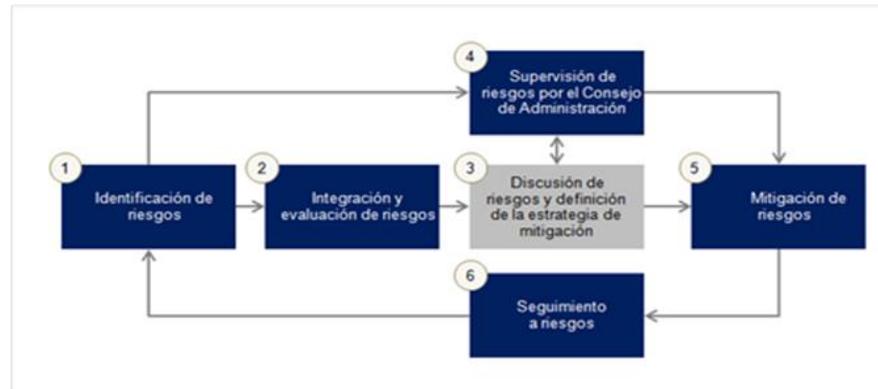
The ERM system operates in an integrated and structured manner to proactively identify and manage the main risks to which the Group is exposed. Each business unit has an ERM Department, which reports directly to the Country Director and simultaneously to the ERM Director for Central and South America and the Caribbean, who in turn reports directly to Cemex Latam's CEO and simultaneously to CEMEX's Executive Vice-President of Corporate Affairs and Enterprise Risk Management to ensure the process is coordinated and uniform. The ERM Department is structured at global, regional and country levels, and applies processes which promote discussion of risks with management and the Risk Management Committee, 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, such as:

- 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 clearly structured risk management process that generates a Risk and Opportunity Agenda (ROA), which is continuously monitored and discussed with management.

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1. The ERM Department uses a Search Plan methodology to identify and monitor risks. This methodology entails obtaining information from internal and external sources.
2. Twice a year, a country-level Risk and Opportunity Agenda (ROA) is updated which takes into account all of the factors which could affect the Company's objectives and main business concerns, as well as the concerns of corporate management. To update risks, the ERM team conducts interviews with all members of the Board of Directors and any employee involved with risk, irrespective of his/her level within the business unit, such that the risks identified are assessed and prioritized on completion of the interview stage.

The business units are responsible for identifying and generating their own agendas. The agenda takes into account management's concerns, complemented by the ERM team's knowledge of the operating unit. The ERM Department of each business unit is responsible for ensuring that the agenda is reviewed and approved by the Country Director of the operating unit.

The ROA for each country is subsequently fed into the regional ROA, which in turn is inputted into the global ROA. This process consolidates the individual agendas of each business unit, taking into account the concerns of the executives responsible for the Company's global operations. The process generates sufficient information for the executives responsible for the business to obtain a general understanding of the key risks.

3. The ERM Department is responsible for ensuring that the risk agenda is debated, understood and approved, including the response to risks and mitigation strategy, and reports to the Audit Committee and Board of Directors. In particular, ERM reported the main risks relating to the countries in the region to the Board of Directors on September 15, 2016. Beforehand, in the meetings held on October 21, 2015, June 24, 2016, February 2, 2016 and May 9, 2016, ERM reported to the Audit Committee the risks identified in the main countries, and in particular those identified in Colombia, Panama and Costa Rica.

In addition, together with the heads of the operating units, the ERM Department assigns an executive to each risk, who is responsible for implementing and monitoring the agreed responses to risks.

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The ROA takes into account the types of risk that could affect the Company. Internal operational risks are mitigated through the Internal Control system, which is based on the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission). The COSO framework provides guidance for public companies and is based on best practices in risk management and control. The framework is accepted by the different regulatory compliance bodies. Risks are classified as “Internal Operational Risks” if they originate within the Company's operations and the mitigating actions may be implemented and controlled by the Company.

4. The ERM Department submits the Risk and Opportunity Agenda (ROA) to Cemex Latam's CEO to ensure that it is discussed, understood, monitored and approved.
5. Mitigating measures are identified for each risk, comprising specific actions in response to risks, reducing the probability of a risk materializing and mitigating the impact of existing risks.

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

6. 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 implementation and coordination of the mitigating measures.

Through its “Search Plan” methodology for monitoring risks, the ERM Department gathers information and shares it with the persons assigned to each risk and the Company's executives, including committee members, senior officers and relevant executives.

A monitoring and self-certification program has been established for risks mitigated through the internal control system. The Process Assessment Area (Internal Audit) executes the internal audit and review program approved by the Audit Committee, evaluating compliance with controls and issuing a periodic report with the results obtained. The Process Assessment Area reports to the Board of Directors through the Internal Audit Department's Audit Committee.

7. In order to expand upon the management and mitigation of risks in Cemex Latam Group companies and to increase visibility thereof, since July 2015 the update of the Risk and Opportunity Agenda (ROA) has taken into account the following process for Colombia, which was approved in 2016 for each of the countries depending on their local structure: 1) Specific mitigating measures, commitment dates, assigned responsibilities and resources. 2) Expansion of the consultation base, i.e. interviews with a greater number of people, not only with

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members of the Board of Directors, as before, but also with anyone involved in the risk, irrespective of their level, as applicable. 3) Development of a virtual ERM tool to improve handling and monitoring; this was approved for use in February 2017. Accordingly, the upload of the mitigating measures and related monitoring will commence from the second quarter of 2017.

The above actions were implemented with the aim of making this a proactive and constructive document that will contribute to the Board of Director's risk and opportunity management, through socialization, work plans and mitigating measures, with ongoing monitoring thereof.

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

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

- a. Compliance with tax legislation in countries where the Cemex Latam Group operates, settling the various taxes applicable to the economic activity carried out by the Company.
- b. Optimization of the Cemex Latam Group's tax flows, based on prevailing tax legislation.

Analysis of tax matters applicable to our 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 tax authorities in each of the countries where the Cemex Latam Group operates, with the aim of reaching agreements when appropriate and establishing long-lasting relationships.
- f. A commitment to applying good tax practices and adhering to local codes. These good tax practices, among other matters, entail the following commitments:
 - To not use artificial structures with the sole purpose of reducing the tax burden.
 - To avoid corporate structures whose sole purpose is to prevent tax authorities from identifying the ultimate beneficiary of activities.
 - To detect abuse or fraudulent tax practices that may be undertaken by other companies in any jurisdiction where the Company or its subsidiaries operate, in order to analyze

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whether this controversial situation could affect any of the Company's subsidiaries in any way, with the aim of finding solutions to such situations, if possible.

- The Company's Board of Directors will be informed of the taxation applicable to the Cemex Latam Group's economic activities and the different transactions it performs.

In this regard, on May 23, 2014, through the consolidated tax group of Cemex España, S.A. the Company adhered to 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 Risk Management System (including that for tax risks).

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

1. Board of Directors

The Board of Directors is responsible for approving general policies and strategies at the Company and Group levels, 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. Risk Management Committee

The Risk Management Committee is an internal team led by Cemex Latam's CEO, comprising the managers of each business unit. Its primary functions are monitoring the key risks identified and establishing the measures necessary to manage them.

The main responsibilities of the Risk Management Committee are:

- Supervising the Risk Management System infrastructure.
- Taking into account 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.

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4. Internal Control Department

Internal Control is responsible for monitoring internal operational risks covered by the Risk Management System. Risks are classified as internal operational risks if they are generated by or related to the Company's processes and operations and can be mitigated and controlled by the Company through internal controls.

5. Process Assessment Department

This department is responsible for internal audit, including performing tests based on identified risks. It also assesses the effectiveness and efficiency of the System of Internal Controls in the Company's different areas. The Process Assessment Area reports to the Board of Directors through the Internal Audit Department's Audit Committee.

Bodies responsible for preparing and executing the Risk Management System.

