

CEMEX

ISIN CODE: MXP225611567

Overall score 31/100

Sector: Building Materials Emerging Market

Companies in sector panel: 21

Information rate: 84% (Sector average: 55%)
Company cooperation level: Partially responsive *

General information

CEMEX is a Mexican company principally engaged in cement manufacturing. The Company produces, distributes and sells cement, clinker, ready-mix concrete, aggregates and related building materials in more than 50 countries worldwide. CEMEX (via its wholly owned subsidiary - CEMEX ESPAÑA S.A.) owns slightly more than 73% of CEMEX Latam Holdings ("CLH").

Main Economic Segment**	Turnover 2014
Cement	48.0 %
Concrete	37.0 %
Aggregates	15.0 %

CORPORATE GOVERNANCE		
	2014	2015
Score		31
Allegations		No
Rating		=
Risk management		Limited

■ Sector performance
■ Company performance
 Rating: min -- / max ++

Key issues

Corporate governance is critical to ensuring that a well functioning system of checks and balances protects the interests of all of the company's stakeholders. The effectiveness of the Board of Directors is a key issue to be addressed: this can be gleaned from information on Board composition (independence and competencies) and its way of functioning (regularity of Board meetings, evaluation of performance). Other important corporate governance factors include the effectiveness of the Audit and Internal control system, the protection of Shareholders Rights and the establishment of Executive Remunerations which align executives' and company's interests.

Company performance

- The Company's performance in the Corporate Governance domain is limited in absolute terms.
- The domain's score has been stable compared to the previous review.
- CEMEX has a low level of independent Board members, restrictions on shareholders rights and lack of information to most of the issues related to 'Executive remuneration'. As an exception, the Company's control system covers financial, operational, legal, and CSR risks; and a confidential reporting system is in place for accounting issues. CEMEX's Audit Committee has also a comprehensive role and its external audit firm received relatively small amount in non-audit fees, which stands at 19.8%.

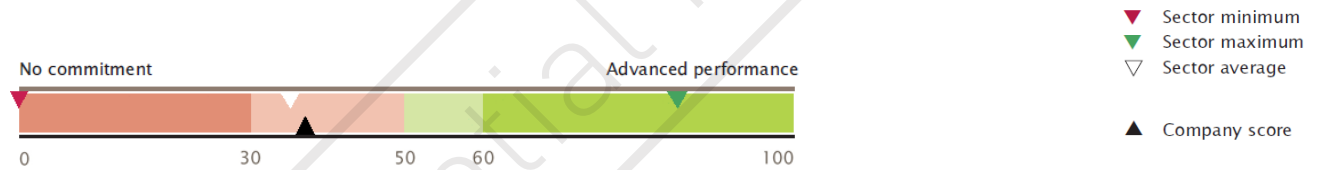
* On a 4-level scale: proactive, responsive, partially responsive, not responsive
 ** See detailed economic indicators in Selected financial data section
 *** Based on the most recent Index at the date of publication

Corporate Governance

Score : 31

CGV1.1 Board of Directors

(score: 37, weight: 3)



Existence and independence of Nomination Committee

No specific committee is in charge of director nomination, which might raise concerns.
The company indicated that under CEMEX, S.A.B. de C.V.'s bylaws and the Mexican Laws and Regulations, it is not required to have a nomination committee.

Independence of board Chairman

The roles of Chairman and CEO are separated, but the Chairman is not considered independent.

Total % of independent shareholder-elected board members

The board is between 34 and 50% independent, which is slightly less than the recommended level.
Five members of the 13 members Board are considered independent.

Skills and backgrounds of non-executive board members

Information obtained from the company and public sources regarding skills and backgrounds of non-executive board members is insufficient.

Training and expertise provided to board members

Information obtained from the company and public sources regarding training provided to board members is insufficient.

Regularity of and attendance at board meetings

Information obtained from the company and public sources regarding the regularity of and attendance at board meetings is insufficient.

Regular election of board members

Board members are elected at least every 3 years.
Board members are eligible for re-election following a one-year term.

