

***ANNUAL REPORT ON THE ACTIVITIES OF THE AUDIT
COMMITTEE OF CEMEX LATAM HOLDINGS, S.A.***

-FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020-



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1. INTRODUCTION

Within the framework of its corporate governance system, Cemex Latam Holdings, S.A. (hereinafter, the “**Company**” or “**Cemex Latam**” or “**CLH**”), has an Audit Committee (the “**Audit Committee**” or the “**Committee**”), set up by a resolution of the Board of Directors on 4 October 2012. Its powers and operating rules are laid down in the Articles of Association, in the Committee’s Internal Regulations approved on 13 May 2019, and in the Regulations of the Board of Directors.

In accordance with the provisions of article 25.13 of the Regulations of the Board of Directors, the Audit Committee shall, within three months following the end of each financial year, submit to the Board of Directors for approval a report detailing its work during the year (the “**Annual Report**”), to be made available to the shareholders when notice of the Annual General Meeting is given.

This Annual Report of Cemex Latam’s Audit Committee covers the period 1 January 2020 to 31 December 2020.

Upon approval by the Board of Directors, as the case may be, this Annual Report will be made available to the Company’s shareholders and may be accessed at the Company’s website (i) following notice of the Annual General Meeting at which the Company’s Annual Accounts for the financial year ended 31 December 2020 shall be submitted for approval, and (ii) from the same day on which such notice is published.

2. COMPOSITION

The Audit Committee is an internal permanent, informational and consultative body of the Board of Directors. Under the Articles of Association, the Committee’s Internal Regulations and the Regulations of the Board of Directors, a majority of the directors who are members of the Committee must qualify as independent directors, and the Committee must consist of no fewer than three (3) and not more than five (5) members.

The Committee Chair must be an independent director. The Chair shall hold office for a period of not more than four (4) years, following which he or she may not be reappointed until at least one (1) year has elapsed after termination, notwithstanding which he or she may continue or be reappointed as a Committee member. The current composition of the Committee is as follows:

Chair:

Ms Mónica Inés María Aparicio Smith (Independent director)

Member:

Ms Coloma Armero Montes (Independent director)

Member:

Mr Rafael Santos Calderón (Independent director)

Secretary:

Mr José Luis Orti García (Proprietary director)

In the period comprised between 1 January 2020 and the date of this Report, the only change to the Audit Committee membership was the appointment on 22 January 2021 of Ms Mónica Inés María Aparicio Smith to take over from Ms Coloma Armero Montes as Committee Chair because of the lapse of the maximum four-year term established to hold that office since she was appointed to the same.

3. POWERS AND RESPONSIBILITIES

The Audit Committee's powers and responsibilities are established in Chapter IV of the Committee's Internal Regulations and in article 25 of the Regulations of the Board of Directors, read in conjunction with article 43 of the Articles of Association.

In accordance with the aforementioned articles, the Audit Committee, an internal body of the Board, is in the nature of a permanent, informational and consultative body with no executive functions, but with powers to report, advise and submit proposals within its remit, its essential activities being as follows: (I) oversight of financial reporting; (II) oversight of risk management and control; (III) oversight of the Internal Audit y (IV) relations with the external auditor.

The following are the powers and authorities conferred on the Audit Committee as at 31 December 2020 by the Articles of Association and the Regulations of the Board of Directors, arranged by subject area:

A. With regard to financial information:

- (i) to supervise the preparation process and submission and integrity of the regulatory financial information of the Company and its group, checking compliance with regulatory requirements, that the scope of consolidation is properly delimited and that the accounting standards are properly applied, and to establish the policies and practices to be applied by the Company to structure, report and disclose its financial information;

- (ii) to review the financial statements before their submission for approval to the Board of Directors and the General Shareholders' Meeting, ensuring that the interim financial statements are prepared in accordance with the same accounting standards as the annual accounts, to which end it shall weigh up the possibility of an audit or limited review of those interim statements; and
- (iii) to ensure that the Board of Directors submits annual accounts to the General Shareholders' Meeting with an auditor's report having no scope limitations or qualifications and that, in exceptional cases where the auditor's report is qualified, both the Audit Committee Chair and the auditors clearly explain to the shareholders the content and extent of any such scope limitations or qualifications.

