

Risk management and internal control systems in relation to the financial reporting process

-Financial year ended 31 December 2022-



April 2023

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1. ENTITY CONTROL ENVIRONMENT

1.1 Corporate Governance

The Board of Directors and management of CEMEX Latam Holdings, S.A. and its group companies (“we”, the “Company” or “CEMEX Latam”) are committed to the highest standards of corporate governance. As a public company, it is imperative that we keep investors informed of all activities and our financial disclosures are expected to meet high-quality standards.

We are committed to abiding by the laws and regulations of every jurisdiction in which CEMEX Latam operates. The Company shares are listed on the Colombian Stock Exchange at 31 December 2022 and therefore all applicable regulations and the requirements of the Financial Superintendency of Colombia are complied with.

However, CEMEX Latam recognises that adherence to the regulatory framework is not enough to manage an organisation. Beyond mere compliance, the commitment—to the Company, investors and all stakeholders—is to manage the Company with integrity.

The financial culture and management style are open and transparent. CEMEX Latam works to comply with the rules and guidelines established by the Company and related to significant investor protection and relations activity. The financial reporting meets high ethical standards.

As of the date of issue of this report, a process is under way for the ordinary shares in CEMEX Latam to be delisted from the Colombian Stock Exchange (BVC) and the National Registry of Securities and Issuers (RNVE). CEMEX Latam was notified by BVC of the approval of its application for its ordinary shares to be delisted from BVC, which will be effective from 14 April 2023.

1.2 Bodies responsible

The following are the main features of the bodies and/or functions responsible within the Company for: (i) the existence and maintenance; (ii) implementation; and (iii) oversight of a proper and effective internal control over financial reporting (ICFR):

- **Board of Directors:** ultimately responsible for ensuring that the financial information the Company must publish from time to time fairly presents the Company's equity, financial condition and performance, as provided for in the applicable laws.
- **Audit Committee:** responsible for oversight of the financial reporting preparation and presentation process and financial reporting integrity and the effectiveness of (i) the Company's internal control, (ii) internal audit, and compliance with its plan, which must contain the business risks and fully assess all the Company areas, (iii) the risk management systems, including tax risks, and discussing any significant internal control system weaknesses uncovered in the course of its procedures with the auditor and supervising the anonymous whistleblowing mechanism.
- **Corporate Governance Committee:** responsible for driving the corporate governance strategy, monitoring compliance with the internal codes of conduct and the corporate governance rules, driving, providing guidance on and overseeing action in relation to corporate reputation, and revising internal regulations from time to time.
- **Senior Management:** the General Manager and Managing Director, together with an internal team consisting of the managers of each business unit, follow up on the main risks identified and validate the measures necessary to deal with the same.
- **ERM:** responsible for executing the Company's risks policy, establishing procedures to allow those risks to be identified, analysed, assessed and their treatment to be defined.
- **Risks Management Committee:** responsible for managing the risks agenda, defining risk appetite by business unit, and managing the mitigation measures and action plans implemented at CEMEX Latam.

- **Internal Control:** responsible for duly assessing internal operational risks, including financial risks, ensuring that appropriate internal controls exist to mitigate such risks, and monitoring the implementation of improvement opportunities established in the processes.
- **Internal Audit:** responsible for assessing effectiveness of controls in the processes which are part of the work plan for the year approved by the Audit Committee.
- **Tax:** responsible for executing the tax-related risks management system.
- **Global Enterprise Services (GES):** responsible for preparing the financial statements and executing the Company's internal controls and policies, which serve to ensure that the financial information is reasonably presented and disclosed.
- **Accounting Technology:** a group of accounting experts responsible for overseeing, disclosing and properly applying the accounting policies.
- **Compliance Officer:** in charge of strengthening, executing and overseeing the good corporate governance policies and discharging, inter alia, the duties established in the Company's internal regulations.

1.3 Financial reporting process elements

CEMEX Latam carries out different activities to support the financial reporting process.

The following are the most relevant elements:

- On a monthly basis the GES area carries out the month-end close activities based on the timeline established and communicated to all areas involved in financial reporting.
- The GES area in each business unit sends the financial information for CEMEX Latam consolidation purposes.
- The GES area carries out several control activities such as reviews, authorisations and trend analyses in order to ensure reasonability in financial reporting presentation and disclosure.

- The Company has controls for the review, analysis and justification of manual accounting adjustments, provisions and estimates.
- CEMEX Latam has processes in place to revise controls over unusual events, authorisation and reporting of relevant transactions, as well as technological infrastructure and information system configuration controls.
- The GES area in each country holds meetings with the different areas in order to identify and analyse business changes or special transactions to establish their appropriate accounting treatment.
- The processing of financial information at CEMEX Latam is carried out through the institutional systems available at the Company (SAP and Hyperion Financial Management – HFM).