Evaluation of board functioning and performance

Performance is evaluated regularly, but with no disclosure on the results.

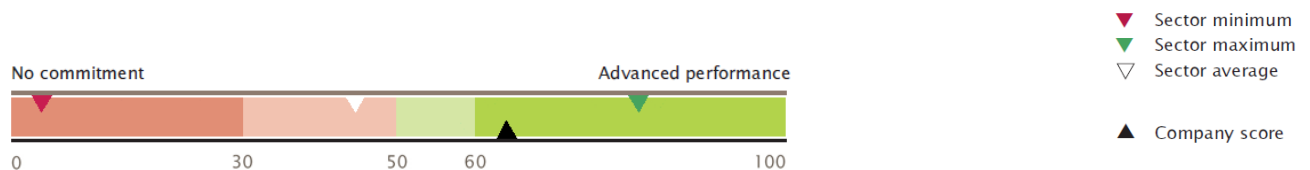
Review of CSR issues at board meetings

CSR issues were formally reviewed at the board level during the last fiscal year; however there is no non-executive board member explicitly responsible for CSR issues.
CEMEX has integrated sustainability into its business strategy and has published a CSR report. The Sustainability Committee is comprised of three board members and one secretary and is supported by our Corporate Sustainability function, who reports to the CEO and to a member of the Executive Committee. Moreover, through the Global Sustainability Functional Network we implement our main initiatives in all of our businesses across the world.

Non-independent board members (excl. employee representatives)	Role	Current or Former Executive	More than 9 years on board	Stock options or warrants	Paid >1/2 executive salary	Owns or represents >3% company's shares	Other
Rogelio Zambrano Lozano	Chairman						
Tomás Milmo Santos	Finance Committee		X				considered Non-Independent Director by the company
Ian Christian Armstrong Zambrano	Sustainability Committee member						considered Non-Independent Director by the company
José Manuel Rincón Gallardo Purón	Audit Committee		X				
Roberto Luis Zambrano Villarreal	President of the audit committee and Sustainability Committee Member		X				
Armando J. García Segovia	President of the Sustainability Committee	X	X				
Rodolfo García Muriel	Finance Committee		X				
Fernando Ángel González Olivieri	CEO	X					considered Non-Independent Director by the company

CGV2.1 Audit & Internal Controls

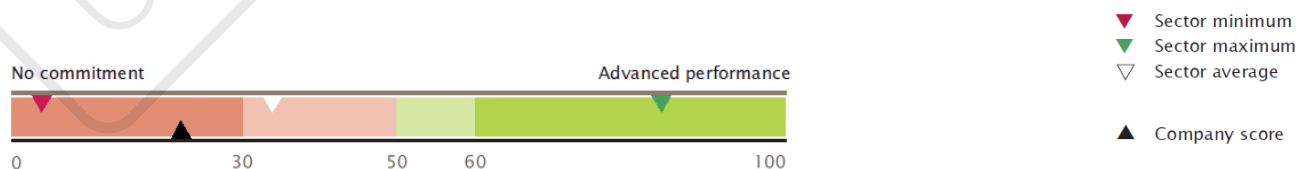
(score: 64, weight: 2)



Existence and independence of Audit Committee	No executive is a member of the committee, but half or fewer are independent, contrary to standards advocated by Vigeo. <i>One member of the 4-members Audit Committee is considered independent.</i>
Skills and backgrounds of Audit Committee members	<i>Members appear to have financial and audit experience and relevant operational experience.</i>
Operational and CSR risks covered by the company's internal controls system	The system covers financial, operational, legal, and CSR risks, and a confidential reporting system is in place for accounting issues. <i>The company covers environmental, health and safety risks in its reporting and has provided as well ETHOS Line, a safe and confidential channel to ask questions and report violations related to ethics, compliance, and governance topics.</i>
Role of the Audit Committee in overseeing internal and external controls	The Audit Committee does not oversee CSR risks but has a comprehensive role that includes: <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Oversee internal audit and internal controls <input checked="" type="checkbox"/> Review accounting policies and be responsible for updates <input checked="" type="checkbox"/> Nominate the statutory auditor <input checked="" type="checkbox"/> Oversee the work of the external auditor <input checked="" type="checkbox"/> Approve the type of audit and non-audit services provided and fees paid to the external auditor
Independence of the firm's external auditors	The audit firm receives non-audit fees, but these represent only 25% or less of total fees. <i>Non-audit fees paid to KPMG Cárdenas Dosal, S.C. in Mexico represented 19.8% of total audit fees in the year 2014.</i>
Inclusion of CSR issues in company reporting	<i>The company publishes significant social and environmental reporting, with quantitative indicators, that is audited by a 3rd party. The 2014 CSR Report was certified by PwC.</i>
Reliability of the company's internal controls system	A review of stakeholder sources did not reveal any allegations for internal control failures against the company during the period under review: stakeholders' feedback is neutral.