The Company is supported by the Cemex Group's Tax Department, which is responsible for preparing and implementing the Tax Risk Management System. It also manages and analyzes all of the tax accounting 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 at their disposal Regional and Local Tax Departments and departmental specialists in Transfer Pricing and Tax and Financial Reporting Systems.

From 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 take on 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 the Cemex Latam Group, either between related entities or with third parties outside the CEMEX Group.

In this regard, the department supports all of the other areas throughout the Cemex Latam Group with transactions such as: mergers and acquisitions, spin-offs, contributions and purchases or disposals of assets.

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- b. Managing and controlling any tax-related litigation brought about by tax authorities, affecting any Cemex Latam Group 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 Group'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 the Cemex Latam Group'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, 2016, the most significant risks exposed in the separate ERM and internal control matrices that could affect Cemex Latam are as follows:

1. Economic and political conditions in certain countries, which could negatively affect the operating results of the business units.
2. Due to the nature of its activities, the Company is exposed to financial risks in its business units, primarily related to liquidity, capital and the impact of interest rates on cash flows.
3. The Company operates in highly competitive markets in the midst of new technologies and free trade agreements that enable new international and Spanish players to take the stage.
4. Due to the nature of the sector, the Company is subject to antitrust laws and investigations which could negatively affect its operations or reputation should an unfavorable decision be reached which misinterprets the normal course of business in the industry.
5. The Company could be negatively affected by unexpected events which pose a risk to the operational continuity of the business (e.g. natural disasters, pandemics).
6. The Company is highly dependent on information and technological systems, including outsourced services, entailing risks related to information security

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and cyber-attacks. There are also conflicts in the segregation of duties of the system users.

7. Risks inherent to transactions, which increase the media coverage of the Company's collaborators due to relationships with suppliers and customers, jeopardizing the operational continuity and giving rise to cost overruns.
8. Risks associated with the administration of and policy on assets.
9. Possibility of disruption to the operational continuity due to greater rigidity in environmental regulations, community hostility and trade union actions.
10. Risks relating to payment procedures.
11. Risks relating to the construction of the Maceo Antioquia plant.
12. Renewal of the environmental license for the use of the limestone mine at the Caracolito plant in Colombia.

Main tax risks that could hinder the fulfillment of the objectives of the business.

At the end of December 2016, the most significant risks which could affect the Cemex Latam Group are:

1. Political instability in Spain and the resulting 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 boosting public finances and other urgent corporate measures, reforming, amongst other taxes and standards and with retroactive effect from January 1, 2016, the corporate income tax applicable to the Spanish companies of the Cemex Latam Group.
As these measures can be considered temporary, and due to political instability, the Cemex Latam Group 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 regulatory framework in Spain, entailing changes as regards the manner in which tax inspections are conducted and in the interactions between companies and the taxation authorities.
3. The European Commission has announced its intention to issue an Anti-Tax Avoidance Directive which would be legally binding for all member states of the European Union. Hypothetically, the special framework for Entities holding Foreign Securities (ETVE) could therefore be amended.
4. On December 29, 2016 Law 1819 on tax reform was issued in Colombia, introducing significant changes to taxation. The government's intention was to introduce a structural tax reform. However, it did not fully achieve this aim as the reform focused primarily on collection and mostly VAT, which, as an indirect tax, allowed for the partial attainment of the government's objective.
The short time during which the draft reform was studied before passing into law meant that the approved law included matters that must be amended or adjusted in order to

be applied. Although the tax reform entered into force it still cannot be applied in full in some areas as the amendments or adjustments have not yet been issued.

E.4 Indicate if the Company has a risk tolerance level, including for tax risk.

As part of the periodic process of discussing, reviewing and approving the Risk Agenda, the Risk Management Committee evaluates each risk, considering the potential impact on the Company.

To determine the tolerance for each risk, the Risk Management Committee analyzes the following information: context, trend, current situation, outlook, implications / impact, probability of occurrence and current mitigation measures.

The Risk Management Committee assigns a Company executive to each identified risk, who continuously monitors various risk indicators which may have an impact on the risk, in conjunction with the ERM Department. Should a change in the status of the risk be detected, the Risk Management Committee is immediately informed, to ensure that response and mitigation plans are appropriately adjusted.

Tax risk tolerance level

As part of the periodic process of discussing, reviewing and approving the Risk Agenda, the Tax Department described above defines the tolerance for each risk, considering the potential impact on the Company and the 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 to recognition and quantification of tax contingencies.

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

FIN 48 establishes 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.

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- A tax benefit must be calculated to the highest amount if its probability of materialization is more than 50%.

The Company has adopted a policy of not recording any provisions for litigations with a probability of more than 50% of a favorable ruling. Therefore, in the countries where the Cemex Latam Group operates, proceedings are either won in full or lost in full.

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

In 2016, risks were identified in process audits and special cases that could result in economic losses of USD 52M, mainly: i) USD 20.5M associated with the negotiations with CI Calizas for the construction of the Maceo cement plant; ii) USD 17M for cost overruns on equipment leases; iii) USD 7.7M for risk of non-compliance in housing projects and iv) USD 6.8M in connection with specific cases of cost overruns on purchases and investments, recoverable balances and aggregate agreements, amongst others. In 2016 USD 16.6M of the aforementioned balance of USD 52M was recognized in profit and loss, comprising USD 14.3M in connection with Maceo (related to the payments to Eugenio Correa and Visión Inmobiliaria, intermediaries for purchases of land), USD 0.9M for cost overruns on equipment leases, USD 0.7M for infrastructure projects and USD 0.7M for other cost overruns on purchases, investments and aggregates. The Colombian peso was devalued by 30% during the period from 2012 to 2016.

In this period 134 special cases were reported through the Ethos whistleblowing line, ethical committees and the various anonymous complaint systems. 60% of the cases handled and closed by the Internal Audit committee were proven to be true, primarily in Colombia, Panama, Costa Rica and Nicaragua.

As a result of these cases and the audits performed, areas for improvement were detected in control and administrative procedures.

The Company is currently working to strengthen its corporate governance model and the controls and policies associated with each process, with a view to reducing the likelihood of any non-compliance with controls that could give rise to the materialization of risks. It is also prioritizing campaigns that encourage the Company's collaborators, suppliers and customers to use whistleblowing channels.

Teamwork within internal audit has been reinforced in order to increase the frequency and scope of audits focusing on identifying new risks and assessing the effectiveness of existing controls.

Tax risks that materialized during the year

In 2016, as in the prior year, the areas focused on mitigating potential risks that could negatively affect the business's results.

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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.

The Risk Management System 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.
 - High: Probability > 66%
 - Medium: Probability 33% < x < 66%
 - Low: Probability 0% < x <= 33%
- **Impact:** Consequence of a risk materializing. Measured in economic terms (e.g. EBITDA, free cash flow, costs, fines) or reputational impact.
- **Trend:** Indicator of the time in which the risk or opportunity is expected to materialize and whether this trend is growing, stable or decreasing.

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. A Search Plan methodology is used to monitor each risk. This methodology entails obtaining information from internal and external sources. The information gathered is shared with the persons assigned to each risk and Cemex Latam executives.

Some of these risks are mitigated through the Company's System of Internal Controls, which is based on the COSO framework (as explained in section 1.3 above). The COSO framework provides guidance for listed companies and is based on best practices in risk management and control.

The Internal Control model is shown in the following chart:



Identification of internal risks: Initially, Internal Control, along with the process heads, identifies and evaluates different potential risks, taking into account their possible effect on (i) the management of the operation, and (ii) the financial statements, placing a priority on topics 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 likelihood 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 Internal Control, 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.

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

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

Importantly, the work carried out by the Internal Control Area of Cemex Latam is coordinated by the Internal Control Area of the CEMEX Group in Mexico, whereas the Internal Audit Area reports directly to the Audit Committee of Cemex Latam.