B. With regard to **regulatory compliance:**

- (i) to monitor compliance with the specific laws applicable to the Company.

C. With regard to **internal audit and internal control:**

- (i) to supervise the efficiency of (i) the Company's internal controls, (ii) the internal audit function, which reports to the Audit Committee, and compliance with its programme, which shall take business risks into account and fully assess all areas of the Company, (iii) the risk management systems, including tax risks, and (iv) discuss with the auditor any significant internal control system weaknesses identified during the course of the audit;
- (ii) to assess all matters related to the Company's non-financial risks, including operational, technological, legal, corporate, environmental, political and reputational risks;
- (iii) to oversee the independence of the unit responsible for the internal audit function, propose the recruitment, appointment, reappointment and removal of the head of the internal audit service, propose the budget for this service, approve guidance and work plans therefor, ensuring that its activity focuses mainly on key risks for the Company, receive information on its activities on a regular basis and verify that the senior management takes the conclusions and recommendations of its reports into account.

For the purposes of the preceding paragraph, the Audit Committee shall ensure that the head of the unit responsible for the internal audit function submits its annual work plan to the Audit Committee and reports directly on any issues arising in carrying it out and submits an activity report at the end of each financial year; and

- (iv) to oversee a whistleblowing mechanism allowing employees to confidentially and, if possible and where that is deemed appropriate, anonymously report any potentially material irregularities, particularly of a financial and accounting nature, they may detect within the Company and its group companies.

D. With regard to the external audit:

- (i) to provide the Board of Directors, for submission to the General Shareholders' Meeting, with proposals to recruit, appoint, reappoint and replace the auditors, in accordance with the prevailing laws, and their terms of engagement, and to obtain from them on a regular basis information on the audit plan and progress thereof, and in addition to safeguard their independence in the discharge of their duties;

The Company shall not designate as auditor any persons or firms that may have received income from the Company and/or from companies directly or indirectly controlled thereby, as defined in article 42 of the Commercial Code, where that income accounts for twenty-five per cent (25%) or more of their latest annual income;

- (ii) to establish suitable relations with the auditors in order to receive information regarding issues which may put their independence at risk, to be examined by the Audit Committee, and such others as may be related to the audit procedure proper, and any other communications provided for in the audit laws and in all other audit standards;
- (iii) if the external auditor should resign, to examine the circumstances leading to such resignation;
- (iv) to ensure that the remuneration for the external auditor's work does not compromise the auditor's quality or independence;
- (v) to verify that the Company notifies the relevant regulatory authorities of any change of auditor and encloses a statement as to the potential existence of disagreements with the outgoing auditor and, if any such disagreement existed, a description thereof;
- (vi) to ensure that the external auditor holds a meeting on a yearly basis with the whole of the Board of Directors to report on work done and on the progress of the Company's accounting affairs and risk management;
- (vii) to ensure that the Company and the auditor comply with the prevailing laws on the provision of non-audit services, the auditor's business concentration limits and, in general, all other auditor independence laws;

- (viii) to receive written confirmation from the auditors, on a yearly basis, of their independence with respect to the Company or entities directly or indirectly related thereto, and information regarding additional services of any kind provided and the relevant fees received by the auditor or the auditor's related persons or entities from the Company or from the aforementioned related entities in accordance with the provisions of the applicable laws; and
- (ix) to issue a report on a yearly basis, prior to the auditor's report, expressing an opinion as to the auditors' independence. This report shall at all events provide an assessment as to the provision of the additional services referred to in the preceding paragraph, considered both individually and as a whole, other than the statutory audit, and as to the independence requirement in accordance with audit laws.

