

# Sustainability-Linked Financing Framework

AUGUST 2021



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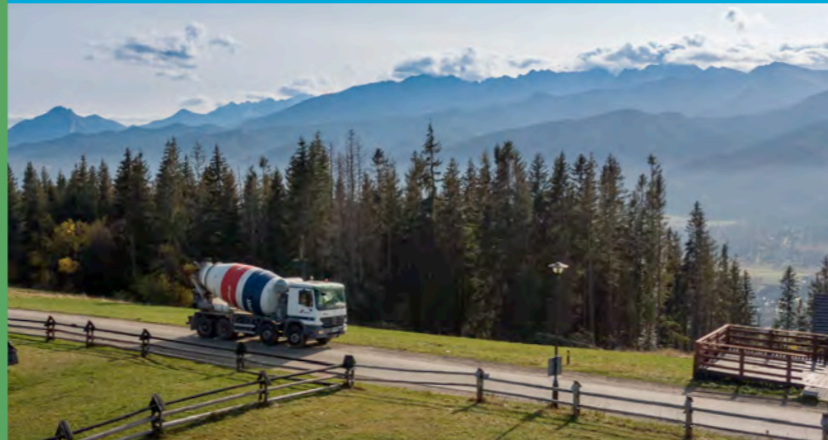
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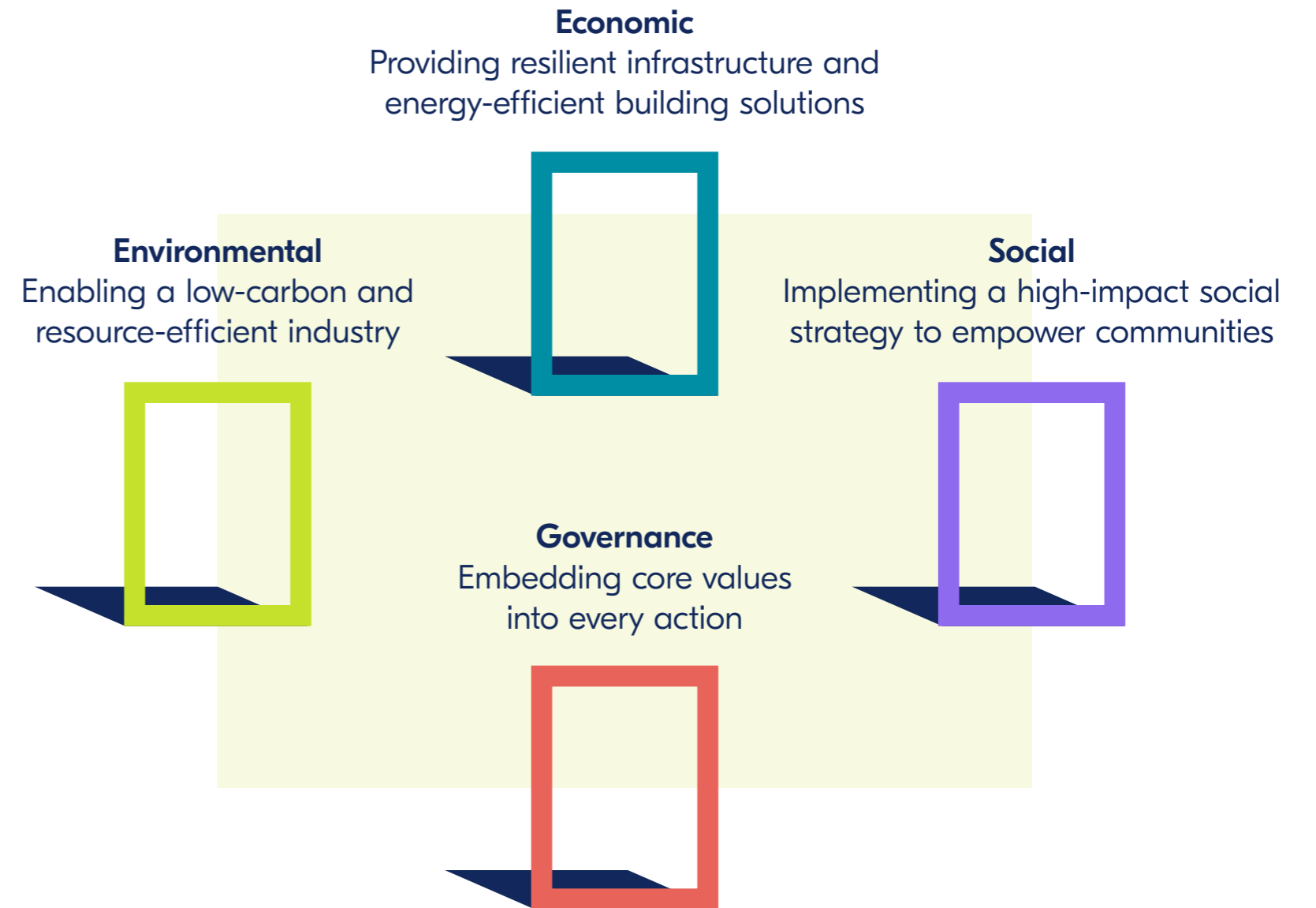
# Introduction

# — CEMEX Sustainability Strategy

CEMEX, S.A.B. de C.V. is an operating and a holding company engaged, directly or indirectly, through its operating subsidiaries, primarily in the production, distribution, marketing and sale of cement, ready-mix concrete, aggregates, clinker and other construction materials, and urbanization solutions throughout the world. Except as the context otherwise may require, references in this CEMEX Sustainability-Linked Financing Framework (the “Framework”) to “CEMEX,” “Company,” “we,” “us” or “our” refer to CEMEX, S.A.B. de C.V. and its consolidated entities. We also provide related services and reliable construction-related services and solutions to customers and communities and maintain business relationships in more than 50 countries throughout the world.