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

The head of Tax for the Company in Spain periodically reports to the Company's Audit Committee and if applicable to the Board of Directors, in accordance with the Internal Regulations, on the following matters:

1. Transactions entailing the purchase or disposal of assets or companies, mergers, spin-offs, asset contributions, investments and corporate restructuring

Communication of this kind shall explain both the Cemex Latam Group's economic rationale for carrying out the transaction and the tax treatment or implications thereof, the legislation or interpretation on which the described treatment or implication is based and any risks inherent to the transaction.

If any of these transactions are carried out with a party related to the Cemex Latam Group or the CEMEX Group, explanations shall be provided of the factors that must be taken into account in their measurement and the specific tax implications of such transactions.

2. Tax inspections, checks and litigation involving the Cemex Latam Group, with any tax authority, including the opening, risk assessment, processing and conclusion of such proceedings.
3. Any change in tax legislation that could have a considerable impact on the Cemex Latam Group.
4. Analysis of the items issued by tax authorities in interpretation of tax regulations, rulings issued by higher courts that may affect current tax processes (litigation) and the tax positions adopted by the Cemex Latam Group, based on prior criteria, reviewing any steps that must be taken.
5. An explanation of the Cemex Latam Group's current and deferred income tax expense and the cash flows relating to tax in the period
6. A summary of the assessment of the Cemex Latam Group's tax risks.

F. INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms that make up the control and risk management systems as they relate to the process of financial reporting (ICFOR) at your Company.

F.1 The entity's control environment

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

- F.1.1. What bodies and/or functions are responsible for: (i) the existence and maintenance of an appropriate and effective ICFR; (ii) implementing it; and (iii) overseeing it.

The bodies responsible for ICFR are:

Board of Directors: In accordance with Article 34, section 2, subsection C of the Bylaws and Article 6, section 5, subsection C of the Regulations of the Board of Directors, this body is ultimately responsible for ensuring that the financial information that the Company must periodically publish, in its position as a listed entity, gives a true and fair view of the equity, financial position and results of the Company, in accordance with applicable legislation.

Audit Committee: In accordance with Article 43, section 5 of the Bylaws and Article 25, section 6, subsection (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 and compliance with the audit plan, which must take into account business risks and assess all areas of the Company, (iii) the risk management system, including tax risks and (iv) discussing any significant weaknesses in the internal control system detected during the course of the internal audit with the auditor.

Internal Control: The Internal Control Department is responsible for duly assessing internal operational risks and ensuring that appropriate internal controls exist to mitigate such 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 offers assurance that an effective control system is incorporated into processes.

- 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) deploying procedures so this structure is communicated effectively throughout the entity

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The Board of Directors has the utmost powers in relation to management of the Company. The Board is the Company's highest decision-making body, except in relation to matters included in the exclusive purview of the shareholders at their General Meeting. The Board is responsible for approving proposals from 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 or removing senior management.

However, under a proposal put forward by the Chairman of the Board in this connection, the Audit Committee is responsible for forwarding, as applicable, a reasoned proposal to the Board of Directors on the selection, appointment or removal of the Director of the Internal Audit Department.

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 manual is kept by Human Resources, and is available on the corporate intranet.

In addition, in terms of the ICFR, specific areas exist as follows:

Board of Directors: the Board is responsible for authorizing the financial statements and reports prepared by the Company and its auditors for issue to investors and regulatory bodies before the deadlines established by law.

Audit Committee: before they are approved and/or authorized for issue by the Board of Directors, the Audit Committee reviews and approves the financial statements and the status of the related internal controls, as necessary. The Committee also ensures that the financial statements are consistent and comply with the Company's accounting standards and oversees the internal and external audit functions.

Comptroller/Business Service Organization (BSO): responsible for preparing the financial statements, executing internal controls and implementing the Company's policies, including authorization, reconciliation and trend analysis to ensure that the financial information is reported and disclosed in a reasonable manner.

Accounting Technology: a group of expert accountants, responsible for supervising, disclosing and correctly applying accounting principles. The area also monitors and assesses the impact of adopting new standards and updating the Company's accounting policies.

Internal Control: responsible for ensuring that sufficient internal controls exist in relation to preparation of financial information, including controls to mitigate risks of error or fraud.

Process Assessment - Internal Audit: this area performs detailed audits of internal processes and controls established by the Company in relation to preparation of financial statements.

External Auditor: As the Cemex Latam business units form part of the CEMEX Group, they are included in the scope of the detailed audit of controls, in order to comply with the Sarbanes-Oxley Act. In addition, the financial information from

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each country is audited by KPMG, using a substantive approach, to assess the reasonableness of the financial statements.

Enterprise Risk Management: At its meeting of July 24, 2015, the Audit Committee agreed to include the Enterprise Risk Management (ERM) Area to unify the Agenda, bringing together internal and external risks. However, a methodology to consolidate all Cemex Latam's risks (either at a country level or at a consolidated level) in a single document has not yet been defined. ERM's Risk and Opportunity Agenda (ROA) agenda deals with external risks, while the other risks, encompassing those related to Internal Audit, Tax, Internal Control, etc., remain under the control of each area head.

- Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record-keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

The Cemex Group has a code of ethics and conduct (“Code of Ethics”), compliance with which is mandatory for all senior officers and other employees of the Cemex Group, who must sign it indicating their familiarity and agreement therewith.

Consequently, and pursuant to the agreement adopted by its Board of Directors on October 4, 2012, the Company adhered to the Code of Ethics, in order to be in compliance with corporate governance best practices. The Code of Ethics already applied to all the companies, business units and operations that have formed part of Cemex Latam since July 1, 2012. In addition, as a result of the most recent modification to the Code of Ethics, the Board of Directors passed a resolution for the Company to adopt the new Code of Ethics at its meeting of July 30, 2015 after receiving a favorable report from the Corporate Governance Committee.

The Code of Ethics comprises fundamental principles for all business processes, and is therefore reviewed continuously by various areas within the Company, such as Legal Affairs, Internal Control, Process Assessment, Sustainability, Security and Human Resources. Any change must be duly approved by the global ethics committee (the “Global Ethics Committee”), comprising members of the Executive Committee of Cemex S.A.B. de C.V.

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. Chapter 15 specifically relates to the handling of confidential or privileged information and chapter 16 relates to financial controls and records.

All of Cemex Latam's business units have local ethics committees (the “Ethics Committees”), which are responsible for ensuring compliance with the code and monitoring the issues contained therein. At the start of each year a communication plan is prepared by the Ethics Committees, in agreement with the Global Ethics Committee.

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The communication plan includes measures such as: training, adverts, articles in internal magazines and updates to signatures.

In addition, through an agreement that the Board of Directors, after receiving a favorable report from the Corporate Governance Committee, adopted at its meeting on January 16, 2013, the Company also adopted the following CEMEX Group institutional policies regarding compliance:

- Anti-corruption policy
- Compliance policy for compliance with antitrust laws
- Information retention policy
- Policy on use of insider information
- Policy on disclosing relevant information
- Information-security policy
- Policies on portable equipment and the Bring Your Own Device Program (BYOD)

In addition, the Company, through the Audit Committee and the Corporate Governance Committee, reviewed all the internal policies of Cemex S.A.B de C.V., 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. Following this review, the Board of Directors, at the meeting held on July 27, 2016, agreed to ratify the seven aforementioned policies that the Company had already expressly adhered to in 2013 and to the Company's express adherence to the Cemex Group's remaining internal policies and guidelines, already mandatory since its incorporation. It also agreed to the Company's adherence, without the need for express consent from the Board, to any other policies and guidelines that the Cemex Group approves or modifies in the future, regardless of whether a presentation is made to the Board every six months on the policies that are approved or modified. At the same meeting it was agreed that the Corporate Governance Committee would study the possibility of preparing its own investor relations strategy for the Company and therefore the Cemex Group's policy would not be applicable if this were the conclusion reached. At December 31, 2016 the Corporate Governance Committee was carrying out this study.

The bodies responsible for reviewing any non-compliance with 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, the proposals are forwarded to (i) the country directors, (ii) the CEO, 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, titled "Ethos," containing not only the Code of Ethics but also a policy center. The relevant policies may be consulted by country, topic, functional area, guidelines and community.