E. With regard to other matters:

- (i) to report to the General Shareholders' Meeting on any issues raised thereat by the shareholders regarding matters falling within its remit;
- (ii) to coordinate procedures for reporting non-financial and diversity information in accordance with the applicable laws and with international standards and benchmarks;
- (iii) to define mechanisms to consolidate issuer control body information in order to submit the information to the Board of Directors;
- (iv) to monitor compliance with the laws applicable to the Company;
- (v) to inform the Board of Directors, before it adopts the relevant decision, as to the establishment or acquisition of shares in special purpose entities or entities domiciled in countries or territories defined as tax havens;
- (vi) it shall be informed of transactions involving structural and corporate changes proposed to be carried out by the Company or any of its group Companies, in order to analyse the same and report in advance of the Board of Directors as to their financial terms and their accounting and tax implications and specifically, as the case may be, as to the proposed exchange ratio;
- (vii) to issue such reports and do such things as may additionally be within its remit, in accordance with the Company's Internal Regulations, or as requested by the Board of Directors or its chair; and

(viii) such others as may it be entrusted with by the Board of Directors or provided for by law.

4. ACTIVITIES CARRIED OUT IN THE YEAR 2020

A. General information

In accordance with the provisions of the Company's internal regulations, the Audit Committee shall meet as many times as its chair shall deem necessary, and at least once (1) every quarter, to exercise the powers entrusted to it. It shall also meet when requested by at least two (2) of its members. The Chair of the Board of Directors and the Chief Executive Officer may in addition exceptionally request informational meetings of the Audit Committee to be held.

The Audit Committee was busier during the year 2020, as a result of the COVID-19 pandemic, and held twelve (12) meetings (11 meetings in 2019), on the following dates:

17 January	19 June
10 February	16 July
20 March	4 September
17 April	16 October
1 May	25 November
20 May	17 December

The above meetings lasted on average approximately between three and five hours. The Committee members devoted all necessary and sufficient time to look into and analyse all the business to be transacted.

In 2020, all the Committee members were present at all the meetings.

In addition, Audit Committee meetings were attended, where appropriate, by different members of the management of Cemex Latam Group and also of Cemex Group, and among them the head of internal audit, the comptroller, the head of the legal and tax area, compliance, the external auditors and external consultants when invited to take part at the meetings.

At the meeting held on 10 February 2020, the Committee approved a Work Plan itemising the main tasks which the Committee proposed to carry out during the year 2020 mainly in relation to the following matters:

- 1) Financial and non-financial information
- 2) Internal audit

- 3) Internal control and ERM
- 4) Audit of the financial statements (external auditor)
- 5) Other matters

The Audit Committee has carried out the aforementioned tasks in accordance with the schedule of meetings approved by the Committee for the year 2020, notwithstanding which certain actions commenced in that year will be completed or, as appropriate, continue to be carried out during the year 2021.

The following is a summary of the main actions carried out by the Audit Committee during the year 2020 within its sphere of authority and responsibility, which have been duly reported to the Board of Directors in accordance with the provisions of article 20 of the Committee's Internal Regulations and article 25.13 of the Regulations of the Board of Directors. In addition, as a result of the COVID-19 pandemic declared by the World Health Organisation on 11 March 2020, the Committee has since then, among other actions, devoted many hours to monitoring how the effects of that pandemic have impacted on the various areas of the Company and on the Committee's actual functions, moreover reporting to the Board of Directors on the subject. Given their exceptional nature, those actions are set out in section F separately from all other work done.

B. Financial information

During the year 2020, the Audit Committee performed the duties and responsibilities set forth in the Company's Internal Regulations with regard to the Company's financial information, and as a result carried out the following actions:

I. Supervision of the process for preparing and filing regulatory financial information

During several of the meetings held in the year 2020, the Committee has been supervising the process for preparing and filing the Company's individual and consolidated financial information, as regulated by applicable Spanish and Colombian laws, and reviewed this financial information before submission to the Board of Directors and the General Shareholders' Meeting for approval, as the appropriate in each case.

In performing its mission, the Committee analysed the proper application of the accounting policies and issued recommendations as to recording, booking and presentation of certain items.