As a leading vertically integrated heavy building materials company, we are focused on developing high-quality and sustainable products and innovative solutions across our four core businesses: Cement, Ready-Mix Concrete, Aggregates and Urbanization Solutions. As manufacturers of the most consumed man-made material on earth, CEMEX is committed to enhancing the sustainable attributes of our materials and solutions while holding our operations to high sustainability standards. CEMEX’s sustainability strategy encompasses economic, environmental, social and governance issues that are relevant for the construction industry, with corresponding goals embedded into our corporate strategy and disclosures.

## CEMEX’s Sustainability Model is defined by four pillars:



## CEMEX Material Topics

As part of the embedding of sustainability into our business, we have been conducting and reporting materiality assessments for more than a decade, an exercise that is continuously improved to reflect what is most critical for our stakeholders and that procures our business strategy's alignment to these issues. This includes our approach to carbon strategy, the development of sustainable construction products and solutions, recycling and use of alternative fuels, the environmental excellence of our operations, the health & safety of our employees and suppliers, while conducting business with integrity. All these priorities are also aligned with CEMEX's social impact strategy, which is supported by community engagement plans and is aimed at procuring continuous benefits everywhere we operate.

## CEMEX and the UN Sustainable Development Goals

Cement is the basic ingredient of concrete, which is the second most widely used material in the world after water. There are no substitutes for the key attributes of concrete (strength and resilience), which is an enabler of the achievement of society's sustainable development goals. In line with the rising of global population and urbanization, global cement production is expected to grow by 12-23% by 2050 from current levels<sup>1</sup>. This consequently poses the challenge of curbing its greenhouse gas ("GHG") emissions. In 2019, carbon emissions from production of cement represented approximately 7% of CO<sub>2</sub> emissions worldwide.



With the goal of seeking that our sustainability ambitions are in synch with the global challenges we face as a corporate citizen, CEMEX has committed to the **2030 United Nations Sustainable Development Goals** ("SDGs") and identified priority SDGs which we believe are the most material to CEMEX. These include: Decent Work and Economic Growth; Industry; Innovation and Infrastructure; Sustainable Cities and Communities; Climate Action; and Life and Land. By pursuing the contribution to these SDGs, our initiatives often address other relevant areas, such as Renewable Energy and Responsible Consumption and Production, to name a few.



<sup>1</sup> IEA Cement technology roadmap plots path to cutting CO<sub>2</sub> emissions 24% by 2050

# — CEMEX Sustainability Targets

At CEMEX, we do not stop at setting a comprehensive sustainability vision but also aim for our aspirations to be translated into ambitious and actionable targets to be implemented firm wide. The 2030 Sustainability Targets<sup>2</sup> is a comprehensive set of 18 environmental, social and governance indicators, of which we highlight the following:



## Circular Economy

Increase consumption of waste-derived sources from other industries and our processes to **25** million tons.



## Climate Action

Reduction of net CO<sub>2</sub> emissions (Scope 1) per ton of cementitious product to **520** kg by 2025 and below **475** kg by 2030<sup>3</sup>.

Increase the power consumption from clean energy sources in cement production to **55%** by 2030.



## Water

Implement Water Action Plans in **100%** of facilities located in water scarce areas.

## Biodiversity

Develop third-party certified Biodiversity Action Plans for **100%** of quarries.



CEMEX's 2030 Sustainability Targets are complemented by intermediate 2025 goals for key areas and are now reflected in this Framework. For a complete set of CEMEX's 2030 Sustainability Targets please see: Progress Toward Our 2030 Sustainability Targets<sup>4</sup>.



<sup>2</sup> CEMEX Integrated Report 2020

<sup>3</sup> CEMEX commits to lead the industry in climate action

<sup>4</sup> 2030 Sustainability Targets

## CEMEX Climate Action Strategy

CEMEX believes that climate change is one of the biggest challenges of our time and supports the urgency of collective action to ensure compliance by all parties in the implementation of the Paris Agreement commitments and the fulfilment of the SDG's. To this end, concrete has a critical role to play in the transition to a low-carbon economy, and as further proof of the strategic importance of mitigating climate change for CEMEX, in 2020 we expanded our climate action strategy to include a net-zero CO<sub>2</sub> concrete goal to be reached across all our operations by 2050, which showcases our ambition to transition to net-zero through short, medium- and long-term actions.

In addition to the ambitious sustainability targets for CO<sub>2</sub> reduction and increasing of clean energy consumption, in 2020 we completed the validation of CEMEX's roadmap to decarbonize (Scope 1 and 2 emissions) the cement business, where the majority of CEMEX's carbon emissions reside.

Furthermore, in August 2, 2021 CEMEX announced that it has signed the Business Ambition for 1.5°C commitment led by the 'We Mean Business Coalition' in partnership with the Science Based Targets initiative ("SBTi") and the U.N. Global Compact. With this commitment, the Company has joined 'The Race to Zero Campaign' of the United Nations Framework Convention on Climate Change ("UNFCCC"), which was launched to mobilize net-zero commitments from cities, businesses, and investors ahead of the 26th U.N. Climate Change Conference of the Parties in November 2021 ("COP26"). All members of the Coalition pledge to reach net-zero emissions by mid-century at the latest, in line with global efforts in limiting global warming to 1.5°C. These objectives align with the CEMEX Future in Action program, which adds to CEMEX's Climate Action Strategy and the Company's sustainability targets, aimed at reducing our carbon footprint by delivering net-zero concrete globally by 2050. The decision to join these two major global alliances reflects the Company's strong commitment to climate action.

