

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

-FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019-



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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 2019 to 31 December 2019.

This Annual Report has been prepared on 20 March 2020 and will ultimately be submitted to the Board of Directors, for approval, if appropriate, at the meeting scheduled to be held on 23 March 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 2019 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 Coloma Armero Montes (Independent director)

Member:

Ms Mónica Inés María Aparicio Smith (Independent director)

Member:

Mr Rafael Santos Calderón (Independent director)

Secretary:

Mr José Luis Orti García (Proprietary director)

In the period comprised between 1 January 2019 and the date of this Report, there has been no change to the Audit Committee membership.

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 2019 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 2019

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.

During the year 2019, the Audit Committee held eleven (11) meetings, on the following dates:

5 February	27 June
15 February	22 July
14 March	17 September
27 March	21 October
23 April	5 November
13 May	

Those meetings lasted on average approximately between four and five hours, and the Committee members devoted all necessary time to look into y analyse the business to be transacted.

In 2019, 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 the head of Internal Audit, of the legal and tax area, Compliance, the external auditors and external consultants when invited to take part at the meetings

At the meeting of 27 March 2019, the Committee approved a Work Plan itemising the main tasks which the Committee proposed to carry out during the year 2019 mainly in relation to the following matters:

- 1) Financial and non-financial information.
- 2) Risk control management – internal audit
- 3) Risk control management – internal control and ERM.
- 4) Audit of the financial statements (external auditor).
- 5) 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 2019, notwithstanding which certain actions commenced in that year will be completed or, as appropriate, continue to be carried out during the year 2020.

The following is a summary of the main actions carried out by the Audit Committee during the year 2019 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.

B. Financial information

During the year 2019, 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 2019, 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 27 March 2019, 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 2018. 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, 27 March 2019, and were approved, together with the auditor's report, by the Company's Annual General Shareholders' Meeting held on 28 June 2019.

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

During the year 2019, 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 2018, audited by the Company's statutory auditor, KPMG Auditores, S.L., at its meeting of 5 February 2019
- ii) The condensed individual (separate) and consolidated Financial Statements, prepared in accordance with IFRS, for the three-month period ended 31 March 2019, at its meeting of 23 April 2019

- iii) The condensed individual (separate) and consolidated Financial Statements prepared in accordance with IFRS, for the six-month period ended 30 June 2019, at its meeting of 22 July 2019
- iv) The condensed individual (separate) and consolidated Financial Statements prepared in accordance with IFRS, for the nine-month period ended 30 September 2019, at its meeting of 21 October 2019

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 27 June and 17 September 2019, 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.

In addition, the Committee reviewed the methodology used in the impairment tests carried out during the year.

C. Internal Audit and Internal Control

I. Supervision of the Internal Audit Area activity

During the year 2019, the Committee supervised the Internal Audit area activity. The Committee thus (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 internal operational risks ("internal operational risks map") in order to ensure the existence and execution of internal controls in the following fields in all Group countries:
 - Production Process: Cement, Concrete, Aggregates and Infrastructure and Housing (Colombia and Panama only)
 - Sales: Commercial, 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 Contracts with Suppliers, Fixed Asset Management, CAPEX Project Management and Environmental & Mining Compliance, 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 the main issues identified in the different countries.
- 4) Following up on anonymous, confidential whistleblowing mechanisms for complaints, claims, reports and queries within the framework of the Code of Ethics.
- 5) Reviewing results, including of special audits carried out during the year.

The head of the Internal Audit area reported on work done at the Committee meetings of 5 February, 27 March, 23 April, 27 June, 22 July, 17 September and 5 November.

During 2019, the Committee monitored the remedial plans implemented based on the observations resulting from internal audits in the various countries.

In addition, at the meeting of 17 January 2020, the Committee approved the Internal Audit area budget and Work Plan for the year 2020 and also reviewed the execution of the 2019 Work Plan and achievement of the area's goals.

During 2019, the Audit Officer reported no limitation whatsoever on the performance of audit-related work and it was therefore considered that the activity had the requisite independence to carry out its task. The Committee also assessed the Internal Audit officer and the area in general and devoted time during 2019 to analyse and monitor the composition of the Internal Audit team.

II. Supervision of risk management system efficiency

During the year 2019, 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 2018 and was informed about the area's work plan for the year 2019.

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.

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 carried out by those areas.

At the meeting of 13 May 2019, the Committee reviewed 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 2018. These were favourably reported on by the Committee on that date. The report was subsequently approved by the Board of Directors on 16 May 2019. That report was posted on the website on the same day of publication of the notice of the Annual General Meeting held on 28 June 2019.

III. Supervision of the Company's Internal Control efficiency

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

In this connection, Internal Control reported to the Committee at the meeting of 5 February 2019 on the SOX compliance plan methodology, scope, testing plan and execution schedules. In addition, the Committee received a report, at the meeting of 27 June 2019, as to SOX control efficiency diagnosed in various countries.

D. Enterprise Risk Management (ERM)

At its meetings of 27 March 2019 and 17 September 2019, 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 2019, 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 2019, 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 2019 in relation to the 2018 audit programme, at its meeting of 21 October 2019, the Committee was informed about the audit plan and strategy for the year 2019 and at its meeting of 11 February 2020 received detailed information from the statutory auditor as to the main aspects of the audit process, as follows:

- The scope of the audit.
- The materiality level insofar as the audit for the financial year 2019 is concerned.

- The significant audit risks map.
- The main accounting issues of the audit for the financial year 2019.
- The main ongoing litigation cases involving Cemex Latam Group.

Furthermore, the Audit Committee was informed at its meeting of 5 February 2019 of the observations noted in the audit procedure for the year 2018 (“*Management Letter 2018*”) and monitored the implementation of the auditor’s recommendations.

(ii) Reappointment of the statutory auditor and review of the terms of engagement for the financial year 2019

At its meeting of 20 April 2019, 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 2019, along with the expected terms of engagement.

The aforementioned proposal was approved by the Board of Directors at its meeting of 16 May 2019, and the General Shareholders’ Meeting held on 28 June 2019 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 2019 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. Other matters and actions

The following are the other matters and actions deal with by the Committee during the year 2019:

- Overseeing the Compliance area's work plan.
- Analysing the potential application to the Company of Spanish diversity and non-financial information legislation (Act 11/2018, 28 December).
- Reviewing the main aspects of the annual accounts for the year ended 31 December 2018 of the subsidiary Corporación Cementera Latinoamericana, S.L.
- Reviewing the impact of the goodwill of the subsidiary Corporación Cementera Latinoamericana, S.L.
- Monitoring changes brought about by EU directives and tax reforms in some of the Cemex Latam Group countries.
- Monitoring the main tax proceedings and inspections and lawsuits and provisions made therefor, and meetings with the external consultants who have been entrusted with those proceedings.
- Reviewing the accounting and tax implications of the resolutions adopted following the sale by Cemex Group of its share in the Panamanian company Cementos Interoceánico.
- Reviewing the Cemex Group royalties payment system for provision of various services, use of trade marks and intangible assets.
- Information on the operation of the captive reinsurance company Apollo RE.
- Monitoring related-party transactions in relation to transfer pricing.
- Monitoring the implementation of the Code of Ethics and disciplinary sanctions in the event of breach.
- Analysing the financial and risk implications of the Cemex Latam Group financing model.
- Drawing up the Audit Committee's Internal Regulations.

5. CONCLUSIONS

The Audit Committee considers that, during the year 2019, 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 2020.

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

Madrid, 20 March 2020