

# Cemex Latam Holdings, S.A.

## **Annual Accounts**

31 December 2016

## **Directors' Report**

2016

(With Independent Auditor's Report Thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)



KPMG Auditores, S.L.  
Paseo de la Castellana, 259 C  
28046 Madrid

## Independent Auditor's Report on the Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of  
Cemex Latam Holdings, S.A.

### **Report on the Annual Accounts**

We have audited the accompanying annual accounts of Cemex Latam Holdings, S.A. (the "Company"), which comprise the balance sheet at 31 December 2016, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

#### *Directors' Responsibility for the Annual Accounts*

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of Cemex Latam Holdings, S.A. in accordance with the financial reporting framework applicable to the entity in Spain, specified in note 2 to the accompanying annual accounts, and for such internal control that they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual accounts taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of Cemex Latam Holdings, S.A. at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with the applicable financial reporting framework and, in particular, with the accounting principles and criteria set forth therein.

**Report on Other Legal and Regulatory Requirements**

The accompanying directors' report for 2016 contains such explanations as the Directors consider relevant to the situation of the Company, its business performance and other matters, and is not an integral part of the annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the annual accounts for 2016. Our work as auditors is limited to the verification of the directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of the Company.

KPMG Auditores, S.L.

*(Signed on original in Spanish)*

David Hernanz Sayans

18 May 2017

CEMEX LATAM HOLDINGS, S.A.

Annual Accounts and Directors' Report

December 31, 2016

(With Independent Auditor's Report Thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

CEMEX LATAM HOLDINGS, S.A.  
Balance Sheets  
December 31, 2016 and 2015  
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Assets	Note	2016	2015
<b>Non-current investments in Group companies and associates</b>			
Equity instruments	<b>7 and 13 (a)</b>	1,763,229	1,631,366
Other financial assets		3	-
<b>Total non-current assets</b>		<b>1,763,232</b>	<b>1,631,366</b>
<b>Trade and other receivables</b>			
Trade receivables from Group companies and associates	<b>8 and 13 (a)</b>	76,855	19,542
Personnel		23	60
Public entities, other	<b>12</b>	657	521
<b>Prepayments for current assets</b>			
		<b>14</b>	<b>31</b>
<b>Cash and cash equivalents</b>			
Cash		908	618
<b>Total current assets</b>		<b>78,457</b>	<b>20,772</b>
<b>Total assets</b>		<b>1,841,689</b>	<b>1,652,138</b>
<b>Equity and Liabilities</b>			
<b>Capital and reserves</b>			
Registered capital		578,278	578,278
Share premium		728,266	728,266
Treasury shares and equity holdings		(110,614)	(112,002)
Reserves		92,104	53,373
Profit for the year		68,579	40,116
Translation differences		253,775	201,000
<b>Total equity</b>	<b>9</b>	<b>1,610,388</b>	<b>1,489,031</b>
<b>Group companies and associates, non-current</b>			
	<b>10 and 13 (a)</b>	<b>193,672</b>	<b>129,316</b>
<b>Total non-current liabilities</b>		<b>193,672</b>	<b>129,316</b>
<b>Group companies and associates, current</b>			
	<b>10 and 13 (a)</b>	<b>28,443</b>	<b>27,532</b>
<b>Trade and other payables</b>			
Other payables	<b>10</b>	653	646
Payables, Group companies and associates	<b>10 and 13 (a)</b>	6,383	10
Personnel	<b>10</b>	208	107
Current tax liabilities	<b>12</b>	1,679	5,203
Public entities, other	<b>12</b>	263	293
<b>Total current liabilities</b>		<b>37,629</b>	<b>33,791</b>
<b>Total equity and liabilities</b>		<b>1,841,689</b>	<b>1,652,138</b>

The accompanying notes form an integral part of the annual accounts for 2016.

## CEMEX LATAM HOLDINGS, S.A.

Income Statements  
for the years ended  
December 31, 2016 and 2015

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
<b>CONTINUING OPERATIONS</b>			
Revenues	<b>13 (b) and 14 (a)</b>	120,757	127,008
Personnel expenses	<b>14 (b)</b>	<u>(2,578)</u>	<u>(2,644)</u>
Salaries, wages and similar costs		(2,174)	(2,094)
Employee benefits expense		(404)	(550)
Other operating expenses		<u>(61,155)</u>	<u>(66,289)</u>
External services		(1,552)	(1,303)
Other operating expenses	<b>14 (c)</b>	(59,603)	(64,986)
		<u><b>57,024</b></u>	<u><b>58,078</b></u>
Finance costs	<b>10</b>	<u>(12,538)</u>	<u>(9,134)</u>
Group companies and associates	<b>13 (b)</b>	(12,535)	(9,131)
Other		(3)	(3)
Exchange gains		27	44
Impairment and gains/(losses) on disposal of financial instruments	<b>7</b>	<u>43,170</u>	<u>-</u>
Gains on disposal and other		43,170	-
		<u><b>30,659</b></u>	<u><b>(9,090)</b></u>
		<u><b>87,683</b></u>	<u><b>48,985</b></u>
Income taxes	<b>12</b>	(19,104)	(8,869)
		<u><b>68,579</b></u>	<u><b>40,116</b></u>

The accompanying notes form an integral part of the annual accounts for 2016.

## CEMEX LATAM HOLDINGS, S.A.

Statements of Changes in Equity  
for the years ended  
December 31, 2016 and 2015

## A) Statements of Recognized Income and Expense

(Expressed in thousands of Euros)

	<u>2016</u>	<u>2015</u>
Profit for the year	<u>68,579</u>	<u>40,116</u>
Income and expense recognized directly in equity		
Translation differences	<u>52,775</u>	<u>148,781</u>
Total income and expense recognized directly in equity	<u>52,775</u>	<u>148,781</u>
Total recognized income and expense	<u><b>121,354</b></u>	<u><b>188,897</b></u>

## CEMEX LATAM HOLDINGS, S.A.

Statements of Changes in Equity  
for the years ended  
December 31, 2016 and 2015

## B) Statements of Total Changes in Equity

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	<u>Registered capital</u>	<u>Share premium</u>	<u>Reserves</u>	<u>Profit for the year</u>	<u>Translation differences</u>	<u>Treasury shares and equity holdings</u>	<u>Total</u>
Balances at December 31, 2014	578,278	728,266	17,521	37,065	52,219	(113,243)	1,300,106
Recognized income and expense	-	-	-	40,116	148,781	-	188,897
Transactions with shareholders or owners							
Distribution of profit for 2014	-	-	37,065	(37,065)	-	-	-
Other movements	-	-	(1,213)	-	-	1,241	28
Balances at December 31, 2015	<u>578,278</u>	<u>728,266</u>	<u>53,373</u>	<u>40,116</u>	<u>201,000</u>	<u>(112,002)</u>	<u>1,489,031</u>
Recognized income and expense	-	-	-	68,579	52,775	-	121,354
Transactions with shareholders or owners							
Distribution of profit for 2015	-	-	40,116	(40,116)	-	-	-
Other movements	-	-	(1,385)	-	-	1,388	3
Balances at December 31, 2016	<u>578,278</u>	<u>728,266</u>	<u>92,104</u>	<u>68,579</u>	<u>253,775</u>	<u>(110,614)</u>	<u>1,610,388</u>

The accompanying notes form an integral part of the annual accounts for 2016.



## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

	<u>Note</u>	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities</b>		<b><u>26,684</u></b>	<b><u>19,167</u></b>
Profit for the year before tax		87,683	48,985
Adjustments for:		(30,656)	9,118
Finance costs	10	12,538	9,134
Profit on disposals of financial instruments		(43,170)	-
Exchange (gains)/losses		(27)	(44)
Other income and expenses		3	28
Changes in operating assets and liabilities		(18,215)	(33,034)
Trade and other receivables		(21,142)	(29,266)
Trade and other payables		2,856	(3,878)
Other current liabilities		71	110
Other cash flows used in operating activities		(12,128)	(5,902)
Interest paid		(4,885)	(6,598)
Income tax received/(paid)		(7,243)	696
<b>Cash flows used in investing activities</b>		<b><u>(75,135)</u></b>	<b><u>(39,206)</u></b>
Payments for investments		(75,135)	(39,206)
Group companies and associates	7	(75,135)	(39,206)
<b>Cash flows from financing activities</b>		<b><u>49,716</u></b>	<b><u>19,996</u></b>
Proceeds from financial liability instruments		101,181	105,421
Group companies and associates		101,181	105,421
Redemption and repayment of			
Group companies and associates		(51,465)	(85,425)
<b>Effect of exchange rate fluctuations</b>		<b><u>(975)</u></b>	<b><u>67</u></b>
<b><i>Net increase in cash and cash equivalents</i></b>		<b><u>290</u></b>	<b><u>24</u></b>
Cash and cash equivalents at beginning of year		618	594
Cash and cash equivalents at year end		908	618

The accompanying notes form an integral part of the annual accounts for 2016.

## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(1) Nature and Activities of the Company

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

The statutory and principal activities of the Company consist of the management and administration of equity securities of non-resident entities in Spain through the organization of material and human resources, as well as the subscription, buy-back, holding, use, management or disposal of securities and stakes in companies, except those subject to specific legislation.

Without prejudice to the foregoing, the Company’s statutory activity also includes the following activities:

- Provision of technical assistance, business management services and support to Group companies;
- Research and development in the field of building materials.
- Manufacture, production, purchase, sale, distribution, transport, marketing, import and export of cement, aggregates, concrete, mortar and other building materials, any other product or activity related, directly or indirectly, to the cement and building materials industry, and the exploration and operation of mines;
- Management of all manner of sub-products and/or waste, in the broadest meaning, including the collection, transport by road, selection, recovery, commercialization, treatment, transformation into fuel or raw materials, and elimination; and

At December 31, 2016, the first two activities described above are performed directly by the Company, whereas the activities stated in the last two points are carried out through its subsidiaries.

As detailed in note 13 (b), a significant part of the Company’s transactions are with related parties.

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## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

As explained in note 7, the Company has investments in subsidiaries and associates, and is the parent of a group of companies located in Colombia, Panama, Costa Rica, Nicaragua, Guatemala, El Salvador and Brazil (hereinafter “**the Group**” or “**the Cemex Latam Group**”), engaged mainly in the manufacture of cement, concrete and mortar, the extraction of aggregates, and the sale and distribution of the products extracted and manufactured. For the purposes of clarification, (i) the definition provided in this document for the terms “*Group*” and “*Cemex Latam Group*” is not contained in the provisions of Title VII, Chapter VI of Income Tax Law 27/2014 of November 27, 2014 on consolidated tax groups, and (ii) although the Company is the parent of a group of companies as defined under legislation in force, and therefore obliged to file consolidated annual accounts, it does not prepare consolidated annual accounts in Spain because it is the parent of a group which forms part of a Spanish group headed by Cemex España, S.A. (hereinafter “**the Cemex España Group**” or “**Cemex España**”) which presents consolidated annual accounts pursuant to article 43.2 of the Spanish Code of Commerce. Cemex España’s registered office is located at Calle Hernández de Tejada, 1, Madrid. Cemex España’s consolidated annual accounts will be filed at the Madrid Mercantile Registry.

As stated in section c) below, the Company's shares were admitted to trading on the Colombian Stock Exchange (“**BVC**”) on November 16, 2012. Being a Spanish company, Cemex Latam is governed by the Spanish Companies Act, as well as its Bylaws, the Regulations of the General Shareholders’ Meeting, the Regulations of the Board of Directors and other rules approved by the Company’s internal governing bodies. As a Spanish company listed on the BVC and not in Spain, Cemex Latam is not subject to Spanish corporate governance legislation applicable to corporations listed on Spanish stock markets, neither is it governed by similar provisions of best practice regulations applicable to Colombian issuers whose shares are listed on the BVC. However, Cemex Latam opted to voluntarily comply with the best practice stipulations contained in the former Unified Code of Good Governance and has decided to comply with the equivalent practices set forth in the Good Governance Code of Listed Companies published on February 24, 2015. It also complies with the best practice provisions applicable to Colombian issuers as set out in the new Country Code published in the Colombian securities market regulator’s External Circular 028 of 2014. Since being admitted to trading, Cemex Latam has a good corporate governance system adapted to these best practices, as well as international best practices.

Lastly, the Company is part of the CEMEX Group (hereinafter “**Cemex Group**”), of which the ultimate parent is CEMEX, S.A.B. de C.V. (hereinafter “**Cemex**”), which is domiciled in Monterrey (Mexico) and listed on the Mexican Stock Exchange (BMV) and the New York Stock Exchange (NYSE).

## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

(a) Relevant event and changes in management and corporate governance

During 2016, Cemex Colombia, an indirect subsidiary of the Company, received reports via its anonymous hotline of possible deficiencies in the purchase of the land for the construction of the new cement plant in the town of Maceo (Antioquia), Colombia. In line with its corporate government policy and code of ethics the Company immediately started an internal audit and detected the irregularities. As a result of this process on September 23, 2016 Cemex Colombia decided to immediately terminate the labor relationship with two executives involved in this transaction: Mr. Edgar Ramírez, Vice-President of Planning of the Cemex Latam Group and Cemex Colombia, S.A. and Mr. Camilo González, Legal Affairs Director of the Cemex Latam Group and Cemex Colombia. Furthermore, Mr. Carlos Jacks, CEO of the Cemex Latam Group and President of Cemex Colombia resigned with effect from September 23, 2016 to facilitate the investigations. Cemex and the Cemex Latam Group have informed the appropriate authorities in Colombia of these findings. Mr. Jaime Muguero, the current President of Cemex South, Central America and the Caribbean, who at the time was the Chairman of the Company's board of directors, temporarily assumed the duties of the CEO of Cemex Latam Holdings, S.A., as well as CEO of Cemex Colombia.

As a result of the events described in the above paragraph, on October 4, 2016, to strengthen the levels of leadership, management and corporate governance best practices, having received a favorable report from the Nomination and Remuneration Committee, the Company's board of directors decided to separate the roles of chairman of the board of directors from that of CEO of Cemex Latam and Director of Cemex Colombia. Consequently, the following appointments were agreed with immediate effect:

- Mr. Juan Pablo San Agustín was appointed Chairman of the Company's board of directors.
- Mr. Jaime Muguero Domínguez was appointed CEO of the Company.
- Mr. Ricardo Naya Barba was named Director of Cemex Colombia.

Furthermore, the aforementioned board of directors, having received a favorable report from the Nomination and Remuneration Committee, agreed to appoint Mr. Francisco Aguilera Mendoza as the Company's Vice-chairman of Planning and on November 9, 2016, after receipt of a favorable report from the Nomination and Remuneration Committee, approved the appointment of Ms. Ana Maria Gómez Montes as the Company's Legal Affairs Director.

(b) Incorporation of a Branch in Switzerland

On August 1, 2012, the Company resolved to set up a branch in Switzerland (hereinafter the “**Branch**”). The Branch operates under the name “Cemex Latam Holdings, S.A. Madrid, Swiss Branch Brügg” and its assets, liabilities, expenses and income form an integral part of the Company's annual accounts. Details at December 31, 2016 and 2015 are as follows:

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## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

	Thousands of Euros	
	2016	2015
Current assets	214,620	164,634
Total assets	214,620	164,634
Current liabilities	2,274	3,390
Total liabilities	2,274	3,390
Reserves	142,880	97,860
Profit for the year	43,557	45,020
Translation differences	25,909	18,363
Total equity and liabilities	214,620	164,634

The Branch's principal activity is the licensing, use, development, maintenance and protection of the Cemex Latam Group's intellectual and industrial property rights. Its activity also includes the provision of technical assistance and management services.

The Branch keeps its own accounts, books and ledgers under Swiss accounting principles independently and separately from those of the Company. However, the legal person being one and the same, its results are integrated into the accompanying accounts.

(c) Initial public offering

On November 15, 2012, the Company completed its initial public offering on the BVC of 170,388,000 new ordinary shares at a price of Colombian Pesos 12,250 (US Dollars 6.75) per share. The Company's shares are listed on the BVC under the ticker CLH. At December 31, 2016, Cemex España, S.A. holds approximately 73.28% of the Company's outstanding ordinary shares, excluding treasury shares.

(2) Basis of Presentation(a) True and fair view

The accompanying annual accounts have been prepared on the basis of the accounting records of Cemex Latam and of its Branch in accordance with prevailing legislation and the Spanish General Chart of Accounts, to give a true and fair view of the equity and financial position at December 31, 2016 and results of operations, changes in equity, and cash flows for the reporting period then ended.

The board of directors considers that the annual accounts for 2016, authorized for issue on March 28, 2017, will be approved with no changes by the shareholders at their annual general meeting.

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## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

In addition, as a foreign issuer of securities on the BVC, in accordance with Colombian securities exchange rules, the Company presents separate (individual) and consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”). The financial statements were approved by the Company’s board of directors on February 8, 2017 and filed with the Superintendencia Financiera Colombiana (the Colombian securities market regulator or “SFC”). Those financial statements are not submitted to the shareholders for approval at the annual general meeting. However, they may be consulted on the Company's website ([www.cemexlatam.com](http://www.cemexlatam.com)) in the Reports Archive section of the Investor Center tab.

(b) Comparative information

The balance sheet, income statement, statement of changes in equity, statement of cash flows and the notes thereto for 2016 include comparative figures for 2015, which formed part of the annual accounts approved by shareholders at the annual general meeting held on June 20, 2016.

(c) Functional and presentation currency

The figures disclosed in the annual accounts are expressed in Euros, rounded off to the nearest thousand. The Company’s functional currency is the US Dollar, as this is the currency in which most of its transactions are carried out.

Translation from the functional currency to Euros was carried out in accordance with the following criteria:

- Asset and liabilities at the exchange rate at the reporting date.
- Income and expenses at the exchange rate at the date of the transactions.
- Exchange gains and losses arising from application of the preceding criteria are recognized as translation differences in equity.

(d) Critical issues regarding the valuation and estimation of relevant uncertainties and judgments used when applying accounting principles

Relevant accounting estimates and judgments and other estimates and assumptions have to be made when applying the Company’s accounting principles to prepare the annual accounts. A summary of the items requiring a greater degree of judgment or which are more complex, or where the assumptions and estimates made are significant to the preparation of the annual accounts, is as follows:

In the preparation of the annual accounts for the years ended December 31, 2016 and 2015 estimates made by management of the Company and of the Cemex Group have been used to measure certain assets, liabilities and commitments disclosed therein. The estimates that affect the most significant items of the annual accounts are those regarding the impairment of investments in Group companies and associates and the projections supporting the recognition of tax credits for tax loss carryforwards.

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## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

The Company tests investments in Group companies and associates for impairment annually.

The calculation of the recoverable amount of these investments requires the use of estimates by the Cemex Group. The recoverable amount is the higher of fair value less costs to sell and value in use. The Cemex Group uses cash flow discounting methods to calculate value in use, which are generally based on projections in the budgets approved by the Cemex Group.

The cash flows take into consideration past experience and represent the Cemex Group's best estimate of future market performance. From the last year of projections, cash flows are extrapolated using perpetual growth rates. The key assumptions employed when determining fair value less costs to sell and value in use include growth rates, the weighted average cost of capital and tax rates. The estimates, including the methodology used, could have a significant impact on values and impairment.

Tax projections are determined based on budgets approved by the board of directors and other estimates prepared by different Company departments. These projections, which encompass a maximum period of ten years, take into consideration past experience and represent management's best estimate of future market performance.

Although the estimates made by the Company's board of directors were based on the best information available at December 31, 2016, future events may require changes to these estimates in future reporting periods. Any effect on the annual accounts of adjustments to be made in subsequent years would be recognized prospectively.

(3) Distribution of Profit

The distribution of the Euros 40,115,607.22 profit for the year ended December 31, 2015, proposed by the directors and approved by the shareholders at their annual general meeting on June 20, 2016, was as follows:

<u>Distribution</u>	<u>Euros</u>
Legal reserve	4,011,560.72
Voluntary reserves	<u>36,104,046.50</u>
	<u>40,115,607.22</u>

The board of directors will propose to the shareholders at their annual general meeting that the Euros 68,578,718.55 profit for the year ended December 31, 2016 be distributed as follows:

<u>Distribution</u>	<u>Euros</u>
Legal reserve	6,857,871.85
Voluntary reserves	<u>61,720,846.70</u>
	<u>68,578,718.55</u>

(Continued)

## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

The Company's freely distributable reserves are, however, subject to the limits established by the law. Dividends may not be distributed if the distribution reduces equity to less than the Company's share capital. In addition, the distribution of dividends by the Company with a charge to reserves is subject to the limits set out in the Framework Agreement, as explained in note 16.

(4) Significant Accounting Policies

(a) Leases

The Company has rights to use certain assets through lease contracts.

Leases in which, upon inception, the Company assumes substantially all the risks and rewards incidental to ownership are classified as finance leases, otherwise they are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(b) Financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument.

The Company classifies financial instruments into different categories based on the nature of the instruments and its intentions on initial recognition.

A financial asset and a financial liability are offset only when the Company currently has the legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(i) Loans and receivables

These assets mainly include receivables from Group companies and are recognized initially at fair value, including transaction costs, and are subsequently measured at amortized cost using the effective interest method. Nevertheless, financial assets which have no established interest rate, which mature or are expected to be received in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

(ii) Investments in Group companies and associates

Group companies are those over which the Company, either directly, or indirectly through subsidiaries, exercises control as defined in article 42 of the Spanish Code of Commerce, or when the companies are controlled by one or more individuals or entities acting jointly or under the same management through contractual agreements or statutory clauses.

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## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

Control is the power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities. In assessing control, potential voting rights held by the Company or other entities that are exercisable or convertible at the end of each reporting period are considered.

Investments in Group companies are initially recognized at cost, which is equivalent to the fair value of the consideration given net of transaction costs, and are subsequently measured at cost net of any accumulated impairment.

The Company assesses its investments in Group companies on a recurring basis to determine whether there is any indication of impairment, recognizing an impairment loss where the carrying amount exceeds the recoverable amount.

Dividends from investments in equity instruments are recognized when the Company is entitled to receive them. If the dividends are clearly derived from profits generated prior to the acquisition date, the carrying amount of the investment is reduced.

(iii) *Derecognition and modification of financial assets*

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received, net of transaction costs, including any new asset obtained less any new liability assumed and any cumulative gain or loss deferred in recognized income and expense, is recorded in profit or loss. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the consideration received is recognized as a liability. Transaction costs are recognized using the effective interest method.

(iv) *Impairment of financial assets*

A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(v) *Financial liabilities*

Financial liabilities mainly include payables to Group companies and trade payables and are recognized initially at fair value less any directly attributable transaction costs. After initial recognition, liabilities classified under this category are measured at amortized cost.

Nevertheless, financial liabilities which have no established interest rate, which mature or are expected to be settled in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

(Continued)

## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

(vi) Derecognition and modification of financial liabilities

The Company derecognizes all or part of a financial liability when it either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

(c) Own equity instruments

Equity instruments acquired by the Company are shown separately at cost of acquisition as a reduction in capital and reserves in the balance sheet. Any gains or losses on transactions with own equity instruments are not recognized in profit or loss.

Transaction costs related to own equity instruments are accounted for as a reduction in reserves, net of any tax effect.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions.

(e) Defined contribution plans

The Company recognizes the contributions payable to a defined contribution plan in exchange for a service when an employee has rendered services. The contributions payable are recognized as an expense for the period, and as a liability after deducting any contribution already paid.

(f) Revenues from the rendering of services

Cemex Latam's revenues represent the pre-VAT value of royalties paid by its direct and indirect subsidiaries for use of intangible assets, trademarks and management services of Cemex under licensing agreements arranged through the Branch in Switzerland. These revenues are measured at the fair value of the consideration received or receivable and are recognized once the corresponding service has been provided.

(g) Income taxes

The income tax expense or tax income for the year comprises current tax and deferred tax.

Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date.

The Company has elected to file tax under the tax regime for entities holding foreign securities (ETVEs in Spanish), having sent the Spanish Ministry of Finance the pertinent notification on November 28, 2012. ETVEs are defined as entities whose corporate purpose consists of managing and administering equity securities of non-resident entities in Spain through the organization of material and human resources. The regulation of such entities is set forth in Chapter XIII of Income Tax Law 27/2014 of November 27, 2014.

(Continued)

## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

The Company files consolidated tax returns with its principal shareholder, Cemex España, S.A. and with the latter's subsidiaries, Cemex España Operaciones, S.L.U., Corporación Cementera Latinoamericana, S.L.U., CCL Business Holdings S.L.U., Cementos de Andorra, S.A., Business Material Funding, S.L. Macoris Investments, Solvades S.L.U., Cemex Ventures España, S.L.U. and Cemex España Gestión y Servicios, S.L.U. The Company recognizes income tax payable or recoverable with a debit or credit to receivables from or payables to Group companies in accordance with the figures included in the consolidated income tax return.