## Ongoing commitment to best practices

At CEMEX, transition to low carbon is not only a 'direction of travel' but a detailed and actionable plan which encompasses significant investments and partnerships in the research & development of new technologies, industrial scale decarbonization and the embracing of cleaner and alternative sources of energy.

As a reflection of continuous science and technology advancements, in June 2021, CEMEX committed to further reduce the specific net CO<sub>2</sub> emissions per ton of cementitious product to below 475 kg by 2030. This new target represents at least a 40% reduction from CEMEX's 1990 baseline figure and aligns with SBTi's well-below 2°C scenario, the most ambitious scenario available for our industry at the time of publishing this Framework. CEMEX is committed to seeking validation from the SBTi for the new targets<sup>5</sup>. Furthermore, as part of our commitment to the Business Ambition for 1.5°C partnership, we expect to reassess our targets beyond 2030 once a 1.5°C scenario is developed by SBTi for the cement industry, looking for our level of ambition to remain in line with the best market practices.

**CEMEX is committed to further reduce the specific net CO<sub>2</sub> emissions per ton of cementitious product to below 475 kg by 2030.**

<sup>5</sup> CEMEX is committed to the targets communicated and expects to obtain SBTi validation by end of 2021.

# — ESG Governance, Disclosure and Recognition

At CEMEX, our sustainability efforts begin with the Board of Directors. In 2014, our Board of Directors approved the creation of our Sustainability Committee<sup>6</sup>, which is currently comprised of four board members that are appointed by our shareholders and is supported by our Corporate Sustainability function that reports to a member of our Executive Committee. The execution of CEMEX’s sustainability strategy and goals as well as management’s performance are embedded in our governance, evidenced by environmental, social and legal policies, management and control systems, risk assessments and ethics & compliance standards. Our climate disclosure and reporting follow best market practices while CEMEX also advocates for ESG reporting and transparency in the cement industry, and has been an early contributor to several initiatives, including the creation of the Cement Sustainability Initiative, which later evolved to the Global Cement and Concrete Association (“GCCA”).

CEMEX is recognized as a global leader in sustainability, a top performer within the cement industry and a climate action advocate. We are proud to be actively engaged in the main carbon disclosure initiatives and adhere our reporting to their guidelines and recommendations including:

## CDP

CEMEX achieved recognition for transparency and is part of the CDP Climate Change Leaders of the Industry

## Task Force on Climate-Related Financial Disclosures (TCFD)

CEMEX is a supporter of TCFD and has adopted its recommendations for climate related reporting since 2020

## Transition Pathway Initiative (TPI)

CEMEX’s carbon strategy and the management of its risks and opportunities related to the low-carbon transition reached the highest level according to its criteria



<sup>6</sup> CEMEX Sustainability Committee





# The Sustainability-Linked Financing Framework



We recognize the need for transition towards a low-carbon society and view sustainable finance as an enabler of that goal, as a source of funding and as a mechanism for further alignment between CEMEX's sustainability ambitions and its stakeholders' expectations.

Following the successful debut of our \$3.2 billion Sustainability-Linked Loan in October 2020, our intention is to further align corporate sustainability commitments to our financing to meet long-term goals. To that end, this Framework would allow for the inclusion of sustainability-linked components in public bonds, private placements, loans, derivatives, working capital solutions and other financing instruments.

CEMEX's decarbonization goals, as outlined in our validation roadmap, require considerable capital investments to support CO<sub>2</sub> reduction levers.

