

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

-FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016-



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1. INTRODUCTION

Cemex Latam Holdings, S.A. (“**Cemex Latam**” or the “**Company**”) was incorporated on 17 April 2012 and its shares were admitted to trading on the Colombian Stock Exchange (“**BVC**”) effective from 16 November 2012.

Because it is a Spanish company that is not admitted to trading in Spain but rather on the Colombian Stock Exchange, Cemex Latam is not subject to Spanish Good Corporate Governance laws applicable to public limited companies listed on the Spanish stock exchanges, nor is it subject to the same best practice provisions applicable to Colombian issuers whose shares are listed on the Colombian Stock Exchange.

However, Cemex Latam decided to voluntarily comply with the main best practice provisions contained in the former Spanish Unified Good Governance Code and has decided to comply with the same best practice provisions contained in the current Spanish Good Governance Code (“**CBG**”), and with the best practice provisions applicable to Colombian issuers contained in the New Colombian Country Code and, since admission to trading, Cemex Latam has a corporate governance system adapted to these best practices, and to international best practices.

Within the framework of this corporate governance system, Cemex Latam has an Audit Committee (the “**Audit Committee**” or the “**Committee**”), set up by a resolution of the Board of Directors adopted on 4 October 2012. Its powers and operating rules are laid down in the Articles of Association 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 2016 to 31 December 2016. In addition, the Audit Committee has on this date drawn up the Risk Supervision Systems Report, including the Internal Risk Management and Control Systems Report in relation to the Financial Reporting Process (SCIIF) and the tax risk Supervision Systems Report, for the financial year 2016, in accordance with the provisions of article 43 of the Regulations of the Board of Directors.

This Annual Report has been prepared on 28 March 2017 and will ultimately be submitted to the Board of Directors, for approval, if appropriate, at the Board meeting scheduled to be held thereafter on that same 28 March 2017.

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 2016 shall be submitted for approval, and (ii) from the same day on which such notice is published.

All of the aforementioned documents may be accessed at the Company's website.

2. MEMBERSHIP

The Audit Committee is an internal permanent, informational and consultative body of the Board of Directors. Under the Articles of Association 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 Committee 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 membership of the Committee is as follows:

Chair:

Ms Coloma Armero Montes (Independent director)

Member:

Mr Gabriel Jaramillo Sanint (Independent director)

Member:

Mr Rafael Santos Calderón (Independent director)

Secretary:

Mr José Luis Orti García (Proprietary director)

In the period comprised between 1 January 2016 and the date of this Report, the Audit Committee membership has suffered the following changes approved by the Board of Directors on 24 January 2017:

- on a proposal by the Appointments and Remuneration Committee, the Board of Directors referred to above resolved the appointment of proprietary director Mr

José Luis Orti García as an Audit Committee member. That proposal was based, inter alia, on the belief that the appointment of Mr Orti to the Audit Committee could contribute very positively to its operation;

- following the expiry of Mr Gabriel Jaramillo’s term of office as Audit Committee Chair to which he was appointed in a resolution adopted by the Company’s Board of Directors on 16 January 2013, at the end of the four-year term referred to above, the Board of Directors resolved the appointment of independent director Ms Coloma Armero Montes to the office of Audit Committee Chair replacing Mr Jaramillo, and the appointment of proprietary director Mr José Luis Orti García to the office of Audit Committee Secretary as a result of the vacancy in that office following the appointment of Ms Armero as Chair of the Committee aforesaid.

3. POWERS AND RESPONSIBILITIES

The Audit Committee’s powers and responsibilities are established in article 25 of the Regulations of the Board of Directors, referred to in 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.

The following are the powers and authorities conferred on the Audit Committee 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 and submission process and the 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 effectiveness 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 whistle-blowing 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 2016

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 to exercise the powers entrusted to it, and at least once (1) every quarter. 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.

During the year 2016, the Audit Committee held twelve (12) meetings, on the following dates:

- | | |
|----------------|-----------------|
| 1) 2 February | 7) 23 September |
| 2) 17 February | 8) 4 October |
| 3) 28 March | 9) 19 October |
| 4) 9 May | 10) 8 November |
| 5) 21 June | 11) 25 November |
| 6) 26 July | 12) 16 December |

In addition, at its meeting held on 2 February 2016, the Committee approved a Work Plan for that financial year, itemising the main tasks which the Committee proposed to carry out during the year 2016 in relation to the following matters:

- 1) Financial information and annual accounts.
- 2) Internal Audit, Enterprise Risk Management and Internal Control.
- 3) Audit of the financial statements (external auditor).
- 4) Reports and other actions.