In addition, CEMEX Latam has entity-level controls established to ensure that guidelines are consistently and generally applied in all the business units. The following are the most relevant:

- **Code of Ethics and Conduct**

Compliance with the CEMEX Latam Code of Ethics is mandatory for all Company employees and officers, who must sign it to acknowledge that they understand and accept the Code.

The Code of Ethics contains the fundamentals of all business processes and is therefore continuously reviewed to integrate new topical issues, to better structure the document and to make the content more reader-friendly. In addition, it has specific sections addressing human rights, money laundering, handling of confidential and/or inside information and in relation to financial controls and records, inter alia.

The Audit Committee, the Corporate Governance Committee and the Board of Directors of CEMEX Latam ultimately help to ensure compliance therewith.

CEMEX Latam business units have a local Ethics Committee (“Ethics Committees”) responsible for communicating, monitoring and enforcing the code.

- **ETHOS Line whistleblowing helpline**

CEMEX Latam has a whistleblowing line called ETHOS Line through which employees are invited to report cases of deviation from the Code of Ethics, including matters related to financial reporting processes. An anonymous reporting option is available by telephone, online (<https://www.tnwgrc.com/CEMEX/>) and by email. This line is managed by a third-party provider who forwards reports or comments received to the Ethics Committees or the Audit Committee, as appropriate.

Reports received on accounting and financial reporting processes are sent directly to the Audit Committee Chair; and reports relating to other matters are submitted to the Ethics Committee within the relevant business unit.

The status of investigations is periodically reported to the Audit Committee at CEMEX Latam.

- **Training to properly apply accounting policies and regulations**

The business units at CEMEX Latam, through the Human Resources area, have formal recruitment practices in place to ensure that new employees are qualified to carry out all job-related activities, considering the required profile, educational background and skills.

The accounting standards, policies, controls and procedures of the different areas of the organisation are documented and published in the Company's Policy Centre.

Employees are regularly trained and assessed based on metrics set having regard to their role and job performance objectives.

2. RISK MANAGEMENT

2.1 Risk Management Process

CEMEX Latam operates in a constantly evolving business environment which exposes the Company to various types of risks that could impact the achievement of strategic and operational objectives.

In order to maximise the creation of sustainable value for shareholders, the Company has an Enterprise Risk Management (ERM) framework in place establishing a proactive and structured approach to manage risks and capitalise on opportunities.

The risk management process is institutionalised in all operations and allows the Company's main risks to be identified, assessed, mitigated and monitored. This process lays emphasis on risk discussion by decision makers and risk oversight by the Company's Board of Directors.

Country-level operational unit risk agendas are developed at least four times a year and are submitted to the Senior Management and the Board of Directors for discussion and approval. These agendas include all types of risks, trends, emerging concerns and opportunities that could impact the Company in the short- (zero to two years), medium- (two to five years) and long-term (five to ten years).

Other risk management areas and processes within the Company supplement the risk management and oversight function, including: Process Assessment, Internal Control, Legal and Compliance, Financial Risk Management, Insurance, ETHOS Compliance and Sustainability.

The risk management process is a systematic and continuous approach based on international best practices from the Risk Management Society (RIMS) and the Business Continuity Institute (BCI), and in turn with ISO 31000:2018-Risk Management standards and ISO 22300:2018-Business continuity management systems. In addition, the process

is conducted in compliance with the Company's values, the laws of the countries where we operate and the Code of Ethics and Business Conduct.

Risk and opportunity developments are continuously monitored through a number of mechanisms and a broad range of reports. Any relevant change in the status of risks and opportunities is promptly communicated to decision makers.

2.2 Main risks and mitigation strategies

The following is a brief description of some of the main short-, medium-, and long-term risks faced by the Company and their corresponding mitigation strategy:

Complex competitive dynamics

The industry and markets in which CEMEX Latam operates remain highly competitive and are served by numerous industry players. Additionally, new entrants, increasing capacities and imports have caused and may continue to cause a supply-demand imbalance, affecting prices and sales. Some of these industry players could compete relying on a range of aspects, frequently using aggressive pricing strategies to increase their market share; the inability to compete effectively may result in the loss of a substantial market share and net sales could decline or grow at a slower rate, which could affect the business, financial condition and results of operations.

Mitigation actions:

- Deliver superior customer experience via the various digital platforms.
- Grow operating cash flows through margin enhancement and a continuous pricing discipline.
- Optimise portfolio; accelerate bolt-on investments and margin enhancement projects.

- Guarantee access to construction-focussed public and private funds through a public affairs strategy.

Energy price volatility, including alternative fuels

Electric energy and fuel costs represent an important part of our overall cost structure in countries where CEMEX Latam operates. The price and availability of electric power and fuels are generally subject to market volatility and, therefore, may impact our costs. In addition, governments in several of the countries in which we operate are working to modify their energy market, reduce energy subsidies, introduce clean energy obligations or impose new excise taxes.