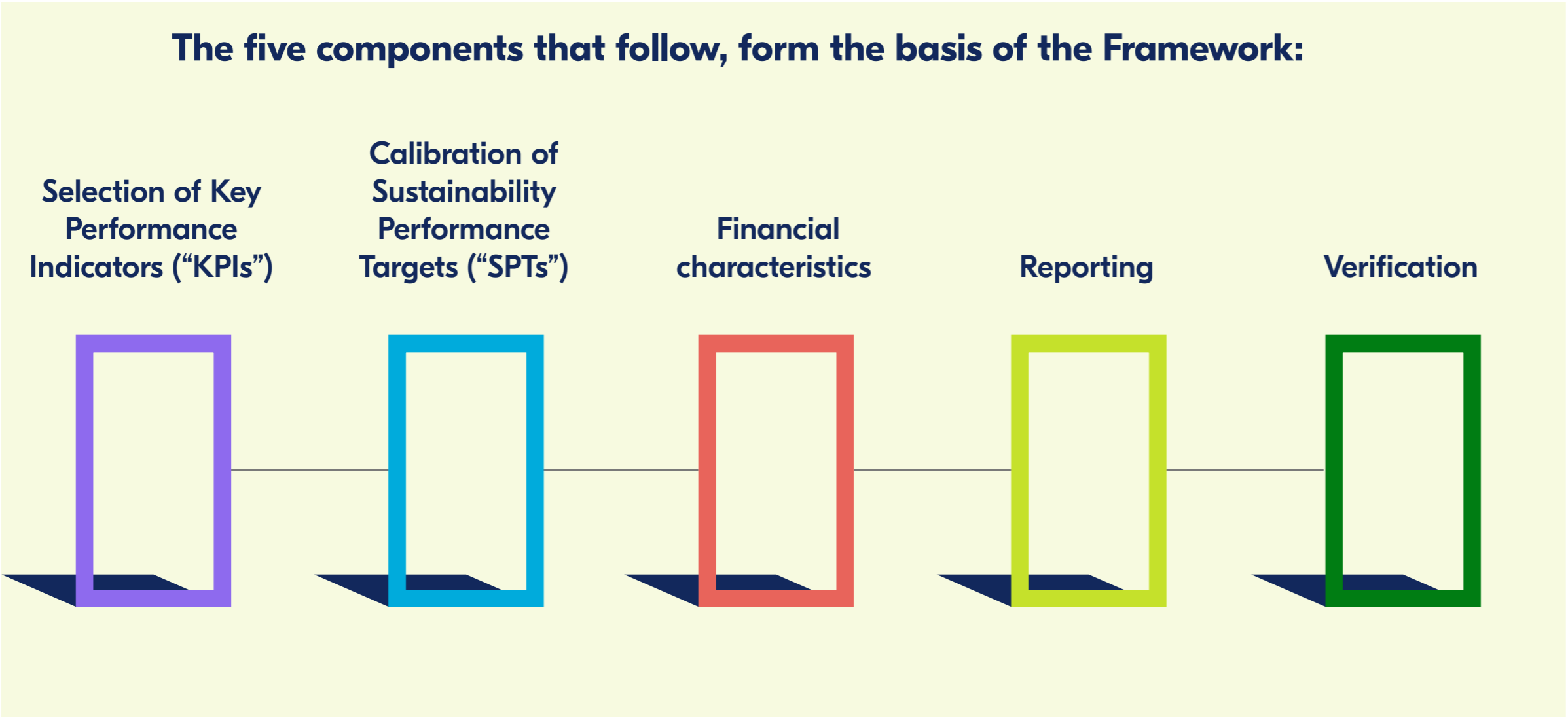
**The Company expects to annually invest approximately US\$60 million for the next 10 years to achieve its new 2030 target.**

Examples of such investments include carbon mitigation technologies and high-efficiency processes, such as replacing fossil fuels with low-carbon alternative fuels, deploying hydrogen technology, developing novel types of clinker and expanding clinker substitutes, and increasing the use of alternative and decarbonated raw materials. We have also detailed CO<sub>2</sub> roadmaps for each of our cement plants which include a roll out of proven CO<sub>2</sub> reduction technologies and the investments required for their implementation.

Besides serving as an important source of funding to decarbonization projects, the incorporation of interim targets and corresponding disclosures introduced by a sustainability-linked financing framework enhances transparency and accountability through the linking of sustainability performance and the financial structure of an instrument (e.g. pricing step-ups).

# — Alignment with Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles

This Framework is aligned with the International Capital Markets Association’s Sustainability-Linked Bond Principles 2020 (“SLBPs”) and the LMA, LSTA, and APLMA’s Sustainability-Linked Loan Principles 2021 (“SLLPs”).



CEMEX is committed to follow the disclosure guidelines from the ICMA Climate Transition Finance (“CFT”) Handbook (2020), which include the following: i) climate transition strategy and governance, ii) business model environmental materiality of climate change, iii) Science-Based transition approach and iv) implementation transparency. At the time of the issuance of this report, CEMEX complied with the CFT Handbook (2020) guidelines noting that scope 3 emissions are reported in line with the CDP despite not reaching the materiality threshold adopted by the SBTi validation methodology.

# Selection of Key Performance Indicators (KPIs)



## CEMEX's CO<sub>2</sub> reduction goals are focused on our cement business, which accounts for roughly 91% of our total CO<sub>2</sub> emissions.



CEMEX has selected three Climate Action KPIs, which are core, relevant and material to our business. These KPIs represent important CO<sub>2</sub> reduction levers in CEMEX's carbon mitigation strategy and are crucial for decarbonization in the cement industry. CEMEX's CO<sub>2</sub> emissions reduction targets and roadmap are in line with climate science and mirror the key environmental sustainability challenges that the cement and concrete industry currently face.

**Scope 1** and **Scope 2** emissions are defined according to the GCCA, an international industry association with close to 40 members from the global cement industry. The GCCA provides Sustainability Guidelines<sup>7</sup> for the monitoring and reporting of CO<sub>2</sub> emissions from cement manufacturing. The emissions include total direct, gross, and net CO<sub>2</sub> emissions, specific gross, and net CO<sub>2</sub> emissions per ton of cementitious material and indirect CO<sub>2</sub> emissions. An independent limited assurance report on key indicators on sustainability performance is furnished annually by an independent party and included in the CEMEX Integrated Report.



<sup>7</sup> Global Cement and Concrete Association sustainability charter and guidelines

# KPI 1

Net CO<sub>2</sub> emissions<sup>8</sup>  
per ton of cementitious product

## KPI 1 definition and methodology:

Specific net CO<sub>2</sub> emissions (Scope 1) per ton of cementitious product<sup>9</sup>. Specific net CO<sub>2</sub> emissions are direct CO<sub>2</sub> emissions measured in kg CO<sub>2</sub>/ton of cementitious product (excluding on site electricity production) minus emissions from biomass fuel sources and alternative fuels.