In particular, the Committee has supervised the process for preparing and filing the following financial information:

(I) Individual Annual Accounts of the Company

At a meeting of 20 March 2020, with the support of the external auditor's report, the Committee reviewed the Company's individual Annual Accounts prepared in accordance with the Spanish General Accounting Plan and the Directors' Report for the financial year ended 31 December 2019. As a result, it submitted a favourable report to the Board of Directors, this being the body with authority to draw up the same.

The individual Annual Accounts and the Directors' Report for that financial year were drawn up by the Board of Directors on the same day, 23 March 2020, and were approved, together with the auditor's report, by the Company's Annual General Shareholders' Meeting held on 29 July 2020.

(II) Separate (individual) and consolidated Financial Statements, prepared in accordance with IFRS

During the year 2020, the Committee reviewed the individual (separate) and consolidated Financial Statements prepared in accordance with the International Financial Reporting Standards ("IFRS") referred to below, to be filed by the Company, upon being approved by the Board of Directors, with the Colombian Financial Authority ("SFC"), in accordance with the provisions of instruction 10 of External Circular no. 004 of 9 March 2012, establishing rules and regulations for periodic and relevant reporting by securities issuers entered in the National Registry of Securities and Issuers of Colombia.

The above-mentioned Financial Statements refer to both interim periods respectively ended 31 March, 30 June and 30 September, and the full financial year ended 31 December of each year. Those Financial Statements were reviewed by the Committee at the following meetings:

- i) The individual (separate) and consolidated Financial Statements, prepared in accordance with IFRS, for the year ended 31 December 2019, audited by the Company's statutory auditor, KPMG Auditores, S.L., at its meeting of 10 February 2020.
- ii) The condensed individual (separate) and consolidated Financial Statements, prepared in accordance with IFRS, for the three-month period ended 31 March 2020, at its meeting of 17 April 2020. In addition, because of the need to include a new event in the note on "*Post Balance Sheet Events*" to those Financial Statements and make other changes to update part of their contents, the Committee held an

extraordinary meeting on 1 May 2020 to resubmit their report to the Board of Directors.

- iii) The condensed individual (separate) and consolidated Financial Statements prepared in accordance with IFRS, for the six-month period ended 30 June 2020, at its meeting of 16 July 2020.
- iv) The condensed individual (separate) and consolidated Financial Statements prepared in accordance with IFRS, for the nine-month period ended 30 September 2020, at its meeting of 16 October 2020.

They were all (i) favourably reported on by the Audit Committee, (ii) approved by the Company's Board of Directors, (iii) signed by the Company's authorised representative and the auditor appointed for each period, and (iv) filed with the SFC within the statutory deadlines established in the aforementioned Circular.

Additionally, at the aforementioned meetings and at the meetings of 17 January, 20 May, 19 June and 17 December 2020, the Committee was informed about the key accounting aspects and criteria as of the date of the meeting and followed up on matters with potential significant future accounting implications.

From the first quarter of 2020, the Committee has been informed about and has supervised at all its meeting the assessments made as to potential impairment of goodwill and other assets, in particular because of the effects of the COVID-19 pandemic. In addition, the Committee analysed at several meetings the impact of booking an asset impairment in the Financial Statements for the period ended 30 September 2020 on the offer to purchase Company shares by Cemex Latam's majority shareholder, notified to the Company on 7 September 2020.

C. Internal Audit and Internal Control

I. Supervision of the Internal Audit Area activity

During the year 2020, the Committee supervised the Internal Audit area activity. Therefore, the Committee, with the changes referred to hereinafter, (i) approved the Internal Audit area's work plan and budget for that financial year, and (ii) regularly reviewed progress of and compliance with the Internal Audit work plan, paying particular attention to the results submitted from time to time by the head of the area to the Committee during its meetings.