The Audit Committee has carried out the aforementioned tasks in accordance with the schedule of meetings approved by the Committee for the year 2016, notwithstanding which certain actions commenced in that year will be completed or, as appropriate, continue to be carried out during the year 2017.

In particular, and as a result of irregular events at the Maceo Plant, which surfaced after an internal probe and which have been reported to the market as relevant information, the Committee has, since it learned of those events on 23 September 2016, been paying particular attention to the Maceo Plant, holding consecutive meetings devoted to this issue. A more detailed explanation of the Committee's activity in this regard is provided in the section "Maceo Plant" of this Report.

For a proper performance of the duties and responsibilities attributed to the Committee in the Internal Regulations and notwithstanding the work sessions organised during the Committee meetings, the Committee Chair has also been directly in contact outside those meetings with the head of the Internal Audit Area, the head of the Enterprise Risk Management area and with the statutory auditor, in order to receive all appropriate information in between the meetings held by the Committee.

The following is a summary of the main actions carried out by the Audit Committee during the year 2016 within its sphere of authority and responsibility, which were duly reported to the Board of Directors in accordance with the provisions of article 25.13 of the Regulations of the Board of Directors.

B. Financial information

During the year 2016, 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 2016, 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.

In addition, the Committee reviewed the regulatory financial information before submission to the Board of Directors and the General Shareholders' Meeting for approval, as the case may be in each case.

During the aforementioned review process, the Committee verified that the interim financial statements were prepared in accordance with applicable international and Spanish financial information laws, such interim statements having undergone a limited audit by the auditor.

In particular, the Committee supervised the process for preparing and filing the following financial information which has also been reviewed by this body:

(I) Individual Annual Accounts of the Company

At its meeting held on 28 March 2016, the Committee reviewed the Company's individual Annual Accounts and the Directors' Report for the financial year ended 31 December 2015, following which 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 the said financial year were drawn up by the Board of Directors on 29 March 2016 and, together with the auditor's report, were approved by the Company's Annual General Shareholders' Meeting held on 20 June 2016.

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

During the year 2016, the Committee reviewed the following individual (separate) and consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (“IFRS”) which, upon being approved by the Board of Directors, had to be filed by the Company with the Colombian Financial Authority (“SFC”), in accordance with the provisions of instruction 10 of External Circular no. 004 of 2012, dated 9 March, 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 2015, audited by the Company’s statutory auditor, KPMG Auditores, S.L., at its meetings of 2 and 17 February 2016
- ii) The condensed individual (separate) and consolidated Financial Statements, prepared in accordance with IFRS, for the three-month period ended 31 March 2016, at its meeting of 9 May 2016
- iii) The condensed individual (separate) and consolidated Financial Statements prepared in accordance with IFRS, for the six-month period ended 30 June 2016, at its meeting of 26 July 2016
- iv) The condensed individual (separate) and consolidated Financial Statements prepared in accordance with IFRS, for the ninth-month period ended 30 September 2016, at its meeting of 8 November 2016

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 by auditor appointed for each period and, (iv) filed with the SFC within the statutory deadlines established in the aforementioned Circular.

C. Regulatory compliance

As explained above, the Audit Committee is responsible for monitoring compliance with the specific laws applicable to the Company and to the companies within its business group (“**Group**”).

Based on the level of knowledge acquired by the Committee as a result of the actions carried out during previous years in regulatory compliance matters, this body carried out during the year 2016 the actions deemed appropriate in order to be able to effectively monitor the Company's compliance with the specific applicable laws and, in particular actions aimed at:

- (i) Identifying and monitoring laws potentially affecting the Group.
- (ii) Analysing the impact of external laws.
- (iii) Communication to the affected business areas.
- (iv) Issuing recommendations and opinions for the affected areas.
- (v) Following up on recommendations and opinions.

In particular, at the meeting of 9 May 2016, the Company’s then incumbent Compliance Officer, informed the Committee about the main aspects of the entry into force in Colombia of the Transnational Anti-Bribery Act. In addition, at the meetings held on 21 June 2016 and 27 July 2016, the Committee was advised of (i) the new Anti-Tax Abuse Directive based on the principles of the OECD’s BEPS (*Base Erosion Profit Shifting*) plan, which has been approved by all Member States and is binding on all of them from 1 January 2019, and (ii) of the requirements established in that directive to be met by the Group in order to comply with the provisions thereof.