Our commitment to transition to and increase the use of alternative energy sources and fuels may limit our flexibility to use energy sources and fuels that may be more cost-effective and require more capital expenditures and investments from us than planned.

Conversely, if our efforts to use alternative fuels are unsuccessful, due to their limited availability, price volatility, inability to secure long-term contracts, or otherwise, we would be required to use traditional fuels, which may increase our energy and fuel costs. This may cause us not to achieve the targets set forth in our Future in Action programme and certain key performance indicators provided for in our sustainability-linked financing arrangements, which, among other adverse effects, would damage our reputation and give rise to an increase in our cost of capital. All of this could have a material adverse impact on our business, financial condition, liquidity and results of operations.

Mitigation actions:

- Negotiate energy contracts to provide certainty on future energy cost.
- Secure long-term renewable contracts for energy and fuel supply that provide clean energy.
- Increase use of alternative fuels.

- Develop processes and products to reduce heat consumption in our kilns and optimise power consumption.
- Monitor new potential energy regulations and public financial support for industrial consumers.

Lower availability or increased cost of raw materials

In most of our businesses, we increasingly use certain by-products of industrial processes produced by third parties, such as pet coke, fly ash, slag and synthetic gypsum, as well as natural resources such as aggregates and water.

While we are not dependent on any given supplier and we actively seek to secure the supply of our required materials, products and resources through long-term renewable contracts and framework agreements, short-term contracts are entered into in certain countries where we operate.

Should our existing suppliers cease operations, or reduce or eliminate the production of these by-products, or should any suppliers for any reason not be able to deliver the contractual quantities to us of the by-products, or should the laws and/or regulations in any region or country limit access to these products, the costs of sourcing these materials could increase significantly or make it necessary to find alternative sources for these materials, which could have a material adverse effect on our business, financial condition and results of operations.

Mitigation actions:

- Secure the supply of the required materials through long-term renewable contracts and framework agreements.
- Monitor global aggregates, limestone and natural resources reserves, identify critical levels and secure reserves in attractive markets.
- Monitor and anticipate permitting processes and regulations.

Regulatory and compliance risks

CEMEX Latam is subject to the laws and regulations of the countries where it operates. Some of these laws and regulations include, but are not limited to, areas such as anti-corruption, anti-bribery and anti-money laundering, economic sanctions, trade embargoes, export control laws, environmental (for example, CO₂, air emissions, circular economy, waste management, biodiversity, water), social (for example, human rights, diversity), information security, mining, transportation, taxes, employment, among others.

Furthermore, we are involved in various significant legal proceedings, including antitrust and regulatory matters which depend on law application and interpretation by local authorities.

Mitigation actions:

- Comply with laws and regulations.
- Continuously enhance CEMEX Latam's Compliance program: new and updated policies and continued training, including, but not limited to, antitrust programmes.
- Enhance our Code of Ethics and Business Conduct which addresses areas such as anti-bribery, health responsibility, confidentiality, conflicts of interest, financial controls and preservation of assets.
- Ensure that all our employees are acquainted with and understand our Code of Ethics and Business Conduct.
- Improve internal controls through continuous internal audits.
- Incorporate compliance-related initiatives in the management of third parties.
- Identify and assess potential new laws and regulations.
- Implement our legal and public affairs strategy for ongoing legal cases.
- Set provisions for legal proceedings that are likely to require resources.

Political and/or geopolitical uncertainty and social instability

At CEMEX Latam, we are subject to the political, social and economic environment of the countries where we operate. New governments, elections, changes and/or new public policies in the countries where we operate, in addition to other political and geopolitical events, such as changes in leadership, trade conflicts, social unrest and political instability may continue to have a negative impact on the economy, social stability and business environment.

In February 2022, Russia's invasion of Ukraine led to global supply-chain disruptions, high inflation and high energy prices that have the potential to impact our people, the global economy, financial markets, and global supply chains. We do not have operations in Russia, but the collateral impact on our markets, business results and financial conditions will depend on how the situation evolves.

Mitigation actions:

- Execute tailor-made public affairs strategies per country.
- Build long-term relationships with key stakeholders.
- Cooperate and engage with governments, regulators and legislators through business associations.
- Implement and execute business continuity plans to minimise operational disruption.
- Carry out security protocols to protect our employees.
- Monitor political, geopolitical, and social events and plan different scenarios to anticipate potential risks and opportunities.

Environmental, social and governance (ESG) risks

We are subject to environment, social, and governance (ESG) laws, regulations, practices and evolving stakeholder expectations. The lack of consensus on ESG standards complicates our ability to comply with diverse stakeholder expectations. Non-compliance with or adherence to, or changes in, such laws, regulations, practices and stakeholder expectations and/or their interpretation by any stakeholder and/or any significant delay in assessing their impact and/or adopting such changes may result in potential risks.