The Internal Audit work plan has comprised the following actions:

- 1) Reviewing the main controls mitigating the internal operational risks (“internal operational risks map”) in order to ensure their existence and execution in the following fields in all Group countries within the review included in the PACS audits:
 - Production Process: Cement, Concrete, Aggregates and Infrastructure and Housing (Colombia and Panama only)
 - Sales: Commercial and Supply Chain (Logistics)
 - Operations support: Supplies (Procurement), Payroll, Treasury, IT, Tax, Business Service Organisation (BSO) Projects and Processes, Accounting/Accounts, Fixed Assets, Accounts Payable and Commercial Administration / Credit and Portfolio
 - Consolidation of financial information.
 - Corporate Governance

In addition, the complete processes were reviewed from start to finish under risk methodologies for CAPEX Project Management, Environmental & Mining Compliance, Freight Management and Internal Control Management Process, assessing the risks and controls for each of the activities involved in each process.

- 2) Assessing compliance with controls by country.
- 3) Following up on anonymous, confidential whistleblowing mechanisms for complaints, claims, reports and queries within the framework of the Code of Ethics.

The head of the Internal Audit area reported on progress on the work plan at the Committee meetings of 17 January, 10 February, 20 March, 17 April, 20 May, 19 June, 16 July and 16 October 2020. During that year, the Internal Audit Office evaluated the team’s competencies based on the audits in progress, identifying strengths and endeavouring by means of action plans to improve any weaknesses affecting the achievement of goals. Accordingly, a diagnosis was submitted at the 17 January 2020 meeting with the major team shortcomings detected with respect to which an action plan was implemented to be put in place during the year. This action plan was however interrupted by the COVID-19 pandemic, although the actions to improve the team’s competencies were resumed at the end of critical stage of the pandemic.

Changes were also approved to the Internal Audit team structure in order to obtain further capacity in terms of team hours. Additionally, the audit function was enhanced, implementing automated audits. The team improvement plan continued into the year 2021 and potential changes will also be approved, as the case may be, by the Committee.

All the PACS audits and risk audits included in the work plan approved by the Committee have been carried out during 2020, and reports thereon have been submitted to the Committee.

Furthermore, the implementation and execution of remedial plans as a result of the weaknesses detected by the Internal Audit area in its audits have been very closely monitored. Those remedial plans relate to PACS and traditional audits and special-case audits. The Committee has received regular reports from the Internal Control area, in charge of monitoring all remedial plans on a monthly basis, on the progress of those remedial plans.

The Committee has carried out during the year 2020 an assessment of the Internal Audit area and of its officer, and has in so doing consulted with and received the opinion of the Chief Executive Officer and those responsible for the various CLH Group countries.

During 2020, the Audit Officer reported no limitation whatsoever on the performance of audit-related work and it is therefore considered that he has the requisite independence to carry out his task.

II. Supervision of risk management system efficiency

During the year 2020, the Committee oversaw the system for monitoring risks related to the various activities carried on by the Company and by its different subsidiaries in the countries in which they operate. In this connection, the Committee reviewed the performance of the Internal Control area's work plan for 2019 and was informed about the area's work plan for the years 2020 and 2021 and of subsequent amendments thereto due to the COVID-19 pandemic.

To do so, the Committee regularly gathered sundry information from the officers in various areas across the organisation on risk management procedures in place and risk management actions carried out in each of the aforementioned countries and operations. In addition, reports have been submitted to the Committee on the risk control area measures put in place as a result of the COVID-19 pandemic.

The Committee also received regular information with Risk Agenda updates.

As a result of that work, the Committee identified certain aspects during the year which it considers key aspects within the risk monitoring process and checked with both the Internal Audit and Internal Control area officers that those key aspects are duly covered, or as the case may be will be duly covered, in the work plan in those areas.

At the meetings of 17 April and 20 May 2020, the Committee has overseen the Risk Monitoring Report, including the Internal Control and Management System Report, in relation to the Financial Reporting process and the tax risks for the year 2019. This document was favourably reported on by the Committee on 19 June 2020. The report was subsequently approved by the Board of Directors on 23 June 2020. That Report is posted on the website from the same day on which notice of the Annual General Meeting to be held on 29 July 2020 is published.