Additionally, following the entry into force on 1 July 2015 of Organic Act 1/2015, 30 March, amending Organic Criminal Code Act 10/1995, 23 November, at its meeting of 6 May 2015, the Audit Committee resolved to hire the law firm Uría Menéndez Abogados, S.L.P. to prepare a legal analysis as to the Company’s potential criminal liability for the actions of its representatives and employees and/or its group companies, in accordance with the new applicable criminal law. After receiving the conclusions set out in that memorandum, the Committee, together with the Legal Department, Internal Audit and the Enterprise Risk Management area, carried out a review during the year 2016 of the Company’s criminal risks map and of the criminal risks prevention system in order to adapt the same to the requirements of the new Spanish Criminal Code. In particular, at its meeting of 21 June 2016, the Audit Committee analysed and studied the global regulation area’s review of Cemex Group, of the Group’s global policies and of the internal criminal risk prevention procedures now under way, in order to verify that such policies cover the offences defined in both the Spanish Criminal Code and the new Colombian law that had entered into force, as set out above. Following such review, and after the Corporate Governance Committee submitted the proposal to the Board of

Directors on 27 July 2016, the Board resolved, among others, to ratify the seven policies which the Company had already expressly adhered to in the year 2013, and that the Company expressly adhere to Cemex Group's other internal policies and its guidelines, compliance with which was already mandatory since its incorporation.

D. Internal audit, Enterprise Risk Management and internal control

As set out above, the Audit Committee is responsible for supervising the activity of the Internal Audit Area, which reports to this Committee, and compliance with its Work Plan.

The Internal Audit Area has been fully assessing the operating processes carried out by the various operations and business units existing in the countries in which Cemex Latam Group operates, along with any risks associated therewith.

During the year 2016, the Audit Committee performed the duties and responsibilities set forth in the Company's Internal Regulations with regard to Internal Audit, Enterprise Risk Management and Internal Control, and as a result carried out the following actions:

I. Review of the Company's risk policy and, as the case may be, submitting to the Board of Directors such proposals for amendments and updates as it has deemed appropriate

The Committee has, in accordance with the existing risks supervision system, reviewed during the year 2016 the risks relating to the various activities carried out by the Company and by its different subsidiaries in the countries in which they operate.

To do so, the Committee has gathered sundry information from officers in various areas across the organisation regarding the risk management procedures in place and the actions carried out in each of the aforementioned countries and operations.

That work has allowed the Committee to identify during the year a number of key issues within the risk supervision and review process, which it has reported to the Internal Audit officer and to the Company's statutory auditor. In this regard, the Committee verified, with the officers of both the Internal Audit and the Internal Control areas, that those key issues are duly covered, or, as the case may, will be duly covered, in the work plan and audit programme carried out by those areas or functions.

II. Supervision of the effectiveness of the Company's internal controls and corporate risk management

Closely related to the above, the Committee has during the year 2016 supervised the effectiveness of the Company's internal controls and corporate risk management, in order to verify that (i) the internal control procedures are in line at all times with the Company's needs and strategies and, at the same time, (ii) ensure both the effectiveness and the efficiency of the operations, as well as the truthfulness of the financial information. In addition, the Committee has been gathering information on the main risks identified by the Enterprise Risk Management area in the different countries in which the Group carries on its business.

III. Supervision of the Internal Audit Area activity

During the year 2016, work has continued intensely in the field of supervision of the Internal Audit Area's activity, and the Committee has in that connection (i) approved the Internal Audit Area's work plan and budget for that financial year, and (ii) reviewed the development of and compliance with the Internal Audit programme, 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 programme comprised the following actions:

- 1) Reviewing internal operating risks ("internal operating risks map") in order to ensure the existence and execution of internal controls in the following fields:
 - a) Production Process
 - Cement
 - Concrete
 - Aggregates
 - b) Sales
 - Commercial
 - Logistics
 - c) Operations support
 - Supplies (Procurement)
 - Financial control (Accounting/Accounts)
 - Shared Services centres
 - Payroll
 - IT

- Treasury

d) Consolidation of financial information.

- 2) Analysing results, including those obtained in anti-bribery reviews.
- 3) Assessing compliance with controls by country.
- 4) Following up on the main issues identified in the different countries.
- 5) Following up on the anonymous and confidential mechanisms for submitting complaints, claims, reports and queries within the framework of the Code of Ethics.
- 6) Reviewing results.

Similarly, and as a result of the irregular events that surfaced at the Maceo Plant, it has carried out an audit of these events, and others related to the Maceo Plant, to which end the Audit Committee, at its meeting of 19 October 2016, entrusted this area with the performance of 9 internal audits of the Maceo Plant and operations related to that investment.

Additionally, and as a result of the same events, the Committee has recommended that the Company review its internal control and corporate risk management systems.

In addition, the Internal Audit Area's budget and Work Plan for the financial year 2017 was approved at the meeting of 7 February 2017.

E. External audit

During the year 2016, the Audit Committee performed the duties and responsibilities set forth in the Company's Internal Regulations with regard to external audit, and as a result this body carried out the following actions:

(i) Relations with the statutory auditor

The Audit Committee has been constantly in touch during the year 2016 with the Company's statutory auditor, and as a result the auditor has been informing the Committee not only on various matters related to the progress of the audit of the financial information, but also in regard to other additional matters of interest to the Committee.