The Code of Ethics and the policies referred to above are defined and updated at a global level for the CEMEX Group. The Audit Committee (External Regulations), the

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Corporate Governance Committee (Internal Regulations), and the Board of Directors of Cemex Latam are ultimately responsible for ensuring compliance with the Code of Ethics and the ethics policies as they relate to Cemex Latam.

- 'Whistleblowing' channel, for the reporting to the Audit Committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organization, stating whether reports made through this channel are confidential.

Anonymous whistleblowing lines have been established to report any breaches of the code, including matters relating to financial reporting. These lines offer the option of anonymity and reports are passed to the Ethics Committee and the Audit Committee, as appropriate.

The comments received in relation to financial reporting and accounting processes are sent directly to the Audit Committee.

Whistleblowing lines are managed 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 by telephone, chat or email. (<https://wb.cemex.com>)

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

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

- The following address has been activated for suppliers to file complaints: www.cemex.com/Provedores-Quejas.
- Messages sent directly to the local Ethics Committee or the Ethos Committee (the Global Ethics Committee).
- Messages sent directly to the Internal Audit and Internal Control Areas.
- Other reporting channels, such as any complaints filed by customers and suppliers or reports filed directly for members of the Ethics Committee

The President of the Cemex Latam Audit Committee is informed of the complaints, which are sent to the Company's Internal Auditor and the Organisation and Human Resources Area to be processed and ensure that they are handled and closed appropriately. Cases are assigned to persons from the Process Assessment, Internal Control, Legal Affairs, IT or Human Resources Departments in accordance with their nature, or on occasions from external services, if appropriate. The assigned person is responsible for performing appropriate verifications and investigations and records and reports the findings, conclusions and actions plans. The 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.

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The head of Process Assessment reports to the Audit Committee on any relevant matters occurring during the execution of the review programs.

Reports are periodically submitted to Cemex Latam's Audit Committee on the status of the investigations.

- Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at a minimum, accounting rules, auditing, internal control, and risk management.

The Cemex Latam companies have formal contracting practices in place through Human Resources and in coordination with Finance, Comptrollership and BSO to ensure that new employees are qualified to carry out the activities for which they are responsible and have the required profile, educational backgrounds, 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. Comptrollership, through the Accounting Technology Area, updates and develops new accounting policies in response to changes in the company and new regulations. The Accounting Technology Area is responsible for updating and reporting any modification of policies in relation to new accounting regulations.

Employees are evaluated periodically on the basis of the parameters established for the duties that they perform and the goals for their position. These performance evaluations are managed through an IT tool called "Career Building", which is the responsibility of Human Resources.

Cemex Latam employees establish their objectives for each year in conjunction with their immediate superior using the Career Building tool. These objectives form the basis of their interim and year end performance reviews, which are included in their Individual Development Plan (IDP). Up to 25% of annual employee objectives are linked to the satisfactory completion of the IDP.

To ensure that senior officers and other employees remain up-to-date in terms of their knowledge, in addition to the institutional programs organized by Human Resources on various topics, including the use of work platforms, Comptrollership, through its Accounting Technology and Financial Reporting Areas and in conjunction with BSO, prepares training plans for the personnel involved in preparing the Group's financial statements. The objectives of these plans include: (i) bringing participants up-to-date regarding regulations and general legislation, (ii) providing specific knowledge on International Financial Reporting Standards (IFRS) and (iii) sharing information on principles applicable to internal control over financial reporting. These plans are executed through meetings arranged and special course given, video conferencing, written information sent 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 Risk assessment in financial reporting

Indicate, at a minimum:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, in terms of:

- 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), is updated, and how often;
- whether a process exists to identify the demarcation of the consolidated Group, taking into account factors such as any complex corporate structures, special purpose vehicles or special purpose entities;
- whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax, reputational, environmental, etc.) that 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 which enables the Audit Committee to visualize the categories of risk that are mitigated by the System of Internal Controls.

The internal operational risk map is continuously updated based on the findings of internal audits, special cases or well-founded investigations in conjunction with the heads of the business units through interviews and self-assessment questionnaires. This helps the Company ensure that assessed risks are interpreted in a relatively uniform manner.

Each business unit assesses and develops a risk map, including financial reporting, which is then consolidated in an Internal Operational Risk Map to be submitted 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.

Annually, for each category of financial reporting risk, the assessment considers each significant account in the financial statements, assertions (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations) and key transactions which contribute to risks. The risk assessment begins with the consolidated financial statements of the Company and takes into account

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quantitative and qualitative factors, such as materiality, volumes of business, manual allocations, judgment-based valuations and probabilities of error or fraud. The risk assessment is divided into three main categories:

Highly complex accounts: accounts and processes which require interpretation of accounting rules and entail a high degree of judgment (e.g. impairment, financial instruments, deferred tax, provisions).

Materiality: accounts in the financial statements that, due to their nature, entail a high volume of transactions (e.g. sales, inventories, payroll, purchases).

Financial Reporting: includes the processes related to the preparation and issue of information to internal and external parties (e.g. annual and monthly closes, reports to stock exchanges, manual consolidation adjustments, intercompany transactions).

The process covers all of the financial information objectives. It also takes into account the business risks referred to above, which may have an impact on the financial statements.

F.3 Control activities

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

- F.3.1. Procedures for reviewing and authorizing the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case; documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgments, estimates, evaluations and projections.

Cemex Latam has procedures to review and authorize financial information published in the securities markets (Mercado de Valores de Colombia), and it has established a procedure to monitor the different types of transactions that may materially affect the financial statements.

Individual (separate) and consolidated financial statements are prepared by the Comptroller 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.

In addition, in order to comply with local standards, given that it is a Spanish company, the Comptroller 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 standards. 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 the directors' report prepared under Spanish regulations within the three months following the reporting date. These accounts are

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subsequently submitted for the approval of the shareholders at their General Meeting and deposited at the Commercial Registry of Madrid.

Before being forwarded to the securities market, the Group's financial statements must have received 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 and prior report by the Audit Committee.
- Approval (financial statements) or authorization for issue (annual accounts), as appropriate, by the Board of Directors.
- Approval by the shareholders at their 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 connection with the process of financial reporting based on the COSO model, with the following objectives:

- Effectiveness and efficiency in 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. Mitigation of risks depends on correct implementation of controls by the persons responsible. Controls are related to specific steps in processes and are often linked to the Company's policies and procedures. Controls are continuously adapted, to ensure that they take into accounting changing business conditions.

Cemex Latam's Internal Control Department produces detailed descriptions of each step, 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 full and accurate transfer of information.
- Control matrices, describing what is expected of the person implementing 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 and automatic controls, preventive and detective controls and specific evidence to be considered.
- The descriptions and control matrices are updated and are available from the Company's Policy Center.

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For accounting policies and procedures, the Accounting Technology team, 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 assessments and change implementation tests are performed by the Internal Control team to ensure that controls are suited to the processes and identified risks.

- F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to Cemex Latam Group's key processes regarding the preparation and publication of financial information.

Information System (IT) Controls are an important set of controls. They are classified as either *general* controls or *application* controls and are monitored for all the systems which support operating processes, including those used to generate financial reports. General IT controls are related to administration of equipment, servers, back-ups, infrastructure, security measures, purchases of software, development and maintenance. Application controls are embedded in applications (e.g. SAP, Hyperion) and focus on the integrity, accuracy, authorization, valid gathering and processing of information through the systems.

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

Controls on systems are divided into the following categories:

- Support schemes to ensure continuity and support operations.
- Protection of the network from deliberate attacks.
- Back-ups and data recovery schemes.
- Changes to programs and applications.
- Program and data access controls.
- Application controls for systems (e.g. SAP, Hyperion, RMS)

The Processes and IT Area, which includes BSO, is responsible for ensuring that these controls are performed. Each year they are included in the scope of the internal audits.