## Rationale:

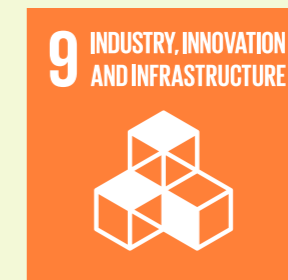
CEMEX's ambitious climate change strategy, which includes 2025 and 2030 CO<sub>2</sub> reduction targets and the delivery of net-zero concrete globally by 2050, is expected to continue to evolve to reflect technology and science developments. These commitments contribute to the development of climate-smart urban projects, sustainable buildings, and climate resilient infrastructures.

<sup>8</sup> CO<sub>2</sub> emissions considers only direct CO<sub>2</sub> emissions related to the production of cement and clinker, excluding on-site electricity production.

<sup>9</sup> Cementitious products are all clinker volumes produced by a company for cement making or direct clinker sale, plus gypsum, limestone, CKD, and all clinkers consumer for blending, plus all cement substitutes produced. Clinker bought from third parties for the production of cement is excluded.

Scope 1 emissions represent nearly 89% of CEMEX's cement business CO<sub>2</sub> emissions.

## SDG contribution



## KPI 2

Power consumption from clean energy sources in cement<sup>10</sup>

### **KPI 2 definition and methodology:**

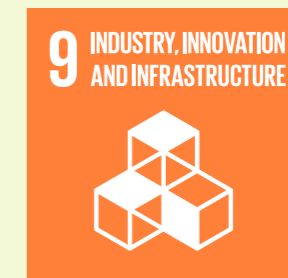
Clean energy includes renewable energy sources such as solar, wind, hydro, and bio-mass, and power generated from waste heat recovery systems.

### **Rationale:**

At an operational level, cement companies are large-scale users of electricity. Our indirect emissions (Scope 2), relate to the electricity consumed in our cement plants. CEMEX's global energy strategy includes the development of clean energy projects within our operations and the advancement of our procurement practices to foster adoption of such electricity generation sources. Maximizing our operations' use of clean energy not only complements our existing efforts towards reducing our indirect carbon emissions, but also makes good business sense. Clean energy is a key lever in CEMEX's goal of delivering net-zero CO<sub>2</sub> concrete in all our operations by 2050 with a stronger contribution towards our short to medium term 2025 and 2030 decarbonization targets.

Scope 2 emissions represent nearly 8% of CEMEX's cement business CO<sub>2</sub> emissions.

### **SDG contribution**



<sup>10</sup> Cement is the finished product of the cement plants obtained by grinding the clinker and adding various components (gypsum, limestone, etc.).

# KPI 3

## Alternative fuels rate

### **KPI 3 definition and methodology:**

Alternative fuels for CEMEX come from different sources, including but not limited to industrial waste, municipal solid waste, biomass residues, tires, and are defined following the standards from the GCCA Sustainability Guidelines for co-processing fuels and raw materials in cement manufacturing.

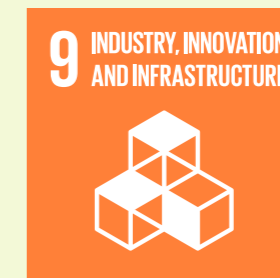
### **Rationale:**

A relevant lever to reduce emissions from our combustion process is the use of alternative fuels from different sources of waste (industrial waste, municipal solid waste, biomass residues, tires, etc.) as substitute to fossil fuels, such as coal and petroleum coke. Alternative fuels reduce the consumption of fossil fuels and provide added benefits, such as reduced CO<sub>2</sub> emissions, recycling of materials and diversion of waste to landfill. Our co-processing efforts lead to four climate change objectives: i) reducing CO<sub>2</sub> intensity of cement manufacturing, ii) reducing our dependence on fossil fuels, iii) decreasing the amount of waste to landfill and iv) minimizing public investment costs in new dedicated waste management facilities.

Furthermore, alternative fuels together with hydrogen injection make up about 45% of the CO<sub>2</sub> reduction potential from the levers considered in CEMEX's plant-by-plant roadmap to reach the 2030 CO<sub>2</sub> reduction target, the largest contributor amongst the levers (the others being clinker factor, decarbonated raw materials, novel clinkers and thermal efficiency).

Alternative fuels represent 45% of the CO<sub>2</sub> reduction potential in our 2030 target.