Mitigation actions:

- Cemex ESG Strategy: Future in Action, Social Impact, Environmental, among other strategies.
- Adhere to the highest ESG standards.
- Comply with ESG laws and regulations.
- Engage with key stakeholders for proactive communication and risk and opportunity management.
- Continue operations of ESG regulated committees: Regional and Country Sustainability Committees, CO₂ Taskforce, Ethos Committee and Human Rights Taskforce.
- Promote ETHOS line to report alleged ethics, compliance and corporative governance violations.

Operational disruption due to different interest from stakeholders

Although we make significant efforts to maintain good long-term relationships with the communities and governments in the geographies where we operate at CEMEX Latam, there can be no assurance that those stakeholders will not have different, or at times conflicting, interests or objectives from ours.

These conflicting interests have been more common with respect to environmental issues. Despite agreement on the importance of addressing climate change, the differences concern the environmental aspects needed when obtaining or renewing a permit as our industry is generally perceived as polluting. In addition, human rights have become another relevant issue that could provoke differences, similar to those related to environmental issues, between us and our stakeholders.

Mitigation actions:

- Comply with applicable local, state and federal laws and regulations.
- Execute our Social Impact strategy and adhere to high social responsibility standards.
- Implement sustainable community engagement plans to build mutually beneficial long-term relations with key stakeholders.
- Have business continuity plans in place to minimise potential disruption.
- Cooperate and engage with governments, regulators, and legislators through business associations to focus on providing solutions for key government priorities (for example, waste management).
- Implement internal controls on ESG (environmental, social and governance) reporting and discussion.
- Reinforce our permits revision programme to identify sites with permitting issues.
- Have an aligned communications strategy in place to avoid reputational damage from environmental issues.

Uncertain economic conditions

Our industry, business and markets are affected by global, regional and national economic conditions.

Monetary policies to reduce inflation, divergence in policy paths in the largest economies and their potential cross-border negative effects, energy and food price shocks, global tightening of financing conditions triggering widespread emerging market debt distress, reduction of gas supplies from Russia, rapid growth of cryptocurrencies without clear regulation and geopolitical risks like fragmentation are some potential sources of economic risk.

Mitigation actions:

- Enhance margin through operating cash flow growth.
- Deliver superior customer experience enabled by digital technologies and Cemex Go.
- Enhance revenue streams across all our businesses.
- Optimise our portfolio.
- Execute financial strategy.
- Maintain a strict cost discipline.
- Establish long-term contracts to secure favourable input and operational costs.

Pandemic, epidemic or any other public health threat

The emergence of future pandemics or epidemics or any public health threat that is rapidly spread, severe, difficult to contain, and long-lasting, may affect our business environment (for example, supply chain disruption) as well as the lives and health of our people and members of the communities where we operate.

Mitigation actions:

- Adhere to our health and safety protocols to safeguard the health and safety of our employees, their families, our customers, suppliers and communities.
- Maintain business continuity under government guidelines.

- Implement rapid response teams and business continuity plans to minimise operational disruptions.
- Enhance customer experience through proven e-commerce platforms and distribution networks.
- Aid members of the communities in dealing with the health threat.

Financial risks

At CEMEX Latam we are exposed to several financial risks, including but not limited to foreign currency translation, changing interest rates, liquidity, refinancing terms, credit ratings, counterparty risk, debt level and compliance with covenants and restrictions, among others.

All of these factors have the capacity to affect, including but not limited to, our capacity to generate cash to service our debt and comply with our banking obligations and restrictions, outstanding indebtedness, the cost to service our debt, our liquidity, our consolidated reported results, credit rating and capacity to access funds or capital, among others. All of these events could materially and adversely affect our business, financial condition, liquidity and results of operations.

Mitigation actions:

- Execute liability management strategy.
- Working toward a strong liquidity profile throughout our business cycle during the year.
- Implement foreign exchange, interest rate and energy hedging strategy.

Talent attraction and retention

Attracting and retaining suitable talent, effectively planning leadership succession, and evolving to adapt to new work environments across our operations are key elements to ensure we achieve our strategic priorities.

As digitalisation and innovation advance and new generations enter the workplace, the construction materials industry could be perceived as less attractive than other industries or require talent with specific technical skills that are hard to acquire for key positions. Labour shortages, tight labour markets, wage inflation, labour activism, and new work environment expectations are some sources of risk that could negatively impact our talent management efforts.

Mitigation actions:

- Evolve CEMEX Latam's culture, policies and procedures to adjust to new work environments across all our operations.
- Execute our institutional Workforce Experience programme.
- Improve our rewards and incentives programmes.
- Enhance our talent management process.
- Continuously improve key initiatives seeking the attraction and retention of target groups.

