Second-Party Opinion

# CEMEX Sustainability-Linked Financing Framework

SUSTAINALYTICS
a Morningstar company
SECOND-PARTY OPINION

## Evaluation Summary

| | |
|---|---|
| **Evaluation Date** | August 17, 2021 |
| **Issuer/Borrower Location** | Monterrey, Mexico |

## Sustainability-Linked Instruments

### Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2021

Sustainalytics is of the opinion that the CEMEX's Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2020 and the Sustainability-Linked Loan Principles 2021. Except as the context otherwise may require, references herein to "CEMEX," "Company," "Issuer," "it," or "its" refer to CEMEX, S.A.B. de C.V. and its consolidated entities.

Overview of KPIs and SPTs:

| KPI | SPT | Strength of the KPI | Ambitiousness of SPT |
|---|---|---|---|
| Net $CO_2$ emissions intensity ($kgCO_2$/ton of cementitious product) | To reduce net $CO_2$ emissions intensity to 520kg by 2025 and below 475kg by 2030 | Very Strong | Ambitious |
| Power consumption from clean energy sources in cement | To reach power consumption from clean energy sources in cement of 40% by 2025 and 55% by 2030 | Adequate | Ambitious |
| Alternative fuels rate (%) | To achieve alternative fuels rate of 43% by 2025 and 50% by 2030 | Strong | Highly Ambitious |

The SPTs contribute to the following SDGs:


## Climate Transition Finance Handbook

Sustainalytics has evaluated CEMEX's transition governance, strategy, decarbonization targets, and intentions to report on transition progress and finds the Company to be aligned with the recommendations of the Climate Transition Finance Handbook 2020. As a cement producer, CEMEX is involved in an energy-intensive sector and has established $CO_2$ emissions intensity reduction targets in line with the "Well-Below 2 Degree Scenario" of the SBTi.[1] The Company has outlined an implementation plan and capital investment plans for its "Future in Action" program designed to reduce its carbon footprint.[2]

[1] CA100+, "Company assessment: CEMEX, S.A.B. de C.V.", at: https://www.climateaction100.org/company/cemex-s-a-b-de-c-v/
[2] CEMEX, "CEMEX commits to lead the industry in climate action", at: https://www.cemex.com/-/cemex-commits-to-lead-the-industry-in-climate-action

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## Scope of Work and Limitations

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent[3] opinion on the alignment of the CEMEX Sustainability-Linked Financing Framework (the "Framework") with current market standards. As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability-Linked Bond Principles 2020 (the "SLBP") and Sustainability-Linked Loan Principles 2021 (the "SLLP")[4, 5] (the SLBP and SLLP, together, the "Principles");
- The credibility and anticipated positive impacts of the Sustainable Performance Targets (the "SPTs");
- CEMEX's sustainability strategy, performance and sustainability risk management; and
- The alignment with the recommendations of the Climate Transition Finance ("CTF") Handbook 2020[6];

As part of this engagement, Sustainalytics held conversations with various members of CEMEX's management team to understand the sustainability impact of CEMEX's business processes and the core components of the Framework. CEMEX's representatives have confirmed that:

(1) They understand it is the sole responsibility of CEMEX to ensure that the information provided is complete, accurate or up to date;

(2) They have provided Sustainalytics with all relevant information; and

(3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and CEMEX.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written up to 24 months or until one of the following occurs: (1) A material change to the external benchmarks[7] against which targets were set; (2) A material corporate action (such as material M&A or change in business activity) which has a bearing on the achievement of the Sustainability-Linked Bonds ("SLBs") and/or Sustainability-Linked Loans ("SLLs") or the materiality of the Key Performance Indicators (the "KPIs").

For sustainability-linked instruments, the Second-Party Opinion:

- addresses the anticipated SPTs of KPIs but does not measure the KPIs' performance. The measurement and reporting of the KPIs is the responsibility of CEMEX.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that CEMEX has made available or made known to Sustainalytics for the purpose of this Second-Party Opinion.

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[3] When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

[4] The bond Principles, Guidelines and Handbooks are administered by the International Capital Market Association and are available at: https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/

[5] The loan Principles and Guidelines are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: https://www.lsta.org/content/?_industry_sector=guidelines-memos-primary-market

[6] The Climate Transition Finance Handbook is administered by the International Capital Market Association and is available at: https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Climate-Transition-Finance-Handbook-December-2020-091220.pdf

[7] Benchmarks refers to science-based benchmarks

For inquiries, contact the Sustainable Finance Solutions project team:

**Zach Margolis - Toronto**
Project Manager
zach.margolis@sustainalytics.com
+1 647 695 4341

**Given Mawodzeka - Amsterdam**
Project Support
given.mawodzeka@sustainalytics.com
+31 20 399 8382

**Nadia Djinit - Toronto**
Project Support
nadia.djinit@sustainalytics.com
+1 416 861 0403

**Paramjot Kaur – New York**
Client Relations
paramjot.kaur@sustainalytics.com
+1 646 518 0184

## Introduction

CEMEX, S.A.B. de C.V. is a construction materials company headquartered in Monterrey, Mexico. The Company produces, distributes, and markets cement, ready-mix concrete, aggregates, related building materials and urbanization solutions. CEMEX maintains business relationships in more than 50 countries throughout the Americas, Europe, Africa, the Middle East, and Asia. For the year ended December 31, 2020, the Company had $13 billion in annual revenue and just over 41,000 employees.

CEMEX has developed the Framework under which it intends to issue and/or enter into sustainability-linked bonds and/or loans, derivatives, working capital solutions and other financing instruments. CEMEX engaged Sustainalytics to review the Framework, dated August 2021, and provide a Second-Party Opinion on the Framework's alignment with the Principles, and the recommendations of the CTF Handbook 2020. This Framework will be published in a separate document.[8]

Under CEMEX's sustainability-linked instruments, the coupon/interest rate of the bond and/or loan and/or other instrument would be tied to the achievement of the respective SPTs for three KPIs related to net $CO_2$ emissions intensity, clean electricity consumption and alternative fuels rate.

The KPIs and SPTs used by CEMEX are defined in Tables 1 and 2 below.