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

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements

For processes outsourced to third parties, contracts are executed governing, inter alia, the following aspects:

- The obligations and responsibilities assumed by each party
- The levels of communication and notifications that the parties are required to exchange
- The conditions or terms related to invoicing, payment conditions, etc.
- The applicable rules regarding confidentiality
- The possible penalties in the event of non-compliance by either of the parties

When it is necessary to outsource the preparation of financial information to an independent expert (actuarial calculations, valuation of fixed assets, etc.), the Company ensures that the level of technical expertise of the professionals involved and the assurances that they offer as suppliers are in line with the Company's needs. Companies with the required certification are preferred for these contracts.

Cemex Latam has outsourced services to IBM, which is responsible for some of the transactional administrative activities and IT services which are part of the financial reporting process in all of the operating units.

Although the transactions are carried out at the IBM service centers, the Company retains responsibility 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 to IBM during the transition, to maintain an effective Internal Control Model.

IBM service centers must maintain an appropriate level of control and are obliged to: Comply with the Code of Ethics and the policies and internal controls relating to the assigned tasks. Cemex Latam and IBM have developed "DTP" (Desk Top Procedures) documents to provide detailed descriptions of all of the activities performed by the IBM service centers, explaining the necessary steps and controls.

The IBM service centers are included in the scope of Internal Control's monitoring activities and 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 established requirements. In addition, in its global assessment of the CEMEX Group, including 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 (SSAE 16 Report), issued by Price Waterhouse Coopers (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

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Control and the VMO develop procedures and internal controls for the following processes:

- I. Deliverables, in accordance with legal contracts.
- II. Process of payments to IBM.
- III. Service level agreement (SLA).
- IV. Risk and problem management.

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 in charge of defining and maintaining accounting policies (accounting policies area or department) and resolving doubts or settling disputes over their interpretation, which is in regular communication with the team in charge of operations, as well as a manual of accounting policies regularly updated and communicated to all the Company's operating units.

As indicated above, Comptrollership is responsible for accounting policies through the Accounting Technology Department of CEMEX Central as the coordinating area for the entire Cemex Group, including Cemex Latam. The duties and activities of the Accounting Technology Department 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, when they have changed, making the appropriate modifications.
- V. Ensuring that policies are applied in a consistent and coherent manner across Group companies.
- VI. Providing information on accounting policies to the areas involved in preparing financial information through the corporate intranet, access to which is to be unrestricted for all employees needing to consult these policies. In addition, coordinating training tasks.

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- F.4.2. Mechanisms in standard format for gathering and preparing financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

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

Information is administered on a single platform under the accounting system (SAP) run by each country's BSO, to ensure greater control over the standardized processes in a single accounting close. The process has controls to monitor access to the system, ensuring the correct 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 Comptrollership via the Financial Reporting Department using a single system, called Hyperion Financial Management or "HFM," supported by levels of security, segregation of duties and mechanisms of automatic control allowing the completeness and reliability of data to be monitored.

Moreover, the existence of a single chart of accounts for all of the CEMEX Group's companies facilitates consolidation and the reporting (information) system generated for all entities requiring 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. The monitoring activities undertaken by the Audit Committee and whether the entity has an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the entity has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

As noted above, oversight of the control and risk management system with regard to financial reporting is handled at three levels – Process Assessment, the Audit Committee (to which Process Assessment reports) and, ultimately, by the Board of Directors.

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Process Assessment supports the Audit Committee in overseeing the internal control and risk management systems with regard to financial reporting.

In 2016, 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, 2015, after which it sent a favorable report to the Board of Directors, as the body qualified to authorize the issue of the annual accounts.
- The Committee reviewed the individual (separate) and consolidated financial statements prepared under IFRS. Once they were approved by the Board of Directors, the Company was to submit the statements to the Financial Superintendency of Colombia (Superintendencia Financiera de Colombia – SFC), in accordance with Instruction 10 of External Circular No. 004 of March 9, 2012, governing periodic, material financial reporting by securities issuers entered on Colombia's National Register of Securities and Issuers.
- In addition, in 2016 the Audit Committee:
 - 1) Approved Process Assessment's work plan and budget for that year, which includes financial reporting-related processes.
 - 2) Reviewed the implementation of and compliance with Internal Audit's program, focusing especially on the results submitted periodically by the head of the area to the Committee at its meeting, including on financial reporting-related processes.

Process Assessment prepares an annual audit plan with a risk-based approach. For the financial statements, the Internal Control Area establishes an annual scope at the start of the year, selecting the business units and areas that will be subject to internal audits of financial statements based on the financial information and the materiality of the accounts and considering the SEC guidelines (Securities and Exchange Commission) for assessment of Internal Control over Financial Reporting (ICFR).

The Internal Control environment depends on the effectiveness of the processes and the risk level in all of the countries where the Company operates. Therefore, all plants and offices may be included within the scope of the annual audit plan. For the tests performed on Cemex Latam in 2016, the following procedure was followed to define the scope, which was approved by the Audit Committee:

Selection of significant accounts and key processes

The process to select significant accounts to include in the scope of internal tests begins with analysis of the consolidated financial statements. It considers quantitative and qualitative aspects of each account, including: materiality, volume of business, manual entries, valuations and judgments and the possibility of error or fraud. All of the selected accounts and processes are classified into three categories:

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Highly complex accounts: accounts and processes which require interpretation of accounting rules and entail a high degree of judgment (e.g. impairment, financial instruments, deferred tax, provisions).

Materiality: accounts in the financial statements that, due to their nature, entail a high volume of transactions (e.g. sales, inventories, payroll, purchases).

Financial Reporting: includes the processes related to the preparation and issue of information to internal and external parties (e.g. annual and monthly closes, reports to stock exchanges, manual consolidation adjustments, intercompany transactions).

Significant Entities

To cover a significant portion in the audits, free cash flow is used as a key indicator. Any country whose free cash flow represents more than 5% of the total for Cemex Latam is classified as a significant entity. This indicates that all of the selected significant accounts will be reviewed during the annual assessment.

Coverage of Cemex Latam's significant accounts

It has been agreed with external auditors that coverage of accounts must be at least 55%. This means that sufficient countries are included until the figure of 55% of each selected account is reached.

Specific Risks

In addition, Internal Control assesses the remaining entities and if specific risks are identified, they are also included in the scope. These specific risks are normally related to the materiality of a certain account in countries which have not been selected or situations of which management is aware which increase the probability of error, such as changes in systems or processes or situations highlighted in prior audits.

Internal Control over Financial Reporting

The scope of the tests includes controls at entity level, manual controls, general IT controls and automatic controls embedded in the applications used to process financial information.

Internal Control selects the controls to test for each selected account, focusing on those which are considered key, in accordance with the main sources of risk. Executives responsible for the controls contribute their opinions during this process.

To ensure that the scope is adequate, it is reviewed and validated by Cemex Latam's Audit Committee.

During the year, 1,318 audit tests were conducted, with satisfactory results in 67% of the cases in CLH's seven countries.

- F.5.2. Does a discussion procedure exist whereby the auditor (pursuant to Technical Audit Standards - TAS), the internal audit function and other experts can report any significant

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internal control weaknesses encountered during their review of the annual accounts or other assignments, to the entity's senior management and its audit committee or Board of Directors? State also whether the entity has an action plan to correct or mitigate the weaknesses found.

Communication is an essential part of the System of Internal Control. As a result, it must be ensured that the Audit Committee, management and heads of the operating units are informed of the weaknesses and faults in internal controls.

Deficiencies in internal controls are assessed to determine their importance and severity and whether immediate action is required. Each deficiency is detailed and the impact is assessed in conjunction with the persons responsible for the process to determine whether to report 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 which individually, or jointly with other deficiencies, are sufficiently important and should be reported to the Audit Committee. A material weakness reflects a significant possibility of a material error in the Company's financial statements and should be disclosed in a public report submitted by Cemex Latam to stock exchanges.

The Audit Committee should be informed of any significant deficiency or material weakness which has been identified prior to issuing the financial statements and/or upon their detection if urgent corrective actions are required.