Industry disruption by emerging technologies or alternative solutions

Our industry is in constant evolution as new technologies, processes, materials, players and solutions are introduced at different stages of the construction materials industry value chain to increase its efficiency.

Whilst we have been leading this evolution implementing new technologies, businesses, partnerships, products and solutions through our research and development team, initiatives such as Cemex Ventures, Urbanisation Solutions, the Innovation and

Sustainability strategy, other industry innovations from internal and external players, including but not limited to digitalisation, automation, our construction methods, new products, materials or manufacturing processes, sustainable practices and other emerging technologies and solutions could potentially impact the industry's competitive landscape, the construction value and our capacity to compete and/or keep our industry position.

Mitigation actions:

- Continue improving our strategy in research and development initiatives and projects.
- Detect, develop and market disruptive, revolutionary and sustainable construction projects through Cemex Ventures.
- Identify high-growth and sustainable business opportunities through Urbanisation Solutions strategy.
- Continue with our research and development efforts on products, materials and technologies.
- Promote internal and external innovation (for example, partner with innovative and sustainable companies).
- Deliver a superior customer experience enabled by digital technologies (for example, Cemex Go).
- Enhance Cemex's digital technology strategy (for example, the digital commercial strategy, CX 4.0 Operations, Working Smarter).

Health and safety risks

Activities in our business that are not executed responsibly might be dangerous and cause injuries, illnesses or even fatality to our employees, third parties and contractors. Similarly, accidents might end up damaging property or community environments.

Mitigation actions:

- “Zero4Life” principle aiming for zero recordable injuries, job-related illnesses, preventable vehicular incidents, and environmental events.
- Prioritise the safety of our employees, contractors and the communities where we operate.
- Implement the Health and Safety Protocols in all our operations (Behaviours that Save Lives, pandemic endurance and rapid response teams).
- Adhere to high health and safety standards, monitor, prepare and comply with health and safety recommendations.

Climate change related risks

Carbon regulation: CEMEX Latam faces risks in the short- and medium-term of transition to stricter carbon pricing or new regulation, either in the form of emission trading system or CO₂ tax.

In some geographical regions, changes in cement production standards that promote low-carbon products, or changes in laws or regulations that allow use or to maximise the use of clean energy for cement production, or changes in laws or regulations that incentivise circular economy practices in the construction process are still pending or in progress.

Technology: Development of technologies is key to reduce our emissions to meet our 2050 net-zero CO₂ emissions goal across the value chain by 2050 from a 2020 baseline, certain sustainability-related key performance indicators included in our financing arrangements, and the limits of any cap-and-trade systems to which CEMEX Latam is subject. Our commitment to achieve certain climate action-related targets may require us to incur substantial investment related to the acquisition, development, and/or implementation of certain technologies.

The failure to effectively develop and roll out any necessary technologies, as well as the lack or late implementation of these new technologies, could lead CEMEX Latam to fail in achieving its 2050 net-zero CO₂ emissions goal and the limits of any cap-and-trade systems to which it is subject, or its sustainability-related key performance indicators contained in its financial arrangements.

Markets: More stringent construction and energy efficiency standards are likely to foster the development of new low-carbon products and construction solutions. As consumer expectations continue evolving, there is a risk for CEMEX Latam of not meeting future market expectations in the form of new low-carbon products and solutions.

In addition, the lack of incentives or CO₂-related regulations in some geographies, could fail to incentivise the use of low-carbon products.

Reputation: According to the Global Cement and Concrete Association (GCCA), the cement industry is the source of between 5% and 8% of the world's CO₂ emissions. Cement could be perceived as a relevant contributor to CO₂ global emissions.

In addition, there is a risk of our not meeting CO₂ reduction-related expectations or announced CO₂-related targets if other events relevant to achieve these targets do not materialise, like the development of the required technologies or the enactment of new regulations.

Physical risks (acute and chronic): Our operations and businesses are exposed to climate change patterns and acute physical climate risks, mainly extreme weather events such as tropical cyclones and blizzards, and chronic physical risks such as rising sea level, higher temperatures or water stress could cause damage in the most exposed operations, impact our neighbouring communities, as well as the disruption of business continuity.

Mitigation actions:

- Actively participating in decarbonising the construction materials industry through the definition of ambitious CO₂ emission reduction targets and the execution of our Future in Action strategy.
- We have committed to become a net-zero CO₂ company by 2050 across our entire value chain and our 2030 decarbonisation roadmap was aligned with the Science Based Targets initiative under the 1.5°C scenario.