**Table 1: KPI Definitions**

| KPI | Definition |
|---|---|
| Net $CO_2$ emissions intensity ($kgCO_2$/ton of cementitious product) | This KPI is a measure of specific net $CO_2$ emissions (Scope 1) expressed per ton of cementitious product.[9] Scope 1 emissions are defined according to the Global Association of Cement and Concrete (GCCA) Sustainability Guidelines.[10]<br><br>• Emissions intensity = kg $CO_2$/ton of cementitious product.<br><br>The Company's $CO_2$ reduction goals are focused on gross Scope 1 $CO_2$ emissions for the cement business, which represent 89% of CEMEX's total emissions profile. |
| Power consumption from clean energy sources in cement | This KPI is a measure of the percentage use of electricity from clean energy sources in cement production.<br><br>Clean energy includes renewable energy sources such as solar, wind, hydro, and biomass, as well as power generated from waste heat recovery systems. |
| Alternative fuels rate (%) | This KPI is a measure of the percentage use of alternative fuel sources in cement production.<br><br>Alternative fuels for CEMEX come from different sources, including but not limited to industrial waste, municipal solid waste, biomass residues, tires, as defined by the GCCA Sustainability Guidelines for co-processing fuels and raw materials in cement manufacturing.[11] |

[8] The CEMEX Sustainability-Linked Finance Framework will be available on CEMEX's website at: http://www.cemex.com/sustainable-finance
[9] $CO_2$ emissions considers only direct $CO_2$ emissions related to the production of cement and clinker, excluding emissions from on-site electricity production, biomass fuel sources and alternative fuels.
[10] GCCA,"Sustainability Guidelines for the monitoring and reporting of $CO_2$ emissions from cement manufacturing,(2019)", at: https://gccassociation.org/wp-content/uploads/2019/10/GCCA_Guidelines_CO2Emissions_v04_AMEND.pdf
[11] GCCA,"Sustainability Guidelines for co-processing fuels and raw materials in cement manufacturing,(2019)", at: https://gccassociation.org/wp-content/uploads/2019/10/GCCA_Guidelines_FuelsRawMaterials_v04_AMEND.pdf

**Table 2: SPTs and Past Performance**

| KPI 1 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 (baseline) | SPT 2025 | SPT 2030 |
|---|---|---|---|---|---|---|---|---|
| Net $CO_2$ emissions intensity ($kgCO_2$/ton of cementitious product) | 630 | 642 | 636 | 630 | 622 | 620 | 520 | <475 |

| KPI 2 | 2016 | 2017 | 2018 | 2019 | 2020 (baseline) | SPT 2025 | SPT 2030 |
|---|---|---|---|---|---|---|---|
| Power consumption from clean energy sources in cement (%) | 25 | 26 | 26 | 30 | 29[12] | 40 | 55 |

| KPI 3 | 2005 | 2010 | 2015 | 2020 (baseline) | SPT 2025 | SPT 2030 |
|---|---|---|---|---|---|---|
| Alternative fuels rate (%) | 5 | 20 | 27 | 25 | 43 | 50 |

## Sustainalytics' Opinion

# Section 1: Sustainalytics' Opinion on the Alignment of the Framework with Relevant Market Standards

### Alignment with Sustainability-Linked Principles

Sustainalytics is of the opinion that the Framework aligns with the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2021. For detailed information please refer to Appendix 1: Sustainability-Linked Bond External Review Form. Sustainalytics highlights the following elements of the Framework:

**Selection of Key Performance Indicators (KPIs)**

#### Relevance and Materiality of KPIs

In its assessment of materiality and relevance, Sustainalytics considers i) whether an indicator speaks to a material impact of the issuer's/borrower's business on environment or social issues, and ii) to what portion of impact the KPI is applicable.

Sustainalytics considers all three KPIs: net $CO_2$ emissions intensity ("KPI 1"), power consumption from clean energy sources in cement ("KPI 2") and alternative fuels rate ("KPI 3"), to be material and relevant given that they speak to a material environmental issue for cement producers of "Carbon Own-Operations". Sustainalytics' ESG risk materiality assessment identified "Carbon Own-Operations" as a high-risk category for companies in the construction materials subindustry and an area of focus for risk mitigation. Through the assessment, CEMEX has a high-risk exposure compared to the subindustry average, given its focus on producing cement and other building

[12] The reduction in percentage of low-carbon electricity from 2019 to 2020 was due to a change in methodology in low-carbon energy accounting. CEMEX reviewed its methodology globally to be aligned with the CDP's Scope 2 best practices (market-based)

materials with a higher carbon footprint, while the Company's overall management of material ESG issues is assessed as strong.

Sustainalytics also analyzed CEMEX's sustainability strategy to determine relevance and materiality of the selected KPIs. In CEMEX's materiality assessment, the Company identified "climate change and greenhouse gas emissions" and "energy costs, efficiency and sourcing" in the highest materiality classification, and an area of strategic focus for the Company's management.[13] Sustainalytics notes the prominence of these issues in CEMEX's materiality assessment as an indication of high relevance and materiality.

In addition, Sustainalytics considered global sustainability reporting standards bodies such as the Sustainability Accounting Standards Board (SASB),[14] which identified carbon emissions as a material environmental concern for companies in the construction materials subindustry and highlighted energy efficiency, use of alternative and renewable fuels, carbon sequestration, and clinker substitution as strategies to reduce GHG emissions in the production of construction materials.[15] The three KPIs as defined by CEMEX align with the recommended performance metrics in the construction materials subindustry by the SASB. Sustainalytics notes the recognition of these environmental factors at a global level as an indication of high relevance and materiality for all the three KPIs.

In assessing scope of applicability, Sustainalytics analyzes the scope of impact of each KPI to the Company's overall operations.

- KPI 1, net $CO_2$ emissions intensity, covers specific Scope 1 $CO_2$ emissions, which account for 89% of CEMEX's total emissions profile, representing a high degree of applicability.
- With regard to KPI 2, power consumption from clean energy sources in cement, Sustainalytics notes that, as of the end of 2020, CEMEX's Scope 2 emissions accounted for 8% of its total GHG emissions, making the scope of applicability of this KPI limited. It is nonetheless useful as a complement to KPI 1.
- With regard to KPI 3, alternative fuels rate, Sustainalytics notes that the Company had by the end of 2020 a thermal fossil fuels substitution rate above 25%, which it intends to raise to 50% by 2030. Sustainalytics considers the current thermal substitution rate as significant and having a high degree of applicability to CEMEX's operations.