III. Supervision of the Company's Internal Control efficiency

As set out in the report on the Committee's year 2018 and 2019 activities, the Board of Directors resolved, at the Committee's proposal, that although the Company is not subject to the Sarbanes Oxley Act (SOX), the SOX-related audits carried out globally at Cemex S.A.B. de C.V., including Colombia based on its materiality to the Group, should be used to advantage and their scope should be extended to include Panama, Costa Rica and Nicaragua. The scope of the SOX audits did not include Guatemala and El Salvador because they are not material to the Company.

In this connection, Internal Control reported to the Committee on the SOX compliance plan methodology, scope, testing plan and execution timelines, defining the inclusion within its scope of Colombia, Panama and Costa Rica. Bearing in mind that, during 2019, Internal Control reported to the Committee on the efficiency diagnostic of SOX controls for Panama and Costa Rica and on their result, the area reinforced controls and preventively monitored the same for the purpose of strengthening processes and reducing the violations identified in that diagnostic, for the purpose of improving SOX assessment results at CLH. The CLH SOX results for 2019 were reported on at a meeting held on 20 March 2020. As a general result, the Committee was informed that internal control over financial reporting was effective for the year ended 31 December 2019. It was also informed that all faults identified were considered as general deficiencies, i.e. although some controls did not work in their design or displayed execution weaknesses, they did not pose major deficiencies or material weaknesses (either individually or as a whole) impacting on the financial statements. Those faults were notified to process owners and remedial plans were established to address the same.

D. Enterprise Risk Management (ERM)

At its meetings of 17 January, 10 February, 19 June and 17 December 2020, the Committee monitored the state of the ERM area, the risk identification process and opportunities among other aspects related to that area, and the main matters addressed by the Company's Risks Committee.

E. External audit

During the year 2020, the Audit Committee, in performing the external audit duties and responsibilities set forth in the Company's internal regulations, advanced the following actions:

(i) Relations with the statutory auditor

The Committee was constantly in touch with the Company's statutory auditor KPMG Auditores, S.L. during the year 2020, and as a result the auditor has been reporting to the Committee not only on various matters related to the progress of the audit of the financial information, but also in regard to various matters of interest to the Committee.

Similarly, the Committee liaised properly with the statutory auditor for the purpose of identifying and analysing, as early as possible, any major internal control system weakness to have been detected in carrying out the audit programme.

In addition to the information received during the year 2020 in relation to the 2019 audit programme, at its meeting of 25 November 2020, the Committee was informed about the audit plan and strategy for the year 2020 and at its meeting of 8 February 2021 received detailed information from the statutory auditor as to the main aspects of the audit process of the Financial Statements prepared under IFRS for the period ended 31 December 2020, and inter alia, as follows:

- The scope of the audit.
- The materiality level insofar as the audit for the financial year 2020 is concerned.
- The significant audit risks map.
- The main accounting issues of the audit for the financial year 2020.
- The main ongoing litigation cases involving Cemex Latam Group.
- The observations detected ("*Management Letter 2020*").

(ii) Reappointment of the statutory auditor and review of the terms of engagement for the financial year 2020

At its meeting of 19 June 2020, the Audit Committee resolved that a proposal be made to the Board of Directors, for submission to the General Shareholders' Meeting, to reappoint KPMG Auditores, S.L. as the statutory auditors for the financial year 2020, along with the expected terms of engagement.

The aforementioned proposal was approved by the Board of Directors at its meeting of 22 June 2020, and the General Shareholders' Meeting held on 29 July 2020 did likewise.

(iii) Independence of the external audit

In the discharge of its duties under the internal regulations, the Committee received and analysed the written confirmation issued by KPMG Auditores, S.L. in relation to its independence. Consequently, the Committee issued a report stating that there are no objective reasons which could allow the independence of the statutory auditor to be questioned.

In addition, the Committee reviewed and, as the case may be, authorised the fees and non-audit services provided by the external auditor.