Similarly, and as explained above, the Committee has been liaising 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 2016 in relation to the 2015 audit programme, which is included in the Committee's activity report for that year, at its meeting of 7 February 2017, the Committee received detailed information from the statutory auditor as to the main aspects of the audit process for the financial year 2016, the following being noteworthy among others:

- The scope of the audit.
- The materiality level insofar as the audit for the financial year 2016 is concerned.
- The significant audit risks map.
- The main accounting issues of the audit for the financial year 2016.
- The main ongoing litigation cases involving CEMEX Latam Holdings group.

Furthermore, in addition to being informed at its meeting of 17 February 2016 of the observations noted in the audit procedure for the year 2015 ("Management Letter 2015"), at its meeting of 2 February 2016, the Audit Committee followed up on the statutory auditor's recommendations in relation to the observations noted in the audit process for the year 2014 ("Management Letter 2014"). The observations noted in the audit process for the year 2016 were reported to the Committee at its meeting of 7 February 2017 ("Management Letter 2016").

(ii) Reappointment of the statutory auditor and review of the terms of engagement for the financial year 2016

In accordance with the provisions of the Internal Regulations, at its meeting of 9 May 2016, 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 2016, along with the terms of engagement.

The aforementioned proposal was approved by the Board of Directors at its meeting held on 10 May 2016, and the reappointment aforesaid was approved by the General Shareholders' Meeting held on 20 June 2016.

(iii) Independence of the external audit

In the discharge of its duties under the Articles of Association and the Regulations of the Board of Directors, the Committee has received and analysed the written confirmation issued by KPMG Auditores, S.L. in relation to its independence, and as a result the Committee has issued a report expressing an opinion in this connection, deciding at its meeting of 28 March 2017 that there

are no objective reasons which could allow the independence of the statutory auditor to be questioned.

Similarly, the Committee has verified at its meeting of 28 March 2017 that the total fee amount earned by KPMG during the year 2016 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. That verification of fees earned in 2015 was carried out by the Committee at its meeting of 28 March 2016, as explained in the Committee report for 2015.

F. Other matters and actions

Pursuant to article 25.13 of the Regulations of the Board of Directors, the Committee has been reporting to the Board of Directors on the various matters discussed and the resolutions adopted at the different Committee meetings. Therefore, the main matters the Committee has been working on during the year 2016 include, but are not limited to, the following:

- Follow-up on the Group's related-party transactions in order, inter alia, to verify that they have been carried out at arm's length.
- Review of the Compliance Officer's main duties and responsibilities within the Company.
- Structural operations within the Group.

G. Maceo Plant

An extraordinary meeting of the Audit Committee was called on 23 September 2016 to inform the Committee about potentially irregular events related to the acquisition of the site and other assets located in Maceo where a Company subsidiary, Cemex Colombia, was building the Maceo Plant, and resulting from an internal probe undertaken by the Company following receipt of an anonymous report.

Including this first meeting, and until 31 December 2016, the Committee has held six meetings at which the Committee has mainly devoted its time to the events at the Maceo Plant and has adopted, inter alia, the following resolutions:

- To advise the Board of Directors to report the officers allegedly involved in the events uncovered by the internal probe to the Colombian Prosecution Service, and to terminate their employment.
- To advise that external lawyers be retained to take such legal actions as may be necessary in relation to the Maceo Plant.

- To request Internal Audit to carry out a thorough investigation of the irregular events occurred at the Maceo Plant.
- To hire the firm PricewaterhouseCoopers Tax & Legal Services, S.L. (PwC) to undertake an external, independent audit of the Maceo operations, to include (i) a legal analysis of the actions carried out by the management bodies and recommendations on future actions, (ii) an economic and financial and forensic investigation of all issues related to the Maceo operations, (iii) an analysis of the work done by the Company's Internal Audit Area, and (iv) an assessment of the legal implications, if any, of the potential irregularities detected in the investigation report to be prepared. With respect to this work, the Committee has been liaising with PwC at all its meetings held from 19 October, the date on which the Company resolved to hire the firm. In addition, the members have since been in direct contact with both PwC and with the Internal Audit Manager in order to speed up the process to prepare the final report.
- To request nine internal audits in relation to the Maceo operations.

In addition, and since its meeting of 23 September 2016, the Committee has followed up at all its meetings on the legal actions under way in relation to the Maceo Plant by the external lawyers hired for those purposes.

5. CONCLUSIONS

The Audit Committee considers that it has, during the year 2016, 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 2017.

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

Madrid, 28 March 2017