Sustainalytics considers all three KPIs to be relevant and material as they all address a material environmental issue for the subindustry with a significant scope of applicability to the Company's overall operations.

### KPI Characteristics

In its assessment of the KPI characteristics, Sustainalytics considers i) whether a clear and consistent methodology is used, ii) whether the issuer/borrower follows an externally recognized definition, iii) whether the KPIs are a direct measure of the performance of the issuer/borrower on a material environmental or social issue, and, if applicable, iv) whether the methodology can be benchmarked to an external, contextual benchmark.[16]

Sustainalytics considers CEMEX's definition and methodology to calculate all three KPI's performance to be clear and consistent based on widely disclosed and standardized methods used in the market. The Company's reporting on all three KPIs follows the Global Association of Cement and Concrete (GCCA) Sustainability Charter and Guidelines.[17] The GCCA provides technical guidelines for global cement manufacturers on accounting for carbon emissions, and the classification of clean energy sources and alternative fuels. Sustainalytics also notes all three KPIs to be a direct measure of performance on the material environmental issues of carbon emissions and energy efficiency.

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[13] CEMEX, "Materiality Analysis", at: https://www.cemex.com/sustainability/reports/country-reports/-/asset_publisher/n4qhvLf0msXV/content/sustaintability-strategy-content#tab-materiality-analysis

[14] The SASB Foundation was founded in 2011 as a not-for-profit, independent standards-setting organization. The SASB Foundation's mission is to establish and maintain industry-specific standards that assist companies in disclosing financially material, decision-useful sustainability information to investors. SASB Standards identify the subset of environmental, social, and governance issues most relevant to financial performance in each of 77 industries.

[15] SASB, "Construction Materials – Sustainability Accounting Standard" (2018), at: https://www.sasb.org/standards/download/

[16] External contextual benchmarks provide guidance on the alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

[17] GCCA, "Charter and guidelines", at: https://gccassociation.org/sustainability-innovation/sustainability-charter-and-guidelines/

Further, Sustainalytics notes that KPI 1, emissions intensity, lends itself to be benchmarked against contextual benchmarks such as the Transition Pathway Initiative ("TPI") and the Science-Based Targets Initiative (SBTi). CEMEX has stated that its 2025 emissions intensity reduction target is aligned with the 2°C scenario of the International Energy Agency ("IEA") while Sustainalytics also notes that CEMEX's 2030 emissions intensity target is in the process of validation by the SBTi against its well-below 2°C scenario and the Company confirmed that all information necessary for such validation has been provided to the SBTi with the intent to receive validation before year end. Sustainalytics positively notes CEMEX's effort to align its decarbonization trajectory with established industry benchmarks.

For KPI 2, power consumption from clean energy sources, and KPI 3, alternative fuel rate, Sustainalytics notes the absence of explicit externally determined science-based pathways towards achieving a specific warming scenario but acknowledges the contribution of both KPIs to CEMEX's overall decarbonization effort towards the well-below 2°C scenario as determined by the SBTi.

### Overall Assessment

Sustainalytics overall considers KPI 1 to be very strong, KPI 2 to be adequate and KPI 3 to be strong given that all KPIs speak to relevant and material environmental issues for cement manufacturers, such as carbon emissions and energy efficiency, and all three KPIs follow a recognized clear and consistent methodology. All KPIs are direct measures of performance against the material environmental issues. Further, KPI 1 is considered very strong as it lends itself to benchmarking against external contextual benchmarks and its very high scope of applicability and KPI 2 is adequate as it has a low scope of applicability given the low proportion of Scope 2 emissions to CEMEX's emissions profile, while KPI 3 can be assessed against IEA's key indicators and has a medium range scope of applicability.

| | | | | |
|---|---|---|---|---|
| **Net $CO_2$ emissions intensity ($kgCO_2$/ton of cementitious product)** | Not Aligned | Adequate | Strong | Very strong |
| **Power consumption from clean energy sources in cement** | Not Aligned | Adequate | Strong | Very strong |
| **Alternative fuels rate** | Not Aligned | Adequate | Strong | Very strong |

## 2 Calibration of Sustainability Performance Targets (SPTs)

### Alignment with Issuer's/Borrower's sustainability strategy

CEMEX has set the following SPTs for its KPIs:

- To reduce net $CO_2$ emissions intensity to 520kg by 2025 and below 475kg by 2030 from a 2020 baseline of 620kg per ton of cementitious product.
- To reach power consumption from clean energy sources in cement of 40% by 2025 and 55% by 2030 from a 2020 baseline of 29%.
- To achieve an alternative fuels rate of 43% by 2025 and 50% by 2030 from a 2020 baseline of 25%.

Sustainalytics considers the SPTs to be aligned with CEMEX's sustainability strategy based on the key focus the Company's strategy places on pathways to decarbonization (refer to Section 2 for analysis of the credibility of CEMEX's sustainability strategy).

In assessing alignment of CEMEX's SPTs with the overall strategy, Sustainalytics analyzed CEMEX's sustainability strategy and notes that CEMEX has embedded climate governance structures in its operations controlled at the board of directors' level through a Sustainability Committee whose responsibilities include setting the strategic direction and all capital allocation decisions of the Company's climate initiatives. To further enhance the climate strategy, CEMEX has committed to aligning its sustainability targets with the SBTi and is in the process of having its targets verified against the well-below 2 degrees scenario.

### Strategy to Achieve the SPTs

CEMEX intends to achieve the SPTs through the following strategy:

SPT 1: CEMEX has disclosed that it intends to achieve this SPT through a variety of interrelated activities, including by increasing process efficiency by maximizing the technical levers available to accelerate the carbon reduction in the cement production process. The Company expects to invest in energy efficiency, usage of alternative fuels, use of clean electricity and increasing substitution of clinker through alternative cementitious materials. CEMEX targets improved efficiency through the following key levers: (i) Increased use of clinker substitutes through production of new blended cements; (ii) Usage of decarbonated raw materials; (iii) Novel low-$CO_2$ clinkers; (iv) Increase usage of alternative fuels; (v) Boost hydrogen injection; (vi) Maximize clean energy and (vii) Increase thermal efficiency with focus on biomass-based fuels.

