

# CEMEX

ISIN CODE: MXP225611567

Overall score 41/100

Sector: Building Materials  
Emerging Market

Information rate: 81% (Sector average: 60%)  
Company cooperation level: Not responsive \*

## General information

CEMEX SAB de CV (CEMEX) engages in the construction industry through the production, distribution, marketing, and sale of cement, ready-mix concrete and aggregates. The Company's products include blended cement, gravel, sand, recycled concrete, asphalt, concrete block, and roof tiles. The Company also provides services such as construction financing, mobile solutions, technical support, and customer-oriented educational and training services. CEMEX was founded in 1906 and is headquartered in San Pedro Garza Garcia, Mexico.

Main Economic Segment**	Turnover 2016
CEMENT	45.0 %
READY-MIX	39.0 %
AGGREGATES	16.0 %

CORPORATE GOVERNANCE				
	2012	2014	2015	2017
Score				41
Allegations				No
Rating				=
Risk management				Limited

### 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

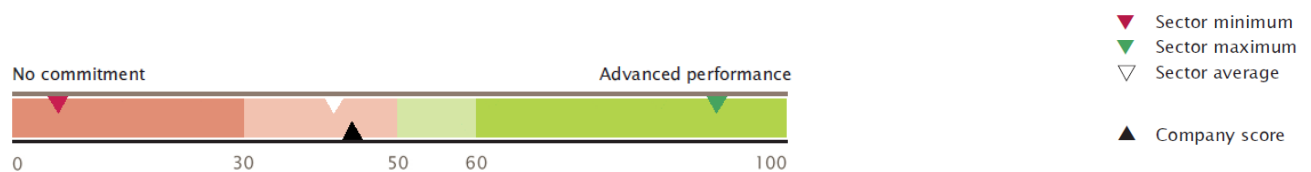
- The Company's performance in the Corporate Governance domain is limited in absolute terms, however it has increased by 10 points compared to the previous review.
- Despite the Company still displays a low level of independent Board members, restrictions on shareholders rights and, overall, information disclosed on executive remuneration is insufficient, it has established a CSR Committee that is part of the Board and the internal control system covers also CSR risks that are managed through strong processes.
- As of 12/2017, the Company did not appear to be involved in any controversy related to this domain.
- Overall, the Company ranks in line with its peers

## Corporate Governance

Score : 41

### CGV1.1 Board of Directors

(score: 44, weight: 3)



#### [LISTED COMPANIES] Existence and independence of Nomination Committee

No specific committee is in charge of director nomination, which might raise concerns.

#### Independence of the Board Chairman

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

#### Responsibility allocated over CSR issues

There is a CSR committee that is part of the Board. In addition the Head of CSR department makes regular reports to the committee.  
*The company's Sustainability Committee is comprised of three board members reporting directly to the Board of Directors. The Committee is supported by a Corporate Sustainability function, which reports to a member of the Executive Committee. Of note, the company has coordinators representing each geographical region where the company operates. In parallel, the Global Sustainability Functional Network works to implement core sustainability initiatives across all of countries and business lines.*

**Share of independent shareholder-elected Board members**

The Board is between 21 and 33% independent, which is less than the recommended level. 4 members of the 15-member Board are considered independent.

**Diversity of the skills and backgrounds of the Board**

The Board of Directors diversity appears to be partial:

- At least 30% of directors are women
- At least 40% of directors are women
- Employee representative(s) sitting on the Board
- Board members with demonstrated professional experience in the company's sector of activities
- Board members with demonstrated expertise on CSR issues
  - Board members with demonstrated professional experience in the company's sector of activities: 7 Board members served on the Board of Directors for longer than 9 years and one of them is a former executive of the company.
  - Board members with demonstrated expertise on CSR issues: One Board member served as Executive Vice President for Technology, Energy and Sustainability and is member of the Board of directors of the World Environmental Center.

**Training and expertise provided to board members**

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

**Regular election of Board members**

[LISTED COMPANIES] Board members are elected every year.

**Evaluation of Board's functioning and performance**

Information obtained from company and public sources regarding the evaluation of board functioning and performance is insufficient.

**Review of CSR issues at Board meeting**

The formal CSR reporting has been signed by CEO and Chairman, and sustainability-related concerns are reviewed at Board meetings.

**Regularity of and attendance at Board meetings**

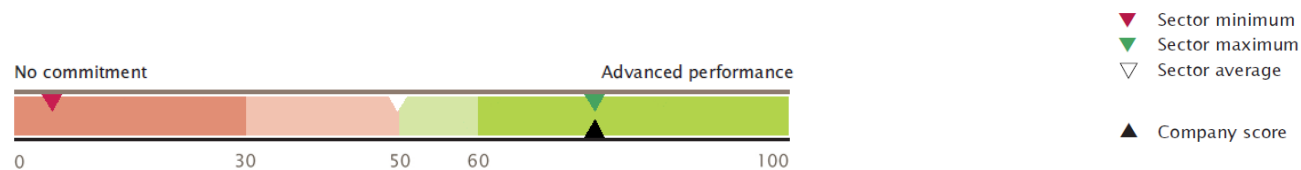
Regular meetings are held, and attendance rates are above 90%  
6 Board meeting were held in 2016 and the attendace rate was of approximately 92%.

