



REPORT SUBMITTED BY THE APPOINTMENT AND REMUNERATION COMMITTEE OF CEMEX LATAM HOLDINGS, S.A. TO THE BOARD OF DIRECTORS IN LINE WITH THE PROVISIONS OF ART. 529 NOVODECIAS OF THE COMPANIES ACT, IN REGARD TO THE PROPOSAL TO APPROVE THE DIRECTORS' REMUNERATION POLICY

1. Introduction

The Appointment and Remuneration Committee of CEMEX LATAM HOLDINGS, S.A. (the “**Company**”) submits this report in line with the provisions of article 529 *novodecias* of Act 31/2014, 3rd December, amending the Companies Act (the “**LSC**”), pursuant to which the directors’ remuneration policy (the “**Policy**”) will be approved by the General Shareholders’ Meeting at least every three years, and the proposal of the aforementioned policy submitted by the Board of Directors shall be reasoned and attach a specific report of the Appointment and Remuneration Committee (the “**Report**”). Both documents shall be made available to the shareholders at the Company’s corporate website following notice of the General Meeting.

The aforementioned article also provides that any alteration or replacement of the directors’ remuneration policy while it is in force shall require the prior approval of the General Shareholders’ Meeting in accordance with the procedure established for its approval.

The Policy is to be submitted for approval at the Company’s General Shareholders’ Meeting to be convened for 15th and 16th June 2017, respectively at first and second call, under agenda item seven. In addition, and in line with article 541 of the LSC, on a proposal by the Board of Directors, the Annual Directors’ Remuneration Report for the financial year 2016, including an overview of the remuneration policy during that financial year, shall be submitted on a consultative basis to the General Shareholders’ Meeting as a separate item of business on the agenda.

2. Justification for the Report

Bearing the above in mind, the Company’s Appointment and Remuneration Committee submits this Report for the purpose of: (i) justifying the Policy replacing the directors’ remuneration policy which the Company considered approved, after the Annual Directors’ Remuneration Report was voted affirmatively on a consultative basis at the General Shareholders’ Meeting held on 20th June 2016, in line with the provisions of the Transitional Provision of Act 31/2014, 3rd December, amending the Companies Act to improve corporate

governance; (ii) updating and adapting the distribution of the directors' remuneration system now that four full financial years have elapsed since the Company was incorporated and because it is deemed convenient to improve some of the criteria for allocating the fees for attending meetings of the corporate bodies; (iii) as a result of the extraordinary burden on the corporate bodies, mainly the Audit Committee during the financial year 2016, which is why ratification of the excess fees incurred is submitted for approval under agenda item five of the General Shareholders' Meeting to be convened for 15th and 16th June 2017, respectively at first and second call, and although the directors' fixed remuneration will be the same as resolved by the Board of Directors for the previous three years, extending the limit for fees and avoiding that, if the corporate bodies have to meet more frequently than expected, the agreed limit is again exceeded; and (iv) because it is considered good practice insofar as corporate governance and transparency are concerned, allowing shareholders to vote on the Policy individually and separately from the Annual Directors' Remuneration Report.

3. Membership and functions of the Appointment and Remuneration Committee

Under article 26.2 of the Regulations of the Board of Directors, a majority of the directors on the Appointment and Remuneration Committee must qualify as independent directors and its membership must consist of no fewer than three (3) and not more than five (5) members. In addition, pursuant to section three of the aforementioned article, the Committee Chairman must be designated by the Board of Directors from among its Independent Directors.

The current membership of the Appointment and Remuneration Committee is as follows:

Chairman:

Mr Rafael Santos Calderón (Independent Director)

Member:

Ms Coloma Armero Montes (Independent Director)

Secretary:

Ms Carmen Burgos Casas (Proprietary Director)

The remuneration functions the Appointment and Remuneration Committee is entrusted with include, but are not limited to, the following:

- (a) Informing the Board of Directors about the remuneration policy for directors and senior officers or whoever discharge senior management functions and report directly to the Board of Directors, the Executive Committee or managing directors, and the individual remuneration and other contractual terms of the executive directors, and checking their observance;
- (b) Verifying the information on directors' and senior officers' remuneration contained in the various corporate documents, including the annual directors' remuneration report.

- (c) Regularly reviewing the remuneration policy applied to directors and senior officers, including share-based remuneration systems and their application, if any, and ensuring that their individual remuneration is proportional to the remuneration paid to the other directors and senior officers of the Company and of the group companies.

4. Description and justification of the Remuneration policy proposal submitted at the General Shareholders' Meeting

Pursuant to article 529 septdecies of the LSC, the remuneration policy shall determine the directors' remuneration in their capacity as such, within the remuneration system provided for in the Articles of Association, and needs must include the maximum amount of the annual remuneration payable to directors as a whole in their capacity as such.

For its part, article 529 octodecies provides that directors' remuneration for the performance of executive functions shall be compliant with the directors' remuneration policy, which needs must provide for the amount of the fixed annual remuneration and its variation in the period to which the policy relates, the different measures for setting the variable components and the main terms and conditions of their contracts, in particular comprising term, severance pays upon termination or expiration of the contractual relationship, and exclusivity, post-contractual non-compete and fixed-term or loyalty clauses.

In this regard, the Board of Directors is the body with authority to fix (i) the directors' remuneration for the performance of their executive functions, and (ii) the terms and conditions of their contracts with the company, in accordance with the provisions of article 249.3 of the LSC.

Bearing the above in mind, the Appointment and Remuneration Committee has arrived, in connection with the Company's Policy drawn up, at the conclusion set out in section six of the Report based on the following:

- (a) The Policy distinguishes between the remuneration of directors in their capacity as such, as is the case of proprietary and independent directors, and directors who in addition discharge executive functions in the Company (executive directors).
- (b) The Policy is compliant with the provisions of the Articles of Association and of the Regulations of the Board of Directors of the Company, and with the applicable laws.
- (c) In particular, the Policy has been checked for compliance with the general provisions for companies of section four of article 217 of the LSC, pursuant to which:

“the directors' remuneration shall in any case be reasonably proportional to the importance of the company, its financial position from time to time and the market standard of comparable companies. The remuneration system established shall be designed to promote the company's long-term profitability and sustainability and

incorporate the necessary precautions in order to avoid taking excessive risks and rewarding unfavourable results”.

5. Validity of the Policy

Unless the provisions of section four of article 529 novodecies of the LSC apply, the Policy shall apply to this financial year 2017 and to the financial years 2018 and 2019.

6. Conclusion

Based on all of the above, the Appointment and Remuneration Committee has concluded that the Policy is in accordance with the laws and recommendations and is compliant with the standards of good governance and transparency. Consequently, the Appointment and Remuneration Committee issues this Report to be submitted with the Board of Directors’ Policy proposal to the General Shareholders’ Meeting referred to in section one above.

Madrid, 8th May 2017.