### **SDG contribution**





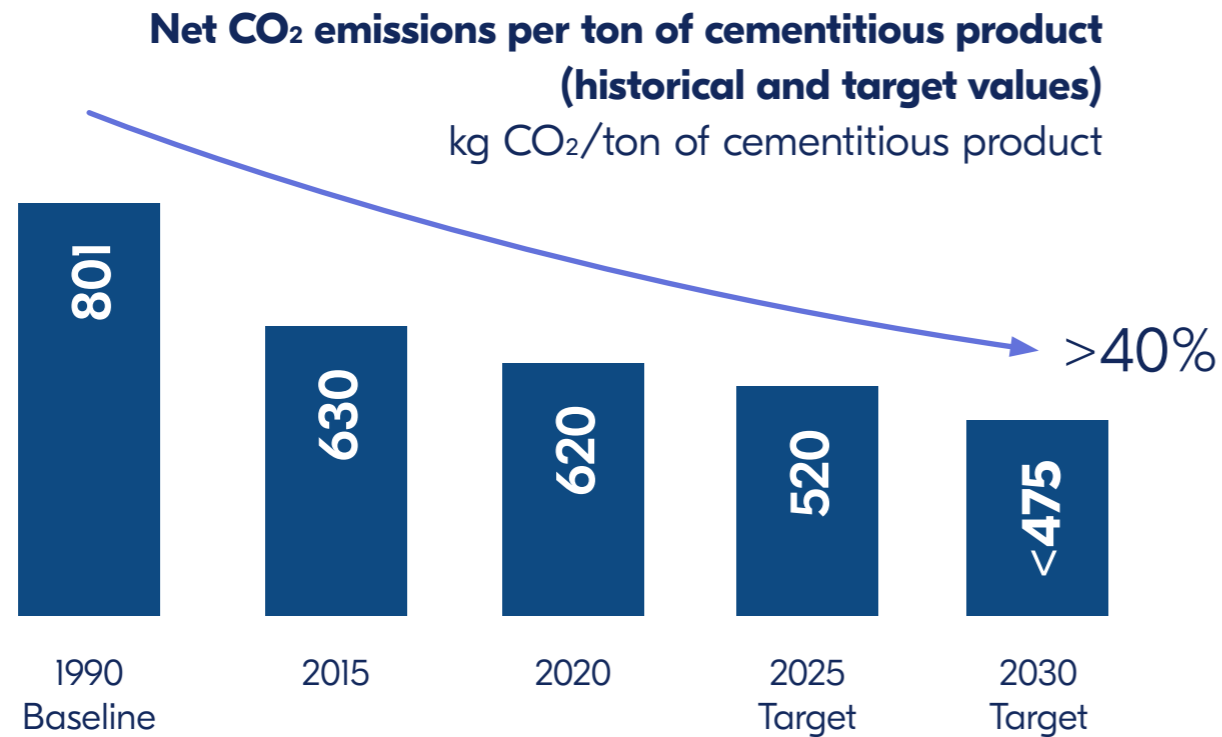


**Calibration  
of Sustainability  
Performance  
Targets (SPTs)**

The SPTs for all the three KPIs are based on the 2025 and 2030 targets mentioned herein. If the observation dates included in the structure of subsequent debt issuances differ from the years 2025 and/or 2030, intermediate targets shall be reasonably and practically calculated on a pro rata basis, to the extent possible, as long as the latest target date is 2030.

## SPT 1

Reduce net CO<sub>2</sub> emissions to 520kg by 2025 and below 475kg by 2030 per ton of cementitious product



### Strategy to achieve SPT 1

Climate action has been a priority for CEMEX for decades and we have been working to maximize the technical levers available to us to accelerate the carbon reduction in the cement production process.

We constantly revise opportunities to invest in energy efficiency, usage of alternative fuels, use of clean electricity and increasing substitution of clinker through alternative cementitious materials. We have been able to consistently adjust our CO<sub>2</sub> net emissions targets in line with science and technology advancements and the successful execution of our investment initiatives. Our commitment to reduce our net CO<sub>2</sub> emissions to 520 kg per ton of cementitious product by 2025 and to below 475kg by 2030 (which represents a reduction of over 40% from our 1990 baseline of 801kg) is based on the execution of the following key levers: (i) Increase use of clinker substitutes; (ii) Usage of decarbonated raw materials; (iii) Novel low-CO<sub>2</sub> clinkers; (iv) Increase usage of alternative fuels; (v) Boost hydrogen injection; (vi) Maximize clean energy and (vii) Increase thermal efficiency.

As evidence of CEMEX's sustainability governance, this objective has been included in our CEO's and top management's variable compensation scheme.

### Benchmarks

CEMEX's 2025 CO<sub>2</sub> target (former 2030 target of 520kg of CO<sub>2</sub>/ton of cementitious product) was aligned with the Sectoral Decarbonization Approach ("SDA") 2°C scenario of the International Energy Agency ("IEA"). This extensive and rigorous pathway approved by Carbon Trust also confirms that CEMEX is committed to science-based decarbonization levers which are incorporated in each cement manufacturing plant to achieve our 2030 Sustainability Targets.

CEMEX's new and more ambitious 2030 CO<sub>2</sub> target (of 475kg of CO<sub>2</sub>/ton of cementitious product) is aligned to the well-below 2°C scenario by the SBTi, which is in process of validation expected to be completed before the end of 2021<sup>11</sup>. Our 2030 target is in line with the latest SBTi Criteria and Recommendations<sup>12</sup> for target validation (including a baseline not older than 5 years from target setting) and complies with the GHG Protocol Corporate Standards, both of which are amongst the strongest methodologies presently available.



<sup>11</sup> IEA Energy Technology Perspective Project

<sup>12</sup> SBTi Criteria and Recommendations Version 4.2

## SPT 2

Reach power consumption from clean energy sources in cement of 40% by 2025 and 55% by 2030



### Strategy to achieve SPT 2

CEMEX's global energy strategy includes the development of clean energy projects within our operations and the advancement of our procurement practices to foster adoption of such electricity generation sources. As a result of our strategy to transition to clean energy sources, 29% of our cement operations' power supply came from clean energy sources including renewable projects in 2020. CEMEX's progress to date and future goals are supported by the development of large-scale wind and solar energy projects, on-site renewable and waste heat recovery projects, and mid-to-long-term clean power supply contracts. In 2020, 28% of our clean energy consumption came from projects developed, owned or hosted by CEMEX. As of today, we expect to almost double our clean energy consumption (in MWh) by 2030, while also expanding our clean energy portfolio. To overcome the unpredictability and intermittency of renewable energy, CEMEX partnered with Energy Vault to develop an energy storage technology that enables renewables to deliver around-the-clock baseload power for less than the cost of fossil fuels

CEMEX expects to continue to expand on the volume of renewable energy developed or contracted, as is the case with the partnerships established in the UK to consume 100% renewable electricity in over 320 sites starting in 2019, and by securing long-term contracts for renewable energy and fuel supply.