Deferred tax assets reflecting deductible temporary differences are recognized provided that it is probable that sufficient taxable income will be available against which the deductible temporary difference can be utilized, with the same exception as for taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted. The tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognized in the balance sheet under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

(h) Share-based payment transactions

On January 16, 2013, having received a report from the Nomination and Remuneration Committee approving the initiative, the Company's board of directors approved a long-term incentive scheme for certain Cemex Latam Group executives in the form of an annual remuneration program with payment in Company shares, effective from January 1, 2013.

The cost associated with this long-term incentive scheme is the fair value of the shares at the delivery date and is recognized in the income statements of the Cemex Latam Group companies in which the executives adhering to the scheme render their services. The shares underlying the aforementioned scheme, which are treasury shares of the Company, are delivered fully paid-in over a period of four years under each annual program.

(i) Classification of assets and liabilities as current and non-current

The Company classifies assets and liabilities in the balance sheet as current and non-current. They are classified as current when they are expected to be realized or settled within twelve months from the reporting date. All other assets and liabilities are classified as non-current.

(j) Transactions between Group companies

Transactions between Group companies are recognized at the fair value of the consideration given or received. Any difference between this value and the amount agreed is recognized in line with the underlying economic substance of the transaction.

(Continued)

## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

(5) Operating leases - Lessee

Since July 1, 2012 the Company has rented 100m<sup>2</sup> of space in a building located at Calle Hernández de Tejada, 1 (Madrid) from Cemex España, S.A. under an operating lease. As a result of the sale by Cemex España, S.A. of the buildings in which the aforementioned space is located to the Hermandad Nacional de Arquitectos Superiores y Químicos, Mutualidad de Previsión Social a Prima Fija, and the subsequent lease agreement entered into by both parties, the Company, as sub-lessee, signed a new sub-lease agreement with Cemex España, S.A. on September 29, 2015 for this space after rescinding the previous lease agreement. The new sub-lease agreement runs for a period of 10 years and may be extended for up to two additional periods of three and two years each, respectively.

Similarly, the Branch in Switzerland leases 300m<sup>2</sup> of office space in Brügg, Switzerland from Cemex Research Group AG (CRG). The lease was signed in November 2012 and runs for a period of five years. The Branch may renew the lease for additional one-year periods by notifying the lessor at least 60 days before expiry of the initial lease or any of its extensions.

Operating lease payments recognized as expenses amounted to Euros 149 thousand in 2016 and Euros 153 thousand in 2015.

Future minimum payments under non-cancellable operating leases are as follows:

	Thousands of Euros	
	2016	2015
Less than one year	149	156
One to five years	173	278
Over five years	162	208
	<u>484</u>	<u>642</u>

(6) Risk Management Policy

The Company's activities are exposed to various financial risks, primarily liquidity risk, cash flow interest rate risk and capital risk. The Company's global risk management program focuses on uncertainties in its markets of operations and in financial markets, and aims to minimize the potentially adverse effects on the Company's financial performance.

The Company's Finance and Management departments ("Comptroller, Internal Control and Internal Audit") work together and jointly oversee the management of the Company's risks based on the policies, procedures and systems ("the Policies and Systems") in place and/or adopted specifically by the Company and other Cemex Latam Group companies. The strategic planning, tax and legal departments are also involved in the process. These departments identify, measure and manage the operating and financial risks to which the Company is exposed in close collaboration with other Group areas and always under the supervision of the Company's senior management.

(Continued)

## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

The Audit Committee is responsible for supervising the effectiveness of the Company's internal control and for managing corporate risks directly in line with the duties conferred on it expressly in the Regulations of the Board of Directors. In this respect, the Audit Committee is assisted by the Company's Internal Audit Area, which reports functionally to it.

The board of directors is ultimately responsible for the appropriate management of the Company's risks, approving and establishing suitable guidelines and policies, subject to a prior report by the Audit Committee.

The key indicators of the efficiency of the Company's internal control and corporate risk management are detailed in the pertinent sections of the Annual Corporate Governance Report that is attached as an Appendix to the Directors' Report.

(a) Liquidity risk

The Company applies a prudent policy to cover its liquidity risks based on having sufficient cash, as well as sufficient financing through credit facilities. One of the objectives of the Company's and the Cemex Group's Treasury Department is to maintain flexible financing through drawdowns on credit facilities arranged with Cemex Group companies. Details of financial liabilities by contractual maturity date are provided in notes 10 and 11 (b).

(b) Cash flow interest rate risk

The Company is exposed to interest rate risk from borrowings (loans and credit facilities) with Cemex Group companies. Fixed-rate loans are exposed to fair value interest rate risks and are reviewed by the Cemex Group to confirm that they are entered into on an arm's length basis at market rates of interest.

(c) Capital risk

At December 31, 2016 and 2015 the Company has no financial instruments or transactions involving treasury shares or shares of Cemex S.A.B. de C.V. or third parties, except the share-based payment plans granted to executives. As such, the Company does not expect any changes in forecast cash flows due to variations in share prices.

(7) Investments in Equity Instruments of Group Companies and Associates

Information on equity investments in Group companies and associates is provided in Appendices I and II. At December 31, 2016 and 2015 no indications of impairment have been identified and no impairment of investments has been recognized.

(Continued)

## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

Details of and movement in investments in Group companies and associates in 2016 and 2015 are as follows:

Investment(*)	Thousands of Euros			
	12/31/2015	Additions (Disposals)	Translation differences	12/31/2016
Corporación Cementera Latinoamericana, S.L.U.	1,630,728	75,135	57,183	1,763,046
Equipos Para Uso de Guatemala, S.A.	104	-	3	107
Maverick RE Ltd.	460	(453)	(7)	-
Inversiones Secoya, S.A.	74	-	2	76
<b>Total</b>	<b>1,631,366</b>	<b>74,682</b>	<b>57,181</b>	<b>1,763,229</b>

Investment(*)	Thousands of Euros			
	12/31/2014	Additions	Translation differences	12/31/2015
Corporación Cementera Latinoamericana, S.L.U.	1,428,223	39,134	163,371	1,630,728
Equipos Para Uso de Guatemala, S.A.	93	-	11	104
Maverick RE Ltd.	413	-	47	460
Inversiones Secoya, S.A.		73	1	74
<b>Total</b>	<b>1,428,729</b>	<b>39,207</b>	<b>163,430</b>	<b>1,631,366</b>

(\*) The Company's interests in Cemex El Salvador, S.A. de C.V., Cemex Transportes de Colombia, S.A., Cimento Vencemos Do Amazonas, Ltda., Cemex Guatemala S.A. (formerly Global Cement, S.A.) and Central de Mezclas, S.A. are not listed in the above table because the amounts are less than one thousand Euros.

In 2016 the Company increased its investment in Corporación Cementera Latinoamericana, S.L.U. by Euros 75,135 thousand (Euros 39,134 thousand in 2015) through contributions made to offset this subsidiary's losses.

On December 30, 2016 the Company sold all its interest in Maverick RE Ltd. to Apollo RE, Ltd., a Cemex Latam Group company, for Euros 43,623 thousand (US Dollars 48,133 thousand). This transaction generated a gain of Euros 43,170 thousand (US Dollars 47,633 thousand), which at 31 December 2016 is recognized under impairment and gains/(losses) on disposal of financial instruments.

The functional currencies of foreign operations are the currencies of the countries in which they are domiciled.

(Continued)

## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

(8) Financial Assets by Category

Financial assets classified as current at December 31, 2016 and 2015, broken down by category and class, except for investments in equity instruments of Group companies and associates, are as follows:

	Thousands of Euros	
	At amortized cost or cost	
	2016	2015
Trade and other receivables		
Trade receivables from Group companies and associates (note 13 (a))	76,855	19,542
Personnel	23	60
	<u>76,878</u>	<u>19,602</u>

The carrying amount of trade and other receivables does not differ significantly from their fair value.

Trade receivables from Group companies and associates reflect the balances receivable from the Cemex Latam Group subsidiaries for royalties charged by the Company for the use of intangible assets, trademarks and Cemex management services provided through the Swiss Branch. Additionally, at December 31, 2016 the balance includes a receivable of Euros 43,623 thousand from Apollo RE, Ltd. for the sale of Maverick RE, Ltd. (see note 7).

(9) Equity

Details of equity and movement during the year are shown in the statement of changes in equity.

(a) Capital

At December 31, 2016 and 2015 the Company's share capital amounted to Euros 578,278,342, represented by 578,278,342 ordinary shares with a par value of Euros 1 each. All the shares are subscribed and fully paid in.

The Company's shares are listed on the BVC under the ticker CLH.

(b) Share premium

The share premium includes contributions by shareholders where shares are issued above par.

The share premium is unrestricted, unless there are negative reserves or losses that reduce equity to below share capital.

(Continued)

## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

(c) Reserves

Details of reserves and profit/loss and movement during the year are shown in Appendix III.

(i) Legal reserve

The legal reserve has been appropriated in compliance with article 274 of the Spanish Companies Act, which requires companies to transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital.

The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that no other reserves are available, the reserve must be replenished with future profits.

(ii) Voluntary reserves

The Parent's voluntary reserves are freely distributable, however, they are subject to the limits established by law. Dividends may not be distributed if the distribution reduces equity to less than the Company's share capital.

(iii) Other reserves

Other reserves include the cumulative effect of items and transactions recognized directly in equity.

In 2016 and 2015, other reserves were reduced by Euros 1,385 thousand and Euros 1,213 thousand, respectively, as a result of transactions involving own equity instruments in relation to the Company shares delivered to executives of the Cemex Latam Group under the share-based payment plans.

(d) Treasury shares and equity holdings

At December 31, 2016 and 2015 the Company held 21,630,605 and 21,902,066 treasury shares, respectively.

In 2016 and 2015, treasury shares were reduced by Euros 1,388 thousand and Euros 1,241 thousand, respectively, as a result of the shares delivered to executives of the Cemex Latam Group under the aforementioned share-based payment plans (see note 4 (h)).

(Continued)



## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

(10) Financial Liabilities by Category

The classification of financial liabilities by category and class at December 31, 2016 and 2015 is follows:

	Thousands of Euros					
	2016			2015		
	Non-current	Current	Total	Non-current	Current	Total
Group companies and associates (note 13 (a))						
Fixed-rate loans (note 11)	26,378	26,119	52,497	50,783	25,289	76,072
Fixed-rate credit facilities (note 11)	167,294	-	167,294	78,533	-	78,533
Accrued interest	-	2,324	2,324	-	2,189	2,189
Other payables	-	-	-	-	54	54
	<u>193,672</u>	<u>28,443</u>	<u>222,115</u>	<u>129,316</u>	<u>27,532</u>	<u>156,848</u>
Trade and other payables						
Other payables	-	653	653	-	646	646
Payables, Group companies and associates	-	6,383	6,383	-	10	10
Personnel	-	208	208	-	107	107
	<u>-</u>	<u>7,244</u>	<u>7,244</u>	<u>-</u>	<u>763</u>	<u>763</u>
	<u>193,672</u>	<u>35,687</u>	<u>229,359</u>	<u>129,316</u>	<u>28,295</u>	<u>157,611</u>

Debts and payables, for both trade and non-trade transactions, are measured at amortized cost or cost, which is a reasonable approximation of fair value.

At December 31, 2016 payables, Group companies and associates basically reflect the Company's current income tax expense for 2016 payable to Cemex España. This expense is offset against tax losses generated by companies in the tax group in which the Company files taxes in Spain, the parent of which is Cemex España (note 12).

Details of gains and losses on financial liabilities recognized in the income statement in 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Finance costs at amortized cost	12,538	9,134
	<u>12,538</u>	<u>9,134</u>

(Continued)

## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

(11) Payables and Trade Payables(a) Main characteristics of financial debt

The terms and conditions of loans and borrowings at December 31, 2016 and 2015 are as follows:

Type	2016						
	Currency	% effective and nominal rate	Inception	Maturity	Thousands of Euros		
					Nominal amount in original currency (thousands)	Current	Non-current
<b>Group companies and associates</b>							
Fixed-rate loans							
New Sunward Holding, B.V.	USD	7%	2012	2018	1,150,000	26,119	26,378
Fixed-rate credit facilities							
New Sunward Holding, B.V.	USD	7%	2012	2018	220,000	-	167,294
						26,119	193,672

Type	2015						
	Currency	% effective and nominal rate	Inception	Maturity	Thousands of Euros		
					Nominal amount in original currency (thousands)	Current	Non-current
<b>Group companies and associates</b>							
Fixed-rate loans							
New Sunward Holding, B.V.	USD	7%	2012	2018	1,150,000	25,289	50,783
Fixed-rate credit facilities							
New Sunward Holding, B.V.	USD	7%	2012	2018	220,000	-	78,533
						25,289	129,316

(Continued)

## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

(b) Classification by maturity of non-current financial liabilities

At December 31, 2016 and 2015 the classification by maturity of non-current financial liabilities, all of which are payables to Group companies and associates, is follows:

	Thousands of Euros	
	2016	2015
Two years	193,672	25,289
Three years	-	104,027
	<u>193,672</u>	<u>129,316</u>

(c) Average supplier payment period. "Reporting requirement", final provision two of Law 3/2014 of 3 December 2014

Details of the average supplier payment period are as follows:

	2016	2015
	Days	Days
Average supplier payment period	17	10
Transactions paid ratio	17	10
Transactions payable ratio	17	30
	Thousands of Euros	
Total payments made	70,374	80,226
Total payments outstanding	272	27

(Continued)

## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

(12) Taxation

Details of balances with public entities, classified as current, at December 31, 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Assets		
Value added tax and similar taxes	657	521
	657	521
Liabilities		
Current tax liabilities	1,679	5,203
Social Security	167	147
Withholdings	96	146
	1,942	5,496

Details by company of intercompany receivables and payables resulting from the tax effect of filing consolidated tax returns are as follows:

	Thousands of Euros	
	2016	2015
Current assets		
Cemex España, S.A.	-	235
	-	-
Current liabilities		
Cemex España, S.A.	6,006	-

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected by the taxation authorities or before the four-year inspection period has elapsed.

In accordance with Spanish tax legislation, losses declared may be offset against profits of subsequent tax periods with no time limit. Losses are offset when the income tax return is filed, without prejudice to the taxation authorities' power of inspection. Tax legislation also stipulated temporarily that in 2014 and 2015 tax loss carryforwards could be offset up to a limit of 25% of the tax base prior to the application of these losses. For 2016, the limit will be 60% and from 2017 it will be 70% of taxable income prior to application of losses.

However, on December 3, 2016, *Royal Decree-Law 3/2016, of December 2, 2016 was published, introducing Tax Measures Aimed at Consolidating Public Finances and Other Urgent Social Measures*, which stipulates, among other tax issues, that with effect from January 1, 2016 tax losses may be offset up to a limit of 25% of the tax base prior to the application of tax losses.

The Company files a consolidated income tax return with its principal shareholder, Cemex España, S.A. The standard rate of tax is 25%, which may be reduced by certain credits.

(Continued)

## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

The Company is also subject to the tax regime for entities holding foreign securities in accordance with Chapter XIII, Title VII of Spanish Income Tax Law 27/2014 of November 27, 2014. Under this regime, dividends paid by the Company to shareholders that are not Spanish residents are not subject to tax in Spain, unless the shareholder is resident in a territory or country considered a tax haven for Spanish purposes, and provided that these arise from revenues exempt from corporate income tax.

The Branch in Switzerland is a permanent establishment there for the purposes of the double taxation treaty between Switzerland and Spain, and is subject to Swiss tax legislation. It is liable for Swiss corporate income tax, which has a nominal rate of over 10%.

Income tax is calculated based on accounting or financial profit or loss, obtained through the application of generally accepted accounting principles, which does not necessarily have to match the profit or loss for tax purposes, understood as the taxable income or tax loss. A provisional reconciliation of the accounting profit for 2016 and 2015 with the taxable income for income tax purposes is as follows:

	Thousands of Euros	
	2016	2015
Profit before income tax	87,683	48,985
Permanent differences		
Of the Branch	(58,406)	(59,532)
Temporary differences		
Finance costs from prior years	(5,256)	-
Accounting profit/(loss) for tax purposes	24,021	(10,547)
Taxable profit/(tax loss) of the Company	24,021	(10,547)

Negative permanent differences of the foreign Branch relate to income it obtained in Switzerland that is exempt from taxation in Spain.

The Company has not recognized deferred tax assets or liabilities at December 31, 2016 or 2015.

(Continued)

## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

Details of the income tax expense related to profit/loss for 2016 and 2015 are as follows:

	2016		
	Thousands of Euros		
	Company	Branch	Total
Profit for the year before tax	29,277	58,406	87,683
Tax paid abroad	-	(9,657)	(9,657)
	<u>29,277</u>	<u>48,749</u>	<u>78,026</u>
Tax at 25%/9.64%	7,320	4,699	12,019
Tax paid abroad	-	9,657	9,657
Temporary differences	(1,314)	-	(1,314)
Other (adjustment of final tax for prior year)	(1,751)	493	(1,258)
	<u>4,255</u>	<u>14,849</u>	<u>19,104</u>
	2015		
	Thousands of Euros		
	Company	Branch	Total
Profit/(loss) for the year before tax	(10,547)	59,532	48,985
Tax paid abroad	-	(10,130)	(10,130)
	<u>(10,547)</u>	<u>49,402</u>	<u>38,856</u>
Tax at 28%/9.64%	(2,953)	4,762	1,809
Tax paid abroad	-	10,130	10,130
Tax credits and deductions not capitalized in the year	2,718	-	2,718
Tax losses included in the amended tax returns filed by the parent of the tax group	(5,875)	-	(5,875)
Other	47	40	87
	<u>(6,063)</u>	<u>14,932</u>	<u>8,869</u>

In 2016 the Company generated taxable income on an individual basis that was offset by the current tax losses for the year of other companies in the tax group. It, therefore, recognized an income tax expense of Euros 6.006 thousand under payables to Cemex España, the parent of the Spanish tax group (see note 10).

In June 2015 Cemex España, S.A., as the parent and representative of the Cemex España tax group, filed amended corporate income tax returns for the years from 2010 to 2013, adjusting the amounts to reflect the criteria put forward by the tax authorities during the inspection of the tax group for the years from 2006 to 2009. The purpose of this adjustment was to mitigate any risk relating to interpretation of the rule by the tax authorities in a future inspection.

As a result of this adjustment, the Company recognized tax income of Euros 5,875 thousand as Cemex España S.A., the parent of the consolidated tax group, offset Cemex Latam's tax losses from prior years.

(Continued)

## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

Details of the income tax expense/(income) in 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Current tax		
For the period	20,362	11,939
Adjustments for prior years	(1,258)	(5,875)
Tax credits not capitalized	-	2,718
Other	-	87
	<u>19,104</u>	<u>8,869</u>

(13) Related Party Balances and Transactions

Balances and transactions with the Parent reflect those carried out with the principal shareholder, Cemex España, S.A. Balances and transactions with Group companies and other related parties are those carried out with Cemex Latam Group companies and other Cemex Group companies, respectively.

(a) Related party balances

Details of balances with related parties at December 31, 2016 and 2015 are as follows:

	2016			Total
	Thousands of Euros			
	Parent	Group companies	Other related parties	
Non-current investments in Group companies and associates				
Equity instruments (note 7)	-	1,763,229	-	1,763,229
Other financial assets	3	-	-	3
Total non-current assets	<u>3</u>	<u>1,763,229</u>	<u>-</u>	<u>1,763,232</u>
Trade and other receivables				
Trade receivables, Group companies and associates, current (note 8)	-	75,833	1,022	76,855
Total current assets	<u>-</u>	<u>75,833</u>	<u>1,022</u>	<u>76,855</u>
Total assets	<u>3</u>	<u>1,839,062</u>	<u>1,022</u>	<u>1,840,087</u>
Group companies and associates, non-current (note 10)	-	-	193,672	193,672
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>193,672</u>	<u>193,672</u>
Group companies and associates, current (note 10)	-	-	28,443	28,443
Trade and other payables				
Payables, Group companies and associates	6,025	244	114	6,383
Total current liabilities	<u>6,025</u>	<u>244</u>	<u>28,557</u>	<u>34,826</u>
Total liabilities	<u>6,025</u>	<u>244</u>	<u>222,229</u>	<u>228,498</u>

(Continued)

## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

	2015			
	Thousands of Euros			
	Parent	Group companies	Other related parties	Total
Non-current investments in Group companies and associates				
Equity instruments (note 7)	-	1,631,366	-	1,631,366
Total non-current assets	-	1,631,366	-	1,631,366
Trade and other receivables				
Trade receivables, Group companies and associates, current (note 8)	-	17,901	1,641	19,542
Total current assets	-	17,901	1,641	19,542
Total assets	-	1,649,267	1,641	1,650,908
Group companies and associates, non-current (note 10)	-	-	129,316	129,316
Total non-current liabilities	-	-	129,316	129,316
Group companies and associates, current (note 10)	-	54	27,478	27,532
Trade and other payables				
Payables, Group companies and associates	10	-	-	10
Total current liabilities	10	54	27,478	27,542
Total liabilities	10	54	156,794	156,858

(Continued)



## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

(b) Related party transactions

The amounts of transactions with related parties in 2016 and 2015 are as follows:

	2016				Total
	Thousands of Euros				
	Parent	Group companies	Directors	Other related parties	
<b>Income</b>					
Income from royalties or licenses	-	96,382	-	-	96,382
Use of trademark	-	4,097	-	-	4,097
Management services	-	20,273	-	-	20,273
Other services rendered	-	5	-	-	5
Finance income					
Sale of interests	-	43,170	-	-	43,170
	-	163,927	-	-	163,927
<b>Expenses</b>					
Expenses for royalties or licenses	-	-	-	33,745	33,745
Use of trademark	-	-	-	6,720	6,720
Management services	-	-	-	19,138	19,138
Other services received	41	179	-	108	328
Personnel expenses	-	-	263	-	263
Finance costs	-	-	-	12,535	12,535
	41	179	263	72,246	72,729
<b>2015</b>					
Thousands of Euros					
	Parent	Group companies	Directors	Other related parties	Total
<b>Income</b>					
Income from royalties or licenses	-	99,980	-	-	99,980
Use of trademark	-	7,398	-	-	7,398
Management services	-	19,623	-	-	19,623
Other services rendered	-	7	-	-	7
	-	127,008	-	-	127,008
<b>Expenses</b>					
Expenses for royalties or licenses	-	-	-	39,095	39,095
Use of trademark	-	-	-	7,231	7,231
Management services	-	-	-	18,428	18,428
Other services received	43	189	-	110	342
Personnel expenses	-	-	269	-	269
Finance costs	-	-	-	9,131	9,131
	43	189	269	73,995	74,496

(Continued)

## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

On February 9, 2016 the Company extended a guarantee for the credit facilities arranged by its direct and indirect subsidiaries with Citigroup Inc. or any of its subsidiaries, through which the Company commits to meeting any of the payment obligations to Citigroup Inc. derived from these credit facilities that are not met by its subsidiaries. The Company would only cover up to US Dollars 30,000 thousand. This guarantee replaces the guarantee extended by the Company in 2014 for the credit facility arranged by its subsidiary Cemento Bayano, S.A. with Citibank, N.A. sucursal Panamá. At December 31, 2016, Cemento Bayano, S.A. and Cemex Costa Rica, S.A. have drawn down US Dollars 1,855 thousand and US Dollars 1,011 thousand, respectively, from these credit facilities.

(c) Information on the directors

During the years ended December 31, 2016 and 2015, the Company's directors did not carry out any transactions outside the ordinary course of business or that were not under market conditions.

In 2016 and 2015, the members of the board of directors earned remuneration of Euros 263 thousand and Euros 269 thousand, respectively, receivable after the forthcoming annual general meeting of shareholders, as well as allowances for board meeting attendance. As a result of the events under investigation at the Maceo plant described in note 1(a), in 2016 some of the Company's governing bodies held extraordinary meetings that were not envisaged in their meeting schedule approved at the start of 2016. Consequently, the amount of the allowances payable to the three independent directors for attending the additional sessions has exceeded the limit set by the Company's shareholders at their general meeting by Euros 26 thousand. As proposed by the Appointments and Remuneration Committee, at their meeting on December 17, 2016 the board of directors agreed that these excess allowances should be proposed for approval by the shareholders at their next general meeting in 2017. Senior management is limited to the members of the board of directors.

The directors of the Company and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Spanish Companies Act.

## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

(14) Income and Expenses(a) Revenues

Revenues include royalties from the use of intangible assets and trademarks, and the services provided to direct and indirect subsidiaries through the human and material resources located in the Swiss Branch. All of these revenues are generated in Latin America and are accrued in US Dollars.