SPT 2: CEMEX's energy strategy includes the development of clean energy projects to power existing operations and the procurement of clean power. To overcome unpredictability and intermittency of renewable energy, CEMEX has partnered with Energy Vault to develop an energy storage technology that enables renewables to deliver around-the-clock baseload power and CEMEX expects to continue to expand on the volume of renewable energy sources developed or contracted through such partnerships.

SPT 3: CEMEX plans to upgrade its cement plants to maximize the use of alternative fuels, replacing fossil fuels with new sources of clean power, including waste, wherever possible and practicable. The Company plans to reach 50% alternative fuels by 2030 with all regions contributing to this goal and expects Mexico to lead as the major contributor up to 2030, where there are plans to more than double the substitution rate from 2020 up to 2030 in all facilities.

**Ambitiousness, Baseline and Benchmarks**

To determine the ambitiousness of the SPTs, Sustainalytics considers whether the SPTs i) go beyond business-as-usual trajectory, ii) how the SPTs compare to targets set by peers, iii) and how the SPTs compare with science.[18]

CEMEX has set the baselines for the SPTs at 2020 in order to reflect the most recently reported data on the SPTs.

**SPT 1:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance, and science.

To assess historical performance, Sustainalytics considered the percentage change in the historical emissions intensity prior to the 2020 baseline (2015 to 2019), which showed a cumulative reduction of 1.27% or an average annual reduction of 0.32% for the four-year period 2015 and 2019. To achieve the SPT between 2020 and 2030, CEMEX will need to reduce its emissions intensity by 23.47%, which translates to an implied average annual reduction rate of 2.35% during the SPT period.[19] Sustainalytics notes that the implied annual rate of reduction to SPT date in 2030 is higher than the historically attained rate of reduction prior to the baseline, marking a continued improvement on historical performance.

Regarding performance against peers, Sustainalytics analyzed targets set by industry peers who have defined reduction targets and Sustainalytics notes CEMEX's emissions intensity reduction targets are aligned with market best practice from the top performing industry peers. From TPI's list of 34 industry participants, only six, including CEMEX, had targets aligned to the "Below 2 degrees" scenario, with the majority not aligned to any recognized decarbonization trajectory. Sustainalytics notes the current absence of developed IEA ETP scenarios aligned to 1.5°C for the cement sector limits the trajectories cement companies can undertake to the "Below 2 degrees" scenario. For these reasons, Sustainalytics positively notes CEMEX's commitment to align with the SBTi's well-below-2-degree science targets as the highest applicable targets to date and considers the targets aligned with market best practice.

To assess alignment with science, Sustainalytics notes CEMEX's commitment to have the emissions intensity targets verified by the SBTi for alignment with the "well-below-2-degrees" scenario, verification of which the Company expects to be complete by end 2021. Sustainalytics positively notes the commitment to align with and seek verification of targets against globally recognized decarbonization trajectories such as the well-below-2-degrees scenario.

**SPT 2:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance.

[18] We refer here to contextual benchmarks, that indicate the alignment of targets with ecosystem boundaries.
[19] To calculate rates of reduction, Sustainalytics used data provided by CEMEX, as illustrated in table 2 in the introduction page.

To assess historical performance, Sustainalytics considered the percentage change in the historical adoption rates of clean energy prior to the 2020 baseline (2016 to 2019), which showed a cumulative increase of 20% or an average annual increase of 6.67% for the three-year period 2016 and 2019. To achieve the SPT between 2020 and 2030, CEMEX will need to increase its clean energy adoption rate by 90.34%, which translates to an implied average annual increase of 9.03% during the SPT period.[20] Sustainalytics notes the higher implied annual rate of increase in adopting clean energy sources during the SPT measurement period compared to prior baseline historical performance as representing a beyond business-as-usual trajectory and a continued improvement on historical performance.

For the peers, Sustainalytics analyzed data from the few companies with reported figures on clean energy use and notes that CEMEX's targets are aligned with market best practice. Sustainalytics also recognizes the challenges in procuring high shares of renewable energy in certain jurisdictions, including some markets which are key to CEMEX's operations, and has factored this in its overall assessment of ambition.

**SPT 3:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance

To assess historical performance, Sustainalytics notes that CEMEX's thermal substitution rate dropped by 6.20% between 2015 and the baseline year 2020. To achieve the SPT between 2020 and 2030, CEMEX will need to increase its thermal substitution rate through use of alternative fuels by 97.45%, which translates to an implied average annual increase of 9.74% during the SPT period. Sustainalytics notes the higher implied annual thermal substitution rate through use of alternative fuels as a significant improvement from historical performance and on a well-beyond business-as-usual trajectory.

For science, Sustainalytics notes that, while explicit trajectories on the adoption of alternative fuels in order to align with any decarbonization pathway are not yet available, the IEA has established key indicators on alternative fuel consumption rates for the global cement industry that are consistent with overall effort to align with the 2-degree-scenario by 2030. To this end, Sustainalytics notes the IEA's key indicator for thermal substitution rate at 17.5% by 2030,[21] and positively notes that CEMEX's target of 50% thermal substitution rate by 2030 is significantly above the IEA's key indicator level for the cement manufacturers.

For the peers, Sustainalytics analysed the performance of peers with reported thermal substitution rates and is of the opinion that CEMEX's targets are above peers' performance and show an industry leadership position.

**Overall Assessment**

Sustainalytics considers the SPTs to align with CEMEX's sustainability strategy and considers CEMEX's SPT 1 to be ambitious given that it presents a material improvement compared to past performance, is aligned to market best practice and does align with science-based trajectories.

Sustainalytics considers CEMEX's SPT 2 to be ambitious given that it presents a material improvement compared to past performance and is aligned with market best practice but does not lend itself for comparison against external contextual benchmarks.