### **Benchmarks**

CEMEX currently leads our industry in the use of clean energy (29% as of 2020), and we have established ambitious targets of using clean electricity to power our cement operations of 40% by 2025 and 55% by 2030. While the cement industry has not yet defined an industry standard with regards to an optimal utilization of renewable energy related to cement processing, CEMEX's ambition currently surpasses country targets of some of our largest markets (Mexico targets 30% and 35% renewable energy as a % of total energy mix by 2021 and 2024, and the United States aims to increase from 21% in 2020 to 42% by 2050<sup>13</sup>). Acknowledging that clean energy is not equally available in the markets where we operate, CEMEX remains committed to continuing seeking opportunities to maximize the utilization of clean electricity in our manufacturing processes.



<sup>13</sup> EIA projects renewables share of U.S. electricity generation mix will double by 2050

## SPT 3

Achieve alternative fuels rate of 43% by 2025 and 50% by 2030



### Strategy to achieve SPT 3

CEMEX is continuously investing in upgrading our cement plants to maximize the use of alternative fuels, replacing fossil fuels with new sources of waste wherever possible and practicable.

CEMEX has more than 20 years of experience in co-processing waste in our plants. In 2020 we reached the milestone of co-processing almost 3 million tons of waste involving 91% of our cement plants. Our most successful plants operate at alternative fuels substitution rates over 70% with zero fuel costs, and many of them are located in Europe, from which we highlight: Chelm and Rudniki in Poland, Prachovice in the Czech Republic, Rüdersdorf in Germany, Morata in Spain, and Rugby in the UK. Our Chelm plant, for example, reached over 93% alternative fuels rate in 2020, one of the highest rates in the cement sector.

Notwithstanding the challenges related to the lack of stable quality waste supply, limited policy incentives targeted at developing the waste-to-fuel value chain and a lack of a regulatory framework that recognizes co-processing as the optimal waste management solution for unrecyclable materials, we plan to continue to seek investment opportunities to find and transform new sources of waste to replace fossil fuels wherever possible.

From our current 25% alternative fuels rate achieved in 2020, our plan is to reach 50% alternative fuels rate by 2030, with all regions contributing to this goal. However, the major contributor is expected to be Mexico, where we are planning to more than double our substitution rate from 2020 to 2030 in all of Mexico's facilities. We expect to achieve this by building on our existing strategy to ensure supplies through Proambiente, a proprietary waste management company. Next in contribution is expected to be the US, where permits issuance and supply assurance should continue to play a key role in the success of this goal.



### Benchmarks

In 2020, our global alternative fuels rate was 25.3%; we co-processed 2.7 million tons of waste in 91% of our cement plants, enabling the replacement of more than 1.6 million tons of coal. Bringing that ratio above 50% by 2030 is a steep increase not only from our baseline but also an acceleration from our historical trend. Furthermore, statistics from the GCCA indicate that the % of fossil fuel substitution by alternative fuels in the cement industry globally was below 19% in 2018<sup>14</sup>.

**Factors that support and/or might put at risk the achievement of the KPI targets would be disclosed in the relevant offering documentation of the sustainability-linked transactions, in accordance with the applicable regulation and market practices.**

Potential barriers to achieve one or more of the KPI targets could be attributed but not limited to the following:

- **Any circumstances beyond our control that may arise**, making performance inadvisable, commercially impracticable, illegal, or impossible, including but not limited to the impact of pandemics, epidemics or outbreaks of infectious diseases and the corresponding response of governments and other third parties to any such pandemic, epidemic or outbreak, that may affect the ability of our operating facilities to operate at full or any capacity, the execution of any environmental, operational or capital expenditures, supply chains, international operations, availability of liquidity to fund any of our projects, the availability of, and demand for, our products and services, as well as natural disasters and other unforeseen events (including global health hazards such as pandemics, epidemics and outbreaks), general political, social, health, economic and business conditions in the markets in which we operate or that affect our operations and any significant economic, health, political or social developments in those markets, as well as any inherent risks to international operations, weather conditions, including, but not limited to, excessive rain and snow, and disasters such as earthquakes and floods, changes in the regulatory environment, including environmental, energy, tax and labor laws and regulations, terrorist acts that may affect our facilities;
- **Shutdown, among other operational factors;**
- **Other risks and uncertainties described in our publicly available reports.**



<sup>14</sup> Getting the Numbers Right (GNR) - Global Cement and Concrete Association (GCCA)