The Audit Committee holds meetings at least once a quarter to review and report periodic and year-end financial information, before its approval by the Board of Directors or by the shareholders at their General Meeting, as the case may be. This information is (i) subsequently submitted to the appropriate Spanish and Colombian authorities, and (ii) disseminated to the market. Topics related 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 improvement and opportunity areas with regard to deficiencies in internal control detected during the period in question.

In 2016, the Audit Committee held a total of 12 meetings.

Audit Committee meetings are generally attended by the head of Internal Audit and the External Audit Associate. The heads of Comptrollership, Internal Control and Enterprise Risk Management also frequently participate in the meetings to report on matters on the agenda.

Deficiencies detected by Internal Audit are monitored through action plans and recommendations agreed on with the head of the process being audited. In addition, taking into account the aforementioned details relating to external audit, any deficiency reported during the global assessment regarding the CEMEX Group's compliance with

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the Sarbanes-Oxley Act that relates to Cemex Latam companies is included in the remediation and monitoring processes of Process Assessment and Internal Control.

Based on the results of the internal audits carried out by the Company's Process Assessment Area, Internal Control reaches a consensus with the different heads of the processes evaluated on the actions considered the most appropriate for mitigating the risks detected and for avoiding a future occurrence thereof.

Once a consensus has been reached on the corrective actions, Internal Control informs the Audit Committee and periodically monitors the implementation of the actions. In this task, Internal Control is responsible for reviewing the suitability and effectiveness of the controls initially identified, depending on 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 Report from the external auditor

Report on:

- F.7.1. Whether the ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

The information on the internal control and risk management systems regarding financial reporting supplied to the markets has not been reviewed by the external auditor.

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 and New York Stock Exchange (NYSE), and therefore abides by the regulations for Mexican and US securities, including the 2002 Sarbanes-Oxley Act. Cemex Latam's business units have appropriate internal control processes and mechanisms to determine and certify the accuracy of financial information. CEMEX and its subsidiaries have complied with the Sarbanes-Oxley Act since 2003, with unqualified opinions from internal auditors and the external auditor, KPMG.

The Company considers that this control at the Group level, along with the statutory audit of Cemex Latam's financial information, both individual and consolidated, constitutes sufficient assurance regarding internal control and risk management systems in financial reporting.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the Company's degree of compliance with the recommendations of the Good Governance Code for Listed Companies.

If the Company is not complying with any recommendations or is complying with just part of them, an explanation should be given of the reasons, so that the shareholders, investors and the market in general have enough information to value the Company's approach. General explanations will not be acceptable.

1. The Company 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 type of 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 general shareholders' meeting, in addition to providing the annual corporate governance report in writing, the Chairman of the Board should verbally explain to the shareholders, in sufficient detail, the most relevant aspects of corporate governance of the Company, particularly:

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- a) Any changes since the last general shareholders' meeting;
- b) The specific reasons why the Company does not follow one or more of the recommendations of the Corporate Governance Code and, if appropriate, the alternative rules applicable.

Compliant **Partially compliant** Explain

4. The Company should establish and promote policies for communication and contact with shareholders, institutional investors and voting advisors that fully respect the standards against market abuse, according all shareholders in the same position the same treatment.

The Company should post these policies on its website, including information on how they have been implemented in practice and identifying the contacts or persons responsible for their implementation.

Compliant Partially compliant **Explain**

At the date of this report, the Company is governed by the shareholder communication policy of Cemex SAB de CV, although on December 17, 2016 the Board of Directors, following a proposal by the Corporate Governance Committee, agreed to prepare a Company-specific policy.

5. The Board of Directors should not propose delegations of powers to the shareholders at their general meeting for the issue of shares or convertible bonds excluding the pre-emptive subscription right, in an amount greater than 20% of capital when the powers are to be delegated.

If the Board of Directors approves any issues of shares or convertible bonds excluding the pre-emptive subscription right, the Company should immediately publish the corresponding reports about the exclusion, pursuant to trade legislation, on its website.

Compliant Partially compliant **Explain**

To date the Board of Directors has not proposed any delegations of powers to issue shares or convertible bonds excluding the pre-emptive subscription right. There is also no amount limit, and if there were, the Company would publish the corresponding report on its website.

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6. Listed companies should prepare the reports listed below, whether mandatory or voluntary, and publish them on its website well in advance of the general shareholders' meeting, even if their communication is not mandatory.

- a) Report on the independence of the auditor
- b) Reports on the operation of the audit committee and the nomination and remuneration committee
- c) Audit committee report on related-party transactions
- d) Report on corporate social responsibility policy

Compliant **Partially compliant** Explain

When the General Shareholders' Meeting is called the Company publishes on its website the Audit Committee's report on the activities carried out in the prior year, including reference to the report on the independence of the auditor issued by the Committee, among other documents.

7. The Company must broadcast the general shareholders' meetings live on its website.

Compliant **Explain**

The Company does not broadcast the general shareholders' meetings live, but it will, if so requested by one of its shareholders, provide a video conference room in any of the Group's corporate offices.

8. The Audit Committee should ensure that the Board of Directors seeks to present the annual accounts to the shareholders at the 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 give a clear account to the shareholders of their scope and content.

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

Compliant Partially compliant Explain

9. The Company should permanently post on its website the requirements and procedures it will accept to certify the holding of shares, the right to attend general shareholders' meetings and the exercise/delegation of voting rights.

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These requirements and procedures should encourage attendance and the exercise of shareholders' rights in a non-discriminatory manner.

Compliant Partially compliant Explain

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

10. When, prior to the General Shareholders' Meeting, a certified shareholder has exercised the right to add items to the agenda or submit new resolution proposals, the Company should:

- a) Immediately communicate these added items and new resolution proposals;
- b) Post the attendance card format or vote delegation/remote vote form with the required modifications so that the new items on the agenda and alternative resolution proposals can be voted upon under the same terms as those proposed 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) Following the General Shareholders' Meeting, communicate the vote breakdown of the added items or alternative proposals.

Compliant Partially compliant Explain Not applicable

To date no certified shareholders have exercised the right to add items to the agenda or submit new resolution proposals prior to the General Shareholders' Meeting. Nonetheless, if this right were to be exercised, the Company would carry out the procedures indicated in this recommendation.

11. If the Company plans to pay remuneration for attending the General Shareholders' Meeting, it should establish, beforehand, a general, stable policy for this remuneration.

Compliant Partially compliant Explain Not applicable

If the Company plans to pay remuneration for attending the General Shareholders' Meeting, it will establish a general policy for this remuneration beforehand.

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12. The Board of Directors should perform its duties with unity of purpose and independent judgment, according all shareholders in the same position the same treatment. It should be guided at all times by the Company's best interest and, as such, strive to obtain a profitable and sustainable business over time, promoting its continuity and maximizing its value.

Guided by the Company's best interest, in addition to abiding by laws and regulations, and acting ethically, in good faith, and respecting customs and generally accepted best practices, the Company should strive to reconcile its interest with the legitimate interests of its employees, suppliers, customers and other stakeholders that might be affected, as well as considering the impact of its activities on the community as a whole and on the environment.

Compliant Partially compliant Explain

13. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

See section: C.1.2

Compliant Explain

14. The Board of Directors should approve a selection policy for directors which:
- a) Is specific and verifiable;
 - b) Ensures that proposals for appointments or re-elections are based on prior analysis of the Board of Directors' needs;
 - c) Encourages diverse knowledge, experience and gender.

The prior analysis of the Board of Directors' needs should be detailed in the Nomination Committee's supporting report and published when the General Shareholders' Meeting is called to ratify, appoint or re-elect each director.

The director selection policy should promote the objective that by 2020 at least 30% of the Board of Directors be women.

The Nomination Committee will verify the compliance of the director selection policy on an annual basis and will report on it in the annual corporate governance report.