Sustainalytics considers CEMEX's SPT 3 to be highly ambitious given that it presents a material improvement compared to past performance, aligns with market best practice and can be compared to science trajectories.

| | | | | |
|---|---|---|---|---|
| **To reduce net $CO_2$ emissions intensity to 520kg by 2025 and below 475kg by 2030** | Not Aligned | Moderately Ambitious | Ambitious | Highly Ambitious |
| **To reach power consumption from clean energy sources in cement of 40% by 2025 and 55% by 2030** | Not Aligned | Moderately Ambitious | Ambitious | Highly Ambitious |
| **To achieve alternative fuel rate of 43% by 2025 and 50% by 2030** | Not Aligned | Moderately Ambitious | Ambitious | Highly Ambitious |

[20] To calculate rates of reduction, Sustainalytics used data provided by CEMEX, as illustrated in table 2 in the introduction page.
[21] IEA, "Technology Roadmap Low-Carbon Transition in the Cement Industry", at: https://www.iea.org/reports/technology-roadmap-low-carbon-transition-in-the-cement-industry

## Bond and/or Loan Characteristics

CEMEX has disclosed that it expects to link the financial characteristics of any Sustainability-Linked Securities issued under the Framework to the achievement of the SPTs. For the SLLs, a failure to meet the SPTs at a target observation date would result in an upward adjustment of the margin payable by CEMEX while if the SPTs are met, a downward adjustment to the margin would be applied. For the Sustainability-Linked Notes, a failure to meet the SPTs would trigger a step-up in the coupon rate as agreed upon in the bond indenture and payable from the first coupon payment date following the target observation date until maturity or callable date. Pricing adjustments would be non-cumulative, and all penalties or incentives associated with each KPI would accrue independently. All KPIs would be included in any instruments under the Framework. 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 step-up in the coupon rate or margin would be applicable.

## Reporting

CEMEX would commit to report on an annual basis on its performance on the KPIs and expects to include the relevant figures in the Integrated Report available on the Company's website; this approach to reporting is aligned with the SLBP and SLLP. CEMEX would further commit to disclose relevant information enabling investors to monitor the level of ambition of the SPTs such as updates to the Company's sustainability strategy, targets, methodology or benchmark changes and reporting.

## Verification

CEMEX would commit to having an external verifier provide limited assurance on the KPI performance at the SPT deadline, which is aligned with the SLBP and SLLP on verification. Verification would consist of an assurance statement by an auditor on the KPI information included in CEMEX´s Integrated Report and a verification assurance certificate following the observation date confirming whether the performance of the KPI meets the relevant SPT as outlined in the Framework.

## Alignment against the Climate Transition Finance Handbook 2020

Sustainalytics has assessed CEMEX's alignment with the recommendations of the CTF Handbook 2020 and considers the Company's transition strategy to be adequate. Sustainalytics highlights the following key elements of the assessment:

| Key Elements | ICMA Recommendation | Sustainalytics' Assessment | |
|---|---|---|---|
| **Issuer's climate transition strategy and governance** | - Transition strategy to address climate-related risks and contribute to alignment with the goals of the Paris Agreement<br>- Relevant interim targets on the trajectory towards long-term goal<br>- Governance of transition strategy | - CEMEX's climate change strategy is overseen by its Sustainability Committee, established in 2014, which is comprised of four members of the Board of Directors.[22] The members of the Sustainability Committee are elected at CEMEX's general ordinary shareholders' meeting and are responsible for defining, endorsing, and evaluating the emissions reduction targets and sustainability priorities.<br>- CEMEX has developed a $CO_2$ Reduction Roadmap describing the deployment of technological innovations as well as operational decisions which will support its decarbonization objectives. See detailed assessment of decarbonization pathway and implementation plan in Section 2. | Aligned |
| **Business model environmental materiality** | - Transition trajectory should be relevant to the environmentally-material parts of the issuer's business model | - CEMEX's transition strategy directly addresses the environmental impact of the core part of its business. | Aligned |
| **Climate transition strategy to be 'science-based' including targets and pathways** | - Transition strategy should reference science-based targets and transition pathways | - CEMEX has established medium-term emissions intensity targets aligned with SBTI's well-below two degree pathway and aims to achieve net-zero by 2050.<br>- See detailed assessment of emissions targets in Section 2. | Aligned |
| **Implementation transparency** | - Disclosure of CAPEX and OPEX plans<br>- Climate-related outcomes and impacts those expenditures are intended to result in | - CEMEX intends to report on the progress of decarbonization and overall transition strategy through its annual Integrated Report and sustainability website. Information may include: (i) the performance of the selected KPIs, as per the relevant reporting period including baselines where relevant, (ii) a verification assurance report relative to the SPTs and the related impact and timing of such impact on the financial characteristics, (iii) information to monitor the progress and ambition level of the SPTs or updates to CEMEX's sustainability strategy.[23] CEMEX also expects to invest approximately US$60 million annually under its Future in Action program designed to reduce its carbon footprint.[2]<br>- The Company adheres to the reporting guidelines of the following carbon disclosure platforms: (i) CDP (Climate Change Response submission), (ii) Transition Pathway Initiative (TPI) , and (iii) Task Force on Climate-Related Financial Disclosures (TCFD) . Details and additional information of the Company's annual CDP Climate Change Response submissions are accessible on CDP's website. | Aligned |

[22] CEMEX, "Corporate Governance", at: https://www.cemex.com/investors/corporate-governance/committees#navigate.com/investors/corporate-governance/committees#navigate

[23] Additionally, CEMEX reports details on its indebtedness in its 20F Report, which include, since October 2020, the incorporation of five sustainability-linked metrics, including the reduction of net CO2 emissions and the use of clean energy, see: CEMEX, "20-F Report 2020" (2021), at: https://www.cemex.com/documents/20143/52528892/2020-20F-EN.pdf/5597b2b5-5a0a-210e-c494-5aece6d968e1.com/documents/20143/52528892/2020-20F-EN.pdf/5597b2b5-5a0a-210e-c494-5aece6d968e1

# Section 2: Assessment of CEMEX's Sustainability Strategy

## Credibility of Climate Transition Strategy

Sustainalytics recognizes that proceeds from debt issuance under this Framework would be for general corporate purpose use, which include support of the Company's initiatives for transitioning towards low-carbon operations. Within this context, Sustainalytics has assessed CEMEX's climate transition strategy below:

### Emission-Reduction Targets

In 2020, CEMEX established a new medium-term target of a 35% reduction in its net $CO_2$ emissions per ton of cementitious product (Scope 1 and 2 from cement operations) compared to 1990 levels, aligned with the 2-Degree Scenario Decarbonization Pathway ("2DS Pathway"); the Company's targets have been validated by the Carbon Trust.[24] In 2021, CEMEX committed to further strengthen its goal and bring its 35% target to 2025 and the net $CO_2$ emissions per ton of cementitious product to below 475 kg by 2030, equivalent to at least 40% reduction from 1990 levels. CEMEX has started the validation process for this new more ambitious target aligned to the well-below 2°C scenario of the SBTi[25] and expects to have it done before the end of year 2021. In the long-term, CEMEX aims to deliver net-zero $CO_2$ concrete globally by 2050, and an intermediate target for concrete of 165 kg of $CO_2$ per cubic meter by 2030 has been announced by the Company.