We believe that we have set the most ambitious 2030 targets in the construction materials industry:

- Scope 1 Goals (vs. our 1990 baseline)
 - 47% less of CO₂ per ton of cementitious material
 - 41% less of carbon content in concrete.
- Scope 2 Goals
 - 65% in clean electricity consumption
- New Scope 3 Goals (vs. our 2020 baseline)
 - 25% reduction in CO₂ per ton of purchased clinker and cement
 - 30% reduction in transport emissions
 - 40% reduction of scope 3 emissions per ton of purchased fuels
 - 42% reduction in absolute scope 3 emissions from the use of traded fuels.
- Our targets are validated by the SBTi and are aligned with its well below 1.5°C scenario.
- Our Future in Action programme recognises that the opportunity for reducing emissions is not limited to the production process but to the entire life cycle of our products, as well as to transforming the industry's value chain. This programme is built around six main pillars: (1) Sustainable products and solutions; (2) Decarbonising our operations; (3) Circular economy; (4) Water and biodiversity;

(5) Innovation and partnerships; and (6) Promoting a green economy. For more details go to www.cemex.com.

- Implementation of Cemex CO₂ Taskforce, which is a multidisciplinary group with the participation of Sustainability, Operations and Technology, R&D, Energy, Supply Chain and Cemex Ventures.
- Anticipate, assess, prepare and comply with CO₂-related laws and regulations.
- Active involvement in industry associations to promote the development of regulations with more sustainable practices.
- Our Urbanisation Solutions business also plays a key role within our strategic priorities by generating sustainable business alternatives that provide the market with highly efficient building solutions, and by promoting circular economy.
- Have a Business Continuity Plan which includes guidelines for rapid response teams, emergency support, crisis management and business recovery.
- Purchase insurance for assets. However, in most cases, the insurance policies do not cover the total impact that an adverse event could have, which limits their effect.
- Implement Water Action Plans (WAP). 2030 target: Implement WAPs in all priority sites with high-risk water stress.
- New 2030 targets on freshwater withdrawal reduction by shifting to non-freshwater: 20% in cement, 15% in aggregates, 10% in ready-mix.
- Provide construction solutions for resilient infrastructures.

Cyberthreats and information technology risks

CEMEX Latam increasingly relies on a large variety of information technologies, cloud services and automated operating systems to manage and support our operations, as well as to offer our products to customers. Our systems and technologies (as well as those provided by third parties) may be vulnerable to damage, disruption, intrusion due

to security breaches, insider threat, employee mistakes, catastrophic events, power outages, computer system or network failures, computer viruses or cyberattacks.

Mitigation actions:

- Adhere to information security policies.
- Increase awareness on cybersecurity culture among employees and third parties through incident response handbooks and drills.
- Implement cybersecurity controls and monitor services.
- Enhance insurance coverage (cyber-attack insurance).
- Securing the ISO 27001 certification on production plants for information security management to preserve confidentiality, integrity and availability of data.
- Renew, modify or upgrade our required systems and technologies.
- Track, analyse and evaluate security trends and/or laws and regulations to uphold proper compliance and maintain best practices through our Information Security Committee.

Just Transition: Collateral impacts from transitioning to a greener economy

As we continue our path to become a net-zero CO₂ company by 2050, we face several challenges to effectively achieve this transition without collateral social impacts.

We are subject to the lack of preparedness and readiness of various actors (for example, governments, suppliers) for the coming disruption to supply chains, workforces, communities and customers caused by our transition to a “greener” economy. In addition, we depend on policymakers and governments to implement the right measures to develop the infrastructure and necessary regulations on time. Another challenge for us is being able to train our people with the necessary skills so they are not left behind in this transition.

A Just Transition works to oversee that our path to net-zero emissions and climate resilience is orderly, inclusive and just, and that it is built on social dialogue, stakeholder engagement and a universal respect for labour and human rights.

Mitigation actions:

- Include Just Transition in our Future in Action strategy.
- Collaborate with sector actors (for example, ThinkLab – UN Global Compact) to maintain a fair, equitable and health economy, as well as quality jobs and resilient cities and communities.
- Develop solutions for the workforce with focus on ensuring equal opportunities and inclusion for women.
- Favour policies and regulations aligned with decent work, social inclusion and environmental protection.
- Develop a robust engagement with our communities through continuous dialogue and co-development of effective plans for community resilience, climate action and identification and mitigation of human rights risk.
- Support companies in our supply chain, especially SMEs, to design effective adaptation strategies to a “greener” economy.

3. CONTROL ACTIVITIES

3.1 Financial reporting review and authorisation procedures and ICFR description

CEMEX Latam’s internal control system based on the COSO 2013 framework and best practices adhered to such as the Sarbanes-Oxley Act (SOX) is broadly defined as a process undertaken by the Board of Directors, the Management and other entity staff, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

1. Effectiveness and efficiency of operations

2. Financial reporting reliability
3. Compliance with applicable laws and regulations.

The Internal Control department carries out a suitable assessment of internal operational risks, ensuring the existence of appropriate control activities based on criticality.