Name of Board member	Role	Executive	Non executive	Employee representative	Nomination	Audit	Remuneration	Former executive	>9 years on Board	Stock options	Paid > 1/2 executive salary	Represent >3% company's shares	Other	Independence
R. Zambrano L.	Executive Chairman	X							X				Non independent as stated by the company	
F. A. Gonzales O.	CEO	X						X					Non independent as stated by the company	

Name of Board member	Role	Executive	Non executive	Employee representative	Nomination	Audit	Remuneration	Former executive	>9 years on Board	Stock options	Paid > 1/2 executive salary	Represent >3% company's shares	Other	Independency
T. Milmo Santos			X						X				Non independent as stated by the company	
I. C. Armstrong Z.			X										Non independent as stated by the company	
M. Zambrano Lozano			X										Non independent as stated by the company	
R. G. Villarreal M.			X										Non independent as stated by the company	
A. J. Garcia Segovia	President of the Sustainability Committee		X					X	X					
R. Garcia Muriel			X			X			X					
R. L. Zambrano V.			X			X			X					
D. Garza Medina	President of the Corporate Practices and Finance Committee		X						X					
J. M. R. Gallardo P.	President of the Audit Committee		X			X			X					
F. J. Fernandez C.			X			X							Independent as stated by the company	X
A. Garza Sada			X										Independent as stated by the company	X
D. Martinez Guzman			X										Independent as stated by the company	X
E. Elizondo Almaguer			X										Independent as stated by the company	X

## CGV2.1 Audit & Internal Controls

(score: 75, weight: 2)



### [LISTED COMPANIES] Existence and independence of Audit Committee

No executive is a member of the committee, but half or fewer are independent. 1 member of the 4-member Audit Committee is considered independent.

**Skills and backgrounds of Audit Committee members**

Members appear to have financial and/or audit experience AND relevant operational experience.

**Operational and CSR risks covered by the company's internal controls system**

The internal control system covers the standard issues related to financial, operational, and legal risks. In addition, the system covers most of the CSR risks inherent to the company's business operations.

- Corruption
- Community Issues
- Employee Safety
- Climate Change
- Environmental and/or social standards in the supply chain
  - *Corruption: the company operates in countries where corruption is a sensitive issue*
  - *Employee safety: the company's production facilities require individuals to work with chemicals, equipment, and other materials that may potentially cause harm, injury or fatalities when used without due care*
  - *Climate Change: scarcity of natural resources, such as water and aggregates reserves, and severe adverse weather conditions occurring with unusual intensity are considered as risk factors by the company*

**Role of the Audit Committee in overseeing internal and external controls**

There is a confidential reporting system in place for accounting issues. In addition, the Audit Committee has a comprehensive role that includes:

- Oversee internal audit and internal controls
- Review accounting policies and be responsible for updates
- Nominate the statutory auditor
- Oversee the work of the external auditor
- Approve the type of audit and non-audit services provided and fees paid to the external auditor

*The company provides an online portal and phone line (ETHOS line) for sending comments, requesting advice, and submitting complaints on ethics, governance or compliance, including accounting issues.*

**Management of the CSR risks**

Strong processes dedicated to management of CSR risks are in place:

- Balanced scorecard
- Risk-related training
- Monitoring of key risk indicators
- Reporting system to the Board
- Risk mapping/materiality assessment
- A Board Risk Committee with no executive part of it
  - *Risk-related training: the company provides training to its employees on business ethics, conflict of interest, competition and antitrust, anti-corruption, data privacy, discrimination, compliance, confidential information, insider training and health and safety*
  - *Monitoring of key risk indicators: the company reports on health and safety, air emissions and governance and ethics indicators*
  - *Reporting system to the Board: the Sustainability Committee reports directly to the Board on sustainability targets and risks and health and safety management*
  - *Risk mapping/materiality assessment: the company has an enterprise risk management (ERM) system and conducted a materiality assessment that led to the definition of a materiality matrix*
  - *A Board Risk Committee with no executive part of it: the Sustainability Committee is composed by 3 non-executive directors.*

**Independence of the firm's external auditors**

The audit firm receives non-audit fees, but these represent only 25% or less of total fees.