Sustainalytics considers the set targets to have a positive impact on CEMEX' transition towards a well-below 2°C scenario decarbonization pathway.

### Decarbonization Pathway and Implementation Plan

In 2018, CEMEX developed a $CO_2$ Reduction Roadmap (the "Roadmap") launched across all its cement sites to model and assess the carbon mitigation potential. Based on this review, CEMEX has disclosed that it has developed a detailed roadmap site by site with specific actions to achieve its 2030 target, by implementing different technical measures. The seven key levers identified by the Roadmap to decarbonize CEMEX's own operations are:

1. *New types of clinker and novel cements*
2. *Energy efficiency*
3. *Increasing the use of alternative fuels to substitute fossil fuels*
4. *Maximizing the use of renewable energy as power source*
5. *Clinker substitutes*
6. *Expanding and protecting natural carbon sinks*
7. *Implementing Carbon Capture, Utilization and Storage (CCUS) and other carbon innovative technologies*

The Roadmap recognizes that some of these activities can be rolled out globally as technological innovation progresses, such as novel cements, while others are dependent on local conditions. For example, clinker substitutes such as fly ash or blast furnace slag are not widely available in certain countries and alternative fuels from waste streams may not be viewed as a preferable waste management solution in some regulatory contexts. CEMEX also recognizes that carbon sinks and CCUS should not be a primary solution for operational decarbonization but can play a key role in mitigating the remaining share of hard-to-abate operational emissions. Finally, CEMEX aims to address emissions beyond its own operations, across the product lifecycle, by

[24] Carbon Trust, "2-Degree Scenario Decarbonization Pathway – Validation Opinion Letter - CEMEX" (2020), at: https://www.cemex.com/documents/20143/160187/2020-sep-22-carbon-trust-validation-opinion-letter.pdf/436e9395-4c5d-1e4c-eaec-cdc7f06ef397?t=1611006248839.com/documents/20143/160187/2020-sep-22-carbon-trust-validation-opinion-letter.pdf/436e9395-4c5d-1e4c-eaec-cdc7f06ef397?t=1611006248839

[25] CEMEX expressed its commitment to the targets communicated in the Framework and expects to obtain SBTi validation by end of 2021.

focusing on continued technological progress in the materials it produces enabling longer lifespans and enhanced decarbonization[26] processes.

CEMEX's decarbonization strategy is aligned with industry best practice, such as the IEA Cement Technology Roadmap.[27] The implementation of the Roadmap started with European operations in 2018 and extended to all operations worldwide beginning in 2019.

Sustainalytics recognizes that CEMEX has prioritized the development of credible options for decarbonization and has reported on steps taken to begin implementing its policy commitments. Sustainalytics encourages CEMEX to continue to refine its plan in the face of ongoing technological innovation and to continue to report on the timelines to deploy best available technologies.

## CEMEX's Environmental and Social Risk Management

Overall, Sustainalytics notes that the ESG risk management of CEMEX is considered strong. Sustainalytics also recognizes that while CEMEX's defined targets are impactful, it is acknowledged that achieving the SPTs bears environmental and social risks. Sustainalytics' ESG risk rating methodology identifies "Carbon – own operations, Business ethics and Resource use"[28] as material ESG issues for CEMEX.

In the following section, Sustainalytics comments on CEMEX's ability to mitigate such potential risks.

- **Carbon – own operations**. Considering the high emissions of $CO_2$ in cement production, CEMEX's exposure to GHG emissions and energy consumption risks is high. Sustainalytics notes positively that the targets of the Framework are intended to directly address this risk. Further, CEMEX is considered to have a strong GHG reduction programme as well as robust environmental policy. In fact, CEMEX has drafted a clear CO2 reduction roadmap in line with scientific benchmarks. Furthermore, the Company also has a strong and detailed programme to improve the environmental performance of its logistics and fleet management, with a target to reduce the CO2 emissions of its transport by 6% by 2050. While the Company has a robust environmental policy, only 39% of its ready-mix sites and 47% of its aggregates sites are certified to ISO 14001.[29] In terms of performance, its carbon emissions by sales are above the industry median, according to Sustainalytics' ESG Risk Rating assessment[30], and renewable energy represented 14% of the total energy consumed in 2020. CEMEX established an ambitious target to reduce by 40% the carbon intensity of its production by 2030.

- **Business ethics**. Price-fixing and collusion risks tend to be material in the construction materials market.[31] Occasions for bribery and corruption practices can arise when companies strive for contracts of public infrastructure projects. As such, failure to implement robust compliance programmes could lead to regulatory and reputational risks. To mitigate those risks, CEMEX has developed a global compliance programme, including formal policies on anti-corruption and anti-money laundering as well as disciplinary actions for violations of its code of ethics. In 2020, over 26,000 employees received training related to business ethics, human rights, and legal compliance.[32] Its ETHOS Line 24/7 reporting line mechanism follows best-practice standards and is composed of an independent platform that allows employees and other stakeholders to anonymously report violations or concerns 24/7.

- **Resource use**. CEMEX's operations require large volumes of water for cooling cement kilns, produce concrete, as well as for mineral processing and dust suppression in its aggregates production.[33] As of 2020, 16% of CEMEX's sites

[26] Recarbonization refers to the process by which CO2 is reabsorbed by concrete as cement cures. Current estimates suggest this process can remove 25% of the operational carbon emitted in cement production, and CEMEX is working to increase this figure as well as the rate of absorption.
[27] https://www.iea.org/reports/technology-roadmap-low-carbon-transition-in-the-cement-industry
[28] Sustainalytics defines: i) Carbon – Own Operations as risks related to its own operational energy use and GHG emissions (scope 1 and 2, as well as parts of Scope 3), ii) Business Ethics as the management of ethical considerations applicable to most or all sectors, such as taxation and accounting, anti-competitive practices and intellectual property issues, iii) Resource use as how efficiently and effectively a company uses its raw material inputs (excluding energy and petroleum-based products) in production and how it manages related risks.
[29] CEMEX, "Integrated Report 2020", at: https://www.cemex.com/documents/20143/52528892/IntegratedReport2020.pdf
[30] The Sustainalytics's Carbon – Own Operations MEI refers to a company's management of risks related to its own operational energy use and GHG emissions (scope 1 and 2). It also includes parts of Scope 3 emissions, such as transport and logistics. It does not include emissions in the supply chain or during the use phase/end-of-life cycle of a product.
[31] This assessment has been derived from Sustainalytics' ESG Risk Rating.
[32] CEMEX, "Integrated Report 2020", at: https://www.cemex.com/documents/20143/52528892/IntegratedReport2020.pdf
[33] This assessment has been derived from Sustainalytics' ESG Risk Rating.