The Company develops narratives describing in detail each step in the process, which narratives are available at the Company's Policy Centre.

An important set of controls are those classified as information system (IT) controls. These are classified as *general* controls and *application* controls, and are observed for all systems supporting the operational processes, including those used for generating financial reports.

CEMEX Latam carries out an annual exercise to ensure internal control over the financial reporting processes because, although the Company is not subject to the Sarbanes-Oxley Act (SOX), the Board of Directors decided in the year 2019, for the implementation of best practices, to revise the methodology, scope and execution of SOX control testing in order to validate their compliance level. As a result, activities related to financial reporting processes and within the yearly scope determined are subject to entity-level control testing, information technology controls, and relevant transaction controls by the Internal Control area and Internal Audit. In addition, the financial and operational process control activities are evaluated every year, within the scope of the internal audits conducted, and the Company issues the relevant opinion as to their effectiveness. For the year 2022, testing was carried out for Colombia, bearing in mind its materiality level and importance to CEMEX Latam and Cemex Global.

- **Internal control system improvements 2022**

The focus on Internal Control best practices resulted in the Company's business units being preventively monitored in order to test control designs for different operational and support processes, including those related to the financial statements.

Additionally, policy and control training campaigns continued during the year 2022 in order to improve process owner self-control. During 2022, 305 operational and support process employees were trained. The following is the training per area:

AREA	TOTAL
CORPORATE AREAS	22
GES	37
COMMERCIAL	26
COMMUNICATIONS AND INSTITUTIONAL RELATIONS	5
URBANISATION SOLUTIONS & CONSTRUCTION CUSTOMERS	74
LEGAL	3
LOGISTICS	57
OPERATIONS – TECHNICAL	41
HUMAN RESOURCES	40
TOTAL	305

The Management continued executing and monitoring certain internal controls over the financial reporting processes to remedy the weaknesses reported in previous years, including but not limited to the following:

1. In 2022, satisfactory results were obtained in the Procure to Pay (P2P), Record to Report (R2R), Operational Support (OS), Order to Cash (O2C) and Treasury process audits, the average result achieved being a 97%, 99%, 100%, 99% and 97% level of

compliance, respectively. The following are the individual and per process outcomes for each of the CEMEX Latam countries:

Process	Colombia	Panama	Nicaragua	Guatemala
Procure to Pay (P2P)	100	96	95	96
Record to Report (R2R)	99	99	98	99
Operational Support (OS)	98	100	100	100
Order to Cash (O2C)	98	100	97	99
Treasury	95	98	99	95

It should importantly be noted that the sale of our operations in Costa Rica and El Salvador to Cementos Progreso was officially closed in August 2022.

Additionally, 100% scores were obtained in the Corporate Consolidation process controls audit of CEMEX Latam, in which the consolidation, financial information, derivative financial instruments, long-term asset impairment and deferred income tax sub-processes were audited.

2. As for the implementation of remediation plans resulting from the audits carried out, and bearing in mind that they are being monitored on a monthly basis, 93% and 91% implementation had been achieved by the end of December 2022 for Operational and GES processes, respectively. The outstanding remediation plans are in process of execution with set dates which are monitored on a monthly basis.
3. The plan to disseminate the Code of Ethics continued through communications on ethical essentials and virtual meetings (webcast) of the Ethics Committee at which committee conduct was presented through its indicators, operational information was provided and real cases were set out as a collective learning process.

3.2 Internal Control policies and procedures on information systems supporting relevant entity processes related to preparation and reporting of financial information

The information is managed on a same platform under the accounts system (SAP) that each country's Global Enterprise Services (GES) is in charge of, which allows tighter control of standardised processes to be guaranteed. In addition, the process has system access monitoring controls, guaranteeing a proper segregation of duties and appropriate authorisation levels.

The financial information consolidation process carried out by the GES and certified by Accounting Technology is performed in a single system called "Hyperion Financial Management (HFM)", supported with security levels, segregation of duties and automatic control mechanisms that enable data entry integrity and reliability to be monitored.

In addition, the existence of the same chart of accounts for all CEMEX Latam companies expedites consolidation and reporting (information) system generation for all entities requiring the information.

3.3 Internal Control policies and procedures for monitoring management of outsourced activities, and assessment, calculation or valuation aspects entrusted to independent experts, which may materially affect the financial statements

For outsourced processes, agreements are entered into containing provisions in relation to the following, without limitation:

- The obligations and responsibilities taken on by each party.
- The levels of communication and notices to be exchanged by the parties.
- Billing conditions or terms, payment terms, etc.
- The applicable confidentiality rules.