# Financial     Characteristics

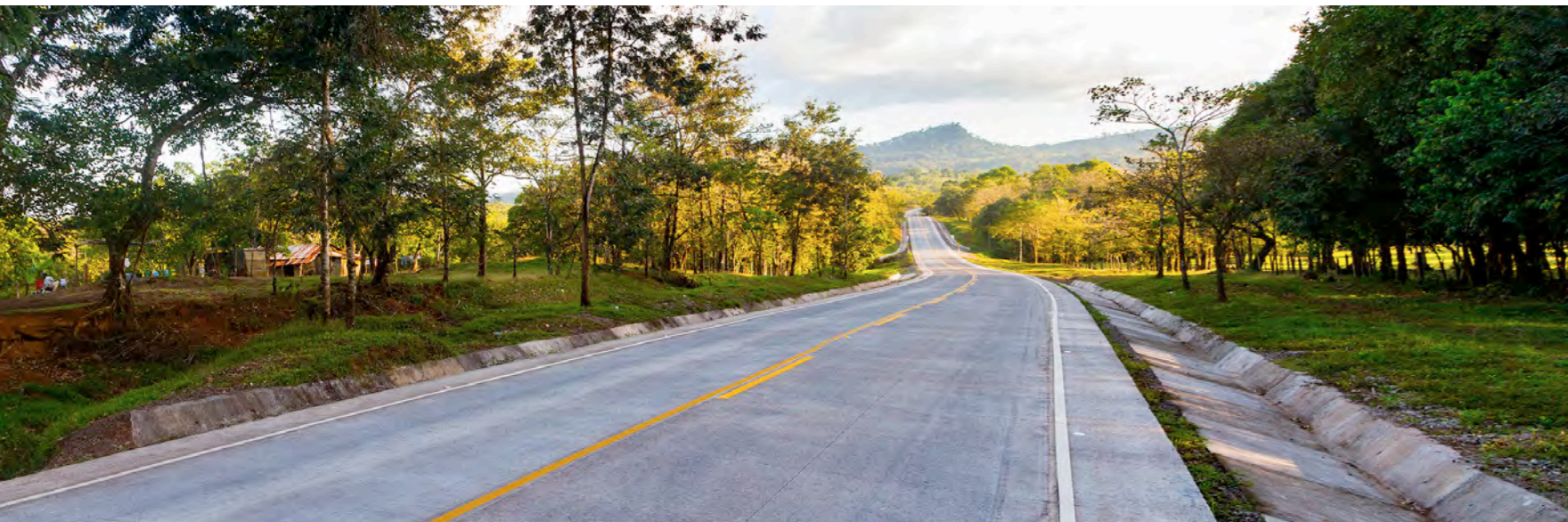


The proceeds of CEMEX's Sustainability-Linked instruments are expected to be used for general corporate purposes, which may include the payment of debt. The financial characteristics of any security issued, or debt raised under this Framework, would be specified in the corresponding transactional documentation.

CEMEX would commit to offer financial compensation to investors and/or lenders in the event it misses sustainability performance targets assigned to the applicable debt instrument. The frequency of observation dates that determine whether SPTs were achieved or not would vary per debt instrument, noting that for loans there would be a commitment to set targets and verify performance at least once annually.

**This section would only apply to Sustainability-Linked Notes:**

- Failure to meet KPI targets referred to in this Framework would trigger an adjustment to the coupon margin by an amount or percentage specified in the transactional documentation payable from the first coupon payment date following the target observation date until maturity or callable date (if/ where applicable). KPI targets and adjustments for the case of missed performance would be measured per KPI individually.
- For the avoidance of doubt, if targets for all three KPIs are achieved and reporting and verification is provided and made public in accordance with the reporting and verification sections of this Framework, the financial characteristics of any notes issued by CEMEX under this Framework would remain unchanged.



**This section would only apply to Sustainability-Linked Loans:**

- On an annual basis, the audited performance of each KPI referred to in this Framework would be measured and compared to the SPTs and respective baselines.
- Failure to meet KPI targets would trigger a margin adjustment in the form of a premium specified in the loan documentation, payable by CEMEX. However, if KPI targets are achieved, CEMEX would benefit from a margin adjustment in the form of a discount applied to the corresponding loan, offered by the respective lenders. Pricing adjustments would be non-cumulative. KPI targets would be measured individually.
- The margin adjustment would be assessed annually and would apply for the corresponding adjustment period only for the life of the corresponding loan. Discounts/premiums would be applied individually to each KPI and would be netted to determine the total adjustment to fees/margins.

**This section would apply to Sustainability-Linked Notes and Sustainability-Linked Loans:**

- If for any reason, the performance level against each SPT cannot be calculated, observed or delivered within the time limit prescribed in the respective documentation, or verification assurance is not delivered in a satisfactory manner, the increased coupon for notes and increased margin for loans (as defined above and specified in the transactional documentation) would be applicable.



# Reporting and Verification



# Reporting

CEMEX would communicate on the relevant KPIs and SPTs annually or as information needs to be updated. For purposes of this Framework, reporting would mainly be provided in CEMEX's Integrated Report where sustainability performance is also reported and may include:



**The performance of the selected KPIs**, as per the relevant reporting period (e.g. qualitative or quantitative explanations of the contribution of the main factors behind the evolution of the performance) including baselines where relevant

**A verification assurance report** relative to the SPTs and the related impact and timing of such impact on the financial characteristics

Any **relevant information** enabling investors to monitor the progress and ambition level of the SPTs (e.g. information about recalculations of the KPI baseline and/or restatement of the SPT if relevant) or any updates to CEMEX's sustainability strategy with an impact on the KPIs and SPTs

**Climate-related data** to the CDP on an annual basis

**Up-to-date information regarding CEMEX's sustainability strategy**, targets, potential methodology or benchmark changes and reporting would also be made available on the CEMEX sustainability website

## — Verification

CEMEX would continue to provide transparency to investors and stakeholders by having the performance of the KPIs and corresponding SPTs at the relevant reference dates verified by one or more qualified external verifiers with relevant expertise. Verification would consist of the following:

**An assurance statement by an auditor on the KPI information included in CEMEX's Integrated Report.**

**A verification assurance certificate confirming that the performance of the KPI meets the relevant SPT as outlined in this Framework.**

This Framework has been reviewed by Sustainalytics, who provided a Second Party Opinion confirming alignment to the SLBPs and the SLLPs referred to in this Framework. The Second Party Opinion is publicly available on the CEMEX website.





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