(over 1,500) were in water-stressed areas and this percentage is expected to grow to 43% by 2040.[34] Excessive water use in high water-stressed regions can raise operational costs, promote business disruption, and provoke community opposition, mainly when competing with local communities for the resource. In this scenario, robust water drainage monitoring systems are imperative. CEMEX provides a complete reporting on water indicators, in line with the GCCA Guidelines. The Company reported a total water withdrawal of 53 million m3 in 2020, which is in line with the industry median and has remained roughly stable compared to the previous three-year average. As of FY2020, 82% of the Company's sites were equipped with water recycling systems. Using World Resources Institute Aqueduct tools, in 2019, CEMEX conducted a water stress study to identify the sites located in water-stressed zones and guide its water action plan. The Company has set up commitments to implement a water optimization plan in extremely high-water-stressed zones by 2021 and in all the high-risk sites by 2030.

Overall, Sustainalytics considers that CEMEX has strong management programs and policies to mitigate risks that could arise in achieving the SPTs. As a commitment to transparency under the Framework, Sustainalytics encourages CEMEX to implement comprehensive due diligence assessment on business ethics and water risks and provide robust reporting on the impacts of issuances.

## Section 3: Impact of the SPTs Selected

The chemical and thermal combustion processes involved in the production of cement are the source of approximately 8% of global $CO_2$ emissions, as of 2018.[35] The use of cement is set to increase with the rising global population and urbanization patterns, particularly in emerging economies. In fact, global cement production is set to grow by 12-23% by 2050 from 2018 levels[36], at a time when its emissions need to fall rapidly. The cement industry made progress in energy efficiency and carbon emissions reductions since the International Energy Agency (IEA) and the World Business Council for Sustainable Development (WBCSD) published *the Cement Technology Roadmap 2009: Carbon Emissions Reductions up to 2050*[37], with an average CO2 intensity of cement production falling by 18% between 1990 and 2014. However, with demand tripling since 1990, the sectors' absolute emissions have risen.

To meet the Paris Agreement's goals, CO2 emissions of the cement industry will need to fall by at least 16% by 2030 in comparison with levels in 2018.[38] Decarbonizing the cement sector while producing enough cement to meet demand poses significant challenges due to process emissions. Strategies to cut carbon emissions include improving energy efficiency, switching to lower-carbon fuels, promoting material and advancing process and technology innovations.[39] While there have been promising policies in recent years, including the joint IEA and Cement Sustainability Initiative (CSI) Technology Roadmap, the Transition Pathway Initiative[40], and Energy Technology Perspectives, greater policy ambition, technological advancements, and robust actions are needed to support the decarbonization pathways for the cement sector[41]. In this context, the Global Cement and Concrete Association (GCCA)[42] was established in 2018 to advance the sectors' contribution to climate ambitions, as a continuation of the CSI to develop guidelines for the industry.

Despite the efforts, more ambitious targets are necessary in reducing GHG emissions for the cement industry by identifying the best path forward, pursuing the right technological innovations and rethinking strategies.[43] Sustainalytics notes that mitigating these emissions may pose significant challenges with the growing demand for cement and notes that the Framework, primarily focused on CO2 reduction, and increased power consumption from clean energy and alternative fuels rate, can significantly reduce its operational carbon footprint and support the decarbonization in the cement industry.

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[34] CEMEX, "Integrated Report 2020", at: https://www.cemex.com/documents/20143/52528892/IntegratedReport2020.pdf
[35] Chatham House Report, "Making Concrete Change Innovation in Low-carbon Cement and Concrete " (2018), at: https://www.chathamhouse.org/sites/default/files/publications/2018-06-13-making-concrete-change-cement-lehne-preston-final.pdf
[36] IEA, "Technology Roadmap Low-Carbon Transition in the Cement Industry" (2018), at: https://iea.blob.core.windows.net/assets/cbaa3da1-fd61-4c2a-8719-31538f59b54f/TechnologyRoadmapLowCarbonTransitionintheCementIndustry.pdf
[37] IEA, "Cement Technology Roadmap 2009 Carbon emissions reductions up to 2050" (2008), at:
[38] IEA, "Energy Technology Perspectives 2017" (2017), at: https://iea.blob.core.windows.net/assets/a6587f9f-e56c-4b1d-96e4-5a4da78f12fa/Energy_Technology_Perspectives_2017-PDF.pdf
[39] IEA, ''Cement'' (2020), at: https://www.iea.org/reports/cement
[40] TPI, "Carbon performance assessment of cement producers: note on methodology" (2018), at: https://www.transitionpathwayinitiative.org/publications/23.pdf?type=Publication
[41] IEA, "Energy Technology Perspectives 2017" (2017), at: https://iea.blob.core.windows.net/assets/a6587f9f-e56c-4b1d-96e4-5a4da78f12fa/Energy_Technology_Perspectives_2017-PDF.pdf
[42] GCCA, "GCCA Sustainability Guidelines for the monitoring and reporting of CO2 emissions from cement manufacturing" (2018), at: https://gccassociation.org/wp-content/uploads/2019/03/GCCA_Guidelines_CO2Emissions-v0.pdf
[43] McKinsey

## Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. The Framework advance the following SDG goals and targets:

| KPI | SDG | SDG Target |
|---|---|---|
| Net $CO_2$ emissions intensity ($kgCO_2$/ton of cementitious product) | 7.Affordable and clean energy | 7.3 By 2030, double the global rate of improvement in energy efficiency |
| | 9. Industry, innovation and infrastructure | 9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities. |
| Power consumption from clean energy sources in cement | 7.Affordable and clean energy | 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix |
| Alternative fuels rate (%) | 7.Affordable and clean energy | 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix |
| | 12. Responsible Consumption and Production | 12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment |

## Conclusion

CEMEX intends to issue SLBs, SLLs and/or other sustainability-linked instruments which would tie the financial characteristics of the instruments to the achievements of the following SPTs:

- SPT 1: To reduce net $CO_2$ emissions intensity to 520kg by 2025 and below 475kg by 2030
- SPT 2: To reach power consumption from clean energy sources in cement of 40% by 2025 and 55% by 2030
- SPT 3: To achieve alternative fuels rate of 43% by 2025 and 50% by 2030

Sustainalytics performed a review of CEMEX's Framework and considers the KPIs to be relevant and material and aligned with the Company's sustainability strategy. Sustainalytics considers KPI 1 to be very strong and SPT 1 to be ambitious as it represents a material improvement compared to past performance, aligns with peer performance, and aligns CEMEX with a science-recognized trajectory to a well-below two-degree scenario. Sustainalytics notes the absence of science-based decarbonization pathways for the cement sector towards a 1.5°C scenario and acknowledges the well-below-2-degrees scenario as the best applicable pathway to date. Sustainalytics also acknowledges CEMEX's stated commitment to align with the best available pathways for the cement sector as evidenced by CEMEX's signing onto the Business Ambition for 1.5°C commitment and joining the Race to Zero Campaign. Sustainalytics considers KPI 2 to be adequate and SPT 2 to be ambitious based on the Company's past performance and the challenges faced in scaling renewable energy procurement in the sector and regions in which CEMEX operates. Sustainalytics considers KPI 3 to be strong and SPT 3 to be highly ambitious as it represents a material improvement compared to past performance and a favorable comparison against peers and is significantly above the IEA's key indicator level for thermal substitution for cement manufacturers, an additional supporting effort towards the 1.5°C scenario. Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Based on the above, Sustainalytics considers the Framework to be in alignment with the five core components of the SLBP and SLLP and the prospective of achievement of the SPTs to be impactful.

# Appendix 1: Sustainability-Linked Bonds - External Review Form

## Section 1. Basic Information

**Issuer name:** CEMEX, S.A.B. de C.V.

**Sustainability-Linked Bond ISIN:**

**Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3):** Sustainalytics

**Completion date of second party opinion pre-issuance:** August 17, 2021

**Independent External Review provider's name for post-issuance verification (section 4):**

**Completion date of post issuance verification:**

At the launch of the bond, the structure is:

☒ a step-up structure ☐ a variable redemption structure

## Section 2. Pre-Issuance Review

### 2-1 SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review:

☒ assessed all the following elements (complete review) ☐ only some of them (partial review):

- ☒ Selection of Key Performance Indicators (KPIs)
- ☒ Calibration of Sustainability Performance Targets (SPTs)
- ☒ Verification
- ☒ Bond characteristics (acknowledgment of)
- ☒ Reporting

☒ and confirmed their alignment with the SLBP.

### 2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

☒ Second Party Opinion ☐ Certification

☐ Verification ☐ Scoring/Rating

*Note: In case of multiple reviews / different providers, please provide separate forms for each review.*

### 2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

## Section 3. Detailed pre-issuance review

*Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.*

### 3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIS)

**Overall comment on the section** *(if applicable)*:

**List of selected KPIs:**

- Net CO2 emissions intensity (kgCO2/ton of cementitious product)
- Power consumption from clean energy sources in cement
- Alternative fuels rate (%)

**Definition, Scope, and parameters**

- ☒ Clear definition of each selected KPIs
- ☒ Clear calculation methodology
- ☐ Other (please specify):

**Relevance, robustness, and reliability of the selected KPIs**

- ☒ Credentials that the selected KPIs are relevant, core and material to the issuer's sustainability and business strategy.
- ☒ Evidence that the KPIs are externally verifiable
- ☒ Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis
- ☒ Evidence that the KPIs can be benchmarked
- ☐ Other (*please specify*):

### 3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

**Overall comment on the section (***if applicable***):**

**Rationale and level of ambition**

- ☒ Evidence that the SPTs represent a material improvement
- ☒ Credentials on the relevance and reliability of selected benchmarks and baselines
- ☒ Evidence that SPTs are consistent with the issuer's sustainability and business strategy
- ☒ Credentials that the SPTs are determined on a predefined timeline
- ☐ Other (please specify):

**Benchmarking approach**

☒ Issuer own performance
☒ Issuer's peers
☒ reference to the science
☐ Other *(please specify):*

**Additional disclosure**

☒ potential recalculations or adjustments description
☒ issuer's strategy to achieve description
☒ identification of key factors that may affect the achievement of the SPTs
☐ Other (please specify):

### 3-3 BOND CHARACTERISTICS

**Overall comment on the section (*if applicable*):**

**Financial impact:**

☒ variation of the coupon
☒ ☒Variation of the margin
☐ Other (*please specify*):

**Structural characteristic:**

☐ …
☐ …
☐ Other (*please specify*):

### 3-4 REPORTING

**Overall comment on the section (*if applicable*):**

**Information reported:**

☒ performance of the selected KPIs
☒ verification assurance report
☒ level of ambition of the SPTs
☐ Other (*please specify*):

**Frequency:**

☒ Annual
☐ Semi-annual
☐ Other (please specify):

**Means of Disclosure**

☒ Information published in financial report ☐ Information published in sustainability report

☐ Information published in ad hoc documents ☐ Other (please specify):

☐ Reporting reviewed *(if yes, please specify which parts of the reporting are subject to external review)*:

Where appropriate, please specify name and date of publication in the "useful links" section.

**Level of Assurance on Reporting**

☒ limited assurance ☐ reasonable assurance

☐ Other *(please specify)*:

**USEFUL LINKS (*e.g. to review provider methodology or credentials, to issuer's documentation, etc.*)**

| |
|---|
| |

## Section 4. Post-issuance verification

| **Overall comment on the section (*if applicable*):** |
|---|
| |

**Information reported:**

☒ limited assurance ☐ reasonable assurance

☐ Other (please specify):

**Frequency:**

☒ Annual ☐ Semi-annual

☐ Other (please specify):

**Material change:**

☒ Perimeter ☒ KPI methodology

☒ SPTs calibration

## Disclaimer

## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 25 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 800 staff members, including more than 300 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com