CGV3.1 Shareholders

(score: 22, weight: 2)



Voting rights restrictions	Minor voting rights restrictions have been identified. <i>The company has created what it calls 'Series A shares', as opposed to 'Series B Shares', to which no voting right is attached or a party has to agree not to exercise its voting right.</i>
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Existence of anti-takeover devices There is no reference to anti-takeover devices in the company's reporting.

Ability to add items to the agenda of the AGM and to convene an EGM. Major restrictions have been identified.
The company's Bylaw states that Shareholders that are Owners of shares with voting right, including in a limited or restrictive form, that represent at least 10% (ten percent) of the Capital Stock subscribed and paid, shall be able to request to the Chairman of the Board of Directors or of the Corporate Practices or Audit Committees, in any moment, that a General Shareholders Meeting takes place, in the terms of the applicable law.

Access to voting at General Meetings Information obtained from the company and public sources regarding the access to voting at the AGM is insufficient.

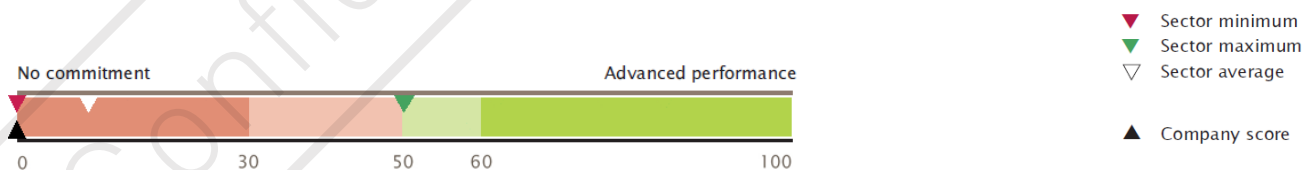
Governance and CSR items put to a vote at General Meetings Not all major items are put to a shareholder vote. In particular, shareholders are not given the opportunity to express an opinion on executive remuneration through a (non-binding) shareholder vote.
The following items are not put to a vote at the AGM:
- Selection of external auditors
- Executive remuneration

Voting results of the latest AGM Information obtained from the company and public sources regarding voting results of the latest AGM is insufficient.

Feedback from shareholders and other stakeholders on the company's corporate governance performance A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral.

CGV4.1 Executive Remuneration

(score: 0, weight: 2)



Existence and independence of Remuneration Committee No specific committee is in charge of executive remuneration, which might raise concerns.
The company indicated that under CEMEX, S.A.B. de C.V.'s bylaws and the Mexican Laws and Regulations, it is not required to have a compensation committee.

Disclosure of senior executives' individual remuneration Executive remuneration is disclosed, but on a collective rather than on an individual basis.

Link between Short Term Incentive Plans and the economic and CSR performance of the company

Bonuses are said to be linked to predetermined operational performance indicators, but these are not disclosed.

Link between the main Long Term Incentive Plan and the economic performance of the company

There is no disclosure on what rules guide the company in allocating stock options and other long-term incentives to senior executives, and what performance conditions are attached to the right to exercise these incentives.

Severance pay for senior executives

Information obtained from the company and public sources regarding severance pay for senior executives is insufficient.

Confidential Information

Contacts

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