Similarly, the Committee verified that the total fee amount earned by KPMG during the year 2020 for statutory audit work and non-audit work, for both Cemex Latam and its group companies, does not account for a significant percentage of its annual income and therefore does not put its independence at risk.

F. COVID-19 related actions

To the extent that the Board of Directors and the Audit Committee are responsible for ensuring that the many actual or potential impacts of the COVID-19 pandemic on the Company are properly monitored and singled out, the Committee has been monitoring during the financial year 2020 all the matters it has deemed necessary to deal with in this connection.

Accordingly, the following is a summary of the Committee's main actions to monitor the many effects of the pandemic on the different areas within its remit:

- With respect to the individual Annual Accounts prepared under the Spanish General Accounting Plan and the Company Directors' Report for the financial year ended on 31 December 2019, the Committee found at the meeting held on 20 March 2020, along with the external auditors and observing international accounting best practices

in relation to COVID that, although the situation had resulted in no consequences as of the date of submission of the Annual Accounts, the Company did expect the occurrence of significant future events which could not be assessed at that meeting, and it was therefore resolved that a type II non-adjusting post balance sheet event should be included in those Annual Accounts.

- As for the Committee's monitoring at all its meetings of the individual (separate) and consolidated Financial Statements prepared under quarterly and yearly IFRS, in addition to being in close contact with the external auditors and officers of the departments involved in their preparation to anticipate all matters requiring a special analysis, it has made sure that estimates were reasonable and considered all possible scenarios. Accordingly, in particular, the Committee identified from the beginning the need to start testing for potential impairment of goodwill as a result, inter alia, of the guidance issued by regulators and the interpretation made by audit firms where they suggest that the effects of the pandemic must in most cases be regarded as indications of impairment. It has therefore monitored and analysed in detail the risk of impairment associated with the pandemic on goodwill balances in the various CLH Group countries and the different stress scenarios used from time to time.
- Following publication by Cemex S.A.B. of C.V. in its 20F form and Annual Report on 29 April 2020, informing of the possibility, due to the adverse effects of the COVID-19 pandemic, that Cemex S.A.B. of C.V. might not be able to fulfil the financial covenants made in the Financial Agreement entered into in the year 2017, the Audit Committee held an extraordinary meeting on 1 May 2020 to analyse the potential impact and risks of an event of default of the aforementioned financial covenants for Cemex Latam and in particular for the going concern principle, and on the Annual Accounts for the period ended 31 December 2019 prepared under the General Accounting Plan which the Board of Directors had already approved on 21 April 2020.
- At the meeting held on 16 July 2020, with respect to the CLH Group refinancing proposal with Cemex Group to convert dollars to Colombian pesos, the preliminary study for which had been carried out during the financial year 2019, the Committee again analysed among other aspects the then-current market conditions to the extent that they had been significantly affected by the pandemic. It also weighed up the positive and negative effects of going ahead with that refinancing given the existing uncertainty for financial institutions and the market in general.
- In response to the COVID-19 contingency, the Company's Internal Audit Office has been providing the Committee with updates on how the pandemic impacted the carrying out of the Work Plan in that area for the financial year 2020, such as the following:
 - The scopes of audits, which were changed to enable coverage for most control testing albeit this time remotely by the audit team. Notice was given that all international travel or physical visits to operations were restricted.