(b) Personnel expenses and employee information

Details of personnel expenses in 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Salaries, wages and similar costs		
Salaries and wages	1,637	1,817
Charges to defined contribution plans	8	7
Other remuneration	529	270
	<u>2,174</u>	<u>2,094</u>
Employee benefits expense		
Social Security payable by the Company	222	325
Other employee benefits expenses	182	225
	<u>404</u>	<u>550</u>
	<u>2,578</u>	<u>2,644</u>

The average number of employees and directors of the Company in 2016 and 2015, by professional category, is as follows:

<u>Professional category</u>	Number	
	2016	2015
Directors	9	9
Management	1	2
Middle management and foremen	16	16
	<u>26</u>	<u>27</u>

(Continued)

## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

The distribution of personnel by gender at December 31, 2016 and 2015 is as follows:

<u>Professional category</u>	Number			
	2016		2015	
	Female	Male	Female	Male
Directors	2	7	1	8
Management	-	1	-	1
Middle management and foremen	8	8	9	8
	<u>10</u>	<u>16</u>	<u>10</u>	<u>17</u>

During 2016 and 2015 the Company did not have any employees with a disability rating of 33% or higher.

(c) Other operating expenses

Other operating expenses mainly include royalty payments for use of intangible assets and trademarks recognized in the Swiss Branch, and management services of the Cemex Group.

(15) Audit Fees

KPMG Auditores, S.L. accrued the following fees in 2016 and 2015 in respect of professional services rendered to the Company:

	Euros	
	2016	2015
Audit services	23,256	38,760
Other services	311,304	295,800
	<u>334,560</u>	<u>334,560</u>

The amounts shown in the above table reflect the fees for 2016 and 2015, irrespective of the date of invoice.

(16) Commitments and Contingencies

At December 31, 2016 the Company has the following relevant commitments:

- On November 15, 2012 Cemex Latam, through the Branch in Switzerland, entered into an agreement with Cemex, S.A.B. de C.V. for use of Cemex trademarks. This agreement will remain in force for five years and is automatically renewable for equal periods. Cemex Latam Group companies must pay an annual amount for use of the trademarks. The royalty is calculated based on net annual sales of goods and services, and market prices. The total royalty charge recognized in the income statement for use of the trademark amounts to Euros 6,720 thousand at December 31, 2016 (Euros 7,231 thousand in 2015).

(Continued)

## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

- On November 15, 2012 Cemex Latam, through the Branch in Switzerland, entered into an agreement with Cemex Research Group AG for the use, operation and exploitation of intangible assets. This agreement will remain in force for five years and is automatically renewable for equal periods. Cemex Latam Group companies must pay an annual royalty calculated based on net annual sales of goods and services, and market prices. The total royalty charge recognized in the income statement for use of intangible assets amounts to Euros 33,745 thousand at December 31, 2016 (Euros 39,095 thousand in 2015).
- On November 15, 2012 Cemex Latam, through its Branch in Switzerland, entered into an agreement for the provision of technical services with Cemex Central, S.A. de C.V., for the technical, financial, market analysis, legal, human resources and IT areas, and other technical assistance. This service agreement will remain in force for five years and is automatically renewable for equal periods. Cemex Latam Group companies must pay an annual amount for technical assistance based on net annual sales of goods and services, and market prices. The total expense recognized in the income statement for services amounts to Euros 19,138 thousand at December 31, 2015 (Euros 18,428 thousand in 2014).
- Cemex Latam has agreed to pay Cemex an amount equivalent to 5% of the Cemex Latam Group's annual consolidated revenues in respect of these three agreements. The 5% rate established in these agreements cannot be increased without the consent of Cemex Latam's independent board members.
- With respect to the IPO (see note 1 (c)) and to prevent potential conflicts of interest, on October 5, 2012 the Company also entered into a framework agreement with Cemex, S.A.B. de C.V. and Cemex España (the "Framework Agreement"). Under the Framework Agreement and in order to help Cemex honor its debt obligations, the Cemex Latam Group will require the prior consent of Cemex S.A.B. de C.V. and Cemex España:
  - To carry out any consolidation, merger or partnership arrangement (joint venture) with any natural or legal person other than Cemex S.A.B de C.V. or its subsidiaries;
  - To carry out any sale, lease, exchange or other arrangement, or acquisition from any person other than Cemex S.A.B. de C.V. or its subsidiaries;
  - To issue or sell any shares or equity derivatives or to operate any share-based incentive plans, except through (i) the issue of shares by the Company to Cemex S.A.B. de C.V. or its subsidiaries, (ii) the issue of shares to carry out long-term incentive plans for executives for an amount not exceeding US Dollars 1.75 million;

(Continued)

## CEMEX LATAM HOLDINGS, S.A.

## Notes to the Annual Accounts

- To declare, resolve or pay out dividends, or other distributions by the Company related to its shares, other than (i) through the issuance of ordinary shares of the Company or pre-emptive subscription rights to shareholders of the Company in proportion to their stakes, provided that no cash is paid and no other assets of Cemex S.A.B. de C.V. or its subsidiaries (or any interest in the cash or asset) related to such distribution or interest are transferred to another person who does not belong to Cemex S.A.B. de C.V. or its subsidiaries (other than the Company) and/or (ii) in proportion to non-controlling interests in the Company, provided that each shareholder receives their share of any dividend, distribution or payment of interest at the same time;
- To (i) create, assume, grant or guarantee any type of debt on behalf of the Company, and (ii) pledge or encumber any assets for a total amount of over US Dollars 25 million at any time (considering both (i) and (ii));
- To grant loans or assume a creditor position in respect of any type of debt, except (i) with respect to trade loans granted to customers under normal trade terms and in the ordinary course of business, (ii) as deferred consideration in respect of any sale, lease, exchange or other arrangement which the Company or its subsidiaries are authorized to perform without the consent of Cemex S.A.B. de C.V. and Cemex España; and
- To take any action that could reasonably cause Cemex S.A.B. de C.V. or its subsidiaries to breach any agreement or contract, including the debt agreement reached by Cemex S.A.B. de C.V. or its subsidiaries with a banking syndicate and any refinancing, substitution or amendment thereto, and comply with the notification requirements of Cemex S.A.B. de C.V. or its subsidiaries set out in the Framework Agreement for contracts or agreements other than (i) the debt agreement and any refinancing, substitution or amendment thereto, and (ii) the deeds of issuance of Cemex S.A.B. de C.V. or its subsidiaries and any substitution or amendment thereto.

The Framework Agreement may be amended or terminated if agreed in writing between Cemex, S.A.B. de C.V., Cemex España and Cemex Latam, subject to authorization by the independent directors. In addition, the Framework Agreement will be rendered without effect if the Company ceases to be subordinate to Cemex or if Cemex ceases to recognize its investment in Cemex Latam using the full consolidation method or equity method of accounting (or any other method applying similar principles).

(17) Events after the Reporting Period

On February 24, 2017 the Company refinanced its debt with New Sunward Holding, B.V. by amount of US Dollars 229,507 thousand, extending its maturity until 2023. The interest rate under the new loan contract is 5.65%.

At their meeting on March 28, 2017 the board of directors approved an amendment to the Framework Agreement (note 16) to establish a principle of mutual interest between Cemex, S.A.B. de C.V., Cemex España and the Company with regard to legal proceedings, administrative matters and government regulations.

(Continued)

CEMEX LATAM HOLDINGS, S.A.

Information on Group Companies and Associates

December 31, 2016

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Name	Registered office	Activity	Auditor
Subsidiaries			
Apollo Re, Ltd.	Bridgetown (Barbados)	Insurance company	-
Cemento Bayano, S.A.	Panama City (Republic of Panama)	Manufacture and sale of cement and concrete	KPMG
Cemex El Salvador, S.A de C.V.	La Libertad (El Salvador)	Sale of cement	KPMG
Cemex Nicaragua, S.A.	Managua (Nicaragua)	Manufacture and sale of cement	KPMG
Cemex Transportes de Colombia, S.A.	Bogota (Colombia)	Freight	KPMG
Central de Mezclas, S.A.	Bogotá (Colombia)	Mining permits	KPMG
Cimento Vencemos do Amazonas Ltda.	Manaus (Brazil)	Sale of cement	KPMG
Corporación Cementera Latinoamericana, S.L.U.	Madrid (Spain)	Holding company	KPMG
Equipos Para Uso de Guatemala, S.A.	Guatemala City (Guatemala)	Equipment hire	KPMG
Cemex Guatemala, S.A. (formerly Global Cement, S.A.)	Puerto Quetzal (Guatemala)	Manufacture and sale of cement and concrete	KPMG
Cemex Colombia, S.A.	Bogotá (Colombia)	Manufacture and sale of cement and concrete	KPMG
Cemex Costa Rica, S.A.	San José (Costa Rica)	Manufacture and sale of cement	KPMG
Lomas del Tempisque, S.R.L.	San José (Costa Rica)	Holding company	KPMG
Maverick RE Ltd	Hamilton (Bermuda)	Insurance company	KPMG
Pavimentos Especializados, S.A.	Panama City (Republic of Panama)	Consultancy, advisory, study, design and consumption	KPMG
Cemex Lan Trading Corporation	Bridgetown (Barbados)	Sale of cement	-
Cemex Premezclados de Colombia, S.A.	Bogotá (Colombia)	Manufacture and sale of construction materials	KPMG
Inversiones Secoya, S.A.	Managua (Nicaragua)	Manufacture and sale of construction materials	KPMG
CCL Business Holdings, S.L.	Madrid (Spain)	Holding company	-
Cemex Finance Latam, B.V.	Amsterdam (Netherlands)	Finance	-
Zona Franca Especial Cementera del Magdalena Medio S.A.S.	Maceo (Colombia)	Sale of construction materials and cement production	Castaño Arboleda

This appendix forms an integral part of note 7 to the annual accounts for 2016, in conjunction with which it should be read.

CEMEX LATAM HOLDINGS, S.A.

Information on Group Companies and Associates

December 31, 2015

Name	Registered office	Activity	Auditor
<b>Subsidiaries</b>			
Cemento Bayano, S.A.	Panama City (Republic of Panama)	Manufacture and sale of cement and concrete	KPMG
Cemex Bogotá Investments, B.V.	Amsterdam (Netherlands)	Holding company	-
Cemex El Salvador, S.A de C.V.	La Libertad (El Salvador)	Sale of cement	KPMG
Cemex Nicaragua, S.A.	Managua (Nicaragua)	Manufacture and sale of cement	KPMG
Cemex Transportes de Colombia, S.A.	Bogotá (Colombia)	Freight	KPMG
Central de Mezclas, S.A.	Bogotá (Colombia)	Mining permits	KPMG
Cimento Vencemos do Amazonas Ltda.	Manaus (Brazil)	Sale of cement	KPMG
Corporación Cementera Latinoamericana, S.L.U.	Madrid (Spain)	Holding company	-
Equipos Para Uso de Guatemala, S.A.	Guatemala City (Guatemala)	Equipment hire	KPMG
Cemex Guatemala, S.A. (formerly Global Cement, S.A.)	Puerto Quetzal (Guatemala)	Manufacture and sale of cement and concrete	KPMG
Cemex Colombia, S.A.	Bogotá (Colombia)	Manufacture and sale of cement and concrete	KPMG
Cemex Costa Rica, S.A.	San José (Costa Rica)	Manufacture and sale of cement	KPMG
Lomas del Tempisque, S.R.L.	San José (Costa Rica)	Holding company	KPMG
Maverick RE Ltd	Hamilton (Bermuda)	Insurance company	KPMG
Pavimentos Especializados, S.A.	Panama City (Republic of Panama)	Consultancy, advisory, study, design and consumption	KPMG
Tecas Siglo XXI, S.A.	Panama City (Republic of Panama)	Purchase of land	-
Cemex Lan Trading Corporation	Bridgetown (Barbados)	Sale of cement	-
Cemex Premezclados de Colombia, S.A.	Bogotá (Colombia)	Manufacture and sale of construction materials	KPMG
Inversiones Secoya, S.A.	Managua (Nicaragua)	Manufacture and sale of construction materials	KPMG
CCL Business Holdings, S.L.	Madrid (Spain)	Holding company	-
Cemex Finance Latam, B.V.	Amsterdam (Netherlands)	Finance	-
Zona Franca Especial Cementera del Magdalena Medio S.A.S.	Maceo (Colombia)	Sale of construction materials and cement production	Castañero Arboleda

This appendix forms an integral part of note 7 to the annual accounts for 2016, in conjunction with which it should be read.



CEMEX LATAM HOLDINGS, S.A.

Other Information on Group Companies and Associates  
December 31, 2016

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Name	Thousands of Euros									
	% ownership			Capital	Reserves	Other equity items	Profit/(loss)		Total equity	Carrying amount <sup>(2)</sup>
	Direct	Indirect	Total				Operating activities	Continuing operations		
Subsidiaries										
Apollo, Re, Ltd	-	100.00%	100.00%	119	-	-	-	-	119	-
Cemento Bayano, S.A. <sup>(3)</sup>	-	99.48%	99.48%	125,986	26,471	15,713	52,851	36,596	204,766	-
Cemex El Salvador, S.A de CV	0.01%	99.99%	100.00%	2,280	19,674	1,619	(492)	(877)	22,695	-
Cemex Nicaragua, S.A.	-	98.85%	98.85%	7	34,213	(1,875)	13,424	9,013	41,358	-
Cemex Transportes de Colombia, S.A. <sup>(1)</sup>	-	100.00%	100.00%	117	2,134	(186)	1,941	896	2,961	-
Central de Mezclas, S.A. <sup>(1)</sup>	-	100.00%	100.00%	3,161	6,754	(820)	121	(178)	8,917	-
Cimento Vencemos do Amazonas Ltda. <sup>(1)</sup>	-	100.00%	100.00%	9,159	51,859	17,205	(6,929)	(4,727)	73,495	-
Corporación Cementera Latinoamericana, S.L.U.	100.00%	-	100.00%	1,314,761	(213,509)	745,655	(119,815)	77,003	1,923,910	1,763,046
Equipos Para Uso de Guatemala, S.A. <sup>(3)</sup>	1.00%	99.00%	100.00%	1	17,733	767	40	(154)	18,347	107
Cemex Guatemala, S.A. (formerly Global Cement, S.A.) <sup>(1)(3)</sup>	-	100.00%	100.00%	19,434	257,872	27,223	7,966	2,394	306,923	-
Cemex Colombia, S.A. <sup>(3)</sup>	-	99.74%	99.74%	179,614	590,647	115,606	79,880	23,159	909,026	-
Cemex Costa Rica, S.A. <sup>(3)</sup>	-	98.83%	98.83%	366	81,062	3,252	36,694	25,786	110,466	-
Lomas del Tempisque, S.R.L.	-	99.74%	99.74%	109,978	19,899	7,813	13	(3,143)	134,548	-
Maverick RE Ltd	-	100.00%	100.00%	457	32,665	1,906	11,361	11,569	46,598	-
Pavimentos Especializados, S.A.	-	99.74%	99.74%	137	(2,204)	(73)	1,269	1,268	(872)	-
Cemex Lan Trading Corporation	-	100.00%	100.00%	-	12,044	693	4,443	4,385	17,122	-
CCL Business Holdings, S.L.	-	100.00%	100.00%	4	73	3	-	(9)	71	-
Cemex Premezclados de Colombia, S.A.	-	100.00%	100.00%	40	313	26	356	15	394	-
Inversiones Secoya, S.A.	1.00%	99.00%	100.00%	7,131	346	92	4,811	1,182	8,751	76
Cemex Finance Latam, B.V.	-	100.00%	100.00%	2,025	(5)	6	(4)	26	2,052	-
Zona Franca Especial Cementera del Magdalena Medio S.A.S.	-	99.74%	99.74%	56,171	(2,388)	(4,446)	(6,275)	(8,343)	40,994	-
										<u>1,763,229</u>

(1) One share is held by Cemex Latam Holdings.

(2) The Company's interests in Cemex El Salvador, S.A. de C.V., Cemex Transportes de Colombia, S.A., Cimento Vencemos Do Amazonas, Ltd, Cemex Guatemala S.A. (formerly Global Cement, S.A.) and Central de Mezclas, S.A. are not listed in the above table because the amounts are less than one thousand Euros.

(3) Consolidated figures.

This appendix forms an integral part of notes 1 and 7 to the annual accounts for 2016, in conjunction with which it should be read.

CEMEX LATAM HOLDINGS, S.A.

Other Information on Group Companies and Associates  
December 31, 2015

(Expressed in thousands of Euros)

Name	Thousands of Euros									
	% ownership			Capital	Reserves	Other equity items	Profit/(loss)		Total equity	Carrying amount <sup>(2)</sup>
	Direct	Indirect	Total				Operating activities	Continuing operations		
Subsidiaries										
Cemento Bayano, S.A. <sup>(3)</sup>	-	99.48%	99.48%	128,367	194,320	(3,628)	44,031	29,726	348,785	-
Cemex Bogotá Investments, B.V.	-	100.00%	100.00%	1,536,029	(310)	(15,033)	(29)	98,234	1,618,920	-
Cemex El Salvador, S.A. de CV	0.01%	99.99%	100.00%	2,323	7,211	(230)	1,551	1,003	10,307	-
Cemex Nicaragua, S.A.	-	98.85%	98.85%	7	34,213	(1,875)	13,424	9,013	41,358	-
Cemex Transportes de Colombia, S.A. <sup>(1)</sup>	-	100.00%	100.00%	117	1,934	(315)	332	169	1,905	-
Central de Mezclas, S.A. <sup>(1)</sup>	-	100.00%	100.00%	3,161	6,597	(1,500)	283	132	8,390	-
Cimento Vencemos do Amazonas Ltda. <sup>(1)</sup>	-	100.00%	100.00%	11,696	134,179	(19,311)	(64,311)	(62,940)	63,624	-
Corporación Cementera Latinoamericana, S.L.U.	100.00%	-	100.00%	1,314,761	813,738	306,942	(200)	(18,124)	2,417,316	1,630,728
Equipos Para Uso de Guatemala, S.A. <sup>(3)</sup>	1.00%	99.00%	100.00%	1	17,768	(259)	187	163	17,673	104
Cemex Guatemala, S.A. (formerly Global Cement, S.A.) <sup>(1)(3)</sup>	-	100.00%	100.00%	18,946	123,370	(10)	20,280	18,031	160,337	-
Cemex Colombia, S.A. <sup>(3)</sup>	-	99.74%	99.74%	235,785	650,877	(176,214)	141,111	89,877	800,325	-
Cemex Costa Rica, S.A. <sup>(3)</sup>	-	98.83%	98.83%	377	23,146	(961)	11,341	5,137	27,699	-
Lomas del Tempisque, S.R.L.	-	99.74%	99.74%	112,139	(3,048)	(1,542)	0	24,126	131,675	-
Maverick RE Ltd	100.00%	-	100.00%	466	22,918	(209)	10,179	10,182	33,357	460
Pavimentos Especializados, S.A.	-	99.74%	99.74%	140	(418)	(10)	(1,795)	(1,790)	(2,078)	-
Tecas Siglo XXI, S.A.	-	100.00%	100.00%	9	-	-	-	-	9	-
Cemex Lan Trading Corporation	-	100.00%	100.00%	-	8,485	(77)	3,822	3,721	12,129	-
CCL Business Holdings, S.L.	-	100.00%	100.00%	4	73	(2)	-	(7)	68	-
Cemex Premezclados de Colombia, S.A.	-	100.00%	100.00%	51	73	(19)	286	18	123	-
Inversiones Secoya, S.A.	1.00%	99.00%	100.00%	1	(370)	98	5,438	644	373	74
Cemex Finance Latam, B.V.	-	100.00%	100.00%	-	-	-	(5)	(5)	(5)	-
Zona Franca Especial Cementera del Magdalena Medio S.A.S.	-	99.74%	99.74%	56,171	-	(8,637)	(1,564)	(2,021)	45,513	-
										<u>1,631,366</u>

(1) One share is held by Cemex Latam Holdings.

(2) The Company's interests in Cemex El Salvador, S.A. de C.V., Cemex Transportes de Colombia, S.A., Cimento Vencemos Do Amazonas, Ltd, Cemex Guatemala S.A. (formerly Global Cement, S.A.) and Central de Mezclas, S.A. are not listed in the above table because the amounts are less than one thousand Euros.

(3) Consolidated figures

This appendix forms an integral part of notes 1 and 7 to the annual accounts for 2016, in conjunction with which it should be read.

CEMEX LATAM HOLDINGS, S.A.

Details of Reserves  
December 31, 2016 and 2015

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	<b>Legal Reserve</b>	<b>Voluntary Reserves</b>	<b>Other Reserves</b>	<b>Total</b>
<b>Balance at December 31, 2014</b>	<b>2,808</b>	<b>22,976</b>	<b>(8,263)</b>	<b>17,521</b>
Distribution of profit	3,707	33,358	-	<b>37,065</b>
Other changes in equity	-	-	(1,213)	<b>(1,213)</b>
<b>Balance at December 31, 2015</b>	<b>6,515</b>	<b>56,334</b>	<b>(9,476)</b>	<b>53,373</b>
Distribution of profit	4,012	36,104	-	<b>40,116</b>
Other changes in equity	-	-	(1,385)	<b>(1,385)</b>
<b>Balance at December 31, 2015</b>	<b>10,527</b>	<b>92,438</b>	<b>(10,861)</b>	<b>92,104</b>

This appendix forms an integral part of note 9 to the annual accounts for 2016, in conjunction with which it should be read.

# CEMEX LATAM HOLDINGS, S.A.

## Directors' Report

2016

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

### **1.- Nature and activities of the Company**

Cemex Latam Holdings, S.A. (hereinafter interchangeably referred to as 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 located at Calle Hernández de Tejada, 1, Madrid.

The Company was incorporated to head a group of companies engaged in the cement business, the parent of which is Cemex S.A.B. de C.V. (“**Cemex**” or the “**Cemex Group**”), in certain South and Central American countries, including Colombia, Panama, Costa Rica, Nicaragua, Guatemala, El Salvador and Brazil (hereinafter the “**Group**” or the “**Cemex Latam Group**”, interchangeably) for the purpose of carrying out an Initial Public Offering on the Colombian Stock Exchange (hereinafter interchangeably referred to as “the Initial Public Offering” or the “**IPO**”), which was completed on November 15, 2012. The Company’s shares, all of the same class, have been traded on the Colombian Stock Exchange (“**BVC**”) since November 16, 2012.

The statutory and principal activities of the Company consist of the management and administration of equity securities of non-resident entities in Spain through the organization of material and human resources, as well as the subscription, buy-back, holding, use, management or disposal of securities and stakes in companies, except those subject to specific legislation.

Without prejudice to the foregoing, the Company’s statutory activity also includes the following activities:

- the provision of technical assistance, business management services and support to Group companies;
- research and development in the field of building materials.
- manufacture, production, purchase, sale, distribution, transport, marketing, import and export of cement, aggregates, concrete, mortar and other building materials, any other product or activity related, directly or indirectly, to the cement and building materials industry, and the exploration and operation of mines;
- management of all manner of sub-products and/or waste, in the broadest meaning, including the collection, transport by road, selection, recovery, marketing, treatment, transformation into fuel or raw materials, and elimination; and

At December 31, 2016 the first two activities detailed above are performed directly by the Company, while the activities detailed in the latter two points are performed through its subsidiaries.

The Company has investments in subsidiaries and associates, and is the parent of a group of companies (the “**Cemex Latam Group**”) engaged mainly in the manufacture of cement, concrete and mortar, the extraction of aggregates, and the sale and distribution of the products extracted and manufactured. For the purposes of clarification, (i) the definition provided in this document for the terms “*Group*” and “*Cemex Latam Group*” is not contained in the provisions of Title VII, Chapter VI of Income Tax Law 27/2014 of November 27, 2014 on consolidated tax groups, and (ii) although the Company is the parent of a group of companies as defined under legislation in force, and therefore obliged to file consolidated annual accounts, it does not prepare consolidated annual accounts in Spain because the group of which it is the parent forms part of a higher level Spanish group headed by Cemex España, S.A. (hereinafter “**the Cemex España Group**” or “**Cemex España**”), which presents individual and consolidated annual accounts pursuant to article 42.2 of the Spanish Code of Commerce.

Cemex España has its registered office at Calle Hernández de Tejada, 1, Madrid. The consolidated annual accounts of Cemex España will be filed at the Madrid Mercantile Registry once they have been approved by the shareholders at the annual general meeting.

The Company is part of the Cemex Group, the ultimate parent of which is Cemex, S.A.B. de C.V., which is domiciled in Monterrey (Mexico) and listed on the Mexican Stock Exchange (BMV) and the New York Stock Exchange (NYSE).

The Company's revenue in the period from January 1, 2016 to December 31, 2016 mainly consisted of royalties paid by its direct and indirect subsidiaries for use of intangible assets, trademarks and Cemex management services under licensing agreements arranged through the Branch in Switzerland. This revenue is part of the Company's main business operations.