- Penalties, if any, in the event of breach by the parties.

Where the preparation of financial information has had to be outsourced to an independent expert (actuarial calculations, valuation of fixed assets, etc.), the Company makes sure that the professionals' standard of technical competence and their support as a supplier meet the required needs, including compliance with requirements with respect to anti-money laundering, counter-terrorist financing, anti-fraud and anti-corruption policies.

CEMEX Latam has IBM, HCL and TCS as outsourced service provider, who are in charge of IT administration and service transactional activities which are part of the financial reporting process for all operating units.

These third parties' service centres must keep a suitable control level and are required to comply with the Code of Ethics, policies and internal controls for the execution of the tasks assigned. They are included in the activities to monitor Internal Control and the internal audits.

4. INFORMATION AND COMMUNICATION

Communication is of the essence for a proper execution of the internal control system. This implies ensuring that the Audit Committee, the management and those responsible for the business units are duly informed of internal control weaknesses and/or faults.

Internal control deficiencies are assessed to establish their importance and the possible need for immediate action. In order to comply with statutory regulations, the deficiencies uncovered in the financial reporting preparation processes are classified according to their potential economic impact as:

- Control deficiencies: these occur where a control does not work as devised or is not properly performed, but reasonably mitigates the risk.
- Significant deficiencies: these are deficiencies that individually or on aggregate are sufficiently important and must be reported to the Audit Committee.

- Material weakness: this reflects an important likelihood of a material error in the financial statements and must be reported in a public report submitted by CEMEX Latam to the stock exchanges.

Based on the internal audit results obtained, the Internal Control department agrees with the various owners such actions as are considered most appropriate to mitigate the risks uncovered and prevent their future occurrence.

5. MONITORING SYSTEM OPERATION

5.1 Audit Committee ICFR monitoring activities

During the year 2022, the Board of Directors, the Audit Committee and the Management have discharged the financial reporting duties and responsibilities established in the Company's Internal Regulations:

- The Committee reviewed the individual (separate) and consolidated financial statements prepared under international financial reporting standards ("IFRS") which, upon being approved by the Board of Directors, were submitted by the Company to the Financial Superintendency of Colombia ("SFC"), in accordance with the provisions of instruction 10 of External Circular No. 004 of 9 March 2012, and the Committee has been duly informed by the external Auditor about the relevant aspects of the financial statements.
- In addition, the Committee has overseen the process to review SOX controls in order to validate their compliance level.
- The Management and the Board of Directors are committed to maintaining a strong and sustainable internal control environment over financial reports. No internal control changes have been identified during 2022 which have materially affected, or could reasonably materially affect, the internal controls over financial reports.
- In addition, during the year 2022 the Audit Committee:

1. Approved the Internal Audit area's work plan and budget for that financial year, including processes related to financial reporting.
2. Reviewed the progress of and compliance with the Internal Audit area work plan.
3. Has been informed of and has monitored the results of the internal audits carried out during the year.
4. Monitored the implementation of the action plans introduced for the purposes of remediating the faults uncovered by the internal audits.
5. Validated compliance with the working plan of Internal Control, GES and Compliance.
6. Has monitored the risk identification and risk management and control processes by validating the risk agenda and quarterly updates thereof.

5.2 Internal Audit function activities to communicate the material internal control weaknesses uncovered and its action plan

The Company continuously carries out internal audits of all its business units. The Internal Audit department develops its annual plan relying on a risk-based audit methodology. The internal audit procedures are performed by an expert team, who report to the CEMEX Latam Audit Committee. Those procedures include evaluating the Company's main mission process controls, some of which are related to the preparation and reporting of financial information, and other controls are related to the operations.

The audit results are shared with the process owners, the senior management and the Internal Control team. Commitments are established for the remediation of reported weaknesses and a database is kept with deficiencies, identifying owners, remediation plans and expected remediation dates.

The internal audit programme and the audit results are reported to the Audit Committee for approval and information, respectively.

6. EXTERNAL AUDIT REPORT

CEMEX Latam is a subsidiary company of CEMEX, whose parent CEMEX S.A.B. de C.V. is listed on the Mexican Stock Exchange and on the New York Stock Exchange (NYSE), and consequently adheres to Mexican and US securities regulations, including the Sarbanes-Oxley Act of 2002. The business units making up CEMEX Latam have internal control processes and mechanisms to disclose and certify the truthfulness of financial information.

The CEMEX Latam information on risk management and internal control systems in relation to the financial reporting process submitted to the markets has not been audited by the External Auditor. The External Auditor audits the financial information taken from the consolidated financial information in the CEMEX Latam countries to be able to issue an opinion as to whether CEMEX Latam's consolidated and individual financial statements fairly present its financial condition. The audit opinion is attached to the consolidated financial statements of CEMEX Latam and was satisfactory.