See section C.1.3

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Compliant Partially compliant Explain

15. Proprietary and independent directors should occupy an ample majority of Board positions, 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

Compliant Partially compliant Explain

16. Among non-executive directors, the percentage of proprietary members should not exceed the proportion between the 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 equity stakes attain the legal threshold for significant shareholdings;
- b) In companies with a plurality of shareholders represented on the Board of Directors but not otherwise related.

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

Compliant Explain

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 Board members.

See section: C.1.3

Compliant Explain

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18. Companies should post the following director particulars on their websites, and keep them permanently updated:
- a) Professional experience and background;
 - b) Directorships held in other companies, listed or otherwise, and any other remunerated activities carried out;
 - c) An indication of the director’s classification as executive, proprietary or independent, stating, in the case of proprietary directors, the shareholder they represent or have links with;
 - d) The date of their first and subsequent appointments as a Company director;
 - 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 posted only the professional experience of the directors and, where appropriate, their position on the different Board committees, as well as the dates of their appointments.

19. The Annual Corporate Governance Report, after verification by the Nomination Committee, should also disclose the reasons for the appointment of proprietary directors at the request of shareholders controlling less than 3% of the share 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

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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 Company Bylaws, except where just cause is found by the Board of Directors, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when the director takes on new duties or responsibilities that impede him or her from dedicating the time necessary to perform the duties inherent to the position of director, when a director is in breach of his or her fiduciary duties or is in one of the situations that disqualify him or her as independent, included in the applicable legislation.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate transaction produces changes in the Company's capital structure, in order to meet 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 resignations as the case may be. The rules should make specific reference to any criminal charges brought against them and the progress of any subsequent trial.

As quickly as possible after a director is indicted or tried for any of the crimes set forth in corporate legislation, the Board of Directors should examine the matter and, depending on the particular 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 harm the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.

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When the Board makes material 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 should also apply to the Secretary of the Board, director or otherwise.

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 all Board members. 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 Nomination Committee should ensure that non-executive directors have enough time available to correctly perform their duties.

The Regulations of the Board of Directors should establish the maximum number of Company boards on which its 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 functions, at least eight times per year, in accordance with a calendar and agendas set at the beginning of the period, to which each director may propose the addition of other items.

See section: C.1.29

Compliant Partially compliant Explain

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The Board of Directors has met with the necessary frequency to perform its functions, nine times during the period referred to in this Report.

27. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When absences are unavoidable, a proxy should be authorized with instructions.

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

Compliant Partially compliant Explain

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, the member expressing them can request that they be recorded in the minutes book.

Compliant Partially compliant Explain Not applicable

29. The Company should provide suitable channels for directors to receive the advice they need to carry out their duties, extending in special circumstances to external assistance at the Company's expense.

See section: C.1.40

Compliant Partially compliant Explain

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

See section: C.2. (Nomination and Compensation Committee, section 2, point h)

Compliant Partially compliant Explain

31. The meeting agenda should clearly indicate the matters requiring a decision or resolution from the Board of Directors, so that the directors can study or receive the pertinent information beforehand.

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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 Partially compliant Explain

32. Directors should be regularly informed of changes in ownership and of the opinions significant shareholders, investors and rating agencies have on the Company and Group.

Compliant Partially compliant Explain

33. In addition to performing the duties established by law or the Company Bylaws the Chairman, as the person responsible for the proper operation of the Board of Directors, should: prepare and submit a calendar and agendas for the Board of Directors; organize and coordinate regular evaluations of the Board and, where appropriate, the Company's CEO; be responsible for the management of the Board and its effective performance; ensure that sufficient time is dedicated to discussing strategic matters; and arrange and review refresher courses for directors when circumstances so advise.

Compliant **Partially compliant** Explain

The Chairman submits a meetings schedule to the Board of Directors. However, it does not include the items to be discussed in each specific meeting.

34. If there is a coordinating director, in addition to the duties established by law, the Company Bylaws or Regulations of the Board of Directors set forth the following duties: chair the Board of Directors in the absence of the Chairman and Vice-Chairs, if applicable; give voice to the concerns of non-executive directors; engage with investors and shareholders to be aware of their points of view and opinions, particularly in relation to the corporate governance of the Company; and coordinate the Chairman succession.

Compliant Partially compliant Explain Not applicable

35. The Secretary to the Board of Directors should particularly ensure that the Board's actions and decisions are taken considering the good governance recommendations of this Good Governance Code applicable to the Company.

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Compliant Explain

36. Once a year the full Board of Directors should evaluate and adopt, if appropriate, a plan of action to correct the deficiencies detected in:
- a) The quality and efficiency of the Board of Directors' operation;
 - b) The performance and composition of its committees;
 - c) The diversity of the composition and duties 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, particularly those in charge of committees;

The evaluation of the different committees will be based on the report they issue to the Board of Directors, which itself will be evaluated based on the report issued by the Nomination Committee.

Every three years, an external consultant, whose independence will be verified by the Nomination 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 procedures and evaluated areas will be described in the Annual Corporate Governance Report.

See section C.1.20 bis. However, no external consultant was hired as three years have not passed since this recommendation was introduced.

Compliant Partially compliant Explain

37. When the Company has an Executive Committee, the breakdown, by category, of its members should be similar to that of the Board of Directors itself. The Secretary of the Board should also act as secretary to the Executive Committee.

Compliant Partially compliant Explain **Not applicable**

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38. The Board of Directors should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all Board of Director members should receive a copy of the minutes to the meetings held by this committee.

Compliant Partially compliant Explain **Not applicable**

39. All members of the Audit Committee, particularly its president, should be appointed with regard to their knowledge of and background in accounting, auditing and 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. There should be an Internal Audit Function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems, and that reports to the non-executive Chairman of the Board or of the Audit Committee.

See section: C.2.1 (Audit Committee, section 2, point b)

Compliant Partially compliant Explain

41. The head of internal audit 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:

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- a) Overseeing the process of preparation and the completeness of financial information relating to the Company and, where appropriate, the Group, ensuring compliance with legal requirements, the accurate demarcation of the consolidated Group and the correct application of accounting principles;
- b) Monitor the independence and efficacy of the Internal Audit Function; propose the selection, appointment, reappointment and removal of the Director of the Internal Audit Department; propose the department's budget; approve induction and work plans, ensuring that their activity is focused mainly on the Company's relevant risks; receive regular reports on its activities; and verify that senior management are acting on the findings and recommendations of its reports;
- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if possible and necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect to the external auditor:

- a) The Committee should investigate the issues giving rise to the resignation of any external auditor;
- b) Ensure that the remuneration received by the external auditor for their work does not compromise its quality or independence;
- c) Ensure that the Company notifies the CNMV of any change of auditor as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for such disagreements;
- d) Ensure that the external auditor holds a meeting once a year with the full Board of Directors to inform them of the work carried out and the variation in the accounting situation and risks of the Company;
- c) Ensure that the Company and external auditor respect prevailing legislation on non-audit services, the limitations on concentration of the auditor's business, and generally, all other standards on auditor independence.

See section: C.2.1 (Audit Committee, section 2, points e, b, d, i, j, k, l and m)

Compliant

Partially compliant

Explain

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46. An internal control and risk management function exists that is performed by a unit or department within the Company, supervised directly by the Audit Committee or if applicable by a specialized committee of the Board of Directors, and the unit or department should be expressly assigned the following duties:
- a) Ensuring that the control and risk management systems function correctly and, specifically, that they adequately identify, manage and quantify all of the significant risks affecting the Company;
 - b) Actively participating in preparation of the risk management strategy and important decisions relating to management of risks;
 - c) Ensuring that the risk control and management systems adequately mitigate risks in accordance with the policy set by the Board of Directors.

See sections: C.2.1. (Audit Committee, section 2) and E

<u>Compliant</u>	Partially compliant	Explain
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47. The members of the Nomination and Remuneration Committee – or the members of the Nomination Committee and the Remuneration Committee, if separate – should be appointed ensuring that they have the right knowledge, skills and experience for the duties they are called upon to perform. The majority of the members of the committee or committees should be independent directors.