## **2.- Business performance of the Cemex Latam Group**

Key indicators for 2016 include the following:

- The volumes of domestic gray cement, concrete and aggregates increased by 1%, 9% and 14%, respectively, in 2016 compared to 2015.
- Consolidated net sales fell by 8% vis-à-vis 2015, primarily due to exchange rate fluctuations and lower sales by our operations in Colombia, Panama and Costa Rica. Adjusting for exchange rate fluctuations, consolidated net sales diminished by 2% in a full-year comparison against the previous year.
- In 2016 the Group has achieved record EBITDA and EBITDA margins in Nicaragua and Guatemala, in addition to a record EBITDA margin in Panama. Adjusting for exchange rate fluctuations, the volumes of domestic gray cement, concrete and aggregates increased by 1%, 2% and 8%, respectively, in 2016 compared to 2015.
- Adjusting for exchange rate fluctuations, consolidated EBITDA remained at the same level as in 2015, i.e. US Dollars 449 million (Euros 427 million).

The main trends in key performance indicators of the Cemex Latam Group's businesses in South and Central American markets are summarized below:

- **Colombia**

The volumes of domestic gray cement, concrete and aggregates diminished by 0%, 8% and 13%, respectively, in 2016 compared to 2015. Prices in local currency of domestic gray cement, concrete and aggregates rose by 1%, 4% and 11%, respectively, compared to 2015.

In 2016, EBITDA in Colombia fell by 14% to US Dollars 214 million (Euros 203 million) compared to US Dollars 248 million (Euros 236 million) in 2015, while net sales shrank by 8% to US Dollars 665 million (Euros 632 million) during the same period.

- **Panama**

Our volumes of domestic gray cement, concrete and aggregates diminished by 14%, 3% and 5%, respectively, in 2016 compared to the same period in 2015.

EBITDA declined by 1% to US Dollars 116 million (Euros 110 million) in 2016 compared to 2015. Net sales totaled US Dollars 256 million (Euros 243 million) in 2016, a decrease of 10% on the prior year.

- **Costa Rica**

The volumes of domestic gray cement and concrete diminished by 12% and 9%, respectively, in 2016 compared to 2015. These volumes were negatively affected by the lack of new infrastructure works executed. The volume of aggregates increased by 9% in 2016 compared to 2015.

EBITDA amounted to US Dollars 61 million (Euros 58 million) during the year, having decreased by 12% with respect to the same period in 2015. In 2016 net sales fell by 9% on 2015, to US Dollars 151 million (Euros 144 million).

- **Other Cemex Latam Group countries**

In the region called "Rest of CLH", which includes operations in Nicaragua, Guatemala, El Salvador and Brazil, domestic gray cement sales volumes increased by 10% whereas volumes of both concrete and aggregates fell by 37% and 66%, respectively, compared to 2015.

The strong growth of cement sales volumes in Nicaragua and concrete sales volumes in Guatemala was offset by weaker demand in other markets, most notably by the results of our operations in Brazil.

Net sales in 2016 totaled US Dollars 263 million (Euros 250 million), down 2% on 2015. In 2016, EBITDA grew by 16% on 2015, reaching US Dollars 84 million (Euros 80 million).

### **3.- Outlook for the Cemex Latam Group**

For 2017, volumes of cement and aggregates are expected to be similar to 2016. Concrete volumes are estimated to grow by between 1% and 3%. Investments in property, plant and equipment for maintenance and strategic purposes are forecast to total US Dollars 56 million and US Dollars 40 million (Euros 53 million and Euros 38 million), respectively.

#### **4.- Risks and uncertainties**

The Company's activities are exposed to various financial risks, primarily liquidity risk, cash flow interest rate risk and capital risk. The Company's global risk management program focuses on uncertainties in its markets of operations and in financial markets, and aims to minimize the potentially adverse effects on the Company's financial performance.

The Company's Finance and Management departments ("Comptroller, Internal Control and Internal Audit") work together and jointly oversee the management of the Company's risks based on the policies, procedures and systems ("the Policies and Systems") in place and/or adopted specifically by the Company and other Cemex Latam Group companies. The strategic planning, tax and legal departments are also involved in the process.

These departments identify, measure and manage the operating and financial risks to which the Company is exposed in close collaboration with other Group areas and always under the supervision of the Company's senior management.

The Audit Committee is responsible for supervising the effectiveness of the Company's internal control and for managing corporate risks directly in line with the duties conferred on it expressly in the Regulations of the Board of Directors. In this respect, the Audit Committee is assisted by the Company's Internal Audit Area, which reports functionally to it.

The board of directors is ultimately responsible for the appropriate management of the Company's risks, approving and establishing suitable guidelines and policies, subject to a prior report by the Audit Committee.

The key indicators of the efficiency of the Company's internal control and corporate risk management are detailed in the pertinent sections of the *Annual Corporate Governance Report* which, pursuant to article 43 of the Regulations of the Board of Directors, is attached hereto as an Appendix.

The main risks and uncertainties identified are:

(a) Liquidity risk

The Company applies a prudent policy to cover its liquidity risks based on having sufficient cash, as well as sufficient financing through credit facilities. One of the objectives of the Company's and the Cemex Group's Treasury Department is to maintain flexible financing through drawdowns on credit facilities arranged with Cemex Group companies.

(b) Cash flow interest rate risk

The Company is exposed to interest rate risk from borrowings (loans and credit facilities) with Cemex Group companies. Fixed-rate loans expose the Company to fair value interest rate risks and are reviewed by the Cemex Group to confirm that they are entered into on an arm's length basis at market rates of interest.

(c) Capital risk

At December 31, 2016 and 2015 the Company has no financial instruments or transactions involving treasury shares or shares of Cemex S.A.B. de C.V. or third parties, except the share-based payment plans granted to executives. As such, the Company does not expect any changes in forecast cash flows due to variations in share prices.

**5.- Research and development activities (R&D)**

Through its Branch in Switzerland, the Company has developed Cemex Latam Group industrial property aimed at and adapted for Latin American countries.

As a result, the Branch now adapts the Cemex Group's intangible assets to meet the specific needs of the Latin American markets in which the Cemex Latam Group operates.

Cemex Latam Holdings, S.A. (Swiss Branch) has therefore signed agreements to provide services and to manage and develop industrial property, sublicensing the use of this industrial property to the Latin American countries in question. It has also signed licensing agreements with the Cemex Group.

**6.- Treasury shares**

At December 31, 2016 the Company held 21,630,605 treasury shares. These shares were bought back on December 12, 2012 when the put option granted to the underwriters in the aforementioned Initial Public Offering was exercised.

In 2016 and 2015, 377,412 and 356,976 treasury shares, respectively, were blocked due to the implementation of the long-term incentive scheme approved by the board of directors at its session held on January 16, 2013, with effect from January 1, 2013, following receipt of a report from the Appointments and Remuneration Committee approving the initiative. This scheme is an annual remuneration program for certain Cemex Latam Group executives based on Company shares, which are delivered fully paid-in in four 25% blocks per year under each of the annual programs.

In 2016, 271,461 shares were delivered to certain executives, corresponding to the portion accrued under the program for the prior year.

**7.- Annual Corporate Governance Report**

Although the Company has not issued any securities admitted for trading in any member state of the European Union and its shares are only admitted to trading on the Colombian Stock Exchange, it has decided voluntarily to prepare an Annual Corporate Governance Report and to include it in this Directors' Report.



Therefore, both the Annual Corporate Governance Report for the year ended December 31, 2016 and the Survey on Best Colombian Business Practices (“**Country Code Survey**”) have been attached to this Directors’ Report and become an integral part hereof. The Country Code Survey has been drawn up based on the model provided in the Colombian securities market regulator’s External Circular No. 028 of 2014, dated September 30, 2014.

Also attached to this report is the Annual Report on the *Remuneration of Board Members and Senior Executives* for 2016, approved by the board of directors.

#### **8.- Average supplier payment period**

The average supplier payment period is 17 days, which lies within the legal payment period.

#### **9.- Events After the Reporting Period**

On February 24, 2017 the Company refinanced its debt with New Sunward Holding, B.V. by an amount of US Dollars 229,507 thousand, extending its maturity until 2023. The interest rate under the new loan contract is 5.65%.

At their meeting on March 28, 2017 the board of directors approved an amendment to the Framework Agreement (note 16) to establish a principle of mutual interest between Cemex, S.A.B. de C.V., Cemex España and the Company with regard to legal proceedings, administrative matters and government regulations.

**APPENDIX I**

**ANNUAL CORPORATE GOVERNANCE REPORT  
YEAR ENDED DECEMBER 31, 2016**



CEMEX LATAM HOLDINGS, S.A.  
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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

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

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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 <sup>(2)</sup>

(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
--------	-----

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](http://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 Muguiro 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 Madridejos 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	-	-	-	-	-	-	-	-
<b>Total:</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>22.22%</b>	<b>11.11%</b>	<b>11.11%</b>	<b>11.11%</b>

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. Madridejos 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</u> corresponding to the Board of Directors <u>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"> <li>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</li> <li>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.</li> </ol> <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 <sup>(1)</sup>
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	<b>0</b>
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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 <sup>(1)</sup>
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.

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- 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

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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 <sup>(1)</sup>

<sup>(1)</sup> 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 <sup>(1)</sup>	Secretary	Proprietary Director

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

<sup>(1)</sup> 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

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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 <sup>(1)</sup>	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		

<sup>(1)</sup> 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

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

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](http://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><b>Competent body for the authorization of related-party transactions</b></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><b>Procedure for the approval of related-party transactions</b></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**

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**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.

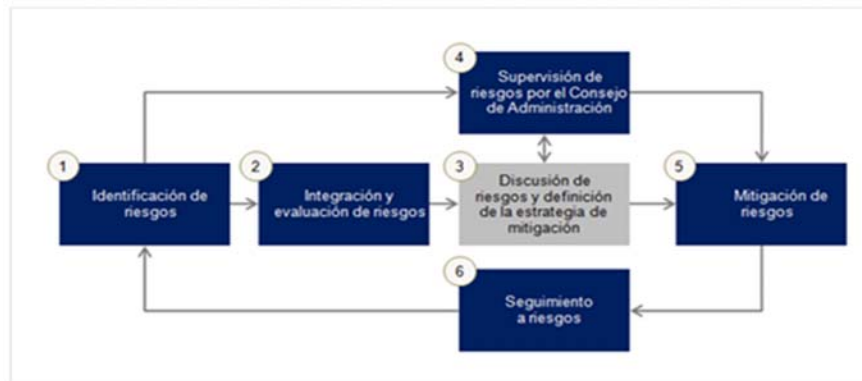
The ERM system operates in an integrated and structured manner to proactively identify and manage the main risks to which the Group is exposed. Each business unit has an ERM Department, which reports directly to the Country Director and simultaneously to the ERM Director for Central and South America 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

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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:

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**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.



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**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](http://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

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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 or 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.

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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.

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**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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43. The Audit Committee should be empowered to meet with any Company employee or manager, even ordering their appearance without the presence of another senior officer.

See section: C.2.1. (Audit Committee, section 1)

<b><u>Compliant</u></b>	Partially compliant	Explain
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44. The Audit Committee should be informed of the structural and corporate changes the Company intends to make, to analyze such actions and issue a prior report to the Board of Directors concerning economic conditions and their accounting impact, and in particular on any proposed share exchange ratios.

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

<b><u>Compliant</u></b>	Partially compliant	Explain	Not applicable
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45. Control and risk management policy should specify at least:
- a) the different types of financial and non-financial risk (operational, technological, legal, social, environmental, political and reputational, etc.) the Company is exposed to, with the inclusion, under financial or economic risks, of contingent liabilities and other off-balance-sheet risks;
  - b) the setting of the risk level deemed acceptable by the Company;
  - c) measures in place to mitigate the impact of identified risks should they occur;
  - d) the internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

See section: E

<b><u>Compliant</u></b>	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

<b><u>Compliant</u></b>	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)

<b><u>Compliant</u></b>	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	<b><u>Not applicable</u></b>
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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.

<b><u>Compliant</u></b>	Partially compliant	Explain
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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.

<b><u>Compliant</u></b>	Partially compliant	Explain
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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.

<b><u>Compliant</u></b>	Explain
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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	<b><u>Not applicable</u></b>
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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.

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	<b><u>Not applicable</u></b>
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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.

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	<b><u>Not applicable</u></b>
-----------	---------------------	---------	------------------------------

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	<b><u>Not applicable</u></b>
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CEMEX LATAM HOLDINGS, S.A.  
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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.

\* \* \*

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.



**APPENDIX II**

**CODE OF CORPORATE BEST PRACTICES  
(COUNTRY CODE QUESTIONNAIRE – COLOMBIA)**

**YEAR ENDED DECEMBER 31, 2016**



**REPORT ON IMPLEMENTATION OF CORPORATE BEST  
PRACTICES**

**(Free translation from the original in Spanish. In the event of  
discrepancy, the Spanish-language version prevails.)**

**NAME OF ISSUER: CEMEX LATAM HOLDINGS, S.A.**

**LEGAL REPRESENTATIVE: ANA MARÍA GÓMEZ MONTES**

**LEGAL REPRESENTATIVE DESIGNATED TO SUBMIT  
IMPLEMENTATION REPORT: ANA MARÍA GÓMEZ MONTES**

**REPORTING PERIOD: YEAR ENDED DECEMBER 31, 2016**

**REPORTING DATE: MARCH 24, 2017**

## INTRODUCTION

Issuers must report to the Financial Superintendency of Colombia (SFC) on the implementation of the recommendations set forth in the new Colombian Code of Corporate Best Practices by means of this Report on Implementation of Corporate Best Practices.

The purpose of this report is to inform the securities market of whether each issuer has implemented the recommendations set forth in the Code. Next to each recommendation are three boxes marked YES, NO and N/A and space to supplement the reply as follows:

If the answer is YES, the issuer should briefly describe how the recommendation has been implemented. If the answer is NO, the issuer should briefly explain why the recommendation has not been implemented.

The issuer may only reply N/A if the recommendation cannot be adopted for legal reasons. In such case, it should indicate the specific regulation preventing implementation.

As some recommendations comprise a series of points, they shall only be considered implemented where all such points have been met, unless there are legal reasons for failing to implement any of the points, which must be indicated.

There is a box in which to indicate the date on which the issuer first implemented the recommendation. There is also a box to record the dates on which modifications have been made.

Lastly, where due to its nature, an issuer does not have the specific body referred to in a recommendation, the recommendation shall be understood to refer to the equivalent internal body or that performing analogous functions.

**EXPLANATORY NOTE**

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

The Cemex Latam Group is a sub-group of the corporate group of which the parent, CEMEX España, S.A., is the main shareholder (hereinafter “**CEMEX España Group**” or “**Cemex España**”, as appropriate).

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

The statutory activity of the Company consists of the management and administration of equity securities of companies engaged mainly in the manufacture and sale of cement and other building materials in South and Central America and the Caribbean. At the date of this report, the main operations of the Cemex Latam Group are located in Colombia, Panama, Nicaragua, Costa Rica, Guatemala, El Salvador and Brazil.

The Company carried out an IPO in Colombia of approximately 26% of its share capital in November 2012. Its shares began trading on the Colombian Stock Exchange on November 16, 2012.

Given that it is not a Spanish public limited liability company, Cemex Latam is not subject to Spanish corporate governance legislation applicable to corporations listed on Spanish stock markets and, since it is not a Colombian company, neither is it governed by similar provisions of best practice regulations applicable to Colombian issuers whose shares are listed on the BVC.

However, Cemex Latam opted to voluntarily comply with the best practice stipulations contained in the former Unified Code of Good Governance and has decided to comply with the equivalent practices set forth in the Good Governance Code of Listed Companies, and with the best practice provisions applicable to Colombian issuers. Since being admitted to trading, Cemex Latam’s corporate governance system has adhered to these best practice provisions, as well as to best practice on an international level. It is for this reason that the Company has decided to voluntarily complete this questionnaire.

To improve the reader's understanding, the following terms used in this questionnaire are defined below:

- “External Auditor”: the term used to translate the Spanish term “Revisor Fiscal”, which, in the case of the Company, is KPMG Auditores, S.L.P.
- “**Committee**”: term used to translate the Spanish term “Comisión” when referring to the Audit Committee, the Nominating and Compensation Committee and the Corporate Governance Committee.
- “Director”: member of the Board of Directors.
- 
- “Board of Directors”: the Company’s board of management.
- 
- “Bylaws”: the Company’s Bylaws
- 
- “Cemex Group”: the group of subsidiaries headed by Cemex S.A.B. de C.V.
- 
- “Cemex España Group”: the group headed by Cemex España, S.A.
- 
- “Cemex Latam Group” or “CLH Group”: the group headed by Cemex Latam Holdings, S.A.
- “General Shareholders’ Meeting”: term used to refer to the general meeting of shareholders.
- 
- “SCA”: the Spanish Companies Act, the law that governs the Company.
- 
- “Internal regulations”: the Company Bylaws, the Shareholders’ Meeting Regulations, the Board Regulations and any other internal regulations approved by the Board of Directors.
- 
- “RBD”: Regulations of the Board of Directors of the Company
- 
- “RGSM”: Regulations of the General Shareholders’ Meeting.
-

**I. EQUAL TREATMENT AND RIGHTS OF SHAREHOLDERS**

**Measure No. 1: Principle of equal treatment.**

**1.1. The company gives equal treatment to** all holders of shares of a single class that confer the same rights. This does not entail providing certain shareholders with privileged information.

1.1 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The share capital of the Company comprises shares of the same class and series which grant their legitimate holder the status of shareholder, conferring the rights and obligations enshrined in the SCA and the Company's internal regulations. This information is stipulated in articles 5 and 8 of the Company Bylaws and the RGSM.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Implementation date	16/11/2012
Date of modification	

**1.2. The Board of Directors has approved a specific procedure** defining the company practices for communicating with different types of shareholders. It covers matters such as access to information, handling of information requests, communication channels, and methods of interaction between shareholders and the company, the Board of Directors and other directors.

1.2 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted: As indicated in the preceding measure, CLH's shares are all of the same class and series and confer the same rights to all shareholders, and there is therefore no need to approve any specific procedure governing relations with different types of shareholders.

Date of implementation	
Date of modification	

**Measure no. 2: Share information.**

**2.1.** On its website, **the company informs the public** clearly, accurately and in full **of the different classes of share issued** by the company, the number of shares issued for each class, the number of shares not issued, and the rights and obligations conferred by each class of share.

2.1 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> The section on "Stock Information" on the Company website indicates that the shares are ordinary shares of a single class conferring the same rights, as set forth in the Company's internal regulations, which are likewise available on the corporate website. The aforementioned website also indicates the number of treasury shares held at year end.</p>
<p><b>NO. Explain:</b></p>
<p><b>N/A. Specify the regulations that prevent the recommendation from being adopted:</b></p>

Date of implementation	16/11/2012
Date of modification	31/12/2016

**Measure no. 3: Non-dilution of share capital.**

**3.1.** For **transactions that may lead to dilution of the share capital** held by non-controlling shareholders (in the event of a share capital increase in which preferential subscription rights are waived, a merger, spin-off or carve-out, among others), **the company provides shareholders with a detailed explanation of the transaction** in a preliminary report issued by the Board of Directors which includes a fairness opinion on the terms of the transaction issued by a recognized independent external advisor appointed by the Board of Directors. These reports are made available to shareholders before the GSM within the legally established time limits for exercising the right to inspect the reports.

3.1 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> Although no transaction has been carried out to date that could result in dilution of share capital, in the event that one were carried out, pursuant to article 2.1 of the Company Bylaws read in conjunction with the SCA, the Board of Directors and an independent expert other than the statutory auditor must each issue a report when notice of the General Shareholders' Meeting is issued.</p>
<p><b>NO. Explain:</b></p>

N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	01/10/2012
Date of modification	16/06/2015

**Measure no. 4: Reporting and communication with shareholders.**

**4.1. The company has a corporate website**, in Spanish and English, with a section on corporate governance or shareholder and investor relations, or the equivalent thereof, which sets out financial and non-financial information on the terms proposed by recommendations 32.3 and 33.3. In no event may confidential company information, information relating to trade secrets, or any other information that could be used to the detriment of the company, be posted therein.

4.1 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Pursuant to article 45 of the RBD, the website includes the information indicated in this measure in the section "Investor Center" (in English) / "Inversionistas" (in Spanish).	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	16/11/2012
Date of modification	20/06/2016

**4.2. The company has mechanisms providing permanent access and use solely for shareholders** such as a link providing shareholders with exclusive website access, or an investor or shareholder relations office, or periodic information meetings, among others, by means of which shareholders may express their opinions or voice their concerns or suggestions on the company or on their situation as shareholders.

4.2 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The Company website contains a link that only current or probable future shareholders can use to submit queries to or request information from the Investor Relations department. Furthermore, when the General Shareholders' Meeting is called, a special office with an investor hotline is set up at the corporate headquarters in Bogotá and Madrid.	
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The Head of Investor Relations takes part in various investor forums in order to shed light as needed on the Company's results and business strategy. Specifically:

- Each year, the Company takes part in between 16 and 19 variable income conferences organized by the banks whose analysts cover CLH, as well as an average of 4 "non-deal roadshows" per year with the CEO and Head of Investor Relations taking part.
- The Investor Relations department dealt with 357 investors face-to-face in 2016, and fielded a similar number of calls from investors.
  - During 2016 the Company visited 8 countries in an effort to approach investors and address their concerns.

NO. Explain:

N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	16/11/2012
Date of modification	

**4.3. The company organizes quarterly earnings presentations for shareholders and analysts** which may be attended in person or via distance communication media (conference calls, videoconferencing, etc.).

4.3 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: CLH holds quarterly earnings presentations which may be attended in person or by videoconferencing. The information needed to connect via videoconferencing is published sufficiently in advance. Once the event has finished, the content is posted to the website.

NO. Explain:

N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	16/11/2012
Date of modification	

**4.4. The company organizes or takes part in presentations, events or fixed-income fora** held mainly for **investors in debt instruments and market analysts** during which the issuer provides an update on its business indicators, management of its liabilities, its financial policy, ratings, and status regarding any covenants, etc.

4.4 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted: The Company has not raised any debt on the capital markets and so does not take part in any fixed-income events or fora.	
Date of implementation	
Date of modification	

**4.5. Pursuant to the company Bylaws, shareholders or groups of shareholders representing at least five percent (5%) of share capital may request that a specialized audit be performed** of matters other than those audited by the statutory auditor of the company. Based on its capital structure, the company may establish a threshold below five percent (5%).

4.5 Has the measure been implemented?    YES        NO        N/A   

YES. Briefly describe: Shareholders representing at least 5% of share capital may request specialized audits pursuant to article 53 of the Company Bylaws.	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	01/10/2012
Date of modification	16/06/2015

**4.6. The company has a written procedure** for exercising this right in accordance with the details set forth in recommendation 4.6.

4.6 Has the measure been implemented?    YES        NO        N/A   

YES. Briefly describe:
------------------------

<p><b>NO. Explain:</b> The Company does not have such a written procedure. All information on the specialized audits is contained in article 53 of the Company Bylaws, which covers all the details contained in recommendation 4.6., except for point (vi).</p>				
<p><b>N/A. Specify the regulations that prevent the recommendation from being adopted:</b></p>				
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Date of implementation</td> <td></td> </tr> <tr> <td>Date of modification</td> <td></td> </tr> </table>	Date of implementation		Date of modification	
Date of implementation				
Date of modification				

**Measure no. 5: Action by the Directors in the event of transactions to change control or take over the company.**

**5.1.** In their acceptance letters or contracts, members of the Board of Directors and senior management personnel expressly accept that from the date a takeover bid or other relevant transaction such as a merger or spin-off is announced, there will be a period during which they undertake not to deal in company shares either directly or indirectly through a third party.

5.1 Has the measure been implemented?    YES        NO        N/A   

<p><b>YES. Briefly describe:</b></p>				
<p><b>NO. Explain:</b> Neither the Directors nor the senior management personnel have expressly accepted the prohibition referred to in this measure in their acceptance letters or contracts. Nonetheless, given that they are subject to Cemex policies to which the Company has signed up, both the Directors and the senior managers are obliged to observe the "quiet period" provided for in the internal Confidential and Privileged Information Policy. The above quiet period is the period during which dealings with securities are not permitted where so notified by the relevant internal department, ten days after the close of each quarter and where in possession of relevant non-public information, such as the transactions referred to in this recommendation.</p>				
<p><b>N/A. Specify the regulations that prevent the recommendation from being adopted:</b></p>				
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Date of implementation</td> <td></td> </tr> <tr> <td>Date of modification</td> <td></td> </tr> </table>	Date of implementation		Date of modification	
Date of implementation				
Date of modification				

**Measure no. 6: Listing of shares in companies that form part of conglomerates.**

**6.1.** Notwithstanding the independence of each company that forms part of the conglomerate and the responsibilities of its managing bodies, **the organizational structure** of the conglomerate defines, for each of the three (3) levels of governance – General Shareholders’ Meeting, Board of Directors and senior management personnel – the bodies and key individual positions, and the relationship between them, which is public, clear and transparent, enabling clear lines of responsibility and communication to be established, and facilitating the strategic orientation, oversight, control and effective management of the conglomerate.

6.1 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The conglomerate has an organizational structure that is published on the website.	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	01/10/2012
Date of modification	

**6.2.** The **Parent and its main subsidiaries have defined a framework for institutional relations** by signing a public agreement governing the matters indicated in recommendation 6.2, which has been approved by the board of directors of each company.