*Non-audit fees represented 12.37% of total fees paid to KPMG Cardenas Dosal, S.C. in Mexico and KPMG firms worldwide in the 2016 fiscal year.*

**Inclusion of CSR issues in the company's reporting**

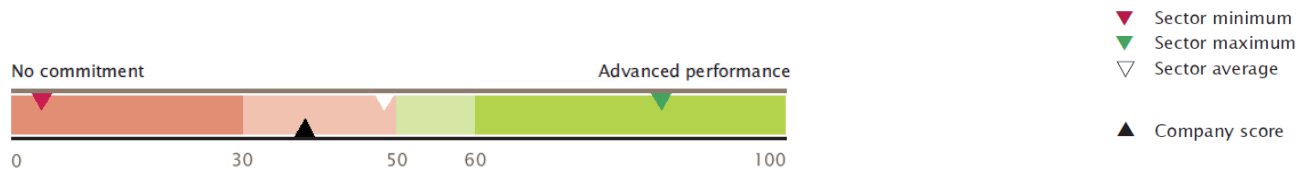
The company publishes significant CSR reporting on key material issues, with an independent third party assessment of the reliability of key performance indicators, with limited/moderate level of the assurance.

**Stakeholders' feedback**

As of 12/2017, CEMEX did not appear to be involved in any controversy related to this sustainability driver.

**CGV3.1 Shareholders**

(score: 38, weight: 2)



**Nonexistence of voting rights restrictions**

Minor voting rights restrictions have been identified.  
*The company issues Class shares that carry no voting rights. Non-Mexican holders of ordinary shares (CPOs) and American Depositary Shares (ADSs) have no voting rights with respect to the A shares underlying those CPOs and ADSs. All ADSs are deemed to be held by non-Mexican nationals. At every shareholders' meeting, the A shares held in the CPO trust are voted in accordance with the vote cast by holders of the majority of A shares held by Mexican nationals and B shares voted at that meeting of shareholders.*

**Nonexistence of anti-takeover devices**

Anti-takeover devices have been identified.  
 - Any transaction or encumbrance that may result or results in a possibility, directly or indirectly, to acquire or exercise the right to vote regarding the shares that represent a 2% or more of the capital stock of the company, shall be subject to the prior authorization of the Board of Directors.  
 - Any transaction or encumbrance that results or may result in a participation equal or greater than 30% of the capital stock of the company, shall oblige, without taking into account whether the participants in the transaction or encumbrance wish or not to acquire control, the execution of a forced public offer for the acquisition for the total of the shares representing the company's capital stock

**Ability to add items to the agenda of the AGM and to convene an EGM**

Major restrictions have been identified to add items to the agenda of the AGM and to convene an EGM.  
*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% 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**

There are no major restrictions on shareholders' ability to vote, however there is no possibility of voting through online services.

**Ability to vote on relevant issues in separate resolutions at AGM**

Not all major items are put to a shareholder vote.  
*The following items are not put to a shareholder vote:*  
 - board fees  
 - selection of external auditors  
 - executive remuneration

**Presentation of CSR strategy to shareholders and investors**

The company has presented to shareholders and investors its CSR strategy and this covers all the relevant CSR issues.

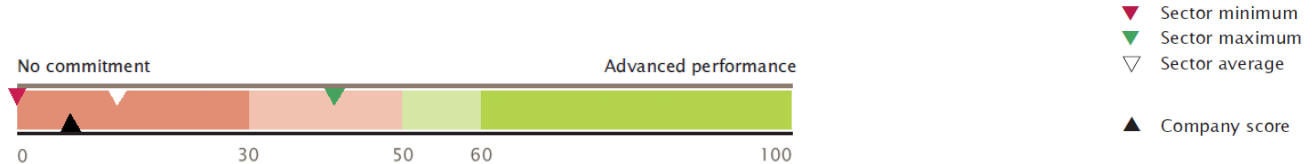
- Climate change
- Human capital

**Stakeholders' feedback**

As of 12/2017, CEMEX did not appear to be involved in any controversy related to this sustainability driver.

**CGV4.1 Executive Remuneration**

(score: 7, weight: 2)



**[LISTED COMPANIES] Existence and independence of Remuneration Committee**

No specific committee is in charge of executive remuneration, which might raise concerns.  
*The company indicated that under the company's bylaws and the Mexican Laws and Regulations, it is not required to have a compensation committee.*

**Disclosure of senior executives' individual remuneration**

[LISTED COMPANIES] Executive remuneration is disclosed, but on a collective rather than on an individual basis.

**Link between Short Term Incentive Plans and the performance of the company**

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

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

Long-term incentives are linked to performance conditions, but quantified targets are not disclosed.

**Link between variable remuneration and CSR performance of the company**

There is no disclosure on the links between variable remuneration of executive and the CSR performance of the company.

- Human resources development
- Health and safety
- Compliance related to environmental regulations
- Efficient resource utilization

**Severance pay for senior executives**

*Most of restructuring costs for 2016 (Ps778 millions), 2015 (Ps845 millions) and 2014 (Ps544 millions) refer to severance payments. Of note, the company declares to provide better severance package than the ones established by the law.*

**Evolution of CEO-to-employee compensation ratio**

Information obtained from company and public sources regarding the compensation of CEO and the average employee salary is insufficient.  
*The CEO compensation is not available.*

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**Stakeholders' feedback**

*As of 12/2017, CEMEX did not appear to be involved in any controversy related to this sustainability driver.*



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## Contacts

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