See section: C.2.1. (Nomination and Remuneration Committee, section 1)

<u>Compliant</u>	Partially compliant	Explain
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48. Companies with large market capitalizations should have both a Nomination Committee and a Remuneration Committee.

Compliant	Partially compliant	<u>Not applicable</u>
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49. The Nomination Committee should consult with the Company's Chairman and CEO, especially on matters relating to executive directors.

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When there are vacancies on the board, any Board member may suggest directorship candidates to the Nomination Committee for its consideration.

Compliant **Partially compliant** Explain

With respect to the first point, the Nomination Committee consults with the Chairman of the Board but not the with CEO on matters relating to executive directors.

50. The Remuneration Committee should act independently. In addition to the duties assigned by law, it should have the following duties:

- a) Proposing the standard conditions for senior officers' employment contracts to the Board of Directors;
- b) Verifying compliance with the Company's remuneration policy;
- c) Periodically reviewing the remuneration policy applied to directors and senior officers, including share-based remuneration systems and their application, and ensuring that individual remuneration is proportionate to that paid to other directors and senior officers at the Company;
- d) Ensuring that any conflicts of interest do not erode the independence of any external advisory services rendered to the committee;
- e) Verifying the information on remuneration of directors and senior officers contained in corporate documentation, including the annual remuneration report for directors.

See section: C.2.1 (Nomination and Remuneration Committee, section 2, paragraphs 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 officers.

See section 49

Compliant **Partially compliant** Explain

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52. The rules concerning the structure and functioning of the Supervision and Control Committees should appear in the Regulations of the Board of Directors and be 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 the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first full Board of Directors' meeting following each committee meeting;
 - d) They may engage external advisors, when they feel this is necessary for the discharge of their duties;
 - e) Meeting proceedings should be minuted and the minutes made available to all Board members.

Compliant

Partially compliant

Explain

Not applicable

See section: C.2.1.

53. Supervision of compliance with corporate governance rules, internal codes of conduct and social responsibility policies should be assigned to the Audit Committee, the Nomination Committee, the Social Responsibility Committee, if such a body exists, or a specialized committee that the Board of Directors decides to create for this purpose through use of its self-organization powers, to which the following minimum duties should be assigned:
- a) Overseeing compliance with the Company's internal codes of conduct and corporate governance rules;
 - b) Supervising the strategy for shareholder and investor relations and communication, 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 Company's

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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 generating value;
- 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.

Compliant

Partially compliant

Explain

The functions listed above are assigned by the Company's internal regulations to the Corporate Governance Committee, with the exception of paragraphs g) and h), which are the responsibility of the Audit Committee, as indicated in section C.2.1. (Audit Committee section, paragraphs f) and s), respectively).

54. The corporate social responsibility policy should include the principles and commitments that the Company voluntarily assumes in its relationship with the various stakeholders and at least identify:

- a) The objectives of the corporate social responsibility policy and the development of support instruments;
- 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, tax obligations, respect for human rights and prevention of illegal conduct;

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- d) The methods or systems for monitoring the results of the application of the specific practices indicated in the above paragraph, the related risks and management thereof;
- e) The mechanisms for supervising non-financial risk, ethics and corporate conduct;
- f) Channels for communication, involvement and dialogue with stakeholders;
- g) Responsible communication practices that prevent manipulation of information and protect integrity and honor.

Compliant Partially compliant Explain

55. The Company should report matters related to corporate social responsibility in a separate document or directors' report, in accordance with any of the internationally accepted methodologies.

Compliant Partially compliant Explain

Annually, the Board of Directors approves the Company's Sustainable Development Report, following a report from the Corporate Governance Committee, which is then published on the corporate website.

56. Remuneration should be sufficient to attract and retain directors with the required profile and compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise the independent judgment of non-executive directors.

Compliant Explain

57. Variable remuneration tied to the Company's performance or personal performance, remuneration based on shares, share options or stock options or instruments pegged to the share price and long-term savings schemes such as pension plans, retirement schemes and other benefits should be restricted to executive directors.

Share-based remuneration of non-executive directors may be considered if the directors are required to retain the shares until they leave their positions as such. The above shall

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not apply to shares that the director must dispose of, if applicable, to cover the costs related to their acquisition.

Compliant Partially compliant **Explain**

At the date of this report, the remuneration paid to the directors does not have a variable component based on the Company's performance.

58 In the case of variable rewards, remuneration policies should include specific technical safeguards and limits 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 the variable components of remuneration should:

- a) Be linked to pre-determined measurable performance criteria that take into account the risk assumed to achieve a result;
- b) Promote sustainability in the Company and include non-financial criteria appropriate to long-term value generation, such as compliance with the Company's internal rules and procedures and its control and risk management policies;
- c) Be based on a balance between achieving short-, medium- and long-term objectives, which allow for remuneration of sustained performance over a sufficient period of time to allow the contribution to sustainable value generation to be appreciated. The means of measurement of this performance should therefore not be limited to one-off, occasional or infrequent events.

Compliant Partially compliant Explain **Not applicable**

At the date of this report, the remuneration paid to the directors does not have a variable component based on the Company's performance.

59. Payment of a significant portion of the variable component of remuneration should be deferred for a minimum period sufficient to verify that the predetermined performance conditions have been met.

Compliant Partially compliant Explain **Not applicable**

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At the date of this report, the remuneration paid to the directors does not have a variable component based on the Company's performance.

60. In the case of remuneration linked to Company performance, deductions should be computed for any qualifications included in the external auditor's report.

Compliant Partially compliant Explain **Not applicable**

At the date of this report, the remuneration paid to the directors does not have a variable component based on the Company's performance.

61. A significant percentage of the variable remuneration of executive directors should be share-based or in financial instruments linked to the share price.

Compliant Partially compliant Explain **Not applicable**

At the date of this report, the remuneration paid to the directors does not have a variable component based on the Company's performance.

62. Once shares, options or stock options have been assigned within the remuneration schemes, the directors should not be able to transfer ownership of a number of shares equivalent to more than twice their annual fixed remuneration or exercise the options until at least three years have elapsed since they were allocated.

The above shall not apply to shares that the director must dispose of, if applicable, to cover the costs related to their acquisition.

Compliant Partially compliant Explain **Not applicable**

At the date of this report, directors have not been allocated Company shares, or options or stock options linked to them.

63. Contractual agreements should include a clause that allows the Company to demand repayment of the variable component of remuneration if the payment was not in accordance with the performance conditions or if a payment has been made based on information that has subsequently been proven inaccurate.

Compliant Partially compliant Explain **Not applicable**

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At the date of this report, the remuneration paid to the directors does not have a variable component based on the Company's performance.

64. Payments relating to termination of contracts should not exceed two year's total remuneration and should not be made until the Company has been able to determine whether the director has met the predetermined performance criteria.

Compliant

Partially compliant

Explain

Not applicable

H. OTHER INFORMATION OF INTEREST

Given that the Company issues securities listed on the Colombia Stock Exchange, it has the status of a "Foreign Issuer". As such, it is subject to the supervision of the Financial Superintendency of Colombia ("SFC") and must comply with Colombian securities market legislation, albeit with certain specific requirements related to its status as a foreign company domiciled in Spain:

In particular, the Company must comply with the instructions included in External Circular 004 of 2012, regulating regular reporting of information and may optionally comply with External Circular 028 of 2014, on Presentation of the New Country Code and Adoption of the Report on Implementation of Best Corporate Practices.

In compliance with the provisions of the first of the aforementioned circulars, the Board of Directors of the Company approved the corresponding Corporate Governance Questionnaire (Country Code - Colombia) following a report from the Corporate Governance Committee.

Furthermore, on May 23, 2014 the Company adhered to the Code of Good Fiscal Practices approved on July 20, 2010 by a plenary session of the Large Companies Forum, created on July 10, 2009 at the request of the Spanish taxation authorities.

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This Annual Corporate Governance Report was approved by the Company's Board of Directors on March 28, 2017 following a report from the Corporate Governance Committee dated March 27, 2017.

No directors voted against or abstained from voting on the approval of this report.