6.2 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The Framework Agreement signed on October 5, 2012 by CLH, CEMEX, S.A.B. de C.V. and CEMEX España, S.A. governs intra-group relations. The above agreement is available on the corporate website.	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	

Date of implementation	16/11/2012
Date of modification	

**Measure no. 7: Dispute resolution.**

7.1. With the exception of disputes among shareholders, or between the shareholders and the company or its Board of Directors, which by express legal authority must necessarily be settled before the ordinary courts, **the company Bylaws provide mechanisms for dispute resolution such as direct agreement, amiable composition, conciliation and arbitration.**

7.1 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:
NO. Explain: The final provision of the Bylaws refers only to the legal jurisdiction for disputes.
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	
Date of modification	

## I. GENERAL SHAREHOLDERS' MEETING

**Measure no. 8: Functions and powers.**

**8.1.** In addition to the other functions legally conferred on the General Shareholders' Meeting, **the company Bylaws expressly define the functions of the General Shareholders' Meeting indicated in recommendation 8.1.**, emphasizing their exclusive and non-delegable nature.

8.1 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Article 18 of the Company Bylaws regulates the matters conferred on the General Shareholders' Meeting by the SCA, which includes the functions indicated in recommendation 8.1.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	16/06/2015

**Measure no. 9: Regulations of the General Shareholders' Meeting.**

**9.1.** The company has **Regulations of the General Shareholders' Meeting** which govern all matters affecting it, from calling the meeting to preparing the information for the shareholders, attendance, conducting the meeting and exercise of the voting rights of the shareholders so that they are fully informed of the entire regime for conducting meeting sessions.

9.1 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Since its IPO, the Company has had in place Regulations of the General Shareholders' Meeting which govern the matters indicated in this measure and have been amended during 2015 to (i) adapt them to the changes introduced by Law 31/2014 of December 3, 2014 amending the Spanish Companies Act with a view to improving corporate governance; (ii) comply as far as possible with the recommendations for voluntary monitoring of good governance subject to the principle of "comply or explain" set out in the new Good Governance Code of Spanish listed companies and the recommendations for good governance in Colombia; (iii) modify certain aspects of the organization and operation of the General Shareholders' Meeting which have been revealed as requiring adjustment during the three-year life of the Company; and (iv) include clarifications of the wording or make technical improvements to certain articles.  The Regulations of the General Shareholders' Meeting are published on the corporate website and filed with the Madrid Mercantile Registry.
NO. Explain:

N/A. Specify the regulations that prevent the recommendation from being adopted:	
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Date of implementation	01/10/2012
Date of modification	15/06/2015

**Measure no. 10: Notice of General Shareholders' Meeting.**

**10.1.** To enable shareholders to exercise their right of information, **the company Bylaws provide that the ordinary General Shareholders' Meeting must be called with at least thirty (30) calendar days' notice** and that **extraordinary meetings must be called with at least fifteen (15) calendar days' notice**. Notwithstanding the legal provisions for corporate reorganizations (for example, merger, spin-off or alteration of legal form).

10.1 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted: As a Spanish company, its internal regulations contain the provisions of the SCA. Article 20 of the Company Bylaws and article 8 of the RGSM therefore make reference to the provisions of the applicable Spanish legislation. In this regard, article 176 of the SCA provide for a minimum prior call of 30 days for both ordinary and extraordinary meetings.

Date of implementation	01/10/2012
Date of modification	16/06/2015

**10.2.** In addition to the traditional and obligatory means provided for in the legal framework, **the company ensures maximum dissemination and publication of meeting notices** through the use of electronic means such as the corporate website, individual e-mail alerts and even, where pertinent, social networks.

10.2 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Article 20 of the Company Bylaws and article 8 of the RGSM stipulate that notice of meetings must be published in at least: (i) the Official Gazette of the Spanish Mercantile Registry or in a widely circulated Spanish daily newspaper; (ii) on the website of the Financial Superintendency of Colombia or such body as might perform its duties in future; (iii) on the Company website.
--

NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	

**10.3.** To increase the transparency of decision-making during the General Meeting, **simultaneously with notice of the meeting, or at least with fifteen (15) calendar days' notice, the company provides shareholders with resolution proposals** in respect of each item on the agenda to be submitted to the General Shareholders' Meeting by the Board of Directors, in addition to the agenda stating, item by item, the issues to be discussed at the meeting.

10.3 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Pursuant to article 10 of the RGSM, along with the meeting notice, shareholders receive the full text of resolution proposals with at least 30 days' notice.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	

**10.4.** A **partial spin-off may only be analyzed and approved by the General Shareholders' Meeting** if this agenda item has been expressly included in the notice of meeting.



10.4 Has the measure been implemented? YES  NO  N/A

<p>YES. Briefly describe: Article 18.1.(j) of the Company Bylaws stipulates that, among other matters, the General Shareholders' Meeting shall decide whether to approve the spin-off. Similarly, pursuant to article 9.3. of the RGSM, the General Shareholders' Meeting may not deliberate or decide on matters that are not included in the meeting agenda distributed with the meeting notice.</p>
<p>NO. Explain:</p>
<p>N/A. Specify the regulations that prevent the recommendation from being adopted:</p>

Date of implementation	01/10/2012
Date of modification	16/06/2015

**10.5. The agenda proposed by the Board of Directors accurately reflects the content of the matters to be addressed** and does not conceal or mask important matters by using inaccurate, generic, overly general or broad terms such as “*other*” or “*proposals and other*”.

10.5 Has the measure been implemented? YES  NO  N/A

<p>YES. Briefly describe: The items on the agenda are broken down by section and, where appropriate, subsection, duly identifying the matters to be voted on by topic.</p>
<p>NO. Explain:</p>
<p>N/A. Specify the regulations that prevent the recommendation from being adopted:</p>

Date of implementation	17/04/2012
Date of modification	

**10.6. In the event of amendments to the company Bylaws, separate votes are taken on all articles or groups of articles** that are materially independent. In any case, a separate vote is held on an article if a shareholder or group of shareholders representing at least five percent (5%) of the share capital so requests during the Meeting, a right of which the shareholders are previously apprised.

10.6 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:
NO. Explain: Per the provisions of article 33 of the RGSM, separate votes are taken on the amendments of Bylaw articles or groups of articles that are materially independent. Nonetheless, the right of shareholders to request separate voting is not provided for.
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	16/06/2015
Date of modification	

**10.7. Notwithstanding the provisions of article 182 of the Commercial Code, in order to reinforce and guarantee the right of inspection and information of the shareholders prior to the General Meeting, the company Bylaws recognize the right of shareholders, irrespective of the size of their shareholdings, to propose that one or more items be included on the agenda for discussion** at the General Shareholders' Meeting, within reasonable limits and provided the request to include new agenda items is duly justified. Shareholders must file the request within five (5) calendar days from publication of the meeting notice.

10.7 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:
NO. Explain: As a Spanish company, its internal regulations refer to the provisions of the SCA. Thus, article 9.2. of the RGSM, states that only shareholders representing at least 3% of share capital may request the publication of an addendum to the notice of the General Shareholders' Meeting, including one or more

agenda items, provided justification for the request is given or, where appropriate, a justified resolution proposal, within five calendar days from the publication of the meeting notice.
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	
Date of modification	

**10.8.** If the Board of Directors rejects a request, **it is obliged to reply in writing** thereto where it is supported by at least five percent (5%) of the share capital, or a smaller percentage established by the company on the basis of the degree of concentration of ownership, **setting out the reasons for the decision and** informing shareholders of their right to submit proposals during the Meeting, pursuant to the aforementioned article 182 of the Commercial Code.

10.8 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> As a Spanish company, its internal regulations refer to the provisions of the SCA. Thus, article 9.2 of the RGSM and article 519 of the SCA provide that where such a request is made by at least three percent (3%) of the capital stock by the deadline envisaged in the above article, and such a request is made by duly authenticated means sent to the registered office, which must be received within five (5) days of the publication of the meeting call, the Board of Directors may not reject the request. Thus, where any of the requirements referred to above are not met by the shareholders, the request will be rejected in writing where it was proposed by at least three percent (3%) of the share capital.</p>
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	
Date of modification	

**10.9.** If the Board of Directors accepts the request after the deadline for shareholders to propose agenda items in accordance with the above recommendations, **an addendum to the notice of the General Shareholders' Meeting is published at least fifteen (15) calendar days before the meeting.**

10.9 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Pursuant to article 9.2. of the RGSM, the Company will publish the addendum to the meeting notice at least fifteen days before the General Shareholders' Meeting.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	16/06/2015

**10.10.** Within the deadline indicated in point 10.7. **shareholders may also submit new resolution proposals and their arguments to support them** in respect of items already included on the meeting agenda. In such cases, the Board of Directors acts as indicated in points 10.8 and 10.9 above.

10.10 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted: As noted in the above recommendations, as a Spanish company, its internal regulations refer to the provisions of the SCA. Thus, article 9.2 of the RGSM provide that shareholders representing at least 3% of the capital stock may submit proposals in respect of items already on the agenda or that must be included within five days of the date on which the meeting call is published.

Date of implementation	01/10/2012
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Date of modification	16/06/2015
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**10.11. The company undertakes to use electronic means of communication, mainly the shareholders only section of the corporate website, to provide them with the documents and information associated with each item on the meeting agenda.**

10.11 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:
NO. Explain: All documentation legally required for the General Shareholders' Meeting is published on the public-access section of the corporate website, not that reserved solely for shareholders.
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	
Date of modification	

**10.12. The company Bylaws confer on shareholders the right to request with sufficient notice any information or clarifications** deemed pertinent through traditional channels and/or, where appropriate, using new technologies, or to submit in writing any questions they consider necessary regarding the items included on the agenda, the documentation received or the public information provided by the company. Depending on the length of prior notice chosen by the company for calling the General Shareholders' Meeting, the company shall determine the period within which shareholders may exercise this right.

10.12 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Pursuant to article 11 of the RGSM, from the date of publication of the meeting notice until the fifth day prior to the General Shareholders' Meeting, shareholders may request in writing any information or clarifications they deem necessary or submit the questions they consider pertinent on the items included in the agenda or the documentation made available along with the meeting notice.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	16/06/2015

**10.13. The company has made provision for requested information to be refused where,** in accordance with the internal procedures, it may be deemed: i) unreasonable; ii) irrelevant for the purpose of ascertaining the progress or interests of the company; iii) confidential, including privileged information on securities trading, trade secrets, ongoing operations, the success of which depends substantially on secrecy; and iv) information the disclosure of which places the competitiveness of the company at serious imminent risk.

10.13 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> Pursuant to article 11.4 of the RGSM, directors are not obliged to attend to information requests in the following cases: (i) where the information is unnecessary to safeguard the rights of the shareholders, or there are objective reasons to believe that it might be used for non-corporate ends, or the disclosure thereof could undermine the Company or related companies. This exception shall not apply if the request is supported by shareholders representing at least twenty-five percent (25%) of share capital; (ii) where the request for information or clarification refers to information clearly, explicitly and directly available to all shareholders on the corporate website in Q&amp;A format, in which case the directors may limit their reply to referring to the information provided therein; (iii) where the request for information or clarification does not relate to items included on the agenda, or available to the public and filed with the Financial Superintendency of Colombia since the last General Shareholders' Meeting, or the audit report or the documentation made available at the time of publication of the meeting notice, even if not included on the agenda; or (iv) where provided otherwise by law or in the Bylaws.</p>
<p><b>NO. Explain:</b></p>
<p><b>N/A. Specify the regulations that prevent the recommendation from being adopted:</b></p>

Date of implementation	01/10/2012
Date of modification	16/06/2015

**10.14. Where the reply given to a shareholder might place the shareholder at an advantage, the company immediately makes the reply available to the other shareholders** in accordance with the mechanisms provided for that purpose, and on the same terms.

10.14 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> Pursuant to article 11.2 of the RGSM, any written replies by the directors will be posted on the website to which all shareholders have access.</p>
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NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	16/06/2015
Date of modification	

**Measure no. 11: Rules of representation.**

**11.1.** Notwithstanding the limits set forth in article 185 of the Commercial Code, External Circular 24 of 2010 and regulations amending, supplementing or replacing them, **the company does not limit the right of shareholders to be duly represented at the General Shareholders' Meeting**, and to delegate their vote to any person, whether or not a shareholder.

11.1 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Pursuant to article 14 of the RGSM, shareholders may exercise their right to attend in person or through a proxy, whether or not the latter is a shareholder, at the General Shareholders' Meeting, complying with legal requirements and internal regulations. Pursuant to article 522 of the SCA, any clauses in the bylaws limiting the right of shareholders to be represented by any person at General Meetings shall be deemed null and void.	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	01/10/2012
Date of modification	

**11.2. The company minimizes the use of blank proxy voting without voting instructions**, actively encouraging the use of a standard letter of representation form, which the company itself sends to shareholders or publishes on its website. The form includes the items on the agenda and the corresponding resolution proposals established in accordance with the above procedure, which shall be submitted for consideration by the shareholders so that they may, if they wish, indicate their vote on each item by proxy.

11.2 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Pursuant to article 10 of the RGSM, templates of attendance, proxy and voting cards shall be published on the corporate website on publication of the meeting notice, including the delegation of blank proxy voting without instructions. This rule stipulates that in the event that these cards cannot be published for technical reasons, the Company must specify on its website how shareholders may obtain printed copies, which must be sent to the shareholders who so request. This card includes the agenda and an indication that the respective proposals are available on the website.

NO. Explain:

N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	16/06/2015

**Measure no. 12: Attendance of persons other than the shareholders.**

**12.1.** To revitalize the role of the General Meeting in corporate decision making and make this body a far more participative one, the company GSM Regulations **require the members of the Board of Directors, particularly the presidents of the committees of the Board of Directors and the President of the company to attend the General Meeting** to address the concerns of the shareholders.

12.1 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Pursuant to article 13 of the RGSM, members of the Board of Directors are required to attend the General Shareholders' Meeting.

NO. Explain:

N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	16/06/2015



II. BOARD OF DIRECTORS

Measure no. 13: Functions of the Board of Directors.

13.1. The company Bylaws expressly indicate the **functions that may not be delegated to senior management personnel**, including those established in recommendation 13.1.

13.1 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:
NO. Explain: Being a Spanish company, the Company complies with the provisions of the Spanish Companies Act. This Law regulates the powers that may not be delegated, which are detailed in the Company Bylaws. Thus, the non-delegable functions are those, inter alia, detailed in recommendation 13.1., save those concerning sections VVVII, XXIX and XXX.
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	
Date of modification	

13.2. Notwithstanding the independence of the governing bodies of the subsidiary companies, **where the company acts as the parent of a conglomerate**, these functions of the Board of Directors have a group focus and **are implemented through general policies, guidelines or information requests that respect the balance between the interests of the parent and those of the subsidiaries and the conglomerate as a whole.**

13.2 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: All companies forming part of the Group headed by the Company are obliged to comply with Cemex Group's internal policies and guidelines. Thus, the companies that make up the group of which CLH is the parent are also subject to these policies.
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NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	17/04/2012
Date of modification	

**Measure no. 14: Regulations of the Board of Directors.**

**14.1. The Board of Directors has approved the internal regulations** that govern its organization and operation, as well as the functions and responsibilities of its members, Chairman and Secretary, and their duties and rights. These regulations, which are binding on the members of the Board of Directors, are distributed to the shareholders.

14.1 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The Regulations of the Board of Directors are not only filed with the Madrid Mercantile Registry but also published on the website to which all shareholders have access, pursuant to article 3. Furthermore, pursuant to article 2, the Regulations are binding on all directors. The RBD sets out, among other aspects, the rules and operation of the Board of Directors and the functions and responsibilities of all the directors, their rights and their duties.	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	01/10/2012
Date of modification	16/06/2015

**Measure no. 15: Size of the Board of Directors.**

**15.1. The company has opted in its Bylaws not to appoint alternate members to the Board of Directors.**

15.1 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted: Pursuant to article 529 <i>decies</i> of the SCA, listed corporations are not required to appoint alternates, and it has therefore not opted in its Bylaws not to appoint them.	
Date of implementation	
Date of modification	

**Measure no. 16: Formation of the Board of Directors.**

**16.1.** Based on the premise that once all members of the Board of Directors have been chosen they will act in the interests of the company, **the company, in the interest of maximizing transparency, identifies the origin of the members of the Board of Directors** according to the scheme defined in recommendation 16.1.

16.1 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The types of directors are indicated, but in accordance with the terminology set forth in the SCA and indicated in article 8 of the RBD. Thus, the article draws a distinction between executive directors, non-executive directors, proprietary directors and independent directors.	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	01/10/2014
Date of modification	16/06/2015

**16.2. The company has a procedure in place**, expressed through the Nominating and Compensation Committee or other analogous body, which enables the Board of Directors, based on its own initiative and the conclusions of the annual reviews, to achieve the objectives indicated in recommendation 16.2.

16.2 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The Nominating and Compensation Committee assesses the competencies, knowledge and expertise required of members of the Board of Directors. It defines the functions that must be covered in the event of a vacancy and evaluates the time and dedication required for members to discharge their duties effectively.	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	01/10/2012
Date of modification	16/06/2015

**16.3. The professional profiles identified as necessary are reported to the shareholders by the Board of Directors**, such that the different stakeholders, namely majority or significant shareholders, families, shareholder groups and institutional shareholders, if any, and the Board of Directors itself, are in a position to identify the most suitable candidates.

16.3 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Along with the notice of the General Meeting at which each director is to be ratified, appointed or re-elected, the Nominating and Compensation Committee shall publish on the website the report containing the results of the preliminary analysis by the Board of Directors referred to in the previous recommendation, as stated in article 26.6 of the RBD and other internal regulations. Thus, in 2016, on call for the Shareholders' Meeting at which the re-election and appointment of the current directors was approved, the report prepared by the Nominating and Compensation Committee was published on the Company's website, including the prior analysis of the needs of the Board of Directors.	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	01/10/2012
Date of modification	16/06/2015

**16.4. The company** considers that the mere perusal of the CVs by the shareholders is insufficient for them to determine the suitability of candidates. Consequently, **an internal**

**procedure has been implemented to evaluate any legal incompatibilities or disqualifications and determine whether the candidate is suitable for the needs of the Board of Directors.** It evaluates the set of criteria to be met by functional and personal candidate profiles, and verifies compliance with certain target requirements for membership of the Board of Directors and other additional requirements for independent membership.

16.4 Has the measure been implemented? YES  NO  N/A

<p>YES. Briefly describe: Pursuant to article 9.3. of the RBD, in addition to providing the CVs of the directors, the Board of Directors and the Nominating and Compensation Committee will undertake to ensure that all directors (i) contribute some professional expertise and have experience related to the activity of the Company; (ii) have sufficient time to discharge their duties responsibly; and (iii) have the basic skills required to enable them to discharge their duties adequately. For this reason, the Company draws up questionnaires for the assessment of directors and committee members.</p>
<p>NO. Explain:</p>
<p>N/A. Specify the regulations that prevent the recommendation from being adopted:</p>

Date of implementation	01/10/2012
Date of modification	16/06/2015

**16.5. In addition to the independence requirements already provided for in Law 964 of 2005, the company has voluntarily adopted a stricter definition of independence** than that established in the aforementioned Law. This definition has been adopted as a reference framework through the Regulations of the Board of Directors. It includes, among other requirements to be evaluated, relationships or links of any kind between the candidate to independent membership and controlling or significant shareholders and related parties, national and foreign, and requires a dual declaration of independence: (i) from the candidate vis-à-vis the company, its shareholders and members of senior management, in its Letter of Acceptance, and (ii) from the Board of Directors on the independence of the candidate.

16.5 Has the measure been implemented? YES  NO  N/A

<p>YES. Briefly describe: Article 8.2. of the RBD regulates the prohibitions for appointment as an independent director, among which are the requirements referred to in this measure.</p>
<p>NO. Explain:</p>
<p>N/A. Specify the regulations that prevent the recommendation from being adopted:</p>

Date of implementation	10/10/2012
Date of modification	16/06/2015

**16.6. The company's its Internal Regulations state that it considers that the Board of Directors, through its Chairman and with the support of the Nominating and Compensation Committee or other analogous body, is the most suitable body to centralize and coordinate the process for forming the managing body prior to the General Shareholders' Meeting.** Thus, shareholders wishing to form part of the Board of Directors on the basis of their shareholdings, can learn about the Board of Directors' needs and express their wishes, negotiate balances of shareholdings and the distribution between the different categories of board member, submit their candidates and be willing for such candidates to undergo an assessment of suitability by the Nominating and Compensation Committee before a vote is held at the General Shareholders' Meeting.

16.6 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> Pursuant to article 9.1. of the RBD, the results of the preliminary analysis of the needs of the Board of Directors set forth in the report or supporting proposal of the Nominating and Compensation Committee must be published on the Company website on publication of the notice of the General Shareholders' Meeting in which directors' appointments is to be decided. Thus, in 2016, on call for the Shareholders' Meeting at which the re-election and appointment of the current directors was approved, the report prepared by the Nominating and Compensation Committee was published on the Company's website, including the prior analysis of the needs of the Board of Directors.</p>
<p><b>NO. Explain:</b></p>
<p><b>N/A. Specify the regulations that prevent the recommendation from being adopted:</b></p>

Date of implementation	01/10/2012
Date of modification	16/06/2015

**16.7. The Regulations of the Board of Directors stipulate that the assessment of suitability of candidates should be carried out prior to the General Shareholders' Meeting,** so that the shareholders have sufficient information about the proposed candidates (personal qualities, suitability, career, experience, integrity, etc.) and sufficient time to make an adequate assessment.

16.7 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> The Regulations of the Board of Directors and the Regulations of the General Shareholders' Meeting both stipulate the obligation to include the following information with the proposed resolution for the appointment, re-election or ratification of directors that must be published along with the notice of the General Shareholders' Meeting: professional profile and biography of the director; membership of other boards of directors, irrespective of whether or not they are listed companies; category of directorship</p>
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indicating, for proprietary directors, the shareholder proposing, or that proposed, their appointment or to which it is related; dates of first and successive appointments to a Company directorship; a supporting report from the Board of Directors assessing the competence, experience and merits of the proposed candidate; in the case of independent directors, the proposal by the Nominating and Compensation Committee and, additionally, in the case of non-independent directors, a report issued by the Nominating and Compensation Committee. Thus, on call for the Shareholders' Meeting held in 2016, the above information was published on the Company's website.

NO. Explain:

N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	16/06/2015

**Measure no. 17: Functional structure of the Board of Directors.**

**17.1.** The Regulations of the Board of Directors provide that **independent and proprietary directors must always be in the majority with respect to executive directors**, of which the number, should they form part of the Board of Directors, is the minimum number needed to inform and ensure coordination between the Board of Directors and the senior management of the company.

17.1 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The composition of the Board of Directors shall be such that non-executive directors shall be in the majority with respect to the executive directors and such that at least one third of the members of the board are independent directors. This obligation is enshrined in article 36.3. of the Company Bylaws.

NO. Explain:

N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	1/10/2012
Date of modification	16/06/2015

**17.2.** Beyond the minimum twenty-five percent (25%) threshold for independent directors established in Law 964 of 2005, **the company may analyses and voluntarily increase the number of independent directors**, ensuring that, among other things, the number of independent directors is in proportion to the floating capital.

17.2 Has the measure been implemented? YES  NO  N/A

<p>YES. Briefly describe: Independent directors make up 33% of the Board of Directors and are therefore in proportion to the floating capital.</p>
<p>NO. Explain:</p>
<p>N/A. Specify the regulations that prevent the recommendation from being adopted:</p>

Date of implementation	04/10/2012
Date of modification	

**Measure no. 18: Organization of the Board of Directors.**

**18.1. The functions of the Chairman of the Board of Directors are listed in the company Bylaws**, his main responsibilities being those established in recommendation 18.1.

18.1 Has the measure been implemented? YES  NO  N/A

<p>YES. Briefly describe: The functions of the Chairman of the Board of Directors comprise the responsibilities indicated in recommendation 18.1. Though not governed by the Company Bylaws, they are set forth in article 15 of the RBD.</p>
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NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	01/10/2012
Date of modification	16/06/2015

**18.2.** The company's internal regulations provide for the possibility of affording different treatment to **the Chairman of the Board of Directors vis-à-vis the other members**, in terms of both obligations and remuneration, due to the scope of his specific functions and his increased dedication in terms of time.

18.2 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:	
NO. Explain: Given that the current Board Chairman is a proprietary director and not an executive director, he is not afforded any different treatment vis-à-vis the other proprietary directors in terms of compensation, although article 15 of the RBD provides for the specific obligations to be met by the Chairman	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	01/10/2012
Date of modification	16/06/2015

**18.3.** The company Bylaws set forth the rules for the appointment of the Secretary to the Board of Directors, foremost among which are those indicated in recommendation 18.3.