- Impacts in terms of timing and performance of every audit as a result of the lockdown of countries, economies and operations in response to the spread of the virus.
- Amendment to the Internal Audit Work Plan for the financial year 2020 with the aim of deferring the performance of complex audits which therefore cannot be performed remotely, and in response the performance of an audit-like preventive review was defined to support the Company's implementation of Biosecurity measures. The initial scope of the review was as follows:
 - a) Compliance with biosecurity protocols to activate Operations: Validation of the proper implementation of biosecurity protocol measures to reopen the cement, concrete and aggregates operations.
 - b) Personal protective equipment (PPE): Validation of country-level PPE planning, receiving and administration controls.
 - c) Payments Administration: Validation of operating payments performance in response to cash restrictions, focusing on what was strictly essential for business operation and maintenance.
 - d) Donations: Verifying compliance with policies, controls and approvals required for the allocation of in-kind and/or cash donations to populations receiving the donations.
- The results of the first reviews of operations in Colombia were communicated. The detailed scope covered the following for Biosecurity issues: 1) Capacitation and communications plan, 2) Hand-washing and washing technique, 3) Social distancing measures, 4) PPE and working tools, 5) Disinfection and cleaning, 6) In-person and remote working, personal information and adjustments, and 7) Definition, communication and socialisation of protocols.
- As for the Internal Control area, the Committee received reports on the following actions which it has been monitoring during the year:
 - Remote working: The Internal Control area has been validating changes made to controls and policies the nature of which prevented them from being performed remotely and for which alternative procedures and/or compensatory controls were designed.
 - Monitoring remediation of control weaknesses: remediation of internal controls over financial reporting (ICOFR) and of critical business operation controls was prioritised. As for other faults reported, closure commitment dates were adjusted or, as the case may be, alternative controls were put in place. Monthly follow-up continued on all PACS and traditional audit remediation plans and special-case audits, and the respective reports were periodically submitted to the Committee.

- Cyber security: Controls to mitigate the “cyber security” risk were reviewed and reinforced.
 - Closure of operations: Monitoring of all processes to safeguard inventories and assets, along with the processes necessary for plant reactivation for when the pandemic emergency was over and the resumption of operations was resolved, when appropriate.
- In addition, the ERM area reports drawn up referred to in D above have analysed the pandemic-related risks potentially affecting the operation of the Company and the business in which it operates in the different countries of the region.

G. Other matters and actions

The following are the other matters and actions dealt with by the Committee during the year 2020:

- Preparing of the Audit Committee’s activity report for the year 2019.
- Overseeing the Compliance area’s work plan for the year 2020 and updating its reports. In addition, the plan for the year 2021 was reported on.
- Reporting on and overseeing the Business Services Organisation (BSO) Work Plan. In addition, the plan for the year 2021 was reported on.
- Overseeing the various investigations entrusted to independent external parties and their plans to remediate the faults detected.
- Valuation of the approval of a new risk delegation policy as recommended in measure 26.6 of the Report on the Implementation of Best Corporate Practices (Colombia).
- Reporting on compliance with the Internal Control and Risk Management Remedial Plan of Cemex Latam Group in the Financial Statements.
- Reviewing the main aspects of the annual accounts for the year ended 31 December 2019 of the subsidiary Corporación Cementera Latinoamericana, S.L. and the impact on those accounts of the goodwill impairment recognised in the Company’s Financial Statements prepared under IFRS.
- Reviewing the legal, accounting and tax effects of the amendment to the offsetting agreement concluded between a Cemex Latam Group company (Cemento Bayano, S.A.) and another Cemex Spain Group company (Balboa Investments B.V.) as a

result of the terms agreed in a transaction carried out by Cemex Spain Group, the so-called Sara Project, approved by the Board of Directors on 23 October 2019.

- Monitoring the ongoing legal and tax proceedings, and the main tax-related changes enacted in any of the Cemex Latam Group countries and ongoing inspections.
- Analysis of the implications for the Financial Statements and of the legal, tax and accounting implications of the ongoing tax proceedings.
- Reviewing the main risks and the legal, tax and accounting implications of the Colombian peso refinancing proposal between Cemex S.A.B. de C.V. and Cemex Colombia, S.A. to convert dollars to Colombian pesos.
- Analysis of the effects of consolidating the subsidiary ZOMAM in the Company's Financial Statements and the implications of a potential action filed seeking the invalidity/unenforceability/nonexistence of that subsidiary's capital increase.

5. CONCLUSIONS

The Audit Committee considers that, during the year 2020, it adequately carried out all actions included in its Work Plan approved for that year, notwithstanding the actions this body has completed at the date of issue of this Annual Report or, as the case may be, will be completing during 2021.

Accordingly, it submits this Annual Report to the Board of Directors' approval.

Madrid, 27 April 2021