18.3 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Although the rules for appointing the Secretary to the Board of Directors, which include those indicated in recommendation 18.3, are not regulated in the Company Bylaws, they are set forth in article 19 of the RBD. The Secretary shall in all cases be designated by the Board of Directors as proposed by the Chairman subject to a favorable preliminary report by the Nominating and Compensation Committee. The Secretary may or may not be a member of the Board of Directors.	
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NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	01/10/2012
Date of modification	16/06/2015

**18.4. The Regulations of the Board of Directors establish the functions of the Secretary, among which are those indicated in recommendation 18.4.**

18.4 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The functions of the Secretary to the Board of Directors, which include those indicated in recommendation 18.4, are set forth in article 19.3. of the RBD.	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	01/10/2015
Date of modification	16/06/2015

**18.5. The Board of Directors has set up a Nominating and Compensation Committee**

18.5 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: On 4 October 2012 the Board of Directors created the Nominating and Compensation Committee.	
NO. Explain:	

N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	04/10/2012
Date of modification	

**18.6. The Board of Directors has set up a Risk Committee.**

18.6 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:
NO. Explain: The Audit Committee supervises risk management systems, including tax risk, pursuant to article 25.6. of the RBD.
N/A. Specify the regulations that prevent the recommendation from being adopted:
Date of implementation
Date of modification

**18.7. The Board of Directors has set up a Corporate Governance Committee.**

18.7 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: On 4 October 2012 the Board of Directors set up the Corporate Governance Committee.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	04/ 10/2012
Date of modification	

**18.8.** Where the company has considered that it is not necessary to set up a committee, its functions have either been distributed among the existing committees or have been assumed by the Board of Directors in full.

18.8 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: As indicated in measure 18.6. the functions of the Risk Committee have been assumed by the Audit Committee.	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	01/10/2012
Date of modification	

**18.9. Each committee of the Board of Directors has internal regulations** governing the details of its formation, matters, functions that the committee must carry out and operation, paying special attention to the communication channels between the committees and the Board of Directors and, in the case of conglomerates, to relations and coordination mechanisms between the board committees of the parent and those of the subsidiaries, if any.

18.9 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:	
NO. Explain: The rules governing the operation and organization of the three committees are included in the RBD in separate articles.	
N/A. Specify the regulations that prevent the recommendation from being adopted:	

Date of implementation	
Date of modification	

**18.10. The committees of the Board of Directors comprise solely independent or proprietary directors (at least three (3))** and are chaired by an independent director. In the case of the Nominating and Compensation Committee, independent directors are always in the majority.

18.10 Has the measure been implemented? YES  NO  N/A

<p>YES. Briefly describe: The three committees comprise independent directors and proprietary directors. Furthermore, pursuant to the internal regulations, the three committees must be chaired by an independent director and comprise at least three members, most of whom must be independent directors.</p>
<p>NO. Explain:</p>
<p>N/A. Specify the regulations that prevent the recommendation from being adopted:</p>

Date of implementation	01/10/2012
Date of modification	

**18.11. Board committees may receive support, on a one-off or on an ongoing basis, from members of senior management** with experience in the matters within their jurisdiction and/or from external experts.

18.11 Has the measure been implemented? YES  NO  N/A

<p>YES. Briefly describe: Pursuant to the internal regulations, the committees may procure support from any executive and/or employee, and from external experts.</p>
<p>NO. Explain:</p>
<p>N/A. Specify the regulations that prevent the recommendation from being adopted:</p>

Date of implementation	01/10/2012
Date of modification	

**18.12. When setting up the committees, the Board of Directors considers the profile, knowledge and professional experience of the members regarding the matters under the mandate of the committee.**

18.12 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> Pursuant to the provisions of the internal regulations and the analysis performed by the Nominating and Compensation Committee regarding the needs of the Board and the committees, the Board of Directors must seek to ensure that the members of the three committees have appropriate knowledge, skills and experience for the functions they are called upon to perform. Specifically, in relation to the Audit Committee, pursuant to article 25.2 of the RBD, the Board of Directors will seek to ensure that the members of the Audit Committee and, in particular, its President, have appropriate knowledge, skills and experience in accounting, audit or risk management matters for the functions they are called upon to perform.</p>
<p><b>NO. Explain:</b></p>
<p><b>N/A. Specify the regulations that prevent the recommendation from being adopted:</b></p>

Date of implementation	01/10/2012
Date of modification	16/06/2015

**18.13. Minutes are taken at all committee meetings, a copy of which is sent to all members of the Board of Directors of the company. If the committees have delegated decision-making powers, minutes of meetings must conform to articles 189 and 431 of the Commercial Code.**

18.13 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b></p>
<p><b>NO. Explain:</b> Minutes of committee meetings are drawn up in accordance with the applicable Spanish legislation and are not distributed to all directors but only to the members of the specific committees. However, they are available to all directors and the respective committees report to the Board of Directors on the meetings held and matters discussed.</p>
<p><b>N/A. Specify the regulations that prevent the recommendation from being adopted:</b></p>

Date of implementation	
Date of modification	

**18.14.** Unless required under the applicable legal or regulatory framework, the internal regulations state **the boards of directors of the subsidiaries may choose whether or not to create special committees** to handle certain matters and for these tasks to be undertaken by the committees of the Board of Directors of the parent, without this implying the transfer of responsibility from the boards of directors of the subsidiaries to the parent.

18.14 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Where the legislation in each country allows it, the companies that make up Cemex Latam Group may choose whether or not to set up special committees.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	N/A
Date of modification	

**18.15. The main task of the Audit Committee is to assist the Board of Directors in its oversight function** by evaluating the accounting procedures, the relationship with the statutory auditor and generally reviewing the control structure of the company, including the audit of the risk management system implemented by the company.

18.15 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The Audit Committee's detailed duties are defined in article 25.6. of the RBD, and include those indicated in this measure.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	16/06/2015

**18.16. Members of the Audit Committee are knowledgeable** about accounting, finance and other associated subjects, which enables them to give an informed opinion of the matters addressed by the Committee, with a level of expertise sufficient to understand their scope and complexity.

18.16 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> Pursuant to article 25 of the RBD, the Board of Directors must endeavor to ensure that the members of the Audit Committee and, in particular, the Chairman, have suitable knowledge, skills and experience in accounting, audit or risk management matters for the functions they are called upon to perform.</p>
<p><b>NO. Explain:</b></p>
<p><b>N/A. Specify the regulations that prevent the recommendation from being adopted:</b></p>

Date of implementation	01/10/2012
Date of modification	16/06/2015

**18.17. At the request of the Chairman of the General Shareholders' Meeting, the President of the Audit Committee reports to the General Shareholders' Meeting** on specific aspects of the work carried out by the Committee such as analyzing the scope and content of the statutory auditor's report.

18.17 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> Should any shareholder so request, the Chairman of the Audit Committee must report on any matter that might arise within their mandate as provided for in article 25.6. of the RBD (a). He will also report where so requested by the Shareholders' Meeting Chairman.</p>
<p><b>NO. Explain:</b></p>
<p><b>N/A. Specify the regulations that prevent the recommendation from being adopted:</b></p>



Date of implementation	01/10/2012
Date of modification	

**18.18. The internal regulations of the Audit Committee assign it the functions indicated in recommendation 18.18.**

18.18 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> Pursuant to article 25.6. of the RBD, the Audit Committee is assigned the functions indicated in recommendation 18.18, except for those pertaining to related-party transactions and compliance with the Code of Ethics, which are the remit of the Corporate Governance Committee.</p>
<p><b>NO. Explain:</b></p>
<p><b>N/A. Specify the regulations that prevent the recommendation from being adopted:</b></p>

Date of implementation	01/10/2012
Date of modification	16/06/2015

**18.19. The main purpose of the Nominating and Compensation Committee is to support the Board of Directors in the exercise of their decision-making or advisory functions associated to the nomination and compensation of the members of the Board of Directors and senior management personnel and to monitor observance of corporate governance rules, periodically reviewing compliance, recommendations and principles (where this function is not expressly assigned to another company committee).**

18.19 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> Although the Nominating and Compensation Committee is assigned the functions indicated in this measure, the task of observing the rules of corporate governance is assumed by the Corporate Governance Committee.</p>
<p><b>NO. Explain:</b></p>

N/A. Specify the regulations that prevent the recommendation from being adopted:	
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Date of implementation	01/10/2012
Date of modification	16/06/2015

**18.20.** Some members of the Nominating and Compensation Committee are sufficiently knowledgeable about strategy, human resources (personnel recruitment and selection, hiring, training, administration or management), remuneration policy and similar matters, to understand the scope and complexity that such matters pose for the company.

18.20 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Some members of the Nominating and Compensation Committee have the knowledge indicated in this recommendation. In particular, the Secretary of the Nominating and Compensation Committee is the Vice-President of Human Resources in Spain and the Mediterranean Region of Cemex Group.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	04/10/2012
Date of modification	

**18.21.** At the request of the Chairman of the General Shareholders' Meeting, the President of the Nominating and Compensation Committee can report to the General Shareholders' Meeting on specific aspects of the work carried out by the Committee such as monitoring the remuneration policies in respect of the Board of Directors and senior management personnel.

18.21 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Where so requested by the Chairman of the Shareholders' Meeting, the President of the Nominating and Compensation Committee will report on those matters under its remit that might arise.
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NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	01/10/2012
Date of modification	

**18.22. The internal regulations of the Nominating and Compensation Committee assign to it the functions indicated in recommendation 18.22.**

18.22 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:	
<p><b>NO. Explain:</b> As noted in recommendation 18.9 above, the rules governing the operation of the three committees are all included in the RBD. Nonetheless, note that the Nominating and Compensation Committee has been assigned the functions detailed in recommendation 18.22, as provided for in article 26.6 of the RBD, save for function (j) handling queries raised at the Shareholders' Meeting, which, although not expressly envisaged in the above article, where so requested by any shareholder, the President of the Nominating and Compensation Committee will handle any queries on matters within its remit.</p>	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	01/10/ 2012
Date of modification	16/06/2015

**18.23. The main purpose of the Risk Committee is to assist the Board of Directors in fulfilling its supervisory responsibilities in connection with risk management.**

18.23 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:	
NO. Explain: As noted in recommendation 18.6, the Audit Committee supervises risk management systems, including tax risks, pursuant to article 25.6. of the RBD.	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	
Date of modification	

**18.24.** At the request of the Chairman of the General Shareholders' Meeting, **the President of the Risk Committee can report to the General Shareholders' Meeting** on specific aspects of the work carried out by the Committee.

18.24 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:	
NO. Explain: See measure 18.6.	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	
Date of modification	

**18.25.** The **Internal Regulations of the Risk Committee assign it the functions indicated in recommendation 18.25**, with such adjustments as may be necessary to distinguish between companies in the financial or real economy sector, and notwithstanding the functions assigned to this Committee under the regulations in force.

18.25 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted: There is no Risk Committee, but the Audit Committee performs the functions indicated in measure 18.25, which is set forth in article 25.6. of the RBD.

Date of implementation	
Date of modification	

**18.26.** The main purpose of the Corporate Governance Committee is **to assist the Board of Directors in its functions pertaining to the proposal and oversight of corporate governance measures** adopted by the company.

18.26 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Among others, the purpose of the Corporate Governance Committee is to assist the Board of Directors in corporate governance matters as provided for in article 27 of the RBD.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	16/06/2015

**18.27.** The internal regulations of the Corporate Governance Committee assign it the functions indicated in recommendation 18.27.

18.27 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:
NO. Explain: As noted in recommendation 18.9 above, the rules governing the operation of the three committees are all included in the RBD. Nonetheless, note that article 27.6 of the RBD sets forth the functions indicated in recommendation 18.27 with the exception of those set forth in subsections (ii) and (iii), which are entrusted to the Nominating and Compensation Committee
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	16/06/2015

**Measure no. 19: Operation of the Board of Directors**

**19.1 The Chairman of the Board of Directors** assisted by the Secretary and the President of the company **prepare a work program of the Board of Directors** for the period being evaluated, a tool that makes it easier to determine a reasonable number of ordinary meetings per year and their estimated duration.

19.1 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Pursuant to article 28.2. of the RBD, a calendar is prepared for ordinary meetings, which is approved by the Board of Directors. Moreover, a tentative work program for each year is drawn up by the Company Secretary together with the Board Chairman.
NO. Explain:.
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	16/06/2015

**19.2.** With the exception of entities subject to control which, due to their regime, are obliged to hold at least one (1) meeting per month, **the company's Board of Directors holds between eight (8) and twelve (12) ordinary meetings per year.**

19.2 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> Per the provisions of article 28.1 of the RBD and the SCA, the Board of Directors must meet at least once a quarter. Nonetheless, in 2016 the Board held nine meetings and adopted Board resolutions in writing and without a meeting on one occasion.</p>
<p><b>NO. Explain:</b></p>
<p><b>N/A. Specify the regulations that prevent the recommendation from being adopted:</b> In accordance with the SCA and the provisions of article 28.1 of the RBD, the Board of Directors must meet at least once a quarter in all cases, although the Board held nine meetings in 2016 and adopted Board resolutions in writing and without a meeting on one occasion.</p>

Date of implementation	
Date of modification	

**19.3.** One (1) or two (2) meetings of the Board of Directors per year **are clearly focused on defining and monitoring the company's strategy.**

19.3 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> The Board of Directors analyzed the business strategy at most of its meetings in 2016.</p>
<p><b>NO. Explain:</b></p>
<p><b>N/A. Specify the regulations that prevent the recommendation from being adopted:</b></p>

Date of implementation	04/10/2012
Date of modification	

**19.4. The Board of Directors approves a specific calendar of ordinary meetings, notwithstanding the fact that it may meet as often as necessary on an extraordinary basis.**

19.4 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: As indicated in measure 19.1, per the provisions of article 28.2 of the RBD, the calendar of ordinary meetings is approved by the Board before the beginning of each year or during the first month thereof, without prejudice to any extraordinary meetings that may be held on other dates.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	16/06/2015

**19.5. Together with the meeting notice and at least five (5) calendar days in advance, the members of the Board of Directors are provided with the documents or information relating to each item on the agenda so that they may actively participate in the meeting and make informed decisions.**

19.5 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:
NO. Explain: The meeting notice and documentation is distributed at least three days in advance per the provisions of article 28.4 of the RBD, except in the event of amendment of the Regulations of the Board of Directors, where they are distributed seven days in advance as provided for in article 4.2. RBD
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	
Date of modification	



**19.6. The Chairman of the Board of Directors, with the assistance of the Secretary Board of Directors, assumes ultimate responsibility for the members receiving the information sufficiently in advance** and such information being useful, so that quality rather than quantity should prevail in all documents forming part of the Board of Directors' "dashboard".

19.6 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: As provided in articles 15 and 19 of the RDB, both the Chairman and the Secretary of the Board of Directors seek to ensure that directors receive information sufficiently in advance of the meeting.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	16/06/2015

**19.7. Ultimate responsibility for preparing the agenda for Board Meetings falls to the Chairman of the Board of Directors, not to the President of the company, and it is structured according to certain parameters that permit agenda items and deliberations to be presented in a logical order.**

19.7 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: According to the provisions of article 15 of the RBD, the Chairman of the Board of Directors sets the agenda for Board meetings, which must follow a logical order.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	

**19.8. The company publishes member attendance at meetings of the Board of Directors and its committees** in the Annual Corporate Governance Report and on the corporate website.

19.8 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The information on member attendance at meetings appears in the Annual Corporate Governance Report, which is prepared according to the good governance recommendations in Spain, which is published on the Company website when Shareholders' Meetings are called and remains access to the public at large.

NO. Explain:

N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/01/2013
Date of modification	

**19.9. Each year, the Board of Directors assesses the effectiveness of its work as a collegiate body, that of its committees and that of the individual members, including by means of a peer review**, as well as the reasonableness of its internal regulations and the dedication and performance of its members, proposing, as the case may be, such changes to its organization and operation as it may deem appropriate. In the case of conglomerates, the Board of Directors of the parent ensures that the assessment is also conducted by the boards of directors of its subsidiaries.

19.8 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Pursuant to article 6.6. of the RBD, each year the Board of Directors must evaluate and, as the case may be, adopt an action plan to remedy any shortcomings identified with respect to:

1. The quality and efficiency of the Board's operation.
2. The operation and composition of Board committees.
3. Diversity in the composition and powers of the Board of Directors.
4. The performance of the chairman of the Board of Directors and the Chief Executive of the Company.
5. The performance and contribution of each director, with particular attention to those in charge of the different Board committees.

Notwithstanding, the assessment is not conducted with respect to the Boards of Directors of subsidiaries.

NO. Explain:

<p>N/A. Specify the regulations that prevent the recommendation from being adopted:</p>
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Date of implementation	01/10/2012
Date of modification	16/06/2015

**19.10. The Board of Directors alternates the internal self-assessment mechanism with external assessment by independent advisors.**

19.9 Has the measure been implemented? YES  NO  N/A

<p>YES. Briefly describe:</p>
<p><b>NO. Explain:</b> In line with recommendation 36 of the Spanish Code of Good Governance, the Board of Directors is assisted with the assessment every three years by an external consultant. Nonetheless, given that the above recommendation entered into force in 2015, less than three years ago, such services have yet to be contracted. Moreover, since 2016 is the fourth complete year since the Company was formed, on 17 December 2016 the Board of Directors resolved not to proceed with assessment by an external adviser in 2016, given that two new directors were appointed in 2016 and since, per the provisions of article 6.6 of the RBD, additional costs have been incurred when engaging various external advisers for other matters falling within the remit of the Board of Directors.</p> <p>The above notwithstanding, in every year except 2015, on the understanding that there was no need since the Nominating and Compensation Committee had conducted various analyses of the structure and operations of the Board and its Committees and had studied the needs of the Board as a result of the proposed director appointments and reappointments, PricewaterhouseCoopers has been hired exclusively to send the assessment questionnaires to the directors and compile the results obtained from them for subsequent submission to the Chairman of the Board of Directors.</p>
<p>N/A. Specify the regulations that prevent the recommendation from being adopted:</p>

Date of implementation	
Date of modification	

**Measure no. 20: Duties and rights of the members of the Board of Directors.**

**20.1. The Regulations of the Board of Directors supplement the legislative provisions as regards the duties and rights of Board Members.**

20.1 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Title VI of the RBD regulates directors' duties. Their rights are also set out throughout the Regulations, per the provisions of the applicable Spanish legislation in this regard.

NO. Explain:

N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	16/06/2015

**20.2. The Regulations of the Board of Directors set out the company's understanding as regards the duties of Board Members referred to in recommendation 20.2.**

20.2 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The duties referred to in recommendation 20.2 are set out in Title VI of the RBD.

NO. Explain:

N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	16/06/2015

**20.3. The Regulations of the Board of Directors contain details of the rights of Board Members established in recommendation 20.3.**20.3 Has the measure been implemented? YES  NO  N/A 

YES. Briefly describe: The rights referred to in recommendation 20.3 are set out in the articles of the RBD.

NO. Explain:

N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	16/06/2015

**Measure no. 21: Conflicts of interest.****21.1. The company has defined and formalized in its internal regulations a policy and procedure for identifying, managing and resolving conflicts of interest - whether direct or indirect via Related Parties - that may affect the members of the Board of Directors and other Directors.**21.1 Has the measure been implemented? YES  NO  N/A 

YES. Briefly describe: Articles 27.6 (q) and 37 of the RBD set out the procedure to be followed in order to identify, manage and resolve the conflicts of interest referred to in this measure.

NO. Explain:

N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	16/06/2015

**21.2. In the procedure for managing conflicts of interest, a distinction is drawn between sporadic and permanent conflicts of interest. Where the conflict of interest is sporadic in nature, the applicable procedure indicates the rules and steps to be followed, which must be relatively**

easy to manage and difficult for the affected party to evade. In the case of permanent conflicts of interest, the procedure states that if this situation affects all of the Company's operations, it should be understood as a cause for mandatory resignation by the affected party as it will disqualify him from holding office.

21.2 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Article 37.4. of the RBD sets out the rules for sporadic and permanent conflicts of interest. Also, article 13 of the RBD regulates the obligation on directors to resign from office where they are subject to permanent conflicts of interest.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	16/06/2015

**21.3. The members of the Board of Directors, legal representatives, members of senior management and other directors** of the company **regularly inform the Board of Directors of any direct or indirect relationships** existing among them, or with other entities or structures belonging to the conglomerate of which the issuer forms part, or with the issuer, suppliers, clients or any other Interest Group, which may give rise to a situation of conflict of interest or influence management in its opinion or vote, in order to create a "Map of Directors' Related Parties".

21.3 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:
NO. Explain: In accordance with the applicable Spanish legislation, only directors are required to report the existence of any conflicts of interest to the Board of Directors, which they do each year.
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/01/2013
Date of modification	

**21.4. Relevant conflicts of interest**, which is taken to mean those that would require the affected party to abstain from a meeting and/or vote, affecting the Board of Directors and other directors, **are included in the public information** that the company publishes on its website each year.

21.4 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Any relevant conflicts of interest must be included in the Annual Accounts that are published on the website, per the applicable Spanish legislation.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/01/2013
Date of modification	

**21.5. For this purpose, the definition of Related Party** applied by the company **is consistent with International Accounting Standard no. 24 (IAS 24)**.

21.5 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The definition is consistent with that contained in IAS 24.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

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Date of implementation	01/10/2012
Date of modification	16/06/2015

**Measure no. 22: Related-party transactions.**

**22.1. The company has a policy that defines the specific procedure for assessing, approving and disclosing related-party transactions**, including outstanding balances and relations between them, with the exception of transactions for which specific regulations exist.

22.1 Has the measure been implemented? YES  NO  N/A

<p>YES. Briefly describe: As provided for in article 27.6. of the RBD (q), the Company has approved a general policy that regulates the procedure for certain related-party transactions falling within the ordinary course of the Company's business and subject to fixed limits. Moreover, the Company has signed up to the Cemex Group policy on related-party transactions.</p>
<p>NO. Explain:</p>
<p>N/A. Specify the regulations that prevent the recommendation from being adopted:</p>

Date of implementation	01/10/2012
Date of modification	16/06/2015

**22.2. The company's related-party transactions policy covers the aspects addressed in recommendation 22.2**

22.2 Has the measure been implemented? YES  NO  N/A

<p>YES. Briefly describe: Per the provisions of its internal regulations, the applicable external legislation, the general approved policy of transactions and the Cemex Group related-party transactions policy to which the Company has signed up, the Company complies with recommendation 22.2.</p>
<p>NO. Explain:</p>
<p>N/A. Specify the regulations that prevent the recommendation from being adopted:</p>



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Date of implementation	01/10/2012
Date of modification	16/06/2015

**22.3** The policy provides that the express authorization of the Board of Directors is not required for ongoing related-party transactions conducted in the course of the company's normal business under standard contracts, or general framework agreements the terms of which are perfectly standardized and applied en masse and which are performed at market prices set generically by the supplier of the good or service in question and the individual amount of which is not material for the company.

22.3 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> As indicated in recommendation 22.1, the Company has approved a general policy for related-party transactions conducted in the course of the Company's normal business and subject to a fixed limit in terms of amount. Likewise, article 6.E section (k) of the RBD and article 34 E (k) provide that authorization of the Board of Directors will not be required for transactions (i) that are performed under contracts the terms of which are standard and are applied en masse to a large number of clients, (ii) that are performed at generally-established prices or rates by the supplier of the good or service in question, and (iii) the amount of which does not exceed 1% of the Company's annual revenues.</p>
<p><b>NO. Explain:</b></p>
<p><b>N/A. Specify the regulations that prevent the recommendation from being adopted:</b></p>

Date of implementation	01/10/2012
Date of modification	16/06/2015

**Measure no. 23: Remuneration of Board members**

**23.1. The company has a Board Remuneration Policy, approved by the General Shareholders' Meeting and reviewed each year, which lists all of the remuneration components that may effectively be paid.** These components may be fixed or variable. They may include a fixed fee for membership of the Board of Directors, per diems for attendance of meetings of the Board and/or its Committees and other emoluments of any kind accruing over the course of the year, for whatever reason, in cash or in kind, as well as the obligations undertaken by the Company in respect of pensions or the payment of life insurance premiums or other items with respect to both former and current members and the civil liability insurance premiums (D&O policies) taken out by the company on behalf of members of the Board of Directors.

23.1 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> As a Spanish company, the Company abides by the provisions of the SCA. Thus, the SCA provides that the General Shareholders' Meeting must approve the compensation policy every three years and that such policy must, in turn, be reviewed by the Shareholders' Meeting when approving the annual compensation report on a consultative basis.</p>
<p><b>NO. Explain:</b></p>
<p><b>N/A. Specify the regulations that prevent the recommendation from being adopted:</b></p>

Date of implementation	16/06/2015
Date of modification	

**23.2. Where the company implements remuneration schemes including a variable component that is linked to the successful performance of the company in the medium and long term, the remuneration policy includes limits in terms of the amount that may be distributed to the Board of Directors and, where the variable component is related to company profit or other management indicators at the end of the period subject to assessment, regard must be had to any qualifications included in the statutory auditor's report and which may reduce the profit for the period.**

23.2 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b></p>
<p><b>NO. Explain:</b></p>
<p><b>N/A. Specify the regulations that prevent the recommendation from being adopted:</b> The remuneration system does not include variable remuneration.</p>

Date of implementation	
Date of modification	

**23.3. Proprietary and independent members of the Board of Directors are expressly excluded from remuneration schemes including share options** or variable remuneration linked to absolute variation in the listing price of the shares.

23.3 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: No proprietary or external directors are entitled to a remuneration scheme that includes share options or variable remuneration linked to absolute variation in share listing prices.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	

**23.4. For each period subject to assessment, as part of the remuneration policy, the General Shareholders' Meeting approves a maximum cost of all approved remuneration components for the Board of Directors.**

23.4 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The General Shareholders' Meeting approves the maximum amount of the above remuneration policy where applicable in line with the provisions of recommendation 23.1.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	15/05/2013
Date of modification	

**23.5. The shareholders are aware of the total effective cost of the Board of Directors during the period subject to assessment, including all remuneration components paid to members of the Board of Directors and the reimbursement of expenses** and this

information is also published on the corporate website, according to the break down and with the level of detail approved by the Board of Directors.

23.5 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:
NO. Explain: The remuneration components are included in the Annual Report on the Compensation of Directors and Senior Executives, which is published annually on the website. However, this Report does not include detailed information on the reimbursement of expenses.
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	
Date of modification	

**Measure no. 24: The President of the company and senior management.**

**24.1. The company's governance model provides for effective separation between the management or governance of the company (represented by the Board of Directors) and the ordinary running of its business (which is entrusted to senior management headed by the President of the company).**

24.1 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The positions of Board Chairman and Managing Director - CEO of the Company are assigned to different persons
NO. Explain:

N/A. Specify the regulations that prevent the recommendation from being adopted:	
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Date of implementation	04/10/2016
Date of modification	

**24.2. Generally speaking, the policy of the Board of Directors is to delegate the ordinary running of the business** to the senior management team, the activities of which are focused on general strategy, oversight, governance and control functions.

24.2 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The Board of Directors delegates the ordinary running of the business to Senior Executives appointed for the purpose, with the exception of powers that are non-delegable in accordance with the law.
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NO. Explain:
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N/A. Specify the regulations that prevent the recommendation from being adopted:
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Date of implementation	17/04/2012
Date of modification	

**24.3. As a general rule, senior management members are identified, assessed and appointed directly by the President as they work directly with him. Alternatively, the company may opt for senior management members to be appointed by the Board of Directors at the proposal of the President.** Irrespective of who is ultimately responsible for appointment, candidates to key executive offices must meet and undergo assessment by the Board of Directors' Nominating and Compensation Committee, which must issue an opinion in this regard.

24.3 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Senior Executives are appointed by the Board of Directors at the proposal of its Chairman and subject to a report by the Nominating and Compensation Committee.
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NO. Explain:
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N/A. Specify the regulations that prevent the recommendation from being adopted:	
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Date of implementation	17/04/2012
Date of modification	

**24.4. The company has a clear policy for the delegation of functions** that is approved by the Board of Directors and/or a framework of powers setting out the different powers attributed to the President and other members of senior management.

24.4 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:
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NO. Explain: There is a clear policy for the delegation of powers by category, for both executives and employees, but it has not been approved by the Board of Directors, with the exception of that corresponding to the Managing Director.
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N/A. Specify the regulations that prevent the recommendation from being adopted:
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Date of implementation	17/04/2012
Date of modification	

**24.5. The Board of Directors**, by means of the Nominating and Compensation Committee, or the person performing its functions, **conducts the President's performance appraisal** and is aware of the results of the appraisals of the other members of senior management.

24.5 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:
NO. Explain: The Board of Directors, via the Nominating and Compensation Committee, appraises the performance of the President and the CEO of the Company but is not aware of the results of Senior Executives.
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	15/05/2013
Date of modification	

**24.6. The company has a policy for the remuneration of the President and other members of senior management**, approved by the Board of Directors, which identifies all of the remuneration components that may effectively be paid, linked to the attainment of long-term objectives and risk levels.

24.6 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Per the provisions of article 6.5 (D) of the RBD, the Board of Directors is the body with competence to approve the remuneration policy for senior executives and to propose to the General Shareholders' Meeting the remuneration policy for directors in general.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

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Date of implementation	01/10/2012
Date of modification	16/06/2015

**24.7. Where the President's remuneration includes both fixed and variable components, the technical design and method of calculation thereof prevents the variable component from exceeding the maximum limit set by the Board of Directors.**

24.7 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted: The President's remuneration does not include a variable component.

Date of implementation	
Date of modification	



**III. CONTROL STRUCTURE**

**Measure no. 25: Control environment.**

**25.1. The Board of Directors is ultimately responsible for ensuring that the company has a strong control environment** that is aligned with the company's nature, size, complexity and the risks it faces, so that it meets with the requirements set forth in recommendation 25.1.

25.1 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The Board of Directors is the body with ultimate responsibility for the control environment in place at the Company, as defined in this measure.	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	17/04/2012
Date of modification	

**25.2. In the case of conglomerates, the Board of Directors of the parent seeks to establish a formal, consolidated Control Structure** for all of its subsidiaries, establishing responsibilities with respect to the policies and guidelines in this regard at conglomerate level, and defining clear reporting lines to give an overall view of the risks to which the conglomerate is exposed and the control measures taken.

25.2 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The Company has in place a clearly defined hierarchical control structure, with set channels for granting authorization on a case-by-case basis.	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	

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Date of implementation	17/04/2012
Date of modification	

**Measure no. 26: Risk Management.**

**26.1. The risk management objectives** at the company are those referred to in recommendation 26.1.

26.1 Has the measure been implemented? YES  NO  N/A

**YES. Briefly describe:** The Internal Control and Enterprise Risk Management (ERM) departments identify the internal and external risks that may affect the strategy (or objectives) defined by the Company, evaluating them on the basis of probability, impact and tendency, in order to subsequently define mitigation measures (decisions as to how to handle them) in order to avoid them materializing or reduce their impact in the event of materialization. Likewise, both departments continuously monitor and update the status of risks and the likelihood of impact on the organization and these results are presented to the Board of Directors, the Audit Committee (the body tasked with risk-related supervision) and senior management. In certain cases, they include new mitigation measures or changes in the way in which they are to be handled.

**NO. Explain:**

**N/A. Specify the regulations that prevent the recommendation from being adopted:**

Date of implementation	17/04/2012
Date of modification	

**26.2. The company has a risk map**, which is understood as a tool for identifying and monitoring the financial and non-financial risks to which it is exposed.

26.2 Has the measure been implemented? YES  NO  N/A

**YES. Briefly describe:** The Enterprise Risk Management ("ERM") and Internal Control departments consolidate the Company's financial, operating and external risks, among others, including their impact and mitigation measures. The CLH Risk Map at the date hereof is not merely one document; the Internal Control and ERM risk maps are worked on separately, and there are therefore two risk maps consolidating all of the risks at Cemex Latam Group.

**NO. Explain:**

N/A. Specify the regulations that prevent the recommendation from being adopted:	
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Date of implementation	17/04/2012
Date of modification	

**26.3. The Board of Directors is responsible for defining a risk management policy, and for setting maximum exposure limits for each risk identified.**

26.3 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Per article 6.5.E (f) of the RBD, the Board of Directors has the authority to establish the risk control and management policy, including tax risks.
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NO. Explain:
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N/A. Specify the regulations that prevent the recommendation from being adopted:
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Date of implementation	17/04/2012
Date of modification	

**26.4. The Board of Directors is aware of and regularly monitors the company's effective exposure to the maximum risk limits defined, and suggests actions to correct and check them in the event of deviations.**

26.4 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The Board of Directors, through the Audit Committee, monitors the defined risks and resolves upon corrective actions where necessary.
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NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	17/04/2012
Date of modification	

**26.5.** As regards the risk management policy, **senior management is in charge of processes and responsible for risk management**, i.e. for identifying, evaluating, measuring, controlling, monitoring and reporting risks, defining methodologies and ensuring that risk management is consistent with the strategy, the defined risk policy and the maximum limits approved.

26.5 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> The Internal Control and ERM departments identify and update risks based on interviews and information analyses. The likelihood of impact is assessed by means of control monitoring and the results of audits and reported to the respective management levels. Senior management personnel review the results of audits every month, together with Internal Control and transactions, following up on the plans to improve such controls, until all defects are entirely mitigated and any opportunities for improvement have been implemented. Moreover, every two months, senior management also reviews the non-financial risks on the ERM agenda, as well as the action plans designed to manage each such risk. Senior management is therefore in charge of or responsible for all of them as from the moment in which they are identified.</p>	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	17/04/2012
Date of modification	

**26.6. The company has a risk delegation policy**, approved by the Board of Directors, which lays down the limits on the risks that may be managed directly at each level at the company.

26.6 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:
NO. Explain: While all of the risks identified have not been expressly delegated, there are persons in charge of managing commercial and operational risk, as well as authorization pathways for approving tolerance levels for such risks. Examples include limits on the authorization of negotiations and purchases in contracts, the approval of CAPEX, the approval of commercial loans to clients and the management of pricing policies.
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	
Date of modification	

**26.7. In conglomerates, risk should be managed at consolidated level** to increase the cohesion and control of the companies that comprise them.

26.7 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Risk is managed on a consolidated basis at Cemex Latam Group, and supervised overall by the Audit Committee, which reports to the Board of Directors.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	17/04/2012
Date of modification	

**26.8. If the company has a complex and diverse business and operating structure, there is a Chief Risk Officer** with authority at conglomerate level in the case of companies under control and/or groups of companies.

26.8 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The ERM and Internal Control departments share the risk management function for the conglomerate. ERM manages external risks and internal control, operating risks.

NO. Explain:

N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	17/04/2012
Date of modification	July 2015

**Measure no. 27: Control Activities.**

**27.1. The Board of Directors is in responsible for ensuring that the company has a suitable internal control system in place**, which is adapted specifically to the company and the complexity thereof, and consists of the management of current risks.

27.1 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: See recommendation 26.3.

NO. Explain:

N/A. Specify the regulations that prevent the recommendation from being adopted:

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Date of implementation	17/04/2012
Date of modification	

**27.2. The Board of Directors is responsible for overseeing the effectiveness and suitability of the internal control system**, a task that may be delegated to the Audit Committee, although this will not release the Board from its responsibility for oversight in this regard.

27.2 Has the measure been implemented? YES  NO  N/A

<p>YES. Briefly describe: The Board of Directors, via the Internal Audit Committee, is in responsible for supervising the internal control system.</p>
<p>NO. Explain:</p>
<p>N/A. Specify the regulations that prevent the recommendation from being adopted:</p>

Date of implementation	October 2012
Date of modification	July 2015

**27.3. The company applies and enforces the principle of self-control**, which is understood as the *“capacity of the persons participating in the various processes to view control as an intrinsic element of their responsibilities, areas of activity and decision-making duties”*.

27.3 Has the measure been implemented? YES  NO  N/A

<p>YES. Briefly describe: The controls in place to mitigate risks are associated with the people involved in the area that may be affected by the risk. The Company also has matrices in place that contribute to the mitigation of intrinsic operating risks.</p>
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NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	17/04/2012
Date of modification	

**Measure no. 28: Information and Communication.**

**28.1. The risk culture, philosophy and policies, and the approved exposure limit, are communicated both vertically and horizontally, so that the whole organization is aware of both the risks and control activities relating to its activities.**

YES  NO  N/A

YES. Briefly describe:	
<p><b>NO. Explain:</b> The Company partially complies with this recommendation given that the various levels of the organization are aware of the great majority of the operating risks supervised by Internal Control and audited by Internal Audit. This is because they are tasked with applying and improving internal controls specific to the business processes they manage in their day-to-day activity. However, with respect to tax risk and the external risks handled by ERM, such risks are not generally made public and are not therefore shared organization-wide, but rather with a limited number of people, at the most reaching management levels within the organization.</p>	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	



Date of modification	
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**28.2.** The company has in place a **vertical reporting mechanism** (to the Board of Directors and senior management), which is accurate, comprehensible and complete, so that it supports and permits informed decision making and management of risks and control.

28.2 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> The Internal Audit department reports directly to the Audit Committee, which in turn, reports to the Board of Directors. Moreover, the Internal Control department, which reports to BSO and is independent from the organization - since by reporting to BSO (<i>Business Services Organisation</i>), it reports to Cemex Central -, compiles all of the process management practices, including any defects and opportunities for improvement, and allows people in the organization to put forward their concerns regarding their respective risks. Subsequently, Internal Control reports upwards to the Country Directors of Latam Group and the Company CEO in order to monitor the plans for improvement. Furthermore, as noted in recommendation 28.4, the Ethos Line enables any supplier, client or employee to report irregularities on a confidential basis, ensuring that such matters are brought to the attention of the Company's Ethics Committee and the President of the Audit Committee.</p>
<p><b>NO. Explain:</b></p>
<p><b>N/A. Specify the regulations that prevent the recommendation from being adopted:</b></p>

Date of implementation	17/04/2012
Date of modification	

**28.3.** The company's **communication and reporting mechanism** enables: i) senior management to involve the company as a whole, drawing attention to its responsibility for managing risks and defining controls, and ii), company staff to understand their role in managing risks and identifying controls and their individual contribution with respect to the work of others.

28.3 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> The communication and reporting mechanism reflects that set forth in this recommendation.</p>
<p><b>NO. Explain:</b></p>

N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	17/04/2012
Date of modification	

**28.4. There are internal reporting or whistleblowing channels** that enable employees to anonymously report any illegal or unethical behavior that may run contrary to the culture of risk management and control at the company. A report on these matters is submitted to the Board of Directors of the company.

28.4 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: There is also an anonymous line (ETHOS LINE), via which anonymous complaints can be made. Where this occurs, such communications are reported to the Corporate Governance Committee or Audit Committee which, depending on the specific case, inform the Board of Directors. Similarly, in line with the functions assigned to him, which are regulated in article 21 of the RBD, the Compliance Officer must notify the Corporate Governance Committee of any reported violations of the provisions of the good corporate governance policies.	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	01/10/2012
Date of modification	09/11/2016

**Measure no. 29: Monitoring of the Control Structure**

**29.1. The company's Board of Directors, via the Audit Committee, is responsible for overseeing the effectiveness of the various components of the Control Structure.**

29.1 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The Audit Committee oversees the effectiveness of the various components of the Control Structure and reports to the Board of Directors in this regard.	
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NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	01/10/2012
Date of modification	16/06/2015

**29.2. The task of monitoring to ensure the effectiveness of the company's Control Structure** principally involves the **internal audit department, together with the statutory auditor** in the tasks falling within its remit and particularly as regards the financial information generated by the company.

29.2 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The aforementioned monitoring task involves the internal audit department as well as the auditor.	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	01/10/2012
Date of modification	

**29.3. The company's internal audit function has Internal Audit Statutes**, approved by the Audit Committee, which expressly state the scope of their functions in this regard, and should include the matters referred to in recommendation 29.3.

29.3 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:
NO. Explain: While there is no Internal Audit Statute, per the provisions of article 26.5 of the RBD, the Audit Committee approves the work plan for the internal audit department, which includes the functions referred to in recommendation 29.3.
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	16/06/2015

**29.4. The person ultimately in charge of internal audit has an independent professional relationship** with senior management of the company or conglomerate that hires him, and for functional purposes reports solely to the Audit Committee.

29.4 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Per the provisions of article 25.6 of the RBD, the internal audit department reports for functional purposes to the Audit Committee, which seeks to ensure the independence of such area.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	

**29.5. Appointment and removal of the head of internal audit falls to the Board of Directors**, at the proposal of the Audit Committee, and his removal or resignation is reported to the market.

29.5 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Per article 26.5 of the RBD, the Audit Committee proposes the selection, appointment, re-election and removal of the head of the Internal Audit Service to the Board of Directors.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	

**29.6. The statutory auditor of the company or conglomerate is clearly independent from it, and this independent status must be expressly stated in the respective audit report.**

29.6 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Pursuant to article 26.5. of the RBD, each year, the Audit Committee receives written confirmation from the statutory auditors of their independence with respect to the Company and its related entities. Likewise, the Audit Committee issues an annual report in which it confirms such independence.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	01/10/2012
Date of modification	

**29.7. If the company is the Parent of a conglomerate, the statutory auditor is the same for all of the companies forming part thereof, including off-shore companies.**

29.7 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The entire Cemex Group Latam is audited by the same auditor.
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NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	16/04/2012
Date of modification	

**29.8. The company has a policy for appointing the statutory auditor**, which is approved by the Board of Directors and distributed to the Shareholders, and includes the points established in recommendation 29.8.

29.8 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> Per the provisions of article 22 of the RBD, the Company may not appoint as its auditor persons or firms that have received revenues representing twenty-five per cent (25%) or more of their last annual revenues from the company and/or its related companies, directly or indirectly as a result of a relationship of control as provided for in article 42 of the Spanish Commercial Code, or any persons or firms subject to the conflicts of interest provided for in the Spanish legislation in force from time to time. Nonetheless, such policy does not stipulate the maximum term of contracts and their renewals, although such matters are envisaged in the Spanish Audit Law.</p>	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	01/10/2012
Date of modification	16/06/2015

**29.9. In order to avoid excessive ties between the company and the statutory audit firm and/or team and protecting their independence, the company establishes a maximum engagement term of between five (5) and ten (10) years.** In the case of individual statutory auditors not related to a firm, **the maximum engagement term is five (5) years.**

29.9 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted: As a Spanish company, it is subject to the provisions of the Spanish Audit Law.	
Date of implementation	
Date of modification	

**29.10.** The company encourages rotation of the partner and engagement teams of the statutory audit firm assigned to the company half way through the statutory engagement term, at the end of which the firm must necessarily be rotated.

29.10 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted: See measure 29.9 above. At the date of this report, the statutory auditor has audited the company for four financial years, with the same partner assigned to it for all five years.	
Date of implementation	
Date of modification	

**29.11.** In addition to the current prohibition on engaging the statutory auditor for professional services other than those involved in the financial audit and other functions recognized in the

legislation in force, the company extends this limitation to persons or entities related to the statutory auditor, which includes companies of its group and companies with a large number of partners and/or directors in common with the statutory audit firm.

29.11 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The Company extends this prohibition to all entities related to the auditor.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	17/04/2012
Date of modification	

**29.12.** The company discloses in its public information the total amount of its contract with the statutory auditor, as well as the proportion that the fees paid by the company represent with respect to the firm's total revenues from its statutory audit activity.

29.12 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The auditor's fees are stated in both the Annual Accounts and the Corporate Governance Report published on the Company's website.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	31/12/2012
Date of modification	



**V. TRANSPARENCY OF FINANCIAL AND NON-FINANCIAL INFORMATION**

**Measure no. 30: Information disclosure policies.**

**30.1. The Board of Directors has approved an information disclosure policy, which includes at least the information included in the recommendation.**

30.1 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:
NO. Explain: The Board of Directors has not approved an information disclosure policy but meets all the information disclosure requirements applicable under Spanish and Colombian legislation. At the date of this report, the Company is in the process of drawing up the above policy, which is set to be approved in 2017 by the Board of Directors.
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	
Date of modification	

**30.2. In the case of conglomerates, the information disclosed to third parties is comprehensive and global and refers to all of the companies forming part thereof, thereby enabling third parties to form an informed opinion of the situation, organization, complexity, activity, size and governance model at the conglomerate.**

30.2 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The information published is global and comprehensive, except for the annual accounts required under the applicable Spanish legislation, which correspond to the parent.
NO. Explain:

N/A. Specify the regulations that prevent the recommendation from being adopted:	
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Date of implementation	16/11/2012
Date of modification	

**Measure no. 31: Financial statements**

**31.1. Where the statutory auditor's Report includes *qualifications* these and the actions that the Company proposes to remedy the situation, these will be submitted to the shareholders at the General Meeting, by the President of the Audit Committee.**

31.1 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Per the provisions of article 25.6 of the RBD, where qualifications are included, both the President of the Audit Committee and the statutory auditors must clearly explain to the shareholders the content and scope of such qualifications or limitations.
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NO. Explain:
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N/A. Specify the regulations that prevent the recommendation from being adopted:
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Date of implementation	01/10/2012
Date of modification	16/06/2015

**31.2. Where the Board of Directors considers that regard should be had to the criterion of the statutory auditor in respect of any *qualifications* and/or *emphasis of matter*, this position is duly explained and justified by means of a written report to the General Shareholders' Meeting, specifying the content and scope of the discrepancy.**

31.2 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Where qualifications are included, the Board of Directors must explain its criterion to the General Shareholders' Meeting in writing.	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	17/04/2012
Date of modification	

**31.3 Transactions with or among related parties**, including transactions between companies of the conglomerate which, on the basis of objective parameters such as the size of the transaction, percentage with respect to assets, sales or other indicators, are classed as material by the company, **are included in detail in the public financial information together with the reference to performance of off-shore transactions**

31.3 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: Such information is included in the Annual Accounts and in the Annual Corporate Governance Report published on the Corporate website.	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	21/12/2013
Date of modification	

**Measure no. 32: Disclosures to the market.**

**32.1.** As part of the information disclosure policy, the Board of Directors (or the Audit Committee), **adopts the necessary measures to ensure that all financial and non-financial information on the Company** that is required under the legislation in force, and any other that it considers relevant for investors and clients, **is disclosed to the financial and capital markets.**

32.1 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> The Audit Committee must oversee the preparation, filing and comprehensiveness of the regulatory financial information pertaining to the Company and its group, reviewing compliance with regulatory requirements, suitable delimitation of the scope of the consolidated group and correct application of accounting policies; it must also establish the policies and practices to be used by the Company in the construction, disclosure and dissemination of its financial information, and coordinate the reporting process in respect of non-financial information and information on diversity, in accordance with the legislation in force and the international standards of reference.</p>	
<p><b>NO. Explain:</b></p>	
<p><b>N/A. Specify the regulations that prevent the recommendation from being adopted:</b></p>	

Date of implementation	01/10/2012
Date of modification	16/06/2015

**32.2. The corporate website is organized in a user-friendly manner,** so that it is easy for the user to access information associated with or related to Corporate Governance.

32.2 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> The website is organized in a simple and logical manner for ease of use.</p>	
<p><b>NO. Explain:</b></p>	
<p><b>N/A. Specify the regulations that prevent the recommendation from being adopted:</b></p>	

Date of implementation	16/11/2012
Date of modification	31/12/2016

**32.3.** The corporate website includes at least the links referred to in recommendation 32.3.

32.3 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: The website contains the information referred to in recommendation 32.3.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	16/11/2012
Date of modification	31/12/2016

**32.4.** The company generally discloses information to the markets in the form of **documents that can be printed, downloaded and shared.**

32.4 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: All documentation can be downloaded and printed.
NO. Explain:
N/A. Specify the regulations that prevent the recommendation from being adopted:

Date of implementation	16/11/2012
Date of modification	

**32.5. If the company is a large, particularly complex company, it publishes a report on its website each year explaining the organization, methods and procedures of the Control Structure in place at the company in order to provide correct and safe financial and non-financial information, and safeguard the company's assets and the efficiency and security of its**

transactions. The information on the Control Structure is supplemented with a risk management report.

32.5 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> The company publishes its Annual Corporate Governance Report on its website in accordance with the applicable Spanish legislation. Such Report includes information contained in the report on risk supervision systems and in the report on internal control and risk management systems in relation to financial reporting (SCIIF).</p>
<p><b>NO. Explain:</b></p>
<p><b>N/A. Specify the regulations that prevent the recommendation from being adopted:</b></p>

Date of implementation	01/10/2012
Date of modification	16/06/2015

**Measure no. 33: Annual Corporate Governance Report**

**33.1. The company prepares an Annual Corporate Governance Report**, responsibility for the content of which lies with the Board of Directors, subject to review and a favorable report by the Audit Committee. This report is presented with the rest of documents at year end.

33.1 Has the measure been implemented? YES  NO  N/A

<p><b>YES. Briefly describe:</b> The Annual Corporate Governance Report, which is drafted in accordance with Spanish legislation, is approved by the Board of Directors subject to a favorable report by the Corporate Governance Committee, which is the competent body in this regard. Such Report is presented together with the Annual Accounts for the relevant year</p>
---

NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	01/10/2012
Date of modification	16/06/2015

**33.2. The company's Annual Corporate Governance Report is not simply a transcription of the Corporate Governance Rules** included in the Bylaws, internal regulations, good governance codes or other corporate documents. Its aim is not to describe the company's corporate governance model, but rather to explain how it actually functions and any relevant changes during the year.

33.2 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe: As indicated in measure 33.1, the Annual Corporate Governance Report, like this Survey, explains the Spanish good governance recommendations met by the Company. Where it fails to meet them, the reasons for such failure are explained.	
NO. Explain:	
N/A. Specify the regulations that prevent the recommendation from being adopted:	
Date of implementation	01/10/2012
Date of modification	16/06/2015

**33.3. The Annual Corporate Governance Report** of the company contains year-end information **describing how the corporate governance recommendations adopted by the company have been implemented during the year and the main changes they have brought about.**

The structure of the company's Annual Corporate Governance Report is in line with that stipulated in recommendation 33.3.

33.3 Has the measure been implemented? YES  NO  N/A

YES. Briefly describe:
------------------------

<p>NO. Explain:</p>
<p>N/A. Specify the regulations that prevent the recommendation from being adopted: The Annual Corporate Governance Report reflects the guidelines issued by the Spanish National Securities Market Commission - the body with competence in this regard -, and contains details of the Company's compliance with Spanish good governance recommendations or, where it fails to comply with the recommendations, the reasons for such failure.</p>

Date of implementation	
Date of modification	



**APPENDIX III**

**REPORT ON DIRECTORS AND SENIOR EXECUTIVES  
AND THEIR COMPENSATION  
FOR THE YEAR ENDED DECEMBER 31, 2016**



## NOMINATING AND COMPENSATION COMMITTEE

### Annual Report on the Compensation of Directors and Senior Executives for the year ended December 31, 2016.

#### 1. Introduction

The Nominating and Compensation Committee prepared this *Report on the Compensation of Directors and Senior Executives* of CEMEX LATAM HOLDINGS, S.A. (the “**Company**” or “**Cemex Latam**”) for the year ended December 31, 2016 (hereinafter the “**Report**”) in compliance with Article 44 of the Regulations of the Board of Directors.

This Report, which precedes the Annual Corporate Governance Report to be approved by the Board of Directors, provides the Board of Directors with the information that the Nominating and Compensation Committee (the “**Committee**”) deems necessary with regard to the compensation of the Directors and Senior Executives of the Company and its corporate group.

#### 2. The Board of Directors

##### A. Composition of the Board of Directors

Pursuant to Article 36 of the Bylaws and Article 7 of its Regulations, Cemex Latam's Board of Directors shall consist of a minimum of five and a maximum of nine members, and its composition shall be such that the Non-executive Directors outnumber the Executive Directors, and at least one-third of the Board members shall be Independent Directors. At January 1, 2016, the composition of the Board of Directors was as follows:

- |                                |  |
|--------------------------------|--|
| ▪ Jaime Muguero Domínguez      | Chairman and Managing Director         |
| ▪ Jaime Gerardo Elizondo Chapa | Vice Chairman and Proprietary Director |
| ▪ Ignacio Madridejos Fernández | Proprietary Director                   |
| ▪ Juan Pablo San Agustín Rubio | Proprietary Director                   |
| ▪ Jaime Ruiz de Haro           | Proprietary Director                   |
| ▪ Coloma Armero Montes         | Independent Director                   |
| ▪ Rafael Santos Calderón       | Independent Director and Coordinator   |
| ▪ Gabriel Jaramillo Sanint     | Independent Director                   |
| ▪ Juan Pelegrí y Girón         | Secretary and Proprietary Director     |

At its meeting of June 20, 2016, the General Shareholders' Meeting adopted the following resolutions regarding the composition of the Company's Board of Directors:

- To reappoint Jaime Muguero Domínguez as director and, more specifically as executive director, subject to a favorable report of the Nominating and Compensation Committee, for the three-year term provided for in the Bylaws.
- To reappoint Jaime Gerardo Elizondo Chapa as director and, more specifically as proprietary director, subject to a favorable report of the Nominating and Compensation Committee, for the three-year term provided for in the Bylaws.
- To reappoint Juan Pablo San Agustín Rubio as director and, more specifically as proprietary director, subject to a favorable report of the Nominating and Compensation Committee, for the three-year term provided for in the Bylaws.
- To reappoint Juan Pelegrí y Girón as director and, more specifically as proprietary director, subject to a favorable report of the Nominating and Compensation Committee, for the three-year term provided for in the Bylaws.
- To reappoint Coloma Armero Montes as director and, more specifically as independent director, as proposed by the Nominating and Compensation Committee, for the three-year term provided for in the Bylaws.
- To reappoint Gabriel Jaramillo Sanint as director and, more specifically as independent director, as proposed by the Nominating and Compensation Committee, for the three-year term provided for in the Bylaws.
- To reappoint Rafael Santos Calderón as director and, more specifically as independent director, as proposed by the Nominating and Compensation Committee, for the three-year term provided for in the Bylaws.
- To appoint Carmen Burgos Casas as director and, more specifically as proprietary director, subject to a favorable report of the Nominating and Compensation Committee, for the three-year term provided for in the Bylaws.
- To appoint José Luis Orti García as director and, more specifically as proprietary director, subject to a favorable report of the Nominating and Compensation Committee, for the three-year term provided for in the Bylaws.

Also, since the aforesaid General Shareholder's Meeting, the following resolutions have been adopted for the appointment of offices on the Board of Directors:

- To reappoint Jaime Muguero Domínguez as Managing Director of the Company, by resolution of the Board of Directors of June 20, 2016, and subject to a favorable report of the Nominating and Compensation Committee, following the approval by the aforementioned General Shareholders' Meeting of his appointment as Executive Director of the Company.
- To appoint Juan Pablo San Agustín Rubio as the new Chairman of the Company's Board of Directors, by resolution of the Board of Directors of October 4, 2016 and subject to a favorable report of the Nominating and Compensation Committee. This appointment was made as a result of Jaime Muguero Domínguez's resignation from

office as Chairman of the Board of Directors, while remaining in office as Managing Director and General Manager of the Company. The above resignation was tendered as it was felt that the Company's oversight and control functions should be separated from its administration and management functions in the interests of good governance.

As a result of the foregoing changes, the composition of the Board of Directors at the date of this Report is as follows:

- |                                |  |
|--------------------------------|--|
| ▪ Juan Pablo San Agustín Rubio | Chairman and Proprietary Director      |
| ▪ Jaime Gerardo Elizondo Chapa | Vice Chairman and Proprietary Director |
| ▪ Jaime Muguero Domínguez      | Managing Director                      |
| ▪ José Luis Orti García        | Proprietary Director                   |
| ▪ Carmen Burgos Casas          | Proprietary Director                   |
| ▪ Coloma Armero Montes         | Independent Director                   |
| ▪ Rafael Santos Calderón       | Independent Director and Coordinator   |
| ▪ Gabriel Jaramillo Sanint     | Independent Director                   |
| ▪ Juan Pelegrí y Girón         | Secretary and Proprietary Director     |

In accordance with article 8.7 of the Regulations of the Board of Directors, the Committee has verified that all of the board members maintained their respective executive, proprietary and independent functions in 2016 and at the pertinent dates.

## **B. Committees of the Board of Directors**

At January 1, 2016 and at the date of this Report, the Board of Directors had the following Committees:

### **I) Audit Committee**

Article 25 of the Regulations of the Board of Directors, read expressly in conjunction with Article 43 of the Bylaws, governs the Audit Committee's composition and duties. In accordance with these internal regulations, this Committee shall be composed of a minimum of three and a maximum of five non-executive Directors, and the majority of the Independent Directors must serve on this Committee, at least one of them being appointed on the basis of his knowledge and expertise in accounting, auditing or both. The Committee's president must be an Independent Director.

At January 1, 2016, the composition of the Audit Committee was as follows:

- Gabriel Jaramillo Sanint (President)
- Rafael Santos Calderón (Member)
- Coloma Armero Montes (Secretary)

Between January 1, 2016 and the date of this Report, the above composition of the Audit Committee has undergone the changes listed below, all of them by resolution of the Board of Directors of January 24, 2016:

- The appointment of José Luis Orti García as a member of the Audit Committee, at the proposal of the Nominating and Compensation Committee.
- The appointment of Coloma Armero Montes as President of the Audit Committee, to replace Gabriel Jaramillo Sanint, whose mandate expired on January 16, 2017, in accordance with the four-year mandatory rotation requirement.
- The appointment of José Luis Orti García as Secretary of the Audit Committee, to replace Coloma Armero Montes.

As a result of the foregoing changes, the composition of the Audit Committee at the date of this Report is as follows:

- Coloma Armero Montes (President)
- José Luis Orti García (Secretary)
- Gabriel Jaramillo Sanint (Member)
- Rafael Santos Calderón (Member)

## **II) Nominating and Compensation Committee**

Article 26 of the Regulations of the Board of Directors, read expressly in conjunction with Article 44 of the Bylaws, governs the Nominating and Compensation Committee's composition and duties. In accordance with these internal regulations, this Committee shall be composed of a minimum of three and a maximum of five non-executive Directors, and the majority of the Independent Directors must serve on this Committee. The Committee's president must be an Independent Director.

At January 1, 2016, the composition of the Nominating and Compensation Committee was as follows:

- Rafael Santos Calderón (President)
- Coloma Armero Montes (Member)
- Jaime Gerardo Elizondo Chapa (Secretary)

Between January 1, 2016 and the date of this Report, the foregoing composition of the Nominating and Compensation Committee has been amended as a result of the appointment, by resolution of the Board of Directors of 20 June 2016, of Carmen Burgos Casas as Member and Secretary of the Nominating and Compensation Committee, to replace Jaime Gerardo Elizondo Chapa following his resignation.

As a result of the foregoing change, the composition of the Nominating and Compensation Committee at the date of this Report is as follows:

- Rafael Santos Calderón (President)
- Coloma Armero Montes (Member)
- Carmen Burgos Casas (Secretary)

### **III) Corporate Governance Committee**

Article 27 of the Regulations of the Board of Directors read expressly in conjunction with Article 45 of the Bylaws, governs the Corporate Governance Committee's composition and duties. This Committee shall comprise a minimum of three and a maximum of five Non-executive Directors, and the majority of the Independent Directors must serve on this Committee. The Committee's president must be an Independent Director.

At January 1, 2016, the composition of the Corporate Governance Committee was as follows:

- Coloma Armero Montes (President)
- Gabriel Jaramillo Sanint (Member)
- Juan Pelegrí y Girón (Secretary)

Between January 1, 2016 and the date of this Report, the foregoing composition of the Corporate Governance Committee has been amended as a result of the appointment of Gabriel Jaramillo Sanint, by a resolution of the Board of Directors of January 24, 2017, as President of the Corporate Governance Committee, to replace Coloma Armero Montes who vacated her office as a result of her appointment as President of the aforementioned Audit Committee.

As a result of the above modification, the composition of the Board of Directors at the date of this Report is as follows:

- Gabriel Jaramillo Sanint (President)
- Coloma Armero Montes (Member)
- Juan Pelegrí y Girón (Secretary)

### **3. Director remuneration policy**

Pursuant to the Bylaws and Regulations of the Board of Directors, Board members are entitled to receive remuneration from the Company, comprising (i) a fixed salary and, as the case may be, (ii) per diems for attendance of Board and Committee meetings.

Moreover, Executive Directors will receive remuneration in respect of each and every one of the following items:

- (i) a fixed component, commensurate with the services performed and responsibilities assumed;
- (ii) a variable component, linked to an indicator of the performance of the Board member or of the Company;
- (iii) a welfare benefit comprising pension or insurance contributions; and
- (iv) severance in the event of dismissal or any other type of termination of the legal relationship with the Company not attributable to a breach by the Board member.

The total remuneration payable by the Company to Board members taken as a whole shall not exceed the amount stipulated by the shareholders at the General Meeting. The exact consideration payable shall be set by the Board of Directors, pursuant to the proposal of the Nominating and Compensation Committee, without exceeding the limit established by the shareholders at their General Meeting. The Board shall also be responsible for determining the allocation among the various Board members, the criteria to be followed, the timing of payment, and other issues not expressly considered by the shareholders at their General Meeting.

#### **4. Director remuneration**

##### **A.1. Director remuneration for 2015**

As indicated in the Report on the Compensation of Directors and Senior Executives for the year ended December 31, 2015, and as a result of the entry into force of Law 31/2014 of 3 December 2014, amending the Spanish Companies Act to improve Corporate Governance and, specifically, in view of the provisions of section two, letter a, of the transitional provision, the Board of Directors decided to submit the Report on the Compensation of Directors and Senior Executives for the year ended December 31, 2014 to the General Shareholders' Meeting held on June 16, 2015, in its consultative capacity, for approval. In line with the aforesaid provision, the General Shareholders' Meeting approved the director remuneration policy for a period of three years as from the date of the Meeting. The Committee has therefore not submitted to the Board of Directors the proposal referred to in Article 48.3 of the Company Bylaws, which provides that the exact amount to be paid, subject to the limit set by the General Shareholders' Meeting, and the distribution thereof among the Directors, is determined by the Board of Directors after receiving a proposal from the Nominating and Compensation Committee. The proposed director remuneration for 2015 was therefore the same as that set for the previous year, the amount of which was stated in the 2015 Report and, for the reasons explained below, is transcribed once again in the following section.

##### **A.2. Director remuneration for 2016**

For the reasons set out in section A.1. above, i.e. due to the approval by the General Shareholders' Meeting, in its consultative capacity, of the Report on the Compensation of

Directors and Senior Executives for the year ended December 31, 2014, the proposed director remuneration for 2016 was the same as that set for the previous year, which consisted of:

- A total fixed (gross) annual compensation of €194,400, or the equivalent amount in US Dollars at the official exchange rate established by the European Central Bank (ECB) on the accrual date, to be paid exclusively, and based on the decision adopted by the Board of Directors on April 10, 2014, to the three Independent Directors and the Chairman of the Board of Directors as Executive Director, in the amount of €48,600 (gross) to each of them, and
- Per diems for attending the Meetings of the Board of Directors and its Committees, in a total amount of €2,000 (gross), the total aggregate annual amount (gross) of which for all of the Directors not exceeding €72,000, on the following terms:
  - i. The above attendance per diem shall be paid exclusively to Independent Directors.
  - ii. Directors who, on a given day, attend a meeting of the Board of Directors and/or one or more meetings of the Committees shall be entitled to receive a single per diem in the amount of €2,000 (gross).
  - iii. Directors shall not be entitled to receive attendance per diems where resolutions are adopted in writing without a meeting.
- Independent Directors shall be entitled to receive an attendance per diem for attending meetings of the Board of Directors or its Committees by videoconference or other permitted electronic media.
- The Company shall cover Directors' travel expenses (airfare to the location where the meeting is held, lodging and local transportation) for attending meetings of the Board of Directors or its Committees.

Consequently, in accordance with the aforementioned resolutions adopted by the Board of Directors on April 10, 2014, the maximum annual overall amount for 2016 is distributed as follows:

- (i) A total fixed (gross) annual compensation of €194,400, or the equivalent amount in US Dollars at the official exchange rate established by the European Central Bank (ECB) on the accrual date.
- (ii) €2,000, as the individual per diem (gross) for attending the meetings of the Board of Directors and its Committees, in accordance with the terms set forth above.

Each of the Company's three Independent Directors and Jaime Muguiro Domínguez are therefore entitled to receive the following fixed compensation in 2016:



<b>Director</b>	<b>Total compensation for 2016 (gross)</b>
Jaime Muguiro Domínguez	Euros 48,600
Coloma Armero Montes	Euros 48,600
Gabriel Jaramillo Sanint	Euros 48,600
Rafael Santos Calderón	Euros 48,600

Likewise, in relation to the attendance per diems to which each of the Company's three Independent Directors are entitled for attending the meetings held in 2016, it is placed on record that, as a result of the irregularities identified in the acquisition of the properties in Planta de Maceo (Antioquía, Colombia) and which have been reported to the market as Relevant Information, the Nominating and Compensation Committee, the Audit Committee and the Board of Directors have held a large number of extraordinary meetings that were not scheduled in the meeting calendars approved by such bodies at the beginning of the year, all of them to deal with matters relating to Maceo. Such additional sessions were as follows:

- Audit Committee: September 23, October 4, October 19, November 25 and December 16.
- Nominating and Compensation Committee: October 4
- Board of Directors: October 4

The aforementioned per diems limit, set at €72,000 (gross) has therefore been exceeded by €26,294 (gross), i.e. per diems in 2016 stood at 36.5% above the amount provided for in the aforementioned compensation policy.

In light of the above, at its meeting of December 17, 2016, and as proposed by the Nominating and Compensation Committee at its meeting of December 16, 2016, the Board of Directors resolved to propose that the General Shareholders' Meeting to be held in 2017 approve the excess per diems, i.e. €26,294 (gross), in respect of the meetings held by the Audit Committee on September 23, October 4, October 19, November 25 and December 16.

Accordingly, the amount of attendance per diems to be received by the independent directors in 2016 is as follows:

<b>Director</b>	<b>Total per diems for meeting attendance (gross)</b>
Coloma Armero Montes (13)	Euros 34,102
Gabriel Jaramillo Sanint (11)	Euros 30,090

## 5. Senior Executives

According to the Regulations of the Board of Directors, senior management consists of the Company's top executives who report directly to the Board of Directors or the Company's most senior executive, and any other Directors whom the Board of Directors recognizes as such.

Senior Management is primarily responsible for implementing the strategy devised by the Board of Directors. Pursuant to the Bylaws and prevailing legislation, the Board of Directors shall grant powers to Senior Management and authorize Senior Executives to act on the Company's behalf.

Notwithstanding, given that Cemex Latam is a "holding" company and parent of a group ("**Cemex Latam Group**"), its senior executives are the executives of the subsidiaries forming part of such group. These senior executives of the Cemex Latam Group also report to the Company's Board of Directors or most senior executive, implementing the strategy devised by this managing body, which is also competent to establish their powers and authority to represent the Company, in line with the Bylaws and applicable statutory provisions.

At year-end 2016, the Cemex Latam Group's Senior Executives were as follows:

- **Jaime Muguero Domínguez**

General Manager (CEO) of the Cemex Latam Group

As Cemex Latam's chief executive, Mr. Muguero is responsible for managing the operations and business of Cemex Latam Group. Mr. Muguero's management team is formed by the following senior executives:

- **Josué R. González Rodríguez**

CFO of the Cemex Latam Group and of CEMEX Colombia

As head of Finance and Cash Management for the countries covered by the Cemex Latam Group, Mr. González manages, coordinates and supervises the finance and cash management teams of the various business and operating units in this region. Mr. González is also directly responsible for operations in Colombia.

- **Fernando Enríquez Martell**

Vice President of Operations at the Cemex Latam Group and CEMEX Colombia

As head of Operations for the countries covered by the Cemex Latam Group, Mr. Enríquez manages, coordinates and oversees all matters related to the production of the materials that the various business and operating units manufacture, sell and distribute in this region. Mr. Enríquez is also directly responsible for operations in Colombia.

▪ **Francisco Aguilera Mendoza**

Vice President of Planning at the Cemex Latam Group and CEMEX Colombia

As head of Strategic Planning for the countries covered by the Cemex Latam Group, Mr. Aguilera manages, coordinates and oversees all matters related to the planning of operations performed by the various business and operating units in this region. Mr. Aguilera is also directly responsible for the strategic planning of operations in Colombia.

▪ **Ana María Gómez Montes**

Legal Affairs Director at the Cemex Latam Group and Compliance Officer at the Cemex Latam Group.

As head of legal affairs for the countries covered by the Cemex Latam Group, Ms. Gómez manages, coordinates and oversees all legal matters related to the operations performed by the various business and operating units in this region.

▪ **Ricardo Naya Barba**

Director of Cemex Colombia

As Country Director, Mr. Naya manages, coordinates and oversees operations and business in Colombia, and is also responsible for the Company's sales strategy in this geographic market.

▪ **Andrés Jiménez Uribe**

Director of Cemex Panama

As Country Director, Mr. Jiménez manages, coordinates and oversees operations and business in Panama, and is also responsible for the Company's sales strategy in this geographic market.

▪ **Alejandro Ramírez Cantú**

Director of Cemex Costa Rica

As Country Director, Mr. Ramírez manages, coordinates and oversees operations and business in Brazil, and is also responsible for the Company's sales strategy in this geographic market.

▪ **Yuri de los Santos Llanas**

Director of Cemex Nicaragua and El Salvador

As Country Director, Mr. de los Santos manages, coordinates and oversees operations and business in Nicaragua and El Salvador, and is also responsible for the Company's sales strategy in both of these geographic markets.

▪ **Guillermo Rojo de Diego**

Director of Cemex Guatemala

As Country Director, Mr. Rojo manages, coordinates and oversees operations and business in Guatemala, and is also responsible for the Company's sales strategy in this geographic market.

▪ **Guillermo García Clavier**

Director of Cemex Brazil

As Country Director, Mr. García manages, coordinates and oversees operations and business in Brazil, and is also responsible for the Company's sales strategy in this geographic market.

**6. Senior management remuneration**

The 11 Senior Executives forming the senior management team of Cemex Latam and its subsidiaries at December 31, 2016 have received a total aggregate amount of US\$6.2 million (€5.8 million) from the Cemex Latam Group for all items of the theoretical compensation package.

Members of senior management of Cemex Latam are entitled to the following financial benefits and/or conditions:

- i) Fixed annual compensation or basic annual salary.
- ii) Performance-linked bonus or remuneration; and
- iii) Long-term bonuses.

In 2016, certain Senior Executives who were entitled to do so finished benefiting from the Long-Term Bonus Plan (common share certificates, or "CPOs") of CEMEX, S.A.B. de C.V. ("CEMEX"), which they enjoyed before the incorporation of the Cemex Latam Group and up until February 2013.

Consequently, in 2016, they received, with or without restrictions, the CEMEX common share certificates corresponding to the annual blocks previously established in the incentive plans applicable through February 2013.

In addition, and effective January 1, 2013, the Senior Executives were included in the Company-share-based Long-Term Incentive Plan (“PILP”) approved by the Board of Directors having received a report from the Nominating and Compensation Committee at its January 16, 2013 meeting.

The Company assigned to seven Senior Executives a total of 108,494 treasury shares, which were charged to the Long-Term Incentive Plan for 2016 (“PILP 2016”). The closing share price for April 15, 2016 was used to determine the number of shares to be assigned under PILP 2016 in the case of the RS CLH ABR15 plan and that for June 30, 2016 in the case of the RS CLH JUN16 plan.

This number of shares shall be delivered to the Senior Executives in four annual blocks, each composed of 25% of the total, in accordance with the proportion determined for each of them individually.

The shares assigned to Senior Executives have been blocked off within the Company's treasury shares until delivery to the executives in accordance with the timetable set forth for the 2016 PILP. The first annual block of Company shares shall be transferred to the group of Senior Executives on May 1, 2016 in the case of the RS CLH ABR16 plan and on July 1, 2017 in the case of the RS CLH JUN16 plan.

In 2016, three (3) of the eleven (11) Senior Executives received shares under the Long-Term Bonus Plan (common share certificates, or “CPOs”) of CEMEX, S.A.B. de C.V. (“CEMEX”) as they were at companies other than the Cemex Latam Group companies in that year. A total of 1,770,081 shares were assigned.

One (1) of the eleven (11) Senior Executives did not receive shares under a CEMEX Latam long-term bonus plan in 2016, as he joined the group at the end of the year.

In addition to the aforementioned remuneration package, Cemex Latam's Senior Management also receives:

- i) An international mobility package and a pension plan (for only nine of these executives);
- ii) Medical insurance;
- iii) Life insurance; and
- iv) A company vehicle.

Madrid, 27 March 2017

CEMEX LATAM HOLDINGS, S.A.

Notes to the Annual Accounts

Mr. Juan Pelegrí y Girón, in his position as Secretary to the Board of Directors of Cemex Latam Holdings, S.A. (the “Company”) hereby certifies that the signatures of the Company’s directors which appear below were inscribed in his presence and that the accompanying document comprises the annual accounts and Directors’ Report for 2016, as authorized for issue by the board of directors pursuant to the requirements of article 253.2 of the Spanish Companies Act and article 37 of the Spanish Code of Commerce, at their meeting held on March 28, 2017, printed on plain paper as follows:

- The Balance Sheet is transcribed on sheet 1.
- The Income Statement is transcribed on sheet 2.
- The Statement of Changes in Equity is transcribed on sheets 3 and 4.
- The Statement of Cash Flows is transcribed on sheet 5.
- The Notes to the Annual Accounts and Appendices I to III are transcribed on sheets 6 to 34.
- The Directors’ Report and Appendices I to III are transcribed on sheets 1 to 6.

The directors listed below sign the document in proof of conformity.

\_\_\_\_\_  
**Mr. Juan Pablo San Agustín Rubio**

\_\_\_\_\_  
**Mr. Jaime Gerardo Elizondo Chapa**

\_\_\_\_\_  
**Mr. Jaime Muguiro Domínguez**

\_\_\_\_\_  
**Mr. José Luis Orti García**

\_\_\_\_\_  
**Ms. Carmen Burgos Casas**

\_\_\_\_\_  
**Ms. Coloma Armero Montes**

\_\_\_\_\_  
**Mr. Gabriel Jaramillo Sanint**

\_\_\_\_\_  
**Mr. Rafael Santos Calderón**

\_\_\_\_\_  
**Mr. Juan Pelegrí y Girón**